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Mid-Century

THOUGH by some it was celebrated prematurely (and with rather more reason for cheerfulness) a year ago, on a correct chronology the second half of the twentieth century began this week. Phases do not often coincide with centuries, and there is little unity to be detected in the past fifty years. The sharpest turning-point was the 1914-18 war, and everyone who was adult before 1914—in the age of Liberalism triumphant—is now more than middle-aged. With the deaths last year of Field-Marshal Smuts and Mr Mackenzie King, there are few active survivors except Mr Churchill of the statesmen who mattered before the Russian revolution. Intellectually, it is, perhaps, in this that the chief significance of the turn of the century is to be found. The men of the fifties have, at most, adolescent recollections of the Edwardian world. The thoughts and attitudes of our times are now the creation, so far as direct experience goes, solely of the twenties, the thirties and the forties. That explains, and perhaps it can be held to excuse, a great deal.

What the twentieth century has not yet done is to provide reason for real despair. Its dispiriting quality consists in disappointment to the high hopes of progressive advance that the century inherited from its predecessor. That is not catastrophic or even, on an historical view, surprising. The Victorian optimism was the product of conditions that must be counted unusual. The disappointment is to a particular concept of progress; it is not the end of human advance as that exists in history as a whole. Certainly the world of 1951 would be far better if it had achieved what was confidently expected fifty years ago—the steady, almost automatic proliferation, horizontally through the world and vertically through society, of the standards of the educated Victorian middle class. For very good standards, on the whole, they were, expressing far more of human truth and tolerance than any other crust of civilisation has done.

But the confidence that has been lost was of the boundless sort plainly too good for this world. *The Economist* of January 4th, 1851, greeted "the new half-century, which will, no doubt, surpass its predecessor as much as that surpassed all that went before it." When hopes used to be so high it is hard now to distinguish between failure to progress and retrogression. But, on a detached view, it is surely no more than a failure to progress that has marked the past forty years. It is a failure, above all, to expand the area of Western civilisation. After brave experiments representative government has been stifled or has withered in almost every country where it had not gained firm hold before the twentieth century began. At some points the frontiers of the free world have been pushed back. At others, ground has not yet, compared with the opening of the century, been lost. If one can manage to look a few years ahead, there is no certainty that the Chinese revolution will follow the totalitarian pattern of the Russian. It may be that a permanent advance to democracy will be achieved in

The Russian Reply



Japan. All the difficulties to which the new governments of the Indian continent are exposed, it may be too soon to say that liberalism there has failed. There are still, in spite of Malan, liberalising movements afoot in Africa, and movements not yet captured and turned into the hands of Communists. It may be, indeed, that in these lands the speed of possible progress is being misjudged and that liberalisation will again dissolve into anarchy and tyranny. But the important point is that the result is not yet determined. There remains some scope for western initiative and advance. A decisive contraction of the area of freedom does not have to be taken for granted.

This is one, and the less favourable, side of the account. The other is that almost all the established centres of freedom have more than survived the past forty years. They have been weakened by, but they have withstood, the two onslaughts of German militarism. They have not fallen, and they need not fall, to the cold war of Soviet Communism. And—in this is the ground for hope—where free institutions have survived men have continued, since 1914, to make large advances—in material wealth, in understanding of man and society as well as of physical science, in tolerance and in decency. Within the western world, the sum of human misery is surely smaller now than it was when Queen Victoria died. That this has been achieved in spite of two world wars is sufficient answer to those who despair of western civilisation. A limited optimism is possible now and will remain possible even if the effort to secure peace by strength should fail.

It is, indeed, a limited optimism. For several years ahead, the West can concentrate on the necessities of physical defence only at the cost of severely thinning all the fruits—mental as well as material—of the free society. But it is important to see this sacrifice in proportion. Even war itself can be fought, as was shown in 1939-45, without a catastrophic surrender of the basic personal liberties or the rights of criticism. A cold war is not one whose frosts are, in this respect, more killing. Nor are the material sacrifices of adequate rearmament so great that they must involve either severe hardships or sharp social strains for communities both free and rich, and united in their aims. And, for all the postwar poverty of Europe, the West as a whole is richer than ever. It is necessary in this, as in other things, not to confuse the problems of the free world with the secular shift of the centres of power and wealth away from Europe. What Europe lacks in economic strength the United States possesses in abundance. Against all the losses of the twentieth century must be set the fact that the United States has come of age. It has come to a heritage far different from anything anyone expected. The leadership to which the United States has succeeded has turned out to be that not of a gloriously expanding world economy but of a half-world on the defensive, and, therefore, imposing more in responsibilities than it provides in privileges. Those responsibilities the American people have accepted—with doubts and hesitations and even now inconsistencies, yet on the whole with remarkable foresight, courage and energy. Three years ago the United States came to see, and one must assume will continue to see, that it could not have security in the postwar world until the Russians were convinced that Western Europe would not be left either to succumb to invasion or to be so weakened by cold war as to fall under Communist dicta-

torship from within. It will be time to despair for the free world if ever this partnership of its two halves should dissolve.

Union of effort, however, is not in itself enough. It is union in a defensive posture, and in that posture much of what matters most in western civilisation must tend to stagnate or to deteriorate. Any real confidence in the future rests on the belief that somehow these tendencies can be resisted. The free world cannot just go on preserving itself by being strong enough to deter aggression. At some point, where the Russian decision on peace and war, there has to be a break in the international tension. At some point in the twentieth century the success of the free world will consist not in its self-preservation but in its ability to advance—which means, in democratic terms, its capacity to offer both for its own people and for the poor communities of Africa and the East rising standards, both material and moral, that dictatorship cannot provide. For this capacity, two things are necessary now. In the sphere of defence against Communism, the West has to maintain, through perhaps a decade or more of acute mental and physical strain, as much as possible both of its freedoms and of its economic progressiveness. Without freedoms, the heart would be gone out of the defence; but economic progressiveness is hardly less important.

Many oligarchic communities have combined poverty for most of their people with the finest flowerings of civilisation. The distinction the West, to outside eyes even more than to its own, has in the past hundred years its unprecedented income of wealth, making economic democracy possible, a tragedy of the thirties was that the free society failed by its own standards: it came to believe, and now more than in Britain, that production did not matter: a use only the problem of distribution remained to be solved. In this, postwar experience has already forced us to move full circle: they are back now to as fervent belief in the importance of production and capital accumulation as ever the Victorians held. What is necessary for the second half of the twentieth century is to show the world that the West is still capable of practising its faith. The superiority of western society is not that it is just and free but also that it is rich. It fares well enough in the next fifty years if it can concentrate on those essentials. The economic problem at the beginning of the half-century is to combine efficiency, flexibility and self-restraint necessary for effective defence and sustained economic progress.

That an essentially similar problem has gone unsolved since 1945 is no reason for thinking it insoluble; at least the welfare economy in Britain has survived the postwar trials better than at moments seemed likely. The difficulty is chiefly one of fiscal will: have the statesmen of a world turning so differently from their expectations the flexibility of mind, and the courage, to lead public opinion through more fears of tension, of sacrifice, of living for a moment for butter tomorrow? The one certainty about the turn of this century is that the pattern of the future is more than usually undecided. It is, for this generation more than for many generations to come, a time of despair of making those lives richer will require iron nerves and

THE Russian reply to the western powers' proposal of wide-ranging talks leaves the door to negotiation ajar—but only so much ajar as to make it a question of some subtlety whether they should now squeeze their way in or first ask that the door should be opened a little wider. This is something gained, but not much. For the Note itself, although by Moscow standards polite in tone, shows that mixture of dishonesty and wordy legalism that has caused so much mischief in the past.

Russia remains—so the argument runs—the one genuine defender of the Potsdam Agreement and its supervision by the Council of Foreign Ministers; that is why it proposed on November 3rd that they should talk specifically about the demilitarisation of Germany. Russia is always ready to talk about German problems—on the basis of the one-sided Prague proposals drawn up with its satellite governments in October. Russia somehow knows that those proposals "met with great sympathy among broad circles of the German population" and is full of "legitimate perplexity" because the West pretends to see in them no basis for discussion. "Nobody has threatened or is threatening" the western powers; they have therefore no excuse for "creating a regular German army." Their allegations that Germans in the Russian zone have been rearmed are "devoid of any foundation." But their own negotiations with the Adenauer Government reflect "the striving of certain aggressive circles to place before the peoples of Europe a *fait accompli*."

In short, this reply, delivered in Paris, Washington and London last weekend and broadcast from Moscow on Tuesday, evades three main points in the western case. It glosses and quibbles over the fact that powerful and fully trained formations of Communist SS have actually existed for two years past in eastern Germany and diverts attention to proposals for a "regular German army" and the "restoration of war industry" in the west—neither of which has reached the stage of formal discussion. It refuses to admit—that everybody knows—that the Russians cannot give a straight answer to the western proposal for free elections throughout Germany under international supervision. Most important of all, it refers nowhere to the suggestion of the Americans, British and French, in their Notes of December 22nd, that the four governments should consider

the principal problems whose solution would make possible a real and lasting improvement in the relations between the Soviet Union, and the United States, Great Britain and France and the elimination of the causes of present international tension throughout the world.

Those Russians who rely on Moscow newspapers and radio still have no means of knowing that the western powers had expressed a desire to go to the roots of present suspicions and disagreements.

These omissions are significant. They suggest some uncertainty behind the drafting of the reply; one hears a stick being tapped over the ground on to which the Russians have been invited to advance. Germany is familiar, carefully reconnoitred and prepared ground on which to negotiate; the international situation as a whole is a vaster terrain, with uneven and treacherous stretches. It would be a grave blow to the peace campaign if the

Russians were got into the position of refusing a broad discussion of obstacles to peace. It would blunt the point of the wedge that they are trying to drive between France and America if they were got into the position of refusing to disarm Communist Germany. It would kill what little political influence they can exert on Western Germany if they said in so many words that they dare not allow free elections all over the country. All this and more can be fairly read into the omissions; and even if nothing else comes of these negotiations, here are three weak points in the Stalinist position that can be hammered at day after day by the free world's propaganda.

But there is no reason to believe that this is yet the end of the story. If the Russian Note suggests uncertainty, it also betrays curiosity. It is dominated—as is Moscow's whole European policy—by the anxious wish to nip German rearmament in the bud and so prevent a decisive addition to the strength of America's allies in Europe. It specifically—and accurately—refers to the demilitarisation of Germany as "the most acute problem for Europe," and the same thing has been said by the Russians more or less emphatically three times in three months.

It is being said that this Note leaves Moscow's intentions obscure; yet it is perfectly clear what they are. The Russians believe that Paris and London are less determined, more nervous about the present tensions than is Washington, and are therefore the prime movers behind the proposal for wide-ranging talks. The French are singled out in the Note for quite special remonstrance. If America's allies can be encouraged in these hopes by the absence of any Russian refusal of general talks, then there might be a chance of their bringing America into conference to discuss German demilitarisation. Once at the table—and once the old, inevitable differences over Germany had cropped up again—it would be easy for Mr Vyshinsky to say or imply "no progress on Germany, no progress on peace." That is precisely the Russian line in Germany now; as is explained in an article on page 25; they insist, day in day out, that divided Germany means war, united Germany means peace.

The Russians certainly overrate these differences in the western camp; and, in any case, the trap is far less formidable than it might seem. If the Russians refused to talk peace because they could not get their own way in Germany, that refusal would strengthen western determination to rearm as few other things could. If they refused to discuss Germany save in terms of the grotesque Prague programme—a united Germany, with no occupation troops to hold the ring, brought together by an assembly in which 50 million western and 17 million eastern Germans had equal representation—they would achieve much the same result.

In fact, however one looks at it, the diplomatic initiative already taken is worth following up. If the Russians intend nothing more than another round or two of the propaganda to which discussion of German problems lends itself, then the Americans, British and French can enter it with confidence, for they are now leading on points. If, on the other hand, the Russians intend to talk business about Germany—and they have taken immense

trouble over their case—then it would be unwise for the Western Governments to turn everything down in advance. But if any advantage is to be drawn from playing the game any further, the three western powers must be quite clear in their minds, and quite clear in their public statements, about what they expect from them. They must not entertain anything more than the very faintest hope of any real *détente* coming out of further talks. But the faintness of the hope has three important consequences. First, it should be made clear that, whatever happens, the Western Germans are not going to be abandoned to Communist vengeance. That does not exclude the possibility of a bargain with the Russians on the “demilitarisation” of both Germanies, East and West; it does not exclude the possibility of a single German Government on the Austrian model; but it does completely exclude the possibility of any evacua-

tion of the western occupation troops—and that should be made clear. Secondly, if there is very little prospect of a settlement, there is equally little reason for any lack of speed or resolution in the rearming of the western countries. And thirdly, for the same reason, there should be the fullest and most immediate exploitation by the West of the propaganda points that the Russian Note provides. The whole world, and especially the peoples behind the Iron Curtain, should be told that the Russian rulers dare not admit to their peoples that the West has offered discussions over the whole range of the threats to peace; that they dare not face free elections in Germany; that they dare not tell the truth about their “Red Nazis” in Eastern Germany.

Diplomacy has its part to play in a policy of firmness; but it must be absolutely clear about its objectives and its chances.

The Struggle in Malaya

THE suspension of the night mail train between Kuala Lumpur and Singapore this week may be looked at in two ways. It can be regarded—and very rightly—as a serious admission by the authorities that the war with the guerrillas has been going badly. The clockwork regularity and efficiency of Malayan Airways has, it is true, meant that for some time many people have adopted air travel inside the country as the routine method of getting about—also thereby avoiding the dangers of guerrilla attack; but that there should be no more night mail for an indefinite period is like stopping the night expresses between London and Scotland. On the other hand, this suspension can be regarded—as some people do regard it—as a welcome though belated recognition by the Malayan authorities that the country has reached a critical point in an alarming war; for months, many private individuals have deplored the official attempt, however well-intentioned, to preserve the attitude of “business as usual.”

It is difficult to sum up the present state of the emergency in Malaya, but these two views reflect two equally possible approaches to it. No one can claim that the emergency has been brought under control when attacks on life and property are almost as frequent as they have ever been. Yet the measures taken by the government show a great advance on those of a year ago. This is because of the progress which is being made in re-settling the Chinese squatters into village areas, where they can be given police protection—and also prevented from helping the guerrillas. Speaking in October, Lieutenant-General Sir Harold Briggs, the director of operations against the guerrillas, suggested that if all goes well most of this resettlement will be completed in the early part of 1951—70,000 out of about 100,000 have now been moved. Then, he said, a rapid improvement might be seen in the campaign, since the guerrillas could be cut off from the bulk of their food supplies; several have already been found dead from starvation in the jungle. He compared the operation to the clearing of mosquito breeding places; at first, results seem to come slowly, but as the later stages in the scheme are reached the curve of success goes up progressively.

In itself, this is cheering news. It is being accompanied by increasing evidence that the Malayan Federal

Government is determined to make a supreme effort to bring the state of emergency to an end. Partly in consultation with the home government and partly on the initiative of Kuala Lumpur, several important new measures have been taken during the past few months. These include the appointment of a director of manpower, Mr Foster Sutton; the calling up of men of all nationalities for service under the new Home Guard regulations; the strengthening of the executive War Council, created last year, by the addition of new representatives from the Malay, Chinese and planter communities; the introduction of selective conscription for the police and the creation of special jungle squads to take over from the army; the control of building materials needed for the squatter resettlement projects and for new military accommodation; the reduction of inessential government services and the curtailment of leave in order to fill the desperate need for more administrators to cope with the resettlement scheme; and the decision to take the drastic step of imposing collective punishment, by fines and other means, on areas which prove especially unco-operative towards the government—this will certainly require tactful handling. The High Commissioner has also announced Britain's gift of ten million Malayan dollars towards the cost of raising two more battalions of the Malay regiment—a difficult thing to do until the present four battalions have sufficient fully trained non-commissioned officers to throw off as a cadre for the new units.

All this makes an impressive record of new resolve, showing that, particularly since the arrival of General Briggs last March, the administration has shaken off some of the apparent inertia of which many who have been facing the endless daily danger of estate life certainly accused it. But the effect of the new measures has yet to be felt on the emergency itself. Behind all that is being done lies the inescapable pressure of a decline in public safety and a mass of Malayan Chinese doubters who, as Mr MacDonald said recently, expect to see Mao Tse-tung arrive in Malaya any day now. It cannot be said that Malaya has yet turned the corner.

The number of incidents has fallen slightly from the peak reached in October, but it is still nearly 500 a month, which is about double what it was a year ago. If deterioration continues, the normal economic life of

Malaya must gradually come to a standstill, with serious results not only to the whole anti-Communist position in the rest of eastern and southern Asia, but to the industrial strength of the western world through shortages of tin and natural rubber. If, on the other hand, the present slight tendency towards improvement can be maintained, the day has probably been saved.

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What are the chances? And what more should be done? The kernel of the matter now is that the emergency has become a police problem. This in itself is good, in so far as it implies that even now the army is not faced with the kind of large-scale movement that exists in the Viet Minh of Indo-China. The army—and the air force, though its effectiveness except in the vital tasks of supply-dropping and evacuating wounded is open to serious doubt—has exhausted the possibilities of “jungle bashing.” Military pressure must certainly be kept up, but an increase would serve relatively little purpose. The need now is to defeat the Min Yuen, the organisation which helps the terrorists, and which exists in the towns as well as the squatter villages. This means creating a more effective police force, particularly in the criminal investigation department and the special branch. Unfortunately, as was found in Palestine, it takes time, a matter of years rather than months, to build up a good special branch. Although the reorganisation and expansion of the Malayan police force began two and a half years ago, in order to meet the emergency, it had a very weak special branch to start with and has only recently begun to make up for lost ground. There is still, moreover, considerable difficulty in securing the right sort of officer recruits from the United Kingdom; out of an extra 190 required last year, some 40 vacancies still remain to be filled.

On the broad field of events in the Far East as a whole, especially the development of Chinese aggression, the position is less promising. The morale of the guerrillas in Malaya—nearly all of them Chinese—fluctuates very considerably; but it has now received another noticeable boost from the Chinese victories in Korea. In addition, the Peking government has lately turned its own propaganda directly on to the so-called grievances of the Malayan Chinese community, its asserted exploitation at the hands of the British imperialists and the supposed torture of its leaders in concentration camps. One reason for this flare-up, however, is undoubtedly that more Malayan Chinese are now being deported back to China than at any time since the present regime assumed power in Peking.

The result of these outside influences, as well as the traditional division of the Malayan population into distinct racial groups—Malays, Chinese, Indians and Europeans—is to deprive the country of almost any feeling that a single community exists or that it has any common responsibilities. Although rather more information about guerrilla movements is once more being obtained by the police, the Chinese community is still gravely lacking in public spirit; when, for instance, a terrorist throws a bomb into a crowded shop, nobody can be found even to say that he saw a man do it. Many of the Chinese, although quite well disposed towards the authorities, look on the emergency merely as an alien struggle between the government and a group of desperadoes, in which they have no part themselves except to guess correctly which side will win in the end.

A primary task of the Malayan government is, therefore, to break down this apathy. It is far from easy to do, but done it must be. Fortunately, two recent developments are likely to help. Among the most important of the new steps taken by the government are the assumption of the twin powers to direct labour and to conscribe men for part-time service in the Home Guard. Surprisingly enough, the Chinese are entirely willing to accept these provisions; they will gladly do what they are told, so long as they are told to do it and are not required to volunteer. The government is continually being begged to be ruthless by those most exposed to danger of assassination. Its “ruthlessness” must, therefore, take the form of using its new powers of compulsion, sparingly but fully wherever necessary. The other new development has been the expansion of the government's own publicity and propaganda department. For a long time this had been something of a one-man show. Now, an expert on Communist tactics and psychological warfare, Mr Hugh Carleton Greene, has been appointed from Britain and has arrived in Kuala Lumpur to create a new department. It is only by such methods that Malaya can meet its Communists on their own ground.

In spite of the emergency, Malaya has had one of the most prosperous years in its history, owing to the high prices of rubber and tin. The federal budget is balanced—thanks to the very high export duty on rubber—and the economic outlook is good. Besides this the constitutional reforms which were planned some months ago will be taking effect in the early part of 1951. In particular, municipal elections will be held for the first time in Kuala Lumpur, Penang and Malacca, leading “unofficial” citizens chosen from the leading communities will be appointed to assume responsibilities for departmental administration—on the lines of Cabinet Ministers—and a new law is likely to be passed in February expanding the federal citizenship. All these factors not only show that Malaya has a success story to tell, but promise a freer and better life for its people, if they will only reach out for it. The government is to be congratulated on much that it has now done, but it cannot succeed without winning greater confidence from the country. This in turn depends on pushing resolutely ahead with the plans it has made and on creating a sense of leadership as well as of merely military or administrative competence.

We regret

to announce that the first printing of THE ECONOMIST DIARY 1951 is sold out. A second printing is now in preparation and copies will be available shortly.

We suggest

that those who have been unable to obtain diaries should apply for copies from the second printing. Post-free price: U.K., 37/6d.; Overseas, 32/6d. THE ECONOMIST DIARY, 22 RYDER ST., LONDON, S.W.1.

The Ice Cream Industry

ANYONE who thinks that ice cream is an unsuitable subject for an article appearing in midwinter is obviously unaware of the extent to which it has grown, in comparatively few years, from a hot weather speciality to an article of general consumption the whole year round. Of all the manufactured foods that have become popular during the last thirty years, none has adapted itself to so many different uses as ice cream. It can be made into a treat for children at the street corner or an elaborately decorated centre-piece at a banquet; it lends itself to endless trimmings and—so it is said—a hundred and fifty different flavours; it can be mixed into milk drinks and in America it is even fried. It seems probable that only the lack of household refrigerators prevents it from establishing itself on Britain's conservative domestic menus as a staple article of diet. The adoption of a minimum food standard for ice cream, which it is safe to assume will be in force by next summer, will make very little difference to the quality of most of the ice cream now being made, but it will certainly constitute a first-rate advertisement for the industry.

Manufacturers, however, regard the prospect of a progressively higher standard with some misgivings. Ice cream, plain and unadorned, has an air of simplicity which is quite deceptive. It may still look like nothing more than frozen cream—which was the rare luxury on which the infant Mozart overate at court—but since the eighteen nineties, when mechanical refrigeration transformed ice cream into an article of commerce, it has become a very sophisticated product indeed.

It was first introduced into Britain as "hokey pokey," a penny treat for children sold from little carts in the street. Immigrant Italians made these one-man businesses a speciality; they put their natural talent for confectionery to work upon the crude formula for frozen milk, and by enriching it with cornflour and eggs and energetically beating air into the mixture as it froze, they produced a soft creamy food which became popular with people of all ages. The Neapolitan ice held the field until after the first world war when the growing demand stimulated a few big food manufacturers to copy American methods. In America, ice cream has always been a purely dairy product; the same warm summers produced cheap and abundant milk and a mass demand for ices. Factory production was in full swing there from the early nineteen hundreds. Complex machinery was used to break down large quantities of cream and butterfat into a stable solution in the milk, and so produce a heavy ice cream with more fat and less protein than the Italian variety. Machinery suitable for large-scale production also enabled the heaviness that resulted from all this cream and butter to be offset by beating in air as the mixture froze. This air might constitute as much as half the finished product. It not only kept the ice cream light, but cushioned the palate against the shock of extreme cold. The American type of ice cream was begun in London in the twenties and has since established itself over most of England. In Scotland and the North of England, however, there has survived an obstinate attachment to the older variety. All sizes of refrigeration equipment improved and most ice cream making became mechanised before the second world war; but the Italian-type of "mix," as it is called in

the trade, has remained to this day the typical product of the small trader. Since it has a low fat content, its behaviour while freezing is fairly predictable, and the individual shopkeeper can use a good deal of initiative in preparing it. When eggs were available, 6 or 8 of them often went into a gallon of "mix"; custard powder or fresh cream could be varied with the seasons.

Readers whose childhood was spent between the two wars will remember the two types of ice cream distinctly. There was the penny delight made in the local shop—soft yellow stuff smeared into cornets with a wooden spoon—and there was the hard white twopenny brick which cautious mothers always favoured because it was hygienically wrapped and made by a well-known firm. It is those smaller manufacturers of the older type of ice cream who feel apprehensive about the Government's intention to interfere with its composition; ices with a minimum fat content of 5 per cent, as proposed to begin with, can be supplied by all manufacturers without drastic reductions in quantity or a break with traditional methods. But the suggested increase in this figure at some future date will mean the end of "Italian type" ices which have, it is claimed, a respectable protein content, and a considerable demand from that section of the public which prefers them. The few well-known brands of ice cream, on the other hand, have a fat content varying around ten per cent, and are not likely to be affected by any standards officially laid down, now or in the future. The small manufacturers are also very critical of a standard which threatens to put a further premium on the proportions of air blown into the ice cream by powerful machinery.

During the war, the manufacture of ice cream was prohibited for several years, but in 1944 manufacturers were allotted a small fraction of the raw materials they were consuming in 1939. Margarine was substituted for butter and skimmed, dried milk for the fresh milk or full cream powder. The smaller manufacturers, who before the war used only liquid milk, not powder, complained that since they had previously used a low proportion of fat to milk solid for the Italian type of ice cream, their allocation of fat was microscopic, especially as they were now prevented from using liquid milk for which skimmed milk powder, that is with the fat removed, was no adequate substitute. A variety of "fillers" have since been pressed into service; lactose, cornflour, wheatflour, or even barley flour, but all except the first lack the nutritive value of milk proteins, while the wear and tear of wheat and barley flour on elaborate equipment makes their use expensive.

The decisive factor in limiting quantity would have been the meagre allocation of sugar, an indispensable ingredient, had it not been for free purchases of imported and extravagantly priced sweetened fat. This constitutes in effect an international black market in sugar, and it has more than quadrupled the possible supplies of ice cream. But all this juggling with ingredients was more than a question of expensive substitutes. It was also a chemist's problem. Ice cream must not taste of fat, but the fat in it is always trying to con-

geal into large globules during freezing, and the mechanical processes for preventing this are useless without the stabilising properties of a nicely balanced set of ingredients. Another common ailment is "sandininess," which is also due to quite small miscalculations in composition, while a product which avoids both these pitfalls may still not achieve the required combination of flavour, texture and appearance.

Dairy materials will produce a palatable ice cream by rule of thumb methods, but unscientific experiments with sweetened fat, and cornflour and whatever other likely-looking ingredients are available may produce many near misses to every one saleable batch of ice cream. Ready-made ice cream powders have been one answer to this difficulty. In the 'thirties dried milk was gradually replacing the liquid form as an ingredient, partly because it simplified storage, partly because its exact composition made it more dependable. The drying of milk into powder form, however, needs elaborate equipment and the number of plants is limited. A handful of large powdered milk producers and between thirty and forty other food chemists had, before the war, developed as a sideline ice cream powders which the small shopkeeper or restaurant could mix with water or milk and freeze to form a rather indifferent kind of ice cream with very little trouble. Wartime improvements in the technique of dehydration enabled these ready-made powders to be improved and varied, and their use has greatly extended. There are now several hundred ice cream powders on the market containing varying amounts of fat and milk; they are often used as a make-weight among seven or eight other ingredients, or as a stand-by for emergencies.

But the chief impetus to the use of ice cream powders has arisen not from the shortage of other ingredients, but from the hygiene regulations. Concern, on the part of both the public health authorities and of the trade itself, about the ease with which ice cream can harbour bacteria has led to very stringent control since its manufacture was resumed after the war. The registration with local authorities of all premises where ice cream is manufactured or sold has been compulsory since 1938. Pasteurisation—long the practice of the medium-sized and larger makers—has now also been made obligatory. This belated, but far-reaching regulation, has been energetically enforced and has driven the back-room makers out of the trade. Indeed, the cost of a pasteurising plant would have eliminated anything on a smaller scale than a small factory were it not that the regulations permit ice cream powders that have already been pasteurised by their makers to be dissolved and frozen without further heat treatment, provided that only water, colouring and flavouring are added. This has enabled the small restaurant or the isolated village shop to preserve "our own ice cream" as a sideline for hot days.

A great many smaller manufacturers, however, have re-equipped their plant and overhauled their premises at considerable outlay to comply with the new regulations, and since this was done in a boom period, there is a general impression in the trade that far too many of them have "done themselves proud." Far more capacity has been installed, it is claimed, than can be used in present conditions by the small operator, and the

resulting overcapitalisation has caused a small shrinkage of profits in the last few years.

The present level of output of ice cream in Britain is not known; it is certainly far lower than in the United States, where the national average consumption is nearly a pint per head per week. British output is estimated to be three to four times as big as before the war, and if ingredients were available to make more ice cream at present prices it would be sold—certainly if there were rather more enterprise in offering a variety of flavours. This is as far as the experts will venture to guess. There may be anything from ten to twenty thousand manufacturers. These include the three national giants, each of whom produces some tens of thousands of gallons a day, several hundred wholesale manufacturers, with a regional custom for a few thousand gallons a day, and a very large number of small local makers, who, besides supplying restaurants, and hospitals, fairs and fetes, also retail by tricycles or through local shops. The perishable nature of ice cream, combined with the very slow change in taste towards the mass-produced variety, has been the reason for these great differences in the scale of manufacture. It remains to be seen whether the small manufacturer will continue to hold his own against his larger competitors when the ingredients are again freely available.

Endless Progression.

When we refer to a few only of the extraordinary improvements of the half century just elapsed—such as the 35 years' peace, so far as morals are concerned; such as the philanthropic and just conviction that the welfare of the multitude, not of one or two classes, is the proper object of social solicitude; the humane direction which the mind has received towards the abolition of slavery; the amelioration of all penal systems, and the doubts that have been generated of their utility; the advances in religious toleration, and in forbearing one with another; and such as the application of steam to locomotives on water and land, and the consequent vast extension of communication all over the world, so far as physics are concerned;—such as the invention and general introduction of gas; the use of railroads and electric telegraphs; the extended application of machinery to all the arts of life, almost putting an end to very severe injurious bodily toil, except in agriculture, in which, though the labourers are speedily doubled up with rheumatism, and become, from poverty and excessive labour in all kinds of weather, prematurely old, great improvements have nevertheless been made:—when we refer to a few events of this kind, we become convinced that the half century just elapsed is more full of wonders than any other on record. Of that wonderful half century the Great Exhibition is both a fitting close and a fitting commencement of the new half century, which will, no doubt, surpass its predecessor as much as that surpassed all that went before it. Those who have lived through this wonderful era will lose all regret at not being suffered to witness the yet more wonderful things that are in store for their predecessors, in the bright hope that they will be the produce and the reward of the ingenuity and virtues they have been permitted to behold. All who have read, and can think, must now have full confidence that the "endless progression" ever increasing in rapidity, of which the poet sung, is the destined lot of the human race.

The Economist

January 4, 1851

NOTES OF THE WEEK

Commonwealth Conference

The Commonwealth Conference meets under a cloud created by the absence of Pakistan's Prime Minister, Mr Liaquat Ali Khan. He has deliberately missed the last plane which would get him to London in time for the opening of the conference, though it is not yet known, at the time of writing, whether he may attend the later stages. The original plan was that the conference should discuss foreign policy and the defence of the common interests of the members of the Commonwealth. It was never intended that a dispute between two members, such as the Kashmir issue between Pakistan and India, should form part of the agenda—and this has been the stumbling block for Mr Liaquat Ali Khan.

The subject of external defence has also proved difficult. It was not to be taken for granted that Mr Nehru's intention to be present at the London conference would be readily accepted in India. But it has been—though only on the general assumption that he would not do anything to commit India to a common defence policy. Indian opinion has been gratified to learn how seriously Delhi's views on world affairs have lately been taken, not only in London and the rest of the Commonwealth but also in Washington and other western capitals. This does not mean, however, that there is as yet any discernible tendency for Delhi to align itself more closely with any anti-Communist bloc of world powers, whether members of the Commonwealth or not.

This is a pity. It can be no secret to Delhi, or to anyone else, that the absence of any Indian commitment to the common pool of military and industrial strength poses graver questions for the rest of the Commonwealth than had to be faced in either of the last two world wars. Nowhere is this more important than in the Middle East. The Persian Gulf area, for instance, with its huge oilfields, used to be a defence responsibility of the British headquarters in India. As it is, the members of the Commonwealth have come together on the eve of what seems bound to be a period of grave international tension; and the older members are expected to discuss what contributions they can make to the common effort. At present, events in Asia will form the main theme of the talks on foreign policies. In these, Mr Nehru will have a vital part to play. But it would be a serious omission if either he or the other prime ministers did not speak very frankly in private on the widest issues of Commonwealth defence and planning.

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Kashmir Barter

Time is doing nothing to heal the Kashmir wound. The Indian attitude to discussion of the dispute with Pakistan is rather like that of the western powers on the subject of negotiations with the Soviet Union over Germany—it is no use trying to reach a settlement which does not include other issues as well. In Pakistan, on the other hand, it is strongly felt that Karachi's claims to Kashmir have sufficient validity to warrant an independent settlement in their own right. Pakistan was indignant about the tone of the report drawn up some months ago by the UN mediator, Sir Owen Dixon; but it feels that, even in this report and in hearings at the Security Council, the moral rightness of its claims has shone through. There is, therefore, much bitterness not only at the Indian attitude, but also at the lack of support in Britain and America for the Pakistani point of view that a settlement should be pressed on India at the earliest possible moment.

The trouble with this Pakistani attitude is that it is asking for the moon. More than ever now, since the Dixon mission failed, India and Pakistan will have in the end to settle Kashmir between themselves; the rightness of much of

India's case also emerged from the Dixon report. In order to settle direct, both Delhi and Karachi will have to leave themselves room for manoeuvre, for making concessions. This means that Kashmir cannot be settled on its own. To attempt to do so is to ask for another deadlock, and each new deadlock only makes all the old sores fester more.

The only possible deal is a barter of India's predominant position in Kashmir for a settlement by Pakistan of the Indian claims for compensation for evacuee property left behind by refugees at the time of partition in 1947. These amount to considerably more than Pakistan's similar counter-claims, since the Hindus and Sikhs who left the Pakistani Punjab were much richer than the Moslems who fled from India; the value of property left behind in the Bengal migration last year is by no means as great as that abandoned in 1947. The Indian claim, before any Pakistani counter-claim is set off against it, is for about £1,000 million; there is, of course, a vicious argument about this total, apart from the validity of the claim or possible methods of settlement, since values in places like Lahore fell precipitately after partition. But, unless a substantial offer is made towards the full claim, it would not be realistic to expect Delhi to surrender its hold on so much of Kashmir.

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How Far Up?

Wages really have thawed at last. Psychologically, the doctrine of restraint broke down a year ago; the consequences have now worked through the barriers of negotiation and arbitration machinery, and were reported in the *Ministry of Labour Gazette* last week.

The index of weekly wage rates had been stationary from the beginning of the year until September. At 110 (June, 1947 = 100) it had risen by only five points in the two and a half years since the wage policy began. There has followed a rise of three points in two months. The figure was 113 for November, with the certainty of a further increase as soon as the effect of the new engineering wages is calculated. In November alone, excluding the rise in engineering, aggregate wage increases amounted to £450,000 a week for about 1,936,000 workers. Since November, there have been several other wage settlements and claims: Civil Service clerical salaries, which are discussed in a later note, have been substantially increased; London busmen were on Wednesday granted rises of 7s. to 9s. 6d. a week; railwaymen's wages, provided the dispute with the Railway Executive on other conditions is settled, may go up by as much as 7 per cent; 150,000 Post Office workers have lodged a claim for a general rise of 10s a week; fresh claims are being prepared by the miners and dockers.

The only question now is how far the general level of wages will rise. No faith can be put in the effectiveness of any sort of direct control. Naturally enough, the TUC's economic committee has failed to find any solution to the dilemma which was posed by the wages resolution passed by the unions at Brighton last September. The demand for a reduction in the cost of living was hardly to be successfully combined with the demand for formal abandonment of the restraint on wages. Similarly, the recent floundering attempts of amateurs and experts alike to formulate a clear-cut wages policy have done little but demonstrate its impossibility. Some of the schemes might work well enough if they were unnecessary—if the starting-point were a rational wages structure generally accepted as fair. When the structure is so disjointed and full of anomalies it is impossible to expect any type of voluntary planning for wages to succeed. A general round of wage increases (and consequent price increases) is now unavoidable: the important thing is to limit it to one round—and to have a Budget that will stop further inflation.

Productivity

What will happen to production in 1951 is anyone's guess, but it is a guess the planners have to make as the economic survey is prepared during the next two months. There should be no illusion that a continuing increase in production will make the burden of defence easy to bear. The real burden consists in the shift of particular resources (at this stage, of equipment and materials, rather than of men) to armament production, and the consequent specific shortages of pots and pans for the home market or of civilian investment goods or of exports. There is no possibility of such an increase in engineering output alone as would greatly cushion this impact. What the general level of production does determine is the extent to which the unsatisfied consumers of pots and pans will be able to spend their money on new clothes instead; it determines, that is to say, the extent of the inflationary problem, and consequently the proper shape of the Budget. That is important enough.

There must be strong temptations not again to take too pessimistic a view of production. Last year's "splendid" increase, which the Chancellor of the Exchequer surveyed lyrically at Birmingham last week, has confounded all prophets. Instead of slowing down, the growth of industrial output (as measured by the interim index) has risen from 7 per cent in 1949 to 9 per cent in 1950. Supplies of zinc, sulphur, copper, cotton and the rest are certainly going to be too small to support anything like the same increase again. In Whitehall it seems now almost to be taken for granted that coal shortage will close some factories before the next two months are out. If that can be avoided it is conceivable, though it is far from certain, that the current level of production can be maintained; that would imply an average for 1951 some 3 or 4 per cent higher than for 1950.

The reasonable expectation is probably of a smaller increase than this; it must be remembered that the rising output of the last two years reflects chiefly the sharp increases in a few industries—particularly vehicles—whose supplies of raw materials have expanded greatly but are now more likely to contract. Any large further increase of production during the next twelve months would be the mark not of success but of failure. Nothing can prevent current production from falling in industries that are being re-tooled for armament work. If the indices for 1951 are superficially "splendid," it will mean that the transfer to defence work is going too slowly.

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Withdrawal in Korea

The withdrawal of the Eighth Army in face of a full scale attack by the Chinese army and the abandonment of Seoul have finally dashed the vanishing hope that the United Nations forces might have been able to prevent the Chinese from entering South Korea. The departure of Mr Syngman Rhee and his government for Pusan instead of for some town such as Taegu, in the centre of South Korea, makes it seem that there is not much optimism in General MacArthur's command about the possibility of creating a strong defensive position except in the south. It is unlikely that General Ridgway, the commander of the Eighth Army, will take up a new position until he has very clear indications that he can defend it for good. The intervening days or weeks will not be pleasant; the United Nations forces will undoubtedly inflict very heavy casualties on the Chinese without being able to deny a good deal of the soil of South Korea to them. In carrying out a withdrawal they must pursue a "scorched earth" policy and thus do enormous harm to the land and homes of the South Koreans, on whose behalf they originally took up arms.

During this coming period it will be essential to keep the long-term objectives of the fighting very much in mind. The original political decision to intervene in Korea was taken at the United Nations in order to try to enforce collective

security. It has not been possible to achieve that object. This does not mean, however, either that the principle was wrong or that it should be abandoned. In the light of the massive Chinese intervention which has now taken place, the original objective must be sought in a rather different way. The aim must be to wear down the Chinese so that they will in the end consent to talk peace—they have rejected every attempted approach during the past month.

This military task is vital to the anti-Communist cause in eastern Asia. The question may well be asked how best to achieve it. It may be that General Ridgway placed his troops in a line across the peninsula for a mixture of local political and military reasons—for instance, to take the maximum toll of the Chinese armies. If he cannot hold the line—and he may never have expected to do so—he will now have to retire to a position with a small perimeter. If the logistics of the matter are not decisively against it, this would seem better up at Inchon than down at Pusan.

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MIGs and Sabres

It is apparent that the air superiority of the United Nations forces in Korea can hamper and retard but not prevent the renewed advance of the Chinese forces. Paradoxically, the action which has the greatest significance from a European point of view is one that has least effect upon the course of the Korean battle—the deliberately staged duels between Russian MIG-15 fighters and American F-86 Sabres. It is difficult to understand the reasons that have prompted the Russians—for it must be a Russian decision—to commit their very latest type of fighter to engagements which could in no way affect the course of the battle. Presumably they hoped that with an inviolable "home base" in Manchuria, it would be possible to test their fighters against the latest American types under very favourable circumstances. Purely on the basis of operations it is clear that the test has been a triumph for the Americans, a fact that can probably be ascribed to the superior training of their pilots. There have been several minor engagements and two major ones during the past fortnight in which it is estimated that 17 MIG-15s have been destroyed without the loss of a single American aircraft.

But from the scanty information that is available about both the MIG-15 and the F-86 Sabre it would appear that technically they are very evenly matched, and that there is no other allied plane in production except the Sabre—and possibly the British Vampire—which is a match for the MIG-15. The Sabre holds the official world speed record at 670 mph, while it is thought the speed of the MIG-15 is about 640 mph, although it apparently has an after-burning or rocket device which enables bursts of higher speed. Whether the engine has been developed from the Rolls Royce Nene engines which were sold to Russia after the war or from the German ME-163 cannot as yet be decided for certain. It has a swept back wing with generous control surfaces, and is obviously designed for great manoeuvrability and a rapid rate of climb. It is probably inferior to the Sabre only in its range and in its operational ceiling.

The contrast between the MIG-15 and the American aircraft which have joined battle with it emphasises a perpetual problem of air strategy: the tactical superiority of the fighter designed to defend from home bases over the fighter escort which has to fly long distances. The Russians—and the British—can concentrate on the former, the Americans must concentrate on the latter. If the American superiority in the atom bomb is to continue to act as a deterrent to the men of the Kremlin, it should be remembered that bombers must penetrate fighter defences to reach their targets, relying very largely on the skill and success of their escort fighters. The lesson of the Korean air battles is clearly that the American lead in the quality of pilots and training must at all costs be retained.

Rearm Japan

General MacArthur says on New Year's Day that "international lawlessness" may make it necessary for Japan to "mount force to repel force," the world assumes that it is American policy, cut and dried, to rearm Japan. It may be said, with allowance made for their difficulties, that American representatives abroad cause their best friends embarrassment and difficulties by their liking for beating the diplomatic gun. Before the prospect that the ex-enemy of five years ago may have to be rearmed, democratic public opinion—notably in Australia—needs some time to prepare itself; and General MacArthur showed by his cautious choice of language that he understands the delicacy of the issue. Minds are in fact not made up; but facts are being allowed to form policy.

The strategic importance of Japan has been vividly shown up by its use as a base for Uno operations in Korea. Before they began it was under the military occupation of four under-strength American divisions. Now the military strength available there is at a dangerously low level. The problem for the United States is how to provide against any sudden seizure of Japan from the mainland of Asia without locking up there a substantial part of the all-too-scarce American armed forces. In any case, an American defending force—certainly over four divisions—would need much co-operation from the Japanese people and civil authorities, and Washington recognises that a continuation of the occupation will be likely to reduce their prospective willingness to co-operate. There being no Soviet troops or Communist administration on Japanese soil, the Communist menace is less immediate for Japan than for West Germany or Berlin, and there is correspondingly less inclination to accept the presence of foreign troops five years after the end of the war.

American official opinion is now apparently in favour of withdrawing American garrisons southward to Okinawa and the Bonins, and leaving Japan itself to be defended by its own ground forces with American naval and air cover. Without a navy Japan could not again be a threat to such countries as the Philippines or Australia, and in its potential danger to other nations Japanese rearmament would involve much less risk than German. Japanese ex-officers are reported to be talking of an army of eighteen divisions. Many Japanese cling to the notion of an "unarmed neutrality," and this attitude is naturally encouraged by the Communists; but the Government is apparently prepared to go ahead with rearmament if Japan is granted an acceptable peace treaty.

Pay in the Public Services

The Government's weakening in its own wages policy is indicated by last week's award of the Civil Service Arbitration Tribunal, providing higher pay for some 71,000 clerical officers. The tribunal is, of course, independent, but it is naturally very sensitive to Government policy and has until recently done its utmost to keep civil service salaries steady. This is not the first increase the tribunal has granted since the policy of freezing wages was introduced, but it is the first given in favour of a large section of Government workers and on grounds of the rising cost of living. A similar claim was rejected by the tribunal in 1949 and there appears to be little inherent difference between that claim and the one accepted by the tribunal last week. The difference lies in the changed climate of Government policy towards wage restraint.

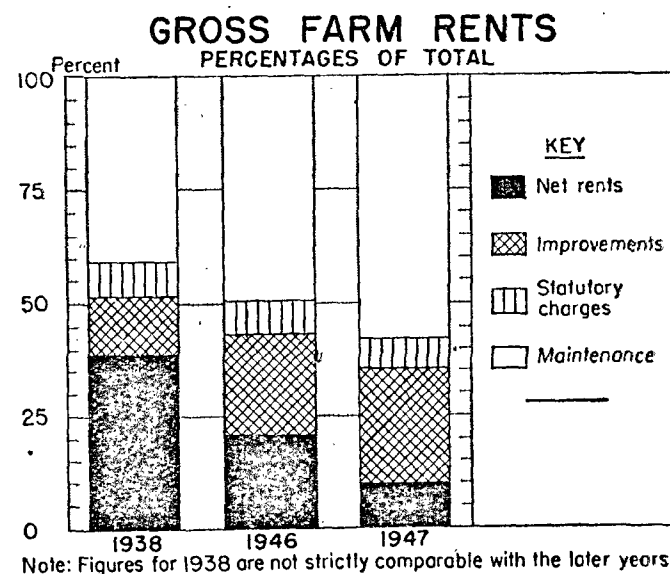
The increases range from £20 to £35 a year: there is also one additional step in the incremental ladder at the top, so that the new maximum is £500 for men and £400 for women, instead of the previous £450 and £360 respectively. In 1939, the maximum for men was £350 a year and for women £280, so that the new award brings the total increases at the top of the scale up to 43 per cent—which cannot be said to be excessive.

The repercussions of the award are likely to be widespread within the public services. Other civil service unions are in the middle of negotiations with the Treasury, and the National Association of Local Government Officers has recently launched a campaign for higher salaries which will be greatly strengthened by the favourable verdict on the Civil Service Clerical Association's claim. It will be strengthened even more if the tribunal makes an award on the association's second claim, for Government typists. Outside the public services the repercussions are more doubtful. It is unlikely that the industrial unions in general pay much direct attention to the success or failure of civil servants' wage negotiations; but once the argument of the rising cost of living has been conceded by the Government to its own employees, the door to wage advances is opened wide.

The Landowners' Prospects

Agricultural rents are proverbially sticky. Landowners as a class have not shared in the great increase of farming profits during the last decade. An article in *The Economist* of September 17, 1949, traced the movement of farm rents up to 1946. Another sample enquiry, conducted by the Ministry of Agriculture and the Country Landowners Association, now takes the tale a year further. It suggests that gross farm rents in 1947 were still no more than 10 per cent above the 1938 level—although actual receipts were rather higher because of the cancellation of remissions.

The analysis of the average landowner's expenditure shows that maintenance and fixed charges took about half his income in 1938, but about two-thirds of it in 1947. Nevertheless, the actual work done was probably less in the latter year, by which time costs had more than doubled. The landowner in 1947 had, in consequence, a much smaller



profit available for reinvestment; but it is significant that, despite this fact, he was much more willing to spend money on improvements than in prewar days.

There are several reasons for this change of attitude. Taxation reliefs are now highly favourable to agricultural investment, and Government subsidies are available for schemes of drainage and water supply, for building new farm cottages, and for reconditioning old ones. Many tenants are anxious to expand production and the Agriculture Act requires that their reasonable requests should be met by landlords. The landowner may find that fresh investment is his best way of participating in the general prosperity of

farming—assuming that this will continue. He is thus in a paradoxical position. His net rent has rarely if ever been smaller, yet opportunities for fresh investment have seldom been brighter. It is not yet certain that the smaller and poorer landowners (who have less financial inducement) will be able or willing to invest the fresh capital which agriculture requires.

The Private School Boom

The new pattern of education—the distribution of children among the various types of school—will not be accurately known until the Ministry of Education completes its inspection of all private schools. In reply to a Parliamentary question, Mr Tomlinson has, however, recently given an interesting estimate that there are about 500,000 pupils in independent schools, of whom some 50,000 are over the age of 15.

In time it will be known how many of these 500,000 pupils are receiving an education worthy of themselves and of the fees their parents pay—the two criteria are not synonymous, since private school fees are often much too low for efficiency. The competition for free grammar school places is known to have created boom conditions for the private schools. But in 1949 only 1,041 independent schools with 189,000 pupils were recognised by the Ministry as efficient. This number includes the well-known public schools, which must account for a particularly large proportion of the estimated 50,000 children over the age of 15. There remain, however, 300,000 pupils in schools some of which will, but many of which will not, pass the tests of efficiency.

Mr Tomlinson's figures imply that the independent schools are playing a sizeable part in all education beyond the age of 15. In 1948-49 195,000, or 3.5 per cent, of the pupils in local authority schools were over 15; in direct grant grammar schools 21,000, or 26 per cent, were over 15. Those in the independent schools thus form nearly a fifth of the whole school population of this age. The quality of their education ranges from an apex in some of the first-class public schools, through a wide belt of "progressive" and experimental schools and hum-drum dull ones, to (one suspects) a nadir of inefficiency at the bottom. Inspection will remedy some of the worst defects, but, unless parents are prepared to pay fees which cover the costs of a proper education, it is no fault of the private schools that many will be unable to satisfy the Ministry's standards. In 1948-49 the average cost per pupil per year in primary schools was nearly £20 and in secondary schools round about £30. The costs of a grammar school education are much higher: in Middlesex, for example, they average £51. Local authorities can reduce costs by bulk buying and by other economies not open to private schools. A parent who is paying at an unendowed school fees lower than the costs of a state education can almost certainly assume that the education his child is receiving is less good.

Moscow on 1950

At the turn of the century most of us tend to look back with regret at opportunities lost and resolutions broken. But in Moscow there is so much satisfaction with the achievements of 1950 that resolutions for 1951 are largely discarded as superfluous relics of the decadent bourgeoisie. The press and the radio gloat over the socialist triumphs of the past half-century and show flamboyant optimism over a future in which "all roads lead to Communism." Inside the Soviet Union it is possible to observe

the outline of the majestic edifice of Communism which the Soviet people is enthusiastically building under the leadership and according to the plan of the brilliant architect, Comrade Stalin.

But in the western world the "rot-infested capitalist system" is doomed to "total bankruptcy." The "sharp-nosed dwarf of the White House" and the other American "imperialists," although completely defeated in the Far East, are trying to start a third world war because they realise that capitalism cannot survive without wars and crises. Working people everywhere are beginning to turn to Moscow and to reject capitalist domination. The events of the last fifty years have decisively confirmed "the brilliant Marxist-Leninist teaching on the decisive role of the mass of the people in history." With the example of the Soviet Union and the "people's democracies" before them, "all honest people," according to *Pravda*,

cannot but come to the irrefutable conclusion that only a genuine people's power can ensure the progressive development of society and save humanity from the catastrophe . . . of war. . . . The future belongs to Communism.

In all this there is nothing new. What is conspicuous by its absence is any hint of a spirit of compromise.

On their home service Russian listeners heard a certain Boris Polevoy say the following on behalf of the Soviet Peace Committee:—

Like hungry dogs, the transatlantic generals are scavenging in the garbage of history, finding in it Hitler's half-rotten plans for world domination, translating them into English and adopting them as their own guide. The fascist war criminals, who by a miracle have escaped the noose, are already beginning to order about Italian, French and British generals. They, the experts in bloody banditry, the heroes of Majdanek, Auschwitz and Mauthausen, have been enlisted by the new American boss in Europe, Eisenhower, for the planning of new seizures and new wars.

With such hate propaganda rising to a new level of ferocity it is not surprising that the Russian people had not been told anything up to January 2nd about the western suggestion that there should be talks about the deeper causes of world tension. Moscow Radio is one of them.

Paying for French Arms

The French National Assembly has given M. Pleven four votes of confidence in the course of the passage of the credits for armament expenditure during the coming year. The Assembly seems to have responded handsomely to criticisms from some of its allies that France was reluctant to shoulder the burdens of rearmament.

In 1950 the French Government spent some 420 billion francs on the armed forces. The vote for the coming year raises the total provided by France itself to 600 billion, and to this will be added another 140 billion francs furnished by the United States, bringing the total military budget to 740 billion francs.

Part of the military expenditure was met last year by borrowings in the form of short-term Treasury loans. The Government, resolved to avoid this method of finance as far as possible, has insisted this year on segregating out of the total of 740 billion francs a special rearmament fund of 355 billion francs. This will be financed by the 140 billion francs received from the United States, a national defence loan of 50 billion, 140 billion from new taxation and 25 billion to be found by economies in the operation of the public services and nationalised industries. The last of these represents a concession made by the Government to the Assembly, whose Finance Committee had originally asked for greater dependence on such economies. The Government has agreed to the attempt to produce 25 billion francs of economies only on the understanding that if such pruning fails, it will be able to meet the balance by simply decreeing increased duties.

The new taxes approved by the Assembly are not likely to be popular. They include an increase in the company profits tax from 24 to 34 per cent, a 20 per cent rise in many

stamp duties, an increase in the production tax and a 15 per cent increase on miscellaneous duties such as wharfage charges and certain luxury foods from the colonies.

The proposed allocation of the military funds for 1951 is as follows: armed forces of metropolitan France, 400 billion francs; gendarmes, 20 billion; armed forces in Indo-China, 194 billion; and armed forces in the overseas territories, 26 billion.

It has to be borne in mind that so far only one financial hurdle—admittedly the most difficult—has been cleared. The new measures are also subject to the approval of the Council of the Republic which is at present objecting to some of the new taxes. M. Plevin, moreover, has still to obtain the Assembly's approval for the remainder of the national budget and its agreement to any methods he may devise for financing the basic 385 billion francs of the rearmament programme.

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From Pensions to Production

When the Atlantic Council decided in Brussels to set up a new Defence Production Board it did so "desiring to simplify the structure of the North Atlantic Treaty organisation in order to make it more effective." Now, as the Deputies are meeting in London to discuss the status of the new board, it appears that the British representative will be the permanent Secretary to the Ministry of Defence, Sir Harold Parker. The appointment is regrettable.

If simplicity and effectiveness are ever to be attained in the twelve-power organisation, the first requirement must surely be that the twelve representatives on the functional bodies of the organisation should have the knowledge, experience and status necessary to take decisions which they know can be implemented. It is just for this reason that the Military Committee has all along appeared to speak with more confidence and precision than its production opposite number.

The second requirement must be that these same people carry sufficient authority with their own government to ensure that decisions taken will be implemented. On this score there has been some well-founded criticism of the Deputies—not of personalities but of inadequate status.

The appointment of Sir Harold Parker as British representative on the Defence Production Board is clearly a well-meaning attempt to meet this criticism. But those responsible for it appear to have forgotten that there are some functions—and this is clearly one of them—which demand executive rather than administrative qualifications. Is it fair to expect a senior administrator, whose career can be traced in a narrow path from Treasury to Ministry of Pensions, and thence two years ago to his present post, to assume overnight the functions of industrialist, economic planner and chartered accountant? This is one of the occasions where the contrast between the American practice of employing the man for the job and the British of allocating the job to the man tells in the American favour.

* * *

Students' Referendum

One of the saddest happenings of the last two years has been the gradual collapse of useful and enthusiastic international organisations under the pressure of Stalinist infiltration. There were once high hopes of what trade unionists, lawyers, intellectual workers and students could achieve together by regular meetings; those hopes have been dashed by such occasions as last year's world student congress in Prague, when all but a staunch British minority from the National Union of Students spent their time in drumming out slogans of hate, adulation of people's democracies, and incite-

ments to colonial revolution. The International Union of Students, which was founded in 1946 with 1,500,000 students from 38 countries, has now been inflated into a propaganda organisation claiming 5,000,000 members from 71 countries, even though students in most leading countries of the free world have either disaffiliated from the IUS or refused to join it.

There is some prospect that British students will now recognise how they have been duped in the past—not for lack of warnings by their own officers. In a recent referendum on the question whether the National Union of Students should remain affiliated to IUS 18,806 were against and 15,632 for. It is true that some 21,000 students expressed no opinion—owing to apathy, refusal or technical hitches—but the fact remains that 147 universities and colleges took part in the voting. Assuming that the idealists of the NUS, its fellow travellers and Communists voted to a man and woman, as is their habit, this result is a pretty clear indication that the British student is disgusted with the political uses to which a promising movement has been put. What brought discontent to a head was the brutal and unconstitutional manner in which the IUS expelled the Yugoslavs for the sin of deviation.

* * *

Police Squads

The new police methods which are being tried out in three London areas from this week onwards should not be regarded as a simple administrative experiment. They introduce a new principle of policing which contains the seeds of an unwelcome and unnecessary reform. In brief, the new method amounts to the substitution of a team of constables under the command of a sergeant for individual constables on the beat. The sergeant has a wireless patrol car, which he uses to move his constables from one part of his area to another and to keep in touch with the information room at Scotland Yard where the emergency "999" calls are received. The theory behind the new method is that it should enable a patrol area to be covered with less men and greater efficiency, that it ensures a closer control over constables who can be more quickly assembled in the event of an emergency, and that it should relieve the monotony of straightforward beat work. The method was first introduced by the Chief Constable of Aberdeen, who reported enthusiastically in its favour, but its trial in London is the first time it has been used in any thickly-populated area with a fairly high rate of crime.

The chief objection to the new method is that it offends against a fundamental principle of the British police: that each constable is an individual and responsible civilian who, except on rare occasions, does not and should not operate in a paramilitary squad. Any tendency towards military methods must be deplored, for it is bound to decrease the individual responsibility of constables and to increase the risk of an abuse of police powers. More important still, it might lead to the diminution of the liability in law of each constable for his own actions, since, in the event of a constable exceeding his duties, it could presumably be argued that he was acting under the orders of a more senior police officer on the spot. The more senior officer could, of course, be sued in his stead, but it would be a dangerous and unwelcome innovation if constables were allowed to transfer the responsibility for their actions to other shoulders.

Apart from matters of principle, there are a number of other doubts about the new scheme. It remains to be seen whether it will in fact be as economical in manpower and as efficient as has been claimed for it. Policing Aberdeen is a very different problem from policing London; the rate and proportion of police incidents—by no means all are crimes—is very much higher in London, and the effect of concentrating policemen in teams, in spite of their greater mobility, will probably be that less rather than more policemen will be available to help the public.

Shorter Notes

It is reported that American experts much admire the French bazooka and consider it superior to their own. When the French broached the question of selling their bazookas to the United States they were told that it would be better if the French improvements were grafted on to the much more expensive American model. It is true that France is tremendously indebted to the United States for free deliveries of arms. But it is surely one of the principles of the Atlantic Pact that weapons should, so far as possible, be produced where they can be made best and cheapest.

The Treasury has just published its reply to the criticisms made in the Fifth Report of the Estimates Committee on the control of expenditure of the Government information services. The Treasury has resisted what appears to be a suggestion of indifferent worth that the cost of the services performed by the COI for other departments should be borne by those departments, on the ground that it would destroy such economies as exist in having a central information agent. The committee was obviously worried by the possibility that enthusiasm for films and publications may lead to their production without any real concern for their effectiveness or saleability, and in this the Treasury and the departments concerned have promised to carry out more media research before launching on a new project. But the Treasury has quietly refused to permit its economic information unit to be absorbed into the COI or into the information divisions of the various trading departments; however, to avoid any suspicion of empire building, it has recently changed the word "Unit" into "Division."

A point of particular interest in the report of the Permanent Central Opium Board is that the United Kingdom is the only country which, in the last few years, has substantially increased its consumption of diacetylmorphine (heroin). In 1948, its consumption per million inhabitants was 2.18 kg., compared with 1.1 kg. in 1936; in 1949 consumption further increased to 2.71 kg., and in 1950 it is estimated at 2.88 kg. Since the Board's report urges that the drug should be dispensed with as far as possible, because, from the addiction point of view, it is the most dangerous of the morphine derivatives, and less harmful substitutes are now available, this increased consumption might at first sight cause some concern. It is therefore reassuring to learn that it is not due to the British people's increased addiction to their drugs, but to their bottle habit; for the British Government explains that the increase is considered to be due entirely to the increased rate of prescribing under the national health service. Heroin is a common ingredient of cough mixtures.

Last week the State Department announced the allocation of the first dollar aid to India under President Truman's Point Four Programme. This is for the relatively small sum of \$1,200,000; but it is of considerable significance in starting direct American aid to India—previous assistance has come from the World Bank—and in being designed to promote five specific projects which have now been approved, two of them agricultural. The agreement covering the aid is similar to one recently signed with Ceylon.

Correction.—In *The Economist* of December 30th it was stated in a leading article, "The Tasks for Eisenhower," that General Eisenhower's command would cover "the whole of continental Western Europe while leaving the existing North Atlantic Treaty organisation to cover both Scandinavia . . . and the Mediterranean." While no cut and dried plans will be available until after General Eisenhower's arrival, it is possible that this sentence may convey a false impression. It is now clear that these two areas will be within his zone of responsibility, although the exact relationship of command is not yet defined.



January

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Letters to the Editor

Transport in Trouble

Sir,—Although the formerly railway-owned docks are now under the aegis of the Docks Executive, I am sure Mr Cadbury would find that the current costings to which he refers contain assumptions in regard to such matters as the "through" transport charges and the services performed by the "railway" for the "dock," and vice versa.

On the question of dock improvements, it was the poor financial returns rather than the lack of capital which hampered development, but it would be right to claim that the Railway Executive (given sufficient allotments of "capital investment" moneys) would have tackled this problem through its docks experts with the same energy as the Docks Executive.

With the nationalisation of the railways, the Railway Executive would have similarly been in a position to deal appropriately with canal dredging, etc., and that Executive has also effected "quite remarkable" economies in staff and other railway costs.—Yours faithfully,

GEORGE MORTON

Chorley Wood.

Sir,—I read with surprise the third paragraph of Mr Cadbury's letter in your issue of December 23rd in which he states categorically, but without affording any evidence, that the port of Hull has been hampered by lack of capital due to the ownership of the LNER company and that it will take years to catch up arrears and raise the port to standards commensurate with its importance. It is unwise to state as facts opinions which are incapable of proof, but I think I may say that it might be easier to sustain the opposite proposition, that the resources of a powerful railway company made it more practicable to provide capital for the port of Hull, than might have been the case under other ownership.

I do not know how intimate is Mr Cadbury's knowledge of Hull, nor whether he is unintentionally attributing the ravages of war to neglect on the part of the railway company. Has he overlooked the very substantial improvements made in the decade preceding the war to the facilities for dealing with two of Hull's great businesses—timber and fish? He cannot be unaware of the survey of postwar requirements of the port carried out jointly during and after the war by the industrial leaders of the port and the railway company's officers; nor of the complete agreement reached between them in 1947 as to the work to be done at a cost of some £4,000,000, and the means for financing such a capital outlay, the necessary powers being obtained in the LNER Act of 1947.

No doubt the railway company would have had the same difficulty as the British Transport Commission in the last three years in making substantial progress towards the agreed goal, but the condemnation of the company so

definitely made by Mr Cadbury would not, I think, have been endorsed by the Hull Chamber of Shipping and Commerce in 1947.—Yours faithfully,

C. M. JENKIN-JONES

York

Mutual Confidence

Sir,—The concluding two paragraphs of your leading article "Mutual Confidence" suggesting that the British contribution to General Eisenhower's Western European defence force should be fixed in exact terms and publicly proclaimed, coupled with your other leading article "Back to Diplomacy," advocating a return to international conference behind closed doors, do in my opinion indicate the right procedure in the new technique—still not fully appreciated—of planning to prevent a war rather than planning to fight one.

This technique demands much more publicity over military matters and much more privacy over diplomatic conversations between nations. International conferences held in a full blaze of publicity suffer from all the disadvantages of bulk buying. To the inherent difficulties of arriving at satisfactory agreement is added all those feelings of national pride and prestige which world publicity accentuates.

Neither the first nor second world war would have taken place had the aggressor nations been aware beforehand exactly what combination of nations, forces, weapons and war potential they were going to have to face.

The old ideas of arming to win a war did, of course, demand extreme secrecy and large reserves of partially trained manpower which, after a period of time, could be put into the fray. The new idea of arming to prevent a war—though, of course, secrecy as regards the actual "know-how" of weapons is even more important than ever—demands a much more dynamic and open approach. Let the big powers get together and play their hands in private. But where military measures are concerned it must be "cards on the table" if the world war which is threatening is to be stopped before it starts.—Yours faithfully,

J. G. SMYTH

House of Commons

Boom in Prisoners

Sir,—The reports of the Prison Commissioners are traps for the unwary. In your note on the latest volume, the figures you give for the reception of "convicted prisoners" in 1947 and 1948 include trials, remands and civil process prisoners. The actual numbers received on conviction in those years were 34,597 and 37,811 respectively. (To be on the safe side, I will add E. and O.E.)

Referring to the "reconviction" of prisoners as a whole you quote percentages obviously extracted from Appendix 10. But this refers to a

selected group, and includes only prisoners who have been sent to prison for the first time for fingerprintable offences. It comprises only about one-third of all prisoners received on conviction.

Anyone who has attempted to extract information from the prison reports of other countries will realise how far superior are our own. They are, indeed, the best in the world. But they could be better, and that they should lead *The Economist*, of all papers, into error, should convince the Prison Commissioners that their lucidity might be improved.—Yours faithfully,

GEORGE BENSON

House of Commons

The Covenant Clamps Down

Sir,—In your issue of December 9th you take a somewhat critical view of the new scheme designed to bring equity into the distribution of cars.

You evidently think that by speaking of "stamping out abuses" we have in mind the high price of second-hand cars. What, of course, the industry is aiming at is to control a situation where some people without any real need have managed to acquire several postwar cars and others whose need is just as great have not had one at all. If you are against that effort being made, perhaps you would say so outright.

In your evident hankering after 19th century *laissez faire* in conditions where demand so greatly exceeds supply, you do not give any praise to manufacturers who have for four years kept down the prices of their new products to levels often 100 per cent. below what they would fetch if put to auction when coming out of the factory. That, in an inflationary world, is surely something to be noted with approval.—Yours faithfully,

R. GRESHAM COOKE

Society of Motor Manufacturers and Traders, London, W.1.

Without Blinkers

Sir,—Your edition of December 9th refers to Mr Attlee in Washington. Perhaps you are not yet aware of how many Americans both from grass-roots areas and other groups regarded and still regard Mr Attlee's visit as an appeasement step. They are not those who formerly were called isolationists, or America Firsters, but the very opposite. I personally hate the word "liberal" since it has so long masked so much ambiguity, but for the sake of convenience will quote one liberal newspaper which remarked, "Whereas Mr Chamberlain carried an umbrella, Mr Attlee came with the ribs." I choose this bit out of many comments, because it sums up what the more serious and troubled editorials have had to say.—Yours faithfully,

PRISCILLA A. B. HENDERSON

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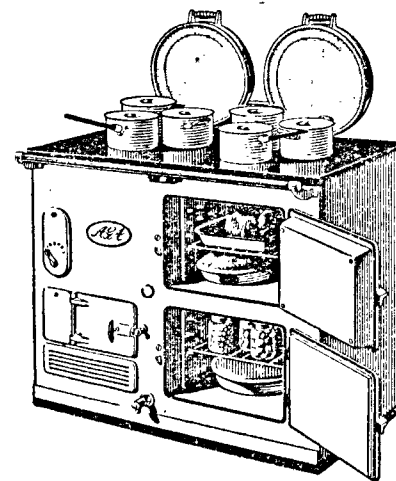
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HOW MANY DIFFERENT kinds of cake do you know? The index to Mrs. Beeton's classic cookery books lists 94, ranging from Almond Cake to Yorkshire Ginger. Also mentioned are 55 sorts of pies and 179 varieties of pudding, mostly baked. Perfect baking is easy, however, when you have the perfect cooker. All good cooks agree that the name of the one perfect cooker is the three-letter word — Aga.

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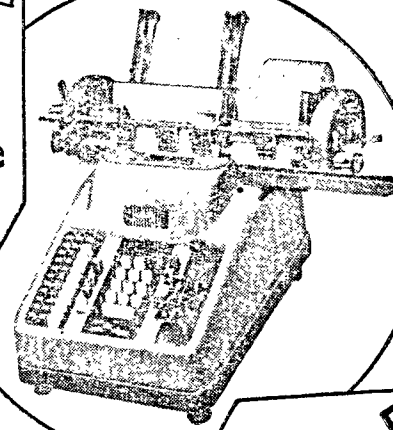
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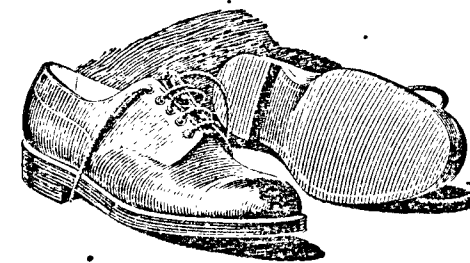
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Books and Publications

Books About Britain

The Britain We Saw. By Herbert and Nancie Matthews. Gollancz. 317 pages. 18s.

Crisis in Britain. By Robert A. Brady. Berkeley and Los Angeles: University of California Press; London: Cambridge University Press. 730 pages. 37s. 6d.

The Cautious Revolution. By Ernest Watkins. New York: Farrar Strauss. 456 pages. \$5.00.

There is something of a coincidence in the appearance, so close to each other, of three books, all patently written for an American audience, on the record of the Labour Government. All three have something of the air of having been intended for the General Election of 1950 but of having missed that particular bus, either through Mr Attlee's forehandedness or through the delays of authorship or publishing. All three, in spite of the differing national origins of their authors—two American, two British (Mr and Mrs Matthews have identified their respective chapters)—and their very different styles, have a strong similarity in verdict. They are all anxious to insist, for the benefit of their American readers, that there is nothing very drastic or unreasonable about the Labour Government's measures, that it is a very "cautious revolution" indeed (though none of them, curiously enough, sufficiently emphasises that such revolution as has been achieved in Britain since 1938 was almost entirely achieved before the Labour Government took office). And all three books are at one in concluding that somehow an opportunity has been missed in these postwar years, that the British people, in spite of their fortitude and moderation (or perhaps because of those qualities) have not grappled with their real problems and are therefore still living "in a fool's paradise" (Mr and Mrs Matthews) or "on borrowed time" (Mr Brady).

Mr Brady's book is a piece of academic research—that is to say, it is very fully documented, with admirable footnote references, full statistical appendices and a fair index. He has one or two chapters on each of the nationalisation schemes, on social security, on town and country planning, on agriculture, etc. As a result, the book will serve as a most useful place of reference for facts and dates. One cannot help wondering, however, whether, with all his facts, Mr Brady has succeeded in capturing the truth about Labour Britain. There is a "man from Mars" touch about some of his thought which leads him to some very curious conclusions. He seems, for example, to have swallowed whole the Labour Party's election propaganda about the "bad old times" before the war—to judge by this book, Mr Brady himself had no knowledge of Britain before 1948—and though he is ready to be very critical about traditional British attitudes, he never re-examines his own Californian preconceptions. The result, of course, is that he is quite unable to understand colonial policy, to which he applies ready-made stereotypes, and he is so outraged by class distinctions (which are more openly accepted in Britain than in California,

though they are hardly more real) that he is led, at one point, to ascribe the whole lack of productivity in the British economy to the number of domestic servants, shop assistants and estate agents (of all things). Valuable though it is as a reference book, Mr Brady's work cannot be recommended for its judgments, which are often curious and sometimes merely silly.

Mr and Mrs Matthews's book is at the other extreme. Mr Matthews was for four years the Chief London Correspondent of the *New York Times*, and the purpose of their book is adequately revealed by its title "The Britain We Saw." It is an example of the fact-laden reminiscence that American correspondents do so well, and so frequently. Mr and Mrs Matthews shared the chapters between them, he writing those with titles such as "Money and the First Crisis" or "The Welfare State," she those called "The New London," "Women in Britain" and "Travelling About." Mrs Matthews's chapters are closely based on her own experiences. An Englishwoman by birth, it was clearly a shock to her to come back to London in 1945 after years in America and Italy. Prewar days, it is clear, are to her the good old days, and many British readers will be a little surprised to discover what dreadful physical hardships they put up with. But it is all brightly written and informative. Mr Matthews's chapters, however, are a bit of a disappointment. He has evidently felt it incumbent on him to depart from his *New York Times* style to match the personal chattiness of his wife's contributions. This was a mistake; it would have been better to have accepted a sharp contrast between the two sets of chapters.

Mr Watkins's book is the most likely of the three to succeed in the task of engaging the American reader's interest while also giving him a properly balanced judgment of the subtleties of British affairs—subtleties that he finds all the harder to grasp because of the misleading blacks and whites to which they are all too often "simplified." Somebody has told Mr Watkins that what interests Americans is personalities. Without obtruding his own, he has kept almost every chapter on a personal note, with thumbnail sketches of politicians (back benchers as well as the leaders), of trade unionists, of the "cases" at a rehabilitation centre and the like. But he has also conveyed a great deal of information, and though one may quarrel with this conclusion or that, and even catch him out in errors of fact, the general picture that the reader will get is balanced and comprehensive. It is to be hoped that the book will be published in this country.

1851

The Great Exhibition 1851. By Yvonne French. Harvill Press. 297 pages. 18s.

The story of the Great Exhibition has been written before, but not always with accuracy nor always without malice. Miss French is neither inaccurate nor malicious. Justice is done both to the genius of Paxton and to the executive labours of men such as Cole, Playfair and Reid, though Miss French has perhaps underestimated the decisive authority of the main Royal Commission, which gave them their orders and took all major decisions. Its leaders, the Prince Consort and Lord Granville, are given their due, but the Commission, with a membership including Gladstone, Labouchere, Peel (until his death), Lord John Russell and Cobden, met forty times before the Exhibition opened and was no mere "rubber stamp." Certainly, however, the book recaptures some of the suspense of these preliminary days. Few peaceful enterprises on such a scale have come so near defeat, and it is not surprising that the Prince, who took responsibility for matters great and small, was worn with anxiety when success was finally achieved.

Miss French's valedictory reference to the Exhibition's result is interesting. It brought no millennium, but it gave a real impetus to education in science and art. On the South Kensington Estate, which the Prince and the Commissioners bought with the surplus funds, arose with their aid the great museums and teaching colleges which now stand on or close to Exhibition Road. Many readers will be surprised to know that the Commissioners still expend a large income on scholarships for science and art, and number six Nobel Laureates among their "alumni."

Altogether this is a just, comprehensive and diverting book, which has also the merit of being well illustrated and produced.

"Planning" in Germany

Germany: An Experiment in 'Planning' by the 'Free' Price Mechanism. By T. Balogh. Basil Blackwell. 1s. 32 pages.

Considering how many of the facts which Mr Balogh cites are correct, it is remarkable how many of his conclusions are fallacious. He has, it seems, relied for his data too much upon the propagandist material put out by the German Trade Union Federation's economic research organisation, and is himself inclined to remove damaging facts to a safe place where they do not disturb his argument.

Mr Balogh cannot bear disinflation and abolition of state controls, and hates them all the more when, as in Western Germany, they are supported by the majority of the people, and have undoubtedly contributed to the extraordinary economic recovery of the last

two years. From a complete standstill at the time of its collapse in 1945 Germany has reached a point where production exceeds the peak peacetime level of 1938, and is paying for 4/5ths of its imports—while the workers are less Communist than ever.

Allied policy certainly went far astray in Germany, though it is surprising to find Mr Balogh championing the Russian thesis that Germany could pay reparations from current production. The Allies should, perhaps, as he claims, have wiped out the German bank balances in 1945, like the Russians, but they would still, like the Russians, have been forced to have another currency reform later—with disastrous psychological results. It is true that the Allies and the German Government have made a bad mistake in delaying the *Lastenausgleich*, or equalisation of war losses, which was intended to accompany the currency reform and mitigate social injustice. It is true that the Government is far too lenient to the rich tax-evader, and that a vast proportion of taxable income escapes fiscal control; Mr Balogh might even have paid more attention to the extent to which German firms are able to build up hidden reserves by way of writing down assets. It is true that too little is done against unemployment, though the remedy is to be found in training and housing, not in inflation.

But when all the faults are granted, Mr Balogh still remains a misleading and misled exponent of the German economic and social scene. He underestimates the simple fact that the social inequality of Germany was created by the war, that the nation's impoverishment must be reflected in a lower standard of living, and that, of all people, the Germans are most unsuited for experiments in controlled inflation. Like the German Trade Union leaders, he blames the currency reform for social inequality, which is like blaming the operation that lays bare a disease for the disease itself. He fails to see that the only way to create a cake to divide was, for a start, to leave the way free for managers to build up their factories. The author points to the extraordinarily high proportion of the national income which was invested in Germany in 1949, and to the fact that most of it went into industry and little into housing. He admits that there was a rapid increase in productivity as a

result and that "all this was highly desirable." But, he continues,

the consumption of the rich also expanded conspicuously. A more reactionary development in the distribution of the national income has hardly ever happened in a highly industrialised country. The social ravages of the Great Inflation were less terrible than this.

The first part of this statement is true, but not the second.

Whatever the merits of inflation *cum* controls in Britain, they would not work in Germany, where they would create panic among the masses. The Nazi controls were highly successful because they were administered by trained civil servants and had behind them the spur of patriotism or of the gallows. They were utterly unsuccessful—and would have been even after currency reform—in occupied Germany because none of these conditions existed. A limited number are now being reintroduced to meet the temporary crisis in Germany's balance of payments and the world shortage of raw materials. Some of the other abuses in the German taxation system are also being remedied at the same time, in response to the recommendations of the European Payments Union, and wages are being raised. The Union's experts have, however, found that credit needs tightening, rather than expanding. The situation has changed completely since last winter, when a temporary excess of deflation seemed to justify Mr Balogh's arguments.

Ever since the war, Germany has been a laboratory for the experiments of economists, and an impartial assessment of the results would be valuable. But its circumstances are too peculiar for the country to become suitable material for dogma.

The Silver Lobby

Morgenthau, the New Deal and Silver. By Allan Seymour Everest. King's Crown Press; Columbia University, New York 1950; Oxford University Press. 209 pages. 22s. 6d.

This little book, based on Secretary Morgenthau's private papers, tells the story of silver during the Roosevelt administration. Silver mining directly employs only about 8,000 people; 80 per

cent of its output are by-products of twenty-five large base-metal concerns. But by controlling the votes of fourteen to sixteen Senators, it has been able to hold the United States and almost all silver using and silver producing countries to ransom. The votes of these Senators had to be bought for passing most measures of national importance through the Senate, and they were not to be had without legislation raising the price of silver. Their naïve arrogance is sometimes almost fascinating. One Senator explained his policy to Morgenthau as follows:

"My boy, I was brought up on my mother's knee on silver, and I can't discuss it any more with you than you can discuss your religion with me."

In the early days of the New Deal, the President had favoured the silverites, who backed his inflationary policy. Though Morgenthau had some doubts, he fell easily into line. It took him and his master very nearly ten years before they fully grasped the futility of their silver policy. In the meantime, they had raised the silver price from 27 to 90.5 cents the ounce, and had spent \$122 million on subsidising domestic silver purchases, without satisfying the appetite of its supporters. They had driven Mexico, China and all countries using it off the silver standard. By hoarding most of their purchases, they had caused a terrific silver shortage during the war, which sometimes endangered the Allies' war efforts. They finally forced them off using silver coins by demanding the return of lend-lease silver. Secretary Morgenthau who had to carry out the Congress's silver legislation, strove valiantly to make it less disastrous by helping foreign countries after they had been badly hurt by it. His excursion into foreign affairs led to frequent clashes with the State Department. He overruled or even by-passed it, thanks to his personal standing with the President. In some instances, he may have been wiser than the State Department. But the fact that the nation's foreign affairs were over and over again handled by two sparring agencies, which did not even try to come to terms, explains better than anything else the disastrous outcome of President Roosevelt's lighthearted experimentalism. No student of American affairs should overlook this unassuming study.

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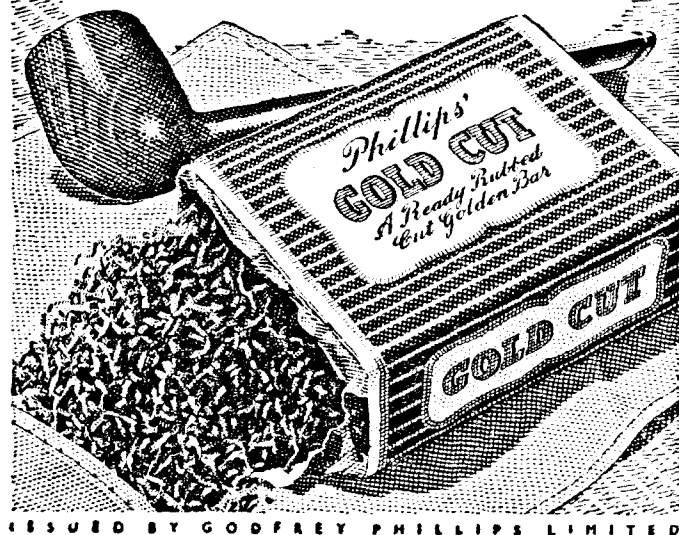
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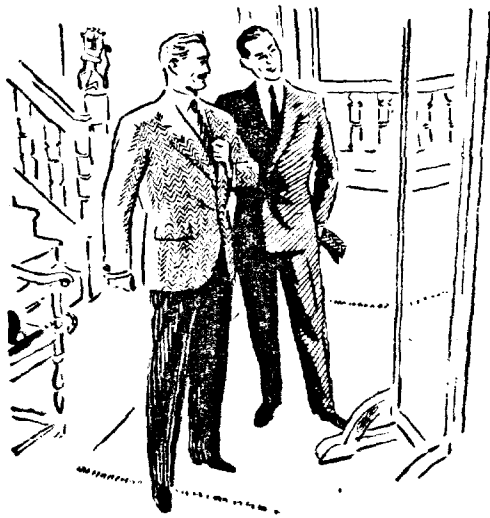
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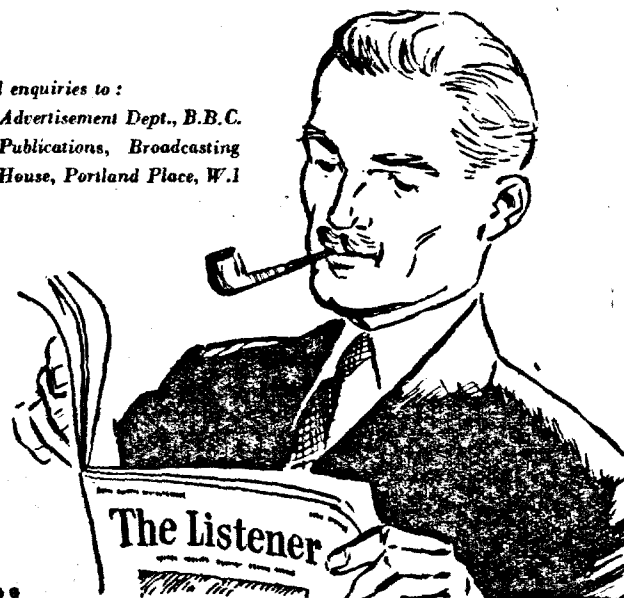


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AMERICAN SURVEY Limitations of Controls

(From a Correspondent)

Washington, D.C.

THE initial approach to the problem of imposing controls on the American economy was "hysterical, imitative and masochistic," in the acid words of Mr Beardsley Ruml, the well-known economist. Now, six months after the Korean outbreak, some of the hysteria has diminished, but the urge for self-immolation and for reviving the techniques of control used during the last war continues unabated.

The hysteria found its clearest expression last summer in the demand of Mr Bernard Baruch for complete and immediate wage and price control. Although this is now necessary and inevitable, it was not then, when Mr Baruch, half the Congress, and most of the people, demanded it. The danger was not merely that the economy would have been forced into a strait-jacket a year or so before the volume of military contracts required it, but even more that price freezes probably would have been accepted as a substitute for, rather than a complement to, the other measures which attack the roots, and not the manifestations, of inflation.

The danger has not been avoided completely. Some of the steps needed to deal with the real sources of inflation have been taken and some more are coming. But it is clear that they have been and will be insufficient, particularly in the field of taxation. Meanwhile, popular opinion clings to the belief that price and wage ceilings—if only they are applied at once and to everything—will hold the cost of living at its present levels.

Some realistic action has been taken in the area of credit control. With the passage last autumn of the Defence Production Act of 1950, the Board of Governors of the Federal Reserve System reinstated its wartime "Regulation W" on the extension of credit for instalment buying. The first set of regulations was woefully inadequate, but they were quickly amended to prescribe minimum down payments considerably higher, and maximum maturity periods considerably shorter, than those which had previously prevailed for the hire purchase of motor vehicles, all heavy electrical household appliances, furniture and floor coverings. A sharp constriction in the booming second-hand car market, and anguished wails from dealers in the other products affected, are evidence that Regulation W is having a proper effect.

The FRB also prescribed high down payments and a

uniform maturity period for housing credit extended by conventional lenders and by government agencies. The regulations were designed to reduce the building of new homes, running at an annual rate of 1,400,000 during the summer, to 800,000 or 850,000. Builders claim the effect will be to cut the rate to 600,000 or less before long.

The National Production Authority, set up in the Department of Commerce, has the operating responsibility for seeing that materials and plant facilities are available for military orders. At the moment, this is child's play because defence contracts are flowing at an unhappily slow and low rate. The NPA has issued the simplest sort of priority regulation, entitling the Defence Department and the Atomic Energy Commission to give their contracts a Defence Order ("DO") rating. The producer is obliged to fill these orders first and may himself use the rating to require priority delivery to him of the necessary materials and components.

The NPA has supplemented the priority system with some general limitation orders on inventories and some specific limitations on the use in non-military production of certain scarce materials. The following table shows their extent. The base period against which the cuts for early 1951 were measured is the first six months of 1950, when production was running, for the most part, at considerably lower rates than in the third quarter.

As the volume of military contracts grows, existing restrictions will be intensified and limitations will be placed on the number of automobiles and other articles that use a great deal of metal, which may be produced. By next summer or autumn, a



Herblock in the Washington Post

Material	Per cent of Base Period Consumption allowable for Non-Military Production		
	January	February	March
Tin	100	80	80
Copper:—			
Brass and wire mill products	85	85	80
Foundry products	100	100	100
Aluminium	80	75	65
Rubber:—			
New (natural and synthetic)	85	80	Not fixed
Nickel	65	65	65
Cobalt	33½	Complete allocation	
Columbium	None	None	None
Zinc	80	80	80
Cadmium	Use limited to specified products		

controlled materials plan will be established, allocating the whole supply of steel, aluminium and copper.

The application of price and wage ceilings on any reasonable and useful basis is rendered impossible by a monstrosity of a law. The Defence Production Act permits the imposition of individual price ceilings, but it provides that, whenever a ceiling is set, the wages of the workers in the industry concerned must also be fixed. But while selective price control is a theoretical possibility and even a desirable preliminary step to general control, selective wage control is not only unjust, but also unworkable, as long as there is mobility and freedom of labour.

The law also makes general price and wage controls impossible. In the first place it contains no authority for controlling rents, which account for about 13 per cent of the average citizen's living cost. In so far as these are regulated at all, it is under another authority. In the second place, it prohibits the fixing of ceilings on agricultural commodities at a price less than "parity" (a level for each farm product based on a ratio, very favourable to the farmer, with the prices of industrial products). Except for meat, cotton and wool, farm prices are far below parity at present. If the government attempted a general price-wage freeze, the worker would find his wages fixed while the future course of his rent would be in doubt and the future price of food, which accounts for about 40 per cent of his expenses, would be free to rise from perhaps 10 to 50 per cent before it could be stabilised.

Obviously, the Administration must go to Congress for an amendment to make the law workable, and it is preparing to do so early this year. Meanwhile, partly in response to public and Congressional roars for action and partly because it helps recruit and train the necessary staff, the Economic Stabilisation Agency is starting with some selective controls, of which those in the automobile industry were the first. Given a modification of the law, the Agency will attempt to develop with labour a wage stabilisation plan, a 1951 version of the wartime "Little Steel Formula," and in a few months, for better or for worse, prices and wages will be controlled, as the current word has it, "over-all."

Southern or Democratic?

[FROM A CORRESPONDENT IN VIRGINIA]

THE South comes to the new Congress ready and able to make its weight felt in the Democratic Party. Almost half of the Democratic seats in the House and Senate are held by Southerners. They provide the chairmen of key committees in both Senate and House. Unwilling themselves to take the responsibility of acting as spokesmen for the Administration, they have exercised an effective veto on the choice of a Senate majority leader to succeed that election casualty, Senator Lucas of Illinois. Senator McFarland of Arizona has won the post, not because of any particular ability or, indeed, energy on his part, but because he pleased the Southerners last spring by obstructing the passage of the Bill for a compulsory Fair Employment Practices Commission, which would be particularly welcome to Negroes. It was understood that he hoped for reciprocal sympathy from Southern Senators for the reclamation project pending in his own state; Mr McFarland must run for re-election in 1952.

Southern strength in Congress is even greater than is indicated by the bare statistics. The Democrats who retained their seats on November 7th are not, from President

Truman's standpoint, the most reliable members of the party. The shift that reduced the Democratic majority in the House from ninety to thirty-six and balanced the Senate on a knife edge removed a very high proportion of the members who were accustomed to go down the line for Fair Deal measures. One out of every four of them has now been retired to private life.

*

But the South's place in the Congress is not the same as the South's place in the Democratic Party. In 1952, at the convention that nominates the party's candidates for President and Vice-President, the votes that count will be electoral votes, based on population, and particularly the electoral votes of the northern and western states, whose political allegiance is doubtful. The South will hardly be in a position to name the party's candidates. But, if Mr Truman is nominated again, it takes small gift for prophecy to predict that many Southerners will be looking for some other candidate to support. Yet what other candidate? The South, with its historic devotion to the Lost Cause, may get greater satisfaction than other regions out of a magnificent gesture, but magnificence is hard to keep up in the absence of political patronage. There is no adequate substitute even in the oil interests which those who have taken sample drillings insist are to be found under the States' Rights, or Dixiecrat, movement of the 1948 election. Southerners would prefer to go where they may do themselves some good. And as yet they have not discovered where that is.

Emboldened by the fact that for the first time in many years a large turnout in the November election proved to be conservative, and by the further fact that the most significant of the Republican victories was that of Senator Taft, whose Southern connections are firmer than those of any other outstanding member of his party, Republican leaders are convinced that now is the time to summon Southerners to overcome their historic repugnance to a name. After all, there are only thirteen years to go until the centenary of the battle of Gettysburg, while Southerners have now been restive in the Democratic Party for a quarter of a century. Moreover, Texas, for the first time since the War Between the States, sent a Republican to Congress in a by-election earlier this year and there was an unprecedented Republican sweep in Pinellas County, Florida, in November. An even happier omen is that this autumn Maryland Republicans followed their 1948 success in the presidential contest by winning the governorship and breaking the Democratic Senator Tydings' long tenure of office. In North Carolina and Oklahoma, also, new Republican strength was shown in certain districts.

So, as its first major move in the 1952 campaign, the national executive committee of the Republican Party, early in December, appointed a committee to help Southern Republicans expand their organisation. Special emphasis is to be given to Virginia, Florida, Tennessee, Oklahoma and Texas—in the first three of these states, the combined Republican and Dixiecrat votes, in 1948, outnumbered those of the successful Democrats. With a Republican candidate such as General Eisenhower, or even Senator Taft, opposing

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

Mr Truman in the presidential fight, the number of Southerners who would slip across party lines and vote Republican is probably very considerable. But there is a difference between slipping across a line and openly lining up behind another party. And what is easy for a relatively anonymous voter is impossible for the party leaders to whom dissident Southern Democrats look. They must declare themselves.

The top men in the state organisations have to choose their path with care. Today, they are nationally recognised as the Democratic Party in the South, with the emoluments, seniority, committee chairmanships and patronage which go with that position, and have much more than a name at stake. The tie with the northern and western sections of the party can be stretched only so far and could hardly stand combination of a permanent nature with the Republicans.

Just what Mr James Byrnes, the new Governor of South Carolina, and like-minded Southerners are planning for 1952 is not yet clear. It is probable that, under his guidance, they will act on a regional rather than a state-by-state basis. With the elimination of the liberal Senators Graham of North Carolina and Pepper of Florida the south-east is very like-minded, and it may not have been only the pressure of the national emergency that prevented the Speaker of the House, Mr Sam Rayburn of Texas, from attending the National Democratic Party's annual fund-raising dinner in New York. There is little doubt, too, that conversations are going on with northern stalwarts, industrial and political, who are at odds with the present Administration—men like Mr Baruch and Mr Farley. The hopelessness of another venture along Dixiecrat lines seems to have been

adequately demonstrated. If the Southern leaders could induce the states to pass laws allowing them to send to the electoral college spokesmen who were not committed to a particular presidential candidate in advance, the South might hold the balance of power in the college in 1952; it might then be able to bargain over the choice of President and Vice-President even though it could not itself choose them.

*

There is a specialised group of Southerners who will always support any party which takes a stand that they approve on the race issue. And when the issue is raised in national form, the South solidifies around that nucleus. Otherwise, the South's conservatism is much more general. It is compounded of three little related elements: the conservatism of the sea coast, that traces a proud ancestry to eighteenth-century feudalism and its ritual of family, station and calling; the conservatism of the mountains, with its pioneering individualism; and the conservatism of the industry that has recently arrived and is only slightly counterbalanced by organised labour in the factory centres.

So far, in the states where a liberal wing of the Democratic Party is sufficiently well organised to compel attention, conservatives of all persuasions have tended to work together, crossing party lines in both directions. In the gubernatorial campaign of 1949 in Virginia, for instance, an open offer on the part of the state's Republicans to help in the primary election in which the Democrats were choosing their candidate, openly welcomed by the nominee of the conservative Byrd machine, provided the margin necessary to beat the liberal Democratic candidate. With the successive

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U.S. Government Obligations	... 1,477,758,049.01	Dividend Payable February 1, 1951	2,960,000.00
State and Municipal Securities	... 174,288,180.62	Reserves—Taxes and Expenses	... 13,705,613.08
Other Securities	... 205,103,370.02	Other Liabilities	... 16,554,966.72
Mortgages	... 40,072,985.04	Acceptances Outstanding	... 28,036,105.85
Loans	... 1,815,387,721.79	Less: In Portfolio	... 2,675,951.92
Accrued Interest Receivable	... 9,461,559.45	Capital Funds:	
Customers' Acceptance Liability	... 24,159,936.78	Capital Stock	... \$111,000,000.00
Banking Houses	... 28,808,642.57	(7,400,000 Shares=\$15 Par)	
Other Assets	... 8,087,192.38	Surplus	... 189,000,000.00
		Undivided	
		Profits	... 53,007,007.85
			353,607,007.85
	<u>\$5,283,011,759.48</u>		<u>\$5,283,011,759.48</u>

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abandonment of the poll tax by Southern States—South Carolina is the latest to repeal it—the number of adult citizens who exercise their vote is growing larger. But up to a certain point a larger vote may very well remain a conservative vote and, if its various elements get together, such a vote is likely to exercise a prolonged period of control.

Since, especially in the cities, the Negro as well as the White vote is growing, the historic basis of the one-party system in the South, dating in most States from the turn of the century, is wearing away at a time when most of the policies the Republican Party favours are more congenial to the articulate part of the South than the Administration's Fair Deal. That is why the Republicans think they see a golden opportunity in 1952. But the leaders of the conservative Democrats, though sorely tempted by the possible fruits of extending their collaboration with the Republicans beyond the floors of Congress, still cannot find either a home or a name in the Republican Party.

American Notes

Lame Duck Sitting

The Eighty-first Congress paid the penalty for deserting Washington over Christmas by having to sit on New Year's Day, in order to complete its work before the Eighty-second Congress took over on January 3rd. But the departing "lame duck" members, who included such faithful Administration supporters as Senators Lucas, Tydings and Elbert Thomas, have the satisfaction of having hatched out an unprecedented number of Bills during their last session, one that is traditionally expected to be sterile. Their success is a measure of the heat generated in Washington by the international crisis.

When Congress settled down to business after the election, it found five Administration eggs in its nest. The Senate quickly threw out the Bill giving statehood to Hawaii and Alaska, but the other four have all been satisfactorily dealt with. Rent control, due to expire on December 31st, was extended until April, to give the new Congress an opportunity of deciding what should be done about it, now that building is once more restricted. Hungry Yugoslavia was sent \$38 million, out of funds already appropriated for Marshall aid to other countries, in order to strengthen its resistance to Russian pressure. In order to strengthen the United States' own resistance to the same pressure, \$20 billion was appropriated in supplementary funds for the current fiscal year, bringing the total budget to \$72 billion, of which almost \$43 billion is for defence. Nearly \$2 billion of the new appropriation is for stockpiling, over \$1 billion is for atomic energy expansion and the rest will be used to build up the armed forces. Finally, Congress earned a special pat on the head from the President by approving an excess profits tax, which will bring in about \$3.3 billion in additional revenue, nearly as much as Mr Truman had hoped for from this source, but by no means all the new revenue that will be needed.

The lame ducks also hatched out a few Bills for which the Administration had given up hope, notably one closing loopholes in the anti-trust laws and another banning inter-state shipment of gambling machines. More important, the Eighty-first Congress decided that civil defence measures were too urgent to wait for its successor, and rushed through legislation authorising both the powers and the money (\$3.1 billion) which the federal government needs if it is to help state and local authorities prepare for atomic attack. One double-yolked request that the President sent to Congress as an after-thought, to supplement his emergency powers, was half addled. Congress has allowed him to negotiate military contracts that have been affected by rising prices, but has refused to permit him to reorganise government

departments without consulting it. Had the Eighty-first Congress not ended its career so characteristically, by rejecting Mr Truman's last request, the new Defence Production Administration might have been a real merger of the emergency agencies now scattered through various departments instead of only the co-ordinating body that it appears to be.

Republicans to the Rescue

Mr Acheson assured the world in his New Year message that the United States would not desert its friends, whatever Mr Hoover and Senator Taft proposed, and he was seconded by the President. But the striking feature of the battle over "retreatism" this week is that the initiative in rebuking Mr Hoover has passed to Republicans, to Mr John Foster Dulles, the Republican assistant to Mr Acheson, to Mr Dewey, who would have made Mr Dulles Secretary of State had the Republicans won in 1948, and to Senator Morse, who attacked his party's isolationist with characteristic vigour. They lack the Congressional influence wielded by Senator Vandenberg in his great days, but their speeches suggest that the fault which runs down the centre of the Republican Party on foreign issues may split wide open on Mr Hoover's Rock of Gibraltar.

Mr Dewey appealed to the "stark necessities of self-preservation" which demand strong allies, and to the need for bases overseas from which to launch the atomic bomb. It was Mr Dulles who delivered the most reasoned, if unsensational, reply to Mr Hoover's argument though, like Governor Dewey, he tactfully refrained from mentioning its author. One of his great services was to revive American confidence by recalling the massive record of achievement since 1945; by pointing out the weaknesses which underlie the apparent solidity of Communist conquests; and by drawing attention to the great superiority of resources, both material and moral, possessed by the free nations, a superiority which would no longer hold if the United States abandoned its allies and made the Russians a gift of European industry and Middle Eastern oil. The mood that would plan a retirement behind a new Maginot Line, he said, carried within it the seeds of its own collapse. He agreed with Mr Hoover, however, that it was impossible to erect strong static defences everywhere and that there must be no more Koreans; the power to retaliate was, he said, the ultimate deterrent.

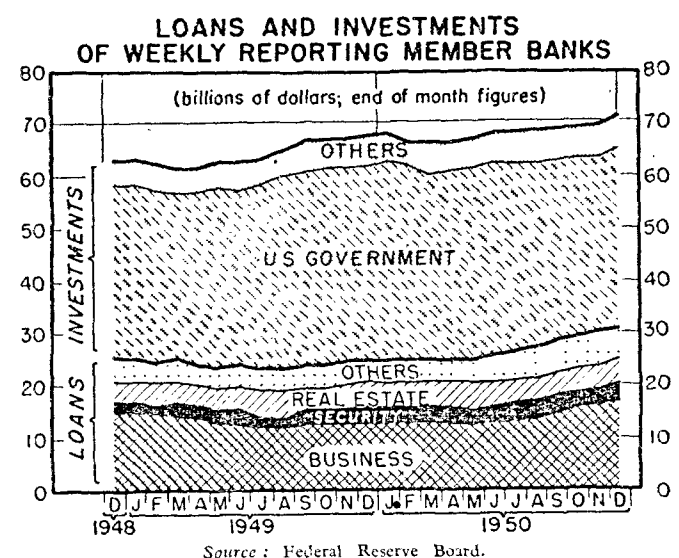
This is the debate on foreign military commitments which should have taken place in the Senate when the Atlantic Treaty was discussed. Then, it would have caused no surprise; now it creates the very defeatism abroad of which Mr Hoover complained, and of which, it must be admitted, many Americans seem convinced. The debate is certain to be taken up by the new Congress. A number of Congressmen are ready to criticise the sending of troops to Europe, either on the score that the West must first prove its determination to save itself, or because it would leave the United States defenceless. On this issue, General Eisenhower's views will be decisive, and in his recent statements there is nothing to suggest he will not be a tower of strength to the Administration. But his duties do not lie in Washington and, however great his personal influence, he will not be able to fight many of Mr Acheson's battles with the critical Congress which assembled this week.

Defending the Dollar

The Federal Reserve Board, in raising reserve requirements for members of the system to the legal limit (except for banks in New York and Chicago), has reluctantly fired almost the last shot in its present locker. Banks in central

reserve cities must now maintain reserves of 24 per cent against demand deposits, those in reserve cities 20 per cent, while country banks must hold 14 per cent. These member banks are only about half the total number of banks in the country, but they hold 85 per cent of the deposits. Increasing their required reserves by \$2 billion in theory prevents the extension of some \$12 billion in bank credit.

The target of the new offensive is those bank loans which cannot be restrained by restrictions on mortgage or consumer credit. The loans of all member banks have increased by an estimated \$7 billion since the Korean attack, raising demand deposits to a peak of over \$100 billion. The weekly reporting member banks (that is, the larger of the member banks) alone, as the accompanying chart shows, have increased their total loans since the end of June by \$5.6 billion, of which business loans accounted for \$4.2 billion. Perhaps a quarter of this is due to the return of the cotton trade to private hands, now that the government need no longer support the price. But the rate of expansion is still unprecedented and the source of most of the recent expansion in the money supply. The federal budget, for the moment,



is innocent; so far this year the government has been taking in more money from the public than it has been paying out.

Both the effectiveness and the fairness of raising reserve requirements are disputed. It is a crude credit weapon, which affects banks unequally; and, to the extent that it tightens credit at all, does not discriminate between loans which serve the national interest and those which undermine it. Moreover, Mr McCabe himself, the chairman of the Federal Reserve System, when asked earlier last month why reserve requirements were not raised, if the situation was so alarming, replied that most banks could easily meet the demand for more reserves by selling government securities. The recent slight increase in short-term rates will make this a more costly operation, but as long as the commercial banks hold over \$60 billion of government obligations, and the central bank must support the market for them, the reserve requirements weapon is blunted. Most banks had already set aside the necessary cash and bonds without restricting their loans.

The decision of the Federal Reserve does, however, underline the serious view it takes of "private deficit financing" and of the banks' failure to respond to its appeals to apply the brakes. For several months Mr McCabe has been urging the banks to restrict their loans and in particular to refuse those requested for the building up of inventories or expansion of non-defence production. But it is hard for a bank to refuse, on national grounds, a loan which is sound in itself, when it knows that the bank across the street may

not be so high-minded. The Federal Reserve Board is now urging all financial institutions to come to an agreement on the kind of loan which ought to be refused. Such an agreement, which otherwise would violate the anti-trust laws, is authorised by the Defence Production Act.

McCarthy's Victims Fight Back

One of the unexpected reverses of the election was in normally Democratic Maryland, where an unknown Republican, Mr Butler, defeated the well-known and respected Senator Tydings. Mr Tydings had headed the investigating committee which castigated Senator McCarthy for his unsubstantiated charges of Communist influence in the government, but even so, because of the complications of Maryland politics, it is by no means certain that the Tydings defeat was a McCarthy victory. It is, however, certain that Mr Tydings was smeared with the McCarthy brush, notably by his opponent's use of a faked "composite" picture, showing him in apparently friendly conversation with Mr Earl Browder, the notorious Communist. On this evidence that Mr Butler fought an unfair campaign, attempts have been made to prevent him taking his seat by Democrats who fear that they may be victims of the same type of misrepresentation in 1952.

Mr Tydings has held aloof from this argument, but Mr Drew Pearson can be counted on to smear as good as he gets. His long-smouldering duel with Senator McCarthy came to a head recently in comparatively private combat at an exclusive club and was continued publicly on the Senate floor and in Mr Pearson's newspaper column. Many agree with Mr McCarthy that Mr Pearson is "an unprincipled liar," "fiendishly clever" and "a prostitute of journalism," but his anti-Communist record seems clear. After Mr McCarthy had said that

any store that stocks Adam hats . . . is unknowingly contributing . . . to the cause of international Communism by keeping this Communist spokesman on the air,

the Adam Hat Stores, who sponsored Mr Pearson's news broadcasts, allowed his contract to lapse. The company maintains that it had already intended to do this but, once the principle of freedom of the press and the air appeared to be involved, Mr Pearson's newspaper and radio colleagues, like Mr Tydings's Senatorial ones, sprang to his defence to protect their own skins.

The McCarthy touch can also be traced in the attempt to prevent the confirmation of Mrs Anna Rosenberg as Assistant Secretary of Defence, on the grounds that she had once been a member of a Communist club. Mrs Rosenberg, however, came through the Senate committee's hearings with her reputation even brighter than before, and the case has since been proved to be one of mistaken identity. The Senate is much less happy about the five members appointed to the Subversive Activities Control Board, set up under the Internal Security Act to decide what is, and what is not, a Communist organisation. It is thankless work, especially since it will be carried on under the ever-critical eye of the Senate Judiciary Committee. If the Senate refuses to confirm the present nominees, the President will have difficulty in finding others ready to sacrifice themselves.

Point Four's Second Birthday

It is almost two years ago that President Truman, in the "fourth point" of his inaugural address, lined up his plans for aid to the under-developed areas of the world alongside those for improving social conditions in the United States. Since then this "bold new programme" has had a less spectacular, but no more successful, career than its domestic counterpart. Now, however, the prospects for

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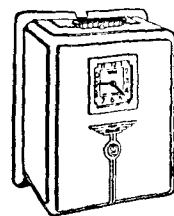
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the Fair Deal abroad, where it is a basic weapon against Communism, are better than those for the one at home, which will have to be drastically modified to make room for the rearmament programme.

There are two main roads along which the Fourth Point is supposed to work towards its goal. First, it is intended to encourage private investment in backward regions. Second, and of more immediate importance, it is to supply technical assistance, especially in the fields of health, education, agriculture and transport. The first standard Point Four agreement, with Ceylon, was signed at the beginning of November. These agreements cover the general terms on which technical assistance will be given, and provide for the training of nationals of the country concerned as well as for the loan of American experts; at present no funds are available for capital equipment, apart from the absolute minimum needed for demonstration purposes. Another general agreement was concluded with India last week, of special importance since it carried the programme into South Asia, and similar arrangements have been made with Brazil and Haiti.

The agreement drawn up earlier with Iran was for specific projects for rural aid, amounting to \$500,000. Two of the first five projects under the general agreement with India are agricultural, and the others are concerned with child welfare and the development of water and mineral resources. The sum allotted for these and other possible Indian schemes during the current year is \$1,200,000. Part of the \$800,000 given to Brazil will be used to set up a Joint Commission for Economic Development; altogether \$11 million of Point Four funds have been set aside for the Western Hemisphere. The United States is contributing about \$19 million this year to various Inter-American and United Nations technical assistance programmes. This comes out of the \$34,500,000 appropriated by Congress for Point Four and allied schemes during the current year, but the Economic Co-operation Administration is using some of its money for similar work, for example in Siam and various colonial dependencies. Both the Export-Import Bank and the World Bank also provide a certain amount of technical assistance to those applying for loans.

When all these dispersed activities are gathered into the net, Point Four's catch is more substantial than appears at first sight. But if it is to provide the maximum amount of nourishment for the under-developed areas, it is desirable that it should be more closely integrated than it is at present. This was recommended in Mr Gordon Gray's report on foreign economic policies and his proposals in this field are now being considered, at the President's request, by the new Advisory Board on International Development, headed by Mr Nelson Rockefeller.

Shorter Notes

Governor Dewey has kept his promise, made much of during the election campaign, to provide a state position for the Republican Senatorial candidate, Mr Hanley, should he fail to win one in Washington. Mr Hanley resigned his gubernatorial candidature, in which he might have been successful, to allow Mr Dewey to keep the place. Mr Hanley's reward is the post of special counsel to the State Division of Veterans' Affairs, at an annual salary of \$16,000. In addition he will have a pension of about \$4,000 a year for his past work as Lieutenant-Governor.

The US Government has increased its expenditure on stockpiling sevenfold compared with the 1950 fiscal year and has nearly trebled it during the current year. Congress has just added \$1.8 billion to the 1951 appropriation for this purpose, bringing the total to over \$3 billion.

THE WORLD OVERSEAS

Russian Tactics in Germany

DR. ADENAUER is at this moment considering in what manner to reply to the letter sent to him on December 1st by the Premier of the Soviet German Republic, Herr Grotewohl, proposing talks on the subject of German unity. It is almost certain that he will make some reply after examining all the data on the policy of the Eastern German leaders. In itself there seems nothing remarkable in the fact that one German politician may reply to another. Nevertheless, if Dr. Adenauer should do so, it would be a landmark in the history of postwar Germany. The Federal Chancellor would be admitting the authority of the renegade Socialist in Eastern Berlin; and he may be giving the Communists a foothold which they will make every effort to enlarge.

The first reaction of the Chancellor was to ignore this latest attempt by the government of the People's Republic to assume equality with the Federal Republic. There is ample justification for doing so. The Federal Chancellor is the head of a freely-elected Government, now representing 50 million Germans, living in one-third of German territory, together with Western Berlin. In spite of all the limitations on the sovereignty of the Federal Republic, no one can justly claim that Dr Adenauer does not conduct an independent policy which represents the wishes of the majority of his people. What can be said of Herr Grotewohl? The most that can be conceded is that the organisation he represents is in effective control of the People's Republic. In that sense it is a government; but it exists solely to execute the orders of the Politburo of the Socialist Unity Party, which is in turn the instrument of the Central Committee of the Bolshevik Party in Moscow. The territory over which it rules is not all of the country outside the Federal Republic, but only one-third of the present boundaries of Germany. The rest of Germany lies beyond the Oder-Neisse line, and the sole function of Herr Grotewohl in respect to this area is to affirm from public platforms that its frontiers are fixed for ever in the interests of peace.

After a year during which the People's Republic established itself by the customary methods of Communism, elections were held last October on a single list of candidates. It is quite possible that an overwhelming proportion of voters really did, as alleged, mark their crosses against the names of the approved candidates. Few are willing senselessly to make martyrs of themselves and their families when they are forced to vote openly in small factory or office units. "A man must live" is the precept upon which Communist election organisers successfully work in all countries where the power to withhold jobs—and the rations which go with them—is in their hands. It remains a fact, however, that Herr Grotewohl's rule rests solely upon fear, and he has no right whatever to claim equality with Dr. Adenauer. Nor is there any justification for his proposal—an echo of the Note sent by Moscow to the Western Powers—that an All-German Constituent Assembly should be set up consisting of equal numbers of representatives from West and Eastern Germany.

A few months earlier, a proposal of this nature would have met with contemptuous rejection by the Bonn Government and with indifference by the people of the Federal Republic. It would in all probability never have been made. Russian policy has changed to meet the new circumstances since Korea. Until the Prague conference laid down a revised

strategy for Germany, the Soviet German "National Front" had been trying to foment a resistance movement among the apathetic Western Germans. Dr Adenauer and Dr Schumacher had been threatened with a violent end as traitors and war criminals. This campaign, like its predecessors, was a complete failure. At that time, the strongest appeal in the Soviet-sponsored propaganda for German unity was the offer of secure, long-term markets in Eastern Europe and in China, made to industrialists who were faced with the problem of selling surpluses in highly competitive western markets. To all Western Germans, the idea of unity—unity, that is with the Pieck Republic alone—had little attraction. Daily reports, and the constant stream of refugees from the Soviet Zone told a forbidding tale of increasing terror against the capitalist bourgeoisie, arbitrary bullying by local party bosses, and a miserable standard of living for all but the privileged few. Only the young, neglected in the West and fostered in the East, felt drawn by Soviet German propaganda for limited unity of the two zones. To all Germans, and the millions of refugees in particular, the real meaning of "unity" is the return of Germany's lost territories east of the Oder-Neisse. And, as innumerable revisionist organisations make clear, the areas which would be comprised in a Germany reunited in accordance with their hopes would be Hitler's "Warthegau" in Poland and the Sudetenland, as well as Silesia, East Pomerania, Danzig and East Prussia. In the period before Korea, however, even the revisionists had quietened down. About 2,500,000 of the 3,500,000 refugees of employable age had found work, leaving an unabsorbed mass of farmers, professional men and servants of the Hitlerite regime. An extraordinary number had enriched the West by setting up new factories and crafts.

Two Nations

So the cleavage between the two Germanies became real; instead of being an artificial barrier imposed by foreigners, the Elbe had become the dividing line between two countries, inhabited by people who were increasingly strange to one another. The urge for unity between the two rump Germanies lived on chiefly among the two groups who had their chief strength in the Soviet Zone—the Protestant Church and the Social-Democrat Party—and of these, the leadership of the Social-Democrat Party were immunised to Communist blandishments by the fate of their colleagues in the Soviet Zone.

Korea and its aftermath, western rearmament, have completely changed this situation. Now, for the first time, Soviet German propaganda can offer a straightforward alternative with a specious ring of truth about it: "Unity and peace—or division and war." With Russian-made tanks invading the territory of an American protectorate, and Americans pressing for the rearmament of Western Germany, fear of war makes the Germans listen more attentively to the Russian talk of peace. Like the French, the Persians, and all other peoples who are resisting Communism with American aid, they hear that all they need do for salvation is to force the Americans to withdraw. Constantly, they heard the famous message from Stalin to President Pieck in which the leader of the nation which had (according to Moscow) beaten them single-handed, had affirmed that, together, the Germans and

Russians could safeguard peace for ever. The Americans, so Soviet propaganda runs, are the only aggressors now and in the future; but without the Germans as cannon-fodder they cannot lift a finger in Europe. Franz Dahlem, one of the Socialist Unity Party leaders, has directly replied to Western Germans who oppose remilitarisation but fear the Russians. The Soviet Union, he has declared, will never enter Western Germany "unless it were itself attacked." But, for Moscow's purpose, German neutrality is not enough. The Germany from which American troops have departed must be linked by a treaty of friendship and mutual economic aid with the Soviet Union, and must carry out the basic political programme of the Soviet Zone. Moscow cannot depart from the principle: "Who is not for us is against us."

Dahlem, in an appeal, addressed specifically to the middle classes, professional soldiers and future conscripts of Western Germany, dealt with the "many nationally-minded officers who hold the fanciful idea that, as remilitarisation could not be stopped in any case, there might in the event of war be another Tauroggen." There have, indeed, been many references of late to the example of Yorck von Wartenburg, who in 1812 led his army over to the Russians against Napoleon on the eve of battle. But, said Dahlem with irrefutable logic, "to think of a future Tauroggen means to indulge in a fateful passivity and to forget that by that time Western Germany would have become a graveyard."

The threats and promises which issue from the Soviet Zone contain a large element of bluff. It is, moreover, much more simple to separate the bluff from the serious threats in this section of the Russian sphere than elsewhere, for the Elbe forms no effective iron curtain. Germans can contrast the grandiose talk of the Communist leaders with the acute poverty of their Eastern German compatriots. Percentages of production can be set against eye-witness accounts of a life bare of the simplest necessities. It is, however, possible that, while the bluff about Eastern German prosperity may fail in the West, the efforts to intimidate the Western Germans may not be without result. As in Czechoslovakia, or Nazi Germany, the Communists benefit from the ordinary citizen's argument: "If I keep in with the Communists and the democracies win, nothing will happen to me. But the other way round, and I may be hung." For this reason, despite its bluff, the law against "warmongers" pronounced recently from Eastern Berlin may have some effect. This outrageous measure, which threatens ruin, imprisonment or death to anyone in Western as well as Eastern Germany who opposes the "peace campaign," or who even prepares to oppose it, has been proclaimed for the purpose of impressing the citizens of the Federal Republic with the might of Russia's German satellite. The series of executions and life sentences which is now starting in the Eastern Republic is intended to drum home the lesson of what would happen once the Communist writ were to run in the West.

It is small wonder that friends of Western Europe in Bonn are filled with forebodings about the effect of making even the smallest concession to Herr Grotewohl. In the background there lurks the fear that the Western Powers may one day offer up Germany as the price of agreement with Moscow in the rest of the world. At the same time, it is impossible for German ministers to refuse to meet other Germans, to discuss an objective on the face of it so patently desirable as unity and a peace treaty, when the main antagonists are prepared to sit down together at a round table.

Fresh Start in New Guinea

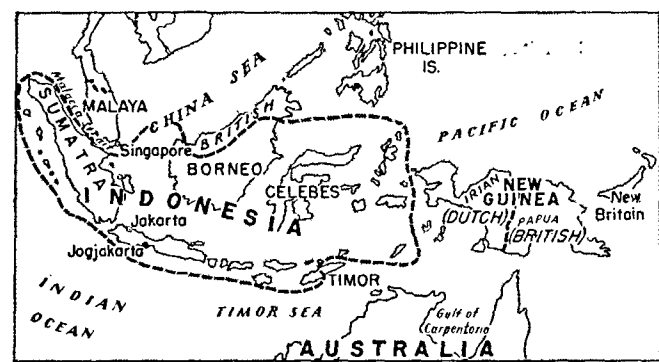
[FROM A CORRESPONDENT]

LAST week the conference at The Hague between the Dutch and Indonesians to settle the question (primarily one of prestige) of New Guinea's future finally broke down—although Mr Rum, the Indonesian Foreign Minister, had

flown all the way back to Jakarta for two days in the middle of the month to consult his government. This means that Western New Guinea remains, at least for the time being, entirely in Dutch hands. It means, too, that the Dutch are under a strong moral obligation to develop this large and primitive country and to assist its people.

The western half of New Guinea—the eastern half is Australian—has been under Dutch administration since 1897, as part of the Netherlands East Indies. Up till the end of 1948 very little was accomplished, principally because the Government did not see its way to making the necessary extensive survey of a country which looked so unpromising and unprofitable. Now circumstances have changed and, since December, 1949, when New Guinea became an autonomous territory within the Kingdom of the Netherlands, Holland has seriously undertaken to develop its 151,789 square miles of territory and to push on with assisting its 1,000,000 native inhabitants. The Government frankly admits having more or less neglected this part of its colonial empire up till now.

With this new purpose in view the budget for current expenses, which did not exceed 18 million Indonesian guilders during the years 1948 and 1949, was raised to some 48 million Netherlands guilders for 1950. Of this sum 25.8 million are intended for technical and economic purposes



and 4,000,000 for public health and social services. The autonomous government of New Guinea is able to meet part of these outgoings from its own revenue; a deficit of 23.3 million guilders will be made up by the Dutch Treasury. Apart from this, however, special expenditure is still necessary for reconstruction and renewal, as a result of damage done during the Second World War. The Netherlands Government has in principle decided upon the sum of 30 million guilders for the construction—within the next three years—of a modern seaport at Hollandia, the capital, and the building of houses and offices there. At present the little town only consists of a miserable collection of old Nissen huts. The Governor, Dr Van Waardenburg, lives in the only decent house—a wooden building erected for General MacArthur during the war.

Although the Dutch budgetary position is far from happy, it may reasonably be expected that the Netherlands will substantially increase its contribution to New Guinea for 1951, and that the budget for current expenses will be over 60 million guilders for the coming year. If the new development of the country is to be a success, large private investments will also be needed.

A very great difficulty, however, is the shortage of labour, administrative, technical and manual. To begin with, education will have to be extended. In 1949 there were only 531 schools, attended by 25,883 pupils, that is, 10 per cent of the registered population—although this compares with only 4 per cent in Java itself in 1938. The problem of manual labour is the most serious. In order to open up this country roads must be built; at present there are hardly any. Transport is largely by river, which is limited owing to the many rapids, and by air, which is too costly.

It has already been proven that no more than 10 to 20 per cent of the native population can be employed. As soon as more than this number is removed from the villages the local economy, based on the family, is apt to disintegrate; besides, although the Papuan is intelligent and quite skilful, he has not yet adapted himself to regular work. Nor are there any artisans. The Chinese inhabitants do not amount to more than 1 per cent of the population and are mostly concerned with trade; in most other parts of the eastern world there are always Chinese carpenters, cobblers, blacksmiths, launderers, and so on. Hence there are great possibilities for immigration, which indeed the Governor hopes to begin within the next five years. But here, too, there is a vicious circle owing to the housing problem.

Another difficulty in the building of roads is the nature of the soil and the vegetation; along the coast, where there are extensive swamps, the vegetation consists mainly of the sago-palm, which provides the indigenous staple food. The roots of these trees are so tough that even a bulldozer crumples up on them like a sardine tin. The great rainfall, too, necessitates most intensive upkeep. If there were a good road system, New Guinea could now be self-supporting in rice production.

The first attempt at agricultural and horticultural colonisation in 1928 entirely failed owing to a surprising lack of planning and organisation. Now there are regulations for immigration with the result that there are already several settlements which are a paying proposition, although some authorities are of opinion that better results might be obtained by a co-operative system. New Guinea provides many other possibilities. Already the Netherlands New Guinea Petroleum Company (a subsidiary of Shell) is in full production. Of minerals, several may be mentioned: coal, nickel, bauxite, probably some gold and a possibility of uranium. Prospecting is now being undertaken by regular expeditions organised by the Government, while a systematic exploration of the whole territory is shortly to be carried out in order to expand agriculture.

New Zealand Government's First Year

[FROM OUR NEW ZEALAND CORRESPONDENT]

A SERIES of critical but friendly editorial reviews has marked the completion of the first year of office of the National Party Government in New Zealand. The fact that the end of the first year has coincided approximately with the end of the first Parliamentary session under Mr S. G. Holland's leadership as Prime Minister has enabled the reviewers to fortify their comments with actual comparison of election promise and legislative performance.

A digest of these opinions shows that some observers believe that Mr Holland has been over-inclined to claim mandates for numerous unrelated legislative acts during the session, and that he may have attempted too much in the first of the three sessions of about five months each into which each New Zealand Parliament is customarily divided. One critic reminds him that "the bulk of the electors do not vote on the details of an election campaign; they concentrate rather on a few principles or have private grudges which they work off at the ballot box."

But in some matters for which a definite mandate could be claimed Mr Holland has been obliged to modify his pre-election intentions. When he made his successful bid for office in November, 1949, after Labour had been in power for 14 years, he based his financial and economic policy on forecasts of falling world prices. The war in Korea, the still rising cost of living, and high wool prices with their inflationary dangers have made Mr Holland and his party realise that their policy must be flexible—that it is being

shaped almost daily by new events, internal and external, which were not foreseen a year ago. Already the party has had to modify its views on subsidies, and, in spite of considerable progress, it has not yet been able to remove all import controls.

Some of the election policy has proved to be impetuously conceived apart from these considerations of changed world conditions. For instance, the Government has had to abandon its election promise to "reorganise the National Airways Corporation into a public corporation by offering a portion of the capital, not to exceed 49 per cent, for public subscription." The actual decision has been to sell the corporation "lock, stock and barrel." And the election promise to "make the pound go further" has frankly had to be abandoned.

The Government has been criticised in some quarters for its decision (effective from the end of 1950) to abolish the Legislative Council and to reintroduce capital punishment. Although legislation on the latter subject was passed by what was claimed to be a free vote of the House, there is a suspicion that, in effect, the vote was disciplined because the Labour Party opposed the re-innovation, but the National Party, with the exception of one member, voted for it.

However, by and large, the Government is being credited with a useful record of achievement in its first session. Many of the Bills have been of minor departmental importance. But on the whole the trend has been to clear the way for an order in which enterprise and self-reliance will be encouraged. As for foreign and Commonwealth services, Mr Holland can be confident that he fully represents the country's opinion on the questions likely to arise.

Indian Motives in Nepal

[FROM A CORRESPONDENT]

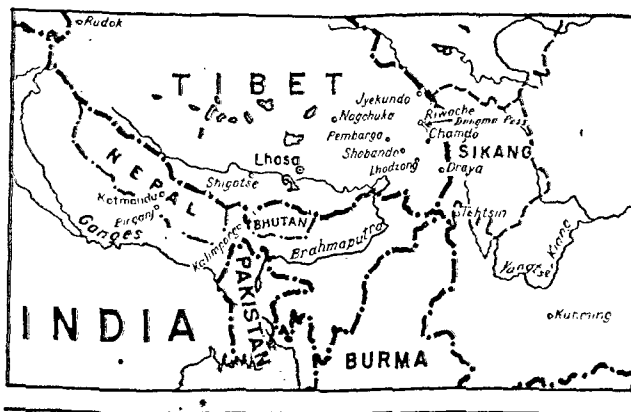
MAJOR constitutional reforms have just been announced for Nepal, after pressure from India and protracted negotiations in Delhi. These reforms include a constituent assembly to be elected by adult suffrage before the end of next year and a change in the composition of the government meanwhile. Pandit Nehru, the Indian Prime Minister, has also had his way in securing the return of King Tribhuvana to the Nepalese throne. This was not what the King originally wanted. He had long schemed and endeavoured to live outside Nepal, and there is little probability even now that of his own accord he desires to go back. He is at present living *incommunicado* in the New Delhi palace of the Nizam of Hyderabad.

It is not yet quite certain how these measures will affect an invading army which is still in control of Biratnagar and has the open use of a lateral railway in Bihar State, whereby it can bring up men and arms against the Nepalese, who have to march on foot. This army is under "General" Mahabir who, together with another exiled Rana, has bought jute interests in Calcutta at well above the market price. (Biratnagar possesses a hydro-electric plant and jute, cotton and sugar mills.) Owing to the autonomy of Indian states, except in a few matters—which, however, include communications—it is easy for India to turn a blind eye to events in Bihar; and it is notable that in the early stages of revolt Bihar state lorries were used and frontier officials appeared to co-operate with the invaders, at least until the Bihar Finance Minister appeared upon the scene.

India's apparent toleration of an invasion from its own soil and its keen desire to return an unwilling King to an unwilling country may possibly be attributable to Delhi's active concern in the affairs of all states on its frontiers. How far it will go in ensuring its own security is open to doubt, but there is certainly no possibility that a democratic system can suddenly be instituted in a land where communication between village and village scarcely exists. The observable happiness of the people of Nepal is almost certainly due to

their archaic, or arcadian, unconsciousness of any government at all. More logical motives for India could be found in a desire to create in Nepal conditions that would provide excuse before the world for yet another occupation of territory. Such motives need not be limited to the strategic, although there is obvious advantage to India in being established in the fortifiable foothills of the Himalayas, with a surrounding population of potentially excellent soldiers who might prove loyal to Tribhuvana upon finding such employment.

Another and possibly stronger set of motives are economic. There are, as is no secret, 6,000 square miles of forest in Nepal containing not only valuable timber for pharmaceutical and other uses, but also natural indigo and even natural jute. The latter is an obvious temptation to India instead of the jute areas lost to Pakistan. Quantities of rice and vegetables are also grown in Nepal which would assist in solving India's food problem. There are sulphurous springs, and oil has been seen on lakes and rivers, if not at Biratnagar, more certainly north and north-west of Katmandu. Continual gold-



washing from the Naraini river has provided a livelihood for many and may indicate the presence of workable gold deposits. Other suspected minerals may include cobalt, antimony, silver, manganese and, possibly, jewels. The Ranas have permitted no exploitation by outside capital and no real exploration has been undertaken. Nepal, in fact, has much, and may have more, that India wants. India's eventual aim may be to gain strategic control and to promote the economic development of Nepal, Sikkim and Bhutan. Strategic control over the latter two has already been effected.

Nepal has an especial pride in its sovereignty, in the undoubted achievements of the Rana regime within their limits and in the voluntary aid given over a long period to the sub-continent's defence. India could not, in many ways, have desired a better neighbour, and, apart from Tribhuvana's return, the Ranas themselves have recently expressed willingness to take practical steps towards constitutional reform. Some of Delhi's apparent high-handedness may ultimately be explained by the argument that the King descends from a family of Rajput, and therefore of Indian, princes, whose senior branch still rules in Udaipur.

Sharing-out Europe's Coal

[FROM A CORRESPONDENT]

UNTIL seven months ago, the main task of the coal committee was the allocation of West German coal exports, and of such other European coal as the producers had not already disposed of. By the spring of 1950 it seemed that the period of shortage was over. The producing countries were frightened of a return to prewar conditions of violent fluctuations of demand and price and would have preferred the continuation of some form of international control; on the whole, the consuming countries had little objection to this, provided that it was done openly. But the Americans

were hostile to any scheme by which producers might get together to maintain a high price and under strong American pressure, all countries, including Germany, returned to a free market.

With the apparent dawn of a coal surplus and the end of control, the consumers sat back and waited for prices to fall lower. They waited so effectively that the producers, seeing stocks piling up at the mines, restricted production, and by the end of the summer, some 3,000,000 tons had been lost. Korea brought about a transformation with intensive stockpiling at a time when the stocks which had been deliberately run down would have to be replenished in any case.

The November meeting of the coal trade subcommittee (the body which has succeeded the old allocations subcommittee and allocations working party) in Geneva showed European import requirements of nearly 19.5 million tons of coal and coke for the first quarter of 1951, and export availabilities of about 14 million tons, while these were no rules as to how obvious inequities in distribution should be corrected. The problem was then discussed by the OEEC in Paris, whence, after some stormy and unhelpful meetings, it returned to Geneva just a week before Christmas—by which time the protagonists were even stiffer and crosser than they had been before. The unseasonable atmosphere was not improved by the receipt of a telephone message that the British Cabinet had decided to curtail exports for the first quarter of 1951 by 1,000,000 tons. Despite the fact of British imports of American coal and British fuel rationing, the cry of perfidious Albion went up.

Some countries with strong bargaining powers, such as Sweden, already had contracts and did not appreciate attempts to make them surrender coal to the weak and possibly foolish, such as the Greeks, the Yugoslavs and the Italians, who had none. However, some sort of order was eventually produced, mainly as a result of the personal efforts of the British chairman, Mr John Brook, who used bludgeon methods with great success and more or less refused to let the subcommittee go until some kind of agreed solution had been found. At least for the next three months the Luxembourg railways will continue to run, industry will be possible in Yugoslavia and Italy and the Greeks will not freeze to death.

Of the 13.5 million tons of coal and coke which will make up the European trade for the first three months of 1951, Germany is supplying about 50 per cent, Poland about 20 per cent, France about 11 per cent, Britain about 7.5 per cent. Despite German mutterings about the impossibility of increasing production under the Ruhr Authority, production is rising, but the bulk of the 3,600,000 tons, which are now required to bridge the gap until April, must come from the United States, although shipping difficulties make it obvious that this quantity cannot be moved.

The ECA is now negotiating with the Maritime Commission of the USA for the chartering of American Government "mothballed" merchant tonnage. It is estimated that something like 135 ships would be needed, and about 70 are in sight. With a rough cost of \$25,000 per ship for "demothballing," charterers must show that they have orders for at least three round trips to Europe. It is also probable that the jump in shipping rates from about \$4.50 a ton to \$9 will bring in other miscellaneous tramp shipping, but there does not seem to be the smallest chance that all the 3,600,000 tons can be moved.

Meanwhile, a tug of war is going on between Geneva and Paris as to which shall deal with coal allocations in the future. OEEC has only its commodity committee to deal with the matter and is hamstrung by its rule of unanimity and the fact that the commodity committee's recommendations are subject to review. Geneva has the machinery which worked smoothly in the past, and there is the additional advantage that Polish coal will continue within the scheme if it is run from Geneva.

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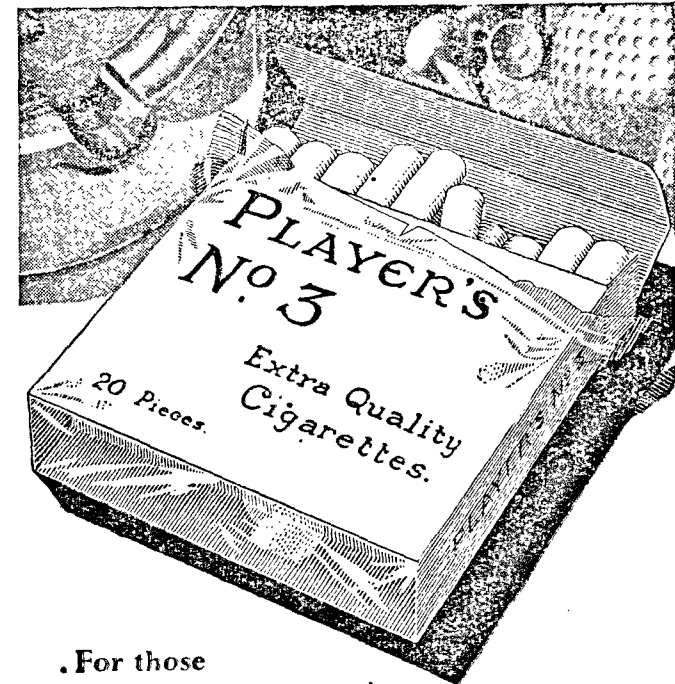
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The Sudanese and Their Future

DURING the current Anglo-Egyptian conversations, the question of the defence of Egypt has almost exclusively filled the headlines. The second item on the agenda—the future of the Sudanese—has, of course, stirred greater attention in Khartoum. The Sudan is often cited, aptly enough, as a happy land that is making its way by reasonable and efficient stages towards a future of its choice. But the visitor during December was sharply reminded that even a land so well insulated by deserts is not immune from mid-20th century fevers. He witnessed its Legislative Assembly at sixes and sevens over the right course to independence. And in Christmas week, he was compelled by strikes to make his own hotel bed and to fly when he would have liked to travel by train. Manifestations of uncertainty and unsettlement prevail both on the political and on the labour front.

The political scene presents much the brighter of the two pictures. The British are practised at teaching the pattern of responsible government to under-developed peoples, but less well versed in introducing them to trade union rules. The Sudan Legislative Assembly set up in 1948 has on the whole worked well. It consists of 75 members, only ten of whom are nominated, and only five of whom are British. Its debates suggest that a quite considerable number of the elected members base their judgment on common sense, not prejudice—a refreshing change from the practice in most Middle Eastern parliaments. Unfortunately the members themselves, not to mention the local public that crowds the gallery, know too little of kindred countries to realise the extent of this blessing. They are unaware of the pitfalls that they ought to strive to avoid. The sobriety of their proceedings so far is due largely to the fact that one large group—the National Front that favours some sort of link or union with Egypt—boycotted the 1948 elections and so holds no seat in the Assembly. It is also helped by the example unobtrusively set by one or two sage and tactful British debaters.

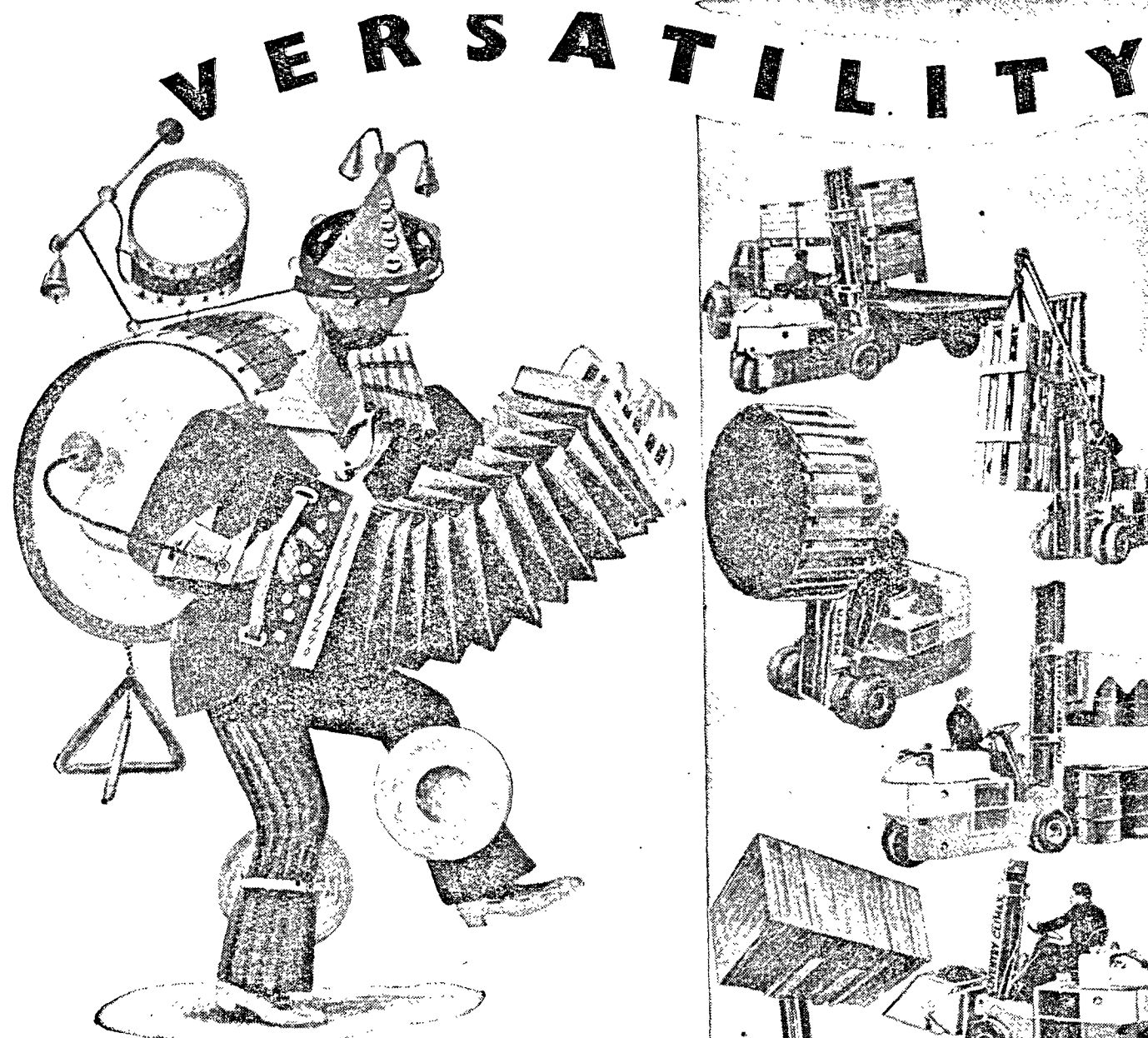
Nevertheless the Assembly is as yet ill-equipped to stand up to the buffets of real controversy. In November, as a result, primarily, of King Farouk's abrupt demand for the end of the Anglo-Egyptian condominium, the Umma party (which is the anti-Egyptian body that provides the bulk of the Assembly members) laid its plans for lodging a claim to complete self-government by 1952. The principal sponsors of the move were also inspired by the news from Lake Success of imminent independence for Libya and self-government for Eritrea. But the proposition they put forward in the Assembly on December 13th was too vaguely

conceived to command universal approbation even among party members. Did they mean complete independence, or self-government subject to retention of the Anglo-Egyptian condominium? Even the urban representatives from the Northern Sudan seemed unsure. The rural and southern members—the latter of whom are not Arab, and are often not Moslem either—declared that the country would not be ready for such a step for years, and that they could not accept a regime in which the educated northerner would govern tribal lands of which he knew nothing. After hot debate, reason prevailed and the problem was deferred until members could consult their constituencies. The issue is postponed; but the incident is proof that the country is divided not only as between the Umma and the National Front—which is, broadly speaking, a cleavage between the followings of its two great religious leaders—but upon the issue of affiliation with Egypt. It is also divided as between the urban protagonists of independence now, and the rural advocates of independence only in good time.

Flimsy Pretexts for Strikes

The current labour troubles are serious because they are more difficult to diagnose and to prescribe for. During 1950, strikes have been a national pastime. Their most distressing manifestation has been in schools, where the Egyptian habit of turning students into political rowdies has made some alarming strides. In November, the country's 45 trade unions, formerly the "Sudan Workers' Congress," set themselves up in Khartoum as the "Sudan Trade Union Federation." But this newly named body has unfortunately begun its career with attempts to further causes that have nothing to do with industrial disputes. For instance, it gave support to a mutiny which started in Kordofan province over the quality of secondary school dinners; it also threatened an attempt to obstruct the amendment by the Assembly of the Defence of the Sudan Ordinance which provides the Government with exceptional powers in the event of emergency. Only one recent strike—by railway firemen—has had to do with conditions of work.

The flimsy pretexts upon which the workers are downing tools has caused much questioning as to whence the impetus comes. Is it from Russia? This is unlikely. Or from Egypt?—which affords no good example of the way to behave. Pro-Egyptian papers openly support the strikers, pro-Egyptian lawyers are ready to defend them in court; some Egyptian largesse is certainly entering their pockets. But part of the impetus undoubtedly comes from the heady effect of receiving new rights without understanding their purpose. The prospect for 1951 is not all plain sailing. For disagreements inside the Sudan tend to exacerbate the differences that emerge during Anglo-Egyptian conversations. They give Egyptians cause to complain that Britain is engineering independence movements, and Britons cause to suspect Egyptian stimulus to grumblers.



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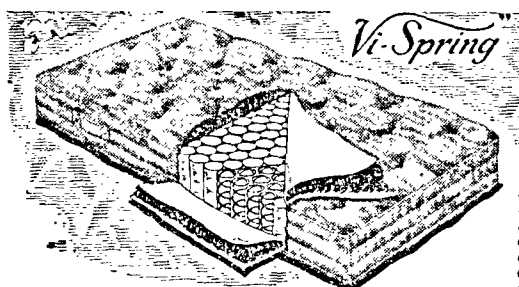
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THE BUSINESS WORLD

Sterling Area and Defence

THE agenda for the current meeting of Commonwealth Prime Ministers in London is reported to be predominantly political rather than economic. It will be surprising, however, if the emerging problem of maintaining the cohesion of the sterling area—a problem that is likely to assume considerable importance during 1951—does not cast some shadow across the conference table. For the rearmament economics of 1951 are likely to heighten difficulties that were already causing concern in Britain even before the invasion of Korea.

The essence of the emerging threat to sterling area cohesion lies in the extraordinary improvement of the external payments accounts of nearly all the Dominions in the last eighteen months. Up to the time of sterling's devaluation in September, 1949, the independent overseas members of the Commonwealth, taken as a group, benefited very greatly from the operation of the two cardinal principles of the sterling area club—the principle of pooled hard currency reserves and the principle of free capital movements. Since devaluation, however, these two principles have imposed sacrifices upon them and benefits upon Britain. According to estimates in the current issue of *The Banker*, the overseas sterling area had a net deficit of £752 million in the three years between January, 1947, and December, 1949; this was financed as to £632 million by an outflow of capital from Britain and as to £120 million by net drawings on sterling balances. The accompanying table shows how sharply the trend had altered by the first half of this year.

Moreover, this table underestimates the extent of the turn-round in the fortunes of the independent members of the area. In the three years to the end of 1949, the Colonial Empire was a net lender on sterling balances to the extent of £32 million and a net contributor to the central dollar pool to the extent of \$250 million; it increased this creditor status in the first half of 1950, when its sterling balances ran up by £46 million and its dollar surplus amounted to \$151 million. This improvement, though impressive, was not of the same startling order of magnitude as that recorded by the independent members of the sterling area. In the three years to December, 1949, these independent members had shown a dollar deficit of \$2,088 million, and had run down their sterling balances by £159 million despite the outflow of sterling capital towards them; in the first half of 1950 they ran a dollar surplus of \$28 million and increased their sterling balances by £154 million. It would not be surprising if this sudden change of role from borrower to creditor brought with it a change of the Dominions' attitude to the advantages of sterling area membership in its present form.

The problem is accentuated by the fact that the current volume of sterling area aid to Britain, and the expected volume of that aid in 1951, is likely to be much greater than the volume shown for the first half of 1950 in the table. The first and most obvious reason

for this is, of course, to be found in the trend of commodity prices. In 1949 five commodities alone—wool, jute, rubber, tin and cocoa—accounted for over 55 per cent of the overseas sterling area's exports to dollar countries; they must have accounted for an even greater proportion of the exports to the dollar area in both the first and second halves of 1950, for American purchases of all of them, except tin, have increased. The weighted average price of these five commodities was about 65 per cent higher in the second half of 1950 than in the first half. If it can be assumed that the volume of trade between the overseas sterling area and dollar countries remained unaltered in the second half of 1950 and that prices of both imports and exports rose by 65 per cent, then the overseas sterling area's surplus with the dollar area since June would have increased from £65 million in the first half-year to fully £105 million in the second. The likely increase, however, must have been larger than this; first, because prices of primary products have risen more sharply than prices of manufactured goods (that is, the terms of trade have moved in favour of the overseas sterling area) and, secondly, because a bigger volume of primary products has been exported. The actual dollar surplus of the overseas sterling area in the second half of 1950 may well have been nearer £120 million.

The overseas sterling area's pattern of trade with continental Europe is broadly similar to that with the dollar area. Europe's purchases of sterling area tin have perhaps risen more steeply in 1950 than those of the United States. Commonwealth sales of wool and jute to European countries, however, were smaller in the second half of the year than in the first half and even smaller than in the second half of 1949. In wool, the sharp rise in prices will have more than offset the decline in volume, but in jute the total value of sales may have been no more than in the first six months of 1950. In contrast, exports of rubber and tin to Europe have been much larger in the second half than in the first half of the year; indeed, purchases of rubber from Malaya have more than doubled. If trade experience with Latin America and other areas has been similar to that with Europe, the overseas sterling area's balance with the "rest of the world" (as defined in the table) is likely to have been of the order of £150 million in the second half of 1950, compared with £95 million in the first half. As some offset to this, however, the overseas sterling area's deficit with Britain probably increased from £80 million to over £100 million. If these estimates are of the right order of magnitude, net lending to Britain by the overseas sterling area may have risen from £145 million in the first half of 1950 to over £230 million in the second half.

Comparable estimates for 1951 can clearly be no more than guesses. Much will depend upon whether inter-

national allocation schemes are introduced promptly for sterling area products, upon the nature of such schemes, and also upon how effectively the civilian use of these goods is restricted in Britain, the United States and Western Europe in the coming months. This doubt overlays other doubts about the future of prices and of production. Wool prices might conceivably surpass even the new records established last month, whereas rubber prices—at least in the second half of 1951—are likely to be much lower than in the second half of 1950. But for the purpose of this article perhaps the best assumption is that commodity prices in general will not rise significantly above their current levels during the coming year. On that basis, the overseas sterling area's trading balance would depend mainly upon the volume of its exports. The volume of wool exports will decline somewhat now that the stocks accumulated during the war years have been liquidated. Rubber production in the sterling area may expand—but not very sharply, for the major increase in world supplies will come from Indonesia—while tin production is also unlikely to show any marked change. On the other hand, larger jute and cocoa crops can be expected. These conjectures suggest that, unless the value of imports changes markedly, the balance of trade for the overseas sterling area might continue during 1951 at approximately the same rate as in the second half of 1950.

The course of imports is particularly hard to foresee. On the one hand, although prices of primary products may not continue to soar as they have done during the past six months, prices of manufactures are likely to begin to reflect the higher cost of raw materials. In other words the terms of trade may tend to move against the overseas sterling area. On the other hand, there may be some enforced reduction in the volume of sterling area imports. There may be a complete drying up at the source of supply of a large proportion of the goods

★
DRAIN ON UNITED KINGDOM BY OVERSEAS STERLING AREA
(£ million)

	1947	1948	1949 (Jan.-June)	1949 (July-Dec.)	1950 (Jan.-June)
Sterling Area's Balance on Current Account with:—					
United Kingdom.....	- 89	- 197	- 135	- 120	- 80
Dollar Area.....	- 273	- 82	- 64	- 30	+ 65
Rest of World.....	- 69	+ 80	- 35	+ 12	- 95
Financing from own resources*	+ 77	+ 72	+ 35	+ 62	+ 65
Contribution to (+) or Drain on (-) UK.....	- 354	- 127	- 185	- 76	+ 145
Financed by:—					
Capital outflow (from UK = -).....	- 225	- 161	- 98	- 148	- 15
Drain on Sterling balances (repayment by UK = -).....	- 129	+ 34	- 97	+ 72	+ 200

* Includes sales of newly mined gold to UK and Eire's ERP allotment.

that the overseas sterling area normally buys from America and also of the heavy industrial equipment and other engineering products that it normally buys from Britain. The prospects for Britain's own balance with the overseas sterling area in 1951 depend partly on the extent to which Britain can fill the gap left by a diminution of the volume of United States exports and partly on the extent to which the overseas sterling area is willing to switch from purchases of British capital equipment to purchases of British consumer goods. The latter factor depends, in turn, very largely upon how far these Commonwealth countries decide to seize the present opportunity to expand their own (and in ordinary

times uneconomic) secondary industries—and also upon how far such countries as Japan, Germany and Belgium implant themselves in Commonwealth markets.

Another problem that deserves to be considered at the Commonwealth conference arises from the European Payments Union. Even if the Commonwealth countries do allow their sterling balances to run up, and thus, in effect, lend to Britain in 1951, this lending will do the British people little immediate good. Much of this Commonwealth lending will probably be passed on by Britain to Europe through EPU credits (which in turn will finance European purchases from the Commonwealth); most of the rest of it will merely be, in effect, the counterpart of the greater scale of the defence effort in the mother country than in the Commonwealth. It is also difficult to see exactly how the Colombo Plan will fit into the pattern now emerging. Under the Colombo Plan, Britain has a theoretical maximum lending obligation of between £40 and £50 million a year to India, Pakistan and Ceylon. It may be that lending on this scale will not be necessary in the new circumstances created by defence programmes (causing some of the capital equipment necessary for the development programme to be unobtainable). But it is at any rate possible that Britain will be called upon to lend this £50 million a year (and to send a large proportion of its available export potential of heavy machinery) to South Asia, while Dominions such as Australia and New Zealand are likely to be called upon to lend still larger sums to Britain on their sterling balances.

Even if these Dominions do not grow restive at this result, the piling up of these outside sterling balances will bring with it a heavy contingent liability to Britain. It is as well, even among present pressing troubles, to cast a wary glance at the dangers of the distant future. If a world recession returned, an intolerable burden could be placed on Britain if policies of full employment and immigration in Australia and the other Dominions were financed by drafts on sterling balances (in which the hot money component might be entrapped by a veto on outward capital movements). The higher the balances of Australia and other Dominions mount, the greater this contingent danger will be.

★
The threats to sterling area cohesion now emerging should not be exaggerated. It is well to remember that the sterling area is not only a worldwide financial bloc; it is also a family club—and a club for whose members Britain is by far the biggest market. For this reason, emerging difficulties can often be smoothed over before they reach the point of danger—provided they are recognised in time. But the moment certainly seems to have come when Britain should put two points very plainly before the independent members of the Commonwealth whose representatives are now gathered in London. The first point is that the sterling area mechanism, through which Britain accorded substantial aid to the Commonwealth in 1947-49 (and through which Britain would have to accord substantial aid again if a recession hit commodity prices), can only function on the principle that reverse aid flows back to Britain when commodity prices are booming. The second point is that the peculiar conjuncture of events in 1951 is likely to make sterling area lending to Britain this year much larger than would be normal in an ordinary boom time year—and it is likely that the counterpart of that aid will be a bigger defence contribution by Britain in the interests of the Dominions

as of all free nations. For that reason, if the dollars in the central pool mount more slowly than do Britain's debts to the sterling area (as may very well happen), would it be wholly fair to allow Britain's future repayment obligations to mount *pari passu* with the sterling area's current trade surplus? The answer depends upon

Fear of Figures

BY function, tradition and professional background the accountant in an industrial concern is often somewhat apart from its productive activities. His primary duty is to record the firm's financial transactions, to assist the board in financial policy and to present information to the shareholders who own the company. His power to advise upon financial affairs or to control them may vary, but his duty of accurate historical reporting is unvarying, and his activities throughout the financial year, in form as well as in conduct, are aligned towards its discharge. This tends to separate him from managerial staff whose main concern is with current and future business and who are responsible directly to the chief executive or board of directors. This division of responsibilities is not precise, but it partly explains the distant regard with which accountants and managers (particularly engineers and those concerned with physical production) sometimes eye one another across the balance sheet. Counting-house and factory have developed as watertight compartments in British industry and each tends to attract different psychological types with very different professional training. Though the accounting department's function is in practice usually divided between finance and costing (which ought to provide financial information for the control of current operations), foremen and even works managers are apt to lump both types together as bloodhounds and spies; latent conflict may exist up to the very boardroom between men whose boast it is to see things big and men whose career is based upon grinding figures small.

Managers usually express more outspokenly their vigorous resentment of statistics. They cost money; they may delay production; and often they seem to serve no useful purpose (though some businessmen suspect darkly that figures supplied to Government departments might later or sooner serve a sinister one). These objections have substance—though secretiveness may sometimes be the mark of a manager who is not confident of his own efficiency. But statisticians and accountants sometimes wonder if they do not mask another unexpressed motive—the fear of figures.

*

One of the more paradoxical contrasts between British industry and American is the virtual absence of this suspicion across the Atlantic. American industry makes greater use of accounting information than does British industry; its accountants are closer to "top management" and work more closely with plant managers; and American industrialists have far less objection to providing information for all and sundry. It has always seemed a little odd to see visiting American industrialists who, having commiserated with British businessmen "trussed with red tape and overburdened with formfilling" then fly off to their own companies which as a matter of

whether any approach to a sharing of the Commonwealth's defence effort is worked out at the present London conference. If not, more may be heard of the argument that some of the sterling area's aid to Britain in the coming year should be by way of grant rather than of loan.

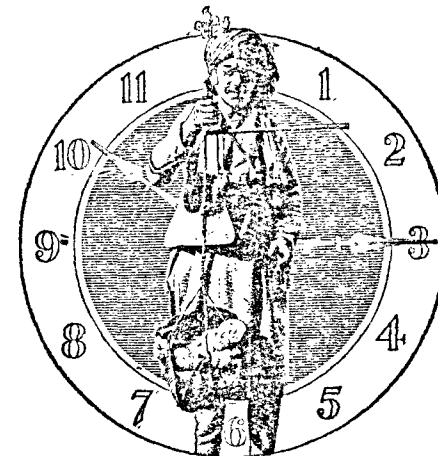
course provide the American Government, and perhaps a couple of private research groups who care to ask, with a plethora of statistical information that no British civil servant would ever muster the audacity to seek.

A productivity team of British accounts and managers who early last summer visited industrial firms in the United States have brought back an informative and enthusiastic account* of this contrasting approach to accounting in American industry. They find that to achieve and maintain its high efficiency American management makes far-reaching use of the techniques of accounting and costing, for the "mainspring of its action" is the belief that unit costs must ever be reduced. Managers look continually forward and demand that accountants should do the same, holding that the definition of an accountant as "one who classifies and organises accounting data in an orderly fashion" applies only to book-keepers. Managers demand of their accountants (and in particular of the chief accountant or "controller") forecasts and budgets for current and future activity, together with explanations of variance from those forecasts. An "industrial accountant" has the single aim of serving management, and he designs his systems to that end. Record keeping then becomes a check on performance and not merely a means of producing an annual report.

*

This empirical approach to the needs of each firm explains why costing systems are not standardised. The productivity team found that forecasts and budgets were in general use as a guide to efficiency, with quick compilation of periodical returns to monitor performance. Yearly financial accounts, in the form required by the Securities Exchange Commission, provide far more copious information than is customary in Britain, while boards are presented at their monthly meetings with elaborate tabulations of figures up to twenty pages in length, often without any written report. American industry's attitude towards what some corners of British industry denounce as "formfilling" is typified by one instance: twice when the Department of Commerce's appropriations were reduced and it had to curtail the collection of figures for business statistical series, industry through its trade associations paid the Government to continue the service. Five Government bureaux collect business data, as do some 400 of the 1,400 American trade associations and several private and semi-public bodies—yet "industry is prepared to support in every way the compilation of figures" (and is also consulted about their form and collection far more than is British business). In its forward planning it makes constant use of the

* Management Accounting (Anglo-American Council on Productivity, 2s.).



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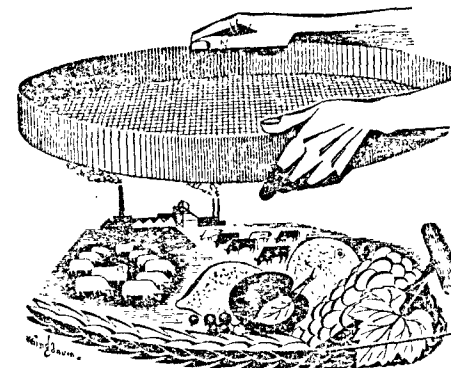
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indices provided, and whenever possible it makes comparisons with other firms in the industry, either through trade associations or by using statistics produced for some twenty industries by the American Government.

Though the team displays here and there a tinge of mild scepticism (might some of the tabulations produced for directors' meetings be included merely to keep the punched-card machines busy?) they were tremendously impressed by the use made by American firms of accounting information, and they want more used here. Their recommendations include the fullest use of budgets and forecasting, greater detail in financial reports, the extension of institutes for business education, closer collaboration between the Government and industry concerning statistics and more interchange of information between companies. Above all, they want better understanding between accountants and managers in British industry, so that each would learn the language and requirements of the other.

So far, so efficient. The management accounting report has aroused some open controversy, but its authors, who have been stumping the country arguing its case, sensibly welcome this. In these arguments of detail, the team have certainly had the better of it. They reply to the occasional mistrust of cost accounting—as something vaguely associated with considerations outside simple profit and loss in a free market—by citing the high value placed upon it in the world's freest economy; they can also point to their own strongly expressed dislike of restrictive practices (a recommendation on this appears in the report, but for technical reasons two civil servant members of the team do not support it). They have also asked the obvious question whether such tailor-made information, produced so fast, needs more "non-productive" paperwork. They think not. American office organisation, they find, displays the same creative destruction of craft skills as American mass production: the "office force" generally contains a higher proportion than in Britain of very highly trained staff, directing a body of semi-skilled workers who can shift from one job to another at a moment's notice. This flexibility, combined with a ruthless abolition of unnecessary minor written reports (much is done verbally), internal office auditing, and lavish provision of minor and major accounting machinery, gets more work done with fewer workers. Such fragmentary comparisons as have been made support the team's impression that the administrative tail in U.S.A. tends to be smaller than in Britain; estimates are not directly comparable, but at any rate it seems that American industry is using fewer "non-productive" staff per operative than before the war, while British industry uses more.

*

It may be that certain criticisms have not been entirely disposed of. The collection of cost data for firms in an industry by central bodies could no doubt be used for valuable inter-firm comparisons; but it cannot be forgotten that in practice "uniform costing" in Britain, in the United States and most of all in Weimar and Nazi Germany, has much more often been used as an instrument of price-fixing and cartel operations. Again, the team can justifiably explain that the provision of the better and quicker accounting information such as they recommend has not in America led to extra clerical employment; but they might also agree that in the likely absence of such a revolution in office technique as they

describe, it probably would need more clerical labour here. It is not too hard a judgment on the organisation of British clerical offices (which in productive efficiency and tea consumption can sometimes compare with a parish sewing-bee) to conclude that to rationalise their operations would be a lengthy process needing a considerable adjustment in outlook from clerks, accountants and managers. Improved information must be worth more than getting it would cost.

It is possible to regard the team's report as a persuasive contribution to a general discussion without regarding their central argument as wholly proven. This rests upon the assumption that managerial effectiveness is the greatest single factor in American industrial supremacy; this is plausible but even if it is stretched to include other hypotheses about investment per worker or horsepower per worker, its only virtue as a generalisation is to put the onus on managers, not on romantic notions of "ideological climates." The team associates this effectiveness with the intensive use of comprehensive financial, cost, and statistical data by American management. In this judgment they are giving their view on the use of such techniques in American industry in general; their argument thus depends partly upon establishing how intensively American industry as a whole uses that technique. With great assiduity the team managed to visit sixty-six firms; the report contains such phrases as "the majority of firms" and "most American companies," that might encourage the assumption that these sixty-six might form a representative cross-section of American industrial practice. This seems doubtful. There is some reason to question whether the special techniques of cost accounting, at any rate, are quite as widely used in American industry as might be gathered from reading the report. In 1946, the Office of Price Administration, reporting on experience from 1942 to 1945, commented:

It is difficult to judge exactly the percentage of all companies in all industries that can supply cost data on a product basis. The only completely accurate statement is that many of them cannot. Probably 85 per cent of all industrial companies do not allocate cost on a product basis and 15 per cent are readily able to supply such information.

Effective cost accounting does not necessarily include product costing, and in 1950 it may be, to quote the report, "safe to say that companies using some form of standard as a guide to efficiency predominate in number, even though only a little more than half use systems of standard cost accounting"; but more and better evidence seems desirable. It is fair to rejoin that the sample may be representative of the "best" American firms, which are responsible for a high proportion of the nation's production, but higher productivity is usually measured for American industry as a whole, not merely for the few firms considered "best" by any criterion; and if particular costing practices are used intensively by only a minority, the importance of their contribution to higher total productivity obviously becomes more a matter of question. There is certainly a great deal in the report which British managers and accountants might profitably consider and adopt, even if the full case argued in it may not be finally established. Fear of figures is obviously a weakness that British managers should guard against; but in buying better figures or any other tool of production, managers are entitled to demand from accountants only such as are unquestionably useful and to regard the cost.

Business Notes

opping the Coal Gap

It is difficult to put much confidence in the Government's hope that by appealing to the miners over the heads of their employers they can raise an extra 3,000,000 tons of coal during the next four dangerous months. Exclusion of the National Coal Board from this week's meeting between Mr Attlee, certain of his colleagues, and the National Union of Mineworkers raises certain questions. It doubtless assisted the Government to give the union leaders such assurances as may be veiled in the official communique by expressed confidence that negotiations between the NUM and the NCB "will be considered in a sympathetic spirit"; it would have been embarrassing, no doubt, to Coal Board representatives to have to listen in person to statements that appear to concede in advance the case for higher wages. It is reasonable enough for the Government to feel that the immediate shortage can now be resolved only by men at present in the mines producing more; but the absence of the Minister of Labour as well as the NCB raises some doubt whether practical measures concerning manpower are being given sufficient priority. Stop-gap measures, though tardy, are obviously vital, and may enable the country to limp gingerly through the next few months; but nothing in the communique suggested any really resourceful attack on the continuing problem—that the British fuel and power industries as now constituted cannot stand a cold winter.

This week's arrivals of American coal, and the diversion of cargoes now on the high seas to Merseyside, may relieve the salient danger of the immediate situation—that coal stocks at power stations in the North-West might dwindle to nothing. A fortnight ago, when the electricity industry as a whole had 4½ weeks' supplies in stock, this area's stations had only 2½ weeks' stocks; at the end of last week the stocks at all power stations declined to 3.8 weeks' average winter consumption. Electricity can be moved through the grid more easily than coal along the railways, and other stations have in off-peak hours recently been assisting the North-West to economise in coal use; but the situation remains critical. Industries in this area are complaining that present coal supplies have been cut by half—the NCB is operating an unofficial scheme of priorities in allotting its available coal—and some have a very low margin between them and having to close down.

Bad weather conditions early this week fortunately did not cause any special loss of output through shortage of wagons to receive coal at pitheads; the mines had plenty of wagons in hand after the Christmas week. By the end of January the NCB hopes to bring into British ports some 200-250,000 tons of imported coal; and if the miners should raise the extra 250,000 tons a week which Mr Attlee has asked for in the next two months, bad weather may mean no more than inconvenience to industry through insufficient coal stocks and load-shedding of electric power.

* * *

Planning and Output

Last year's coal failure, which brought about the present emergency, can clearly be seen from the year's provisional output figures, and it is possible to guess how blame for it should be divided: but the issue is one of larger policy. The NCB since its inception has constantly based its plans upon long-term assumptions which were apparently reasonable, but has failed to supplement these with the short-term action required. Its readiness to accept a wastage of mining manpower which would reduce the industry's labour force to 700,000 by the end of last year, for example, seemed sensible enough (as did its recent 15-year glance ahead to a

not much smaller labour force); but thereafter the Board appeared to accept complacently wastage at a much more serious rate in the hope that when the industry's manpower reached exactly the level it had decreed, some providential force would then arrest the decline. It still does not seem to have been practically accepted in the industry that to bring about a smaller labour force at some distant date requires active recruitment of manpower in the meantime.

Nor have the Board's hopes from mechanisation, which seemed to assume some "natural" growth in output per manshift, given present investment, by the 3½ per cent achieved in 1949 been realised; in fact, individual output has been rising, but by much less than was hoped, so that last year's average turns out to be little above the level reached by the end of 1949. The rise in coal consumption, which the Ministry of Fuel and Power is perhaps too ready to quote as the most important cause of this crisis, is not much greater than had been assumed, and even granted greater fuel economy and slightly reduced demand from certain industries encountering other material shortages, it cannot be expected to cease; the onus rests upon coal production, and in the uncertainty of further substantial rises in productivity, upon raising coal manpower. Even if the NCB makes coal dearer by conceding higher wages for miners, these will probably mean only slightly less absenteeism, a little more Saturday morning work, and next winter another shortage and another wage demand. Mr Horner's insistence at this week's meeting that the key problem is manpower is correct; but his assumption that some higher level of wages will do the trick of persuading miners to stay in the industry, attracting newcomers or bringing back men who have drifted to the light engineering factories is hard to accept. The NCB's absence from this week's Whitehall meeting may at least give the Board the hint that even this Government's confidence in a management which remains inactive in the complex task of getting and holding its workers (a task that other managements in Britain have had to meet in recent years) may not be much more long-suffering than the nation's.

* * *

Dividend Thaw

Hearts beat faster this week among ordinary shareholders. One increased dividend does not make a thaw, but two of the importance of Shell and Associated Portland Cement have shown that the temperature is rising. The Shell interim of 5 per cent tax free doubles the interim of a year ago, and it sets a pretty problem for yield calculations. Does the 5 per cent tax free interim betoken a final at the same rate (as last year) or more? Should one take the presumably safe line of assuming a 10 per cent total tax free distribution or think in more appetising terms of more—perhaps 12½ per cent? Royal Dutch has declared its first interim since 1938, at 4 per cent; in recent years a single dividend of 9 per cent has been paid. Here, too, stockholders have been encouraged to look forward to the final dividend.

The Associated Portland Cement case is free of these intriguing questions and satisfactory in itself; the directors are raising the total distribution from 22½ per cent to 27½ per cent for 1950. They have chosen not to wait, as formerly, until the end of the second quarter of year (that is, after the worst is known about the Budget) before reaching their decision; this week's announcement is of a "second interim" with no final dividend to follow. An announcement in identical terms has been made by the directors of British Portland Cement.

These announcements have spread their stimulating effect beyond the shares concerned to the ordinary share market

as a whole. On Wednesday the *Financial Times* index of ordinary shares rose nearly a point to 116.3; this is a point and a half higher than on June 23rd on the eve of the Korean invasion, and about the same amount lower than early in November when the campaign seemed to be going well. Thus does inflation and an easier dividend policy exert an effect. It is, indeed, a small one, but it has encouraged the search for equities showing a large margin of earnings over their recent dividends. One can easily discover good shares with a four or six fold cover and yields in the 4-5 per cent range. Coats, Courtaulds, Leyland, Austin, General Electric, Hawker Siddeley, P and O—these are only a few of a large group of shares within these definitions. But are they bargains? There are two main reasons for caution. First, restraint will not be thrown to the wind; the problem of capital replacement has become more, not less, acute in the past year. Secondly, even if the Chancellor does nothing about profits in the Budget—and that is an “if” that deserves the printers’ largest type—the cost of extra dividends in profits tax (and hence at the expense of reserves) is already high. It would be surprising if it does not become higher. Perhaps the more prudent course for investors is to confine their studies to companies whose dividends are expected during the next three months. That still leaves a fair range of choice.

Nine Months’ Revenue

The Exchequer returns covering the first three-quarters of the current fiscal year suggest, at first glance, that the task that will confront the Chancellor next April might be somewhat less formidable than has been generally supposed. This, perhaps, is too facile a conclusion; it is based simply on the fact that, whereas the Chancellor expected a deterioration of nearly £70 million in his overall balance for the full year, there has so far been an improvement of some £160 million. As the accompanying table shows, this improvement has been due mainly to a rather unexpected reduction in expenditure. Total ordinary revenue, which

NINE MONTHS’ REVENUE (£ Million)				
	Nine Months to December 31		Year to March 31	
	1949	1950	1950	1951*
“Above-line” —				
Ordinary revenue.....	2,383	2,374	3,924	3,898
Ordinary expenditure.....	2,411	2,307	3,356	3,455
“Ordinary” surplus (+).....	- 28	+ 67	+ 568	+ 443
Sinking fund.....	12	12	19	20
“Below-line” Expenditure (net) —				
E.P.T. refunds.....	11	8	15	7
War Damage—Utilities.....	63	—	63	—
Other.....	85	71	111	109
Loans to local authorities.....	231	214	268	271
Postwar credits.....	13	13	17	17
Coal.....	9	4	10	18
Overseas resources.....	11	12	15	15
Cotton.....	9	25	—	Nil
Others†.....	+ 14	+ 4	+ 12	22
	416	344	487	450

* Budget estimate. † Mainly advances for housing, export guarantees, films and new loans; excluding interest outside budget.

was expected to decline by £26 million in the full year, has fallen by nearly £15 million in the first nine months. Nearly all the major tax revenues have been well maintained, and there seems a good prospect that, in the aggregate, they will surpass estimate. Income tax, the yield from which was expected to drop by £50 million in consequence of a reduction in rates applicable to the first slices of income, has so far fallen by only £14 million. Profits tax and E.P.T., expected to fall by £27 million, have so far dropped by £22 million. Surtax has gained rather more than one-third of the additional £6,000,000 envisaged, but death duties have dropped by

nearly £7,000,000, in contrast with an expected gain of £5,000,000 for the year. Customs receipts, however, have already contributed the additional £57 million envisaged last April, having presumably been fortified by the ending of petrol rationing. Among special sources of revenue, it is noteworthy that receipts from trading services, which were expected to contribute an additional £37½ million, have so far fallen fractionally; this may mean that a substantial special credit has still to be brought in under this head.

Above-line expenditure, which was expected to rise by £79 million over the year as a whole, has so far declined by £104 million—despite the fact that supplementary estimates for £13 million were presented earlier in the year. This is a rather surprising movement, even though it is known that the rising outlays for defence have so far had very little effect on the published accounts. Large supplementary estimates for defence, perhaps totalling up to £100 million, are due to be presented in the course of the next few weeks; and cash disbursements for defence will certainly rise steadily during the remainder of the financial year. Such big cross-factors are now at work that it would be rash even to hazard a guess at the probable outturn of the year. But it seems certain that defence expenditure will extinguish much of the gain shown in the accounts to date. If, however, the experience is no worse than that, the Chancellor might find that his budgeted above-line surplus was still intact, despite the first impact of the defence burden. In that event, the “overall” account might still be virtually in balance. As the accompanying table shows, net “above-line” expenditure for the past nine months has fallen £72 million short of the corresponding figure for 1949-50, or nearly twice the decline that was envisaged for the full year—despite the fact that the account has been burdened with an additional £17 million of expenditure for cotton purchases (an amount that may possibly be refunded to the Exchequer before the end of the year).

Thin Time for Galvanisers

The clarification this week of one anomaly in the Ministry of Supply’s list of prohibited uses for zinc (which comes into operation next month) promises greatly to reduce the effect of these prohibitions upon the “general” galvanising trade as a whole. As originally set out, the list forbade the use of zinc for galvanising buckets as well as dustbins; prohibition of the use of zinc for both would have reduced consumption of zinc by this branch of the trade (recently running at nearly 40,000 tons a year) by nearly a quarter, and forced perhaps a third of galvanised hollow-ware firms to close. The Ministry’s statement that galvanising of buckets will not be affected entirely alters the picture; hollow-ware manufacturers should be able to meet the present high demand for galvanised buckets, by using almost all the zinc they have recently been using to coat dustbins, while the remainder of the list of prohibitions amount to a tiny fraction of the trade’s work. This more publicised part of zinc allocation, in fact, is of practically no importance to galvanising; the trade is much more concerned with the 50 per cent cut in allocations of ordinary grade zinc (for it uses little scrap and cannot use higher grade zincs without debasing the quality).

Since the total prohibitions will effect only a small saving of zinc, the effects of the cut in zinc will fall upon the mass of products that firms may still galvanise; among these, domestic water tanks, metal windows, ship’s fittings, structural steelwork, and “pole line hardware” for electrical transmission are some of the most important. A cut in water tank production will present difficulties for the Ministry of Health, since at present about half the industry’s production goes into replacements and the other half into new houses; so will the lack of galvanised dustbins (which instead are likely to be japanned or enamelled). Of about one hundred and

fifty firms in the industry, perhaps fifty are small undertakings with only one or, perhaps, two galvanising baths, and the degree of the cut might make it impracticable for some of these to operate, even by economising in the thickness of zinc deposited; but the larger firms, which often make the product as well as galvanise it, will be able to close down a proportion of their galvanising baths and turn to different finishing processes for different items.

“General” galvanising, which employs only about 3,000 people, uses only about three-eighths of the zinc consumed each year in galvanising. The largest producer of galvanised products in the country is the iron and steel industry, which turns out some 250,000 tons of galvanised sheet a year and considerable tonnages of galvanised wire and tubes, using nearly 60,000 tons of zinc in the processes. Sheet galvanising, which recently has been consuming nearly 2,000 tons of zinc a month, is to stop, save for exceptional purposes, and the galvanising of scaffolding tube, which accounts for a fair proportion of the 1,500 tons going into tube processing, will also largely be suspended; galvanised wire will continue to be made, though the zinc coating will probably be thinned. This is merely a finishing process for the steel industry, which will be affected to a very limited effect; but the absence of equally effective and economical anti-corrosion coatings may present difficulties for those of its customers not classified as “essential.”

Paint Trade’s Colour Problem

In making any paint, a manufacturer who is short of one pigment can generally find another; if not, he can try to sell a different colour of paint. Diversity at both ends of the production process thus gives the industry a certain resilience to absorb fluctuations in material supplies. But this is unlikely to be very effective in the case of zinc oxide, the major pigment for decorative white paints and enamels, which is already scarce and seems certain under the Government’s zinc allocation scheme to become more so. No alternative material is sufficiently plentiful to make good this shortage. Lithopone and titanium oxide are already scarce and do not seem likely to become less so; both require sulphuric acid, lithopone contains zinc and titanium oxide production is limited by manufacturing capacity. White lead can be obtained fairly freely, but its uses are ordinarily somewhat restricted and any considerable switch towards its use would probably quickly bring about a shortage here, too.

The industry, therefore, knows that shortage of zinc oxide will mean difficulty; but it is not yet sure how far its supplies will be restricted. The allocation scheme limits supplies of virgin zinc for oxide production to 50 per cent of usage in the first half of last year, which means a rather lower percentage of usage in recent months; total consumption of zinc for oxide has been rising, and, in addition, less remelted zinc, scrap and zinc residues have been used by the oxide makers, who a year ago were using this secondary material for more than 50 per cent of their output. Scrap zinc has now disappeared from the market, partly because merchants are holding on to it and partly because metal-using firms are tending to use it more economically; certain galvanising firms, for example, are proposing to recover the zinc content of their dross, which is normally a useful material for zinc oxide. Zinc oxide production has recently been running at about 6,000 tons a month; output this year will depend upon the extent to which the Government are able to control supplies and prices of zinc scrap. Even this does not complete the list of uncertainties for the paint trade, for the Board of Trade is instructing oxide producers to supply “essential users,” such as rubber manufacturers, pharmaceuticals and ceramics, in preference to paint manufacturers.

This is only the latest, though perhaps the most serious, of material shortages for the trade. Apart from linseed oil,

which was the industry’s most intractable difficulty a few years ago and is now freely available, supplies of most materials for paint (and of tinplate for containers) are tight, and prices are high. These the industry has not wholly been able to pass on to its customers, since in 1949 it had a temporary recession and even today conditions are fairly competitive. Prices are hampering its traditional ingenuity in switching materials in paints; and retail paint prices seem likely to increase shortly. But the flexibility of its processes may transform this into a marketing problem: how to get people to accept darker paints instead of the pastel tones (needing white pigments) to which most recent design and colour propaganda has helped to divert their taste.

American Experiment in Bulk Purchase

The United States Government has decided that in present conditions the mechanism of the market cannot be expected to secure an adequate supply of rubber for both defence and commercial needs; accordingly, it has prohibited the private importation of natural rubber and latex as from December 29th and it has itself become the sole importer, with responsibility for allocating supplies to American consumers. Certain specialised types of rubber such as guayule, balata and gutta percha are excluded from the new regulation because the quantities involved are small and because the firms that use them have long-term contracts with the producers.

The immediate effect of this experiment in bulk purchase both on the rubber market and on American consumption is likely to be negligible. American consumption of natural rubber for the first quarter of 1951 has already been drastically curtailed. Only 40,000 tons a month may be used in this period compared with 60,000 tons a month between January and September, 1950. Nor are total imports of rubber into the United States likely to decline. Civilian consumption was restricted in order to increase rubber supplies going into the stockpile, and stockpile purchases will presumably be maintained at their projected level. The main effect of the order will be to prevent private hoarding of rubber in the United States, but there is little evidence to show that private hoarding has occurred on any significant scale. Indeed, commercial stocks at the end of September (87,000 tons) were 20,000 tons lower than at the beginning of 1950.

The United States Government will sell rubber at a fixed price which it hopes to vary at only infrequent intervals. In other words it will gamble on the market. Presumably it has studied the experience of the Ministry of Supply in its pursuit of the same policy in non-ferrous metals, and is not discouraged. American manufacturers are apparently quite content to be sheltered from day to day price fluctuations and they expect the American Government’s selling price to be fixed below the current market level of 60 cents (4s. 3d.) a lb, on the grounds that the price of rubber is likely to fall during the year rather than rise. It is well known that the American Government would like to see the price of rubber at a “reasonable level,” and it can no doubt depress the price by keeping out of the market for a time. While it is staging its own version of the buyer’s strike, there will be more rubber available for other countries, not excluding Communist countries.

Where is Rubber Going?

Exports of rubber from Malaya show a startling trend in recent months. Since July they have been much higher than in the first two quarters of the year and considerably larger quantities have gone to countries other than the United States and Britain. There were big exports to Russia in July

and August though they declined sharply in September and October; shipments to China and Hongkong (which also find their way to China) have been much greater in the second than in the first half of the year. Germany and Japan as well as certain South American countries have also increased their purchases appreciably since June.

Exports from Indonesia began to recover in April after the currency reform and they, too, have been much larger in the second half of the year than in the first. Much larger quantities have been going to Malaya for transshipment, and direct exports to the United States, Britain and Germany have also

EXPORTS OF RUBBER FROM MALAYA AND INDONESIA, 1950.
(Monthly averages or calendar months—long tons.)

	1st Qtr. Monthly Average	2nd Qtr. Monthly Average	July	Aug.	Sept.	Oct.	Nov.
From Malaya:							
U.S.A.	28,365	27,330	27,120	35,738	32,288	39,037	39,028
U.K.	16,474	14,618	19,270	16,012	15,922	17,052	18,787
U.S.S.R.	6,033	5,899	12,175	10,815	4,635	1,272	1,904
China	...	7	1,490	3,513	4,772	12,061	9,302
Hongkong	456	1,363	2,337	6,642	5,136	11,791	5,575
Japan	1,676	1,380	5,363	5,728	7,411	5,034	4,943
Others	25,514	23,764	35,399	32,179	29,984	32,915	24,153
TOTAL	78,518	74,361	103,154	110,627	100,148	119,162	103,697
From Indonesia:							
U.S.A.	8,091	18,525	19,257	13,053	16,219	23,288	...
U.K.	740	2,457	2,869	2,784	1,930	2,600	...
U.S.S.R.	...	...	...	...	...	...	...
China	...	...	...	...	...	...	...
Hong Kong	180	215	196	202	57	215	...
Japan	1,219	2,440	1,456	203	713	989	...
Others	19,032	38,951	47,307	50,970	44,335	49,261	...
TOTAL	29,262	62,589	71,085	67,212	63,254	76,353	...

increased. But the surprising fact is that the United States has been taking a smaller proportion of total exports of rubber from Malaya and Indonesia than in 1949, though the absolute quantity has increased.

If, then, the United States wants to force down the price of natural rubber, it must first prevail upon the rubber producing countries to restrict exports to other countries, particularly the Soviet Union and China. That would be difficult in any conditions short of war, or short of imposing sanctions on countries which have not yet been legally labelled as aggressors. The price of rubber is admittedly very high and out of relation to current costs of production. But that is also true of other commodity prices and it is the result of panic buying and general inflationary conditions.

The Railwaymen's Dispute

The opening last Thursday of the inquiry into the dispute over railway wages revealed little that was not already generally known. The three unions concerned, in spite of signs of differences between them, are as determined as ever to reject the *quid pro quo* agreement that the Railway Executive has proposed. The Executive, for its part, is equally determined to refuse any increase in wages unless the railwaymen make some concessions—not, on the face of them, particularly far reaching—towards improved efficiency and reduced costs in the railway service. Yet the unions regard the Executive's proposals as an attempt at intimidation; this they bitterly resent, and regard it as an attempt to bypass the machinery of joint consultation. They maintain that they are willing to discuss the new conditions of work that the Executive is trying to introduce, but only as a separate negotiation. The attempt to join the question of conditions with the discussion of wage increases is, in their view, arbitrary, high-handed, and contrary to "Labour principles." They refuse to take the two matters together. There are clear signs of syndicalism in their case. They insist on the right to an equal voice in deciding their conditions of work; they call for a greater measure of joint control; and they reject out of hand the principle—common enough in other industries—that wages and conditions of work should be negotiated together.

Thus, the technical issue of the dispute is itself a reflection of the widespread dissatisfaction among railway workers about the way in which the industry is being run. This attitude is not confined to the railways. Industrial workers presumed—and were encouraged by Labour speakers to do so—that nationalisation would mean a greater share in management for the workers. Joint control, in fact, was assumed to be an integral feature of nationalisation. There are powerful objections of principle to this conception. But even if it were allowed to prevail, in practice it has proved impossible to wed the slow processes by which a union makes up its collective mind with efficient administration of leviathans, as the nationalised industries have now become. The appointment of trade union leaders to positions of authority within nationalised industries has failed to satisfy the demand for joint control, and a sense of frustration has inevitably resulted—all the more bitter because it rests on a dangerously sentimental idea of the part that labour could play in management. It is unlikely that the inquiry into the railway dispute will attempt to pronounce on this broad issue, though this is in a real sense what the dispute is about.

Bank Salary Disputes

Bank staffs, like many other black-coated workers, have fallen so far behind in pay increases since 1939 that it is not surprising that many of them are increasingly dissatisfied with their lot. One sign of this dissatisfaction has been the organisation of a "petition" for higher pay by the National Union of Bank Employees. The NUBE, however, is experiencing some difficulty in finding anybody to whom it can present this petition. Most of the English banks negotiate their salaries separately with their own internal staff associations (which still represent a higher proportion of English bank staffs than does the NUBE).

One of these staff associations, however—that of the Midland Bank—has recently reached a crisis in its affairs, following a dispute with the management. This dispute springs from the Midland Bank's decision, at the end of last year, not to follow the other large banks in the rate of Christmas cash payments to staff. In 1946, after some years of annual cost-of-living bonuses, the large banks "consolidated" their salaries into new scales—and indicated that there would be no more bonus payments. Almost at once, however, new half-yearly cash payments were made. These amounted to 5 per cent of basic salaries in June, 1947; they rose to 6½ per cent in December, 1947, and to 7½ per cent in December, 1948. Throughout this period all the "Big Five," and some of the other banks, had increased their cash payments in step with

BASIC BANK SALARIES
(£ Per Annum)

	1939	1946	NUBE "Petition"
Entry, at 17	60	135	199
5 years' service	135	210	299
10 " "	255	355	399
15 " "	350	480	515
20 " "	...	...	640

* These claims are minima for unqualified clerks. Extra pay is claimed for qualified clerks, and further additions for special work, from cashier upwards.

one another (though one of them, while paying the same percentage of the total salary bill, until last year distributed it by reference to the family responsibilities of the staff. Towards the end of last year Lloyds Bank announced that it would pay in December 10 per cent for the half-year plus a retrospective 2½ per cent, making 20 per cent for the year. All the other big banks followed Lloyds' lead except the Midland, which announced that it would pay no more than a flat 10 per cent, making a total of 17½ per cent for the year. After protest at this decision, the negotiating delegates and the Grand Committee of the Midland's staff association resigned

en bloc and recommended to the local branches of their association that they should disband. If this recommendation is acted upon, there will no longer be any regular channel for negotiation between the staff and management of the bank.

At the root of these problems, of course, lies the lag in bank salaries in relation to the cost of living since 1939. The accompanying table shows an approximate average of salaries of the Big Five banks at various points in the scales obtaining in 1939, together with comparable averages for those under the consolidation scales of 1946 and those claimed under the NUBE's petition. The 1946 scales relate to basic salaries, which are supplemented by the cash payments and by special allowances for employees in London and other large towns and also, in some banks, by children's allowances ranging up to £25 per annum per child. Salaries beyond the figures here shown are, of course, earned by "overscale" and "appointed" staff and there are some variations between bank and bank; it is claimed, for instance, that salaries paid by the Midland are above the average for the clearing banks as a whole. It is clear enough that it must be impossible for many bank officials on the scales to keep up their pre-1939 standard of living. But it is also clear that the banks are increasingly disturbed by their salary bills—and, still more, by the rising burden of pensions; it is significant that, at the same time as the Midland's decision was announced, one of the other big banks announced that children's allowances could not be paid for children born after the end of this year.

Subcontracts for Defence

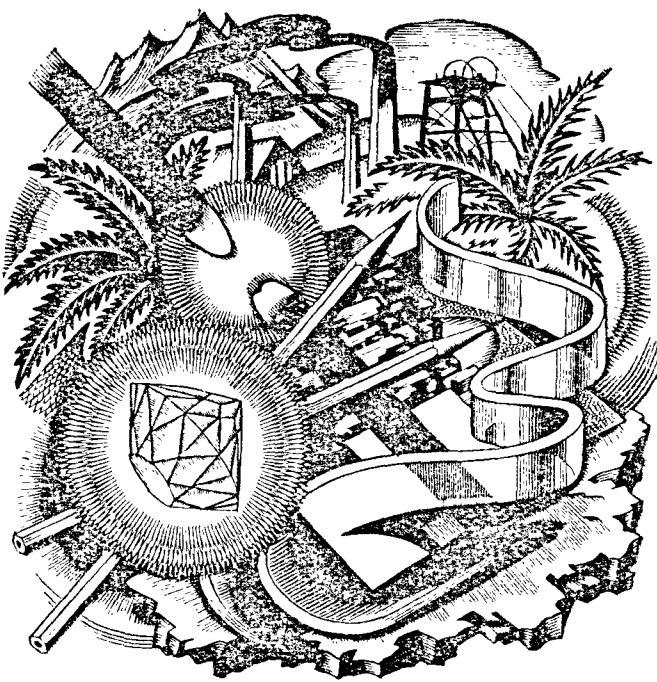
The Ministry of Supply is returning to the practice of spreading large defence orders among a number of manufacturers. The most recent decision has been to place part of an order for de Havilland Venoms with the Bristol Aeroplane Company, although it is probable that de Havilland has sufficient capacity to handle the entire order. Subcontracting has been going on for some time on a small scale. But the tendency of current defence contracts is to place large orders for a few fully developed types of aircraft, and since this would mean large commitments for a handful of firms and no orders for others, the Ministry has had to consider seriously whether contracts cannot be divided to distribute employment more evenly over the industry. Orders for the English Electric Canberra bomber have already been subcontracted to Short Brothers and Harland, A. V. Roe and Handley Page. Orders for some types of Rolls-Royce engines have been given to the Bristol Aeroplane Company, D. Napier and Son, A. W. Hawksley and to Austin Motors—but in rather different circumstances, since Rolls-Royce is already working to full capacity and can expand production no further until the new factory is complete. The order for Venoms may present problems to Bristol Aeroplane, for much of the company's assembly space at Filton is occupied with jigs for the 175 airliner ordered by BOAC and for the company's successful freighter.

Such subcontracts have special features. In the great majority of cases, military equipment is developed under contract from the Ministry of Supply. A customary, if not an essential stipulation, is that the Ministry retains user rights if the prototype is put into production. Thus, although the firm developing the prototype usually has its own patents to protect the equipment that it develops, the Ministry can give the design to other manufacturers without any royalty being due to the developing firm. Under these arrangements, neither English Electric nor de Havilland will receive royalties from the companies building their aircraft.

Royalties and Development Charges

When no public money has been used during development, the developing firm retains its right to royalties. The

CARBON



CARBON is one of the most widely distributed of the elements, for it is an essential constituent of all living matter. Carbon appears in the crystalline form as diamond and graphite and in the amorphous form as charcoal. Combined with other elements it gives innumerable chemicals all of which are vital to our existence. Carbon atoms readily join with each other, and with those of other elements. They will link up into rings, form long chains of atoms like strings of beads, and even branch out to make complex three-dimensional molecules. The study of carbon compounds is so important that it has become a specialized branch of science known as Organic Chemistry. Hundreds of thousands of different molecules have already been made from carbon atoms in conjunction with those of two or three other elements, such as hydrogen, nitrogen and oxygen. An almost infinite number of new ones remain to be discovered by the organic chemist.

Since 1856, when Sir William H. Perkin made the first synthetic dye, mauve, the manufacture of dyestuffs has been a focal point of the organic chemical industry. The dyestuffs made by I.C.I. are carbon compounds, and recent I.C.I. research into carbon derivatives has resulted in such epoch-making discoveries as new anti-malarial drugs, new textile fibres like 'Ardil', and 'Gammexane', a revolutionary insecticide.



Rolls-Royce engines being built by Austin Motors provide one of the rare cases where this has happened. They are a range of four road engines that have a high percentage of standard parts and were developed by Rolls-Royce during the war to simplify the problems of supplying spare parts for Army lorries. Rolls-Royce are not asking for royalties so long as the engines are used for defence orders, but it was recognised when the order was negotiated that the company had a right to do so. Private venture developments of this kind are expected to become increasingly rare, because development charges, particularly on aircraft, now involve astronomical sums. Therefore since the war, the Ministry has evolved a method for recovering some part of the sums paid out to firms for development. There is no point in demanding a proportion of the money received for production orders for the Forces, since this is handing it from one government department to another. But when aircraft, or aero engines, or tanks are sold abroad, or licensed for manufacture abroad, then the Ministry demands a percentage of the revenue. In this way considerable sums have been recovered from de Havilland, who have sold the Vampire fighter to many foreign countries, from Gloster, whose Meteor fighter is also used abroad, and from Rolls-Royce, who build the engines for the Meteor and who have also licensed their engines to foreign firms, including Pratt and Whitney in the United States. Other firms who have made licensing agreements abroad (although the engines and aircraft are not yet in production) are English Electric, the Bristol Aeroplane Company and Armstrong-Siddeley and Hawker Aircraft. The Ministry also expects to recover some of the development charges that it paid for civil aircraft, the most important exception being the de Havilland Comet, which is a private venture.

The conditions governing gas turbine aero engines are complicated by the fact that the basic patents are held by another public body, Power Jets (Research and Development) Ltd. Firms which are not having their development costs paid out of public money, like those building gas turbines for electricity generation, pay royalties direct to Power Jets. So do foreign firms who hold direct licences. In this country, so long as the Ministry of Supply paid development charges, any royalties are a matter for private settlement between Power Jets and the Ministry, which is the company's sole shareholder.

Changes in Ship Design

Twelve years have elapsed since Lloyd's Register of Shipping published an annual report, and in that period great changes have taken place in the design, construction, powering, ownership and employment of merchant shipping. The report now published, for the year ending June 30 last, shows that the world fleet on that date totalled 30,852 ships, of 84,583,155 tons gross, including an estimate of 14 million tons for ships laid up in the American reserve fleet. This world fleet constitutes "a far more efficient instrument of commerce" than did the 29,763 vessels of 68,509,432 tons gross that existed in 1939. The German, Japanese and Italian fleets are now only a fraction of their prewar size, while 33 per cent of the world tonnage is now American, compared with Britain's 21.54 per cent. If the American laid-up fleet is excluded, however, Britain takes the lead with 25.8 per cent, while America has 15.9 per cent. The percentage of oil tankers is now higher than it has ever been, the 1950 figure being 21.3 per cent (16,865,894 tons gross) compared with 18 per cent (11,436,880 tons) in 1939. The most striking change, perhaps, is in the age distribution of the world's merchant ships. Nearly 50 per cent of today's tonnage (40 per cent if the US reserve fleet is excluded) comprises ships built between five and nine years ago, compared with only 10 per cent of the 1939 total. Despite the scale of replacement shipbuilding since the war,

however, only 14 per cent of the total is under five years of age, compared with 15.5 per cent in 1939 (although the tonnage figure is 1,200,000 tons greater).

During the twelve years there has been a noticeable increase in the average size, speed and efficiency of merchant ships, particularly in the case of tankers, where vessels of 16,000 to 18,000 tons deadweight are replacing the prewar standard of 12,000 tons, while vessels of 30,000 tons and over are now under construction. Even more striking is the decline of coal as marine fuel. In 1939, 55 per cent of the world fleet used oil, but by 1950 this proportion had risen to 81 per cent. Oil-burning steamships rose from 21 to 47 million tons, and coal-burners declined from 31 to 16 million tons; no ships are now built with coal-burning equipment alone. The motorship, however, has by no means ousted the steamship, since motorships now account for only about one-quarter of the total tonnage. There are 21 million tons of motorships (17 million tons in 1939), and 63 million tons of steamships (52 million in 1939). Nearly half the world fleet still uses steam reciprocating machinery (more than in 1939), while turbine steamships have increased from 9,000,000 to nearly 16 million tons, and turbo-electric vessels from 500,000 to over 5,000,000 tons. The postwar trend towards the use of geared steam turbines, particularly for powers in excess of about 8,000 shaft horsepower, has been made possible mainly by the great advances which have been made in gear-cutting technique. As for the design of hulls, the old "three-island" type, with poop, bridge and forecastle, has been almost completely superseded by the shelterdeck design, and in order to obtain large cubic capacity and low tonnage under existing regulations, there is a tendency to increase the height of the tweendecks, while there are signs that the ballast capacity of cargo vessels is rising.

Record Bank Clearings

As expected, the annual statistics issued by the Bankers' Clearing House show that the total value of cheques, bills, etc., handled at the Town and General clearings in 1950, rose to a new high record. They amounted to £94,241 million, compared with £86,060 million in 1949. This figure, of course, does not give any accurate measure of the total volume of funds shunted through the banking system last year. It excludes the £2,076 million that was handled at the principal provincial clearings (when turnover was 10 per cent higher than in 1949); it also excludes cheques passed between customers of the same bank (which amount to a substantial proportion of the whole) and cheques handled under various local clearing arrangements outside the main centres.

For what they are worth, however, the figures suggest that the velocity of circulation of bank deposits was between 4 and 8 per cent higher than in 1949 in each quarter of 1950 except the second, when the ratio of clearings to deposits (at an annual rate of about 16.2 against an annual rate of 13.6 for the same quarter of 1949) was some 19 per cent higher. The rise in money turnover between April and June of last year, however, was wholly due to an increase at the Town clearing, which handles cheques and bills paid into and drawn upon bank branches in the City of London—and is therefore heavily dependent on the volume of Stock Exchange and other financial business; turnover at both the General and the Provincial clearings actually declined slightly between the first and second quarters of the year—although it rose steadily thereafter. This last movement is not surprising, as the volume of bank deposits, which in the first six months of 1950 was running at much the same level as in the first six months of 1949, has risen by between 4 and 5 per cent since June. It would be rash therefore to draw any general conclusion from the clearing figures other than one that has long been deducible from ordinary observation—namely that there was more money chasing

rather more goods in 1950 than in 1949, and that it was chasing them slightly faster.

Exchange Control and Cocoa Dealing

Since the beginning of November a wide measure of freedom has been restored to the London Cocoa market. An open general licence has been granted for the import of raw cocoa and the Ministry of Food has stopped bulk purchasing, though it retains elaborate domestic price controls. The Bank of England has now published details of the machinery through which private dealing in cocoa will be reconciled with exchange control. The scheme follows very closely the arrangements made when free dealings were resumed in tin, rubber and coffee, except that cocoa that is purchased from the dollar area will still require an import licence. Buying and selling of cocoa in any other part of the world is now permitted, but only on the part of persons and firms recommended to the Bank of England by the Cocoa Market Executive Committee. The authorised dealers must make monthly returns of their operations and positions to the Bank of England. These returns will be regarded as strictly confidential, though the Bank will be allowed to aggregate the figures and supply the totals to the Cocoa Market Executive Committee. Provision is also made for checking undesirable speculation and for divulging to the Executive Committee the name of any participant who is deemed guilty of abuse of the facilities provided under the scheme.

New Records in Life Assurance

Although the announcements of net new ordinary life assurance business in 1950 were incomplete when this issue went to press, it seems probable that the 1949 record of over

NEW LIFE ASSURANCE					
Office	1938	1947	1948	1949	1950
Beacon.....	1.3	3.6	5.5	3.4	3.1
Britannic.....	3.4	8.0	8.1	7.0	7.0
Clerical, Medical & General.....	2.7	4.3	4.6	4.4	5.3
Commercial Union.....	6.0	12.1	14.0	12.5	17.0
Co-operative.....	3.3	20.4	21.6	21.7	20.7
Crisaller.....	0.7	2.0	1.6	1.8	1.8
Eagle Star.....	10.3	31.6	38.4	40.8	43.0*
Equitable.....	2.0	4.1	3.8	3.8	4.0
Equity & Law.....	3.5	6.2	4.8	6.7	5.0
Friends' Provident.....	2.7	7.0	7.6	9.6	11.3
Gresham Life.....	3.8	7.7	7.4	7.7	8.6
Guardian.....	1.7	3.4	4.0	4.5	6.2
Law Union & Rock.....	3.1	4.3	3.4	3.5	3.5
Legal & General.....	16.6	24.8	27.1	34.0	41.4
Liverpool & London & Globe.....	2.9	4.8	5.1	5.1	5.8
Liverpool Victoria.....	3.6	5.5	5.7	7.4	7.0
London & Scottish.....	1.6	1.2	1.3	1.4	1.7
London Assurance.....	2.7	4.6	4.4	4.8	5.2
London Life.....	2.7	2.2	2.0	2.3	2.8
Manufacturers' Life (UK only).....	1.1	3.2	4.3	4.8	6.1
Marine & General.....	0.6	1.5	1.7	1.8	1.8
Midland Employers'.....	1.1	0.3	1.1	1.1	1.2
National Mutual.....	1.1	1.4	1.5	1.9	1.8
National Provident.....	2.0	3.3	3.8	4.4	4.4
North British & Mercantile.....	5.3	7.6	8.8	8.3	11.5
Northern.....	1.8	3.6	3.4	4.2	5.2
Norwich Union Life.....	11.8	32.3	29.1	32.2	35.0*
Phoenix.....	5.0	6.0	6.0	5.8	6.2
Refuge.....	7.9	15.9	13.6	11.3	10.2*
Royal.....	5.2	8.0	8.1	8.3	9.2
Royal London.....	5.5	9.0	8.4	7.7	7.5
Scottish Amicable.....	2.1	5.6	5.5	5.4	8.1
Scottish Life.....	2.3	3.9	3.4	3.6	4.1
Scottish Provident.....	3.2	4.4	4.1	4.4	5.3
Scottish Temperance & General.....	1.6	2.1	1.8	2.1	2.7
Scottish Union & National.....	2.5	2.3	2.9	2.8	3.5*
Standard.....	6.5	18.6	18.6	22.2	24.4
Sun Life.....	21.7	36.0	33.8	31.1	35.3*
United Kingdom Provident.....	5.1	7.3	5.5	5.9	6.7
University Life.....	0.3	0.5	0.6	0.6	0.8
Westleyan & General.....	1.5	3.3	3.5	3.5	3.3
Yorkshire.....	3.0	5.3	5.0	6.5	10.5*
TOTAL.....	171.7	337.0	342.9	362.3	404.2

* Approximation.

£500 million will be comfortably exceeded. The figures so far available are given above: they are not strictly comparable between different offices as the practice regarding the inclu-

sion of group life assurances (both new and additional to existing schemes), deferred annuities and some other types of contract is not uniform. So far the increase recorded on the 1949 level is over 11 per cent. This is yet another indication that the life offices have become the largest medium for collecting personal savings; last year's new sums assured stand out in marked contrast to the National Savings figures.

Substantial sums assured were again written in "income benefits," which give substantial life assurance cover for a relatively small premium, and a large contribution to the total was again made by new business under group pension and life assurance schemes. Some companies that have set out to attract non-participating business by quoting reduced and competitive premium rates have been markedly successful. In so far as it is yet possible to draw conclusions about the new ordinary business of the industrial-cum-ordinary offices (and the results of the Prudential which accounts for nearly one-fifth of the total new business are not yet available) there seems to have been a continued movement against the general trend. This was probably due to the proposals of the Labour Party, first to nationalise and later to "mutualise" these offices, and perhaps, the pressure of the rising cost of living on the income groups for which they largely cater may have played some part.

The Week in Commodities

The steady rise in commodity prices has reached the point of monotony. American grain and cotton markets remain very firm and Cuban sugar has again risen during the past week. Some weakening in the American grey market prices for copper and zinc has been reported, but these prices are still nearly 50 per cent higher than the official quotations. Tungsten, quicksilver, shellac, cement, and castor oil,

COMMODITY PRICES							
Commodity and Unit	1949	1950					1951
	Dec.	June	Sept.	Oct.	Nov.	Dec.	Jan. 5
Wheat (cents per bushel)...	216½	216½	223½	225½	227	246½	246½
Maize (cents per bushel)...	131	148	144½	154½	160½	172½	177½
Sugar, Cuban (cents per lb.)...	4.38	4.30	5.85	5.85	5.30	5.35	5.45
Cotton, US middling (cents per lb.).....	31.43	34.64	42.0	41.03	43.76	44.13	44.62
Wool, 56's (d. per lb.).....	71	81	148	150	163	167	...
Sisal (£ per ton).....	114	130	158½	165	180	200	200
Jute (£ per ton).....	115	120	111	110½	112	120	122
Tin (£ per ton).....	599½	600½	811½	981	1,117½	1,157½	1,157½
Copper, electrolytic (cents per lb.).....	18.5	22.5	24.50	24.5	24.5	24.5	24.5
Zinc (cents per lb.).....	9.875	15.0	17.5	17.5	17.5	17.5	17.5
Tungsten (s. per unit).....	92.50	126.9	235.0	235.0	265.0	387.5	407½
Quicksilver (£ per ton).....	26½	24	24	26	31	42½	46
Shellac (£ per ton).....	320	237½	325	370	320	400	412½
Rubber, RSS spot (d. per lb.).....	15	24	45½	49½	59½	55	53
Cement, 6 tons and over (s. d. per ton).....	62/6	62/6	62/6	62/6	62/6	62/6	69/-
Tallow (cents per lb.).....	6	4½	12	13½	14	16½	16½
Lined oil, naked (£ per ton).....	126	134	134	134	136	136	136
Castor oil, naked, firsts (£ per ton).....	98	120	146	145	153	188	210

Note: Monthly prices taken at last day of the month except those for wool which are monthly averages.

have all risen during the past week. The price of tallow last June was below its prewar level—an exceptional situation for any commodity. This week it was quoted at 16½ cents a lb. or more than three times the price of seven months ago.

Rise in Semi-Manufactures

Annual price reviews have led to a number of increases in the New Year. The individual impact of these changes is not drastic, but their cumulative effect may be significant. The Cement Makers' Federation has raised the price of

cement by 4s. a ton (the price in the London area goes up from 73s. a ton to 77s.) to provide funds for equalising the prices of home-produced and imported cement. Shell Mex and BP have followed other oil companies and increased the price of lubricating oils by between 8d. and 1s. a gallon on a wholesale price of about 5s. 6d. a gallon; these changes follow movements in world oil prices which, in comparison with other prices, are staying remarkably steady. The Ministry of Supply has raised the price of virgin aluminium from £120 to £124 following this year's annual price review with its suppliers—aluminium consumers are said to be relieved that the increase is so small. The Ministry has also raised the maximum prices for nuts and bolts and similar fasteners after discussions with the trade and has raised the price of special shapes of copper by as much as £2 17s. 6d. a ton to bring British prices in line with the recently increased prices of fabricated copper imports from Canada. The biggest change is in the retail price of tyres, which go up 20 per cent after a fourfold increase during the year in the prices of basic materials.

Manufacturers of end products may be able to absorb these price increases for a time, as they have absorbed a number of similar price increases during the past year; but the stage will come when they have to be passed on to the consumer. The new tyre prices provide the clearest example. The retail price of the tyres used on a large lorry have risen from just over £20 each to about £24 5s. and six are used on one vehicle. The Road Haulage Association has estimated that this increase in costs, in addition to the higher prices of lubricants, has raised haulage costs by between 1½ to 2 per cent. Costs had already risen by 5 per cent since the last increase in rates was made in May.

Shorter Notes

The steel industry has opened its expected "National Scrap Drive," appealing by letter to 15,000 users of iron and steel throughout the country and supplementing this by advertising. Negotiations for supplies of German scrap during 1951 are not yet completed; but these imports, which at the beginning of 1950 were arriving at an annual rate of 2,000,000 tons, are now down to half that. The industry appears hopeful that the present rate of German supplies may be maintained, and confident that its drive will be sufficient to bring out the scrap from British factories. This confidence is being questioned by some steel users; but it is a point on which since the war the industry has generally been right.

The Inland Revenue Commissioners deserve congratulation on the prompt publication of their report for the year to March 31, 1950. This is a break with tradition, for the report was usually issued in March before the Budget. Prompt publication involves postponing until a year hence the trade group figures for profits and wages that formed such a valuable section of the Commission's centennial report last October. But there are compensations—in particular an appendix where, for the first time, accountants and patient taxpayers can consult the "extra statutory concessions" that inspectors of taxes regularly apply in practice. These concessions can be of great importance, and it is entirely proper that they should be publicly disclosed.

The Treasury has approved a provisional agreement for the amalgamation of the British Mutual Bank with Martins Bank. The agreement provides for the issue of 155,054 £1 fully paid shares of Martins Bank for the issued capital of £257,000 of the British Mutual, whose capital, published reserves and profit and loss account amounted to £470,000 at the end of 1949; at the current market price of 77s. 6d. for Martins' £1 shares, this indicates a purchase price of approximately £600,000. The British Mutual Bank, whose origins date back to 1857, has increased its turnover more

than five times since 1940; its shareholders will gain considerably, both in capital value and income, from the proposed amalgamation.

Martins Bank—the first of the clearing banks to announce its results for 1950—shows a further small increase in net profit, from £725,170 to £732,895. After paying the customary dividend of 15 per cent and after allocations to contingencies reserve and for premises redemption, the carry forward is increased from £377,968 to £392,660.

The first two discount houses to publish profits figures for 1950 have both enjoyed a good year. The National Discount Company shows a profit of £301,522 compared with £286,465 for 1949; after allocations to pensions fund and to reserve the carry forward is £250,912 against £212,890. Alexanders Discount Company shows a net profit of £165,100 compared with £150,400 for 1949; the carry-forward is £452,000 against £409,000. Both companies maintain their usual dividends.

The agreement to use the ECA counterpart fund for "retirement of debt," which was reported in *The Economist* recently, has been implemented by the expected, painless bookkeeping transaction. The Bank return for December 20th recorded a fall in the H.M. Treasury Special Account by £266 million to £414,123, and a corresponding decrease in the Bank's holding of interest free notes (and thus in the National Debt).

The National Union of Manufacturers this week protested that the notice given to metal-using industries of the prohibition of a range of products containing copper and zinc was too short to enable a changeover to substitute materials, and asked for exceptions to be made for firms having stocks of manufactured goods containing prohibited materials that had been made to their specifications and could not "easily be used for any other purpose." While the prohibition order has not yet been issued, and may cover special cases, these should be few; there would be no justification for giving managers with insufficient talent for improvisation any "case" that their more ingenious competitors are not allowed to enjoy.

The British insurance companies and Lloyd's Underwriters have negotiated, through an advisory committee of insurance brokers, the insurance of over 36,000 vehicles operated by the Road Haulage Executive. Cover will be provided under one policy for the usual motor risks and also for carriers' liability for the goods transported, at an annual premium of about £1,000,000. Country-wide service arrangements have been made. The important principle that insurable risks of nationalised undertakings should continue to be carried by the insurance market, established last June by the British Electricity Authority, has thus been reaffirmed. No doubt now, as then, the premium rates have been finely drawn.

The National Research Development Corporation, which was set up in June, 1949, by the Board of Trade, has published its first annual report. The purpose of the corporation is to hold, and if necessary to help to exploit, patents on developments made in Government research organisations. It can also help in patenting and exploiting the work done by individuals or by firms which might not have the resources or the experience to do so alone. The report says of the limited work which the corporation has been able to do in its first year: "in a number of cases patent costs have been incurred and in six instances decisions to incur development expenditure have been taken." Because the negotiations are not complete, no details of the developments are given. It must be hoped that the next report will be more forthcoming.

Company Notes

Arthur Guinness, Son and Company.

The slight rise in group trading profits from £4,770,994 to £4,834,606 in the year ended September 30, 1950, suggests that Arthur Guinness have been able at least to retain their share of the market in a year which has been disappointing for the brewing industry. The company have been able to increase the ordinary dividend from 29 per cent to 32 per cent, but the earnings cover has fallen slightly. This fact suggests that the directors do not intend to stint the ordinary shareholders. The apparent fall in earnings may be attributed largely to the rise in the pension provision from £245,000 to £500,000.

An impressive sum of £1,388,000, as compared with £575,000 in 1948-49, has been allocated to reserves. Moreover, the sum of £400,000 for contingencies is intended in the main to meet costs of replacement.

	Years to September 30, 1949	1950
Consolidated earnings:—		
Trading profits	4,770,994	4,834,606
Total profit	4,940,610	4,959,376
Depreciation	236,750	304,208
Taxation	2,546,972	2,661,382
Pensions	245,000	500,000
Prof. divs.	66,000	66,000
Ordinary capital:—		
Earned	1,762,691	1,358,720
Paid	1,196,250	1,320,000
Earned %	37.2	34.7
Paid %	29	32
Reserves	575,000	1,388,000
Carry forward	270,332	378,542

	Years to September 31, 1949	1950
Cons. balance sheet:—		
Fixed assets, less w.o.	10,655,615	11,951,813
Net current assets	8,759,929	7,847,764
Reserves	10,382,529	10,579,643
Loan capital	—	210,587
Share capital	9,500,000	9,500,000

(a) Including £857,490 taxation relief on pensions contributions written back.

In the autumn of 1949 the directors proposed to capitalise £5 million of reserves by a scrip bonus of £2 ordinary stock for every £3 held. The chairman comments on the Capital Issues Committee's refusal to sanction this proposal: "It is difficult for the ordinary business man to understand the logic or the justice of this decision."

The price of the £1 ordinary units, which touched a high of 136s. at the end of November, has recently remained firm at about 130s., giving a yield of £4 18s. 6d. per cent.

Hawker Siddeley Group.—The fall in group trading profits of the Hawker Siddeley Group from £5,602,897 to £4,846,786 in the year to July 31, 1950, was not unexpected, for the chairman emphasized a year ago that the 1948-49 results reflected "the outcome of exceptional circumstances." The main-

	Years to July 31, 1949	1950
Consolidated earnings:—		
Trading profits	5,602,897	4,846,786
Total profits	5,605,907	4,852,694
Depreciation, etc.	728,738	811,919
Taxation	2,692,937	2,250,789
Ordinary capital:—		
Earned for the group	1,654,103a	1,548,537b
Paid	260,186	260,186
Earned % for the group	194.7	163.8
Paid %	321	321
Subsidiary company's reserves	1,000,000	1,266,000
Parent company carry forward	514,491	632,147

	Years to July 31, 1949	1950
Consolidated Balance Sheet:—		
Fixed assets, less w.o.	6,524,309	6,689,710
Net current assets	11,652,568	12,861,984
Reserves	11,505,734	13,015,684
Loan capital	3,000,000	2,970,300
Share capital	3,455,587	3,455,587

(a) Excluding £185,453 profits of previous years.
(b) Excluding £506,310 profits of previous years.

tenance of the Ordinary dividend at 32½ per cent—a rate which has been paid since 1939—disappointed more optimistic market expectations.

The drop in group earnings from 194.7 per cent to 168.8 per cent still leaves an earnings cover of five times for the dividend. The

need for large sums to meet high replacement costs has presumably reinforced the directors' decision to continue "to follow the policy of dividend restraint." As usual, the company has only drawn off sufficient profits to meet its own immediate requirements; the large sum of £1,676,665, against £1,526,825, is retained by subsidiary companies, and of this £750,000 (against £500,000 in the previous year) is transferred to replacement reserves.

The board intends, when permission can be obtained, to bring issued capital into closer line with the real capital employed by the capitalisation of reserves. Capital reserves stand at £7,526,983, revenue reserves at £5,488,701, and current assets at £2,658,942—(nearly double the current liabilities and provisions of £13,646,958)—so that the justification of this step would be hard to question. Stocks have increased by some £2,725,000 to £15,938,797.

At the current "middle" price of 30s. 3d., the 5s. Ordinary units yield £5 7s. per cent.

Lancashire Cotton Corporation.—Excellent progress has been recorded by the Lancashire Cotton Corporation since the war and the results for the year to October 31, 1950, are indeed impressive.

Trading profits have jumped from £2,599,286 to £3,808,816, after providing £958,281, against £832,374 in 1948-49, for repairs and maintenance. The Ordinary stockholder enjoys a modest bite at the fruits of this expansion, for the dividend is increased from 10 per cent to 12½ per cent, covered four times by earnings.

The book value of fixed assets bears little relation to their replacement value, for they now stand at £4,227,120, although some £3,200,000 has been expended on them since October, 1945. The directors have decided accordingly to allocate £500,000 to a fixed assets replacement reserve.

Although yarn production reached a post-war record last year, output is still below productive capacity. Restrictions on raw cotton exports by the American Government have given the Corporation much concern, which fears that dislocation of production and the compulsory substitution of one type of yarn for another will have to be faced.

	Years to October 31, 1949	1950
Earnings:—		
Trading profit	2,599,286	3,808,816
Total profit	2,632,571	3,853,899
Depreciation and replacement	450,000	500,000
Taxation	1,100,000	1,685,000

	Years to July 31, 1949	1950
Ordinary capital:—		
Earned	960,821	1,548,537
Paid	161,421	274,465
Earned %	46.7	53.9
Paid %	10	124
General reserve	1,125,000	1,025,000
Carry forward	438,603	683,010

	Years to July 31, 1949	1950
Balance sheet:—		
Fixed assets less w.o.	4,013,009	4,227,120
Net current assets	6,511,936	8,057,956
Reserves	4,948,326	6,841,931
Loan capital	1,943,528	1,920,000
Share capital	4,058,526	4,058,526

Fortunately, the Corporation's first aim since the war has been to increase its technical and financial strength. General reserves now stand at £5,000,000, against £3,875,000. Although the burden of carrying adequate stocks of raw materials—when they can be obtained—is heavy, the Corporation's liquid resources have increased from £4,904,380 to £5,811,662.

The question for the future is whether difficulties about cotton supplies will affect output appreciably. If not, the maintenance of the 12½ per cent dividend should present no difficulty, for at the moment the order book is fully extended. At the current price of 41s. 3d. the £1 Ordinary units yield just over 6 per cent.

SECURITY PRICES AND YIELDS

British Funds	Price, Dec. 27, 1950	Price, Jan. 3, 1951	Net Yield, Jan. 3, 1951 (n)	Gross Yield, Jan. 3, 1951
War Bonds 2½%	100/3/6	100/2/9	£ s. d.	£ s. d.
Aug. 1, 1949-51	...	...	0 12 10	0 12 10
War Bonds 2½%	101	101	0 19 3e	2 0 6f
Mar. 1, 1951-53	101½	101½	1 4 11e	2 0 7f
War Bonds 2½%	101½	101½	0 15 9	2 0 7f
Mar. 1, 1952-54	101½	101½	0 15 0	1 17 0
Exchequer Stk. 2½%	102½	103	0 12 7	1 17 3e
Feb. 15, 1955	102½	102½	0 17 9	2 1 7f
War Bonds 2½%	102½	102½	0 2 10	1 8 3e
Aug. 15, 1954-56	103	103½	1 3 10	2 8 7f
Funding 24%	103½	103½	0 14 1	2 0 5e
June 15, 1952-57	104	104½	0 16 5	2 10 3f
Nat. Defence 3%	104½	104½	0 16 5	2 4 2e
July 15, 1954-58	104½	104½	1 3 8	2 10 10f
War Loan 3%	104½	104½	1 11 10	2 19 8f
Oct. 15, 1955-59	104½	104½	1 9 8	2 19 0e
Savings Bonds 3%	104½	104½	1 9 6	2 13 1e
Aug. 15, 1955-65	104½	104½	1 8 7	2 11 8f
Funding 2½%	99½	99½	1 16 5	3 4 6e
Apr. 15, 1956-61	99½	99½	1 14 8	3 7 4f
Funding 3%	99½	99½	1 13 6	3 0 5e
Apr. 15, 1959-69	99½	99½	1 13 5	3 0 4e
Funding 3½%	107½	107½	1 8 0	3 3 5f
Aug. 1, 1966-68	107½	107½	1 18 11	3 13 7f
Funding 4%	98½	98½	1 17 0	3 5 5e
May 1, 1960-90	98½	98½	1 15 2	3 3 1f
Savings Bonds 3%	94½	94½	1 17 1	3 0 8e
Sept. 1, 1960-70	94½	94½	1 15 6	3 19 1f
Savings Bonds 2½%	109½	109½	1 10 4	3 5 4e
May 1, 1964-67	109½	109½	1 18 11	3 7 6e
Victory Bonds 4%	96½	96½	1 16 10	3 5 1f
Sept. 1, 1920-76	96½	96½	1 16 10	3 5 1f
Savings Bonds 3%	102½xd	102½xd	1 14 4	3 9 4e
Aug. 15, 1965-75	96½	96½	2 0 2	3 13 4f
Consols 4%	70½	70½	1 19 0	3 11 2f
(after Feb. 1, 1957)	84	84	1 19 6	3 12 1f
Conversion 3½%	102½	102½	1 15 10	3 6 10e
(after Apr. 1, 1961)	91½	91½	1 16 0	3 7 1f
Treasury Stk. 2½%	70½	70½	1 18 10	3 7 11f
(after Apr. 1, 1975)	94½	94½	2 0 11	3 14 5e
Treasury Stk. 3%	70½xd	70½xd	1 18 10	3 10 7f
(after Apr. 5, 1966)	96½	96½	1 17 8	3 5 10e
Treasury Stk. 3½%	96½	96½	1 16 9	3 4 10f
June 15, 1977-80	96½	96½	1 17 5	3 5 8e
Redemp. Stk. 3%	102½	103½	1 15 9	3 6 11e
Oct. 1986-96	91½xd	91½	1 19 4	3 8 0f
War Loan 3½%	96½	96½	1 17 11	3 6 1e
(after Dec. 1, 1952)	91½	91½	1 17 0	3 5 1f
Consols 2½%	91½	91½	1 19 1	3 8 11f
Brit. Elect. 3% Gld.	91½	91½	1 18 10	3 7 11f
Apr. 1, 1968-73	91½	91½	1 18 10	3 7 11f
Nov. 15, 1976-79	91½	91½	1 18 10	3 7 11f
Brit. Tpt. 3% Gld.	91½	91½	1 18 10	3 7 11f
July 1, 1978-88	91½	91½	1 18 10	3 7 11f
Brit. Tpt. 3% Gld.	91½	91½	1 18 10	3 7 11f
Apr. 1, 1968-73	91½	91½	1 18 10	3 7 11f
Brit. Gas Gld. 7%	91½	91½	1 18 10	3 7 11f
May, 1990-95	91½	91½	1 18 10	3 7 11f

(e) To earliest date. (f) Flat yield. (g) Assuming redemption in 1957. (h) Flat yield given above. If redeemed in 1952 net redemption yield £5 3 4, gross £6 17 10. (i) To latest date. (n) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 13 years 10 months.

Last Two Dividends	Ordinary Stocks	Price, Dec. 27, 1950	Price, Jan. 3, 1951	Yield, Jan. 3, 1951
(a) (b) (c)				
%	%			£ s. d.
25 b 5 a	Anglo-Iran. £1	52	52	5 4 4
10 b 5 a	Assoc. Elec. £1	85/-	83/9	3 11 8
71 a 20 b	Assoc. P. Cem. £1	80/-	88/9	6 3 11
40 c 35 c	Austin 5/-	28/11	28/6	6 2 10
15 a 120 b	Bass £1	147/6	145/74xd	3 8 8f
40 c 10 a	Boots 5/-	48/6	48/6	4 2 6
8 c 10 c	Br. Celanese 10/-	24/6xd	23/6	4 5 1
12 b 8 a	Br. Oxygen £1	89/-	89/6	4 9 5
5 a 71 b	Coats £1	54/9	55/-	4 10 11
5 b 21 a	Courtaulds £1	39/-	38/6	3 17 11
20 c 61 a	Distillers 4/-	19/6	19/3xd	4 3 1
8 c 8 c	Dorman £1	31/9	31/9	5 0 9
15 c 15 c	Dunlop £1	55/-	54/9	5 9 7
10 c 10 c	Ford £1	46/3	46/3	4 6 6
171 c 171 c	Gen. Elect. £1	81/3	81/3	4 6 2
11 a 21 b	Guinness £1	130/-	130/7f	4 17 11
7 b 3 a	Imp. Chem. £1	42/6	42/6	4 14 1
181 b 131 a	Imp. Tobacco £1	105/7f	104/4f	6 2 0
5 a 71 b	Lanes Cotton £1	41/3	40/-xd	6 5 0
10 c 10 c	Lever £1	41/10f	41/3	4 17 0
45 b 15 a	Marks & Sp. 5/-	81/9	82/-	3 13 2
171 b 71 a	P. Johnson 10/-	40/-	39/-xd	6 8 2
15 b 15 a	"Shell" Stk. £1	66/3	76/3	2 12 5f
121 c 6 c	St. Lloyds Df. £1	56/-	56/-xd	4 9

Statistical Summary

EXCHEQUER RETURNS

For the 15 days ended December 31, 1950, total ordinary revenue was £127,196,000, against ordinary expenditure of £134,135,000 and issues to sinking funds £680,000. Thus, including sinking fund allocations of £12,471,000 the surplus accrued since April 1st is £54,019,000 compared with a deficit of £34,268,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50 £'000	Receipts into the Exchequer (£ thousand)				
		April 1, 1949 to Dec. 31, 1949	April 1, 1950 to Dec. 31, 1950	14 days ended Dec. 31, 1950	15 days ended Dec. 31, 1950	
Ord. Revenue	138,800	562,138	547,750	50,238	46,902	
Income Tax	120,000	48,300	50,600	2,700	2,600	
Sur-tax	195,000	143,400	136,550	6,200	6,200	
Estate, etc., Duties	50,000	38,900	39,460	2,000	2,000	
Stamps	270,000	200,150	201,020	1,600	1,600	
Profits Tax	50,000	31,800	9,150	1,600	...	
E.P.T. (Net Receipts)	4,500	17,100	3,900	400	70	
Other Inland Rev.						
Special Contributions						
Total Inland Rev.	202,800	104,187	98,520	70,738	63,892	
Customs	870,650	611,930	668,789	26,806	28,833	
Excise	713,150	526,700	532,400	24,500	26,600	
Total Customs and Excise	1,583,800	1,138,630	1,201,189	51,306	55,433	
Motor Duties	56,000	12,903	14,403	168	561	
Surplus War Stores	35,000	67,197	35,386	1,298	8,575	
Surpl's from Tradg.	85,000	42,991	41,905	7,046	...	
P.O. (Net Receipts)	13,000	8,190	8,650	1,000	1,350	
Wireless Licences	27,000	12,351	19,639	...	309	
Sundry Receipts						
Miscell. Receipts (in Crown Lands)	70,000	64,282	63,913	2,653	3,176	
Total Ord. Rev.	3,897,800	2,388,421	2,373,605	1,342,099	1,271,956	
Self-Balancing	172,150	119,500	127,700	5,300	11,200	
Income Tax on E.P.T. Refunds	5,700	9,384	6,642	312	126	
Total	4,075,650	2,517,305	2,507,947	1,398,721	1,385,222	

Expenditure	Estimate, 1950-51 £'000	Issues out of the Exchequer (£ thousand)				
		April 1, 1949 to Dec. 31, 1949	April 1, 1950 to Dec. 31, 1950	14 days ended Dec. 31, 1950	15 days ended Dec. 31, 1950	
Ord. Expenditure	490,000	346,999	348,394	1,503	...	
Int. & Man. of Nat. Debt	36,000	25,682	25,587	1,453	1,446	
Payments to N. Ireland	11,000	5,507	5,693	27	406	
Other Cons. Funds	537,000	379,187	379,675	2,983	1,853	
Supply Services	291,806	203,145	192,740	88,818	132,282	
Total Ord. Expd.	3,455,069	2,410,592	2,307,115	91,801	134,135	
Sinking Funds	...	12,097	12,471	10	680	
Total (excl. Self-Bal. Expd.)	3,455,069	2,422,689	2,319,586	91,811	134,815	
Total (incl. Self-Bal. Expd.)	3,627,119	2,551,573	2,453,928	97,423	146,141	

After increasing Exchequer balances by £627,456 to £3,674,933, the other operations for the 15 days decreased the gross National Debt by £320,894,923 to £26,426 million.

NET RECEIPTS (£ thousand)	
(December 17-31, 1950)	
P.O. and Telegraph (Money) Act, 1948	6,350
Export Guarantees Act, 1949	12
Miscellaneous Financial Provisions Acts, 1945 and 1950: Civil Contingencies Fund	75,000
Receipts under ECA (Cand. 7459)	258,000
NET ISSUES (£ thousand)	347,352
(December 17-31, 1950)	
Interest outside Permanent Debt Charge	2,543
E.P.T. Refunds	153
Housing (Temp. Accommodation) Acts, 1944 and 1947	100
Local Authorities Loans Act, 1945, s. 3 (1)	8,500
Cotton (Centralized Buying) Act, 1947, s. 21 (1)	3,000
Overseas Resources Develop. Act, 1948, s. 17 (1): Colonial Development	250
Overseas Food	183
Miscell. Financial Provisions Act, 1946: s. 2 (1) War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947: Postwar Credits	497
	14,225

CHANGES IN DEBT (£ thousand)	
(15 Days)	
RECEIPTS	PAYMENTS
Tax Reserve Certs. 28,145	Treasury Bills..... 31,340
	Nat. Savings Certs. 1,400
	2½% Def. Bonds... 350
	3% Def. Bonds... 510
	Other Debt:—
	Internal..... 265,536
	External..... 5,569
	Ways and Means Advances..... 38,325
	Treasury Deposits..... 5,000
28,145	349,049

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Fender	Tap	Public Depts.	Bk. of Eng. Land		
Dec. 31 1949	4935.0	...	291.9	...	872.0	6146.9
Sept. 23 1950	3130.0	1869.6	401.3	...	505.0	5905.9
" 30	4,975.9	...	451.0	...	505.0	5931.9
Oct. 7	3130.0	1820.0	467.6	2.7	530.0	5950.3
" 14	3140.0	1769.4	469.9	...	555.0	5954.3
" 21	3160.0	2077.8	490.2	...	574.0	6302.0
" 28	3170.0	2041.1	471.3	...	585.5	6268.0
Nov. 4	3180.0	1885.7	353.3	...	573.0	5992.0
" 11	3180.0	1897.3	374.3	0.5	543.0	5995.1
" 18	3190.0	1968.7	372.5	...	555.5	6086.7
" 25	3200.0	1950.0	390.9	...	564.0	6104.9
Dec. 2	3230.0	1956.3	369.1	...	525.0	6080.4
" 9	3240.0	1951.6	375.1	...	545.0	6111.7
" 16	3260.0	1939.8	410.8	11.5	530.0	6152.1
" 31	5168.5	384.0	...	...	525.0	6077.5

TREASURY BILLS (£ million)

Date of Tender	Amount			Avg. Rate of Allotment %	Allotted at Min. Rate
	Offered	Applied for	Allotted		
Dec. 30 1949	230.0	253.9	230.0	10 5.09	89
Sept. 29 1950	240.0	307.0	240.0	10 3.23	72
Oct. 6	250.0	312.3	250.0	10 3.23	74
" 13	250.0	319.4	250.0	10 3.25	76
" 20	250.0	332.3	250.0	10 2.94	65
" 27	250.0	335.8	250.0	10 2.98	65
Nov. 3	250.0	347.7	250.0	10 2.70	60
" 10	250.0	318.4	250.0	10 3.17	72
" 17	250.0	325.6	250.0	10 3.13	69
" 24	250.0	310.6	250.0	10 3.35	79
Dec. 1	250.0	347.5	250.0	10 2.74	60
" 8	250.0	328.8	250.0	10 3.09	72
" 15	250.0	314.6	250.0	10 4.55	49
" 22	250.0	301.7	250.0	10 2.93	67
" 29	250.0	302.4	250.0	10 3.50	82

On December 29th applications for 91 day bills to be paid from January 1 to January 6, 1951, were accepted dated Monday to Saturday at about 82 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for January 5th. For the week ending January 6th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended		Total, Apr. 1 to Dec. 23, 1950
	Dec. 24, 1949	Dec. 23, 1950	
Savings Certificates:—			
Receipts	1,100	1,200	64,600
Repayments	2,000	2,600	97,600
Net Savings	Dr 900	Dr 1,400	Dr 33,000
Debt Bonds:—			
Receipts	230	180	12,430
Repayments	665	700	36,594
Net Savings	Dr 435	Dr 520	Dr 24,164
P.O. and Trustee Savings Banks:—			
Receipts	10,555	9,587	473,038
Repayments	18,245	18,564	521,805
Net Savings	Dr 7,690	Dr 8,977	Dr 48,765
Total Net Savings	Dr 9,025	Dr 10,977	Dr 105,922
Interest on certificates repaid	416	533	21,605
Interest accrued	2,359	2,407	91,714
Change in total invested...	-7,982	-9,988	-35,818

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT JANUARY 3, 1951

£		£	
Notes Issued:—		Govt. Debt...	11,015,100
In Circulation	1333,206,953	Other Govt. Securities...	1359,268,612
In Bankg. Department	42,149,870	Other Secs...	703,873
		Coin (other than gold)...	4,012,415
		Amt. of Fid. Issue...	1,375,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)...	356,823
			1375,356,823

BANKING DEPARTMENT

£		£	
Capital	14,553,000	Govt. Secs.	344,046,441
Res.	3,607,925	Other Secs.	52,056,353
Public Depts.	25,331,843	Discounts	27,443,119
Public Accts.*	24,917,721	Advances	2,643,244
H.M. Treas. Special Acct.	414,122	Securities	...
Other Depts:—		Notes	42,149,870
Bankers	398,725,409	Coin	1,337,514
Other Accts.	87,402,011		
	439,620,218		439,620,218

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

COMPARATIVE ANALYSIS

	1950			1951
	Jan. 4	Dec. 20	Dec. 27	Jan. 3
Issue Dept.:				
Notes in circulation	1299.7	1351.3	1357.7	1333.2
Notes in banking department	50.7	24.1	17.7	42.1
Government debt and securities*	1349.3	1370.2	1370.3	1370.3
Other securities	0.7	0.8	0.7	0.7
Gold and Coin	0.4	4.4	4.4	4.4
Valued at s. per fine oz.	245/0	245/0	245/0	245/0
Banking Dept.:				
Deposits:				
Public Accounts	19.8	13.7	15.4	24.9
Treasury Special Account	97.9	0.4	0.4	0.4
Bankers	292.9	309.3	313.5	308.7
Others	115.1	85.0	85.0	87.4
Securities	525.8	408.4	414.3	421.4
Government	440.9	340.1	364.1	344.0
Discounts, etc.	23.7	36.1	29.2	27.4
Other	23.4	24.9	19.9	24.6
Total	488.1	401.1	413.2	396.0
Banking dept. res.	55.9	25.4	19.2	43.5
" Proportion "	10.6	6.2	4.6	10.3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,350 million to £1,375 million on December 12, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Dec. 28, 1949	Dec. 12, 1950	Dec. 27, 1950
Cereals and meat	147.8	156.6	157.3
Other foods	147.3	167.2	166.4
Textiles	205.1	295.8	303.2
Minerals	267.5	317.0	318.8
Miscellaneous	152.4	181.3	183.6
Complete Index	177.2	211.3	213.3
1913=100	243.8	290.7	293.5

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 13, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

	SILVER			Gold
	London	New York	Bombay	
1950-51	per ounce per 100 tolas	per ounce per 100 tolas	per ounce per 100 tolas	per tola
Dec. 27...	d. 70	c. 83	Rs. 187	0 111 14
" 28...	70	80	183	4 113 9
" 29...	70	89	Market	112 11
" 30...	Markets	Closed	137 2	112 11
Jan. 1...	70	80	Market	112 8
" 2...	70	80	135	12 111 13
" 3...	70	80	135	12 111 13

NYASALAND RAILWAYS, LIMITED

INCREASING TRAFFICS

MR W. M. CODRINGTON'S STATEMENT

TRAFFIC ON LAKE NYASA

The nineteenth annual general meeting of Nyasaland Railways Limited was held on December 28th in London, Mr W. M. Codrington, C.M.G., M.C., chairman and managing director, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to December 31, 1949:—

After paying the interest on our first debentures, the sum of £23,951 remains for the 5 per cent. Bridge debenture stock (soon to be replaced by consolidated income debenture stock) and is derived from the receipts of the Bridge and its south approach. Of this sum of £23,951, £19,743 is in respect of the receipts of the Zambesi Bridge and compares with £8,000 in the previous year when, as I explained last year, tax adjustments were necessary as a result of the Finance Act, 1947.

You will notice the new item on both sides of our revenue account relating to the operation of our road motor service. This has resulted in a small operating profit and has undoubtedly provided a much needed facility for our customers. Our Lake service, which has been carried on under considerable difficulties, resulted in an operating loss of over £5,000. Only when our new ship, the *Ilala II*, starts earning money can we hope for much improvement in this department of our activities.

INFLATIONARY TENDENCIES

Food costs must continue to rise as greater allowances of rationed foodstuffs are made available and subsidies are unloaded; the full effect of devaluation on prices of imported goods essential to the industry is still to be experienced; rents demanded for new premises and for the renewal of existing leases are higher than ever before; local rates are still climbing; negotiations are even now under discussion for increases of rates of pay for catering establishments, and claims for increases in wages in other industries, which, if granted, are bound to increase costs in the catering industry, are being made in increasing numbers.

The problem of how to offset these rising costs is common to the catering industry as a whole, and is not one that faces your company alone. But your directors are alive to the problem and, while exercising the most rigid economy in every direction they can effectively control, are taking all possible steps to widen the scope of the business and increase sales.

The Festival of Britain is expected to attract many tens of thousands of visitors from overseas. Apart from the effect this influx of visitors will have on the trade in our branches, we expect to take a direct part in the Festival activities through a catering concession for the Festival Gardens which, in conjunction with another well-known London caterer, we have had under negotiation with the Festival authorities, and have provisionally agreed to accept.

The report was adopted.

BRAZILIAN WARRANT

LARGER OPERATING PROFIT

The annual general meeting of the Brazilian Warrant Company, Limited, was held in London on December 29th, Mr A. K. Graham, the chairman, presiding.

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

The year under review, 1949, commenced with an appreciable advance in the shipments of coffee to Europe as compared with the previous year.

Our own sales, while not sharing to the full in this increase, did maintain their position with sales of Santos coffee principally to Antwerp and Norway. Then followed a short-lived dull period from which onwards the main feature was an almost vertical rise which took place when it was thought that the prolonged drought would prejudice the flowering of Brazil's next crop. It was then that the devaluation of sterling, followed as it was in varying degrees by other European currencies, made coffee a luxury article for Europe, and it would appear that consumption in that direction must be restricted until supplies become more plentiful and prices reach lower levels.

The salient features for the year's operations were the enhanced value of the commodities in which the trade of the group is carried on, and the devaluation of sterling. From these flowed not only the large increase in the net operating profit, with a consequential increase in the balance of profit carried forward, but also a large exchange surplus and considerable increases in the current assets and liabilities. The exchange surplus being unrealised has been transferred to a new exchange reserve.

The chairman, addressing the meeting, announced that the Board had received a firm bid through Messrs S. G. Warburg and Company, Limited, of 70s. for each Ordinary 10s. Stock Unit and 14s. for each 12s. 6d. Preference Stock Unit, which would shortly be put before the shareholders with the Board's recommendation to accept.

The report was adopted.

MCDougALLS TRUST, LIMITED

SATISFACTORY TRADING RESULTS

MR KENNETH MOORE'S REVIEW

The seventeenth annual ordinary general meeting of McDougalls Trust, Limited, was held on December 29th at 3, Thames House, Queen Street Place, London, E.C.

Mr Kenneth A. E. Moore, the chairman, who presided, said: Ladies and gentlemen, —Since the rationing of flour and bread by B.U.s was abolished, the consumption of flour in the United Kingdom has fallen by a full 10 per cent. from just over 100,000 tons a week to just under 90,000 tons a week. These figures are taken from the official Monthly Digest of Statistics and cover the overall consumption of flour, whether used for home-cooking or in the bakery trade for the making of bread, biscuits, confectionery, etc.

INCREASED DEMAND

Throughout the year covered by the accounts before you today—namely, the year ended September 2, 1950—the housewife has been entirely free to buy the self-raising flour of her choice. I am glad to say that in this period, so far from declining, the sales of McDougalls self-raising flour, under conditions of full competition, have increased substantially to a new all-time record. It is for this reason alone, in spite of a lower margin of profit, that we are able to lay before you such satisfactory trading results.

Our experience in this connection has been shared, as is common knowledge, by the producers of the leading branded goods in other trades—the well-known, well-advertised branded article which the public knows it can trust, be it soap, gin, marmalade, cigarettes or what have you, as soon as it is in free supply is insistently demanded by the discriminating buyer who, in his or her new freedom, positively resents being offered any substitute. Of course, it is not quite so simple as that; as you can imagine, there lies behind our figures a very considerable effort by management, staff, technicians, travellers and workpeople to maintain unflinching quality and service and to meet production demands in spite of periodical shortages of key materials of one sort or another.

As a matter of history, we have never been short of wheat, even in the darkest days of the war; it has often been comparatively minor things which have threatened to slow down production—such as shortage of adhesive gum or stitching wire. Today, as you may guess, our biggest worry is the acute shortage of paper and packaging materials. For example, to maintain production, we require many millions of paper bags every month and supplies on this scale are hard to obtain and are a constant source of anxiety.

Apart from shortages such as this, our other principal worry at the present time is the rising tide of costs in the shape of wages, transport, fuel and electricity, packing materials, plant replacements, etc. Meanwhile the retail selling prices of self-raising flour remain frozen by Statutory Order at maxima which are rapidly becoming obsolete and unremunerative owing to the rise in costs.

While problems such as these are bound to affect our fortunes, those of us who have been responsible for the management of this business have always had, in every year, bogeys of one sort or another to face, and you may rest assured that, as always, no effort is spared to overcome them.

DIVIDEND OF 10 PER CENT. MAINTAINED

But to return to last year's report and accounts—you will see that we are recom-

mending the maintenance of the ordinary dividend at 10 per cent., the same rate as has been paid for the last 15 years. There has been some light-hearted comment in the press at our failure to increase the dividend in a good year, but the fact is that, quite apart from any question of dividend limitation, taxation is taking such a toll of our earnings that, in our view, and particularly having regard to the inflated replacement cost of plant and machinery, it would be imprudent to increase the dividend.

In this connection it is of interest to note that of the earnings brought to credit in this year's consolidated profit and loss account, while the shareholders receive £109,927 by way of dividend, the Government takes by way of taxation no less than £273,480, leaving only £81,094 to be ploughed in for the maintenance and development of the business—little enough in present times.

I need hardly remind you that on the amount distributed to the shareholders very substantial further sums are subsequently collected by the Government in some cases in the form of surtax and, in all cases, in the form of indirect taxation such as purchase tax, excise duties, etc.

These figures are an example of the fact that the Government now takes nearly 60 per cent. of industrial profits by way of direct taxation and, indirectly, a much higher percentage. That is how, to a large extent, the Welfare State, as we have come to know it in this country, is being financed.

EFFECT ON INDUSTRY OF HIGH TAXATION

Taxation on this scale is already seriously impairing the ability of existing industry to keep its house in order and to maintain the progress and virility essential in the national interest; it is becoming a fatal deterrent to the foundation of new industrial enterprises in this country and is even driving abroad some overseas enterprises which formerly found it convenient to have their administrative headquarters over here, much to the advantage of the Exchequer.

If, as the long-term result of excessive taxation or as the result of political action, industry becomes enfeebled and unprofitable, the Welfare State will be heading for bankruptcy. No doubt this is well recognised in Treasury circles—let us hope that it will also be grasped in political circles.

To return to our domestic affairs—you will have gathered that, so far as public demand for our product, McDougalls Self-Raising Flour, is concerned, our affairs have never been in better shape. We have spared no expense since the war in restoring our mills and organisation to a high state of efficiency out of the profits ploughed back into the business, and from the same source the financial position, as you will have observed from the consolidated balance sheet, has been kept thoroughly sound.

If, when we meet in a year's time, we have to report reduced earnings, it will be, I am sure, for reasons beyond our control, of the kind I have indicated earlier in my remarks. I hope, however, that the account which I have given you today has been a reassuring one in that, apart from extraneous influences, the company's affairs are in excellent order.

I am sure you will wish to join with your directors in expressing our very best thanks to our staff and employees throughout the organisation for their contribution to the work of a strenuous and successful year.

The report and accounts were unanimously adopted.

MITCHELLS AND BUTLERS LIMITED

RESULTS OF A DIFFICULT YEAR'S TRADE

LARGE INCREASE IN CHARGES

MR ROBERT H. BUTLER'S REVIEW

The sixty-third annual general meeting of the Ordinary stockholders of this company was held at the White Horse Hotel, Birmingham, on Thursday, January 4, 1951, under the presidency of Mr Robert H. Butler.

The chairman, in moving the adoption of the report and accounts, said:—

Ladies and gentlemen,—It is with regret that I have to report a further decline in your company's profit and a reduction in dividend. This was not unexpected, as I warned you last year, but at the same time you will see from the balance sheet that your company is in a very sound financial position. Although there is a drop in the trading profit, the increased charges which your company has been called upon to meet have been considerably higher than this figure, but these have been to a great extent offset by substantial economies which have been made over the last two years.

On the subject of profits, I would remind our Ordinary stockholders of the crippling effect of the difference in profits tax between "distributed" and "non-distributed" profits.

But for this unfair imposition our net profit today would be almost £70,000 higher, and this amount would obviously have been available either for increased dividends or for ploughing back into the company as reserve.

EFFECT OF INCREASED CHARGES

The increased charges I have referred to include a full year's charge of the extra 3s. per barrel imposed in the Budget in April, 1949, compared with only six months last year. Charges for materials, salaries and wages, together with such items as railway freight, gas and electricity, glasses, bottles and corks, and general furnishings, to mention only a few, and over all of which we have little control, have increased by about £720,000 since 1948.

A further contributory cause is a slight decline in output, but I am pleased to say this has been appreciably less than the average fall for the whole country.

In the last few years we have spent large sums on maintaining our plant at the highest pitch of efficiency; we have also taken every opportunity of adopting the latest development in design and efficiency in modern brewing plant, and substantial work is taking place in this direction.

LARGE INCREASE IN FIXED ASSETS

You will see from the balance sheet that our fixed assets are up on 1949 by about £690,000, and although this increase seems large, I should like to assure you that in addition to a substantial sum spent on plant, it also includes expenditure on what, in the opinion of your board, are important key purchases, the chief ones being Thatcher's Brewery in South Wales, the Priory Hotel, Walsall, the Bull's Head at Wootton Waven, the Bell, Tewkesbury, and a number of valuable licensed premises in South Wales. I am pleased to say that these purchases have proved very useful additions to your business, and in their first period of ownership have shown a satisfactory return on capital. The sum also includes an appreciable amount for the consolidation of our interests in existing properties by the purchase of freeholds.

I have referred earlier to increased costs of all kinds, including maintenance. Notwith-

standing this, however, we are actively pursuing in our brewery reconstruction programme various projects which will not only result in economy in production, but will ease labour problems, improve working conditions and in that way contribute to the economic use of manpower from a national point of view.

You will recall that the Budget last April did not give us any relief in taxation and it may interest you to know that through the operations of this company during the year the Exchequer has received in taxation £12,350,000.

DIMINISHING RETURNS FROM BEER DUTY

Some 40 years ago this sum represented almost the total amount of beer duty for the whole country. Last year the national figure was about £270 million, but already there is ample evidence there will be a big drop this year. Obviously the burden being carried by the beer drinker has become unbearable, and the Chancellor may well reflect that the duty has now reached the point of diminishing returns. It is unfair that this important item in the daily budget of the working man should be so heavily taxed at a time when the country is calling for a still greater effort from him in the stern days which lie ahead.

In the last Budget an adjustment was made in the scale of duty which enabled us to increase the strength of all beers by three degrees without any increase in price. While it is a good thing that this improvement in strength has taken place, the public have not the available spending power, owing to greatly increased costs of all other commodities, to purchase their full requirements at present prices. The only way to check the fall in output, with its consequent effect on revenue, is to reduce substantially the price of beer to the consumer.

Brewers have loyally carried out their undertaking to increase gravities as from April 19th last, but experience has shown that the arrangement has reacted harshly against some companies because of differing conditions existing on the date fixed. The control now in operation should be lifted as soon as possible, and the trade given the same freedom as ordinary business men to make whatever adjustments are necessary.

SATISFACTORY PROGRESS OF SOUTH WALES COMPANY

With regard to our South Wales company, it is progressing satisfactorily and, as anticipated, has been a great saving in costs to us. The acquisition of licensed properties in South Wales is rapidly advancing the popularity of our products in this area, and in spite of poor trading conditions, I am pleased to say the trade is steadily increasing. I am sure this will be accelerated as conditions improve, for our products have no equal for quality and value for money.

A scheme has been introduced which allows some relief in purchase tax on equipment for premises designed to serve visitors from the United States. We shall take advantage of it in appropriate cases. The heavy incidence of this tax is still a serious burden and handicaps our efforts to re-equip for the benefit of the travelling public.

We are taking full advantage of the encouragement afforded to the trade for the provision of up-to-date facilities to cater for

overseas visitors, having in mind especially the activities connected with the Festival of Britain. This is entirely in line with our own policy of improvement of our residential hotels up to the standard expected by such visitors.

During the twelve months we have made further progress in overtaking the deferred repairs which accumulated during the war years. Whilst it has not been possible to overtake all arrears, we anticipate that we shall have dealt with most of them by the end of 1951.

REDISTRIBUTION OF LICENSED PREMISES

In connection with the redistribution of licensed premises which is now under consideration in various areas throughout the country the system of the tied house is invaluable. Brewers, working through their associations, are co-operating with licensing justices, licensing planning committees and local planning authorities, to assist in the preparation of schemes of planning improvement in a way which would be impossible were it not for the brewer-owned houses. Indeed, without the existence of so many brewer-owned houses I feel it would not have been possible to produce fair and equitable schemes for the redistribution of licences. Further, I feel it is no exaggeration to say that the good work of this generation in sweeping away structurally deficient and redundant licensed houses, and their replacement by well-built comfortable houses which cater for all classes of the public and provide amenities of all kinds, would not have taken place if the tied house system had not come into operation towards the end of the last century.

TOWN AND COUNTRY PLANNING ACT—ASSESSMENT OF DEVELOPMENT CHARGE

You may have observed recently a number of criticisms of the Town and Country Planning Act, one of the most serious being that the compensation to be paid to an owner of property for the loss of the development value in that property is likely to be only a small portion of the true value, whereas should the owner desire to develop his property beyond its existing use he would have to pay development charge at the rate of 100 per cent. This explains why one of the basic principles of the Act, namely, sale by the owner of his property at existing use value, is not being achieved.

Our experience of the working of this Act from the point of view of obtaining planning permission is that it has operated fairly satisfactorily, but when we have come up against the question of assessment of development charge we have found that this has resulted in delay in carrying out permitted development, owing to the necessity of protracted negotiations with the inland revenue valuation department in agreeing a figure. Further, from our trade point of view we do feel that in the case of licensed premises we are paying, and always have paid, development charge, either under the designation of monopoly value or by the provision of licences for removal and for surrender. We consider that the development charge system really amounts to an instrument of taxation and is not a means for securing good planning.

Another grave defect in the Act is that the inland revenue valuer's assessment of development charge must be accepted by the owner, and if the owner does not accept such assessment he has no alternative but to drop his proposed development. We consider that provision for an appeal to an appropriate body should be made.

Mr D. Davey Cole seconded the adoption of the report and accounts, which were carried unanimously.

WANKIE COLLIERY COMPANY, LIMITED

PLANS FOR INCREASING OUTPUT

MR ROBERT FOOT'S SPEECH

The twenty-seventh annual general meeting of the Wankie Colliery Company, Limited was held in London on December 28th.

Mr Robert Foot, O.B.E., M.C., the chairman, in the course of his speech, said:—I will deal first with the accounts. The successful issue in May of an additional 3,293,750 ordinary shares at a price of 12s. 6d. per share, provided the company with the sum of £2,004,579 after meeting the expenses of the issue. This amount is now being used to meet the cost of the capital expenditure for the immediate expansion of the output of the company.

The output of coal sold during the year was 2,142,355 tons, including a tonnage of 197,834 used by the company for its coke ovens, brickworks and boiler plants. The saleable output represents an increase of 238,280 tons over the previous year and an increase of well over 1,000,000 tons as compared with 1939. At the present time (December, 1950) the monthly production for sale is equivalent to an annual total of about 2,400,000 tons and the curve of increase is progressively upwards.

The total operations of the company during the year resulted in a profit balance before taxation of £337,869 which compares with a figure of £288,050 for the previous year. Of this amount taxation absorbs £156,000 as compared with £165,281 last year, leaving a balance being profit after taxation of £181,869, as compared with last year's figure of £122,769.

The directors propose to create a taxation equalisation reserve of £60,000 which will enable the company to keep some reasonable form of balance between the annual depreciation provided in its own accounts and the allowances granted for taxation purposes.

Of the balance of £121,869, the interim dividend of 3½ per cent., paid in May last on the old capital, i.e. before the new issue cost £34,289. The payment of a final dividend of 3½ per cent. will, if the directors' recommendation is accepted, absorb £68,256 thus leaving £40,440 to be carried forward into the year 1950-51 as compared with £21,116 brought into the present account from the financial year 1948-49.

THE NEW MANAGERS

I now come to the special matters of importance. First the decision taken by the board to appoint Powell Duffryn Limited managers of the company under a long-term contract. This appointment became effective as from May 1st last.

At the time of their appointment as managers, Powell Duffryn were invited and agreed to subscribe a substantial amount of the new capital required for the development of the company's properties. Following this appointment and investment, Mr E. L. Hann, Mr R. L. Lechmere-Oertel and I joined the board. At the extraordinary general meeting on April 26th Sir John Chancellor reported that Major A. J. Darby, who had been general manager at Wankie for the past 16 years, had decided to retire from that position on the 30th June last, and Mr T. A. J. Braithwaite, a highly efficient and well-trained mining engineer, was on the recommendation of the managers appointed to take his place.

I wish to mention the recent resignation of Sir John Chancellor as chairman and

joint managing director. Sir John's resignation is due to his own desire to be relieved of the increasing responsibilities which under present conditions are attached to the positions which he held. It would have been his personal wish to retire from the board at the same time as he retired from the chairmanship and it is only at the express desire of his colleagues that he has consented, subject to his re-election today, to continue as a director until the end of our present financial year.

The board have done me the honour to invite me to occupy the positions of chairman and joint managing director of the company previously held by Sir John and I have accepted the invitation.

DEMAND EXCEEDS PRODUCTION

If I may now refer to the position of output in relation to demand, I would call your attention to the fact that the demand for coal in the territories dependent upon Wankie has, since the end of the war, outstripped the pace of the increase in the output of coal, and our immediate and permanent problem is to overtake the total demand and then to keep ahead of it. In accomplishing this we feel sure that we can look to the Rhodesia Railways, upon whom we are dependent for the transport of our coal to our customers, for complete support and co-operation.

Our measure of the total present and anticipated demand has been taken from the estimates given by the Southern Rhodesian Government which are based upon the figures arrived at by a government committee specially appointed by the Cabinet. It is clear to the board that this is the proper measure to be applied to the output capacity of the company in order that it may be equipped to meet the total requirements of all its customers including, of course, the holding by the latter of full and ample stocks. It is upon this basis that the directors have committed the company to an immediate capital expenditure of over £2,000,000. Plans for raising the output still further in order to be ready for the anticipated demands up to 1955-56 are now being discussed, and one of the principal reasons for the recent visit to Wankie of Mr Lechmere-Oertel and Mr G. W. Alexander, the chief engineer of Powell Duffryn Technical Services, Limited, was to examine fully with the general manager the planning and the capital cost of this further expansion.

Some publicity has been given recently to the position of the copper companies in relation to the deficiency in the supplies of coal which they require. At the present time the copper companies are each month short of something like 21,000 tons of coal and this shortage is being made up, so far as it is humanly possible to do it, by bringing in timber from increasingly greater distances. We are doing all we can to rectify this position as soon as possible.

PERSONAL CONTACTS

The managers, at the request of the board, arranged for Mr Keith Hogan, a commercial director of Powell Duffryn Group, to visit the Rhodesias and the Belgian Congo, to establish direct personal contact with all important industrial customers, to study the service given by the company or its distributors both to these larger consumers and to the domestic consumers, and to make recommendations for any improvements in the producer-consumer relationship in order

to bring Wankie into line with the best modern practice in this respect.

We have also arranged for Mr I. F. G. McVicker, a senior combustion engineer on the staff of Powell Duffryn Technical Services, to visit the Rhodesias to make personal contact on a technical level with the principal consumers of Wankie coal and to give them expert advice on its more efficient and economical use.

I am very glad to be able to report from my personal observations that the morale of the whole Wankie community is high, and that those in responsible positions from the general manager downwards understand completely what they have to do.

It would be very wrong of me if I conveyed the impression that everything is smooth going at Wankie. It is not, and they have an uphill climb in front of them, but I am satisfied that with the help which they are getting and will continue to get from the managers they will come through this difficult period with success and with credit.

CAPITAL EXPENDITURE PROGRAMME

There are three matters of special importance in connection with the programme of capital expenditure which I should mention:

1. At a cost of over £450,000 a special water supply is being laid to Wankie direct from the Zambesi river. This is a difficult engineering project of considerable magnitude, but is absolutely essential not only to support the increased output of coal and the other technical operations of the company, but also to provide the whole community, with its population of 1,000 Europeans and 15,000 natives, with an adequate supply of water during the rainless months of the year.

2. The next special matter I would like to mention is the mechanisation of the production, handling and underground transport of the coal. It should be appreciated that the successful introduction of machinery for this purpose is by no means an easy matter, and involves the necessity for the most careful preliminary training, both of the European and the native employees. Considerable teething troubles were experienced with the first mechanised units, most of which I am glad to say have by now been successfully overcome.

3. The expansion of the output which I have described, including, of course, the supply of electric power for the Zambesi water scheme entails a very considerable expansion to the electricity generating plant at Wankie and this is being undertaken in stages under the specialised advice of the managers. I am glad to say that the work is well in hand.

OTHER ACTIVITIES

I can only briefly refer to our other activities at Wankie which include the production of coke and tar and the manufacture of bricks of various descriptions. These important matters, which are, of course, an essential part of our technical and commercial progress, are at the present time the subject of close study by the general manager in collaboration with the managers, and I will refer to them more fully on a future occasion.

I can with first-hand knowledge tell you that Wankie is a happy and healthy place, with a loyal hard-working and efficient staff, well and enthusiastically led by Mr Braithwaite, with the loyal and able co-operation of Mr D. D. Martin, the assistant general manager.

The thanks of the shareholders are due to them all, and I am sure that it would be the unanimous wish of us all that we should record our thanks as part of our proceedings here today.

The report was adopted.

HECTOR WHALING LIMITED

INCREASED FLEET EXPENDITURE

The twenty-second ordinary general meeting of Hector Whaling Limited was held on December 28th in London.

Mr R. de B. Trouton, the chairman, presided.

The following are extracts from his circulated statement.

Our fleet has been increased during the year by expenditure of over £1,100,000, which consists almost entirely of payments in connection with the tankers "Biscoe" and "Powell" and our six latest whale catchers, of which two are for delivery next year; these will bring our new-built powerful catchers up to eight in number.

In spite of the reduction from £90 to £80 in the price at which our whale oil was sold, our trading profit showed a substantial increase on that of the previous year. Last season "Balaena" made 206,000 barrels (about 34,350 tons) of whale oil and sperm oil. It is very satisfactory to note that "Balaena's" production of oil during the four seasons in which she has operated is more than 10 per cent. above that of the next most successful expedition. We have sold all our whale oil to be produced in the coming season at £100 per ton, and we have again made a forward sale of meat meal at an advance in price.

Sperm oil has for three years been a very difficult market, so we were pleased to clear all our stocks during July and August. Sales of frozen meat have been disappointing. We have not yet succeeded in overcoming public prejudice—partly created by the poor quality and appearance of much of the early importation, but mainly due to innate conservatism. However, we met with a very encouraging interest at the British Food Fair in September, 1950, our new canned corned whale meat being particularly well received. We are hopeful that this product may yet be established with a wide market. As we have found such difficulty in selling frozen meat we have decided this year not to send out any freezing ship. Modifications have been made to "Balaena's" plant which we hope will not only compensate for the need to cook an additional amount of whale meat but may also result in a substantial increase in our meat meal production.

"Balaena" will operate this season with 12 whale catchers, two towing vessels, two ferry boats, and three tankers, all in the ownership of our group. We feel that without freezing whale meat we shall be able to use our ferry boats more than previously for towing so that our effective daily whaling capacity should not be noticeably different from last year's.

"Balaena" sailed with her 16 attendant small vessels from Cape Town on November 6th, which is nearly three weeks earlier than last year, and has already started sperm whaling.

Our operating costs in the coming season show increases due to the general rise in prices throughout the world. Against these increases we have three important economies; our new tanker "Powell" will save us from an expensive chartered vessel; we shall save the cost of sending out a refrigerator vessel and there will be one fewer whale catcher in operation. On balance we look to a further moderate reduction in our operating costs.

Supplementing his printed statement, Mr Trouton reported that further sales of whaling products held at July 31, 1950, had been made in the past few weeks, that all the "Balaena" production of sperm oil in the 1950-51 season had been sold forward at a satisfactory price, and that arrangements had now been made for the raising of a mortgage loan of £300,000 on the security of the tanker "Powell."

The report was adopted.

TURNER AND NEWALL LIMITED

DEMAND STIMULATED BY DEFENCE REQUIREMENTS

HIGH LEVEL OF EXPORTS

MR W. W. F. SHEPHERD'S REVIEW

The annual general meeting of Turner and Newall Limited will be held on January 25, 1951, at the Chartered Accountants' Hall, Manchester, when it is expected that Mr W. W. F. Shepherd, the chairman of the company, will preside.

Mr Shepherd's statement to the stockholders has been circulated to them with the report and accounts and, after dealing with the accounts of the company, it contains a detailed review of the company's operations during the year to September 30, 1950, both at home and abroad.

The following are extracts from the statement as regards certain matters referred to therein:—

MINES OPERATING TO CAPACITY

Our African mining companies have operated during the year to the maximum capacity of their milling and grading plants but under continuing difficulties arising from shortages of labour and materials. Notwithstanding these difficulties the production programme was largely achieved, and this reflects considerable credit on the mine managements. There is no indication of a slackening in the world demand for raw asbestos, and it is anticipated that our mines in Africa will be operating to capacity and under difficulties due to the above shortages for some time to come.

Bell Asbestos Mines Limited at Thetford Mines, P.Q., has also operated to capacity during the year under review. The preparations for the transfer from a "quarrying" basis of ore recovery to the "underground mining" form of operation have reached an advanced stage, and it is expected that this change will be made either during or shortly after the end of 1951.

Turner Brothers Asbestos Company Limited has for long past enjoyed a sustained and steadily increasing demand for the wide range of its asbestos manufactures, which consist, in the main, of products technically essential to almost the whole field of industry. This favourable experience still continues, and at the end of the last financial year a very high level of demand had been reached. Similar conditions apply in the case of the company's various belting products.

During the year now reviewed, the transfer of belting production from Rochdale to the new Hindley Green factory has been effected. The considerable problems in making this transfer and in building up the operation of the new factory have been successfully overcome, and an important stage in this company's major development programme has been achieved.

"FERODO" BRAKE LININGS

The large building programme at Chapel-en-le-Frith, to which I have referred on previous occasions, and the installation of additional modern plant are enabling Ferodo Limited still further to expand its business. With the end of petrol rationing in this country, a very substantially increased demand for "Ferodo" brake and clutch linings and fan belts was experienced. The company's exports are not confined to replacements for British cars, but are utilised in large quantities for vehicles of foreign origin. There is no make of vehicle in the world for which suitable "Ferodo" material cannot be supplied.

It may be of interest to mention that, in addition to its main business in brake and clutch linings, Ferodo Limited has developed a significant trade in two other fields. The "Ferodo" stairtread is now a well-established product, which is being used in constantly growing quantities in buildings, ships, omnibuses, etc. The other field is that of technical plastics, where "Ferobestos" products are making steady progress, though to some extent still on a pioneering basis. The successful applications of these materials are many and diverse, ranging from railway vehicles to roller skates, and from chemical plant to aircraft.

Turners Asbestos Cement Company Limited has experienced a heavy demand throughout the year from both the home and the export markets. In the light of this demand it was unfortunate that it should have been hampered by a lack of suitable grades of asbestos fibre which rendered impossible the full operation of all available plant. In spite of these difficulties, the export allocation was well maintained, resulting in some deficiency in the home market.

The post-war requirements of building materials have served to emphasise the demand for asbestos fibre against a large but nevertheless limited world supply. This has led Turners Asbestos Cement Company Limited to make intensive investigations into methods of conserving these fibres, and I am glad to say that the results are promising. Success in this field of research would have a helpful effect in maintaining the present high level of production of our asbestos cement products.

CUSTOMERS' SATISFACTION

Orders, both at home and from abroad, for the products of The Washington Chemical Company Limited have increased beyond even the very high level at which they were received last year. This augurs well, not only for the underlying buoyancy and permanence of demand for the company's goods, but indicates the satisfaction given to customers by the consistently high quality of the output of the sea-water dolomite process, the final establishment of which was referred to last year.

During the year under review Newalls Insulation Company Limited has been very actively engaged in its normal sphere of contract work for heat, cold and sound insulation, both on land and afloat. Many large contracts have been completed and even though the recession in the building of large passenger ships, which was forecast last year, has materialised, the company's position as regards marine work has been fully maintained by contracts obtained on large oil tankers and cargo vessels.

Our export trade has continued at a high level, and while currency restrictions have almost excluded us from certain markets, the demand experienced from others has been sufficient effectively to maintain the export volume of previous years. Nevertheless, we much regret that shortage of sterling in some countries which have been good customers for many years has resulted in drastic reduction of their current purchases, and we hope that this rather unfortunate position will not continue for very long.

DIVIDEND AND BONUS

Your board this year recommend a final dividend of 13½ per cent. on the ordinary stock, making, with the interim dividend already paid, a total dividend of 17½ per cent. for the year. On this occasion, the board also recommend the addition of a special bonus of 2½ per cent. on the ordinary stock, in respect of the past financial year. The year contained the thirtieth anniversary of the formation of the Turner and Newall Limited Group as such, and the twenty-fifth anniversary of its becoming a public company, and it is pleasing to your directors that earnings permit them to recommend that these anniversaries be marked in this way. The increase in the dividend on the ordinary stock is also a matter of satisfaction to your board, in that the rate of ordinary dividend (disregarding the special bonus on this occasion) is now restored approximately to the average level obtaining during the five years immediately preceding the recent war.

The need for conservation of liquid resources still remains, however, and the retention in the business of a substantial portion of our earnings will continue to be necessary if we are to maintain our progressive outlook and policy without raising additional capital. The cost of replacing old fixed assets and the acquisition of additional

assets for new projects remains very high and is still increasing, and your directors see no likelihood of any reversion to the vicinity of pre-war price levels.

IMMEDIATE PROSPECTS BETTER

Long term forecasting remains impossible so long as world conditions continue in their present chaotic state. Taking a short term view, however, the prospects for the immediate future are better, in terms of volume of demand for our products, than was the case when my statement of last year was issued. Demand has undoubtedly been stimulated by defence requirements in various parts of the world, and it appears likely that throughout the current financial year a high level of production will be required for most of our markets throughout the world.

Costs, however, are continuously increasing, and cannot always be reflected quickly in selling prices. Broadly, therefore, we expect during the current year to produce the maximum volume obtainable from available supplies of raw asbestos, which are not as adequate as we should like them to be, but the somewhat increased volume of production which we expect will not necessarily be reflected in increased profits.

vision during recent months, although export of components, particularly to South America, is hampered to an increasing extent by local currency problems.

In general, and subject to the usual seasonal fluctuations to which some branches of the business are subject, we do not foresee any great difficulty in securing sufficient contracts to keep us fairly fully engaged. The more serious impediments against which, in these days, we have to struggle concern production.

LABOUR AND MATERIALS

The difficulty of maintaining an adequately balanced labour force remains great, and has been the source of constant anxiety to us. When we met a year ago I told you that it was becoming easier to obtain materials, but the position has deteriorated since then. The increasing shortages of materials, and the consequent delays in obtaining deliveries, are forcing us once more to carry higher stocks, and we can see little hope of substantial improvement in this direction so long as the international outlook remains as grave as it has been over recent months. At the same time rising costs of material are absorbing more of our working capital.

On October 1, 1950, Mr Eric Earnshaw was appointed to the Board. His wide experience, particularly of the aircraft industry, will be of considerable value to us.

You have received notice of a special resolution. The purpose of this resolution is to amend the article, in order to enable us from time to time to appoint senior members of the staff as executive directors. In no sense, of course, will these executive directors be regarded as directors of the company.

Apart from advantages in the way of administrative convenience, the experience of those concerned will be widened. We believe that the course proposed will strengthen the deep sense of responsibility and loyalty to the company which is invariably shown, and for which I would like to take this opportunity of expressing our appreciation.

The report was adopted and the proposed final dividend of 10 per cent., making 20 per cent., less tax, for the year was approved.

The special resolution for the alteration of the articles of association having been passed, the proceedings terminated.

MERLIMAU PEGOH, LIMITED

DIVIDENDS RESUMED

The forty-first annual general meeting of Merlimau Pegoh, Limited, was held on December 29th in London. Mr J. L. Milne (the chairman) presided.

The following is an extract from his circulated review:—

This year we have been able to pay a dividend of 10 per cent.—the first since 1941. While this marks an improvement in profits it has not been necessary to make any charge for tax in this year's accounts except the small amount of £1,500 for Malayan Income Tax. Another matter of "historical" importance was the redemption in July last of the 7 per cent. convertible first mortgage debenture stock and the issue of £200,000 7 per cent. convertible unsecured loan stock 1960/70 at par.

It will be seen that the working profit for the year to March 31, 1950, amounted to £85,812, as compared with £17,429 in the previous year.

Last year I referred to our replanting programme and said we had decided to take in hand another 500 acres, making a total of some 600 acres on our Merlimau Estate. It has since been decided to replant in 1950 a further 512 acres on Merlimau Estate and 509 acres on Pegoh Estate, and also in 1951 some 1,000 acres on Merlimau Estate. This is a large programme but I feel sure you will appreciate the importance of ensuring that a rubber estate is steadily renewed by planting up areas with the latest high yielding material. Failure to do this will mean that a time will come when economic returns cannot be obtained.

The report and accounts were unanimously adopted.

MARCO REFRIGERATORS LIMITED

INCREASING OVERSEAS DEMAND

The twenty-first annual general meeting of Marco Refrigerators Limited was held on December 29th in London, Mr A. E. Leach, M.Inst.R., chairman and managing director, presiding.

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

The financial year ended on September 30th last was one in which serious production problems had to be faced. Arising from a rapidly increasing demand from overseas markets for our major products which far exceeded expectations, your directors had to decide to switch supplies from the home market and at an unfavourable time to undertake further schemes of reorganisation for expansion of productive capacity in all main departments.

Your directors propose to pay a final dividend of 10 per cent. (less tax), making 17½ per cent. (less tax) for the year.

As a result of many years of design and revision by our engineering and experimental staffs, the production stage has been reached with a highly specialised and efficient hermetically sealed refrigeration unit for use particularly in domestic refrigerators. The initial deliveries will reach both home and export markets early in 1951. All sales outlets have been keenly anticipating the event and I feel assured that this product will meet a ready reception and will promote an expanding demand.

Other new lines introduced during the year, although delayed for reasons I have already stated, have already met with considerable success; this is particularly notable in the cases of the new "Fridgeette" 3 cubic foot Domestic Refrigerator and the "Carlton"

Commercial Service Cabinet. Overall, the prospects for the current year appear favourable and encouraging although the uncertainty of the steel position naturally causes some concern.

The report was unanimously adopted.

INTERNATIONAL COMBUSTION AFRICA

ENHANCED ORDER BOOK

The twenty-first ordinary general meeting of the shareholders of International Combustion Africa Limited was held at the company's office at Neave Township, Port Elizabeth, on Wednesday, December 13, 1950.

Sir George Usher, the chairman of the company, presided, and in his address to the shareholders, said: Gentlemen,—I have pleasure in presenting to you at the second annual general meeting of this company, since its conversion into a public company, the directors' report, balance sheet and accounts for the financial year which ended on September 30, 1950.

In my last year's speech, I referred to the new machine shop and foundry which have been constructed at Port Elizabeth. Both these shops are at present engaged on large important contracts for the new power stations which are being built by the Electricity Supply Commission at Vierfontein, OFS, Umgeni, Natal, and Zwartkops, near Port Elizabeth, and in addition to these contracts we have received several important export orders and further orders for other electricity supply undertakings in this country. During the year under review, we have successfully completed large contracts for the Bloemfontein Municipality's new power station and for the Electricity Supply Commission's power station at Congella, Durban. Your directors decided, during the past year, to more than double the area of the existing engineering works, to cope with the large amount of business we have on hand and to still further increase and augment the amount of work which the company can undertake in this country, and thus make your company, to an even greater extent, more independent of overseas supplies.

PROPOSED CAPITAL INCREASE

It is our intention, in the near future, to increase the capital of the company to cope with the largely enhanced order book. Our unfulfilled orders, at the present time, amount to nearly £5,000,000 and several important additional contracts are confidently expected in the near future.

The importance of the establishment of this large works in the Union of South Africa at this time of international crisis cannot be over-emphasised. I hope at the next annual general meeting to include in our balance sheet, photos of the Port Elizabeth works and pictures of the products which are manufactured there. This year's trading account shows a considerable improvement on last year's and from my knowledge of the business which we have on hand, I feel convinced that next year's figures will show an even greater improvement and I can only endorse the wisdom of your board in proceeding with the establishment of our works at Port Elizabeth.

We are very fortunate in having a very close association with International Combustion Limited, and we are grateful to them for making available to us the services of engineering experts and highly trained personnel.

I am sure you will join me in extending your thanks to the staff and personnel who have worked so hard to achieve the excellent results we have placed before you.

The report and accounts were adopted.

AGAR, CROSS AND COMPANY

SALES CONTINUE AT A HIGH LEVEL

MR V. C. FISHER ON THE OUTLOOK

The forty-fourth annual general meeting of Agar, Cross and Company, Limited, was held on December 28th in London. Mr V. C. Fisher, C.A., chairman and managing director, presided. The following is a summary of the statement by the chairman circulated with the report and accounts:

I record, with great regret, the recent death of Mr Stuart Colquhoun Sheppard, who served on your Board for thirty years—some seven of which he was chairman. Mr Sheppard's intimate knowledge of your business and his clear-sighted judgment are greatly missed by his colleagues.

Your director, Mr Walter Woodbine Parish, is retiring at the forthcoming annual general meeting and is not seeking re-election. Mr Parish's extensive knowledge of Argentine affairs has been of great benefit to your company during the last thirteen years.

THE ACCOUNTS

The balance sheet at June 30, 1949, was prepared by converting fixed assets at the rates ruling at dates of acquisition, and net current assets at 17.00 pesos to £1 and 4.02 U.S. dollars to £1. The difference in exchange between the rate of 17.00 and the "free market" rate of 19.37 was shown as a provision of £442,733. At June 30, 1950, however, net current assets have been valued at 25.26 pesos to £1 and 2.80 U.S. dollars to £1, thus absorbing the provision of £442,733 and giving rise to a further loss of £706,070.

To facilitate comparison, the 1949 figures shown in the accounts have been adjusted to this different method.

It will be noted that the balance of U.S. dollars on hand in Argentina has been reduced to \$4,318,919; certain transfers have been permitted, and some 32 per cent. of our liability to U.S. deferred creditors has been paid. We are hopeful that we shall soon be in a position to settle in full.

Due to difficulties of supply sales for the year are down, and costs are steadily rising; the result is that profits before taxation have dropped by £679,734 to £779,152, but after deducting the exchange loss, Argentine taxation, contingencies reserve and preferred dividends, and adding a net credit for U.K. taxation, there is a surplus of £58,352 to be added to undistributed profits, which now amount to £303,484.

No financial remittances have been received from Argentina during the year and while this state exists, and we are unable to pay the large sum due to the Inland Revenue, your directors greatly regret that it is impossible for them to recommend a dividend on the Ordinary stock.

THE CURRENT YEAR

The Argentine sales prospects for the current year may be considered good for the following reasons:

Sales for the first four months are in excess of the same period last year. Existing stocks of merchandise and the ability to replenish them assure adequate sales for the remainder of the year. There are favourable reports on the state of the coming harvest.

Last year I reported to you on the severe restrictions on imports. With the notable exception of agricultural machinery and repairs from U.S.A., these restrictions have continued. I am glad to tell you, however, that as a result of the strenuous efforts of your Argentine management your company received a substantial quota of agricultural

machinery permits and large shipments have been made and are continuing to come forward.

Further, to counter the contraction of imports, many new locally produced lines have been added to the long list already handled. Thus, even if there be a complete ban on imports—an unlikely event—your company should be able to maintain satisfactory sales for some time to come.

Sales should be adequate but the rate of gross profit on certain lines will be less, and operating expenses continue to rise. We should be able to absorb such additional charges as derive from the new increases in Argentine tax rates or an increase in interest rates, but it will be appreciated that your company's main operating expense is caused by wages and salaries and any large increase in this already heavy item could quite easily turn a profit into a loss.

GENERAL REMARKS AND EXCHANGE

You will appreciate from the review of the accounts for the year to June 30, 1950, and the forecast given above, that your company's assets and business are principally in Argentina and, in consequence, your fortunes are tied up to the fortunes of that country. The prospects of a substantial peso profit for the year to June 30, 1951, are good, but this is a British company with sterling capital, on which sterling dividends must be paid. There is no knowing what the conversion rate of pesos to pounds may be at June 30, 1951. Argentina further devalued her currency on August 28th last, and on September 1, 1950, the "free market" rate closed at 38.72 pesos to £1. Should this rate rule at June 30, 1951, then your company is faced with a further exchange loss on the net balance of Argentine current assets of some £1,045,000 and the profits for the year to June 30, 1951, will produce much less sterling than if the June 30, 1950 rate of 25.26 were applicable for conversion. This further exchange loss, when and if it arises, is chargeable for U.K. taxation, therefore the whole burden would not be borne by the company.

Although your company's main sphere of operations is Argentina, a limited amount of business has been done in the neighbouring countries of Uruguay and Paraguay. The Board consider that this dependence on one area for sterling returns is not in the interest of stockholders, and they have, therefore, plans under consideration for entering new markets.

No early results can be expected from these plans, therefore stockholders' hopes of a resumption of dividends must be based on:

(a) the successful conclusion of the negotiations shortly to take place whereby remittance of past profits from Argentina may be effected at the earlier promised rate of 19.37 pesos to £1;

(b) the fulfilment of Argentina's recent promise to permit remittance of profits at the rate of 5 per cent. per annum on the foreign capital invested in Argentina;

(c) an improvement in the present Argentine "free market" rate of exchange.

I wish to tender the thanks of your Board to Mr George S. Houlgrave, your Argentine general manager, for his outstanding work during this last difficult year, to Mr H. Wilfrid Lilly, your New York manager, for his tact and drive in obtaining such excellent shipments from our North American friends and to all the loyal and energetic members of the organisations in London, Argentina and New York.

THE PLESSEY COMPANY

(Manufacturers of Components for Electrical and Engineering Trades)

The twenty-sixth annual general meeting of The Plessey Company, Limited, was held on December 29th in London. Mr A. G. Clark (chairman and managing director) presiding.

The following is the chairman's circulated statement:

The accounts for the year to June 30, 1950, which are now submitted to you, cover a period in which trading conditions were somewhat more difficult than during the preceding year. However, as between the commencement of the year in July, 1949, and its close in June, 1950, there was a considerable measure of improvement, and I am glad to say that, down to the present time, this improvement has been maintained.

For the first five months of the present year profits have been running at rates well in excess of those for the corresponding months of last year, and we therefore anticipate that the current year will prove altogether more satisfactory than that now under review. It is for this reason that, although our profit was somewhat lower than for the preceding year, as will be seen from the profit and loss account, we are recommending the maintenance of the dividend at the rate of 20 per cent., which was paid last year. We have been the more ready to make this recommendation since we consider the long-term prospects of the company to be most encouraging.

EVER-WIDENING FIELD

The programme of research and development undertaken by the company over recent years is proving of great advantage to us, and as some of the projects on which we have been engaged come to the stage of commercial application, we are finding it possible to secure a satisfactory volume of contracts covering an ever-widening field.

Those branches of the business particularly concerned with the aircraft industry are very busy and would seem likely so to remain for some time to come. We have experienced a heavier demand for domestic radio and tele-

THE CHAIRMAN'S REMARKS

Addressing the meeting the chairman said: You have already received my statement on the affairs of your company. Although dated December 4th this statement was prepared during the early part of November. Even now I find that there is little useful information I can add. Then, we had prospects of successful negotiations between the Governments of the U.K. and Argentina—today we are unable to report any marked progress, but sales continue on the high level predicted, and while a serious strike in several of the factories of our principal supplier in U.S.A. has held up deliveries, I am glad to say that this has now been settled and we are hopeful of an early resumption of shipments from this source.

Prospects of additional import permits for goods from U.K. and U.S.A. are perhaps brighter, but the rearmament programme in these countries may restrict deliveries.

The amounts due to our U.S.A. creditors and bankers on deferred account still remain unpaid, although we are promised that we shall be in a position to settle by the end of January.

I confirm that trading prospects for the current year are good; but stockholders' main interests are:

- (1) what are the Argentine trading profits going to be worth in sterling;
- (2) what are the prospects of a substantial profits remittance;
- (3) and at what rate of exchange are we to convert the Argentine net current assets at June 30, 1951.

These are three imponderables, the answers to which I cannot predict. I can only say that today's "free market" rate of exchange is some 39.17 and comparing this with the 38.72 pesos to £1 quoted in my statement, the additional exchange difference on the net balance of Argentine floating assets now becomes £1,067,000, an increased adverse difference of £22,000.

The report and accounts were unanimously adopted. The retiring director, Mr Donald Moir, M.Inst.C.E., M.I.Mech.E., was re-elected a director of the company, and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

FIRST GARDEN CITY

EFFECT OF NATIONALISATION

The forty-seventh annual general meeting of First Garden City Limited was held on January 4th in London, Sir Eric Macfadyen, M.A., J.P., the chairman, presiding.

The following is an extract from his circulated statement:—

The year has been one of internal reorganisation necessitated by the contracted scope of our activities following the nationalisation of electricity and gas. Negotiations with the authorities over details of compensation were completed. The management and development of these utilities had for years been a large part of our business: we now retain only our water undertaking, the latest pumping station for which—Fuller's Well—was all but completed during the year. We can now supply a population of 35,000 with all the water they may require, if past experience can provide guidance as to the requirements of a population of that size.

We have not during the year made much advance towards that population target: the development of Letchworth continues to be held up by the difficulty in overtaking the housing shortage. The U.D.C. was able to make a start on 217 council houses and to complete 60 of these and to secure permission for 60 prefabricated aluminium bungalows. Private housing has been limited to no more than 10 new houses, 7 of which are completed.

In the accounts you will see that property is higher by £32,967—owing to improve-

ments of a capital nature. On the opposite side of the balance sheet we now show the net surplus on expropriation of gas and electricity. The excess of current assets over current liabilities is due to a settlement with the revenue in this connection.

The report was adopted.

THE AVON INDIA RUBBER COMPANY

TURNOVER INCREASED BOTH IN COMPANY VOLUME AND VALUE

FULL ORDER BOOK

MAJOR R. F. FULLER'S STATEMENT

The sixty-first ordinary general meeting of the Avon India Rubber Company, Limited, was held on December 29th at the company's offices, Bath Road, Melksham, Wiltshire.

Major R. F. Fuller, D.L. (the chairman), presided.

The following is his statement which was circulated with the reports and accounts:

The sixtieth annual report and accounts submitted to the shareholders of the company show that the net profit for the year, before providing for taxation, amounted to £222,045, compared with £166,936 in the previous year. After making provision for all requirements, including taxation on the profits for the year, the net profit remaining is £102,045, which compares with £67,936 in the previous year.

I am pleased to report that our turnover has increased both in volume and value, but the cost of our raw materials continued to rise steadily throughout the year. The necessary corresponding increases of the selling prices of our products were, however, only introduced when it was seen that no amelioration of conditions in the raw materials markets could be considered possible. Towards the end of the year the rise in commodities, particularly raw rubber, created some uncertainty in respect of the future outlook. In consequence your directors have deemed it prudent to set up a reserve to take care of any future violent fluctuations. This is shown in the balance-sheet. We believe the uncertainties to be short term and as we have a full order book covering us for many months ahead we can look forward to a steady turnover.

The report was adopted.

ADDITIONAL BORROWING POWERS SOUGHT

To cover the higher cost of inventories and to provide funds for expansion, additional finance is required, and your directors are taking the necessary steps to increase the company's borrowings. In this connection an alteration to the articles of association is necessary to clarify the powers of the company and an extraordinary general meeting has been called for that purpose. Opportunity has been taken at the same time to seek amendment of the articles governing the number of directors and their remuneration and a separate notice covering these recommendations has been sent to each shareholder.

Current assets exceed liabilities by £689,993. Further additions to our fixed assets to the value of £98,781 have been made during the year. Our capital commitments at the end of the financial year were £75,030.

Our relations with all our employees continue to be completely harmonious and I should like to take this opportunity of expressing our thanks to all workpeople and staff for their loyal support throughout the past year.

The report and accounts were adopted and the retiring directors, Mr E. H. F. Fuller and Mr F. W. Hinde, were re-elected.

At a subsequent extraordinary general meeting resolutions amending the articles of association were approved.

LONDON AND RHODESIAN MINING AND LAND

POSITION STRENGTHENED

The annual general meeting of this company was held on December 28th in London.

Sir Joseph Ball, K.B.E. (the chairman), said that there had been a substantial strengthening of the balance sheet position during the year and there was every indication that that improvement would be carried still further during the current year. The Board had found it possible to increase the dividend, having declared an interim dividend of 6 per cent., less tax, in respect of current year as against one of 5 per cent. for the past 11 years.

Reverting to the company's balance sheet, the position was, in fact, a good deal stronger than that indicated by the actual figures. For example, under "Fixed Assets," farms, ranches, town stands and buildings, were of considerably greater potential value than the figure at which they appeared, while the company's mining properties also, in the opinion of the Board, stood at a figure well below their intrinsic value.

The company's valuable land holdings and buildings comprised over a million acres of land and 27 town stands and buildings situated in Salisbury, Bulawayo and other important developing centres in Southern Rhodesia. Of that acreage, 547,951 acres were represented by their ranches, Wiltshire and Lochard. The present-day value of those assets was known to be very much in excess of the figure at which they appeared in the balance sheet and they intended to pursue a forward policy with regard to any of the company's land which was ripe for development.

The report was adopted.

ALLIED RETAIL TRADES (LONDON) LIMITED

IMPROVED TURNOVER

The third ordinary annual general meeting of the Allied Retail Trades (London), Limited, was held on December 29th, in London, Mr W. H. Martin, chairman and managing director, presiding.

The following is an extract from his circulated statement:

The trading profits from our branches amounted to £101,337 (£105,098). The net profit of £62,973 (£70,611), has been appropriated as to £40,000 (£41,000) for taxation, £6,050 (same) for the net preference dividend, £15,139 (£16,653) for the net ordinary dividend of 15 per cent. which it is proposed to pay for the year, £362 (£3,619) for special repairs carried out during the year and the balance of £1,422 (£3,289) is carried forward.

The result of the newspaper and tobacco group reflects a healthy and virile condition—both turnover and profit from the shops already held by the company at the beginning of the year showing satisfactory improvement. The total branch profits of the group advanced from £86,181 to £96,705.

The result of the bakery group has been disappointing. Both trade and profit margins have been affected. There were variations in the subsidy and in the prices imposed by the Ministry of Food which have affected the year's results. Trade has improved and savings of expenditure have been made. We thus look with confidence to a considerable improvement of the bakery results.

Our gross turnover for the year was £1,511,366, as against £1,395,646 for the previous year, showing an increase of £115,720, or 7.6 per cent. This increase is in part due to the sales from the shops purchased during the year and in part due to slightly increased sales from the old shops.

The report was adopted.

GASCOIGNE (READING)

(Mining Machine Specialists)

AGGRESSIVE RECORD

The fifth annual general meeting of Gascoigne (Reading), Limited, was held on December 28th at Reading.

Mr Geo. H. Gascoigne (chairman and managing director), who presided, in the course of his speech, said: Again we report to you that the turnover for the year 1949-50 was a record in the history of the company. The export turnover particularly has shown a marked improvement and the profit earned is a record.

Our net profit for the year at £107,915, after provision for all expenses, including directors' fees and full depreciation, compares with £80,623 for the year 1948-49, £45,066 for 1947-48, £30,609 for 1946-47 and £22,504 for 1945-46—a truly progressive record over the past five years. We have provided for taxation in the sum of £60,000, which represents over 55 per cent. of our net profit.

The continually increasing taxation on the profits of industry creates a load on the administration of a business which hampers the full development of resources and depletes the funds which should be available for additional capital expenditure.

I am definitely of the opinion that progressive companies like ours should have the maximum assistance from the State and not be forced to pay the high percentage in taxation which is now demanded from us.

Your directors recommend a dividend and export bonus at the same rate as for the year 1948-49, giving the total distribution to shareholders of 30 per cent.

The total of our share capital, undistributed profits and reserves now amount to £210,751, or more than 110 per cent. over our issued capital.

The financial position of the company is very satisfactory. There is a surplus of assets of £110,751 and a share capital of £110,751.

PROSPECTS

At previous general meetings I have expressed hopes for the future which have each year been fully fulfilled. It is, however,

difficult to foresee the results of the coming year. I am convinced the demand for your company's products will continue but, with the present political and international uncertainties and the restriction in materials, together with the menace of the nationalisation of the steel industry, I hesitate to make any definite prognostications.

I fear that production of steel will decline and prices rise. Our intensive export drive has borne good fruit, and, subject to our overseas connections being able to obtain permits and currency for their needs, will, in my opinion, continue to increase. You can rest assured that your directors will do all in their power to meet the demands of the dairy farmer, both home and overseas, and that your company, which is a good example of free enterprise, will continue to flourish in spite of all State interference and the tendency to nationalisation.

The report was adopted, and at a subsequent extraordinary meeting resolutions increasing the company's capital and for an issue of bonus shares were approved.

JOSHUA TETLEY AND SON, LIMITED

The fifty-fourth annual general meeting of Joshua Tetley and Son, Limited, was held on December 28th at the registered office of the company in Leeds. Mr C. H. Tetley (chairman of the company) presiding.

The chairman, in the course of his speech, said: Our gross income for the year was £5,810,070 and this amount was absorbed in the following manner:

Beer Duty and Licence Duty	65.2
Income Tax and Profits Tax	4.9
Materials and Production Costs	10.2
Wages and Salaries	5.0
Trade Expenses	8.3
Depreciation and Reserves	4.0
Interest	0.4
Dividends	7.0
	100.0

As regards the profit and loss account, I have certain comments to make. First, as

regards depreciation: we charge each year what we regard as an adequate amount for depreciation but this charge is greater than the wear and tear allowances granted us by the Inland Revenue. The difference is accounted for by the fact that we charge depreciation on our properties but this charge is disallowed for tax purposes. We have thought it right this year to transfer £100,000 to general reserve as against £50,000 last year and hope the stockholders will approve of this appropriation as being a prudent one in order to retain a greater proportion of our profits in the business. Property Improvements Reserve receives £25,000, which is the same amount as was allocated last year.

We propose to pay a final dividend on the Ordinary stock of 7 per cent., less tax, plus a bonus of 4 per cent., less tax, which is at the same rate as last year.

In the chairman's statement which was circulated with the notice of this meeting reference was made to negotiations then in hand for the acquisition of licensed properties in Lancashire. I am glad to be able to inform you that these negotiations have now been brought to a satisfactory conclusion and the company has agreed to purchase from Messrs B. Cunningham, of Warrington, a total of 52 licensed properties of which 34 are on-licences and the remainder off-licences, for the sum of £550,000. Having regard to our established position in Lancashire, I feel sure that these properties will prove a valuable and profitable acquisition. The Capital Issues Committee has now consented to the issue of £800,000 4 per cent. Debenture Stock in order to finance this purchase and to strengthen the company's working capital position. Your directors have resolved to create this stock and issue it as soon as the necessary detailed arrangements can be completed. It will be offered for subscription to the holders of the company's Ordinary, Preference and 3½ per cent. Debenture Stock and underwritten in the usual way. You will be receiving circulars with full information in the course of the next few weeks.

The report and accounts were adopted.

At the conclusion of the annual general meeting an extraordinary general meeting was held at which a Special Resolution was passed adopting a new article increasing the borrowing powers of the company to 1½ times the nominal amount of the issued capital.

NOTICES

MINISTRY OF LABOUR AND NATIONAL SERVICE

Applications are invited from men and women for appointment as Personnel Management Advisers in Scotland, East and West Ridings, Eastern (centred on Cambridge) and Southern (centred on Reading) Regions. Candidates must have had extensive experience as Personnel Officers (whole time) in industrial undertakings. They should be able to advise firms on matters of personnel policy, on the organisation of personnel departments and the technique of personnel management. In particular, knowledge of modern employment and training methods, joint consultative procedure and industrial welfare is essential. A degree in sociology, economics or some cognate subject, or a social science diploma is desirable. Salary ranges for these posts are:—Scotland and East and West Ridings, £855 x £25—£1,021 (men), £710 x £25—£880 (women); Eastern and Southern, £835 x £25—£997 (men), £695 x £25—£860 (women). Starting salary according to qualifications and experience. These posts do not carry any pension claims.

Written applications, giving date of birth, full particulars of education, qualifications and experience (including a chronological list of appointments), together with present salary, should be addressed to R. C. S. London Appointments Office, Ministry of Labour and National Service, 1-6, Tavistock Square, London, W.C.1, to be received not later than seven days after appearance of advertisement. In no circumstances should original testimonials be forwarded. Only candidates selected for interview will be advised.

Information bulletins, Journals of Societies or Institutions: Editing, design, layout, and finalization of text for printer. Moderate fees. Inquiries from Embassies, literary, social and industrial bodies.—Box 561.

Do you believe the Economist? Then see final paragraph page 53. The better firms of insurance brokers alone offer reasonably disinterested and knowledgeable service.—Insurance Consultants Limited, 61/2, Lincoln's Inn Fields, London, W.C.2. Telephone: Holborn 3392.

MARKET RESEARCH. Competent economist with thorough knowledge of statistical method required to take charge of market research department of a large company with factories in various parts of Great Britain. A salary commensurate with experience and ability will be paid. Minimum age 30. Box E 775, L.P.E., 116, St. Martin's Lane, W.C.2.

ASSISTANT SECRETARY.—British Nylon Spinners Limited have an immediate vacancy for an Assistant Secretary at their Head Office at Pontypool, Monmouthshire. Candidates, aged over 30, should be Barristers or Solicitors of outstanding ability with a commercial flair and previous experience in industry—in a manufacturing concern with overseas interests for preference. This is a senior appointment which is pensionable and will carry a salary and prospects in keeping with the rank and responsibilities of the position. Write to Personnel Manager, Pontypool.

THE Wellcome Foundation Ltd., invites applications for the post of Manager responsible for a Division of the Wellcome Chemical Works, Dartford. The post entails responsibility to the Works Director for pharmaceutical manufacturing and packaging departments, together with the Production Control Office. It involves co-ordination with the specialist service departments in the works and liaison with the central purchasing and sales organisations. Candidates should possess managerial experience in the industry, coupled with technical qualifications and qualities of leadership necessary to direct the activities of a highly qualified technical staff. The post is a new one; it has been previously advertised but no appointment was made from the candidates who presented themselves. Applications, which must be received by 31st January, 1951, should be made on a standard form which will be supplied on request to the Works Director, Wellcome Chemical Works, Dartford, Kent.

SECRETARY Leading Public Corporation seeks return high level appointment under private enterprise. Age 40, qualified lawyer secretary. Wide experience business administration, banking, commerce and assistant legal adviser international oil group. War service Regimental and staff officer Brigadier's appointment.—Box 551.

though increasingly determined, is fatalistically so. There is a sinking feeling that the whole horrible business that this generation has known twice before is beginning again, a conviction that, however mildly it starts, it will inevitably cumulate until the burden is intolerable. If full war comes, this will indeed happen. But if war does not come—and the object of the policy is to prevent it—then what is now planned is only a fraction of what the country went through between 1939 and 1945. At the height of the war, in the middle of 1943, there were 10,206,000 men and women in the Forces, in civil defence and in war production. A specific programme of re-armament could be turned into a similar figure of manpower required; one may guess that it would come out at about one-quarter of the 1943 total. This is still an enormous waste of effort. But how much more rational it seems to ask the people to make the effort of a quarter-war to ensure their safety than to allow them to believe that there will be a steady drift back to all the home-front miseries of total war.

Priority

The programme once drawn up, it is very easy to declaim that nothing shall be allowed to stand in its way. Most people are now ready to say that; but very few of them realise what is meant by it. An article on a later page illustrates some of the hurtful things—not really important in the national life as a whole, but distinctly inconvenient and unpopular—that will have to be done to get the needed number of men into the armed forces. At the other end of the scale, it is equally clear that sacrifices of wealth will have to be made, and it follows that the largest sacrifices will have to be made by those who are still comparatively wealthy. But those who make their sacrifices in person and those who make them in money have a right to ask two things of the politicians. The first is that nothing shall be asked beyond what is necessary and useful. There is perhaps little risk of too many men being called up. But there is a very great risk of too much wealth being conscribed. A capital levy is a prime example of a device that would squeeze an ounce of real benefit to the community out of a ton of sacrifice by capital-owners. Giving defence priority means abjuring acts of class warfare such as that. The second thing that the public has a right to ask of the politicians is that they, too, shall sacrifice something. There are already hints that it is “impossible” to reduce other forms of Government expenditure to meet the rising cost of defence. This means, of course, that the citizen is going to be asked to make all the necessary cuts in his own personal expenditures, the reduction of which seems fully as impossible to him as cuts in grants and subsidies seem to Mr Gaitskell. The Budget will be a very clear test indeed of whether the Government is really determined to give defence an effective first priority.

Personalities

The burden even of a quarter-war will not be borne unless the people have confidence in their leadership. The figures of the latest Gallup Poll published in the *News Chronicle* on Tuesday are most illuminating. Mr Attlee's personal popularity has risen since October by two points; he enjoys a clear majority of approval. But the stock of the Government as a whole has slumped in the same period by no less than 7 per cent, and is now at its lowest ebb.

Unfortunately, it is precisely in the most crucial departments that confidence is lowest. Public opinion has been very kind to Mr Bevin, since it admires the gallantry of his fight against illness. But the safety of the realm is involved. Mr Bevin, to put it bluntly, is no longer equal to his work, and it is imperative that in these critical months the country should have a Foreign Secretary who is fully alive and awake and capable of inspiring confidence both at home and abroad. The quartet of defence Ministers also inspire the reverse of confidence. Mr Shinwell has done very much better at the War Office and the Ministry of Defence than he did at the Ministry of Fuel and Power. But he is a controversial figure, an embittered and embittering man; his “tinker's cuss” speech is not forgotten; and it is not for him that sacrifices will be made beyond the call of duty. Lord Hall and Mr Arthur Henderson are nonentities; and Mr Strachey is perhaps the most distrusted figure in the Government. Taken together, it can be said of these four that they may not frighten the enemy, but they certainly frighten the British public.

No Prime Minister has ever had a clearer duty than Mr Attlee has to replace these five of his colleagues by men who will inspire real confidence, not only in the Labour Party but in the country as a whole. If there were in the Parliamentary Labour Party reserves of talent to be drawn on for the purpose, the Prime Minister's task would be easy. But there are not; one needs only to listen to the names that are put forward for the Foreign Office in current speculation to realise how very restricted, how almost non-existent, is the choice. It is therefore necessary to go outside the ranks of the party. Even this, however, does not by itself make a coalition of the parties strictly necessary—certainly not a coalition in the ordinary sense, a sharing of the patronage of office among the stalwarts of both the major parties. There are strong personalities among those servants of the state who are not active politicians. There is among the ambassadors at least one who would make an admirable Foreign Secretary; there is among the retired service chiefs at least one excellent Minister of Defence. But it is not to be supposed that personalities of this sort would take office in a partisan Cabinet still bent on such spasms of doctrinaire spite as the nationalisation of steel. At the very least, a party truce is necessary if there is to be real leadership. And if the best men are to be sought for the job, it would be wrong to exclude active Conservative politicians just because they are active Conservative politicians—and just as wrong for them to exclude themselves.

We shall be told that this is not practical politics. But if practical politics is to continue to be the order of the day, the writing on the wall is clear. Labour's popularity is slumping, and with a fuel crisis added on top of the burdens of defence, it will clearly slump further. Is it really in Labour's interest that it should limp on, steadily losing its moral authority, until in the end it is forced into an election which, after such a performance, might well be another 1931? Can it conceivably be in the country's interests? Is it not far better to admit that the British nation is once again in grave peril, and that not only its manpower and its wealth need to be called upon without exemptions, but also all its resources in the art of government? The three Ps—Programme, Priority, Personalities—will not combine with Party; they will with Patriotism.

The Framework of Alliance

THE machinery of the Atlantic Pact, now nearly two years old, remains for the layman as mysterious, incoherent and confusing as ever. “There was a time when no one outside the organisation could understand what went on inside,” so a distinguished adviser at the Brussels meeting of the Atlantic Council was heard to mutter. “But,” he continued sadly, “now no one inside can understand either.” Comforting as this is for the outsider to hear, it unfortunately does not relieve him of the obligation to try to understand. For, with the appointment of a Supreme Commander for the integrated Atlantic force in Europe, with the need to get things done, the treaty nations face the alternatives of achievement or failure. This is the moment for as many people as possible to know what kind of an organisation has been created, what functions it must perform and what jobs it cannot do.

Though its primary concern was with the defence of Western Europe, the North Atlantic Treaty also contained an ambitious Article 2 which implied that new economic and political relations might also grow under its auspices. When it was signed in April, 1949, some important questions in connection with this Article rose to the lips of its signatories; but there they have remained, so far as the public are concerned, suspended and unanswered. Will the treaty organisation replace the purely European association of the OEEC as the framework for America's economic relations with free Europe and for free Europe's economic associations within itself? And can it be so expanded that ultimately it becomes the international organisation to end all such organisations, the main and adequate focus of international co-operation in the western world? Though many of his European colleagues were of a different persuasion, Mr Bevin for one would have liked to say Yes to both questions; British opinion has always looked beyond European association to the wider Atlantic community. But, as committee begets committee and organisations multiply, experience seems to point the other way.

The last eighteen months have seen the North Atlantic Treaty Organisation absorbed in the business of planning defence, while its relations with existing organisations and its own internal structure seem to have grown more, rather than less, confused. Until last September, its outward and visible signs of activity amounted to little more than many meetings and several plans. The Foreign Ministers had met twice to consider “principles and objectives,” and two similar meetings of their Ambassadors had been held in Washington. Then, realising their own inadequacy, they appointed a standing committee of deputies. The military committees made some prompt and detailed analyses of how much was needed and how little was available in the way of men and materials. The production committee amassed a great deal of information about what could be produced where, and how efficiently. There were three meetings of the Defence Ministers to take note of these findings at various stages. And there had been some considerable, though apparently haphazard, shipments of arms across the Atlantic. As early as May last year the Foreign Ministers admitted that the strategic concept of the Treaty had been adopted and a defence plan drawn up,

but nothing had been done to put plans into practice. The same is very nearly true today.

But since September there have been new stirrings in Europe and America which are beginning to suggest a more effective line of action for the future. Perhaps, equally important, the scope of the organisation is beginning to appear in a colder, clearer light.

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In October it was finally decided to take the bold step of recognising the necessary connection between the activities of the OEEC and the comparatively new defence organisation, rather than that Nato should set up its own economic division. A joint economic and financial group was instituted in Paris. At least on the financial side it was thus accepted that OEEC had access to facts and men which it would be vain as well as foolish to duplicate. The marriage was arranged without prejudice to the question of whether OEEC would be ultimately absorbed by Nato or retain its individuality. Again, on the financial side, the Americans are gradually drawing the tangled threads of their foreign aid through the eye of a single needle in the person of Mr Thomas D. Cabot in Washington. In future there is to be one foreign aid programme presented to Congress, the administration of this aid is to be centralised, and a broadly uniform criterion applied to its distribution. “This is what you need and deserve for your capacity to resist Communism” will replace the old label of “for your economic recovery or development.”

There can be only one logical conclusion to these developments: the duplication of recipient organisations will have to be brought to an end. There is no longer any room for, or sense in, the system whereby one European organisation receives and administers aid for recovery and another aid for defence. And, as Mr Gordon Gray foreshadowed, the organisation with which the United States has the relationship of an external patron will have to surrender to the new concept of “mutual” aid. Where economic recovery is still considered incomplete it will have to figure merely as one of the factors which condition the contribution each country can make to the Mutual Aid programme of the Atlantic Pact. This would leave a few neutrals, now members of OEEC, out in the cold; but they draw little or no aid, and it should not be difficult to make *ad hoc* arrangements for them. The staff of OEEC will, of course, be needed. And there are still certain important functions, such as the administration of the European Payments Union and the progressive relaxation of import restrictions, which must be performed by some primarily European organisation. But as the executor of American aid to Europe, and the interpreter of Europe's economic relations with America, OEEC's functions will, from now on, inevitably tend to pass to Nato.

The North Atlantic Organisation itself is faced with the difficult transition from planning and preparation to executive action. In the planning phase, it has not been unduly hampered by having to work in twelve-man committees. But when it comes to action, the taking of decisions and seeing to their execution, some more cohesive organisation is clearly needed. On the military

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side, a solution to the problem was ready to hand. There is a precedent for a Supreme Headquarters and there is a popular and trusted Supreme Commander available. It does not follow that the road is quite clear for General Eisenhower. He will have to seek his major political instructions—such as were provided between 1941 and 1945 by the conferences and correspondence of the President and the Prime Minister—from somewhere. And he will have to seek means of securing the fulfilment of his demands for men and material. But, on the military side, at least the pattern of the organisation is clear.

The Brussels meeting of the Atlantic Council, which asked for the appointment of General Eisenhower, also set up a Defence Production Board, and Mr Acheson added that it should also have a Supreme Commander to match, in production of arms, the position of General Eisenhower in their use. The need is certainly there; some unifying and executive force is clearly needed before the twelve nations will effectively take the common action that is required. But the problem of organisation is more difficult. Not only is there no one with General Eisenhower's prestige available, the nature of production is also more complicated. It depends on questions of labour supply, plant capacity, raw materials, designs and the like; it does not lend itself to Supreme Commands, but rather to an elaborate process of comparison and co-ordination of programmes and requirements. In the war, in spite of the existence of a Combined Production Board, production was never run as a single programme; the very useful work that was done was more in the nature of marginal adjustments between two large (and a number of small) national production programmes. But this work was useful and essential, and its equivalent will be needed in Nato now. The major difficulties are two: first, that there are twelve participants this time, not three (Canada was a member of the Combined Production Board); and, secondly, that this is still a period of phoney peace, when war production, though it may now be given an effective first priority, does not have an exclusive priority. There is a great difference between preparing for a contingency and facing a reality. The proper form of organisation

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remains to be worked out. Two guesses, however, are possible. The most effective organisation will probably be found to take the form of a central staff rather than of a Supreme Command; and the twelve members of the Treaty will have to be content to delegate the major part of the work to three or four of their number.

Raw materials raise similar, but subtly different problems. For one thing, they can hardly be discussed within a North Atlantic framework alone. And for another, what is needed here is considerably more executive in function. Production must be organised, in the main, on national lines, but the allocation of raw materials can only be done internationally. It is known that discussions on the best form of organisation for dealing with raw materials have been going on since Mr Attlee was in Washington, though the outcome is still uncertain. Here, again, it is a question of creating a body small enough for effective action, but large enough adequately to represent a number of governments no one of which can be coerced.

Thus the outlines of an effective organisation for the great alliance of the free nations are beginning to emerge. But the crown is still missing. In the last war, the combined machinery derived its authority and its impelling drive from the periodical conferences of President Roosevelt and Mr Churchill. This supreme organ will also, in some form, have to be reconstituted. Quite inevitably, too, its core will have to be American and British. Not only are these two the strongest partners in the North Atlantic Treaty, they are also the only ones whose world-wide responsibilities enable them to fit Europe into its proper place in the world picture. From the British point of view, of course, the ideal would be the continuance of the wartime two-nation association, and Mr Attlee's visit to Washington in December, which had full French blessing, might seem to provide a new precedent. But it is unlikely that quite such an exclusive partnership would be agreeable, for long, either to the Americans or to the Europeans. Some broadening of the basis will be required; but the warning should be given and heeded that too wide a divergence between formal and real responsibility will lead straight to ineffectiveness.

Manning the Army

THE military planning of the British Government has until recently been proceeding one step behind the march of events. When war broke out in Korea official planning was still, in all important respects, based on the necessity to be ready for an emergency in 1954 or 1957. In the intervening six months the plans have been overhauled in order to take some account of the urgencies of the international situation. In August the decision to increase the defence budget by about £350 million a year was announced. In September, the period of national service was raised to two years and the scales of service pay considerably increased. It is generally understood that, following on the meeting of the North Atlantic Council in Brussels before Christmas, the scale and speed of expenditure on armament production have again been revised and that a much expanded programme will be announced when Parliament reassembles.

It is not possible to make an accurate assessment of

the new British defence preparations until the revised programme has been announced or to make any detailed judgments on future plans until this year's White Paper on Defence has been issued. But it is clear that Britain now has a considerable military establishment, and that if it is not adequate to the task in hand, it is less inadequate than that of any other European nation. No member of the Atlantic Pact at present imposes a longer period of national service. If in the past the production of new aircraft and weapons has been too slow, no other nation, except the United States, is taking swifter steps to repair its mistakes. During 1951, Britain will dispose of ten, and possibly more, divisions, and four of these divisions will be in Western Europe. When the British contribution in Korea, the responsibility for containing Communism in South East Asia, and the almost single-handed responsibility for the safety of the Middle East are taken into consideration, four divisions

will be proportionately a higher contribution than that of any other North Atlantic Treaty nation.

Britain has no reason for self-reproach, but even less reason for complacency, for the increased defence measures that are being taken only postpone and do not solve a very grave problem of military manpower. The truth is that the increase in the number of army divisions now taking place represents not the beginning of a gradually accelerating build-up of force, but something very near to the maximum increase that, on present organisation, can occur in time of peace. Even with the addition of the 55,000 extra national service men that the army is acquiring as the result of the extra six months' service, even if the increased rate of regular recruiting overtakes the present rate of wastage and eventually brings the regular army to something near a quarter of a million men, and even if the present changes in the organisation of the army's rear echelons yield their full dividend, it is difficult to see how more than ten or twelve divisions can be formed. The skilled, responsible, experienced men, without whom a modern battalion or division is merely a crowd of men, do not exist in the army in sufficient quantities to enable any further expansion of formations.

But it is upon just such a steady expansion that the security of the West, during the next few years, depends. The problem is seen at its clearest in considering the defence of Western Europe. There are at the moment rather more than ten divisions in Europe. On present plans there will be some twenty by next autumn, including four from Britain. But it is generally accepted that there can be no certainty of deterring a Russian attack in Western Europe without a force of between 35 and 55 divisions. Quite aside from the question of the German contribution, it is clear that every North Atlantic country has to be prepared to increase its forces over the next two or three years to double or more than double what it now has in Western Europe. It is conceivable that a relaxation of pressure in Asia might enable Britain to increase its contribution to European defence without raising fresh formations, but it is equally likely that more troops will be needed elsewhere, for example in the Middle East.

The problem is not an urgent one, in the sense that it has to be settled within the month. Too rapid a mobilisation, either in the army or in the RAF, would outstrip the mobilisation of industry and the production of equipment, causing harm to the economy and demoralising the troops. The difficulty is to find a way to effect a peacetime build-up of the forces at all, since despite the emergency measures that have been taken recently, the British Army is organised for only two contingencies, a mild policy of containment and an all-out war at a future date. The British Government has taken measures to meet both these contingencies, but it has not yet provided—and appears to have little thought of providing—for the third and most likely contingency, a period of partial mobilisation aimed not at fighting, but at preventing a war.

It is not easy to arrive at any solution. One method of approach would be to apply with even greater vigour the methods which have recently been used to bring the army up to its present position. Service pay could be raised again in, say, another twelve months, and if the

response produced a satisfactory increase in regular recruiting, it could be followed by raising the period of national service to two and a half years. This would be coupled with less drastic measures, such as increasing the period of regular engagement. But there are obvious objections to this course of action. In the first place, the result of further pay increases would be unpredictable, especially if civilian wage rates go on rising. Without a significant increase in the size of the Regular Army there would be no point in extending the period of national service.

The other course is to fall back upon the reserves of military manpower, the Territorial Army and the Class Z reserve. At the present moment, the Territorial Army is growing, and when the intake of national servicemen, who are committed to three and a half years Territorial service, reaches its peak, the force will consist of 50,000 men, the bulk of whom are, of course, committed to Anti-Aircraft Command. The Class Z reserve has now been roughly classified by the Service ministries, and it is possible to contemplate a call up, or at least, the registration, of the whole or part of it.

The obvious way to secure a steady expansion in the number of formations is to follow the American procedure—that is, to fill the gap between the capacity of the Regular Army and the dictates of strategy by mobilising three or five Territorial divisions. The great advantage of calling up a complete division rather than a mere number of men is that it is a balanced organisation which can be trained to battle efficiency in a relatively short space of time. These divisions would be called up in rotation for a definite period—say a year or eighteen months—for service in Western Europe only. The gaps in their existing ranks would be filled by mobilising selected Class Z reservists for service with these divisions, not merely, as has been suggested, for a short refresher course. Thus the year 1954 might call for the mobilisation of a Territorial division in the West Country, one in the Midlands, and one in Scotland; in that year the area, say, Plymouth, Exeter and Bristol would be rather short of lawyers, garage mechanics, country gentry and building labourers, who would be concentrated as a division in the Ruhr or the Ardennes. The American Army has called up a number of national guard divisions and, in the areas from which they have been drawn, experience has shown that a great deal of inconvenience but no chaos has ensued.

It would be idle to pretend that the use of Territorial divisions would not conflict with the manpower requirements of the civil economy. It is true that three Territorial divisions add up to only about 55,000 men and that a great deal of their supply overheads behind the lines could be borne by the existing regular establishment. It is also true that there is a great deal of manpower which could be wrung out of the economy without impairing its efficiency. But it would be hard to mobilise the right kind of men without conflicting with civil needs. Elderly railway porters and dog race track attendants cannot form the basis of military expansion; the responsible intelligent man who was, say, a troop sergeant or REME fitter in the last war, and who is essential if fresh formations are to be made, has, in all probability, created an important place for himself in industry. Any system which aims at creating a class of men who are soldiers and civilians by turn must work on an intelligent

and up-to-date classification of essential and non-essential occupations.

One objection to this system is that it would mean recalling the young ex-national service man, in his capacity as a compulsory Territorial, to do another stint of military duty. But since only a proportion of the Territorial divisions would be mobilised at any one time, it would not seem to be beyond the wit of the authorities to organise the posting of national servicemen in such a way as to ensure that a young man was re-mobilised only in the last year of his Territorial service, that is, after two and a half years in civil life. In any event, if the case were properly presented to them, most young men would agree that it is better to do a total of three and a half years peacetime soldiering than, as did most of their older brothers, four to six years of wartime soldiering.

Finally, it can be objected that a partial mobilisation of the Territorial Army would destroy the element of

voluntary enthusiasm which inspires its central core of officers and NCOs, whose services are needed in far greater numbers than at present to make the Territorial Army efficient; that men who will go cheerfully to total war will hang back from making sacrifices which are not demanded of the rest of the community. But, as a matter of logistics, it is probably impossible to devise any system for augmenting Britain's military strength of which the burden will fall equally on the whole country. The system of equality, that is, of compulsory national service, can provide only part of the forces required, and even the incidence of this system is not equal since it exempts the coal miner and the agricultural worker. The second answer is that no system devised since the origin of society can ensure equality of sacrifice: the intelligent, the patriotic, the responsible, must always bear more than their share of the burden because they possess those qualities, and the rest of the community, "the summer soldier and the sunshine patriot," do not.

The Role of India

THE tide of Indian opinion about foreign affairs seems to be on the turn. During the past few weeks the ebb towards independence and neutrality has slackened sharply, and in some places interest is already flowing quite strongly in the opposite direction, towards a positive determination to oppose Communist aggression. As yet, however, Mr Nehru, who is both Prime Minister and Foreign Minister, is not actively riding this new movement himself—and it is still he, as indeed it has always been these last three and a half years, who is the sole arbiter of Delhi's foreign policy. As a result, several questions arise. Will Mr Nehru himself readily change his mind about India's role in the world? If not, will public opinion in favour of the western democracies be strong enough to compel a shift in foreign policy? And what direction might or should it take?

Mr Nehru has more than once in the past shown himself capable of admitting mistakes and changing his mind quite readily, in matters that he regards as of only ephemeral importance or where he does not claim to be expert. But this is not so in matters over which he has thought long and carefully; and these certainly include foreign affairs. There, his attitude is based on a moral conviction which can easily be mistaken for obstinacy.

Mr Nehru's guiding principles in handling foreign affairs are few and simple: a passionate hatred of war, tempered by a realisation of the dangers of pacifism; belief in the right of nations, untrammelled by alliances, to decide their own course of action in a given set of circumstances; an old-fashioned aversion from anything that smacks of nascent imperialism or lingering colonialism; and a certainty that the poverty and low standard of life of a large proportion of the world's population, so much of it in Asia, are real dangers to world peace and stability. These principles mean that the Indian Prime Minister believes deeply in the United Nations, but not—as yet—in collective security, that he understands and trusts the western powers but will not—as yet—support them, that

he abhors Communist imperialism but does not—as yet—see India itself threatened by it. He has suffered a sharp rebuff in his dealings with China, but has not relaxed his efforts to build a bridge between Peking and Lake Success. On his way to the Commonwealth Conference he wisely suggested to the astonished Egyptians that it was folly, at a time like this, to try to get rid of the British troops in the Suez Canal Zone; but he will not undertake any formal commitment with them himself. Mr Nehru, in fact, tries to stick to his principles, paradoxical as they often make his actions. Nor are they principles which he is at all likely to change easily. On the other hand, his interpretation of them could alter quite quickly.

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This being so, the amount of pressure which Indian public opinion may now exercise on Delhi's foreign policy becomes increasingly important. The origin of Mr Nehru's ascendancy goes back to the days of the nationalist struggle when he was the Congress Party's sole expert on foreign affairs. Since then, he has reinforced his position by virtue of what is regarded as the amazing influence he has built up in the outside world. Last October, when the Korean war seemed to be won, his stock had fallen a point or two, partly because his own political position at home had weakened as a result of the swing to the Right in the Congress Party's presidential election, and partly because he was running into deep water in world affairs. He was criticised abroad, and therefore also at home, for his correspondence with President Truman and Marshall Stalin, for his advice against crossing the 38th parallel, for refusing to join the UN commission that was formed to run Korea, and for befriending a country which launched aggression in neighbouring Tibet. Since then the pendulum has swung back the other way. Delhi's warnings have proved tragically justified in Korea, the Chinese have halted in their advance on Lhasa, and there has been a rush to support the Prime Minister in his

brave words about defending the McMahon line on the Himalayas, in his firm dealings with Nepal and in his assumption on December 5th of a protectorate over the strategic little principality of Sikkim.

These events of the last few weeks have removed some of the unreality from the world in which part of the Indian intelligentsia lived. The parliamentary debate on foreign affairs last month, discussions within the Congress Party, and public statements by Right wing leaders such as Mr Purshottamdas Tandon, the Congress President, show that new efforts are being made to impress on Mr Nehru the dangers in which India stands. There is not, as he recently suggested in parliament, an undefined conspiracy of geographical and political circumstances in India's favour. The world does not owe India security, which can be attained only by India's own efforts and those of her friends. Foreign affairs were the one department which the late Mr Vallabhbhai Patel left entirely to Mr Nehru; accordingly, the loss of the Deputy Premier is not directly felt there. But, indirectly, it will be keenly felt when there comes a clash of opinion between the Prime Minister and the Right wing party caucus, since it was Patel's self-appointed task to restrain his own followers when they wanted to overrule Nehru.

What does the Right wing want? And how may its desires affect India's relations with Pakistan, with the Commonwealth and with the free world? If Mr Patel had directly exercised his own possible influence on foreign policy—as he did not—India would undoubtedly have been more closely aligned with the non-Communist powers than it now is. Pro-western feeling, however, only seriously exists among the top level of government servants and businessmen. While there has been a swing in public opinion, it is not yet strong enough to mean abandoning neutrality as a formal policy; so long as this formula has the aura of Mr Nehru's personal support, it is likely at least to take some time to die. This means that, above all, relations with Pakistan are crucial. For those who wish to stand alone must be strong, and India, weak in terms of military power and an overburdened economy, cannot do more in the world until it has brought the struggle with Pakistan to a satisfactory conclusion.

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From the point of view of the western world, therefore, it is a prime interest that the Commonwealth Conference, meeting in London, should do all in its power to help settle the Kashmir dispute now that a compromise about the agenda has enabled Mr Liaquat Ali Khan, the Pakistani Prime Minister, to attend. Both countries have an invaluable role to play, India predominantly in eastern Asia and Pakistan in the Middle East. Neither can play it with full effect until their mutual disagreements are healed. And the Commonwealth certainly cannot afford to take sides, accepting the friendship of one if this means rejecting the other. At the same time, although the value attached to the link with the Commonwealth rises and falls from time to time in both Karachi and Delhi, there is a basic fund of great good will and respect in both capitals; this is, moreover, one of the few positive factors that they have in common. There could be no better way in which a settlement between India and Pakistan could be reached than through Commonwealth mediation. Mr Attlee has been

wise to hold back from trying to mediate for Britain alone; but neither he nor any of the other eight conference ministers can afford to ignore the problem; they should rather put their full effort into trying to solve this deadlock together before they leave London. Its solution is a key to the future of the Commonwealth in Asia, and to the security of the whole Indian Ocean area.

The quarrel with Pakistan apart, India—as by far the biggest purely Asian power after China—has an inescapable responsibility. It is useless for Delhi to believe and hope that it can detach itself from the world. The very speed with which India has established its great new international reputation is proof that it has an important part to play and that detachment is merely wishful thinking. The influence which India now wields carries with it heavy responsibilities—in dealing with China and the new nations in South East Asia. Alongside Pakistan, India has a common interest with the western world in preserving peace and freedom from Communism in all these areas. These interests and responsibilities are likely in the end to face Delhi with difficult decisions over its role both in the common defence of the Indian Ocean and in any pact which may arise to cover the western Pacific.

The answer must surely be to recognise that the two trends of present Indian policy are not incompatible. Delhi's place is at the head of free Asia, alongside the western world and in step with the rest of the Commonwealth; indeed, this is the direction in which Indian public opinion is now moving. At the same time, the events of the past three years show that India possesses unique qualities for acting as a conciliator and a mediator, for being, as Mr Nehru himself has put it, "the West's window on the East." In this task, it should strengthen, not weaken, Delhi's hand to be sufficiently associated with the anti-Communist powers to fall back in their ranks if conciliation fails. It has been part of the function of the Commonwealth Conference to explore these realities. If Mr Nehru—and Mr Liaquat Ali Khan—leave London with a clear view of them, the gathering will have been worth holding on that score alone.

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NOTES OF THE WEEK

Commonwealth Conference

External danger used to bring members of the Commonwealth together more quickly than any other common interest. Whether that is still true remains to be seen; so far the pressure of the cold war, whether in its western or Asian manifestations, has not been sufficient to produce in the younger members the reaction that could be counted on in the older. The Commonwealth system is so elastic as to allow India to take its own line about Korea, Canada and Australia to refuse to follow Britain in recognising Peking, and for all to come together in London this week to see where divergent ideas about common interests meet. Out of this apparent confusion good may come; but it is no use pretending that it does not strain belief in the solidarity of the world's largest group of free nations. Diversity can be healthy in a club; but the club is a peculiarly British institution that is imperfectly understood abroad, where disunity is generally interpreted as weakness.

The London meeting of Prime Ministers has been making fair progress with Mr Attlee as the skilful and soothing host. The atmosphere is such that a measure of common viewpoint is being reached on a number of topics, and that fact alone makes the meeting worth while and strengthens the influence of the members at Uno. Most of the discussion has been about eastern Asia—particularly relations with China and a peace treaty with Japan—and on defence of the Middle East. About Kashmir there have been talks of the most informal kind, some in Downing Street and some almost at Mr Menzies's bedside. Every Prime Minister recognises that this—properly regarded—is the gravest problem of all; it is unique in Commonwealth experience and its persistence leaves the defence of the Indian Ocean in a ramshackle state.

Mr Nehru is said to have been adamant that China is a new great power, and must be treated as such; and the Indians seem still to believe that the Chinese advance has no more than a defensive design. Mr Pannikar in Peking, the source of their information, proved right when he warned London of Chinese determination to resist Uno troops if they crossed the parallel; it is just possible that he is right now, and that Commonwealth support for a fresh cease-fire proposal has some chance of success.

Cease Fire and Sanctions

It is now a month since the United Nations three-man committee began trying to negotiate with Peking a cease-fire in Korea. Nothing in the military operations has shaken the Chinese conviction that they can win a glorious revolutionary victory; nothing in the diplomatic comings-and-goings (retraced in an article on page 84) has shaken the belief of most Americans that conciliation is hopeless. Hence the curious anomaly that, while there is to be another attempt at getting the cease-fire, the State Department circulates to 22 governments a document urging them to brand China as an aggressor and to take economic and diplomatic steps against it. The power that is doing most of the fighting in Korea has no part in negotiation; and most of the powers that are keenest on negotiation are doing no fighting. This may be logical, but it is not collective security against an aggressor.

How keenly Americans feel that this is the point of principle at stake is not properly understood in Europe, where there is plenty of enthusiasm for armed action by Uno when it succeeds and none when it does not. There is probably better understanding in this country, although brilliant efforts of dialectic have been made to confuse the issue.

A fair statement to Uno of the British attitude would probably be this. By all means let one more attempt be made to negotiate a cease-fire, since if it were by chance to succeed, that would be by far the best thing that can now happen. The chances are, however, that it will fail. There will then be a clear case in logic for proceeding to pin the label of aggressor on Mao Tse-tung. We have no objection to that on the score of morals; manifestly, he is an aggressor. Nevertheless, we dislike very much the proposition of applying sanctions to China. The harm it would do is very apparent—not least the risks it would involve for Hongkong—but we cannot see the advantage. We really do not believe that sanctions would make Mao reverse his policy or do him any particular harm, and as our bitter experience has proved in the past, it would in the end do more damage to Uno's prestige to apply ineffective sanctions than not to apply them at all. We therefore hope very much that the Americans will not push the idea of sanctions. But this is not due to a wish for appeasement or any lack of realisation of the world situation—quite on the contrary, the unrealistic attitude seems to us to be that which would concentrate all attention and resources on the Far East. Nevertheless, the maintenance of the partnership with America being the very foundation of our policy, if the American Government, having listened to all the arguments, insists on having sanctions voted we will act as a loyal ally should. But we shall not pretend that we like it.

Mr Strachey's Past and Present

Politics have come to a pretty pass if Mr Strachey can remain a member of the Government after its formal decision to wind up the East African groundnut scheme. The decision was announced in a White Paper (Cmd 8125) issued on Tuesday. The Overseas Food Corporation has proved to be an almost fruitless investment of £36½ million of public money. The extent to which a public corporation should be free from ministerial control and from parliamentary criticism is still unsettled. In this particular instance, however, Mr Strachey was personally responsible for the speed with which the groundnut scheme was launched and which consequently involved the corporation in such heavy expenditure. Much more than this, he was also responsible for the attempts to hide from Parliament and the public the extent of the mistakes and to give a falsely optimistic impression of what was happening.

The facts that made this week's decision inevitable must have been known to Mr Strachey and the corporation more than a year ago. Outside observers had a shrewd enough idea of them in spite of Mr Strachey's attempts at reassurance. It was already plain, when the corporation's first report was published early in November, 1949, that things had gone badly wrong. By then the corporation had already spent the £23 million which the original White Paper had estimated as the scheme's capital cost, but which had proved to be nothing like enough for its actual needs. It was also becoming plain, by November, 1949, that it was not only the finances of the scheme that were wrong but its whole concept. The concept was that the productivity of African agriculture could be raised by large-scale mechanisation. By the autumn of 1949 the Overseas Food Corporation had learned, or should have done, that the indiscriminate use of machines in Africa creates far more difficulties than it removes.

At last the Government has faced the true facts of the groundnut scheme, and proposes to write off the £36½ million which will have been advanced to the corporation by the end of March. But this belated confession should underline,

not hide, the fact that the Minister upon whom rests the blame for persisting in costly blunders now shoulders the heavy responsibilities of Secretary of State for War.

The Scheme's Future

Although it can no longer be called a scheme for the mechanised production of groundnuts in East Africa, the Overseas Food Corporation's project in Tanganyika is not being abandoned altogether. The Government has accepted the corporation's proposals for a seven-year programme costing about £6,000,000. Instead of the 3,210,000 acres of bush that the original White Paper envisaged could be cleared by 1953, instead of the 600,000 acres to be cleared by 1954—the target that Mr Strachey announced in November, 1949—a total acreage of 255,000 is now to be cleared by 1957. But the most significant statement, in this context, is that the tractor force for clearing will be drastically reduced and that hand labour will be substituted for part of the work now done by machines.

The bubble of mechanisation has been pricked, and the corporation seems to have taken heart the report, published last autumn (HMSO, 4s. 6d.), of a mission which concluded that mechanisation has a place in native agriculture, but that in a great many instances it is only a small place because of its heavy cost. The groundnut scheme has thus become, in the words of the new White Paper,

a scheme of large-scale experimental development to establish the economics of clearing and mechanised or partially mechanised agriculture under tropical conditions.

Since its true nature, an aspect of colonial development, has now been officially recognised, responsibility for the scheme is to be transferred to where it should always have been—on the Secretary of State for the Colonies.

This transfer of responsibility, however, raises fresh questions. The Colonial Secretary cannot appropriately oversee the Overseas Food Corporation's other venture in Queensland; but as this project has always been run by a subsidiary in Queensland, its future need not cause any difficulty. What is more questionable is the retention of the Overseas Food Corporation at all. The logical step would be to transfer the new activities in Tanganyika to the Colonial Development Corporation were it not for the doubts that are held about that organisation's efficiency. It is certain, however, that if the Overseas Food Corporation has to be retained to administer the seven-year scheme, its organisation should be a mere fraction of what it is at present. The reductions in staff proposed by the corporation itself hardly go far enough.

Fishing for Trouble

The Sea Fish Industry Bill represents another Government attempt to cope with the manifold problems of the white fish industry, which since the decontrol of prices a year ago has been reverting to prewar conditions of depression and instability. The demand for fish fluctuates considerably, according to changes in such things as the availability of eggs and vegetables and the size of the meat ration. So does its supply—although the main problem here is the wasteful way in which international competition (now renewed after a wartime interlude) has depleted the main fishing grounds. These economic problems are aggravated by costly and wasteful marketing methods, which make the worst of a difficult job and appear indifferent to the elementary facts of consumer psychology, which is of particular importance where fish is concerned.

The trouble with the Bill is that it pulls out all the familiar stops on the organ of Government planning, without indicating which are to be played. It sets up a White Fish Authority, to be appointed by the Ministers of both Agri-

culture and Food, and to be financed partly by a levy on the industry, partly by advances and a research grant from the Government. The authority can participate in many branches of the industry without any need for compulsion. It might, for instance, find new outlets for unwanted fish by financing the erection of processing plants or by developing exports; or it might enter the market in order to break the undesirable monopoly of a single wholesaler which exists at some small ports. It may use compulsion for such purposes as improving the quality of fish and "staggering" the landing of catches.

If it were left at this, the Bill might well prove a modest success. Unfortunately, the Authority is also empowered—subject to the weak check of Parliamentary confirmation—to establish a compulsory scheme of regulation for any branch of the industry. What is the purpose of these further powers? There is plenty of recent evidence to show that administrative regulation is no cure for inefficiency. Its effect is much more to ossify an industry—defects and all—and thus enable its prosperity to be guaranteed at the consumer's expense. This Parliament ought not to be willing to give another "doctor's mandate" to another public body.

Schuman Plan Paralysis

Very little has been heard in recent weeks of the Schuman plan, which was to form the economic basis of a *rapprochement* between France and Germany. In Paris the attitude until the past few days has been one of determined optimism; but voices from Bonn have been speaking less certainly. The Germans insist that the Ruhr Authority, and the controls it exercises over the German economy, must be abolished before they consent to join the Schuman plan—a demand that the French resist with equal vigour. Another tender spot is the limitation on the Ruhr's steel production; the Germans want the curb lifted immediately (in fact, last year's production exceeded the set limit), while the French will agree to talk about it only when Bonn has signed the Schuman plan.

Still a third difficulty has cropped up with the failure of the Allied High Commission and the German Government to come to terms over the reorganisation of heavy industry in the Ruhr. To date the Ruhr industrialists, backed by Dr. Adenauer, have opposed the plan submitted by the Commission last month. It would end the ownership of coal mines by German steel concerns, and would split the steel companies into a larger number of units than the Germans favour. Unless a reorganisation along lines suggested by the Commission is pushed through, the French negotiators see little prospect that the free market envisaged under the Schuman plan could become a genuine one.

The Schuman plan is suffering from the paralysing doubt that seems to affect all western plans when talks with Moscow are in the offing. Sizeable groups among both French and Germans long to see the establishment of a neutralised Germany, and their hopes have been warmed by the Kremlin's latest Note. If this should happen, they argue, the entire basis of the Schuman plan would have to be reconsidered; therefore it is safer to wait. This is not only defeatism but nonsense; for the only "neutralisation" of Germany that is remotely possible and acceptable is the kind that exists in Austria. There the Russians find no difficulty in reconciling the existence of an Austrian Government with a close grip on the economic life of their own zone. It is this kind of perverse French logic that makes the Americans turn recklessly and in despair to the Germans.

German TU Leaders' Dangerous Move

The leaders of the West German Trade Union Federation are not Communists; but they are pursuing a course as undemocratic and destructive as Moscow could desire.

To force their demands for the so-called *Mitbestimmungsrecht*, the Metal Workers' Union has called upon all its members to stop work from February 1st until the Federation's claim for equal representation on the boards of the iron and steel companies is granted. In a referendum the workers previously agreed to strike for this purpose. The coalminers may join in later. In some works the vote was not secret, and may not represent the real attitude of the men as a whole. Nevertheless, the Federation leaders would undoubtedly find their strongest support among the metalworkers. The men have been roused by a suggestion from the Minister of Economics, Dr Erhard, that the trade union directors whom the British introduced to the boards of decartelised steel companies would be dropped when the industry is finally reorganised. Dr Erhard has since assured them this is untrue.

The Federation does not deny that its demand for a fifty per cent representation of union officials (not works council representatives) in all organisations of economic control from top to bottom, and in all enterprises but those of negligible size, would amount to a syndicalist revolution. They realise that the workers would be content with far less, but will throw in wage demands as a bait for unionists' support. They have no intention of abiding by the democratic decision of Parliament. For that reason the employers' side can hardly be blamed for the fact that, after long negotiations, no draft law has yet been presented to the Bundestag. Nor, indeed, is it clear why the government of a non-totalitarian state should force private firms to fill half their boards of directors with representatives of trade union headquarters. Most employers in Germany, reactionary and rapacious though they are on questions of wages and profits, are ready to agree that a delegate from the works council should join the board of managers; but they will fight against outside interference by union officials in policy-making. If industry is paralysed by a strike in the Ruhr next month, a few men with a lust for power will have thrown away Western Germany's greatest asset—the devotion of the German worker to his firm, undisturbed by class consciousness.

Illegal Rearmament

There would be perhaps some diplomatic—and certainly some propaganda—value in arranging that the signatories of the Peace Treaties with Hungary, Rumania and Bulgaria should protest against the rearmament now going on in those ex-enemy countries. Rumania is entitled by treaty to an army of 120,000 men, Bulgaria to 55,000 and Hungary to 65,000; instead, the Communist government in each country has increased its forces to two or three times these numbers. Indeed, as an article on page 85 describes, these three satellites now have between them 660,000 instead of 273,000 trained men under arms. And there is increasing evidence that they are receiving types of weapons forbidden to them by the treaties, which laid it down that their armament should be "closely restricted to meeting tasks of an internal character and local defence of frontiers."

Here is a clear case of illegal and unjustified rearmament. Nobody has in any way threatened these countries; they have ample police forces for internal security; and if there is a warlike and tense situation in south-east Europe, it is caused by the Cominform's effort to coerce Jugoslavia and stamp out Titoism. To trumpet the word "illegal" at them will have no effect on their governments, although if it were done long and loudly enough it might provoke the kind of explanation that makes even Communists look foolish. But it would help to draw attention to the safeguards of public discussion, integrated planning and honest avowal with which the mere proposal of a west German defence contribution is being hedged around. And to hear the Bulgarian government explaining how its rearmament contributes to "peace" would bring a little light relief into international exchanges.

Putting the Lid on It

Last June Mr Noel Baker[†] was promising domestic consumers at least a million tons more coal in the twelve months ending March 31, 1951, than they had in the previous year. When he now finds it necessary to come personally into the kitchen via a loudspeaker and instruct housewives in the proper management of saucepans, planning may be said to reach its nadir. Planning is supposed to make possible a swift, realistic and equitable adjustment of all the main forms of economic activity, in the light of centrally available information and democratically determined policy, to changing technical circumstances, stringencies and opportunities. Even if scarce coal were to be charitably regarded as a natural datum, for which planners bear no responsibility, that does not exonerate them from the charge of having shirked their essential job of adjusting the economy to that datum.

Their greatest weakness has been unwillingness to use or even to draw attention to the instrument of price. Few people know just what it costs to hear a wireless set drivelling to itself all day, or what actual savings in hard cash would reward them for consistently putting on the saucepan lid. To inform them, area by area, would probably be much more effective than to go on wallowing the by now rather battered patriotic drum. The more obvious weapon of actual price increase is one which the authorities are naturally loth to use at a time when the cost of living is climbing in any case—though a regularly available electricity supply, sparingly used so as to keep household light and power bills at or near their present level, would be vastly better value for money than one that is precarious and unpredictable.

The fundamental error was made long before Mr Noel Baker's term of office. It was built into the planned structure of British industry during the years of Daltonian "suppressed inflation," when, with other channels of spending closed by controls and prohibitions, the public was encouraged to purchase a torrent of electrical gadgets and was misled by unduly low electricity prices into thinking it could afford to run them. Whether in power cuts or in higher prices, the housewife will go on paying for a long time for these vagaries of pseudo-planning; and ministerial lectures on what to do with saucepan lids, though they have their humorous side, are cold comfort in a cold kitchen.

Keynes Behind the Curtain

The review of Keynes's "General Theory" by an anonymous Russian economist, reproduced on page 84 of this issue, is of considerable psychological interest; not least because its actual economic interest is so small. The "General Theory" and the corpus of economic thought derived from it have been attacked, especially in America, as a step towards totalitarian Socialism, as an ideological poison threatening to paralyse the nervous system of the free economy, distort its reflexes, and eventually kill it. It has also been criticised from the Left as a belated and wrongly-based recognition of the inherent contradictions of capitalism and a foredoomed attempt to cure what is past curing.

These criticisms have shared, besides their conclusion that capitalism cannot be saved by such methods, a genuine truth-seeking analytical quality; what they lack—and what might really enlighteningly have been supplied from Russia—is an assessment of Keynesian theory and policy in practical political terms as the Marxist sees them. "Commodity fetishism," in Marxian terminology, is merely the screen for a system of power relationships; Keynes, it might be held, ignored this system in favour of an altogether too automatic, too exclusively commodity-minded balancing of considerations of profit and loss, security and insecurity, a too cut-and-dried psychology. He prescribed measures which, however compatible they might appear on paper with the maintenance of capitalist economic relationships, would in

practice disintegrate capitalist power-relationships and bring the community applying them face to face with a revolutionary situation. On these lines much could be said—and said, by a skilful debater, in a way not easy to controvert. The chance, one would think, would be worth taking; considering how important politically is the current faith in the possibility of stabilising high employment through Keynesian techniques, its destruction would be a notable ideological victory.

The author of "Keynes's Pseudo-Theory" does not, to put it mildly, take that chance. No reader of his review could derive from it the remotest notion of what the "General Theory" actually is, let alone what impact Keynesian policies might have on a capitalised society. He does not analyse, he inveighs; and how he inveighs! No doubt translations from Russian to English may blunt some fine linguistic points and slip into some inadvertent absurdities; but no blurring in translation could account for the extraordinary irrelevance, the effect as of ineffectively flailing fists, purple-faced fury and slaverling inarticulation, which this polemic conveys.

There is a place in debate for invective, though other weapons are apt to be more lastingly useful; even patently unfair invective may, when pungently phrased, provide a certain æsthetic satisfaction and, however unjustly, score a point for its author. But it is puzzling to know what manner of mind is expected to be convinced, swayed, or strengthened in its convictions by this piece of epileptic incontinence. Presumably it is the Russian mind, and the educated Russian mind at that; presumably it is to such stimuli that the countrymen of Tolstoy can now be counted on to react. *Le style, c'est l'homme*. Those kindly souls who are sure that the only thing needed for peace is an open-hearted,

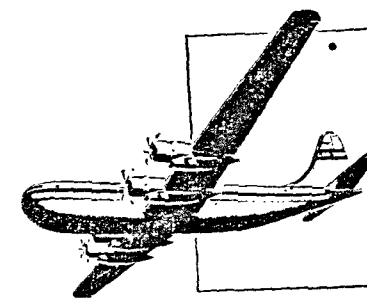
cards-on-the-table, man-to-man approach to the Soviet should study the style, and draw their own conclusions as to the men with whom the West must deal today.

London Planning in Theory and Practice

A recent issue of *Town and Country Planning** contains a summary of progress in the new towns over the last year; a tailpiece to the same issue makes it clear that it is the LCC which has done nearly all of the building in the London region since war ended. The LCC is developing twelve main estates, at distances of from 10 to 20 miles from Charing Cross, mainly in the green belt. Half of these "quasi-satellites" are now almost complete. They have rehoused over 17,000 families, whereas little more than 300 dwellings have been finished in the eight new towns serving London. Altogether, the present LCC programme will provide over 40,000 dwellings in out-county estates. But what is to happen afterwards? The number of Londoners in need of houses is many times this figure. There is strong pressure already on London local authorities to "modify"—which means to sacrifice—the London plans and to build to higher densities in their own areas or in the nearby green belt.

The theoretical and official solution is to disperse three-quarters of a million Londoners to the new towns and to existing towns within a wide radius of the capital. Experience with the new towns has amply demonstrated that such a policy will not work, save with careful preparation well in advance, and with strong and concerted action by Government departments. The case for dispersal is social and strategic; whereas natural economic trends and political interests (including that of the Minister of Health in maxi-

* Published by Town and Country Planning Association, 28, King Street, W.C.2. January, 1951. 1s. 6d.



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missing the output of houses) run counter to it. It has taken the new towns several years to get a special housing allocation from the Ministry of Health, which may even now prove inadequate. It will be a harder and slower task to get existing towns in the region to build large numbers of houses for Londoners. Local incentives are lacking. The financial means and the drive must come from the centre, or from some special authority set up to cope with the London region; and they must be provided quickly, or else the LCC programme will tail off before the development of these reception towns has begun.

The Minister of Town and Country Planning must be aware of these problems. But he cannot get the co-operation of his colleagues—in particular the actions of the Board of Trade suggest that it has not heard of the Government's official policy for London. This is an absurd situation. Fumbling and contradictory planning will get for London the worst of all worlds.

Ambassadors to Spain

The appointment of Sir John Balfour as ambassador in Madrid has hardly evoked a flicker of animation from the British Left wing. It is true that the appointment has been made by a Labour Government and in conformity with a resolution passed at the United Nations on November 25th—on which, incidentally, Britain abstained from voting. But this appointment marks the end of an epoch of estrangement between Spain and other Western Powers, which began for Britain on Christmas Day, 1946, when the last ambassador, Sir Victor Mallet, was withdrawn as a protest against the existence of General Franco. The struggle now seems to be over between the common sense which said that ostracism was doing no good to the Spanish people and the conscience which said that there must be no truck with tyranny—of the Right. Mr Bevin's decision also shows in some degree both the mounting sense of realism which Russian pressure has forced on the country, and the way in which the non-Communist Left has consequently lost much of its sense of direction. In the nineteen-thirties support for Republican Spain was the touchstone of the Left; it was the cause which united and fired them. Today the approaching crisis of the world has produced no similar rallying cry—very few volunteered for Korea—and it is characteristic of the extent to which new dangers have brought new times, that the old ban on Spain has now been dropped with scarcely a whimper.

The question now is: What next? The Americans re-appointed an ambassador just before Christmas; the French—after considerable heart searching—are likely to do the same. This does not mean that Madrid will necessarily be included automatically in the economic and military consolidation of Western Europe, over which so many efforts have been made. But it does mean that it would be unrealistic in the future not to treat the Spaniards as possible allies and the whole Iberian Peninsula as a positive factor in western strategic planning. General Franco and many Spaniards have reacted against the previous hostility, and this will take time to die. But the community of interests should now be apparent on both sides and it will be the task of statesmen to remove, so far as is practicable, such inhibitions as may still remain.

Ibn Saud Lights a Candle

The new oil agreement, so quickly and smoothly reached at the New Year by the Arabian American Oil Company (Aramco) with King Ibn Saud of Saudi Arabia, looks so simple that it will stir the cupidity of every other lessor of an oil concession in the Middle East. In response to the

King's demand for a larger share of the takings, Aramco has agreed to waive the tax exemption clause included in its original concession valid until 1993. It has agreed to pay Saudi Arabia, in addition to royalties at the present rate of 34 cents a barrel, an income tax of up to 50 per cent on its net profits after deduction of American income tax. The formula is not so simple as it sounds. How are these profits computed? Most of the companies in the area pass their crude oil to other concerns at an early stage in the long series of transactions that take place before it is marketed. The Iraq Petroleum Company, for instance, sells to its holding companies and others at only a very small profit. The ultimate profit on every ton sold would be difficult, if not impossible, to trace. The Anglo-Iranian company is alone in handling some of its products all the way from well to consumer. The basis upon which local net profit could best be computed would seem to be the price of crude oil at seaboard. But this price is bound to be a matter of arrangement between interested parties—the great oil companies.

The hopes of Middle Eastern governments for quick and profitable new agreements on the basis of Aramco's offer should not, therefore, be pitched too high. But there is more than one possible basis. The agreement is bound to lead to demands for a greater share in profits. News that it was in the wind was no doubt a part cause of the Persian government's rejection of the Supplemental Oil Agreement on offer from Anglo-Iranian. It is likely ultimately to result in a number of new arrangements that may raise the price of oil to consumers the world over. The old days of the Persian Gulf price of three rupees a ton (roughly 12 cents a barrel) are numbered in the very few places where they survive.

Three Shifts for the Czechs

Last week Prague radio devoted several bulletins to describing the joyful enthusiasm with which Czechoslovakia's workers started the third year of their Five-Year Plan. They will, indeed, need all the enthusiasm they can muster. Although their achievement during the past year has been described as satisfactory, and although the plan is said to have been in many sectors over-fulfilled, they are now being exhorted to work still harder and to produce still more. The official explanation is that all the resources of the economy are not yet being fully exploited. According to Mr Kliment, the Minister of Heavy Industry, "hundreds of thousands of machines are idle many hours each day"; although there are "considerable reserves of raw materials" in the country, "much criminal waste still goes on."

The remedy is sought in an intensification of the drive—which has been going on for months—to recruit more labour, especially women, and a more determined effort to introduce second and third shifts into the factories. "We are facing the task," said Mr Kliment last week, "of introducing two and three shift production . . . and of getting workers to mind several machines simultaneously." In his New Year message, President Gottwald complained that the workers were not yet displaying sufficient "socialist élan"; second shifts in heavy industry, for instance, were only being worked to the extent of 8 to 12 per cent. It is, in fact, the needs of heavy industry that are as usual particularly worrying Ministers. Mr Erban, the Minister of Labour, is now urging women to go into the heavy industries; last September he was more circumspectly asking them only to undertake "all jobs with which women can cope."

The Czech leaders know that this continuous and persistent pressure is resented by the workers. But they are merely passing on the Soviet pressure to which they are subjected to extort growing contributions from the output of their heavy industries.

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Progress in Agriculture

The second report of the Agricultural Improvement Council (H.M.S.O. 1s.) is a heartening document. The Council's task is to co-ordinate the progress of scientific research with the problems of practical farming. The actual supervision of research work is in the hands of a different body—the Agricultural Research Council; and the job of persuading farmers to use the latest scientific techniques falls to the National Agricultural Advisory Service. But the traffic between scientist and farmer needs to move in both directions. It is just as important, and at least as difficult, to bring the current problems of farming to the attention of the scientist as it is to get the results of laboratory research applied in the field. The trouble is that the farmer's problems vary from area to area, and change with the economic climate, while he cannot usually formulate them in scientific terms. To help the understanding of regional problems the Council has sponsored pilot surveys of fen farming, chalk land farming, the intensive dairy farming of industrial Lancashire, and other specialised types of agriculture; while a more important method of testing the interaction of scientific theory and local practice has been the establishment as part of the advisory service of a chain of experimental husbandry farms and horticulture stations.

The most welcome fact reported by the Council is the changed attitude of farmers. Their traditional reluctance to adopt new techniques seems to have disappeared; and the problem today is said to be one of getting the results of scientific research to them "in the quickest possible time." Credit for the new attitude is given to the system of guaranteed prices and markets. A farmer's prosperity now depends much less on his business acumen, much more on his actual skill; and, with the forward fixing of prices, he can now calculate with some accuracy the financial result of applying a new method. The Agriculture Act was passed from other and less worthy motives than this; but at least—if the Council's picture is not overdrawn—it has had one useful by-product.

* * *

This Little Pig Stayed at Home

The Minister of Food last week told 3,000 school-children that the extra food needed by the growth of the Asiatic peoples was bound to affect British habits of eating. He might also have said that these habits are already affected by the operations of his department; he might have told the story of the Dutch bacon contract. The quantity of Dutch bacon delivered here in 1950 was only four-fifths of the agreed minimum. During the first part of the year, shipments were well above the minimum rate. But in May came the London dock strike. The Ministry of Food hesitated to take delivery at any other port, for fear of being accused of strike-breaking, and was driven to ask the Dutch bacon factories temporarily to stop manufacture.

As this fantastic request was made when the pigs were coming to market in large numbers, the Dutch government lifted its prohibition on the export of pigs and pork, both of which found a ready market in Germany at rising prices. By the time the dock strike was over, the Dutch farmers were finding that it paid them better to export to Germany. To prevent the British contract fizzling out altogether, a levy of 1s. per lb was then imposed on exports of pork, and some pigs were thus led back to the bacon factories. But not all, for in the autumn other meat was scarce in the Netherlands, and the Dutch ate their own pigs. Add to this the farmers' dissatisfaction with the bacon price, which was not increased to allow for the higher cost of imported feedingstuffs, and the failure to reach the minimum export target is not surprising.

The story illustrates the chief fault of centralised buying—its entanglement with politics. Private trade could have

shipped the bacon to other ports without fear of political criticism. When higher prices were necessary to re-direct supplies from the German and Dutch markets to Britain, the private importer's only criterion would have been the public's willingness to pay. The Government has to remember that bacon figures in the cost of living index, and that the food subsidies must not be increased.

Shorter Notes

The Civil Service Arbitration Tribunal has now made a further award giving increases in pay to the typing and clerical assistant grades in the civil service. For shorthand typists and typists the maxima are raised from 116s. to 130s. a week and from 102s. to 115s. a week respectively (apart from proficiency allowances). Arguments based on the rising cost of living were used and were presumably accepted by the tribunal. The tribunal also made an award in the professional grades in favour of legal assistants. Here the cost-of-living was one among several reasons advanced.

*

The great lack of clothing among Middle East refugees—referred to in an article on "Arabs in Dire Need," published on December 23rd—is a matter of particular concern to the British Red Cross Society. In response to an appeal from the United Nations Relief and Works Agency it has despatched clothing from its own stocks to Jordan for distribution by UNRWA through Red Cross channels. Gifts of clean used clothing sent to the British Red Cross Store, 88A, High Street, Lewisham, S.E.16, will be packed and despatched to the official relief agencies.

One People

The Mayflower, with her burden of nineteen families, whose landing at Plymouth 230 years ago the Americans celebrated, took them on board in England, and, in an historical point of view, the shores they left being associated with all the affections and memory are as important as the shores they arrived at. Their astonishing progress from that time to this, which was also ably and beautifully described by Sir Henry Bulwer, is all in America; but their whole previous history, more extensive in time, rich in great events, and great deeds, and great men, belongs to England. Their lives and memories of 230 years are American; but for many centuries before that their lives and memories were English. Their principles, as was truly said by Mr Webster [American Secretary of State] are English. "The great principles of Magna Charta, the principles of the American revolution, the English language, so that our children may recite Shakespeare and Milton on the shores of the Pacific," are what Mr Webster devoutly hopes the Americans may carry over the whole continent. If a community of language, a community of intellect, and a common interest, constitute a people and not a political Government—which may be an odious tyranny or a mere imbecility—then are the Americans and the English far more one people than are the latter and their Celtic fellow-subjects. They have the same origin, and for nearly two thousand years the same history. Though the broad ocean rolls between the lands, the people have grown together, have gathered strength and greatness from one another, have prospered reciprocally and mutually, have emulously learned to rival each other in improvement, have had a common property in all the sciences and arts, in all knowledge and skill; they have had a common literature and a common intellect, a common origin, and are, in all except Government, one people.

The Economist

January 11, 1951



Can you tell me if any there be

Who will give to me employ

For to plough and to sow, to reap and to mow

And to be a farmer's boy?

The Farmer's Boy. TRADITIONAL

THAT FINE OLD SONG was bellowed at Rent Suppers and Harvest Homes long before Marshalls of Gainsborough were ever heard of, and Marshalls have been going for over a century. And in that century Marshalls have been largely responsible for changing the face of British agriculture. Gone or going are Dobbins the Percheron or Blossom the Suffolk Punch. We plough, sow, reap, mow, harrow, roll and bulldoze by tractor and crawler. The thresher has out-moded the flail, and the combine harvester is fast displacing the thresher.

Sentiment bids us sigh for the past, but reason and economics make us more than thankful for the products of Marshall's skilled teams of agricultural engineers. Not that Marshalls are specialists in agricultural implements alone. Industry knows well their Fowler diesel locomotives wherever, up and down the world, there is shunting to be done. Road rollers from Gainsborough smooth the roads of five continents. Marshall boilers and lofty steel chimneys cluster in the grimy manufacturing belts which are the backbone of Britain.

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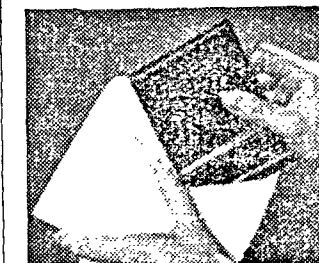
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Letters to the Editor

The Sardines Return

Sir,—With reference to statements in your issue of December 30th, such as "the sardines have this year begun to come back" . . . "since sardines normally supply over 50 per cent of the total catch," etc., etc., . . . "There are lots of good fish in the sea," but there is *not one single sardine* in the sea off the Portuguese coast, or in any other sea. May I point out:

1. There is a fish caught off the Portuguese coast which is of the pilchard variety (Sardinia Pilcharda). This fish is canned in Portugal, mainly in and around the town of Setubal, and when the fish itself is in the tin, complete with olive oil (and perhaps a bay leaf or two), then, and only then, does it become a sardine. The same type of fish is, of course, canned in France in the towns of Nantes and Concarneau. This type of fish (Sardinia Pilcharda) alone may be sold in this country as a sardine, but in America, Sardinia Pilcharda and Clupia Haringus are sold as sardines, the latter being one of the herring family.

2. The Norwegian sardine is not a sardine in this country! This matter was decided, in the year 1913 I think, in the famous sardine High Court case. The Norwegian brisling (Sprattus Norvicus?) really belongs to the sprat family, and here again, in America and in the British Commonwealth (excluding the British Isles), the Norwegian brisling may be sold and described as a sardine.

3. There is another type of fish which reaches us in this country canned à la sardine, namely Norwegian sild. This fish is canned in tomato sauce or in olive oil, and belongs to the herring family—it is, in fact, a baby herring.

To sum up: There are "lots of good fish in the sea" but there are no sardines. The fish becomes a sardine only when it is packed in a tin.—Yours faithfully,

ERNEST H. TAYLOR
Joseph Lingford & Son,
Bishop Auckland

German Deflation

Sir,—Professor Bonn's second letter adds nothing to his earlier and misleading analysis. He does not (and, of course, cannot) show that the loss of \$400-450 million of reserves by Germany can be accounted for by the worsening of the visible balance of trade, and not, as I have maintained, by unregulated speculative forward buying of goods and currencies. He does not show why general deflation is a preferable corrective instrument to selective controls (which would, incidentally, also keep luxury imports down without distress and unemployment).

There is a grave danger that the German case and especially the Cairncross-Jacobsson recommendations, which have been accepted by the representatives of the British Government, will constitute a precedent. The Americans are already pressing for the abolition of our controls

over foreign trade and payments. The EPU agreement provides for their abandonment over a growing proportion of European trade and payments, without any assurance that investment and employment policies of the members of EPU will be co-ordinated to achieve full employment. I have no doubts about the efficacy of controls—if well handled. I have grave doubt about their abolition.

Mr Bonn asks us to wait and see the results of the deflationary policy. Unfortunately we waited when British and German economists advised Brüning to deflate and saw Hitler's rise to power. We waited when the same policy was adopted by the present German Government, and have seen Western Germany wasting about 30 per cent of its productive capacity for over two years by unemployment. In the present international position it is no longer safe to wait for more of this sort of mistake.—Yours faithfully,

T. BALOGH
Balliol College, Oxford

Afghanistan on the Frontier

Sir,—An article in your issue of December 23rd states that a loan of \$21 million has recently been made to Afghanistan by the World Bank. The International Bank for Reconstruction and Development has not made any loans to Afghanistan. Afghanistan is not a member of the Bank, and so is ineligible to receive loans from it.—Yours faithfully,

HAROLD N. GRAVES
International Bank for
Reconstruction and Development

The Wrong Premises

Sir,—In your issue of December 30th you comment unfavourably on "the proposal to build a new Foreign Office in the place of Carlton House Terrace" and inquire "why should there be a new Foreign Office at all—or rather, what is the case for building it now?"

Having worked at various times in the Foreign Office for a total of over twelve years between 1918 and 1945, I can certify that it would be hard to find a more inconvenient and wasteful office building. The rooms, especially on the first floor, are ridiculously high, with the result that all heat rises well above the level of the officials who remain frozen at their desks or typewriters. Experience of the grotesque waste of space and the inordinate time required to get from one department to another would, I think, convince you, if you had to work there for long, that there is a good case for a new Foreign Office.

I do not know whether the present building was suitable for the Foreign Office as staffed prior to 1914, but I can vouch that since that date it has become more and more inadequate and unsuitable. At the present time the Foreign Office occupies its own original building in Downing Street, most of the old India Office in King Charles Street, many houses in Carlton House Terrace, 3,

Cleveland Row, and the Old Stationery Office in Princes Street. I leave out the premises occupied by the German Section at Norfolk House in St. James's Square and Princes Gardens, as I presume these will soon be vacated. This dispersal must lead to a loss of efficiency and to the necessity for a larger staff than would be needed if the Foreign Office were operating in an up to date and compact building especially constructed for its requirements. A new Foreign Office would thus free a large number of buildings for other purposes, and the future use of the original building in Downing Street might form the object of an architectural competition meriting a handsome prize.

You accuse the civil service of pushing the new doctrine that any activity of Government is *ipso facto* more important and deserving of higher priority than any private activity. The civil service follows the directions of the Government. Surely your chiding should be addressed not to the civil servants but to their masters, and to the electorate for returning them to power at two consecutive elections.—Yours faithfully,

V. CAVENDISH-BENTINCK
London, S.W.7

[This quite misses the point. We do not doubt that the Foreign Office is very inconvenient. So are many other offices in private and public occupation. But what is the case for saying that, of all such, the Foreign Office is the most intolerable? Who has even asked this question?

We do not believe that civil servants only do what they are told to do by Ministers. They have to get Ministers to take the responsibility for what they do—but that is a very different matter.—EDITOR.]

How to Pay for Defence

Sir,—No consideration has been given to one practical means of spreading the load of defence finance as equitably as possible without disturbing too much the economy of the country and the will of the people to work by direct taxation of their incomes.

Local authorities are necessarily very finance-conscious because their proximity to the taxpayer engenders a keen sense of responsibility. Every year these authorities receive large Government grants for services administered locally. There are no returns of the total amount of Government grants made to local authorities throughout the country for last year, but it is safe to say that the total amount is of the order of £300 million. Surely this figure could be very severely cut and the responsibility for bridging the gap so caused be fairly and squarely put on the local administrations. Because of the direct interest of these authorities in keeping local rates as low as possible, economy would be the order of the day and such economy would, of course, be in the field of public expenditure. The additional rates which would have to be raised would be fairly distributed without any great dislocation of business or effect on personal effort.

It will, of course, be argued that

Government grants to local authorities are means of controlling these bodies and therefore that any reduction in such grants would have the effect of lessening their dependence on Whitehall. Without going into the advantages or disadvantages of this, it is at best a doubtful and specious argument and with the advent of the art of statutory regulation there are no less sound means of controlling local authorities than there are of controlling individuals. At the same time, the effect of such a drastic cut would be a salutary reminder to all tax payers, regardless of their politics, of the burden of public expenditure at the point where they could protest most volubly.

It would also have an important anti-inflationary effect, challenging the comfortable feeling most of the larger authorities have about increased public expenditure, because of the fairly general buoyancy of total rateable value.—Yours faithfully,

GORDON MCLACHLAN
London, W.8

The Encroaching Corporations

Sir,—From his letter of December 9th, Mr Stuart Bowes apparently knows of only one part of the functions of the ATAC—that of a consumer council. In addition he may perhaps be misled by confusing Lord Terrington's Air Transport Advisory Council with the regional Civil Aviation Advisory Councils.

The ATAC is an independent body set up by the Minister of Civil Aviation with two separate duties, first that of hearing views of the travelling public towards air services provided and, secondly, to advise him on the granting of licences for the operation of scheduled air services by private companies under associate agreements with British European Airways.

The Civil Aviation Advisory Councils, in Scotland, in Northern Ireland, in Wales and in the Channel Islands, are also consumers' councils which make recommendations, not to the Minister, but to the airways corporations.

Mr Bowes's letter is, I'm afraid, based on a complete misunderstanding of the position. Clearly there is a need for a licensing authority. And the ATAC is it. The private companies have, I

understand, appeared before it and have made their case in detail.

The directive to the ATAC contains the following:—

It is Government policy in accordance with the Air Corporations Act 1949 that the scheduled and external air services of the United Kingdom should normally be undertaken by the British Airways Corporation.

The Minister is satisfied, however, that it is desirable to continue for a further period the arrangements under which the Corporations have appointed independent operators as associates under Section 15 (3) of the Act to help them to discharge their responsibilities.

The application from independent operators for Associate Agreements will be considered by the Air Transport Advisory Council, who will make recommendations to the Minister.

The Associate arrangements should be in respect of services which do not overlap or compete with existing services and planned programmes of services of the Corporations, except that services may be recommended on routes which the Corporations are not operating but intend to operate in the future, for the period up to the planned date of the introduction of the services of the Corporation concerned.

Our objective in BEA is to eliminate as soon as possible our operating deficit. Possibly that may squeeze out some charter companies from certain scheduled airline operations. If so we regret it. But such a result is not our design. In fact the only new route which will be taken up to the exclusion of charter companies in 1951 is between Manchester and the Isle of Man. Our intention to do this was made known before the private operators began services on it. On the other hand BEA has wound up its charter section and we are not setting out to compete with the charter companies in this field. Indeed, during the past year we have passed over to the independent operators some £90,000 worth of charter business.

So that there may be no doubts on the position, may I say again that our purpose is:

- (a) To eliminate our deficit by developing economic scheduled operations in the public service.
- (b) To avoid placing the charter companies in an unfair situation by making clear our plans for future services.
- (c) To develop interline traffic through agreements with private operators for an

integrated pattern of connecting services. (d) To pass on to the private companies enquiries for charter business which we cannot accommodate on our scheduled services.

Yours faithfully, PETER G. MASEFIELD
British European Airways,
Ruislip, Middlesex

Controls for Father Christmas

Sir,—Mr James Rootham's letter shows a keen economic-analytical approach and his suggestions are pregnant with possibilities. I cannot, however, agree with his last sentence.

I do not doubt his statement that advanced penological thought would approve his suggestion of disabusing a child of his belief in Father Christmas as a penalty for kicking the mundane individual in a department store. Penologists are a race apart and, like psychoanalysts, there is no one outside their ranks who can understand them, explain them, or appreciate them.

From a psychological viewpoint, the proposed punishment would irrevocably lead to a compulsion neurosis. The shock of finding oneself deprived of the reality of such an important personality in the course of ordinary education is great enough. But, to lose this all-powerful Father as a punishment for demonstrating one's Oedipus complex, would cause irreparable mental trauma. For, the culture compulsion, after transformation into ego compulsion, is in deathly struggle with the organ compulsion. The ego accepts the demands of culture, but it remembers and seeks revenge. A compulsion neurosis is almost inevitable.—Yours faithfully,

LEON M. SHIRLAW
Romford, Essex

The Covenant Clamps Down

Sir,—Your correspondent, Mr R. Gresham Cooke, and his society certainly deserve a note of approval from *The Economist*. That manufacturers sell cars 100 per cent below auction prices makes the industry unique, and I, too, shall order a free car.—Yours faithfully,

G. HAYDOCK
London, S.E.27

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Books and Publications

American Economic Policy

The Economics of Freedom, The Progress and Future of Aid to Europe. By Howard S. Ellis. New York: Council on Foreign Relations; London: Royal Institute of International Affairs. 549 pages. 35s.

All the publications of the Council on Foreign Relations enjoy exceptional authority, but none can be more authoritative than this. It appears as the report of a Committee of the Council of which General Eisenhower was Chairman and economists and publicists as eminent as Mr Hamilton Fish Armstrong, Mr Hanson Baldwin, Professor Viner and Professor Williams were members. Dr Howard Ellis was the chief draftsman, and he was assisted by a staff of equal quality. In short, the book should be regarded as the American equivalent of the report, not merely of a Royal Commission, but of an unusually well-chosen Royal Commission, in Britain.

The disadvantage of the committee, or Royal Commission, procedure is that it takes time—in this case, the best part of two years. The result is that events sometimes overtake the deliberations. This book contains ideas and proposals which two years ago would have seemed to most Americans to be very radical. But ideas have been moving fast in those two years, with the result that much of what the book has to say will now meet with almost placid acceptance. Indeed, in many respects, Mr Gordon Gray's recent report—an official document written under political pressures—is prepared to go further.

As a solid, documented exposition of the case for American aid to Europe, however, "The Economics of Freedom" could hardly be bettered. It is divided into four parts—first a general account of ERP; second, a series of unusually penetrating "country studies" of the United Kingdom, Germany, France and Italy; third, a discussion of "regional problems and plans" (which is very well balanced on the question of "integration"); and finally a section on American policy for the future. It is this last part which is naturally of greatest interest. It goes without saying, by this time, that the approach is consistently liberal. But it is also Liberal in the sense that often seems to Europeans to be somewhat old-fashioned. This can best be conveyed by a quotation—"the economic welfare of Western Europe is served better by consistent adherence to the principles of the International Trade Organisation than by emphasis upon Western European integration." In short, the approach is that of the State Department—and especially of those parts of it that came under Mr Will Clayton's influence—rather than that of the Economic Co-operation Administration. But it is significant to notice that, as in the Gray report, the old attitude towards currency discrimination is softening, and the Sterling Area gets a hearty pat on the back. *Eppur si muove.*

This book has been described as authoritative. So it is—in the sense that

it reflects the views of the best authorities on the subject. But, in the United States, the question must always remain whether it is the best authorities who decide policy. It is a question in any democratic country; but in European eyes the American constitution sometimes seems specially designed to exclude the best authorities from any practical influence. This can be illustrated from "The Economics of Freedom." A great deal is made, in the later chapters, of the desirability of distributing Marshall aid not according to needs but according to performance.

On general economic, political and military grounds, a country would get some ECA aid regardless of performance. But part of its aid would be made proportional to the increase of a favourable balance, or to the reduction of an unfavourable balance, in its foreign accounts.

But we now know that, when the case arose, the view of Congress was the exact opposite of this; as a favourable balance appeared in the United Kingdom's accounts, its receipts of ECA aid were entirely suspended. The British reader of even as authoritative a work as this will do well to remember this incident. He will be very glad to learn that the best authorities in the United States are so enlightened, so far-sighted, so liberal. But he will remember that what happens depends on the politicians.

Decline of Islam

The Arabs in History. By Bernard Lewis. Hutchinson's University Library. 196 pages. 7s. 6d.

The Middle East. A Physical, Social and Regional Geography. By W. B. Fisher. Methuen. 514 pages. 27s. 6d.

Why do civilisations decline? Why have the Arabs, who were in former centuries conquerors, scholars and scientists, fallen so far behind in our age of machinery and equality and zeal for social welfare? The smaller, cheaper and very much the better of these books makes an interesting attempt to explain their rise and decline.

Hutchinson's University Library has lately enhanced its good name for instructive and readable books. Professor Lewis will add to this. He is able to compress his scholarship so as to leave himself room for stimulating conjectures, and for vivid pictures of men and their habits. In this book, he divests the Prophet of the web of prejudice that has been woven round him by all medieval and some modern western historians. He leaves for our scrutiny a person of "essential historic humanity," as well as of a capacity for organisation that is rare in the Arab world today. He ascribes the vigour of the Arab conquests and

the liveliness of the resultant Arab empires largely to adaptability and to an immense capacity for assimilating elements out of other civilisations. For instance, the Arabs were "quick to react" to sea power when they met it. Only ten years later they won a crushing naval victory. They borrowed the works of art, and even the artists of other civilisations, then imitated them, and "finally fused them into something new, original and self-reproducing." Their assimilative power and their tolerance caused them to expand both eastward and westward, spreading a language which through its very vigour caught on, and outlasted their political dominion. Most people know that they reached Pottiers in the West and the Indus and Oxus in the East, but few that "the Archbishop of Seville deemed it necessary to translate and annotate the Bible in Arabic, not for missionary purposes but for his own community."

Their decline and fall was due to internal as well as external factors. Professor Lewis gives as the chief of these, extravagance and lack of organisation at the centre. Another was transition from a monetary economy, which suited the Semitic genius, to a feudal one which did not; yet another, a loss of flexibility which grew to a superiority complex that made them think Europe an "outer darkness of barbarism from which the sunlit world of Islam had little to fear and nothing to learn."

Dr Fisher claims for his book that it is a specimen of the French technique of mingling history and geography. So it may be, but he mingles them in chapters so water-tight that they give the impression of skipping from one subject to the other, much as a Victorian novelist runs two unconnected plots at once. His information on physical geography and geology is readably given and is not quickly accessible elsewhere. His economic section provides, between two boards, much information that has hitherto only been available in a number of books.

Tortured Medievalism

The Peasants' Revolt of 1381. By Philip Lindsay and Reg Groves. Hutchinson. 184 pages. 18s.

The Peasant's Revolt of 1381 is at once one of the most fascinating and most puzzling features of later medieval English history. There is undoubtedly a need today for a straightforward account of the revolt, set against the background of the political, economic and social history of the fourteenth century as revealed by the specialist researches of the past 30 years. It is this task which Mr Lindsay and Mr Groves attempt to tackle.

We are told on the dust-cover that this book is "intended not for the scholar but for the intelligent man in the street." The authors might, therefore, dismiss as mere clerkly quibbles the objections that in a bibliography of 34

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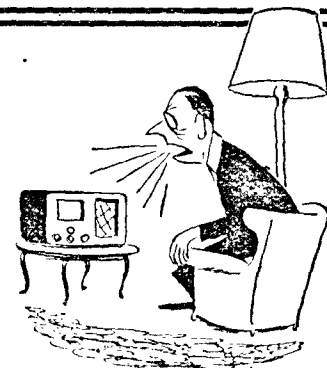
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works two are wrongly cited; that they appear unaware of the work of the two greatest experts on this period, Tout and Maud Clarke; or that they regard the 14th century *Chronicon Anglie* and the 16th century translation of it as independent, contemporary authorities.

The authors might even argue that no great disservice is done to their main purpose by the fact that they are ignorant of the causes, the course and even apparently the date of the Great Schism; or by such extraordinary statements as that "the need continually to gather armies had forced [Edward III] to accept money payments instead of . . . conscripting men to fight, so that he could purchase foreign troops. . . . Avoiding conscription by money payments, the lords could remain at home"—poor Froissart. But when we turn to the section on the authors' chosen field of study, the medieval manor, and read that the origin of the strip system of cultivation lay in subdivision through inheritance, or that "the lawyers were pushing ecclesiastics out of the [manorial] courts" (is this a fantastic caricature of Professor Levett's work on St. Albans?), then we must conclude that the introductory third of the book is quite untrustworthy.

The narrative account of the revolt itself is the best part of the book, though it achieves unity by ignoring altogether the many discrepancies in the sources. Even here, however, numerous minor inaccuracies mar the text, dubious interpretations of scanty evidence abound, and there are internal contradictions: the authors, for instance, assert first that the peasant armies were trained soldiers, and later, with equal assurance, the exact opposite. The point is, after all, of some importance.

Apart from the question of accuracy, however, the whole book is vitiated by two tendencies. First, the authors are tilting the whole time against the romantic conception of medieval England, which went out of fashion about the time of the Golden Jubilee. Second, they view the whole affair in the simple light of "the people's cause," a revolt against intolerable oppression. This does credit to the authors' emotions, but it does little to elucidate what that highly complex affair, the Peasants' Revolt of 1381, was about. Incidentally, it will hardly help to start a new Peasants' Revolt today.

Information and Advice

Non-self Governing Territories. Summaries and Analyses of Information transmitted to the Secretary-General during 1949. Vol. I. United Nations. 254 pages. 15s.

Active international interest in the problems of Colonial territories is a fact of present-day politics. The United Nations Organisation does much unobtrusive good work in making possible a well-informed interest. The Charter makes obligatory the transmission of "up-to-date information relating to economic, social and educational conditions" in the non-self-governing territories of the Administering Members of

the United Nations; since 1947 summaries of this information have been annually published. The present volume, besides giving a useful account of social and economic progress during 1949, makes it possible to compare between conditions in different territories by presenting much of the information in tabular form. For British territories alone, material otherwise scattered through many sources is made concisely available. The editors show a welcome caution, not always present in United Nations publications, in accepting at their face value statistics supplied by member Governments.

An appendix contains the Resolutions passed by the General Assembly in 1949 concerning non-self-governing territories. Of these, the most interesting provide for a special Committee not only to examine information received but also to "submit substantive recommendations relating to functional fields generally," though not to individual territories, it invites Administering Members to aim at establishing equal treatment in educational matters between inhabitants of their Territories, and to make the indigenous language the normal teaching language. Material originally submitted "for information purposes" is thus being increasingly used as a basis for proffering advice in administration, a tendency which, as the debates at Lake Success show, is causing the Administering Members some apprehension.

Wrestling with Figures

Statistical Inference in Dynamic Economic Models. Edited by Tjalling C. Koopmans. New York: John Wiley and Sons. London: Chapman and Hall. 438 pages. \$6.00. 48s.

The science of econometrics occupies an intermediate position between economics and statistics. Its fundamental aim is to quantify the structural relations which economic analysis suggests as the basis of the system under study; and it does so by an examination of the statistical facts. The economist proposes the model; the econometrician says whether it is the sort of model which is capable of statistical study and proceeds to develop procedures for estimating its constants from observation. Econometrics in this sense has been intensively studied over the past ten years by a number of writers working for or with the Cowles Commission at Chicago. This school has been much concerned with models specified by linear equations in the variables (linear because this is the simplest case and a good deal of economic data can be transformed to approximate linearity) and with the identifiability thereof, that is to say, with the conditions which a model has to fulfil in order that the estimation of its individual constants may be possible.

Apart from Marschak's Introduction, the book consists of three parts: on Simultaneous Equation Systems, on Problems Specific to Time Series and on the Specification of Hypotheses. Part I contains a long paper by Koopmans, Rubin and Leipnik on measuring

the equations of dynamic economics. This is, as it were, the basic memoir. It is followed by nine papers on more detailed aspects of some of the questions raised in it, such as Haavelmo on Confluence Analysis and its Use in Econometrics, Hurwicz on Prediction and Least Squares and T. W. Anderson on the Estimation of Parameters of a Single Equation by the Limited-Information Maximum-Likelihood Method.

Part 2 consists of six papers on Time Series; two by Hurwicz on Trend and Seasonality and on Least-Squares Bias; one by Mann on Nonparametric Tests against Trend; one by R. L. Anderson on Tests of Significance; one by Rubin on the Consistency of Maximum Likelihood Estimates in the Explosive Case; and one by Koopmans on Models involving a Continuous Time Variable. Part 3 include papers by Koopmans on the completeness of equation systems and Hurwicz on systems with non-additive disturbances.

This book was not intended as an introduction to the subject—we are promised a simpler expository version later—and it will not be found easy to read. To some extent this difficulty is due to the complexity of the subject and the novelty of the treatment; but some of it is assignable to the tendency of most of the authors to attempt the maximum generality in the statement of their results. The essential ideas of econometrics are quite accessible even to those with no mathematics in advance of a matriculation standard; but they are here presented in a proliferation of symbols which may repel the economist and arouse disquiet even in a hardened mathematician. This is a pity, because the book enshrines an immense amount of valuable work and many fruitful ideas. Anyone who sets out to read this book will have to wrestle with it; but on the whole the effort will have been worth while.

What's in a Name?

The Twentieth Century. January, 1951. Edited by Michael Goodwin.

The Nineteenth Century, founded by James Knowles in 1877, would have changed its name in 1900 if the title *The Twentieth Century* had not been patented by an unscrupulous rival publisher who made no subsequent use of it. Mr Michael Goodwin has chosen the occasion of the half-century to make good the lapse of years by changing the title and improving the format of the magazine. As his editorial points out, the purpose of this change is not only to remove an anachronism but to emphasise that "we have, all of us, lived too long by the exhausted standards of the nineteenth century. In so doing, we have left largely unexplored the central problems and potentialities of the twentieth." At a time when the position of the monthly journals is not an easy one, it is refreshing to see one of their company embarking with such confidence on a fresh lease of life, and it is to be hoped that Mr Goodwin (or his successor) will have better luck in 2000 than did James Knowles in 1900.

AMERICAN SURVEY

The Great Debate

Washington, D.C.

PRESIDENT TRUMAN, in the most outspoken Message on the State of the Union that America has ever heard, said:

Even if we were craven enough to abandon our ideals, it would be disastrous for us to withdraw from the community of free nations.

It is now evident that it would take a lot of words to refute this conclusion directly. But the great debate has already shown that, on the fringe of the neo-isolationist camp, newly astir in response to Mr Hoover's bugle call, there are a number of commanders who, while disclaiming any intention of withdrawing from the community of free nations, profess to believe that the free nations would benefit from a contraction of American military commitments.

Senator Taft, whose overwhelming victory in the recent election and long-standing reputation for honesty ensure him a large and respectful audience, says that America should fight if Western Europe were attacked and should furnish military aid in the meantime. But he would not have any more American troops sent to Europe unless Congress says they are to be sent, and he thinks the United States should take the relatively economical course of maintaining the peace of the world not with a large land army, but by the exercise of sea and air power—just as Britain did with her navy in the nineteenth century, he told his National Press Club audience in Washington this week.

Senator Taft's policy is almost certainly easier to explain than are some of the truths it neglects to take into account. It is the constitutional prerogative not of Congress, but of the President, to order troops abroad, a prerogative that, as Mr Arthur Schlesinger, Jr., has pointed out in a letter to the *New York Times*, was employed by the White House forty-two times during the century after 1812—and on three of these occasions troops were sent to Korea. Quite apart from this constitutional fact, the absence during the nineteenth century of any power with 170 army divisions at its immediate call and of any doctrine comparable in its contents and methods to Soviet Communism could conceivably have a bearing on Senator Taft's policy. So, as some of his listeners quickly perceived, could the failure of sea and air power to prevent the present defeat in Korea.

Senator Taft says he is no isolationist and the disciples of Mr Hoover repudiate the label just as indignantly. How, they ask, could anybody describe as isolationism a programme which, though it would let continental Europe and Asia go, would stretch the defensive area of the United States to include all the Western Hemisphere and would push out as far across the Atlantic as Britain ("if she wishes to co-operate") and as far across the Pacific as Japan, the Philippines and Formosa?

Perhaps it is an indication of progress that nobody in America now is willing to call the political uniform he wears an isolationist one. Perhaps it comes under the heading of "Good Things" that the neo-isolationists are not against fortifying the island of Guam, as the "olde-tyme" isolationists were twelve years ago. In January, 1939, there was

published the report of a Naval Board recommending, among other things, that Guam should be developed into a strong advance base for the fleet; but a Bill to carry out this recommendation at a cost of \$5,000,000 was voted down in Congress and, when the humbled navy came back in February, 1940, with a modified plan for Guam costing only \$1,000,000, Congress rejected that too.

Guam was captured by the Japanese two days after the attack on Pearl Harbour, so that the lesson which the isolationists are now, in effect, claiming with such pride to have learned cannot, with the best will in the world, be regarded as a particularly difficult one. It is wise to have a strong navy and air force and to provide bases off the coasts of the United States. Beyond that the case for isolationism that is being made now offers parallels so close to the case for isolationism that was being made until ten years ago that it is explicable only in terms, on the one hand, of public forgetfulness and, on the other hand, of a deep and lasting American yearning to be left alone to live and let live.

Statements made by leading isolationists in America a little before the attack on Pearl Harbour revealed a state of mind which is uncannily reproduced by the current state of mind of Mr Hoover and his followers. Then it was passionately and positively held that Europe was not worth saving because the war was one of "rival imperialisms." Now it is as passionately and as positively held that Europe is not worth saving because it is "confused with fears and disunities." Then Mr Hoover himself said:

Certainly, if the United States joins in this war we would inevitably become a totalitarian dictatorship ourselves.

Now Mr Joseph Kennedy says that the Administration's foreign policy has "solidified Communism," sapped American strength and taken a "politically and morally bankrupt" course.

★

Mr Hoover is, as the *Baltimore Sun* recently observed, "by nature something of a despairing man." In the present circumstances he has been able to secure the ear not only of those Americans who despair rather readily and those who have been moved to uncharacteristic despair by the defeat in Korea. He has also attracted some proportion of those who have been alarmed at the money it has been costing to pursue the Administration's policy, of those who have wanted to see the money spent in the Far East and—perhaps the largest company—of those who never trusted "those foxy foreign nations" anyhow.

But this is not to say that Mr Hoover and his friends are having or are going to have things their way. Those whose instinct is not to retreat but to advance are against him—notably Governor Dewey of New York, a fellow Republican who wants to see a United States army of 100

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

divisions and a full-strength navy double-quick. So are those who are appalled at the idea of handing to the potential enemy the industrial capacity of continental Europe, and those who are appalled at the idea of repudiating the moral obligations of the United States.

The retreat in Korea, as much of the talk and many of the letters to the newspapers show, has left the country with a feeling of nakedness and vulnerability. The realisation that the United States is still strong, rich, productive and in the last analysis still on top of the cock-eyed world has yet to dawn in the great reaches beyond Washington. And General Eisenhower has yet to report on his exploratory tour of Western Europe. The press conference he held at the Pentagon just before he left was a model of energy and common sense. He left the impression that he could be relied on not to fool anybody into believing what was untrue. Nothing was beyond the power of the free nations if they wanted it enough: if they were prepared to sacrifice and to unite they could have security and peace; if they were not prepared to sacrifice and to unite neither he nor anyone else could get security and peace for them.

There is nothing at the moment to convince even Mr Hoover that the present revival of isolationist doctrine can survive an unambiguous report by General Eisenhower that he has been to Europe to see for himself, that he has assessed the will to sacrifice and to unite for the purpose of saving the peace, and that he has found it adequate for the job in hand. And what is not in the least in doubt is that the genuine proofs that will lead General Eisenhower to that conclusion cannot be furnished in America. It will be on what Western Europe now proves to the General that the immediate outcome of the great debate on isolationism and the further course of American policy will largely depend.

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Organised Farmers

[FROM A CORRESPONDENT IN IOWA]

ALTHOUGH the farmers today form a smaller fraction of the American population than ever before, and are not organised in one pressure group, but are divided among four major farm associations, they nevertheless dominate many State legislatures and force both national political parties to treat agriculture as a sacred cow. The federal Department of Agriculture remains completely untouched by the reforms recommended by the Hoover Commission on the machinery of government, because the organised farmers have not agreed to approve them. Under the new Defence Production Act, agricultural prices may not be fixed below "parity," a level for each commodity designed to give the farmer the same real income that he enjoyed in a base period. This makes any effective control of the cost of living difficult.

This political influence reflects the great strength of the farm organisations, especially the Big Four—the American Farm Bureau Federation (1,250,000 families), the National Grange (850,000 men and women), the National Farmers Union (450,000 families) and the National Council of Farmer Co-operatives (111 co-operative associations with 2,500,000 members). One of these co-operative associations, the National Milk Producers Federation, is sometimes considered one of the major groups on its own account. Nearly half of the 6,000,000 farm operators in the country belong to one or more of these organisations, including most of the more prosperous commercial farmers. All four have been growing in membership and increasing their staffs in recent years, and are represented regularly at Congressional committee hearings, where they carry great weight.

For a long time national farmers organisations were a cyclical phenomenon in the United States, expanding in hard times and contracting with good times. Their continued growth, after the depression of the nineteen-thirties had given way to the war and postwar booms, has been something new. The Grange saw its great days in the eighteen-seventies, the Farmers Alliance in the eighteen-eighties and nineties, the Farmers Union shortly before the 1914-18 war, and the Farm Bureau just after it. Although three out of the four still survive, not one approached its earlier membership until recently, and only the Farm Bureau has surpassed it. The Grange, which has revived and grown lately, is a conservative, somewhat isolationist body, strongest in the Northeast and the Pacific Northwest—and quite different from its radical Midwest self of the eighteen-seventies. The Farmers Union of 1913 was concentrated in the States washed by the Gulf of Mexico, and devoted itself primarily to organising co-operatives to by-pass "middlemen." In the past twenty years it has become a vigorous political pressure group, latterly of the New Deal and Fair Deal persuasion, concentrated in the wheat areas of the High Plains instead of coastal Texas, but continuing its interest in co-operatives, though not in the same ones.

Only the Farm Bureau has retained its original habitat—the maize-hog midwest and the cotton-tobacco south, with outlying strong points in New York and California and wherever commercial farming flourishes. Its connection with the county agricultural extension service helped it to survive the lean years of the twenties. This link with a tax-supported educational system is older than the American Farm Bureau Federation itself, and has been the making of it—much to the indignation of the other farm organisations. The tie is

only beginning to be loosened now that the Farm Bureau has enough staff and revenues of its own not to need it.

The original "farm bureaux" were organised independently in agricultural counties from 1914 onwards to take advantage of the federal grants-in-aid for the education of farmers in modern methods. These bureaux paid part of the salary of the county extension agent, who brings the latest knowledge directly to the farmer; they often engaged and directed him, with some supervision by the state agricultural college. By 1920, they had combined to form strong state and national organisations, to provide their members with additional services and to influence legislation. But to this day, county farm bureaux affiliated with this national lobbying association are the official sponsors of the county extension service in 14 states.

The employment of professional staff has been the rule in all the farm organisations during the present generation, and is one of the reasons for their greater stability in spite of the ups and downs of the business cycle. Mr Allan Kline, president of the American Farm Bureau Federation, both Mr Albert Goss, the late master of the National Grange, and his successor, and Mr James Patton, president of the National Farmers Union, all came to their present posts after running state branches of their associations. The farm organisations now maintain a bureaucracy of their own to guard their interests, to provide services to members, and to cope with the maze of rules laid down by the United States Department of Agriculture. In this way farmers have also solved the problem which defeated the old-time farm organisations, that of running their co-operatives and farm service companies efficiently and yet keeping some sort of control over them.

Because farmers are so dependent on national legislation, which since 1933 has provided subsidies and price supports on a generous scale, they are forced to put their arguments on the plane of general public interest. But that has not prevented them from taking some narrow, unpopular stands, such as the National Milk Producers Federation's long battle to preserve discriminatory taxes on margarine. The American Farm Bureau Federation in the nineteen-forties persuaded Congress to try to curtail the power and independence of the Department of Agriculture, in the fields of research and aid to low-income farmers, and favoured consolidating these and the Soil Conservation Service in the state extension departments, where they would be more directly subject to Farm Bureau influence. Before 1941, the National Grange went through a phase of America-Firstism and "chemurgy" (carrying to extremes the advocacy of agricultural autarky through industrial use of farm products). It has usually fought the Reciprocal Trade Agreements programme and any importation of competitive agricultural products.

The National Farmers Union, with a reputation for being the most progressive of the farm organisations, opposed the Truman Doctrine and the North Atlantic Alliance as bypassing the United Nations and unnecessarily offensive to Russia, but it has supported United Nations armed action in Korea. Senator Bridges's sensational charges in September that the Communist Party had infiltrated the Union were based primarily on wild boasts by Communist officials themselves, and on complaints of disgruntled employees. However, some officers of the weak Farmers Unions of Iowa and the northeast have followed the Communist line with fair regularity. But where the Farmers Union is strong, it is definitely anti-Communist. Senator McCarthy himself gave the Wisconsin Farmers Union a clean bill.

American Notes

State of the World

President Truman could not this year begin his annual Message to Congress with his customary assertion that "the State of the Union is good." This was not because he thinks there is anything wrong with the health of the United States itself, but because "American soldiers are fighting a bitter campaign in Korea," and even more because today "the state of our nation is in great part the state of our friends and allies throughout the world." All free nations, said the President, are exposed to the threat of world conquest by Soviet Russia, and their only security lies in banding together. The President begged the Congress to debate the issues constructively, not destructively, to put country before party (as has certainly not been done recently), to match with its own sense of responsibility the overwhelming responsibility of the United States to lead the free nations of the world.

President Truman outlined his practical programme for meeting the challenge to freedom. First, economic assistance must be given: in the case of European countries such aid would in future be specifically related to building their defences, but in other parts of the world it would be for general economic development. Mr Truman's Republican listeners showed little enthusiasm for this proposal, but received more favourably the second part of the programme, the continuation of military assistance to countries that want to defend themselves. Thirdly, the United States will go on working for the peaceful settlement of international disputes and is still willing to negotiate "honourable settlements" with the Soviet Union.

Alongside this programme for building up strength abroad, Mr Truman also outlined one for building up strength at home, so that the United States will be ready for full wartime mobilisation if it becomes necessary and able to maintain the preparedness effort for as long as needs be. The

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Fair Deal can be seen in Mr Truman's references to the desirability of rounding out the system of social insurance and for assuring equal rights to all citizens. But it can only be faintly heard in his ten requests for specific legislation, although its voice may be more audible when Congress is given details of the most controversial proposals, such as those for improving the agricultural and labour laws, for housing and training defence workers, for increasing the supply of medical personnel and for meeting educational needs. The present Congress, however, as Mr Truman knows very well, will not hesitate to put his Fair Deal child back in its place. Nor is Congress likely to see eye to eye with the President on other points in his legislative programme—the extension and revision of the Selective Service and Defence Production Acts, military and economic assistance to foreign countries, and a major increase in taxes. But Congress is as certain to take some kind of action in these fields as it is to give the President all that he asks for in military appropriations.

* * *

Tidying Up the Mobilisers

Administrative agencies have been created in such numbers during the six months since the Korean war began that President Truman already has a large job of spring-cleaning in prospect. Last week he began to put the Government organisation for a half-war economy into reasonable shape. In effect, Mr William Harrison's production authority has been taken out of the Department of Commerce and given a higher status, in which it is subordinate only to Mr Charles E. Wilson's Office of Defence Mobilisation. It is Mr Harrison who makes the actual move, while his former agency—the National Production Authority—continues to exist but becomes in fact as well as in form parallel to other specialised authorities like the Defence Transport Administration within the Interstate Commerce Commission. NPA will still issue the orders dealing with production, such as those restricting the use of copper. But Mr Harrison's new organisation, the Defence Production Administration, will stand above it as the central body for settling programmes and supervising most of the priority-fixing, allocation and requisitioning done by the regular departments and their various agencies. DPA will correspond fairly closely in function and powers to the War Production Board directed by Mr Donald Nelson in the last war.

The point of Mr Harrison's elevation is to centralise authority more clearly in the hands of Mr Wilson, who will now be chairman of a Defence Mobilisation Board, whose members are the relevant Cabinet ministers and chairmen of independent agencies like the Federal Reserve Board. This will, or should be, the policy-making body, and Mr Wilson becomes in effect a deputy-President to whom Mr Truman has delegated fairly full responsibility for the economics of the home front. The establishment of DPA theoretically, at least, makes Mr Wilson's job manageable by reducing to two the authorities reporting directly to him—Mr Harrison's DPA and Mr Valentine's Economic Stabilisation Agency; a third, regulating production for civilian needs, may be added if scarcities become acute.

Here, however, the clarity of the new administrative structure for the time being ends. DPA's broad authority for industrial priorities and production includes only hazily defined powers over the military buying on which other government decisions depend; the Pentagon will continue to make its own plans, and in practice conflicts between it and DPA will have to go up to Mr Wilson, or even higher, for settlement. (This was the defect in organisation which was never cured in the last war.) Mr Wilson will also have to deal directly with the Department of Agriculture about food, which DPA's control powers do not cover. DPA takes over authority to approve government

loans and tax reliefs (by faster amortisation) to companies expanding defence production from the National Security Resources Board. The future tendency must be to concentrate authority more firmly along the lines of command emanating from Mr Wilson, and in the process many of the smaller agencies will probably be absorbed into DPA. But further administrative reform is probably best left until after the more urgent task stressed by the President's Council of Economic Advisers in their annual report—that the armed forces should formulate their expected demands on materials, services and manpower definitely enough to give the economic administrators something to go on.

* * *

South in the Saddle

The South has lost no time in exerting its new dominance over the shrunken Democrats in the Senate and displaying its ability to rule the House by making common cause with the Republicans. Four hours after the Eighty-second Congress assembled in its bright new redecorated chambers, the House voted, by 244-179, to return to the Rules Committee the veto power it enjoyed over legislation until two years ago.

One of the first acts of Congress after Mr Truman's victory in 1948 was to tear down this legislative Bastille in which so many liberal measures had languished at the pleasure of conservatives of both parties. The 21-day rule adopted provided that if a measure had lain before the Rules Committee for that period the chairman of the committee originating the Bill might call it up for debate by the full House. In the past two years this has been done eight times, and on each occasion the Bill has passed the House, although several died in the Senate.

The aim, in the words of the Republican Mr Halleck, is to change a Congressional traffic policeman into a "road-block to unwise, ill-timed, spendthrift, socialistic measures." The immediate practical effect is not likely to be great. Few of the Fair Deal measures so eloquently described by Mr Halleck are likely to make more than a token start in a session dominated by rearmament and the world crisis. It is still possible for the House, by majority vote, to demand the production of Bills in which it is interested. But the step is unquestionably a return to less representative government and particularly objectionable when swift decisions may be needed.

In the Senate, the choice of Senator McFarland as majority leader—though he lacks an effective majority and is said to lack, as well, most of the qualities of leadership—and of Senator Johnson of Texas as whip guarantees a bleak prospect for legislation repugnant to the South. The Republicans have as yet reached no final decision as to whether the coveted extra place on the Foreign Relations Committee—a recognition of their increased Senate strength—should go to a supporter or critic of the Administration. The Administration itself might not be altogether sorry if Senator Taft were appointed, for responsibility and access to confidential information might temper his opposition. But he has apparently turned the post down and, on the simple grounds of seniority, there is a strong hope that it may go to Senator Aiken of Vermont, one of the five Republicans courageous enough to vote for the resolution demanding Mr Acheson's resignation. As a counterweight, however, critics are heavily represented on the new Republican policy committee in the Senate.

* * *

Railwaymen Ask for More

The railway settlement which was so widely welcomed three days before Christmas did not survive Twelfth Night. All four of the big operating Brotherhoods have repudiated



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ASSETS	
Cash, Gold and Due from Banks	\$1,437,981,108
United States Government Obligations	1,724,232,775
Obligations of Other Federal Agencies	60,599,854
State and Municipal Securities	426,364,539
Other Securities	137,186,350
Loans and Discounts	1,664,941,944
Real Estate Loans and Securities	6,422,939
Customers' Liability for Acceptances	15,819,426
Stock in Federal Reserve Bank	7,800,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	26,970,778
Items in Transit with Branches	8,657,198
Other Assets	2,371,117
Total	\$5,526,348,028
LIABILITIES	
Deposits	\$5,130,853,626
Liability on Acceptances and Bills	\$34,849,465
Less : Own Acceptances in Portfolio	15,316,547
Due to Foreign Central Banks (In Foreign Currencies)	19,532,918
Reserves for :	12,989,000
Unearned Discount and Other Unearned Income	11,562,252
Interest, Taxes, Other Accrued Expenses, etc.	30,699,406
Dividend	2,635,000
Capital (6,200,000 Shares—\$20 Par)	\$124,000,000
Surplus	136,000,000
Undivided Profits	58,075,826
Total	\$5,526,348,028

Figures of Overseas Branches are as of December 23, 1950.

\$283,763,467 of United States Government Obligations and \$15,014,100 of other assets are deposited to secure \$208,701,191 of Public and Trust Deposits and for other purposes required or permitted by law. (Member Federal Deposit Insurance Corporation)

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RESOURCES		LIABILITIES	
Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers	\$731,102,226.19	Capital	\$100,000,000.00
U.S. Government Obligations	802,887,596.04	Surplus Fund	200,000,000.00
Loans and Bills Purchased	1,230,658,065.19	Undivided Profits	74,386,331.95
Public Securities	\$107,007,990.32	Total Capital Funds	\$374,386,331.95
Stock of Federal Reserve Bank	9,000,000.00	Deposits	2,503,009,999.71
Other Securities and Obligations	19,693,338.04	Foreign Funds Borrowed	150,000.00
Credits Granted on Acceptances	8,202,255.82	Acceptances	\$15,574,299.55
Accrued Interest and Accounts Receivable	8,771,883.87	Less : Own Acceptances Held for Investment	4,749,290.47
Real Estate Bonds and Mortgages	18,041,983.18		\$10,825,009.08
Bank Premises	170,717,451.23	Dividend Payable January 15, 1951 : Regular	\$3,000,000.00
Other Real Estate	5,037,488.67	Extra	2,000,000.00
	16,776.40	Items in Transit with Foreign Branches	2,655,727.40
Total Resources	\$2,940,419,603.72	Accounts Payable, Reserve for Expenses, Taxes, etc.	44,392,535.58
			62,873,272.06
		Total Liabilities	\$2,940,419,603.72

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BRUSSELS

the settlement to which the railways hurriedly agreed, after an alarming outbreak of "sickness" among yardmen in 15 cities in December held up both war goods and Christmas parcels. It gave the yardmen a wage rise of 25 cents an hour, compared with the 31 cents they sought, and the 18 cents a Presidential board thought would meet the case. It also introduced a cost of living clause into the industry for the first time and held out the hope of a yearly "improvement factor." In return, there was to be a three-year moratorium on demands for higher wages and changes in the rules.

The pattern was clearly that of the automobile industry's five year "peace treaty" with its workers and, because the negotiations were carried out under the supervision of Dr Steelman, an Assistant to the President, seemed to give official blessing to the very escalator clauses which are causing so much anxiety to the stabilisation authorities. In addition Congress, though reluctant to appear to reward the wildcat strikers, passed a Bill amending the Railway Labour Act to authorise union shop agreements permitted elsewhere.

The disgruntlement of the rank and file is due, in part, to the way the dispute has dragged on, and the knowledge that wage stabilisation is just around the corner. The railwaymen, once the "aristocrats of labour," have not had a rise for two years and feel this may be their last chance. In addition, though the 40-hour week they sought was granted in principle, it was postponed in practice because of the shortage of manpower. It rankles that engineers and firemen should be denied the leisure already enjoyed by a majority of the non-operating workers, clerks and so forth. Furthermore, the unions have no faith in Dr Steelman as an arbitrator in disputes over the rules.

But it is doubtful whether the unions can hope to wring a much more favourable settlement out of either the companies or the government. As long as the army is running the lines, which it took over in August, strike action is certain to be met by court orders, and there is no limit on the fines which may be imposed for contempt. Moreover, although the railroads' net income in the first 11 months of 1950 was \$662 million, thanks to rearmament, compared with \$352 million the year before, the non-operating unions are putting forward fresh claims which must be added to the \$130 million a year which it is estimated the Steelman agreement would have cost. The major railways are already asking for a 6 per cent increase in freight rates.

* * *

Electrical Storm

Sparks flew a few weeks ago when Mr Chapman, the Secretary of the Interior, publicly doubted whether there will be enough electric plant, existing and planned, to provide the power needed for the defence effort. Generating capacity, at the peak of the last war, was about 40 million kilowatts; it is now 65 million; by 1953 it is expected to be 86 million. The private companies, who in eight postwar years will have spent \$15 billion on expansion, suspect Mr Chapman of crying wolf to avoid any Congressional cuts in his department's public electricity schemes. Only a small reserve of capacity, about 10 per cent, is necessary, they say, with present pooling of power.

Even on the industry's figures, however, the 20 per cent reserve, which existed for the country as a whole at all times during the war, will not be reached for three years. At present it is 12 per cent and in the view of the National Security Resources Board this would prove an inadequate margin if war broke out. The position is, of course, much easier than it was just after the war, when the reserve fell to 5 per cent and "brownouts" had to be ordered; and infinitely easier than it is in Britain, where the "reserve" is a negative quantity. But the danger will not be entirely removed so long as demand keeps pursuing supply. At the end of the year weekly production reached 7 billion kilowatt hours for the first time, a full billion higher than a year

earlier, thanks not only to increased industrial consumption, but also to farm electrification, television, the inroads of electric cookers and water-heaters on the gas industry, and a multitude of other home appliances. Electric power is still perilously short in the north-west, which must supply the Hanford atomic installation and vital aluminium factories, and in the south-east, where the Tennessee Valley Authority is expected to need more steam facilities to supply new atomic developments. The regional needs for aluminium and magnesium expansion and for atomic projects, coupled with the belief that, under the stimulus of rearmament, the whole economy will continue to grow at a phenomenal rate, are behind the fears of government officials that the spectre of a power shortage—which has never quite materialised—may do so in the next year or two.

During the last war, when power in the north-west was so short that electric clocks ran slow as far east as North Dakota, new generating plant had to be sacrificed to war production. The industry can hardly count on escaping similar restrictions if war should break out again. But for the moment, it is being sheltered from all cuts in materials. Its requirements for aluminium conductors are to be met for the next three months without regard to the general reduction in supplies, and it may also be granted priorities for copper.

* * *

Money for Music

The Korean invasion, dashing the well-founded hopes that Congress would at last repeal the wartime excise tax on entertainments, also dashed the hopes of America's musical impresarios that they would no longer have to beg for their suppers. Both opera companies, which are few, and symphony orchestras, which are many, since no self-respecting city wants to be without one, are regarded as charitable institutions for the purposes of other kinds of taxation, yet they must all turn over 20 per cent of their receipts to the Federal Government. This brings the Treasury only about \$2 million a year, a sum that is hardly a ripple on the national budget, but on the musical sea would be a wave almost large enough to carry both operas and orchestras over the reef of their regular deficits.

In its 1949-1950 season New York's Metropolitan Opera Company showed a loss for the third year in succession and for the record sum of \$400,000, almost exactly the amount it paid in excise taxes, on a gross income of \$3,500,000. Its directors have just launched an appeal for \$750,000, three times as much as they wanted last year, to cover the costs of maintenance during the season now in progress and of new productions next autumn. If Mr Rudolf Bing, the new general manager, goes on as he has begun, those costs will be high, but his productions seem to be giving both musical and dramatic value for money. Many of the seasonal subscribers have made donations as well as buying seats and the latest appeal for funds was directed to those who listen to the Metropolitan Opera on the wireless.

The "Met" is not the only musical organisation which is trying to spread its losses among a large number of subscribers, now that there is a scarcity of the wealthy patrons who used to keep opera companies and orchestras as pets, and little sign that local governments can be induced to step into their shoes. In Seattle recently a "24-hour marathon appeal" was conducted from a shop-window amongst passers-by, to raise \$15,000 to keep the wolf from the local symphony's door. Louisville, Kentucky, has found a different remedy for the chronic hand-to-mouth complaint of its local orchestra. Instead of the big name and big fee soloists who are customarily engaged in order to attract audiences, new works are commissioned from contemporary composers, a policy which costs less and has turned out to be worth more in prestige. The money comes out of the Louisville Fund, which is a joint collection for the benefit of all the city's cultural activities.

THE WORLD OVERSEAS

Latin America and the Sinews of War

(By A Correspondent)

IN the heady political climate of South America *coups d'état* have blossomed as readily as bananas and revolutions as casually as coffee beans for 130 years. But so rapidly has peace gone to seed in the rest of the world that South America, for all its chronic political instability, has now emerged as the one area which is free enough from the threat of annihilation to be developed as a dependable source of the strategic raw materials which the western allies need so much.

Within the borders of the 13 South American countries lie hidden enough proved deposits of raw materials to keep the allies armed to the teeth, sheathed in aluminium and bristling with radar antennae for generations. During the last war South America, plus Mexico and Central America, supplied 100 per cent of United States' imports of antimony, bauxite, vanadium, and crude petroleum and more than half of its imported beryllium, copper, lead, manganese, molybdenum, tin, tungsten and zinc.

The mines of South America were first opened by the Conquistadores, who shipped gold and silver back to Spain as proof of the riches of the New World. But the base metals of the sea-roving sixteenth century are the precious metals of the industrial twentieth, and none are more precious than the reserves of copper ore, over 40 per cent of which are in the Republic of Chile. In one vast Chilean ore body alone, the Chuquibambata, there are thought to be 1,000 million tons of ore, averaging 2.16 per cent copper. In 1949 Chile produced 409,055 tons of copper in ore form and 386,611 tons on a smelting basis, second only to the United States. No less important are the tin reserves of Bolivia: when the Japanese over-ran Malaya during the second World War, Bolivia, with the aid of Nigeria and the Belgian Congo, provided the United Nations with all their tin. Bolivia mined 34,123 tons of tin in 1949. And the present frightening shortage of non-ferrous metals, which has forced the Ministry of Supply to restrict their use in the manufacture of some 200 articles, from the beginning of next month, focuses attention on Peru, which in 1949 mined 78,734 tons of zinc ore, as well as 72,043 tons of lead. Peru is also the world's largest producer of vanadium, used in the manufacture of steel.

For bauxite, the raw material of aluminium, the world has long come to Dutch and British Guiana, which produced 3,891,614 tons in 1949, about 45 per cent of the world's output. Brazil is making serious efforts to produce its own

primary aluminium, and an integrated aluminium plant with a high-speed rolling mill has been reported in the state of Sao Paulo. The mill can depend on assured bauxite deposits of 100 million tons. As for manganese, Brazil has as much as any other country in the world: in 1949 the Republic produced 149,896 tons. Bolivia is a major supplier of wolfram, source of tungsten, exporting 1,526 tons in 1949. And in the output of wool, certainly a vital war material, Argentina ranks second only to Australia, producing 475 million pounds in 1949-1950. During the same season, Uruguay, Brazil and Chile clipped another 237 million pounds between them.

Lack of Rubber and Coal

However, South America lacks at least two of the sinews of war, rubber and coal. Although natural rubber was first cultivated in Brazil the industry declined steadily, and all Latin America produced only 27,300 tons in 1949. South American governments are now spending about \$2,000,000 a year to encourage small farm production of rubber as a cash crop supplement to foodstuffs. Of the world's coal reserves, South America has about 1 per cent and that is of poor quality. But the continent makes up at least part of this deficiency with abundant supplies of oil; in combination with Mexico, it provides 20 per cent of world supplies, and Venezuela, which produced 69,012,000 metric tons in 1949, is the world's biggest exporter of crude petroleum. Some day the continent may be the world's biggest supplier of iron ore, for geological surveys have indicated rich deposits of ore in Brazil, perhaps as much as 25,000 million tons. Large scale exploitation of South American ore began last year, when the United States Steel Corporation announced the discovery of its fabulous "Iron mountain," Cerro Bolivar, 50 miles south of Ciudad Bolivar, in Venezuela. The mountain contains 1,000,000 tons of iron of almost theoretical purity, which the US Steel Corporation will use in its new mill, to be built this year on the east coast of the United States.

But the likes of Cerro Bolivar are not to be had for the asking. To put its ore on the ocean the US Steel Corporation will have to lay several hundred miles of railroad track, dredge river channels and build port facilities, at a cost of many million dollars. Such an outlay must be regarded as a matter of course in a continent where communications are still primitive and natural obstacles are overwhelming. Almost barren of coal, South America lacks the cash to develop hydroelectric power, for native capitalists have but lately been turning from the traditional practice of putting their money into real estate or conspicuous consumption. And a revival of intense nationalism has made it unlikely that any Latin American government will ever again offer its natural resources to the highest bidder: investment and development by foreigners are governed by a myriad of employment and currency restrictions, some prudent, some unreasonable. Just how this may be adjusted to provide for the maximum development of the continent as well as the defence of the western world will probably be a priority item on the agenda of the American Foreign Ministers when they meet in Washington on March 26th.



Three in Search of a Cease-Fire

WHEN the General Assembly of the United Nations adjourned for the holiday season last month, it entrusted its faint hopes for a Christmas peace to the care of a three-man committee, which was told to find some method of arranging a cease-fire in Korea. Last week, Sir Benegal N. Rau told the Assembly's Political Committee how, in the course of ten frantic days, these hopes had grown fainter, and were now at the point of death.

The committee was created by the Assembly on December 14th following a resolution by 13 Asian and Arab countries. Its members were Mr Nasrollah Entezam of Iran, Mr Lester B. Pearson of Canada and Sir Benegal Rau of India. After handing a copy of the Assembly's resolution to General Wu, the representative of the People's Republic of China, who was then in New York, the committee went to work on the unified command of the Uno forces in Korea. Within a day's time, the committee and the command had hammered out eight points which they both thought could be the basis of a satisfactory cease-fire. Among the more important points were: a 20-mile demilitarised zone extending across Korea north of the 38th parallel; withdrawal of all armed forces north and south of this zone; enforcement of the cease-fire by a United Nations commission.

Swiftly the committee moved on. To General Wu in New York and to his government in Peking, it sent identical notes, offering to meet the Chinese in any spot they chose, for a discussion of the conditions for a cease-fire. At the same time, the committee asked the People's Government to instruct General Wu to prolong his visit in New York. When he dismissed the cease-fire proposal as "a trap of the U.S. ruling circle," the committee tried to keep its foot in Peking's door by sending one last cable on December 19th promising that a successful cease-fire order would be followed immediately by a conference which would include the People's Republic and which would attempt to settle "existing issues in the Far East." After that, there was nothing left for the committee to do but wait.

It waited two days. On December 21st, Peking replied that the three-man committee was "illegal," because the People's Republic had had no hand in selecting it, and that its representative could therefore not deal with it. Two days later, Mr Chou En-lai, Minister of Foreign Affairs in Peking, slammed the door in the committee's face for good and all. The People's Republic, said Mr Chou, will "carry on no negotiations with the illegal" committee. As far as Mr Chou was concerned, the price for a cease-fire was no less than the removal of the United States Seventh Fleet from Formosan waters, withdrawal of "foreign" troops from Korea and a seat in the United Nations for Peking.

That finished the hopes for peace in 1950. Last week, Sir Benegal Rau read the committee's report to the Assembly, concluding with its regretful statement that "no recommendation in regard to a cease-fire can usefully be made by it at this time."

The cease-fire resolution now being put forward by the Israelis is not much different from previous proposals. It provides for an immediate cease-fire and for the gradual withdrawal of all foreign troops from Korea. It proposes that Korea should be united under a single government to be set up after free elections have been held throughout Korea under United Nations supervision. It also proposes that a new United Nations Korean Commission should be set up, with the Soviet Union and also Communist China amongst its members; that Peking's claim to membership of the United Nations should be favourably considered; and that a general pledge of non-intervention in the affairs of Korea should be taken.

A Russian View of Keynes

THE period of general crisis in capitalism inevitably shows itself even in the ordinary bourgeois political economy. The present reactionary bourgeoisie assigns a task to its hired scientific stooges, the basis of which is that the bourgeois economists, apart from their usual glamorising of the capitalistic order, have to invent and provide a variety of "remedies" and "improvements" of the capitalist system. Under the slogan of "fight against unemployment," crisis and other inevitable concomitants of capitalism, defenders of imperialistic bourgeoisie in fact try by various means to strengthen the shaky pillars of present capitalism, to strengthen the rule of a handful of monopolists over the people, and to increase the profits of the financial oligarchy at the expense of the workers' standard of living. . . .

This line of contemporary bourgeois political economy has appeared most clearly in the activities of the English bourgeois economist Keynes, author of the book under review*. It caused a lively reaction and became a typical gospel of the shameless defenders of imperialism, propagating the ludicrous idea of "directed" capitalism. Keynes's "work," which consists of false and considerably confused judgments presented in a charlatan manner as a so-called "general theory," is based on old, well-known, vulgar idealistic economic ideas. The complete ignoring of the political and economic realities of imperialism, the monetary conception, the corroboration of the supremacy of psychological factors over economical ones, the conscious twisting of the role of the bourgeois state—all these stupid and shabby ways of defending capitalism are lavishly used by Keynes.

Fraudulent Explanations

Keynes in his effort to "clarify"—but more likely to confuse—the problem of the causes of unemployment, stresses the thesis that unemployment is caused through lack of demand for products of personal consumption on the one hand, and lack of demand for productive goods or capital investment on the other. As far as the shortage of demand for consumer goods is concerned, Keynes explains it with his own invention, the "fundamental psychological law" that men are disposed, as a rule and on the average, to increase their consumption as their income increases, but not by as much as the increase of their income. . . .

If it is justified in bourgeois circumstances to ask how to make use of the increasing income, then it is clear that for the workers and all other working categories of the capitalistic society the problem of what they should spend their incomes on does not exist, because their incomes do not increase but on the contrary decrease, and are not sufficient to satisfy the most elementary needs. . . .

In the same fraudulent way Keynes "explains" the cause of the shortage of demand for productive goods or capital investments. The author's intentionally complicated and confused thoughts result finally in the statement that the shortage of demand for capital investment is caused by different dynamics of the development of profit rate and interest rate. According to Keynes the demand for capital investment decreases in the same ratio as the difference between the profit rate and the level of interest decreases, and this demand disappears totally when the profit rate reaches the level of interest or falls below it. . . .

An important place in Keynes's system is taken by interest. The basis of his "general theory" on money and interest is the statement that interest arises from the property of money

* A number of Russian economists have recently been rebuked in the Moscow press for an insufficiently critical attitude towards bourgeois economic thought. This article consists of extracts from a review of Keynes's *General Theory of Employment, Interest and Money*, which throws some light on the kind of view that is expected of a theoretical economist in Moscow. The article appeared in *Economic Questions* of January, 1950.

as such, without any connection with its function as capital. Keynes thus places the origin and essence of interest in an entirely wrong light. . . . He is carefully concealing the corruption and parasitism of contemporary capitalism which are leading to a lowering of demand for manufactured goods, because otherwise the false scheme which is the basis of his "explanation" of the cause of failing demand for capital investments and the increased unemployment which is connected with it would collapse. Keynes also "explains" crisis with psychological causes. . . . He explains the beginning of a crisis as due to a change from a mood of over-optimism by businessmen into a different mood of over-pessimism. . . . In the book under review, which was written shortly after the catastrophic shock which capitalistic economy suffered through the world economic crisis of the years from 1929 to 1933, Keynes had to admit that it was impossible to maintain one of the main principles of bourgeois political economy—the principle of *laissez faire*. He grudgingly admitted the inevitability of unemployment and economic crisis in so-called "uncontrolled capitalism"; giving a wrong explanation of the causes of their origin, Keynes at the same time maintained that unemployment as well as economic crisis can be removed by shifting over to so-called "controlled capitalism."

"Remedy" For Capitalism

Having explained this basic thesis, supported by a number of bourgeois economists and politicians from Fascists to Labour leaders, Keynes suggests a complete range of regulations, leading to a so-called "remedy" for capitalism, by the activation of the bourgeois state and its increased interference in economic life. Thus Keynes appears in the role of a convinced defender of state monopolistic capitalism.

It is important to note that interference in the economy by the bourgeois state can be carried out only on the basis of the laws of economic development peculiar to capitalism. Because, as explained by Comrade Stalin, the economy in conditions of capitalism is not in the hands of the state but, on the contrary, the state is in the hands of the capitalist economy, which is based on private ownership of means of production; the exploitation of one man by another cannot, therefore, develop otherwise than according to spontaneous natural laws. Interference of the bourgeois state, therefore, not only cannot alleviate capitalistic defects, as Keynes asserts, but on the contrary, makes them worse. . . .

Measures suggested by Keynes for the "liquidation" of unemployment and crises by direct government "control" of the demand for consumer goods, are of an abstract and extremely obscure nature. Not giving a thought to the raising of the standard of living of the working masses, because an orthodox bourgeois is only interested in constant lowering of this level, Keynes elaborates at great length the theme that the only source which could increase the demand for consumer goods is the support of unproductive consumption of any sort—as for instance the parasitic consumption of the ruling classes, increasing expenditure for armaments, keeping up of the redundant police bureaucratic state apparatus, etc. He cynically states that earthquakes, even wars, can lead to an increase of wealth. . . .

Keynes's programme of "improvement" of capitalism, which represents a masked attack on the standard of living of the working masses, was a very suitable theoretical basis for the pseudo-socialist theory and practice of the Labour Party. "Nationalisation" of individual branches of industry carried out by the Labour Government can serve as a good illustration of the real contents of Keynes's thesis, which says that it is desirable that a government should take on the complete responsibility for direct organisation of investments. It is known that such activity of the Labour Government is generally advantageous for monopolists because it brings about an increase of their profits at the expense of further attacks on the standard of living of the working masses.

The Labour Government eagerly carries out Keynes's idea that the most elastic way of increasing the exploitation of the workers is an automatic reduction of real wages by using inflationist methods widely; it announced the policy of "freezing" nominal wages while the prices of everyday needs increase systematically.

The Labour Government, repeating Keynes's demagogic prattling that it is desirable to reduce some inequality of wealth by carrying out an appropriate taxation policy, actually applies such a policy, which causes a considerable increase of indirect taxation, falling most heavily on the backs of the workers. . . . "Democratic socialism" of the Labourists is fundamentally a variety of "reactionary socialism" which Marx and Engels pilloried a hundred years ago as bourgeois.

It is quite clear that when Keynes entered the lists as defender of monopolistic capital, he had no intention of showing either the real causes of economic crisis and unemployment or the way in which they could be removed. It is known that the only way to get rid of crises, unemployment, poverty of the masses and all the concomitants of capitalism is: liquidation of capitalism itself.

But Keynes's programme of measures for the "fight" against crisis and unemployment is not only a Utopian dream. Though they are helpless against crisis and unemployment, this programme is of a practical value to the imperialists, for it shows a concrete way to strengthen the supremacy of monopolistic capital through increasing its profits at the expense of the standard of living of the workers. Further, Keynes's theory is suitable for the monopolistic bourgeoisie in so far as it can be used to distribute among vast masses of people illusions about the possibility of peaceful reforming ways, to show how to remove "shortcomings" of capitalism by the change to "organised" and "planned" capitalism.

The successes of the Soviet Union, a country of victorious socialism, and of the countries of people's democracy, refute Keynes's ideas better than anything else. Their experience proves convincingly that the cause of crisis and unemployment lies definitely not in people's "psychology" and "nature," as stated by Keynes, but in the intrinsic laws of capitalism itself. The socialist system of economy is a vivid proof that the only means for the liquidation of crisis, unemployment and the hardships of the masses is not the "improvement" of capitalism but the destruction of it and its replacement by socialism through a revolution.

Soviet Satellites Re-arm

A CHANGE in the relative strength of the armed forces of Yugoslavia and its Communist neighbours has taken place in the past six months. Up to July of last year it was almost certain that Tito's armies could withstand a simultaneous invasion of the armies of Hungary, Bulgaria and Rumania; today this is no longer a certainty. During the past six months satellite armed forces have been considerably increased; they have been trained and armed by the Russians, and their arms are being standardised. During the same period the Yugoslav forces have been engaged in more intensive training than usual, but no extra classes have been called up or retained with the colours.

In a speech to the Yugoslav parliament on December 28th Tito warned his own people about the extent of this satellite rearmament. He said that the total armed forces of Hungary, Rumania and Bulgaria now amounted to 660,000: 165,000 in Hungary, 300,000 in Rumania and 195,000 in Bulgaria. This figure is nearly 200,000 more than were under arms six months ago.

These numbers are obviously meant to cover total armed

forces—that is including security troops and armed police as well as air and (in the case of Bulgaria) small naval forces. It is probable that Tito quoted the outside estimates, but there can be no doubt that his figures are substantially correct. This rapid increase in satellite armies has been achieved by calling the normal classes (1928 and 1929) to the colours, plus an additional selection from other classes; at the same time the class that would normally have been demobilised this autumn has been retained in service. This means that their armies at present contain an unusually high proportion of trained men.

These figures do not include numbers for Albania, which has armed forces—army, security troops, frontier guards and militia—of between 40,000 and 50,000. The training and quality of these troops may not be high, though in the event of war with Yugoslavia they could probably be counted on for irregular mountain warfare and the invasion of the Kossovo region. They have considerable supplies of arms captured from the Italians during the war and are known to have received some Soviet equipment recently.

Jugoslav Weaknesses

Neither in his speech to parliament nor in private interviews recently has Marshal Tito shown any lack of confidence in Yugoslavia's ability to hold these satellite armies, even if they attacked simultaneously. Its total armed forces are still as they were last year about 400,000 (including army, security troops, militia, and the smaller navy and air forces), but about 800,000 to 1,000,000 men could be put into the field fairly quickly in case of an emergency. Reserve officers and men have been put through special refresher courses this summer and winter, and there is no doubt of the fighting quality of the Yugoslav army. The problem is their armament. Marshal Tito has revealed that he had insisted—and against opposition—on the expansion of Yugoslavia's war industries as far back as 1947, when the Five Year Plan was started. These have presumably been developed since then, but it is most improbable that they can do much more than equip the country's fighting men with small arms. Tanks on the model of the Russian T34 are now being produced, but it is certain that Yugoslavia's industry, working under great difficulties, cannot compete with the Soviet industries that are arming the satellites. Some arms have been ordered from firms in the west, but only on a very small scale. Even if the large amounts of heavy armament needed to guarantee security could be paid for, it is unlikely, in view of the rearmament that is going on in the west, that delivery could be got for some time to come. Tito is still refusing to accept arms from Britain and the United States. His view, echoed by most Yugoslavs, is that an invasion of all the satellites could be held, provided they were not aided by Russian troops.

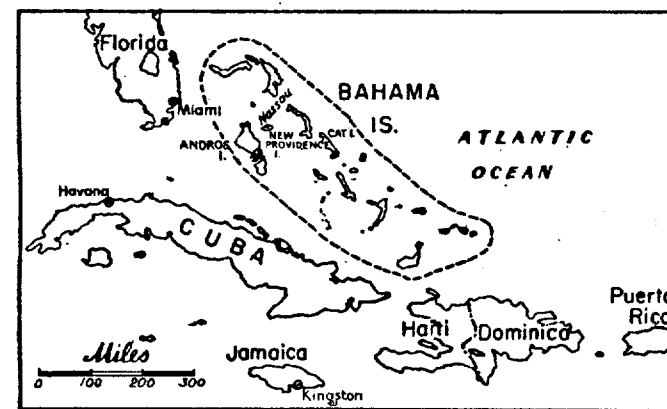
Even those who are not quite so confident point out that, against invasion from the north and east the Yugoslavs can first hold the frontiers, then if necessary the line of the Danube, and finally the Dinaric Alps, where Tito and his Partisan army waged successful guerrilla operations against the Germans for the greater part of the war. But this would mean giving up the whole of the Danube plain and the breadbasket of the country; in short, it would be tantamount to defeat.

With the turn of the year toward spring come the usual speculations as to the possibility of a Soviet-inspired satellite "liberation" of Yugoslavia. Is that the purpose of the recent increase in satellite armies? Or is it just part of the war of nerves against Yugoslavia? It may be part of a general policy to keep up political tension in Europe—or even just another example of rearmament in a dangerous situation such as now exists all over the world. It appears to be Moscow's policy to keep people guessing. Meantime, Tito has given his answer: no appeasement and, if invasion should come, a fight to the last ditch.

Agriculture in the Bahamas

[FROM A CORRESPONDENT]

ONE of the last schemes approved by Lord Trefgarne before he left the Colonial Development Corporation was one intended to increase very considerably the agricultural output of the Bahamas. The Bahamas, the Corporation points out, are still largely dependent on the United States for their food supply. Too many, it hints, of the dollars earned from the tourist traffic run back again in the purchase of food. If the Bahamas could be made self-supporting, so much the better for the sterling area. With this end in view the Corporation has purchased, for £470,000; an 8,000-acre estate on the island of Eleuthera. Its future plans include even more considerable developments on the island of Andros, the largest island in the colony, now having a population of no more than 7,000 (compared with 30,000 in New Providence). Soil experts report that these lands are likely to be as productive as similar areas in Florida, that they could provide crops for both the home and the United States market and enough maize, for example, for the whole of the Bahamas.



Optimistic forecasts of this kind are, today, bound to be received with reserve. The Colonial Development Corporation is not the Overseas Food Corporation. In its first annual report it was at some pains to make it clear, politely of course, that it shared neither the identity nor the methods of its sister corporation. Yet the development of food production in the Bahamas does raise all the problems of large-scale agriculture in tropical and sub-tropical lands with quite a few peculiar to itself.

The first is soil. The rock structure of the islands is somewhere between limestone and coral and exposed surfaces become very hard. They are also corrugated and the soil tends to collect in the shallow pockets between the corrugations, with the result that agriculture has either to be entirely a matter of hand work or must rely on some use of rock-crushing plant. Moreover, fertile as the soil may be, its fertility is soon exhausted. These problems may not be insoluble, but only with the expenditure of considerable capital.

The supply of labour should not be a problem, provided housing can be provided where needed, but its cost may be. With the decline in the sponge fishing industry, the coloured Bahamian has tended to seek mainly seasonal employment in the United States, and with success. But in the islands, the cost of living still tends to rise—even in 1949 it was 300 per cent of its 1939 figure—and wages have risen just as sharply. The Bahamas have now the highest cost of living in the West Indies. A third difficulty is transport.

There are no refrigeration ships plying between the islands and perishable crop must be sent by air.

By the standards of any European country—indeed, of any country ever likely to think in terms of self-sufficiency—the economy of the Bahamas is hopelessly out of balance. Here is a community of some 75,000 people, more than three-quarters of them coloured, scattered over some 700 islands spread over some 700 miles, and yet, in 1948, they imported goods and supplies to the value of £4,720,151 and exported no more than £551,920. In 1949 they had a revenue of £1,329,967 against an expenditure of £1,509,778, and yet they had finished the previous year with a surplus of £910,845. They have no fuel, no natural power, extremely few mechanical industries. Not only must they import all manufactured articles; they must also import flour, rice, milk, fats and beef, and yet, having no direct taxation, they raise three-quarters of their revenues from customs duties. The answer to the enigma is that the Bahamas, particularly New Providence island, is a tourist centre drawing its visitors from all over North America.

Income From Tourists

It is doubtful if anyone can calculate what the tourist business brings to the Bahamas. Since there is no direct taxation on income, a great many of the traders do not keep books. And, in so attractive a climate, why should not the Bahamian continue to believe that, as long as there is money in the world, an appreciable quantity of it will come his way? So far his fortune has held. The last thirty years began with the Bahamas as the centre of the trade in running liquor into a large area of the United States; the profits were considerable. When the war ended the tourist trade for the moment, the United States poured millions of dollars into the construction of an air base at Windsor Field in New Providence. Then the tourists returned, and provoked a housing boom. When that slackened, seven American companies began prospecting for oil. The British people have made a contribution through Mr Butlin and now the Colonial Development Corporation is picking up the cornucopia.

There are a great many Bahamians who think in those terms. They do not worry about dollar dependence for a great deal of what they buy from America they sell back to Americans at a vastly improved price. There are, of course, others who would be glad to see their islands made much more self-supporting by any realistic means. If it is economic to grow maize on Andros island—economic, that is, against the price of American maize c.i.f. Nassau—then they would agree that it is worth while. But the legislators of the Bahamas are never likely to tax imports of maize to keep its price in the island up to the Colonial Development Corporation's level of costs, nor are they ever likely to vote any subsidy to the Corporation out of their own revenues.

And there is no possible reason why the United Kingdom taxpayer should subsidise the untaxed Bahamian by footing any losses that the Corporation may make.

If large-scale agriculture in the Bahamas is to pay, it must produce a crop that can be exported and command a high price when exported, for a great deal of it will need to be flown to its markets. The Bahamas, free from frost, can sell to the United States and Canada fruits that those countries habitually eat, provided they deliver them at a time when the nearer or cheaper sources of supply are not available. A great part of the economic future of the Bahamas clearly depends on the air services available, and it is to be hoped that the Development Corporation will co-operate closely with BOAC, which controls the local Bahamas Airways as well as providing direct services to Miami and New York.

But the question remains; is, say, the large-scale production of maize in the Bahamas worth while when they lie so close to the American mainland and when the only barrier to the import of a full supply is the dollar shortage? There are those in the Bahamas who expect to live to see the day when the Governor and the Colonial Secretary are appointed by Ottawa, not Whitehall. Canada, they say, would like a place in the sun. They are anxious to remain within the Commonwealth, but very many Bahamians regard their inclusion in the sterling area as a gesture not intended to interfere with their habits and customs. Is it really necessary, they would say, to spend millions on drainage and the like just to grow maize, just to divert a few more tourists' dollars into the Bank of England? But, then, the climate of the islands is incapable of producing anything but a negative response to any suggestion of austerity.

Rumania Conforms to Communist Pattern

[BY A CORRESPONDENT]

IN Rumania the second year of state planning is drawing to a close. The report on industrial output during the third quarter of last year was in the usual percentage form and reveals little. But, like the end-of-term report of an indulgent schoolmaster, it conveys a soothing impression of progress. The first, grandiose, five-year plan, which begins this year, has been drawn up. The temporary period of the "new economic policy," when private and state enterprises coexisted, has passed. This east European country is now set on its course towards the Communist state. Although the Prime Minister, Dr Groza, is nominally still a member of the Ploughmen's Front, a small radical peasant party, the Communist walrus and carpenters have effectively con-



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sumed the socialist members of the governmental coalition. The policy which the Rumanian Government is now pursuing is almost precisely the one laid down in the programme of the Sixth Communist International in 1928.

The present plans for the industrialisation of Rumania, although doctrinaire and reckless, are, in many respects, sensible. The problem of agricultural overpopulation in a country where three-quarters of the total population live by the land is an old one. As a result of the small size of the average holding and of inadequate capital investment, Rumanian agricultural practice has, generally, been inefficient. Among east European countries Rumania is also exceptionally well provided with natural resources. Oil, methane, gas, coal, lignite and timber are all to be found as well as gold and non-ferrous metals in smaller quantities. Hydro-electric power can be cheaply won from the many rivers which run through Rumania. The vice-Premier, Mr Gheorghiu-Dej, recently announced ten-year plans for constructing 24 hydro-electric stations with a capacity of 764,000 kilowatts as well as 13 thermo-electric power stations with an output of over a million kilowatts. Before the war some progress had been made in exploiting these resources. But the present plans are a different matter. The reckless speed at which they are being pressed demands a phenomenal rate of capital investment. Official figures show that if the 1948 rate of capital investment equals 100 the present rate is 450. The 1950 budget claimed 145,000 million lei for capital purposes compared with the 210,000 million lei devoted to the supply of consumer goods.

With such a programme of industrialisation only foreign capital in considerable quantity could prevent an immediate depression in the standard of living. But Russia's help of this sort has been negligible. Instead of capital equipment its contribution to the joint Rumanian and Russian holding companies—the Sovroms—has been the provision of former German assets in Rumania and equipment claimed from the Rumanians as reparations and then forgone. In return the Soviet Union is securing substantial dividends and, in some cases, a monopolistic control over Rumanian industry.

Foreign Trade via Moscow

Since Rumania's foreign trade is equally tied to Russia's apron strings it is unable to export its normal surplus of oil and grain in return for capital equipment. Both bread and petrol are rationed inside Rumania. Details of the country's foreign trade are shrouded in secrecy but a large part of its production is reported to go to the Soviet Union for re-export. Grain, perhaps, finds its way to the west by this route. Oil—that lubricant of power politics—is urgently required by the Cominform countries. So, regardless of cost, the declining Rumanian oil wells are being exploited and new fields feverishly explored. Apart from the 1,500,000 tons retained for domestic consumption, all the annual production, now running at about 4,500,000 tons, goes to the Cominform countries. Except for Czechoslovakia and Eastern Germany they are in no position to supply Rumania with capital equipment.

Thus, deprived of its potential advantages and hampered by the loss of skilled technicians as a result of political purges, Rumania has faced the same problems during this second year of state planning as the other agrarian countries of eastern Europe. The problems are obvious enough. They are how to found and enlarge industries by drawing labour from the countryside while maintaining and increasing agricultural production; how to train the new industrial workers quickly so that there is no drop in productivity; and how to keep the working population co-operative, if not enthusiastic, in the face of the severe shortage of consumer goods that such a programme entails.

The policy of collectivising agricultural holdings has obvious advantages for Communist governments. It reduces the labour force required on the land, enables mechanical

methods to be introduced and increases the government's control over the peasants. During this year collectivisation, which began relatively late in Rumania, has quickened in pace. At the end of last year there were under two hundred collective farms. Now there are a thousand, excluding the 364 state farms which control two million acres. The pressure on the poorer peasants to join these collective farms seems, so far, to have been economic. What political compulsion there has been has come largely from the zeal of local Communist Party committees. The Government appears, at the moment, to be relying on the appeal of the tax exemption, credit facilities and other privileges enjoyed by the collective farms. The richer peasants have, of course, received no respite from the difficulties heaped upon them. Nevertheless, the bulk of the three million holdings in Rumania still remains in the hands of the small farmers and the Government has recognised the need to maintain their interest in selling surplus produce by increasing the amount of consumer goods available to them.

One inducement to rural workers to forsake the land is the higher wages and preferential rations granted to workers in the oil, steel and mining industries. But, since the Government's labour legislation in the summer, workers even in these industries have to work long hours to maintain a modest standard of living. For, in order to reduce the excessively high costs of production brought about by overtime payments and the payment of unskilled workers at skilled rates, the Government raised the normal number of working hours per week and prohibited payment for overtime. Extra wages are now given only to the record-breaking piece-workers. At the same time the accounting systems at the state factories, hitherto unbelievably slapdash, were overhauled and a tight central control is now exercised.

In order to be certain that the central economic plans are scrupulously followed, as well as for political reasons, a wholehearted weeding out of unreliable members of the Communist Party was recently completed. In the course of a year about a fifth of the membership was jettisoned. But the co-operation of the average non-communist worker is also required and the voluntary, unpaid, labour schemes need encouragement. So a theoretical extension of the powers of local governments is being planned. In the absence of material incentives the worker must be emotionally interested in the success of the state plans.

Whether this propaganda campaign succeeds or not it would be idle for the West to suppose that these plans for a Communist state will be discontinued or greatly modified. If persuasion fails force will be used. Decrees envisaging the compulsory direction of labour and penalties for inadequate work have already been drafted. Neither can the West expect any great disturbance because of dissatisfaction at the present standards of living. If conditions become dangerously onerous, Russia is likely to produce emergency supplies as it did when the Rumanian harvest failed for two years after the war. In any case, since the country has at least some industrial foundations on which to build, the plans may well succeed. Military considerations apart, the defection of Rumania from its position as a Soviet satellite is barely on the cards. It does not enjoy the geographical or emotional advantages of Yugoslavia. But if the tremors of revolt ever shake the outer marches of the Soviet empire they are likely to be caused less by economic discontent (many peasants were as badly off during the 'thirties) or by a hankering for the more polite forms of parliamentary democracy (which have not always shown to advantage here) than by a revolt against despotism and by chauvinism. The keen weapon of nationalism has always formed part of the Balkan armoury and, from dubious motives, many governments gave it a fine edge before the war. Temporarily hung on the wall, it may yet be taken down. To many Rumanians the loss of Bessarabia and Northern Bukovina, and Russian exploitation are greater mishaps than acceptance of the moral evils of Communism.

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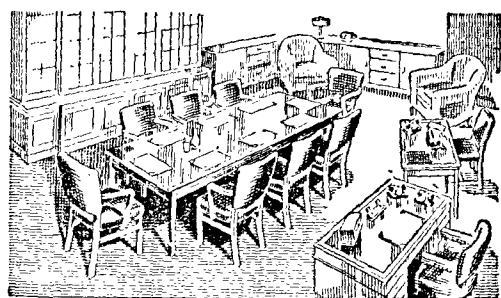
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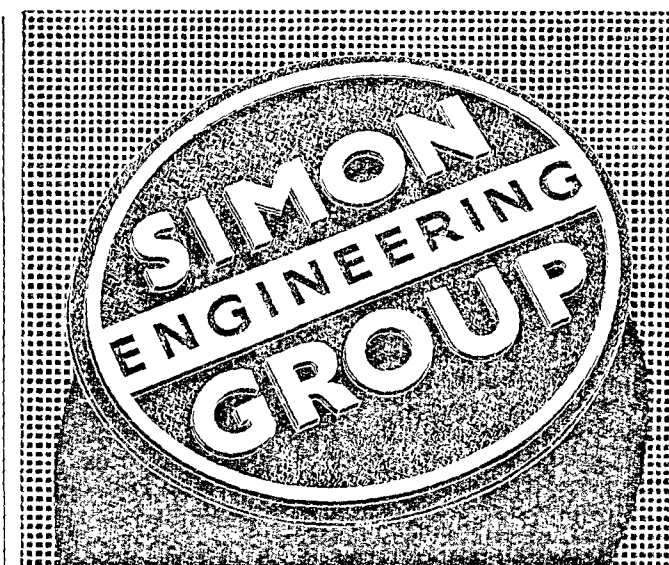
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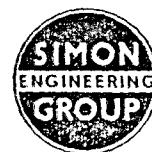
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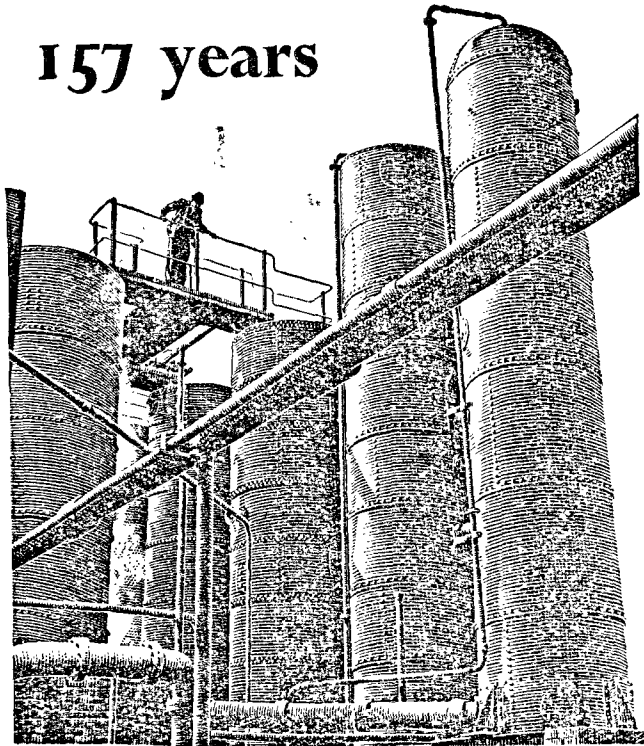
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Gold Snowball

THE improvement in the United Kingdom's gold and dollar reserves goes from strength to strength. In the last quarter of 1950 these reserves rose by \$544 million, a figure never exceeded in any comparable period in the past. Of this growth of reserves, \$398 million was the actual dollar surplus of the sterling area while \$146 million was the counterpart of ERP receipts. At the end of 1950 the reserves stood at \$3,300 million, a level that compares with \$1,688 million at the beginning of the year and with the low point of \$1,340 million touched on September 18, 1949—just before the devaluation of sterling that set in motion the train of events mainly responsible for the more permanent causes of this astonishing recovery in the reserves. As the accompanying table shows, the recovery has been both remarkable and progressive.

BRITAIN'S GOLD AND DOLLAR RESERVES
(millions of US \$)

Years and Quarters	Net Deficit (or Surplus)	Financed by					Reserves at end of Period
		US and Canadian Credits	Purchases from IMF	South African Gold Loan	ERP	Change in Reserves	
1946	910	1,130	...	...	...	+220	2,696
1947	4,121	3,262	242	...	...	-617	2,079
1948:							
I.....	591	342	88	322	...	+162	2,241
II.....	431	8	16	...	89	-321	1,920
III.....	304	...	...	...	161	-143	1,777
IV.....	376	...	25	...	431	+79	1,856
Total, 1948	1,705	350	129	322	681	-223	1,856
1949:							
I.....	330	30	32	...	324	+56	1,912
II.....	632	30	...	...	341	-261	1,651
III.....	539	29	...	...	284	-226	1,425
IV.....	31	27	20	...	247	+263	1,688
Total, 1949	1,532	116	52	...	1,196	-168	1,688
1950:							
I.....	+40	27	...	...	229	+296	1,984
II.....	+180	18	...	...	240	+438	2,422
III.....	+187	...	...	...	147	+334	2,756
IV.....	+398	...	...	...	146	+544	3,300
TOTAL, 1950	+805	45	...	...	762	+1,612	3,300

The progressiveness of the record from quarter to quarter, extending to the very end of the whole period of fifteen months, might not be sustained, however, if the figures were shown from month to month. If the \$398 million surplus in the past quarter could be segregated into monthly parts, it would probably be found that October provided the lion's share of the gain—perhaps about \$290 million—and that in November and December the rise, though continuing, was at a rate of something less than \$60 million a month. This declining trend results mainly from the fact that October saw the peak of that late summer madness, the expectation of an upward revaluation of sterling. The bulk of the consequential inflow of funds from North America and Europe—some of it speculative, some in anticipation of future commercial needs—was compressed within that month. The Treasury estimates

that, over the quarter, the net inflow of semi-speculative funds from North America may have accounted for one-third of the sterling area's net gold and dollar surplus of \$398 million, namely about \$130 million. This estimate does not necessarily contradict the impression of London bankers that in October alone some £100 million of funds, either in the form of "hot money" or in anticipatory commercial transfers, may have entered the London market—from all quarters. The reconciliation of the two estimates would be provided first, by the fact that some of the £100 million represented funds flowing in from non-dollar countries; secondly, some of the sterling acquired by overseas interests during October—advance of needs was used up to pay for imports during the last two months of the year. If that be so, then the deceleration in the rate of gold and dollar receipts during November and December can in large part be explained and no unduly pessimistic deductions need be drawn from that phenomenon—except, of course, that a similar influence may be at work in the current quarter.

The real rise in the sterling area's dollar reserve in the last quarter of the year was slightly greater even than the remarkable figure of \$544 million revealed in the Treasury statement. Over this period the amount of outstanding claims for dollar reimbursement by ECA of expenditure previously incurred by the British Government rose by some \$10 million to about \$77 million. The hidden dollar reserve represented by this lag between ERP expenditure and reimbursements has thus grown with the increase in the published reserve. The total of ERP aid allocated to Britain and not yet received—or, if allocated not yet reimbursed—amounts to about \$170 million. This will help the United Kingdom balance of dollar payments until well into 1952, but at a rapidly diminishing pace.

Until the detailed 1950 balance of payments figures are published, it will be impossible to determine exactly how the task of earning the sterling area's surplus of \$398 million was apportioned between Britain and the overseas members of the sterling area. Nor will it be possible before then to measure the rise in the gold and dollar reserve against the increase in Britain's sterling liabilities. The Chancellor of the Exchequer has, however, given rough indications of orders of magnitude on some of these points. The sterling area's net gold and dollar surplus for 1950 was \$805 million, compared with a deficit of \$1,532 million in 1949. Of the improvement of \$2,340 million, the Chancellor estimated that roughly two-fifths was attributable to reductions in dollar expenditures, one-third to increased earnings and the remainder to other factors, especially the reduction in gold and dollar payments to non-dollar countries—Europe has recently been losing gold to Britain through EPU and not taking it, as in 1949—and the already mentioned semi-speculative inflow of overseas funds. The Chancellor added that about half the improvement in

1950 was attributable to the United Kingdom. Of the balance, roughly three-quarters was accounted for by the rest of the sterling area and one-quarter by the reduction in payments to non-dollar countries (these last attributable both to the United Kingdom and to the rest of the sterling area).

Any suggestion that the rest of the sterling area had been doing more than its share in pulling the balance of payments of the whole area "out of the red," would, in any case, be invalidated by the Chancellor's intimation that the overall balance of payments of the United Kingdom in 1950 closed with a surplus of between £200 million and £250 million. The surplus for the first six months of 1950 was £52 million (actual) so that the surplus in the second half must have been running at an annual rate of between £300 million and £400 million. These are astonishing figures. They show that a considerable cushion has been built up against the further deterioration of the terms of trade and the loss of exports—in consequence of defence production—that must be expected in the coming year. The substantial overall surplus achieved by Britain suggests that if sterling liabilities have risen during the second half of the year—and such figures as are available indicate that they have risen—the increase in these liabilities has been much less than the accompanying increase in the gold and dollar reserves.

Needless to say, the uncertainties that lie ahead make

it difficult to project into the future the full optimism suggested by the 1950 achievements. Last year saw the culmination of the postwar recovery in Britain's overseas finances. Now we plunge into a new phase in which account will have to be taken of the impact of rearmament on industry and exports, of the continuing rise in the prices of imports, of the scarcity of raw materials and of the service of the American and Canadian loans—these loans, from the end of 1951, will be calling for annual payments of about \$170 million. In facing that prospect, the Chancellor of the Exchequer adopted a sombre, dour, bull-doggish mood. It is just conceivable, however, that this attitude may be proved a year hence to have been a shade too pessimistic. Sufficient weight may not have been given yet to the considerations that exportable dollar goods are likely to become much scarcer in 1951; that high commodity prices will weigh heavily on one part of the British balance of payments but, as in the past year, they will bring powerful reinforcement to Britain's invisible income; that the terms of trade may deteriorate less rapidly as British exporters learn to shake off the traditional sluggishness with which they adjust their selling prices, whether upward or downward. If due allowance is made for these possibilities, the prospects for the dollar balance of payments of the sterling area or for the overall balance of the United Kingdom do not appear quite as menacing as the Chancellor tried to paint them.

Steel in 1951

THE announcement by the Society of Motor Manufacturers and Traders that the production of cars might be cut by 15 to 20 per cent this quarter and that from Monday next "many companies would be able to work only a four-day week" seems to contain a note of alarm that had not, when the announcement was made, communicated itself to the bigger car makers. There are no doubt some things that can be done to ease the blow of a reduction of 15 to 20 per cent in deliveries of sheet steel to the industry. But imports of steel sheet have now dried up; there is no more sheet to be got from the United States or elsewhere. And the new mills at Margam will not begin to turn out their half million tons or more of motor sheet a year until the middle of this year. At the moment, the company mainly hit by the cessation of imports is Pressed Steel, which will have to go short by 1,000 tons (equal to 2,000 car bodies) a week until supplies of sheet can be increased from home production.

This is not a good start to 1951 for steel users, though it may still be questioned whether, if there had been abundant supplies of sheet, motor output would not have been affected by shortages of other things. It seems possible that 1950 will bring to an end, for the time being, the impressive expansion of steel output since the war. For 1947—the first year to witness the formality of an economic plan—the steel plants produced 12½ million tons of ingots and castings, thus exceeding the planned figure by a quarter of a million tons despite the fuel and power crisis in the early months of that year. Output last year was expected to be between 15½ and 16 million tons; the industry has surpassed the lowest estimate by a comfortable half million tons. The steel

industry has got into the habit of doing this and the country of expecting it. Now, it is virtually certain that when the British Iron and Steel Corporation takes up its shareholdings in the industry on February 15th it will be buying up an industry whose total output is no longer increasing.

This is a plain technical fact that has nothing to do with the merits of the case against nationalisation. If, by a last-minute conversion to supreme wisdom, the Government were to postpone the steel take-over, steel output this year would still be about half a million tons lower than it could be. Such a check to steel supplies may not be a fatal hindrance to the defence programme or to most of the export trades, but it adds another instalment to the tale of shortages that this year threatens the even flow of industrial production. The industry itself sees few signs of a positive shortage of general steels—though there are persistent shortages of particular products, including sheet and tinplate, that will begin to be remedied only when new plants come into service. There appears to have been a fall in orders for steel in 1949 and the first half of 1950 by about one-third. Thus by the time that steel allocation was at long last abandoned in the summer there was no doubt whatsoever that supply and demand were in reasonable balance. But steel has since been affected, like every raw material, by forestalling and stockpiling. A big increase of more than 50 per cent has become evident in orders for steel; in the industry's view, this increase has not been matched by an increase in the use of steel, but rather by a desire for increased stocks. Delivery dates are being pushed to six months and there are signs here and there of shortage and difficulty.

The prospect that home production of steel in 1951 is unlikely to exceed last year's output will have unfortunate consequences. It already means that exports of steel will have to be cut by half a million tons; as in coal, the immediate shortage is to be exported. If imports could be maintained (at about 700,000 tons), exports cut by 500,000 tons and 500,000 tons added to output by bringing in new capacity, there would be no great difficulty. But the British economy is witnessing, as it did in 1947, how shortage begets shortage in a period of hyper-inflation. Because too little coal is being raised, coal has to be imported from the United States; there is a sudden demand for a million tons of shipping sailing twenty-one days in ballast across the Atlantic; the iron ore trade from North Africa and Sweden is the first to feel the effect. By the end of 1950, the steel industry had been unable to obtain the shipment of 600,000 tons of iron ore; these shipments have been cancelled and lost, and there are bound to be further lost cargoes in the early months of this year. It has been difficult enough to place contracts for the 9 or 10 million tons of imported iron ore that the British steel industry needs, for German requirements are increasing (Germany has only one-third of the iron ore it could use) and the United States is taking 3,000,000 tons from Europe and North Africa. Indeed, iron ore seems to be oversold, and if shipping is not available to take cargoes when they are ready, the shipments are lost. Thus if the industry gets along by using up its stocks of iron ore now, it will have little or no chance of making up its ore stocks later in the year.

Thus a fall in pig iron production is expected fairly soon in certain centres, and there is little hope of any compensating expansion of pig iron output later in the year. This is inevitable if the threatened cut in ore imports reaches—as it threatens to reach—the best part of a million tons. But if iron ore is one of the worst headaches of the industry, it is not the only one. A shortage of iron ore and pig iron might in large part be made up by larger supplies of steel scrap. But instead of the 2,000,000 tons of scrap imported from Germany last year, the steel industry is expecting 1,000,000 tons in 1951; even that is not certain, for the only contracts placed are for rather less than half a million tons in the first half of the year. The loss of ore supplies means that this deficiency cannot be made good by an increased output of pig iron. Thus the campaign for larger collections of home scrap is a very necessary part of the industry's strategy in 1951. There are some odd contrasts in scrap policy. A high level of activity in

engineering and the steel-using trades automatically means an increase in circulating scrap, such as turnings and offcuts. But it does not automatically increase the amount of old scrap recovered—out of date machinery or demolished steelwork. That, so the industry believes, can best be got to the steelworks for remelting by public appeal rather than by price incentives. At first sight this belief seems to flout economic laws, yet the industry has done well in the past in getting its home scrap cheaply—at about £3 10s. a ton, compared with a delivered price of over £11 a ton for German scrap today.

To round off this tale of difficulty in obtaining steel-making materials, there is a shortage of coke (with stocks down to a week's supply) and in some iron smelting centres a shortage of labour. And there is an obvious threat of rising costs. In the past year, the industry has absorbed some heavy cost increases, particularly in respect of railway rates, ore prices and freights, and imported scrap. Now the cost situation is getting out of hand; in a mere six weeks ore freights from North African ports have more than doubled—45s. a ton against 21s. earlier this winter. Thus the coal crisis and the emergency shipments of American coal are having a serious effect on the assurance and cost of supplies of steelmaking materials, at a time when the pressure of defence orders is starting to make itself felt. To some extent these effects will be temporary—in the sense that the summer will ease some present difficulties, even though it may not prevent their recurrence next winter. But in large measure output of steel and of steel manufactures that is lost in the first quarter of 1951 will be output permanently lost.

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It is fantastic that to this crisis of production there must be added a crisis of organisation. What attitude will the Steel Corporation take towards the industry? It will have plenty to do in the technicalities of the take-over without sparing itself much time for a vigorous policy about the industry. It is not known to have such a policy, though individual members of the Corporation may well have ambitions as "reformers" of an industry of which they know little enough at present. Perhaps the best guess is that nothing very important is likely to happen to the industry this year apart from the transfer of securities on February 15th. In outline, the industry's structure is likely to remain what it is until the Corporation has acquired staff and ideas of policy—or until a change of Government radically alters the whole conception of public ownership of steel. Undoubtedly the

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Corporation as it exists at present cannot undertake the same range of functions as the British Iron and Steel Federation; it could not, for instance, be expected successfully to handle the allocation of steel if that step were to become inevitable. The relations between the two bodies have yet to be worked out. So has the question—not absent from the industry's mind at this late stage—of unscrambling the steel industry's eggs when

they are broken on February 15th. That it should be necessary to distract able minds from the urgent tasks of production in order to consider political issues of this kind is in itself the most drastic criticism that could be levelled against nationalisation of steel. There was never a more unnecessary political act, and it could not have been worse timed to add further confusion to the country's economic difficulties.

Business Notes

Britain's Overall Surplus

The trade figures for December, released almost simultaneously with the Chancellor's statement on Britain's economic experience in 1950, make it possible to attempt a provisional analysis of the overall payments surplus that the Chancellor announced. As an earlier article records, the Treasury experts estimate provisionally that the overall surplus in 1950 was between £200 million and £250 million, compared with a deficit of £38 million in 1949. During the first half-year, as the detailed White Paper issued a few months ago showed, there was an overall surplus of £52 million—comprising a visible deficit of £108 million and a net invisible surplus of £160 million. Comparable figures for the second half of the year will not be available for at least two months, but it is possible to make certain estimates from the published trade returns. There is a statistical difficulty in reconciling the trade figures with those given in the balance of payments since the two sets are computed on entirely different bases—the most notable difference being that imports are valued c.i.f. in the former but f.o.b. in the latter. But if it is assumed that the margins between the two valuations, both of imports and exports, were the same in the second half of the year as in the first, then it can be computed that visible trade between July and December showed a deficit of only £20 million. Indeed, between July and November, on the same assumption, visible trade was in balance and probably showed a slight surplus; the deficit balance and probably showed a slight surplus; the deficit in December alone amounted to some £23 million. For two if not three months in the second half of the year, Britain's visible trade earned quite an appreciable surplus.

Similar calculations indicate the approximate trend of the "invisible" items. A total surplus of £200-£250 million for the year implies an overall surplus of £150-200 million for the second half. If the deficit on visible trade was £20 million, as estimated above, this would mean that the surplus of invisibles in the second half-year was of the order of £170-£220 million, compared with £160 million in the first half. These calculations can be summarised as follows:—

	Jan.- June	July- Dec.	Year 1950
	£ mn.	£ mn.	£ mn.
Exports	1,042	1,170	2,212
Imports	1,150	1,190	2,340
Visible balance	— 108	— 20	— 128
Invisible balance	+ 160	+ 170/220	+ 330/380
Total balance	+ 52	+ 150/200	+ 200/250

The result is indeed encouraging; but for the record cost of imports in December, the year's surplus might have been over £20 million more. The December figures of imports, however, give an indication of things to come.

* * *

Worsening Terms of Trade

Devaluation necessarily worsened British terms of trade, and the sharp and almost continuous rise in world commodity prices since June has accentuated that deterioration. The Chancellor said that "practically all the increase of

some £400 million in our import bill in 1950 compared with 1949 was attributable to higher prices"—in terms of sterling. The rise in export prices during the year added only about £100 million to Britain's receipts, so that the deterioration in the terms of trade has cost Britain something around £300 million during the year. In 1951, the volume of imports will certainly have to be expanded—if the supplies are physically available. Last year the volume was almost the same as in 1949, and a high level of industrial activity was maintained only by running down stocks. It is evident, therefore, that the total bill for imports is likely to rise very steeply during the current year, since the full effects of the recent rise in world prices of primary commodity prices have not yet been felt in the balance of payments.

Much depends, therefore, upon whether the total value of exports can be raised above its present high level—despite the impact of defence orders upon Britain's principal export industries. Vehicles contributed nearly one-fifth of the increase in the value of exports last year; machinery brought the proportion to one-third; and these two groups, together with iron and steel, non-ferrous metals and electrical goods, accounted for no less than one-half. Exports of wool textiles increased significantly and so did the sales of whisky and refined sugar, but exports of cotton yarns and manufactures actually declined. Coal exports earned slightly more than in 1949, but are likely to be quite drastically reduced in 1951.

If the prospects for expanding total exports this year are not very bright, those for developing Britain's export trade with North America are certainly better. Total British exports to the United States and Canada last year amounted to \$669 million, a rise of 34 per cent compared with 1949. In fact North America took 11 per cent of the total against 8 per cent in the previous year. Exports in December to both countries were slightly lower than in November and October, but the total for the fourth quarter, \$211 million, was well above the average of \$153 million for the preceding three quarters. Over the year, exports to Canada rose by 19 per cent, while those to the United States rose by over 50 per cent. This experience has at least shown that if British exports can maintain their present price advantage, they can enjoy an expanding market in North America.

* * *

Bank Profits in 1950

To judge from the published figures, 1950 was a distinctly more profitable year for the big banks than 1949. As had been expected, each of the seven largest banks has maintained its dividend, and all save one report larger earnings. The exception is the Midland Bank, which this year, as last, shows a decline in published profits by roughly 1 per cent; it is known this bank has recently set up an internal fund to provide for future pensions, and it seems reasonable to suppose that this explains the absence of an increase in the disclosed profit. As will be seen from the accompanying table, aggregate profits of the seven banks rose in 1950 by £207,000 to £9,893,000, and about half this increase was attributable to Barclays Bank, which gained 5.7 per cent. In 1949 the aggregate gain was only 0.5 per cent, but in 1950 it

rose to 2.1 per cent. The relative profitability of the two years is probably better indicated by this comparison than by the absolute figures, for there is little doubt that earnings in 1950 must have permitted larger transfers to inner reserves—quite apart from the fact that in 1949 those reserves had to face substantial strain for the purpose of providing for depreciation on investments.

Although in 1950 the clearing banks experienced an even smaller expansion than in 1949 in the resources at their disposal—net deposits over the first eleven months of the year averaged only £30 million more than in the similar period of 1949—they benefited substantially from a further rise in the average level of loans and advances, always their most remunerative asset. These showed an average increase of £166 million over the eleven months—a

BANK PROFITS, 1947-50

Bank and Dividend	1947	1948	1949	1950	Change in 1950
Barclays (14%)	1,637,706	1,879,943	1,866,279	1,971,834	+5.7
Lloyds (12%)	1,635,612	1,674,329	1,709,276	1,761,603	+3.1
Midland (16%)	2,002,570	2,025,728	2,006,414	1,987,320	-1.0
National Provincial (15%) ..	1,347,929	1,383,387	1,413,126	1,454,811	+2.9
Westminster (18%)	1,391,076	1,431,532	1,460,557	1,471,031	+0.7
"Big Five" Total	8,014,893	8,394,919	8,455,652	8,646,599	+2.3
District (181%)	503,796	525,432	504,880	513,168	+1.6
Martins (15%)	711,931	719,520	725,170	732,895	+1.0
"Big Seven Total"	9,230,620	9,639,871	9,685,702	9,892,662	+2.1

gain of 11.5 per cent compared with one of 9.1 per cent in 1949. Against this, the Treasury's policy of switching its floating debt borrowings from Treasury deposit receipts to Treasury bills (which yield $\frac{1}{8}$ per cent less) and the reduction in the total of these borrowings involved the banks in a moderate loss of income. It is evident, however, that the net increase in asset earnings, combined with the increase in revenue from commissions (in consequence of the greater activity of bank accounts in general) must have comfortably covered the increased payments to bank staffs and pensioners. If, therefore, it can be presumed that the growth of miscellaneous revenues—from overseas business, stock exchange and trustee work and the like—was sufficient to provide for the rising tendency of all general charges, there must have been a perceptible increase in true net trading profits. The banks are clearly wise, however, to be increasing their provisions at this time. The high level of commodity prices clearly increases the risk of eventual bad debts; there may yet be new shocks in the gilt-edged market, despite its present buoyancy; and there looms ever nearer the shadow of very large liabilities for staff pensions when the "bulge" in age-distribution begins to exert its inexorable effect upon retirements.

* * *

Psychology and Candles

Although impressively equipped with figures showing the potential savings of coal if consumers turned out one light in ten or put the lids on boiling saucepans, Mr Noel-Baker last week was unable to give any estimate of the fuel saving that would be brought about by the one measure he had himself taken—banning the use of all forms of fuel (down to candles) in shop windows and advertising signs. Neither the Ministry of Fuel and Power nor the British Electricity Authority is prepared to guess at the material value of this ukase (concerning which the *Daily Herald* had shown significant prescience). The official view is that some saving, however small, is effected, and that in any case general appeals for economy would not be taken seriously if the one form of unessential electricity consumption that can practically be stopped by regulation should not be. A cruder example of this "psychological approach," Sir Patrick Dolan's blustering ultimatum suggesting that if Englishmen were allowed to see midweek races Scots might

waste fuel, had already passed without the snub it deserved.

More positive measures to reduce fuel consumption during the next few months are now being decided upon. These include general cuts in coal allocations (rough priorities are already being observed in supplying public utilities and industry), that involve reduction of marginal railway services and may mean reductions in street lighting and lower supplies to domestic coal merchants.

Publication of the year's provisional figures, meanwhile, has made it possible to trace the pattern of 1950 consumption, which in total was 219,543,000 tons, five million tons greater than in 1949 and a million and a half tons higher than the 1950 *Economic Survey* had estimated. The largest absolute and proportional increase in consumption was by the electric power industry, which took nearly 10 per cent more coal than in the previous year (to meet a total demand that during part of 1950 was rising at an annual rate of 12 per cent, or twice the normally assumed rate). Industrial consumption rose by about 4 per cent compared with 1949, a conspicuous exception being the iron and steel industry, which consumed no more coal than in the previous year. Domestic coal disposals by merchants rose by 5 per cent to 30,190,000 tons, some part of the increase being possibly due to last year's official encouragement to householders to stock their cellars early and to prompt purchasing once the alarm about coal started. The debit side of the equation is seen in final export figures for the year; after all the hopes and promises of the spring, and the confidence placed in a large financial return from them, exports amounted to 17,082,000 tons, much below those of 1949 and five million tons lower than the original bounding estimates.

* * *

Washington and Raw Materials

The negotiations in Washington about allocations of raw materials have produced a plethora of plans and counter-plans sufficient to bewilder even the negotiators. When this issue of *The Economist* went to press, every effort was still being made to reach an agreed formula that could be presented to the Council for the Organisation for European Economic Co-operation when it meets this week-end. So far, it has apparently been agreed that a small executive group, consisting of Britain, the United States and France, should be set up in Washington, and that a series of commodity groups should be set up under its wing. There was, however, no agreement about which countries will be represented on these commodity groups, though it has now been accepted that producers and consumers will sit jointly on them. There is no suggestion at this stage of an international allocating body, but it is hoped that some organisation will be set up that will ease bottlenecks as they arise, and that will use powers of cajolery rather than of control to ensure that adequate supplies of vital materials are available for the combined defence programmes of the North Atlantic powers.

An indirect result of the Washington talks is the United States' decision not to purchase any more zinc for its stockpile in the next six months. The immediate effect of this action is unlikely to be startling. The stockpile authorities have already purchased substantial tonnages of zinc for delivery in the first half of 1951, and these contracts will not be affected. But the decision does mean that no spot purchases will be made by the stockpiling authorities before July and that no new contracts for delivery in the second half of the year will be signed during this period. As civilian consumption in the United States has already been cut back by 20 per cent, the squeeze in supplies should be lessened for a time at least. Unfortunately, however, the chances of Britain's getting appreciably larger supplies may not be great, unless the United States Government takes special action. Stocks of zinc held by American smelters at the end of December amounted to less than 9,000 tons compared with 94,220 tons at the beginning of 1950. It is true that American manufac-

turers are now forbidden to hold stocks of zinc in excess of the "reasonable demands" of their business, but if supplies become freer, it would not be surprising to find that "the reasonable demands of business" increase with them. If Britain wants zinc from America, it may, therefore, have to compete not only with other foreign buyers but with American consumers, and it may have to pay grey-market prices. Some reports have suggested that the Ministry of Supply hopes to buy 15-20,000 tons; purchases on this scale would improve the Ministry's stocks but they would certainly not be enough to permit a rescinding of the cuts on civilian consumption already announced.

* * *

Chilled Beef from Argentina

Argentina's latest offer to overcome the meat deadlock was a sensible one, and deserved more serious consideration than it seems to have received from the Ministry of Food. Argentina suggested that it would be willing to accept £97 10s. a ton for frozen beef—the last offer from Britain—on condition that Britain also took a substantial proportion of chilled beef at a much higher price. The presumption was that chilled beef might be handled by private trade and sold off the ration at the full price. The British authorities have neither rejected nor accepted the offer. They have merely asked, rather diplomatically, for further clarification, though they have made it clear that if chilled beef were purchased it would have to be sold on the ration.

Before the war British imports of Argentine beef were almost entirely in the chilled state. The quality of this beef was claimed to be almost as good as home-killed beef, but it could not be stored, and the whole Argentine meat trade was organised virtually on the basis of sending prime chilled beef to the British market for quick distribution. During the war when shipping was subject to serious delays, the British Government had to demand frozen rather than chilled beef from Argentina, and it has continued this preference since the war. It would not be easy to sell chilled beef off the ration, since once cut up it could not be readily distinguished from, say, home-killed beef. But it would seem possible for the Ministry of Food to adapt its system of distribution to include chilled beef in the ration; delivery could be made ex-ship if necessary, a method often used in time of emergency for various commodities.

If the principle of reverting from frozen to chilled beef is accepted, the main point of disagreement between the two countries will again be the price. Chilled beef will undoubtedly cost more than frozen, but even at £140 a ton Argentina would still be receiving much less than British farmers. Bulk buying and selling, food subsidies and pre-occupation with the cost of living are combined in a fiendish way to prevent trade and to deny the British consumer (who can afford to pay for what he wants) an addition to his food. The British Government, quite rightly, thinks that it should not increase the cost of the subsidies; it also thinks, quite wrongly, that the British public should not pay more for its meat. The British housewife is at present being grossly overcharged for inferior—not to say inedible—ewe mutton; if she were given the opportunity, would she not jump at the chance of paying extra for prime chilled beef? The meat ration was originally designed to allow higher prices to be charged for better quality. But nowadays the doctrine of fair shares has been stretched to mean that everybody must be able to buy chilled beef as cheaply as ewe mutton or that everybody must do without.

* * *

Sellers' Strike in Silver

The last ten days have been eventful for the world silver markets. On Friday of last week the New York market was faced with what amounted to a sellers' strike. The usual Mexican and others sellers in the market refused to part with

their silver at the price of 80 cents per ounce that has ruled in New York since the last week of October, and asked for the privileged domestic price of 90 cents per ounce instead. The New York market was apparently unable to deal with this situation as it arose; there was some uncertainty whether an increase in the price of silver could be reconciled with the Stabilisation Board's edicts against increases in commodity prices. No price was fixed on Friday and no business was transacted on that day. After a week-end of study, the sellers gained their point. Last Monday, therefore, the New York price for imported silver was raised to 90 cents, the figure that, by existing legislation, must be paid for domestically produced silver sold to the United States Treasury. It remains to be seen how long the powerfully entrenched silver bloc in the Senate can tolerate a situation in which imported silver is quoted at the same price as domestic silver. It may be only a matter of weeks before fresh legislation is introduced into the new Congress, in the hope of securing another increase in the price paid to the highly subsidised and protected domestic industry.

In London the official price fixed by the Bank of England was automatically adjusted to the rise in the New York price. Since Tuesday it has, therefore, been maintained at 78½d. per ounce for spot and forward, compared with the previous quotation of 70d. There was, however, an awkward hiatus on Monday when the official price in London had to be left at 70d. pending receipt of news about New York's second thoughts. The incident illustrates the shortcomings of the present practice under which London delegates all power of initiative in fixing the price of silver to a market that does not always respond immediately to the challenge of unexpected or out-of-the-way events.

* * *

Rise in Free Gold Price

The rise in the free market price of gold, which set in last July, has also gathered momentum recently. The price in Beirut, which was still around \$38½ in the early part of December, has now risen over \$44 per ounce. Beirut is now the principal market; it is from there that gold makes its way throughout the Middle East and begins its perilous journey, via the shores of the Persian gulf, to the forbidden markets of India. The striking feature of the recent rise in price has been the market's ability to absorb considerable offerings. The main sources of the increased supply have been the so-called "fabricated" South African gold, production from the Belgian Congo (sold through the open market in Brussels), sales by the Bank of France (which are difficult to reconcile with International Monetary Fund regulations) and the usual trickles of gold from South American republics.

Against this, however, European demand for gold for hoarding purposes has increased considerably with the growing international tension and the prospect of further inflation and currency depreciation. And Communist China, which disgorged a great deal of gold during the first half of 1950, is beginning to show some signs of absorbing the metal again, despite import embargoes and compulsion to disclose private stocks; some gold has begun to flow back to the mainland through Hongkong and Macao. The rise in demand for gold as a hedge against inflation accords oddly with the fact that while most other commodity prices have been soaring, the official price of gold has necessarily remained stable.

* * *

"C" Licence Vehicles

The noise about the increase in the number of "C" licence vehicles and the fears of Labour members of Parliament that the growth was undermining the road transport provisions of the Transport Act ought to be much diminished by the latest figures issued by the Ministry of Transport. It has been commonly alleged that, in order to avoid



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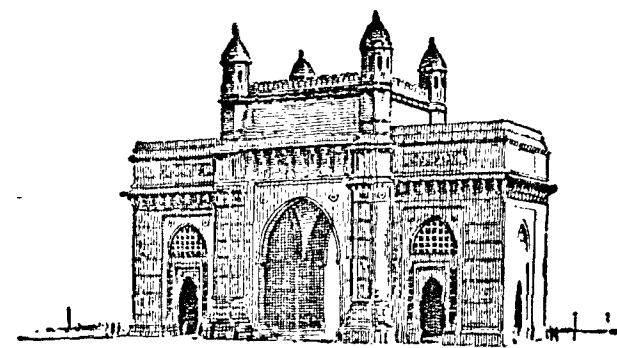


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LIABILITIES	
Capital paid up	£4,160,042
Reserve Fund	4,260,042
Current, deposit and other accounts (including Profit and Loss Account)	303,741,647
Acceptances and engagements on account of customers	29,892,128
	£342,053,859
ASSETS	
Cash in hand and at Bank of England	£24,584,821
Balances with, and cheques in course of collection on other banks in the British Isles	16,732,148
Money at call and at short notice	38,745,251
Balances with banks abroad	601,777
Treasury Bills	52,900,000
Treasury Deposit Receipts	22,000,000
Bills discounted	3,425,327
Investments	74,531,115
Advances to customers and other accounts	74,809,980
Trade Investments	427,387
Bank Premises	3,403,925
Liability of customers for acceptances and engagements	29,892,128
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using the services and contributing to the revenue of the Road Haulage Executive, many companies have set up their own transport fleets of "C" licensed vehicles. These licences are issued without restriction to traders solely for the carriage of their own goods, and the large increase in their numbers has been cited by many political supporters of transport nationalisation as a direct cause of the failure of the Road Haulage Executive to develop its long-distance road haulage business as fast as had been hoped.

The facts and figures issued by the Ministry of Transport last week show in fact that "C" licensed vehicles barely compete at all with long-distance traffic. A sample survey covering one-sixth of the total number of "C" licence vehicles in selected areas throughout the country revealed that more than 50 per cent were engaged wholly in retail delivery and other local work within a radius of 25 miles. The survey also showed that 82.4 per cent operated wholly within a radius of 40 miles. It is pointed out that a number of factors have affected the growth of "C" licences. Retail deliveries, for example, which largely stopped during the war, were revived; horse-drawn vehicles have been replaced by lorries and vans; and all kinds of small tradesmen have given up their barrows and tricycle carts for light vehicles. The introduction of red petrol also led to many applications for "C" licences for converted private cars and utility vans. The increase in "C" licences—708,000 in September, 1950, against 487,000 in December, 1947—very largely represents the change and expansion of local delivery methods and only to a small extent is it the result of any growth of private, long-distance traffic.

* * *

The Strike at St. Pancras

The unofficial strike of about 1,000 goods workers at St. Pancras station is an unpleasant foretaste of the troubles that the Transport Commission's plans for integration are already beginning to meet. The men struck because goods that used to be sent from London to Glasgow by road are now collected and delivered by employees of the Road Haulage Executive and sent by rail from St. Pancras. They say that if this practice continues, they are likely to become redundant, and they are threatening to spread the strike to other depots where similar schemes have been introduced.

There are obviously no grounds for the redundancy argument. The traffic concerned did not previously go by rail, and the railway goods workers are not being deprived of any work that they had before. The National Union of Railwaymen, to which the strikers belong, is, fortunately, against the strike—it has come at a bad moment for them in the railway wages enquiry—and they have tried to persuade the strikers to return to work, but so far without success. It is this sort of baseless and irresponsible action on the part of the workers that is perhaps the largest single obstacle to any integration schemes in the transport industry today. The unions were consulted about the new schemes and consented to them before they were started; there was no excuse for striking. Is it impossible to enforce some measure of discipline, some adherence to agreements that have been fairly and properly negotiated?

* * *

United States, the Largest Importer

A major change in the pattern of world trade took place in 1950: for the first time in history, the United States ousted Britain as the world's largest importer. Imports into the United States (reckoned in U.S. dollars) have been larger than imports into Britain in each month since October, 1949, except last April, and even in that month it is probable that American imports were actually higher than British, since American import figures are given on an f.o.b. basis whereas British imports are shown c.i.f. The prime cause for this change was the devaluation of sterling.

The trend in 1950 has been significant. American imports in the third quarter (the latest for which figures are available) were exceptionally large and there is reason to believe that this rate was more or less maintained during the last three months of the year. In August, imports into the United States actually exceeded total exports; that was an isolated example, but the general trend of rising imports and declining exports is unmistakable. For the year 1950 as a whole, American imports may well have exceeded \$8.5 billion compared with \$6.6 billion in 1949 and \$7.1 billion in 1948. On the other hand, exports from the United States may

TRENDS IN BRITISH AND U.S. TRADE
(millions of U.S. dollars)

	United Kingdom		United States	
	Exports	Imports	Exports	Imports
1948:—Total	6,635	8,375	12,653	7,124
1949:—Total	6,829	8,425	12,042	6,622
1950:—				
January	501	563	743	623
February	451	509	770	600
March	535	620	864	664
Total	1,495	1,692	2,377	1,887
April	436	592	806	583
May	528	640	828	659
June	510	668	876	685
Total	1,474	1,900	2,510	1,927
July	528	631	774	709
August	551	603	761	819
September	506	543	910	858
Total	1,585	1,777	2,445	2,386
Total—Nine Months ..	4,554	5,369	7,332	6,200

have been no higher than \$10 billion against \$12 billion in 1949 and \$12.7 billion in 1948.

It remains to be seen whether this development can be regarded as a permanent feature of world trade. The United States will no doubt in future be a larger importer and a smaller exporter than in the past. But the high rate of imports in the past six months has been largely due to American stockpiling of raw materials and semi-manufactures. The United States will remain a large importer as long as it maintains a high level of industrial activity, but the impact of defence on the present level of output must not be minimised. In the past six months large American imports have alleviated the dollar problem and have created further problems in turn, including a world wide shortage of raw materials.

* * *

Helping Hand to Germany

Britain has acceded to the request made by the Organisation for European Economic Co-operation to help Germany solve its critical deficit with the European Payments Union. The Federal German Government has already taken certain emergency steps to check the rapid depletion of its foreign exchange reserve, but it was recognised by OEEC that German measures alone would not be adequate and that other member countries must buy more German goods. The British Government has thus decided, first to allow Germany to extend for a further three months up to March 31, 1951, the six-monthly period for licensing imports from Britain and the colonies, and secondly to increase by 50 per cent the quotas granted for import of German goods in the six months July 31st to December 31, 1950, allowing any unfulfilled quotas to be carried forward into 1951.

This 50 per cent increase is temporary, but it represents an addition to any quotas agreed for 1951. British importers, it seems, have already placed fairly large contracts for cheap German textiles and they are also expected to buy pianos (apparently only a few), chemical, and certain metal goods, including toys. German sausages, ham and ducks are also

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said to be on the list of increased quotas, but a proposal to send fresh mutton to Britain fell through as the meat did not conform to the strict hygiene regulations enforced by the Ministry of Health.

On the face of it, the bargain seems to be rather one-sided. During the past six months Germany has been buying large quantities of sterling area raw materials, particularly rubber and tin, and has not found it unprofitable to build up stocks of raw materials. To assist in the financing of these unusually heavy purchases, Britain has agreed to import more German manufactures. But if the deal enables Britain to get, as certain reports have suggested, at least 600,000 tons of steel scrap with a possible additional quantity to be agreed later, it would be worth the cost.

* * *

Castings for Cars

Since it uses high-purity zinc which is less scarce than any other grade, the zinc-alloy die-casting industry is for the moment less severely affected by shortage of material than are most other direct consumers of zinc. Nevertheless, the Ministry of Supply is allocating to the die-casters 15 per cent less than average deliveries of high-purity zinc in the first nine months of last year, and the industry, which has recently been using more than that average, has little scope for technical economies. It would be impracticable to substitute aluminium for zinc while still retaining an alloy suitable for use with the industry's present equipment; in any case, aluminium is no more abundant than zinc. Therefore the full extent of the reduction in zinc will presumably be reflected in its supplies to customers—of which the most important, taking some 70 per cent of its output, is the motor industry.

The industry has grown considerably since the mid-thirties, when it first began to make full use of the improved die-casting alloys developed a few years before. These offer quick production of fairly intricate shapes that need little subsequent machining; since zinc die-castings became available, the motor industry has increased its use of the metal, partly at the expense of brass, for radiator grilles, handles, and other external fittings often later plated, as well as for carburettors, dynamos and other small, intricately-formed components. Other important products of the industry are electrical fittings including switchboxes and conduits, parts of domestic equipment such as wringers and lawnmowers, hardware, and light engineering parts such as gears for lathes. Most of the items are small, a great majority of them weighing less than a pound; few machines are designed to cast products weighing more than 20 lb., and the largest currently being turned out is a 17 lb. radiator grille for a popular mass-produced car. Die-casting itself is a mass production technique; owing to the fairly high cost of the steel dies or moulds, it is seldom worth using for an item of which less than five to ten thousand are needed.

Some 450 firms have die-casting machines, but many of them use the equipment only occasionally. Rather more than half by number produce entirely for sale, while most of the remainder, including several motor component makers such as Joseph Lucas, produce the castings for their own finished motor parts. In 1938 the industry was using 13,000 tons of zinc a year, while in 1942 this rose to 52,000 tons; in 1950 the consumption was just over 30,000 tons, of which two or three big firms used 3,000 to 5,000 tons apiece, while a fringe of nearly 300 used less than 10 tons a year; in fact, some 5 per cent of the die-casters use 80 per cent of the total alloys the industry consumes. Their customers, rather than die-casting firms themselves, may in coming months be seeking substitute materials; with brass equally short, these are not easy to adopt, since plastics may be restricted in their applicability, while cast iron, which cannot be formed so accurately and requires considerably more machining, is itself scarce.

Cotton and Rayon in 1950

Final figures for the output of the cotton and rayon industries in 1950 will not be ready for some weeks, but preliminary estimates for both industries show increases on 1949. The combined output of continuous filament and staple fibre will probably be between 370 and 375 million pounds compared with 288.8 million in 1949. In the cotton industry, the output of yarn is likely to be between 5 and 6 per cent higher than last year, when production of single cotton, spun rayon and waste yarns was 989.8 million pounds. Production of cloth is likely to show an increase of 7 to 8 per cent above the 1949 total of 2,591 million linear yards. Much of this increase is due to the extra 10,000 workers recruited during the year, while the rise in rayon production comes from new capacity. Extensions to a number of plants were completed during the year and Courtauld's new plant in Northern Ireland, where the American continuous spinning process is being used, started to come into production during the summer.

It seems unlikely that either industry will maintain its present rate of output for long. Supplies of cotton are said to be rationed unofficially to the American mills and the British mills can hardly escape similar restrictions. Then there has been a 15 per cent cut in the allocation of sulphuric acid to the rayon industry. It is not clear how far this will affect output, but deliveries of viscose yarn and staple are to be reduced by 15 per cent over the first eight months of the year. At the same time, the price of utility rayon cloths made from continuous filament is to be increased. The Board of Trade recently changed its specifications for these cloths and instead of laying down the types of construction that the weavers could use, has given them freedom to produce what cloth they like within the permitted price margin and without reducing quality below a certain minimum standard. Price margins have been increased by about 12½ per cent, partly to offset the 12 per cent increase recently made in yarn prices and partly to give the weavers scope to improve the quality of the cloth.

* * *

The Golden Fleece

The second half of the wool selling season opened in Australia this week and prices rose above the record levels reached in December to new fantastic heights. Wool is no longer a dear commodity, it is a precious one; and there is little indication that prices might ease to any significant extent in the near future. In the next few months not only will manufacturers be stocking up to tide themselves over the summer months (because this year there will be no large offerings from the Joint Organisation's stocks to help them), but the full weight of purchases for defence purposes will also be felt. British manufacturers are more than a little anxious about consumers' reactions to prices of finished textiles when they reflect—in six or nine months' time—the present high cost of raw wool. People have already been stocking up their wardrobes in anticipation of these higher prices so that some reduction in consumer demand later on is more than probable.

There is no doubt that a world wool shortage exists. Three months ago the International Wool Study Group estimated that supplies in the current season would be sufficient to maintain consumption only at a level some 10 per cent below that reached in the first half of 1950. That is still true. The only question is whether prices have already risen sufficiently to achieve such a reduction in demand and, if not, how much further they must rise. The fact that prices of lower count wools have risen much more sharply during the past twelve months than those of higher counts shows that manufacturers are reducing quality in an attempt to lessen the rise in retail prices. In most countries the use of mungo, shoddy, rayon and other fibres has also increased steadily in recent months. In October, for example, the British wool textile industry



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P.11



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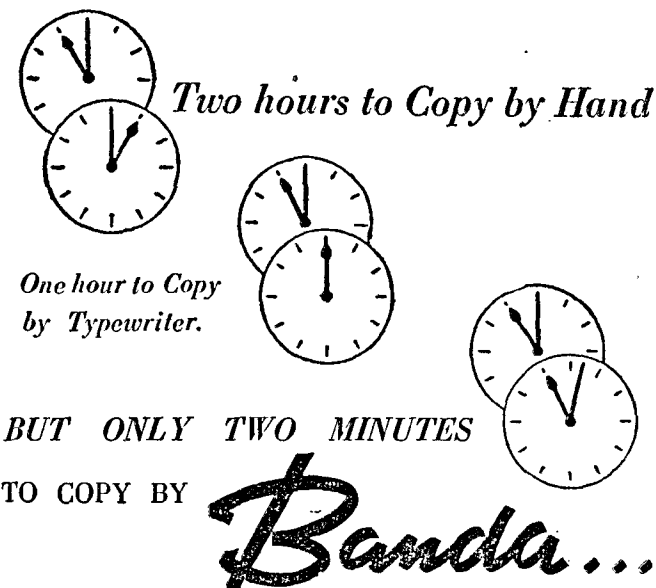
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used 9,250,000 lb of these other materials compared with 6,000,000 lb in October, 1949. Yet the consumption of raw wool has not declined. The increased use of alternative materials has helped the output of wool textiles to expand without yielding an economy in the amount of raw wool used. As the Commonwealth Economic Committee has pointed out in its recent survey of world wool consumption,* if defence requirements are to be met, a substantial reduction in civilian consumption is inevitable.

Should Mixture Cloths be Labelled?

The use of alternative materials in the manufacture of wool textiles raises an awkward question of definition — at what point does the cloth cease to be wool? The Board of Trade regulations have an odd effect that is certainly open to commercial exploitation; it is that any cloth containing not less than 15 per cent of wool comes under the price regulations for utility woollen goods. Many weavers, including most of the firms represented by the Scottish Woollen Weavers Association, feel the term "wool cloth" should not be used for mixtures containing less than 90 per cent of wool.

Unfortunately, the term "wool cloth" has a more precise meaning for the public: i.e. cloth that is made of wool and of no other fibre. Most of the big retailers, and a number of manufacturers, are members of the Retail Trading Standards Association, and one of the functions of the association is to see that the goods sold by its members are accurately described. The Board of Trade has shown some ingenuity in wording its orders so that they avoid any definition of "wool cloth," but the RTSA has always maintained that this rule of thumb method does, however unintentionally, mislead the public. When there is so marked a difference between the meaning which the public and the trade attach to the same term, the solution would appear to be some form of descriptive labelling, but it has so far not been possible to find a formula which both sides can accept. The effect of nearly 20 years' campaign by the International Wool Secretariat has spread the impression that mixture cloths are of inferior quality to pure wool cloths. This is not inevitably true, but it is possible to argue, as the wool industry has done, that informative labelling alone does not go far enough, since the consumer could still buy a very poor quality cloth under the cachet of a pure wool label. Labelling regulations which are ostensibly in the interests of the consumer can also be used as a protectionist device. There are some grounds for believing that the labelling regulations introduced in New Zealand, Australia, and South Africa had a strongly protectionist colouring and it is only recently that representatives of the Wool Textile Delegation have induced the authorities in South Africa and New Zealand to change these regulations so that it is easier for British exporters to comply with them. Talks are still going on with the Australians.

For more than two years, a committee of the British Standards Institution has been trying to draw up wool standards acceptable to producers and consumers alike, and is no nearer to agreement. The Clothing Industry Development Council has the same object in mind in asking the groups concerned to submit their views on labelling. Recent statements in Parliament by the President of the Board of Trade have made it clear that there is no prospect of raising the minimum wool content of utility cloths, so retailers will probably increase their pressure for a more precise description of the wool mixtures. The prospects of an agreement with the wool industry are improving. Much of the cloth made here is being labelled to meet the local regulations in export markets and at home, high prices make it easier for

* "World Consumption of Wool." HMSO. 5s. (net).

the Wool Textile Delegation to reassure its more apprehensive members that descriptive labelling will not lead to a sharp drop in the sale of mixture cloths which some of them seem to expect.

Profits in Lombard Street

The discount market unquestionably found good opportunities for profit-making in 1950. Unfortunately, its experience in that period cannot be traced with any precision from available figures — first, because only the "Big Three" of the nine public companies make up their accounts at the end of the calendar year (the remaining accounting dates being widely scattered) and, secondly, because published discount profits, like those of the banks, are strongly subject to inner reserve policy. Each of the three companies shows for the year an increase of approximately £15,000 in its published profit, raising the aggregate for the three from £747,700 to £793,600. It seems reasonable to assume that undisclosed allocations to contingency or other inner reserves have been at least as large as in 1949. Chiefly in consequence of the substantial conversion operations staged by the Treasury during the year, there has been much activity in the short bond market, offering good scope to shrewd dealers who get quickly off the mark when conditions change. A corollary of these operations, however, is that the Treasury policy of repaying or converting the shortest bonds before their final redemption date must inevitably tend to increase the average life of the discount market's portfolios, and thus may dictate some decline in the total of bonds that can prudently be held. In these conditions, the longer-term prospect for profits from bond business may become less favourable; but for the time being, and especially in view of the recent firmness of gilt-edged values, the dominant influence has been rapidity of turnover.

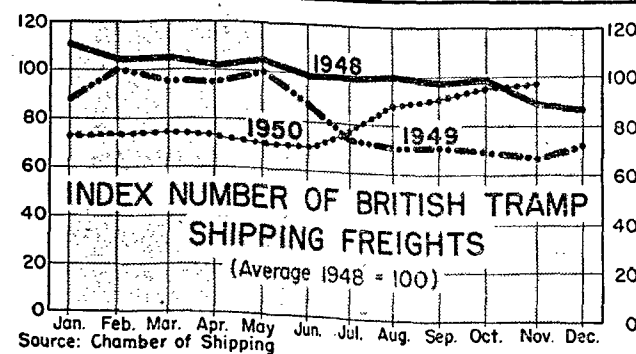
Lombard Street's bill business — which is by far the greater part of the whole but contributes only a small part of the profits — has also been greatly extended in the past year, thanks to the Treasury's further switching of its borrowings from Treasury deposit receipts (which are allotted direct to the banks) to Treasury bills (which mainly pass to the banks through the discount market). The total allotment of bills to the twelve houses in the market at the weekly tenders in 1950 was in the region of £6,950 million, an increase of some 36 per cent on the allotments in 1949 and one of more than 60 per cent on 1948. The expansion of earnings from bills, however, will have been less than proportional: as a technical consequence of last year's standardisation of the life of the bills at 91 days, the tiny margin secured by the market between the discount earned and the cost of borrowing to finance the purchase has been further whittled down. On the other hand, during the past year, the discount houses have had the full benefit of the further increase, effected just before devaluation in 1949, in discount rates on commercial bills.

Freight Rates Still Stronger

After a Christmas lull, the trend of tramp shipping freight rates has continued its steep upward curve. When business was resumed at the end of the year, rates were higher in every section of the market, but charterers were still unable to satisfy their requirements in full, and a further considerable advance has occurred this week in all trades. Black Sea grain cargoes had been taken at the end of the year for 75s. a ton, but two ships were fixed this week at 81s. 3d.; when these grain shipments started in early November owners were accepting about 50s. Grain chartering from the River Plate to India has advanced by 7s. 6d. a ton recently, while rates for grain from the United States to India have advanced by as much as 25s. There is a strong demand for vessels on time charter, where for the time being

the British Government's chartering agencies seem to have taken over from the liner companies. The Timber Control, for example, has fixed a motorship for two round voyages to the North Pacific in early February, while charters for New Zealand round voyages and for returning via the North Pacific for lumber have been arranged at markedly higher quotations than before. Forward chartering is also strong, one vessel having been fixed for grain from the North Pacific in March at 150s. a ton, an increase of 25s.

Focal points of pressure on tonnage appear now to be the American North Pacific and Atlantic trades, where charterers are bidding high for ships to carry grain, coal and lumber to Europe, India, Japan and many other parts of the world. It is apparent that they have not yet covered their commitments. Nor do they seem disposed to await a sign of relief in the demand for tonnage; they recognise that shipments of coal and lumber to Europe, in particular, are matters of some urgency. Cuban sugar chartering has not been particularly active, but ships have had to be taken at 80s. a ton, which compares with 57s. 6d. not very long ago. The higher rates that are being offered are intended to have, and are having, the effect of drawing tonnage off other markets in other parts of the world, and already tonnage is becoming



scarce in Far Eastern waters. Ships are beginning to sail in ballast to the North Pacific instead of taking cargoes elsewhere from Australia, and an advance of 12s. 6d. a ton to 92s. 6d., was necessary to induce a vessel to take a cargo of flour from Australia to Ceylon. Longer hauls everywhere are reducing the carrying capacity of tonnage, and the preference of India, for example, for importing grain from the Plate and the U.S.A., rather than from Pakistan or even Australia, has played a particular part in the rise in freight rates. British and other European imports of American coal, of course, add to the pressure: a recent typical, but bizarre, fixture was that of a small vessel to carry coal from Nigeria to the U.K., at 80s. a ton.

Such influences have caused the pressure to spread into every market, and even ore chartering from North Africa, which usually is the slowest to respond, has followed suit. Two vessels were chartered this week at 45s., which compares with about 30s. a month ago and only 19s. at the lowest point in 1950. Some commodities are scarcely being shipped at all, and British exports are in danger of being held up.

Price or Quantity?

The Ministry of Food's battle with various supplying countries on supplies, and prices is now in full swing. Arduous negotiations with Denmark about this year's bacon prices have been finally brought to a successful conclusion. The Danes had asked for a rise of 7½ per cent on last year's price (the maximum rise permitted under the long-term contract) and Britain offered only a 3½ per cent increase. Compromise was reached on 5½ per cent, and this year Britain will pay 229s. a cwt., compared with 217s. in 1950. The Prime Minister of Denmark made it clear in his New

Year's speech that the British policy of attempting to hold down prices is having serious repercussions on the economies of supplying countries.

The fact that these higher prices have been secured by producers is no reflection on the negotiating powers of the Ministry. It is indeed something that the Ministry has at last realised that the world is in the throes of inflation, and that supplies can be obtained only if realistic prices are paid for them. Farm costs in Denmark, and in other countries, too, have risen since devaluation because most of the feeding-stuffs have to be purchased from non-sterling countries, and if agricultural output is to be sustained at a high level, farmers must be offered a return which at least covers their costs. It is not a question of paying inflated prices to secure some small addition to supplies; it is a question of paying sufficient to secure a steady expansion in output. The British offered the Dutch last summer a price for eggs which was lower than the pre-devaluation price. The Dutch refused and, despite the existence of a long-term contract, no Dutch eggs have since been sent to Britain.

But the lines of the Ministry's agreement with Denmark offer no guide to its bargaining with other countries. No agreement has been reached with Canada over bacon exports for this year because Britain offered only 29 cents a lb. for a quantity of 130 million lb.—as in 1950. Last year the Canadian Government paid a subsidy of 3½ cents a lb. to bring the price up to the minimum of 32½ cents a lb guaranteed to the Canadian farmer. This year Canada is no longer willing to pay such a subsidy, particularly as Canadian hog prices have often been higher than 32½ cents a lb. Britain, according to report, refused to pay a cent more than last year, though if it were to make to Canada the same offer of a 5½ per cent increase as it did to Denmark—raising the price from 29 cents to 31½ cents a lb.—the Canadian Government might perhaps have been prepared to find the remaining cent.

Prospects for 1951 thus seem far from bright. Rations may be reduced rather than increased and, even so, either the cost of the food subsidies or the retail price of certain foodstuffs must be raised. The latter is the more proper course and perhaps more likely. The index of retail prices is at long last reflecting, in its own modest fashion, the rise in world commodity prices. It rose by one point in November, for the second successive month, to 116 (June, 1947 = 100), compared with 114 in June, and 113 at the beginning of 1950. The four points conceded by the TUC are almost used up.

International Bank More Active

The International Bank for Reconstruction and Development is now taking up the role that was originally intended for it. It is becoming one of the major channels for the export of capital from the United States. In 1950 it granted sixteen loans of a total value of \$219,145,000—the largest amount for a single year since the Bank's big "reconstruction" loans to war-devastated European countries in 1947. The projects for the past year included loans to Colombia, India, Mexico and Brazil for power development, to Iraq for flood control, to Turkey for harbour development and grain storage facilities, to Uruguay for power and telephone facilities, to Ethiopia for road construction and to Thailand for railway and port development and for irrigation. The largest loan of the year was the \$100 million loan to Australia to assist in the large capital programme involved in the Commonwealth's ambitious immigration scheme. Besides providing capital, the Bank has played a useful role in giving technical assistance; it has given its expert advice on the establishment of the Industrial Development Bank of Turkey and the Agricultural and Industrial Development Bank of Ethiopia and has helped in the flotation of a local bond issue in El Salvador, which was designed to mobilise the domestic capital required for the construction of a local hydro-electric project.

The loans granted by the Bank now exceed \$1 billion. Its operations are marked by considerable conservatism; the motto of the Bank is still that propounded by a former President, Mr McCloy: "We are not in the stop-gap business." This caution and adherence to sound banking principles are made necessary by the Bank's dependence on private investors for the resources it makes available to borrowers. Since its inception the Bank has raised \$250 million through the sale of bonds to investors in the United States and the equivalent of about \$10 million in Swiss francs through bond issues in Switzerland.

* * *

The Week in Commodities

Once again the general run of commodity prices during the past week has been upwards. Rubber became 11d. a lb. dearer under the pressure of Russian buying and closed on Wednesday at 5s. 4d. a lb. Russia apparently fears—and not without cause—that some form of international allocation will be instituted shortly that would drastically reduce the

	COMMODITY PRICES							
Commodity and Unit	1949	1950				1951		
	Dec.	June	Sept.	Nov.	Dec.	Jan. 3	Jan. 10	
Wheat (cents per bushel) . .	216½	216½	223½	227	246½	246½	246½	
Maize (cents per bushel) . .	131	148	144½	160½	172½	177½	178	
Sugar, Cuban (cents per lb.)	4-38	4-30	5-85	5-30	5-35	5-45	5-65	
Cotton US middling (cents per lb.)	31-43	34-64	42-0	43-76	44-13	44-62	44-88	
Wool, 56's (d. per lb.)	71	148	163	167	200	200	202	
Sisal (¢ per ton)	114	130	158½	180	200	200	200	
Jute (¢ per ton)	115	120	111	112	120	122	129	
Tin (¢ per ton)	599½	600½	811½	1,117½	1,157½	1,157½	1,262½	
Copper, electrolytic (cents per lb.)	18-5	22-5	24-50	24-5	24-5	24-5	24-5	
Zinc (cents per lb.)	9-875	15-0	17-5	17-5	17-5	17-5	17-5	
Tungsten (s. per unit)	92-50	126-9	235-0	265-0	387-5	407½	440	
Quicksilver (¢ per 76 lb.) . .	26½	16½	24	31½	42½	48	58½	
Linseed oil (cents per lb.) . .	17-1	17-9	17-6	16-4	18-7	18-2	20-0	
Castor oil, naked, firsts (¢ per ton)	98	120	146	153	188	210	220	
Tung oil (¢ per ton)	220	180	210	205	230	...	280	
Shellac (s. per cwt.)	320	237½	325	320	400	412½	392½	
Rubber, RSS spot (d. per lb.)	15	24	45½	59½	55	53	64	
Tallow (cents per lb.)	6	4½	12	14	16½	16½	17	

Note: Monthly prices taken at last day of the month except those for wool which are monthly averages.

quantity of rubber available to it. Tin rose by £105 to £1,262 a ton. Tungsten has continued its sharp rise and is now 440s. per unit against 265s. at the end of November. Sugar, too, has been rising steadily despite the prospects of a record world crop. Britain bought 11,000 tons from Puerto Rico at

5.55 cents a lb. and 5,000 tons from Cuba at the same price; by Wednesday the Cuban price had risen to 5.65 cents a lb. Wool prices have again jumped and crossbreds (56's) were quoted this week at 202d. a lb. against an average of 167d. for December. Jute, too, has risen sharply, from £122 a ton to £129, while linseed oil, castor oil and tung oil have all become appreciably dearer.

Shellac is the only commodity to show a decline during the past week. The official quotations for copper and zinc remained unchanged, but the price of electrolytic zinc rose by ½ cent to 19 cents a lb. Now that stockpile purchases of zinc are to be suspended for the next six months, some weakening in the grey market price must be expected.

Shorter Notes

The latest Bank return reveals that the fiduciary issue has been reduced from £1,375 million to its pre-Christmas level of £1,350 million; in the last two weeks nearly £44 million of notes have returned from active circulation, compared with just over £41 million in the first two weeks of 1950. The Bank return also shows that small ERP allotments granted before the suspension of Marshall Aid are still being shunted through H.M. Treasury Special Account.

*

The first deliveries of crude oil from the new Arabian pipe-line have reached the Anglo-American Oil Company's Fawley refinery. This pipe-line, which links the Abqaiq oilfield in Saudi Arabia with a newly-built port south of Sidon, more than 1,000 miles away, has a present capacity of 300,000 barrels of crude a day. Its ultimate capacity will be 100 million barrels a year (nearly 15 million tons). This is equivalent to the capacity of 65 tankers, and its use will immediately increase the amount of tanker capacity available.

*

A considerable proportion of hydrochloric acid, of which supplies are now being restricted by manufacturers, is produced by treating common salt with sulphuric acid; this latest industrial scarcity is thus another consequence of the shortage of sulphur. The acid is used in industry almost as diversely as is sulphuric, though in smaller quantities, but in engineering and metal-using industries, where its major use is for cleaning metals, its scarcity is unlikely to limit production; that has already been done by shortages of metals themselves.

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DEEP SEA MISSION
ROYAL NATIONAL MISSION TO DEEP SEA FISHERMEN
No. 74 R.N.M.D.S.F. HOUSE, 43, NOTTINGHAM PLACE, LONDON, W.1

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Statistical Summary

EXCHEQUER RETURNS

For the 6 days ended January 6, 1951, total ordinary revenue was £101,165,000, against ordinary expenditure of £50,551,000 and issues to sinking funds £592,000. Thus, including sinking fund allocations of £13,063,000 the surplus accrued since April 1st is £104,041,000 compared with a surplus of £33,705,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1950-51	April 1, 1950 to Jan. 7, 1951	April 1, 1950 to Jan. 6, 1951	Week ended Jan. 7, 1951	6 days ended Jan. 6, 1951
ORD. REVENUE	£'000	£'000	£'000	£'000	£'000
Income Tax	1,388,000	625,967	592,351	63,825	44,601
Sur-tax	120,000	54,400	59,100	6,100	8,500
Estate, etc., Duties	195,000	147,000	139,550	3,600	3,400
Stamps	50,000	39,600	40,250	700	800
Profits Tax	270,000	208,650	210,620	8,500	9,800
E.P.T.	500	31,800	9,350	...	200
Other Inland Rev.	4,500	80	110	...	20
Special Contribut.	4,500	17,400	3,980	300	80
Total Inland Rev.	2,028,000	1,124,907	1,055,921	83,025	67,401
Customs	870,650	629,144	687,763	17,214	18,974
Excise	713,150	530,900	537,600	4,200	5,200
Total Customs and Excise	1,583,800	1,160,044	1,225,363	21,414	24,174
Motor Duties	56,000	20,873	21,404	7,970	7,001
Surplus War Stores	35,000	67,489	35,932	283	546
Surpl's from Trade	85,000	42,991	41,908	...	...
P.O. (Net Receipts)	13,000	8,190	8,550	...	...
Wireless Licences	27,000	12,395	20,858	45	1,219
Sundry Receipts	70,000	65,125	4,737	843	824
Miscell. Receipts (in Crown Lands)	...	...	...	...	...
Total Ord. Rev. & Self-Balancing Post Office	3,897,800	2,502,015	2,474,770	113,594	101,165
Income Tax on E.P.T. Refunds	172,150	121,600	130,700	2,100	3,000
Total	4,070,000	2,623,615	2,605,470	115,694	104,165

Expenditure	Estimate 1950-51	April 1, 1950 to Jan. 7, 1951	April 1, 1950 to Jan. 6, 1951	Week ended Jan. 7, 1951	6 days ended Jan. 6, 1951
ORD. EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Int. & Man. of Nat. Debt	490,000	349,295	356,878	2,296	8,484
Payments to N. Ireland	35,000	27,412	27,509	1,730	1,922
Other Cons. Funds	11,000	9,318	8,039	2,811	2,346
Total	537,000	386,025	392,426	6,837	12,751
Supply Services	291,868	206,950	196,524	38,100	37,800
Total Ord. Expd.	345,069	245,530	237,666	44,937	50,551
Sinking Funds	...	12,780	13,063	683	592
Total (excl. Self-Bal. Expd.)	345,069	246,310	237,729	45,620	51,143
Total (incl. Self-Bal. Expd.)	363,291	259,946	250,803	47,892	54,155

After increasing Exchequer balances by £1,391,894 to £5,066,827, the other operations for the six days increased the gross National Debt by £42,658,000 to £26,463 million.

NET RECEIPTS (£ thousand)	
Land Settlement (Facilities) Acts, 1919 and 1921	9
Tithe Act, 1936, s. 25	240
Suez Canal Shares drawn and paid off	181
Total	435

NET ISSUES (£ thousand)	
Interest outside Permanent Debt charge	318
P.O. and Telegraph (Money) Acts, 1919 and 1921	300
E.P.T. Refunds, Acts, 1919 and 1921	25
Export Guarantees Act, 1919 s. 3(2)	35
Local Authorities Loans Act, 1945, s. 3(1)	4,100
Overseas Resources Development Act, 1943, s. 17(1)	300
Miscellaneous Financial Provisions Act 1946, s. 2(1) War Damage: Board of Trade	4,000
Finance Acts, 1946 and 1947: Post War Credits	339
Total	6,407

CHANGES IN DEBT (£ thousand)	
RECEIPTS	
Tax Reserve Certs.	10,823
Ways & Means Advances	10,710
Total	21,533
PAYMENTS	
Treasury Bills	36,619
21% Def. Bonds	230
3% Def. Bonds	420
3% Ter. Annuities	1,389
Other Debt	533
Internal	25,000
Treasury Deposits	64,191
Total	102,181

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
Jan. 7, 1951	2990.0	1949.5	316.7	5050.2
Sept. 30, 1950	4,975.9	451.0	505.0	5931.9
Oct. 7, 1950	3130.0	1820.0	467.6	5417.6
" 14, 1950	3140.0	1789.4	469.9	5399.3
" 21, 1950	3160.0	2077.8	490.2	5728.0
" 28, 1950	3170.0	2041.1	471.3	5682.4
Nov. 4, 1950	3180.0	1885.7	353.3	5419.0
" 11, 1950	3180.0	1897.3	374.3	5451.6
" 18, 1950	3190.0	1968.7	372.5	5531.2
" 25, 1950	3200.0	1950.0	360.9	5510.9
Dec. 2, 1950	3230.0	1956.3	369.1	5555.4
" 9, 1950	3240.0	1951.6	375.1	5566.7
" 16, 1950	3260.0	1939.8	410.8	5610.6
" 23, 1950	3168.5	384.0	523.0	6075.5
Jan. 6, 1951	3270.0	1861.8	394.7	6026.5

TREASURY BILLS (£ million)

Date of Tender	Amount Offered	Amount Applied	Amount Allotted	Avg. Rate of Allotment %	Allotted at Min. Rate
Jan. 6, 1951	230.0	251.9	230.0	4.95	68
Oct. 6, 1950	250.0	312.3	250.0	3.23	74
" 13, 1950	260.0	319.4	260.0	3.25	76
" 20, 1950	260.0	332.3	260.0	2.94	66
" 27, 1950	250.0	335.8	250.0	2.98	65
Nov. 3, 1950	250.0	347.7	250.0	2.70	60
" 10, 1950	250.0	318.4	250.0	3.17	62
" 17, 1950	250.0	325.6	250.0	3.13	79
" 24, 1950	260.0	310.6	260.0	3.36	79
Dec. 1, 1950	250.0	347.5	250.0	2.74	60
" 8, 1950	260.0	328.8	260.0	3.09	72
" 15, 1950	260.0	314.6	260.0	4.55	49
" 22, 1950	230.0	301.7	230.0	2.93	67
" 29, 1950	250.0	302.4	250.0	3.50	82
Jan. 5, 1951	240.0	301.4	230.0	3.35	70

On January 5th applications for 91 day bills to be paid from January 8 to January 13, 1951, were accepted dated Monday to Saturday as to about 70 per cent at £99 17s. 9d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £230 million are being offered for January 12th. For the week ending January 13th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended Dec. 31, 1950	Week Ended Dec. 30, 1950	Total, Apr. 1 to Dec. 30, 1950
Savings Certificates	750	1,100	65,700
Receipts	1,150	1,100	98,700
Repayments	Dr. 400	Nil	Dr. 33,000
Net Savings	1,450	1,100	105,700
Defence Bonds	225	100	12,530
Receipts	475	450	37,044
Repayments	Dr. 250	Dr. 350	Dr. 21,514
Net Savings	10,255	10,484	483,522
P.O. and Trustee Savings Banks	13,605	14,851	536,654
Receipts	10,255	10,484	483,522
Repayments	Dr. 3,350	Dr. 4,367	Dr. 53,132
Net Savings	Dr. 4,000	Dr. 4,717	Dr. 110,646
Total Net Savings	244	253	21,856
Interest on certificates repaid	2,359	4,407	94,121
Interest accrued	7,885	5,563	38,384
Change in total invested	...	...	...

BANK OF ENGLAND

RETURNS

JANUARY 10, 1951

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt...	11,015,100
In Circulation	Other Govt.	1334,215,107
In Bankg. Department	Securities	754,861
	Coin (other than gold)	4,014,929
	Amt. of Fid. Issue	1,350,000,000
	Gold Coin and Bullion (at 243s. per oz. fine)	356,823
		1,350,356,823

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	338,991,441
Reserves	3,841,872	Other Secs.	45,081,722
Public Deps.	21,016,166	Discounts and Advances	20,366,189
Public Accts.	18,658,452	Securities	24,715,534
H.M. Treas. Special Acct.	2,357,714		
Other Deps.	382,242,357	Notes	36,311,255
Bankers	297,399,605	Coin	1,068,977
Other Accts.	84,842,752		
	421,453,395		421,453,395

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

COMPARATIVE ANALYSIS (£ million)

	1950-1	1951
Jan. 11	Dec. 27	Jan. 5
Issue Dept.	1280.6	1357.7
Notes in circulation	19.9	17.7
Notes in banking department	1299.2	1370.3
Government debt and securities	0.7	0.7
Other securities	0.4	0.4
Gold and Coin	248.0	248.0
Value at s. per fine oz.	248.0	248.0
Banking Dept.	16.7	15.4
Public Accounts	108.2	0.4
Treasury Special Account	298.7	313.5
Bankers	113.2	85.0
Others	535.7	414.3
Securities	482.5	354.1
Government	23.2	29.2
Discounts, etc.	23.1	19.9
Other	528.8	413.2
Total	25.2	19.2
Banking dept. res.	4.7	4.6
"Proportion"	4.7	4.6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,375 million to £1,350 million on January 10, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold has remained at 243s. 0d. per fine ounce since September 19, 1949. Spot cash prices during last week were as follows:

	SILVER	GOLD
1951	London	New York
Jan. 4...	70.0	80.00
" 5...	70.0	80.00
" 6...	70.0	80.00
" 7...	70.0	80.00
" 8...	70.0	80.00
" 9...	70.0	80.00
" 10...	70.0	80.00

Company Notes

Turner and Newall.—Every particular in the Turner and Newall report is as remarkable as the increase in group trading profits from £7,737,870 to £9,551,092. This company has long been recognised as a most efficient and strong organisation and stockholders are now getting a moderately increased reward after years of patience. Despite labour and material shortages, the group was able to meet a very high level of demand for asbestos products and the end of petrol rationing substantially increased the demand for "Ferodo" linings. Lack of suitable asbestos fibres caused some difficulty in the asbestos building materials branch.

A cautious reserve policy has again been pursued; £2,400,000, against £2,370,000 is appropriated to reserves, of which £1,000,000, against £500,000, is allocated to replacement reserves. Even, on the most stringent calculation, excluding all ear-marked reserves from earnings, the increased ordinary dividend of 17½ per cent and the anniversary bonus of 2½ per cent is amply covered by earnings of 63.2 per cent.

	Years to September 30, 1949	1950
Consolidated earnings:		
Trading profits	7,737,870	9,551,092
Total profit	7,923,013	9,719,590
Taxation	3,574,426	4,455,552
Depreciation, etc.	1,175,008	1,594,395
Group earnings for ord. sh.	3,173,579	3,669,643
Paid	440,435	587,247
To reserves and carry forward	2,742,678	2,623,372
Cons. balance sheet analysis:		
Fixed assets, less depreciation	7,303,166	7,801,410
Net current assets	17,379,505	21,679,105
"Quick" assets	15,644,723	19,089,684
Stocks	7,969,615	10,250,497
Reserves	16,479,150	20,904,184
Ordinary capital	5,338,609	5,338,609
£ ordinary stock at 85s. 7½d. yields £4 13s. per cent.		

The financial strength of the company is indeed impressive. Capital and revenue reserves of nearly £19.1 million compare with an ordinary capital of £5.3 million. The greater volume of stocks held and the increased price of raw materials have made the book value of stocks higher by nearly £2.3 million to £10,250,497. "Quick" assets of £19,089,684, against £15,644,723, represent 45.7 per cent of total assets.

Demand for the company's products will be further stimulated by defence requirements in the current year. The maximum output obtainable from the available supplies of raw asbestos is forecast by the chairman; but costs continue to rise and raw asbestos supplies are not as adequate as the company would like.

The chairman warns shareholders that the increased volume of production may not necessarily be reflected in higher profits. Such a warning will be heeded, but shareholders will not expect it to affect the maintenance of a 20 per cent dividend and some will still hope for a little more.

Carreras.—For a period of rising manufacturing and distributive costs and of higher leaf prices, the increase in group net profits of Carreras Ltd. from £1,178,045 to £1,428,504

	Years to October 31, 1949	1950
Consolidated earnings:		
Total profit after all charges	1,206,232	1,526,074
Group net profit	1,178,045	1,428,504
Taxation	1,257,970	1,536,116
Group earnings for ord. sh.	1,136,215	1,395,410
Paid	41.6	51.2
To reserves and group c/f	420,057	679,252
£ "A" Ordinary stock at £5 16s. 3d. yields 6 per cent.		

is impressive. The dividend of 35 per cent on the "A" and "B" ordinary stock, which has been paid since 1945, is comfortably maintained for earnings have risen from 41.6

per cent to 51.2 per cent. Retentions by subsidiary companies appear to be of the order of £225,000, against £200,000.

Reserves have been further strengthened by the allocation of £96,785 to general reserves, raising the total to £1,000,000. The need for providing adequate sums from revenue to maintain fixed capital as costs continue to rise is recognised by the transfer of £119,279 to a fixed assets replacement reserve. Tobacco shares are among the Budget risks, but unless demand is reduced by further taxation on tobacco, Carreras results in the current year should not be less encouraging than in 1949-50.

Burnley Building Society.—The Burnley Building Society has marked its centenary year with a rise in shareholders' accounts by nearly £3.5 million to £20.4 million. Surplus fund investments and cash at £3.8 million represent over 12 per cent. of the total assets of £29.6 million. Mortgage advances totalling £6,793,404 were made during 1950; there are 41,424 mortgages outstanding for £25.6 million compared with 39,723 mortgages for £22.9 million a year earlier.

Hadfields Ltd.—Group net profit, after all charges including taxation, has fallen in the year ended September 30, 1950, from £332,092 to £221,546. Taxation absorbed £104,638 (£115,498). Net profit includes profits on ordnance contracts and Iron and Steel Prices Fund claims both in respect of previous years amounting to £124,948 (£161,206). The ordinary dividend is maintained at 17½ per cent., which absorbs £103,778.

Life Assurance

Last year's new life assurance business of a further twelve leading offices has been published since last week's issue of *The Economist* went to press and the figures are tabulated below in £ million:

Office	1938	1947	1948	1949	1950
Alliance	4.2	5.0	5.3	6.1	6.3*
Atlas	4.0	4.8	3.9	4.6	4.0
Caledonian	2.1	2.6	2.4	2.3	2.3
General Life	2.6	2.5	2.1	2.6	3.4
Life Ass. of Scotland Marquett & General	0.8	1.1	4.8	5.5	6.5*
National Farmers	0.7	2.7	3.2	4.3	4.7
Pearl	8.2	19.1	15.8	15.9	16.4
Prudential	31.8	89.0a	83.8a	81.0a	84.5a
Royal Exchange	4.4	4.4	4.2	4.4	4.4
Scottish Equitable	1.8	3.1	2.2	3.2	3.4
Scottish Widows' ...	5.2	8.8	10.4	11.6	12.0
	£7.5	148.5	140.7	143.6	150.7

MARTINS BANK, LIMITED

CONTINUED PROGRESS—INCREASED PROFIT

DISINFLATION THE RESPONSIBILITY OF GOVERNMENT AND CITIZENS

STATEMENT OF MR A. HAROLD BIBBY, D.S.O., D.L.

The one hundred and twentieth annual general meeting of members of Martins Bank Limited will be held at Head Office, Liverpool, on February 13th.

In his statement circulated to members, the chairman, Mr A. Harold Bibby, D.S.O., D.L., writes:—

During the year changes have taken place both on the general board and local boards of the bank.

It is my sad duty to refer to the passing in November last of Mr J. H. B. Forster, D.L. He had served on the General and North Eastern boards for 25 years and had been chairman of the latter board since 1936. His great knowledge of industry in the north-east was of inestimable value to the bank and we greatly deplore the loss.

Mr E. R. Bowring, who has served with distinction on the General board since 1936 and has been a deputy chairman since 1947, has reluctantly found it necessary to resign on his removal from Liverpool to London. I am happy to say that we shall not lose the benefit of his wise counsel as he has accepted a seat on the London board.

Mr T. H. Naylor has succeeded him as a deputy chairman.

Owing to advancing years Mr H. M. Walton has indicated that he is not seeking re-election at the forthcoming annual meeting. His association with the General and Manchester boards extends over a period of some thirty years and the directors record their high appreciation of his valued and unremitting services.

Mr J. A. Holt, M.B.E., has been elected to a seat on the General board. Mr Holt is chairman of the old-established Liverpool business of John Holt and Company (Liverpool) Limited and we are glad to have his assistance.

We are also pleased to welcome to our deliberations Sir William Gray, Bart., D.L., who is closely identified with the shipbuilding industry, being chairman of William Gray and Company Limited, of West Hartlepool. He has served on our North Eastern board since 1940 and has recently accepted the chairmanship of that board.

I also record with pleasure that the Hon. Angus D. Campbell, C.B.E., who comes to us from the Manchester board with a high reputation, has joined the General board.

Mr P. Woodhouse has recently retired from the Manchester board. He joined that board in September, 1938, after signal service with the bank and its predecessors in the Manchester area in an executive capacity, a total service of fifty-nine years. We regret the loss of his valued co-operation.

Mr W. D'Arcy Madden, Air Vice-Marshal G. H. Ambler, C.B., C.B.E., A.F.C., D.L., and Mr P. H. Muirhead have been elected to the Manchester, Leeds and North Eastern boards, respectively. They have extensive interests and their advice will be of great value to their colleagues. These appointments will maintain the high standard of our local boards, upon the merits of which we lay much stress, not only from the bank's standpoint, but also from the advantages accruing to customers throughout the country.

CHIEF EXECUTIVE OFFICERS

During the year Mr James McKendrick, the chief executive officer of the bank, retired after an arduous and distinguished career extending through fifty years. Mr C. J. Verity, hitherto deputy chief general manager, has succeeded him as chief general manager and has been appointed to a seat on the London board. Mr M. Conacher, formerly a joint general manager, has been made deputy chief general manager. Both have held many positions of responsibility and, having spent the whole of their careers with the bank, have wide experience of the bank's affairs.

PROGRESS OF THE BANK

I trust that the balance sheet and accounts will afford shareholders the satisfaction my fellow directors and I feel in the continued progress of the bank.

Net profit for the year is £732,895, which is £7,725 higher than the previous year due to further expansion in our business generally.

After paying the dividend of 15 per cent. it is proposed to make the following allocations:—

Reserve for contingencies ...	£250,000
Premises redemption ...	£125,000

As I mentioned last year, provision for pensions has, in conformity with the general practice of banks, been made before arriving at the net profit. A further sum of £169,000 has been allocated from internal reserves to place the contributory pension fund upon the sound actuarial basis recommended in the quinquennial valuation submitted during the past year. This, I am sure, will give the greatest satisfaction to our staff in securing their future pensions without any additional call being made on them.

Customers' funds and other accounts now stand at £303,348,987, which is a small reduction on last year's figures.

Advances at £74,809,980 are £6,141,410 more than twelve months ago.

Resultant changes in other assets are to be noted in the comparative figures given in the balance sheet. The ratio of our more liquid assets to deposits stands at 52.3 per cent., a high figure compared with a little more than a decade ago and reflects the nation's floating debt carried substantially in the combined figures of the British banks.

Constant vigilance and a loyal regard primarily to the nation's interests rather than to forced profit-making must be, and is, the watchword of the board and the executive officers of the bank. Disinflation (not to be confused with deflation) is the responsibility of government and citizens alike.

The increase in advances is spread over all the fields of industry, commerce and agriculture and amongst the largest borrowers are some of the nationalised bodies. The banker has an onerous task in combining an anti-inflationary policy with the carrying of much of the risk attached to the greatly advanced cost of many of the primary commodities, caused by world-wide conditions including the Korean events, and this is daily brought home to us.

The past year has, by elimination or partial elimination of some of the wartime commodity-purchase controls, opened the door again to more enterprising buying and merchanting and has entailed new calls upon us for finance, not infrequently from customers of long standing whose former financial status has been jeopardised by heavy death duties, or from others who by reason of high taxation have not been able to build up their capital requirements to meet current needs. Old direct connections of our customers have been re-established and new ones vigorously sought; and practical experience dormant over a decade has had to be re-born and quickened at a precarious juncture. Here I pay tribute to the good work being done by the Government's Export Credits Department in facilitating exports by sharing risks.

Our programme of steady expansion of branch representation throughout the country is subject to the limiting factor of obtaining building licences.

The executor and trustee departments situated in the various districts of the bank continue to render their invaluable services and on an ever increasing scale as the many advantages of a corporate body in a fiduciary capacity become a matter of general knowledge and acceptance.

The growing work of our foreign branches is again a subject of comment and congratulation and I take this opportunity of recommending them to our friends needing advice on matters relating to international trade and finance or on foreign travel.

STAFF APPRECIATION

From many contacts with branch managers and other members of the staff, I can speak with knowledge of their high quality and keenness for the good and advancement of the bank. I notice, with pleasure, that many are taking advanced courses of study and so reaping the advantage of the offer of a substantial contribution from the bank towards their expenses.

ECONOMIC PROBLEMS

The serious occurrences in Korea confounded much of the hope the earlier part of 1950 seemed to hold for the mitigation of some of the graver economic problems facing Europe, this country and elsewhere and we must be eternally grateful that our ally, the U.S.A., grasped the Korean situation with the same resolute vigour and determination she has previously shown in her efforts to resuscitate the world.

Once more there is another twist to the inflationary spiral and methods of keeping it in some sort of control are exercising everyone's attention.

Surely the basic truth, which has been stated so many times in varying degrees of emphasis, must be appreciated by all except those who apparently refuse to face up to the realities of the position. Wealth cannot be created just by taking off the ticker on a pair of shoes valued at £2 and substituting one marked £3.

Similarly in the world of salaries and wages it is no possible solution to give an additional increase unless there is a corresponding increase in production. This, in the majority of cases, can be done without any increase in hours, by stepping up the output per hour, by giving full play to the ever growing mechanisation of industry and by greater personal effort by each and every individual.

It is no solution for one section of the community which feels that it may be lagging behind other sections to claim and secure an advance, as this merely gives a very temporary easement by putting that section slightly ahead of their fellows who at once make a claim to restore the previous position.

This method of advancement is short-lived for, when generally applied, it merely raises the costs of the goods or services and up goes the cost of living once more for everyone.

The fallacy that must be exposed is that full employment can be guaranteed by spreading the job out over as many hands as possible and over as long a period as possible. To carry full employment to its logical conclusion in the face of diminishing foreign orders for shipbuilding, machinery, textiles and the multiplicity of our products would mean direction and the movement from one area to another of labour to such an unpalatable degree as to be politically inexpedient whilst any spark of freedom pervades our constitution. I doubt whether all the implications are fully realised by the many who only see the advantages but close their eyes to the inevitable disruption in the private lives of others and maybe their own.

RESTRAINT IN WAGE CLAIMS

In my annual report to shareholders last year, I ventured the belief that these problems of inflationary effects and high costs of production could be overcome given certain co-operation and I commend to all the closing sentence in the Economic Survey for 1950, presented by the former Chancellor of the Exchequer to Parliament in March last, as follows:—

"Reasonable restraint in our personal claims upon production, increased efficiency and lower costs in industry, the elimination of all waste in the private and public sectors of our economy alike, are the necessary price with which to attain our objectives of economic independence and improved standards of living."

The new Chancellor has reiterated this statement of his predecessor with a plea for a general understanding in industry, and in the country generally, of the need for moderation in income claims, for a willingness to see the other man's point of view and an appreciation that the pursuit of purely sectional interests in an irresponsible manner without regard to the effects on the rest of the country can be disastrous.

This demand for continued restraint may appear to have lost some of its force in view of the almost spectacular improvement in the gold and dollar reserve position of the sterling area. This improvement is the outstandingly welcome feature of the year that has closed, but it should be remembered that the major contribution to betterment of the sterling group came from outside the United Kingdom, from the areas such as Malaya which have proved potent earners of dollars. If we here can preen ourselves it is on the buoyancy of our so-called invisible earnings, the importance of which tends to be overlooked.

INVESTING ABROAD

It is of particular significance that the improvement in our external sterling position should have come about by larger earnings from rubber, tin, wool, and such commodities, because these reflect the pioneer work in overseas investment done by this country in the past. Our sacrifices in two great wars have rendered us incapable for the time being of investing overseas on the former scale, and it is essential that the lead in this respect should be taken by the one country capable of assuming the role, namely, the United States. I am glad to note that a sense of this responsibility is very evident both in the pronouncements and policy of the leaders of that great country.

GREATER PRODUCTIVITY NEEDED

Nevertheless, I must conclude by reiterating my conviction that the persistence of inflation, world-wide in its incidence, is an occasion for the gravest disquiet and it can-

not be too strongly emphasised that with continued high demand, intensified as it is by the requirements of rearmament, the remedy is greater and still greater productivity hand in hand with careful productive spending. In this country the national production had increased by 9 per cent. up to September last compared with the previous year, and this factor combined with the wide support given by the Trades Union Congress to the policy of wage restraint affords considerable satisfaction as a demonstration that higher reward can only follow on higher effort.

The urgent need for greater productivity raises in acute form the problem of the supply of the necessary capital for trade and industry. I have already alluded to the increasing demands for working capital, demands of immediate concern to the banker, but the requirements for fixed capital are equally insistent. It is computed that each new arrival in Australia sets up a capital requirement of £1,000 and I cannot believe that the corresponding figure in this country for capital per worker is much less. Our living standards are in direct relation to our capital resources, and these must be maintained, developed and expanded out of the savings of the community. Can one doubt that the growth of capital is in surer hands when private thrift is encouraged and private enterprise carefully fostered?

BASS, RATCLIFF AND GRETTON, LIMITED

64TH ANNUAL GENERAL MEETING

The sixty-fourth annual general meeting of the ordinary stockholders of Bass, Ratcliff and Gretton Limited was held today at the registered offices of the company, High Street, Burton-on-Trent.

Mr C. A. Ball (deputy chairman) presided, and the following members of the board were also present:—The Rt. Hon. Lord Gretton, O.B.E., Mr A. G. Manners, Mr W. P. Manners, and Mr P. D. Manners, with Mr I. D. Pugh (secretary), and Mr I. M. Taylor, representing Messrs Whinney, Smith, and Whinney (auditors).

The secretary read the notice convening the meeting and the auditors' report.

The deputy chairman, in moving the adoption of the directors' report and balance sheet for the year, said:—

It is with regret I have to apologise for the absence of our chairman today, who is unfortunately indisposed.

I have to submit for your consideration, and adoption, the report of your directors, together with the audited balance sheet and statement of accounts, for the year ended September 30, 1950.

These were sent to you on December 12th, and have, therefore, been in your hands for the statutory period, and with your agreement, I propose to take them as read.

You will have noticed in the accounts, a taxation credit of £126,000, and which is explained in your directors' report; as this item is of an exceptional nature, we have transferred it to the contingency reserve.

The improved results for the year enable us to recommend an increased payment of 1 per cent. tax free on the ordinary bonus paid last year, and of which you will no doubt be pleased to approve.

RIISING COSTS

Rising costs still continue adversely to affect the additional revenue obtained from increased sales.

At the conclusion of the ordinary business, we propose to submit to you a special resolution to alter the Articles of Association as regards the qualifying holding of a director, and which is also explained in your directors' report.

I am sure that stockholders will join with the board in thanking all those members of the executive staff and other personnel, who, in their various occupations, have continued their loyal and efficient service to our group.

I now propose that the report of the directors, and the balance sheet for the year ended September 30th last, be adopted; that the half-yearly dividends paid on December 31, 1949, and June 30th last, on the 5 per cent. preference stock of the company, and the interim dividend of 5 per cent. on the ordinary stock paid on June 17th last, be approved; and that a final dividend be and is hereby declared, of 15 per cent., and a bonus of 5 per cent. on the ordinary stock, making with the interim dividend of 5 per cent. paid on June 17th last, a total dividend of 25 per cent. for the year, all free of tax, such final dividend and bonus to be payable on or after January 17, 1951.

Lord Gretton seconded the resolution, which was carried unanimously.

RETIRING DIRECTORS RE-ELECTED

The retiring directors were re-elected—Mr Arthur Manners, on the motion of Mr C. A. Ball, seconded by Lord Gretton; Mr W. P. Manners, on the proposition of Mr S. C. Robotham, seconded by Mr R. I. Tooby.

The remuneration of the auditors, Messrs Whinney, Smith and Whinney, was voted on the proposal of Mr E. C. Walters, seconded by Mr F. Hanson.

At the conclusion of the ordinary business of the meeting, a special resolution altering the company's Articles of Association, by substituting £200 for £2,000 ordinary stock, as the qualification of a director, was submitted to the meeting, on the motion of Lord Gretton, seconded by Mr A. G. Manners, and passed unanimously.

CASTLEFIELD (KLANG) RUBBER ESTATE

DIVIDEND OF 15 PER CENT.

The forty-fourth annual general meeting of this Company was held on January 4th at Asia House, Lime Street, E.C.

Mr Jack Addinsell, the chairman, after paying tribute to the courage and loyalty of the Estate staffs, said in the course of his statement:—

Although the full effect of the rise in prices was not felt in the year under review, the profit, excluding rehabilitation and before deduction of taxation, was £77,357, which is very gratifying considering the conditions under which our estates have had to operate. To cover taxation on the year's profit £38,392 is set aside.

Having regard to the programme of replacement and modernisation, we appropriate £10,000 to general reserve. For replanting, and upkeep of replantings, we transfer £7,500 to Replanting Reserve. During the current year we are replanting only 78 acres, with 24 acres of old rubber accidentally burnt out, but we expect to undertake approximately 150 acres next year. Yield per acre will attain increasing importance when the price of our commodity falls, and we cannot expect it to remain for long at the present very high level. The competition of synthetic must be a constant reminder of the necessity for improved yields and competitive costs.

For the current year a crop of 3,332,000 lbs. has been budgeted for but the output is to date running rather below the estimate. We must expect costs to rise as a result of a further increase in labour rates and in prices of materials. There is also the prospective increase in the export duty. There is therefore obvious need for prudence, but your directors feel justified in recommending a dividend of 15 per cent. for the year.

MALAYAN TIN DREDGING, LIMITED SOUTHERN MALAYAN TIN DREDGING, LIMITED

MR H. ASHWORTH HOPE ON
SOCIALIST POLICIES

The adjourned annual general meetings of these companies were held on January 10th in London.

The following are extracts from the statements of the chairman, Mr H. Ashworth Hope, circulated to shareholders:

MALAYAN TIN DREDGING, LIMITED

Why should 10d. have been considered good enough for Malaya when the price fixed by Ceylon was 1s. 6d. and every pound was eagerly purchased? In 1945 and 1946 Malaya produced 412,000 tons of rubber and had that country been paid only 1s. 6d. per lb. as was paid for Ceylon rubber, its producers would have received an additional £30,000,000. It is problematical just how much the Socialist Government lost between 1945-1949 by selling rubber to the U.S.A. at prices bearing no relationship to those America charged us for her surplus commodities.

SOUTHERN MALAYAN TIN DREDGING, LIMITED

Malayan and U.K. taxation together amount to 240 per cent. or nearly 2½ times the amount received by shareholders.

There would appear to be at least four policies the Socialist Government intend to carry out if again returned to power, each and all of which directly and adversely affect our group of companies and the tin industry as a whole: 1, Another capital levy; 2, statutory limitation of dividend; 3, a "curb on profits"; 4, more nationalisation—a red light to the tin mining companies.

Regarding a capital levy, Sir Stafford Cripps gave a solemn undertaking in Parliament that the levy he then proposed would be a "once for all" levy. With regard to statutory limitation of dividend, Mr Calligan, Parliamentary Secretary to the Admiralty, has recently urged that shareholders should be compelled to have their dividends limited by law.

With regard to "curb on profits," Mr Griffiths accepted a composite resolution at Margate, on behalf of the Party Executive, which spoke of "high profits received by employers," carrying the implication that these profits were responsible for the high prices. Why did not Mr Griffiths at once state the truth by pointing out it is not high profits that cause high prices, but that high profits are the result of the fortuitous rise in the price of commodities?

SINGAPORE AND FEDERATION OF MALAYA

At a time so fraught with menace to our country, useless, unreasonable, unpatriotic, strikes should be suppressed by the Government, as this virus of indiscipline and lack of responsibility could easily, by example, spread to Malaya.

Private enterprise free from irritating and unnecessary interference by governments both British and Malayan, will be the salvation of Malaya in the future.

There are still serious doubts concerning the ambiguous "assurances" given by Mr Attlee as to how long the British will remain in Malaya.

What is required is a clear and unequivocal statement by the Prime Minister not only that Malaya is and will remain a protected country as long as the treaties endure, but that Singapore is and will remain a British colony, and there is no question of withdrawing from either.

The reports were adopted.

SUNGEI BESI MINES AND AYER HITAM TIN DREDGING

MR G. W. SIMMS' STATEMENT

The adjourned annual general meetings of these companies were held on January 10th, at 73, Cheapside, London, E.C.

The following are extracts from the statements of the chairman, Mr G. W. Simms, circulated to shareholders:

The Secretary-General of the United Nations, in accordance with the provisions of the Havana Charter, convened a United Nations' Conference on October 25, 1950, to discuss a commodity control agreement on tin.

The leader of the British Colonial and Dependent Territories delegation referred to the dangers that might result from unemployment in consequence of a surplus of production in tin-producing countries and stated that the scheme was calculated to bring stability to the tin industry. As far as Malaya is concerned, this is in direct conflict with the facts established by experience under the last restriction scheme. The labour force employed in the Malayan mining industry varies with production.

RESTRICTION AND UNEMPLOYMENT

In Malaya the sale and transfer of quota which was permitted under the last restriction scheme was a direct incentive to the mine owner to close down, dismiss his labour force and sell his quota. It created a condition of affairs where one party was paid for not producing tin while the other party, by reason of the purchase price for quota, accepted what is equivalent to a lower price for his product. Price fluctuations were also greater during restriction than before it.

The estimates of production and consumption formulated by the Statistical Committee of the International Tin Study Group show an estimated surplus of production over consumption of 45,000 tons, 55,000 tons and 59,000 tons for the years 1950, 1951 and 1952.

There is no hope of any significant increase in terms of world production for some time to come. The possibility of a material increase in production from the Malayan tin industry can be ruled out and it is unlikely that production there will exceed 62,000 tons in 1951 and 65,000 tons in 1952.

WORLD CONSUMPTION

World tin consumption for commercial purposes in 1950 is unlikely to be far short of world production and during the last quarter of the year it has been running at a rate in excess of production. Looking further ahead it is of interest to consider the population figures and tin consumption per head for important countries. Generally speaking, the greater the degree of industrialisation the greater the tin consumption per head. The natural increase in population should result in a substantial increase in the consumptive demand.

As regards the future, it is much easier to visualise a material increase in the consumptive demand for tin than a material increase in its production. The most urgent problem before the tin industry is that of under-production not over-production. Tin, like any other commodity, is subject to competition from possible substitutes and if it is to hold its own the tin-producing countries would be well advised now to concentrate on developing their tin resources and increasing production to meet the demand.

The reports were adopted.

BANGRIN TIN DREDGING COMPANY, LIMITED WAR DAMAGE SETTLEMENT

The adjourned thirtieth annual general meeting of the Bangrin Tin Dredging Company, Limited was held in London on January 8th, Mr Kenneth O. Hunter, the chairman, presiding.

The following is an extract from his circulated statement for the year 1949:—

After making the usual provisions for depreciation of dredges, plant and equipment and amortisation, £50,832 is carried to Eastern revenue account. After adding interest, etc., received in London and deducting expenditure, we are left with a balance of £61,328 representing the profit for the year 1949 before providing for taxation. The relative estimated charge for profits tax and income tax is £36,654 and tax on depreciation and amortisation, etc., in excess of allowances for taxation takes a further £4,717 making £41,371.

Addressing the meeting the chairman said that he was very glad to be able to report that he had received the following communication from the Foreign Office via the working committee:—"I have been informed by telephone from the Foreign Office this morning that the exchange of notes with the Siamese Government has been completed and the claims have been finally agreed. It is expected that machinery will shortly be set up to deal with the distribution of the awards to be made." He did not think that they were likely to receive all that they had claimed but he thought it would be a fair amount and that they would receive it before the stockholders met again.

The report was adopted and the proposed final dividend of 5 per cent., making 8 per cent. for the year, was approved.

SIAMESE TIN SYNDICATE, LIMITED

DIVIDEND 25 PER CENT

The adjourned forty-third annual general meeting of the Siamese Tin Syndicate, Limited was held in London on January 8th, Mr Kenneth O. Hunter, the chairman, presiding.

The following is an extract from his circulated statement for the year 1949:—

Three more dredges were in operation. This resulted in increasing the output of tin ore from 921 tons in 1948 to 1,445 tons in 1949. After adding to the net revenue in the East, interest, etc., received in London and deducting expenditure, we are left with a balance of £94,183, representing the profit for the year 1949 before providing for taxation. The relative charge for taxation on the profits for the year is £61,700 and on depreciation, etc., in excess of allowances for taxation £3,580, making a total of £65,280.

Addressing the meeting the chairman said that he was very glad to be able to report that he had received the following communication from the Foreign Office via the working committee:—"I have been informed by telephone from the Foreign Office this morning that the exchange of notes with the Siamese Government has been completed and the claims have been finally agreed. It is expected that machinery will shortly be set up to deal with the distribution of the awards to be made." He did not think that they were likely to receive all that they had claimed but he thought it would be a fair amount and that they would receive it before the stockholders met again during the summer.

The report was adopted and the proposed final dividend of 5 per cent., making 25 per cent. for the year, was approved.

HECHT, LEVIS AND KAHN, LIMITED

WIDESPREAD IMPROVEMENT

The twenty-fifth annual general meeting of this company was held on January 9th in London, Mr. Walter Fletcher, C.B.E., M.P. (the chairman), presiding.

The following is an extract from his speech:—

As I ventured to point out to you last year, a change for the better had then taken place, and this has resulted in a very considerable improvement in the figures now before you. This applies not only to the profits made by the parent company and its subsidiaries and associates but to the expansion of the volume of trade in rubber and other commodities and articles in which we deal. The trading profit, less losses for this year, is £241,930, compared to the trading loss of the previous year of £23,613. We have, as a result of these improved figures, thought fit to bring up to date the payments due to preference stockholders and to reinstate the annual redemption of the normal percentage of the preference stock.

INCREASED SHARE OF FACTORY BUSINESS

The improvement in trading was widespread. At home we have increased, through the strenuous efforts of our market squad, our share in the home and foreign factory business. In France, which has been conspicuously successful, Alcan and Company remains easily the leading distributing agent for raw rubber, latex and sole crêpe, to which they have added rubber chemicals and other closely allied lines.

In the United States there has been a good deal of tightening up and reorganising. The jute importing business of our American subsidiary has expanded on satisfactory lines, and is starting to operate in certain European countries.

In the Far East our Singapore subsidiary had had to contend with the added worries arising from banditry and the Communist effort, yet it has managed to maintain a leading position as a shipper.

CURRENT YEAR'S TRADING RESULTS

You will, no doubt, wish me to say something about trading results since the date of the balance sheet. The steady, though sometimes sharp rise in the price of rubber, and the feverish movements of the last month or two, affect the merchant trader quite differently from the producer. They certainly provide good opportunities, but the great premiums that we have seen paid on spot or near rubber, as against rubber for forward delivery, are not healthy signs. Nevertheless, using as much prudence as possible, the results are a good deal better than those of last year and we hope will continue so for the rest of the financial year.

We feel that the policy of trying to establish a steady and regular profitable business is preferable to the vast profits that correct judgment of a rapidly moving market may provide at one moment, but which are so often prone to melt away with something added to them at the next. Many schemes that are put forward to deal with the inflationary effects of the rise in price of important primary commodities, including rubber, would, if adopted, inevitably affect the future of this business, but businesses established in the main markets of origin and consumption have always found a place where their services are needed and rewarded in all the varying circumstances of peace and war. I am confident that we shall adapt our world organisation to whatever circumstances we may have to face.

The chairman, addressing the meeting, said he was pleased to state that an interim dividend of 10 per cent., was being paid for the current year.

The report and accounts were adopted.

CHARTERHOUSE INVESTMENT TRUST

25 YEARS OF GROWTH

The twenty-sixth annual general meeting of this company will be held on January 31st in London.

The following is an extract from the review by the chairman, Mr H. Nutcombe Hume, C.B.E., M.C., circulated with the report and accounts for the year to November 11, 1950:

The accounts represent the culmination of 25 years' work. The Trust started with an initial capital of £300,000 and now controls a group, the total resources of which in capital and reserves attributable to the Trust, amount to approximately £2,411,000. The Trust has paid a dividend in every year since its inception and including the dividend now recommended will have distributed in the aggregate 169½ per cent. to the holders of its ordinary stock.

It is with great pleasure that we present yet another satisfactory record of trading and are able to recommend the maintenance of our dividend at the same rate as for the past four years. Our reserves have been increased, in the aggregate, by £32,786 and the current worth of the assets is substantially above their book value.

If we are allowed to carry on our business without interference and if foolish, or even deliberate, political policies do not further injure or destroy the capitalistic system which has served this country so well, I see no reason why the next 25 years should not witness a growth of our group of companies comparable with that which I am able to report today.

Despite the inherent difficulties of the times our Finance Corporation has again rendered a good account of itself and has obtained its full share of such issue business as has been available. Our Industrial Development Company has had another successful year.

Its investments, amounting to over £3½ millions, are now spread over more than fifty companies.

MENACE OF DEATH DUTIES

Britain's aptitude for colonisation derives in very large measure from the willingness of its people to adventure and their skilful use of capital for the development of more backward countries. The smaller units of production and employment are the backbone of the trade of this country; their flexibility and their preparedness to take risks, coupled with a relationship between management and employee based on affection and loyalty, are an asset the country cannot afford to lose. The present system of taxation, however, is, in fact, doing this very disservice to us all. The private company is in course of being destroyed. Not only is the splendid habit of building up out of retained profits rendered impossible by Income and Profits Tax, but the very fabric of these concerns is being torn to pieces by death duties.

When the proprietors of a concern have tried their best to attract outside capital and failed, their enthusiasm for development turns into a desire to cut down and become liquid. Nobody should be more concerned to see this process reversed than the employees and their trade unions.

As to the outlook, the Finance Corporation has completed three issues since our year closed and has at least eight more good profitable deals under active negotiation. The portfolio of investments we believe to be sound, and the holdings in the 50 or more companies in which the Industrial Development Company has an interest are worth considerably more than the figure at which they stand. But over all hangs the awful spectre of world political failure and instability.

LAKE GEORGE MINING CORPORATION, LIMITED

LARGER OPERATING PROFIT

SIR GODFREY FELL'S REVIEW

The fourteenth annual general meeting of this company was held on January 9th in London, Sir Godfrey Fell, K.C.I.E., C.S.I., O.B.E., the chairman, presiding.

The following is an extract from his address, circulated with the report and accounts for the year to June 30, 1950:

The group operating profit at £498,813 was £173,970 more than in the previous year, when operations suffered owing to prolonged strikes. After writing off preliminary expenses and share capital reduction expenses, providing for the interim dividend and for the proposed final dividend, making a total distribution of 2s. per share, less tax at 9s. in the £, the amount carried forward, £85,954, is £6,435 more than last year.

Diamond drilling to a total of 2,239 feet was carried out on the surface, while a further 7,079 feet were completed underground for the purpose of geological investigation, delineating and sampling the ore-bodies, and for engineering and other purposes.

In a recent letter, Mr W. H. Tyler, the general manager, comments as follows on the subject of "gossans": "I would like to draw your attention particularly to the section on gossans in the report accompanying the regional geological map. These outcrops are very widespread and we are really dealing with a region of base-metal deposition and not with isolated occurrences of lead-zinc-copper lode. This region extends to the south and north, and we now have a large area protected which we hope to survey in the next field season. In such a large area it is difficult to believe that the Elliott's and Keating's lodes are the only ones worth exploiting, and further detailed work on the gossans should bring out some interesting facts."

RIISING COSTS

Operating costs, the report indicates, continue to rise, owing to increases in basic wages and new awards made by the Arbitration Court for higher rates of pay, which in turn have seriously raised the cost of plant, equipment and stores. For these reasons and owing to the fact that in the previous year the mill only operated for 80 days and the mine for 67, owing to labour troubles, comparisons of operating costs are valueless.

Operations at Captain's Flat are continuing at a satisfactory level, and for the 20 weeks ended November 19, 1950, 75,335 tons of ore were milled, an average of 15,067 tons for each four-weekly period. The output of concentrates for the same period amounted to 5,914 tons of lead concentrates, 10,776 tons of zinc concentrates and 1,757 tons of copper concentrates.

Shipments of lead and zinc concentrates to the Continent and to the U.K. are being made to the fullest possible extent by Lake George Mines Pty. Ltd., in order to take advantage of the present high prices for lead and zinc. Given a continuance of these prices and stable labour conditions, the subsidiary company should show considerably enhanced earnings in the current financial year.

The chairman, addressing the meeting and referring to the question of transferring control of the Corporation to Australia, said that taking the long view, it was the unanimous opinion of the directors that it would not be in the best interests of the shareholders to upset the existing organisation at the present time.

The report was adopted.

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CITY OF JOHANNESBURG

THREE AND A HALF PER CENT INSCRIBED STOCK, 1952.
NOTICE is hereby given in order to prepare the Warrants for the March 1st next, the BALANCES of the several accounts in the above-mentioned stock will be struck on the night of February 28, and that on and after February 2nd the stock will be transferable as usual.

For Barclays Bank (Dominion, Colonial and Overseas) (Registrar of the above Stock).
G. A. D. HARRISON, Acting Manager.
Citrus Place, London Wall, E.C.2. January 5, 1951.

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UNIVERSITY OF LONDON

A course of three lectures entitled "Social Mobility" will be given by Professor T. Geiger (University of Aarhus) at 5 p.m. on 22 and 23 January and 5 February at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.
ADMISSION FREE, WITHOUT TICKET.
James Henderson, Academic Registrar.

UNIVERSITY OF LONDON

A lecture on "Bureaucracy" will be given by Professor K. E. Wheare (Oxford) at 5 p.m. on Friday, January 19th, at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.
ADMISSION FREE, WITHOUT TICKET.
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Arms and Diplomacy

IT is said that Parliament will shortly hear from Mr Shinwell a speech of great frankness and urgency. Let us hope so. Some such statement on defence policy is already long overdue if public bewilderment about the rate and purpose of rearmament is to be overcome and a mood of intelligent determination built up. Now that General Eisenhower has made his bow in London as Supreme Commander, and now that President Truman has presented the bill for the tremendous effort that the United States is to make, such a declaration from a British Minister is essential. Moreover, it should be made with enough spirit and determination to carry the conviction that something is going to be done—not like one of the Prime Minister's broadcasts, where every sentence seems to begin with the word "unfortunately."

Mr Shinwell must by now have had plenty of opportunities of realising what the strategic and political purposes of the Atlantic Pact require of this country—which is no less than, jointly with America, to stand in the front line on the Continent of Europe if any attack comes in the next year or so, before the continental countries themselves are ready. Mr Shinwell must remember the time, not so long ago, when the Cabinet refused to accept this principle, in spite of all the pleadings of Lord Montgomery as chairman of the Western Union commanders-in-chief. Since then time-tables and estimates of danger have changed; the lesson of Korea has been studied; and the need to save Europe by exertion as well as by exhortation has become clear. An unmistakable acceptance by Britain of the commitment to fight on the Continent is the essential keystone of the whole alliance; without it neither the American nor the continental contributions will be forthcoming.

So much is needed of British policy if the allies, both to the east and the west, are to be kept together. But something else is needed if the British people are also to be carried along in agreement—an expression of equal confidence that the purpose is to prevent, not to precipitate war. It has to be explained to the public that there is nothing unreasonable in advocating at one and the same time rearmament and negotiation with Moscow, in preparing against war while hoping for peace. Indeed, it has to be explained that the one is the condition of the other. Many people—both here and in Europe—will not put their backs into soldiering or civil defence or factory production until they are satisfied that a serious attempt has been made to get out of Moscow a wide or limited agreement. Others, on the other hand, take the same view as many Americans: that it is useless, indeed dangerous, to attempt negotiation until Europe is strong enough to face the consequences of a breakdown. No negotiation, they say, is better than futile negotiation. In short, two wings of public opinion, both wanting peace but disagreeing about the way to get it, have to be brought together; and that can be done only if defence measures and diplomacy march together. To the Russians

this is clearly the normal way of conducting affairs of state; to them it seemed a normal precaution not to disarm extensively after the war until an acceptable post-war settlement was in sight. The British and the Americans—despite the warnings of history and Mr Churchill—thought otherwise. Thus, to get into a posture for what Mr Acheson calls negotiation from strength, they now have to go through all the alarms and excursions which accompany the rearmament of a democratic country. In the process of doing so statesmen may forget what the object of rearmament is, and the public is apt to decide that rearmament makes war inevitable.

It is necessary that these things should be explained, not only to the British but also to the Americans. For there are two great risks in the present state of bewilderment and alarm. The one is that the Russians, believing the free world to be both strong and aggressive, may get too frightened. The other is that, believing the free world to be both weak and divided, they may get too over-confident. To see the risk of such a misunderstanding one has only to compare the tone of a speech by the isolationist, Mr Hoover, with the tone of a "neutralist" leader in *Le Monde*; or the impeccable platitudes of the statement issued by the Commonwealth Prime Ministers last weekend with the warnings which accompanied President Truman's budget. The free world must often look very odd when watched from Moscow.

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Let it be admitted frankly that these and other serious differences exist. Some Americans clearly expect war next summer; the majority of informed opinion in this country does not. Both behave accordingly. Many Frenchmen fear the Germans more than the Russians, and will go to almost any lengths to stop a German contribution to Europe's defence. Others are quite clear in their minds that it is Russian domination of Germany which is to be feared. Both act accordingly. Some British and more French would go a dangerously long way with concessions to bring the Russians to the conference table. Others, and certainly most Americans, would not. In short, a quite artificial division has sprung up between those Europeans who profess to fear that the Americans will precipitate a world war by dropping an atomic bomb and those Americans who profess to fear that the Europeans will surrender to the Soviets. Both fears are monstrous exaggerations; they magnify tiny fractions of opinion into serious trends of government policy. If the Atlantic Pact is to work, this mutual incitement of disunity must be overcome. And it must be overcome where it originates—in intellectual confusion and lack of courage.

For what is the purpose of the policy now being pursued? It is to convince a small number of men in the Politburo that it is safer and wiser to leave the free world alone, to persuade them that the possibilities of frictionless expansion in the postwar world have been exhausted. However passionately people may feel about the ideological conflict and Moscow's obsession with a theory of inevitable capitalist collapse, it is not Communism but the Soviet Union's imperialism that is at the root of the trouble. Communists can be fought on their merits in each individual country, according to its traditions and by its accepted political methods. They have already suffered notable defeats all over Europe—neither by force nor by diplomacy—but just by vigorous politics. But Soviet imperialism can be checked only by the Soviet

Government which, when it comes to the point, behaves even more cautiously than other great powers have behaved in the past when confronted with strength and determination. It is on the realism and caution of Moscow that the policy of the West must concentrate with all the skill at its command. And in doing so both military strength and diplomatic skill have their parts to play, the one as the fulcrum, the other as the lever.

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What can be hoped of diplomacy? First, that time will be gained—time that has brought the breach of Tito with Stalinism, the ascendancy of De Gasperi in Italy, the decline of mass support for Communism in France, the astonishing economic recovery of Europe, and the rearmament of America. Second, that Stalin can be prevented from making mistakes. Mr Eden has reported the Generalissimo as saying that the trouble with Hitler was that he never knew when to stop; he, Stalin, would not make that mistake. But we do not know what carefully sifted evidence reaches his desk, how far the caricature of American policy and personalities that appears in Soviet newspapers is what his representatives abroad report. It would be worth any amount of trouble to break through the curtain and make sure that Stalin himself heard straight from the mouths of the heads of the free governments both of their determination to be strong and of their desire for peace. On this point the Commonwealth ministers were right to say what they did. And before—even after—that is done, it would be worth while for the Foreign Ministers to come together and discuss not just one, but half a dozen of their differences.

To do this and at the same time to insist on a rapid tempo of rearmament is logical and necessary. No concessions that the Russians are likely to make would justify accepting any longer the disparity of strength that has existed between the free world and the Soviet Union since 1945. And no settlement made in the present state of the world could be maintained for a year unless there were the resources available to enforce its observance. These are revolutionary times in which the free world cannot afford to remain on the defensive, clinging nervously to the United Nations and the paragraphs of treaties.

These are the things that need to be said by Mr Attlee and his colleagues if they are to fill the role of leadership that the cold war has thrust on them, and if the British people are to understand why they are rearming. They need also to be said in France if Europe is to have a loyal and effective leader. And they need to be said in the United States if its diplomacy is not to degenerate into political warfare and its foreign policy into an impatient demand for quick results. Nothing is certain about the course of events in 1951; and anyone who questions this should ask himself frankly what he was prophesying for 1950 just a year ago. The die is not cast for war or peace; events can still be controlled and minds influenced, but only if the leaders of the Kremlin can be convinced that they have equally little to hope from pressing an armed attack on the free world and to fear from withholding it. Neither strength alone nor peace alone is an adequate cry for the West—neither rearmament alone, which is the means of the one, nor negotiation alone, which is the means of the other. The only hopeful policy is Peace through Strength, Arms and Diplomacy.

Monopoly in Radio?

LORD BEVERIDGE and all but one of his colleagues on the Broadcasting Committee have brought in a highly conservative report.* This verdict is not in the least upset by the fact that the Conservative politician on the committee is the one dissident unconservative enough to want to experiment, for such is the topsyturviness of philosophies these days. The majority report makes a great many suggestions for alterations in the constitution and practices of the BBC; but though some of them can hardly be dismissed as minor, none of them affects the main structure of broadcasting as it exists in this country today. The committee recommend that there should continue to be (with very small exceptions) a monopoly of all kinds of broadcasting, visible and audible, in the hands of a single corporation financed by licence fees on receiving sets. Indeed, so sure are the committee that this is the proper form of organisation that they recommend the grant of a permanent licence, which has never been done hitherto. There would continue to be quinquennial reviews; but it is made clear that they would not be expected to re-examine the fundamental constitution of the BBC.

The most far-reaching question that the committee had to consider was whether or not broadcasting in this country should continue to be, as it has been from the start, a monopoly. That this question is in the forefront of the report is in itself a highly significant fact. British broadcasting became a monopoly almost by accident, but for most of its lifetime the results of the accident were almost unanimously approved, and the last previous full-scale enquiry into British broadcasting, that made by the Ullswater Committee in 1935, mentioned the issue of monopoly only to the extent of commenting on "the remarkable absence of general criticism" of it that had been submitted to them. This time there was a body of opposition in principle to a monopoly which, though it did not bulk large in the evidence, was enough to persuade the committee to take the subject very seriously.

The most obvious alternative to monopoly is the American system of competing broadcasting companies financing themselves by "selling time" to advertisers. The committee investigated this, not only in the abstract but by sending out subcommittees to listen and to look

in America. The reports of these embassies make very interesting reading, and it is possible to deduce from them that the envoys found American broadcasting not nearly as bad as it had been painted. One of them, Mr Selwyn Lloyd, was so far converted that, in his minority report, he proposes the licensing, alongside the BBC, of one or two national companies to run commercial programmes, as well as local stations which would be allowed to take advertising. None of the other members was prepared to contemplate commercial broadcasting as an alternative to the BBC's monopoly. None of them, in fact, approves sponsored programmes (that is, the choice and presentation of programmes by advertisers) even as a means of financing the monopoly, though the Chairman and two others suggest, very tentatively, that experiments should be made by the BBC in accepting paid advertising without giving the advertisers any control over the programmes between which their announcements would be sandwiched.

But advertising is not the only alternative to monopoly. It would also be possible to have several broadcasting corporations, each financed out of licence revenue. There are several variants of this proposal. The Fabian Research Group, for example, suggested four corporations, one for a national programme, one for regional and local programmes, one for overseas broadcasting and one for television; a Liberal Research Group made a similar proposal. And there is the proposal, which was first advanced in these columns, for three separate public-service corporations, each operating over the whole range of radio, each assured a certain fraction (say a quarter) of the licence revenue, but competing for the balance, which would be distributed in accordance with the votes of listeners.

The report discusses these proposals at some length. The committee do not ignore the dangers of monopoly; but they do not rate them high enough to justify destroying the monopoly; they prefer to guard against them by arrangements within the monopoly itself. Their objections to the proposal of "three BBCs instead of one" are not very clearly argued, and are curiously fragile. Since competition with only three competitors is very imperfect competition, they imply that it obviously has no value: "when discussions of the issue of monopoly in broadcasting has reached this stage, the practical answer to be given is clear." (Would they say

* Report of the Broadcasting Committee, 1949." Cmd. 8116. 327 pages. 6s. 6d. There is also a second volume of "Memoranda Submitted to the Committee." Cmd. 8117. 583 pages. 10s. 6d.

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that there is no practical difference between having three political parties and having one?) Their only other reasons are that the particular proposal for three BBCs put before them did not "ensure in right measure both the regional devolution and the functional devolution that are needed" or the necessary safeguards against abuse of the broadcasters' power—although every one of the proposals that the committee themselves make under these heads could, if it were thought necessary, be applied to three corporations as easily as to one.

Clearly this is not nearly enough to conclude the argument. Indeed, it is very strangely weak coming from a committee of which Lord Beveridge, who has one of the liveliest and least conventional minds in the country, was the chairman. One must conclude that the idea of monopoly in broadcasting has become, in a single generation, so deeply embedded in national attitudes (it does indeed correspond to much else that has been happening in the country in the last thirty years) that a proposal to upset it, at the admitted cost of considerable disturbance, comes up against very strong instinctive resistances which will not be removed until there has been a long period of softening them by public discussion. The idea of diversity in broadcasting will have to become much less novel before it will be accepted. The resistance to it, however, exists only in what may be called the articulate classes, the leaders of opinion, of whom the socialists like monopoly in principle, and the remainder tend to take a superior attitude, in cultural matters at least, towards "the people." As it happens, the *News Chronicle* published on Tuesday of this week the results of a Gallup Poll on exactly this issue. The question was whether the BBC's monopoly was a good or a bad thing, and of those who expressed one opinion or the other, 52½ per cent said that it was bad. To the further question whether the programmes would be better or worse if the BBC had a competitor, 65 per cent of those expressing an opinion said that they would be better. This is clearly a matter on which the people and the Best People think differently, and the trend is in favour of the people. The argument about monopoly in radio is not ended; it is just beginning.

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The Beveridge Committee were sufficiently aware of the dangers of monopoly to propose a variety of internal safeguards against them. There are quite a number of these. The functions of the Governors of the BBC, as trustees for the public, are to be strengthened *vis-à-vis* the officers. National Broadcasting Commissions, appointed by the Government, are to be set up in Scotland, Wales and Northern Ireland, with considerable powers over the regional programmes in those countries devolved upon them by the BBC. The Regions in England are to have greater powers. Television is to be administratively and financially autonomous; Overseas Broadcasting is to be more independent. There is to be a Public Representation Service, which will not only put greater weight on what is now called "audience research" but will organise a great volume of prior and *post hoc* consultation of "experts." There is to be a network of advisory committees.

Some of these proposals, taken individually, have great merit. But when they are taken together they will all be found to point in one direction—towards weakening the authority of the Director-General and the central organisation of the BBC. They would prevent the BBC

from being a dangerous monopoly by making it an ineffective one. But this is to misconceive wherein the danger of monopoly lies. The real danger is not the melodramatic one that a monopoly corporation will deliberately build an empire over men's minds for its own, or someone else's, fell purposes. It is rather that monopoly broadcasting is timid, conventional, unadventurous, dull, that it works out "in complacency, lack of imagination and deadly uniformity of public opinion." To weaken the power of responsible decision, to insist on checks and balances, to surround the executives with advice and consultation, to set up a network of committees through which every decision has to force its way—all these things will make the BBC even more bureaucratic than the system forces it to be at present. The analogy with industry is valid at least to this extent—that a broadcasting service, if it is to be really alive, requires the crisp effectiveness of decision that comes from the concentration of responsibility. Committees are as ruinous to artistic and cultural matters as they are in industrial. To concentrate responsibility within each functioning unit, and to guard against monopoly by multiplying the number of independent units, is as sound a principle in broadcasting as in industry. In broadcasting, as in industry, to set up a monopoly and then, in the name of "safeguards," to force it to operate inefficiently, is foolishness. The office of Director-General of the BBC—the present occupant of which is so justly commended by the committee—will, if their proposals are adopted, be no more than a seedbed for frustration.

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On the main issue of broadcasting policy, the Beveridge Committee's report is thus an opportunity sadly missed. But this article, in concentrating so completely on this one issue, has certainly done the report as a whole much less than full justice. It is, as might have been expected, informative, thorough, clear, vigorous and reasonable, and it deals, in a spirit of robust common sense, with a variety of topics which have here received no mention. Lord Beveridge and his colleagues have performed a public service, and their report deserves a very wide reading, outside the United Kingdom as well as within it.

The bulk of their recommendations will no doubt be accepted by the Government and embodied in the new Licence which will come into effect on January 1st next. It would certainly be quite unrealistic to expect the present Government to disagree with the committee on the question of monopoly. There is, however, one other recommendation which the Government can reasonably be asked not to accept; this is the proposal that the new Licence should be a permanent one. The question of the BBC's constitution is not a closed one. The Gallup Poll figures quoted above show that there is a very large body of opinion in the general public that dislikes monopoly. Even apart from this, the next few years will be a period of very rapid technical change. Television is developing, and the use of very high frequencies, as the report itself shows, may before long revolutionise the technical basis of broadcasting.

The proper place for broadcasting in a democracy is a very wide question to the importance of which public opinion is only just beginning to wake up. It would be wholly contrary to the spirit of free government to prejudice this discussion before it has hardly begun. This is no time to fix patterns.

The Place of Spain

IT is difficult for people in England to appreciate how isolated Spain has become in the past few years. Spanish foreign policy is traditionally neutral. But the effect of the recent international ostracism has been to push the Spaniards further out of the ranks of the western nations than any policy adopted in Madrid alone could have done; Spain has never even had the opportunity of joining the OEEC or the Council of Europe, like other traditional neutrals such as Switzerland and Sweden. As yet it is impossible to tell just how much difference the return of western ambassadors to Spain may mean; Sir John Balfour will be the first British Ambassador in Madrid since 1946. But the chances are that it will mean a good deal. Their return—and the circumstances which give rise to it—certainly marks the end of the period of intense Spanish isolation which began on the morrow of the allies' victory over Fascism. How important this landmark may become will depend on the statesmen of both sides, in Madrid and in the rest of the western world. It is in their common interest and it should be their common task to see that the new relationship starts a new period of Spanish history.

No liberal can support the totalitarian state which still exists in Spain. The appointment of ambassadors does nothing to alter that fact and there is no use mincing words about it. But the boot is on the other foot too; neither General Franco nor any of his immediate associates in the Spanish Government want to be liberals—strange, and indeed almost inadmissible, as that may seem to many in the democratic world. They have their own philosophy of life, and this fact must also be recognised before any serious thought can be given to the question of how future relations with Madrid should be developed. Once these two attitudes have been recognised, however, it is legitimate to accept the lesson of the past, to lay down certain principles for the present and to list the hopes for the future.

The lesson is simple. If the western world was right to ally itself with Russia during the war with Germany, it would be wise to try to enlist the help of Spain in the supreme struggle with Soviet imperialism today. Spain is, of course, not Russia, in terms either of size and power or of doctrinal influence with peoples outside its own borders. But it has much to offer—not least an invaluable strategic position and a trained army. And just as the failure of preliminary attempts to come to terms with the Russians was not allowed to affect the alliance once the crisis of the war had been reached, there is no reason why, at this grave hour in the cold war with a common enemy, past hostilities and antipathies should now prevent a working partnership with the Spaniards on the basis of live and let live. Throughout the world, democracy is having to compromise with systems which are alien to it—in Yugoslavia, in the Middle East and in Asia. There is no real reason why Spain should be different, now that the North Atlantic alliance has fully established itself.

Two principles must certainly govern any serious rapprochement that may now be attempted with Spain. First, the western democracies cannot have their cake and eat it; they cannot urge the downfall of General Franco and also expect assistance from him. Spanish exiles themselves have just abandoned the pact between

socialists and monarchists over which Mr Bevin was originally consulted; Señor Prieto has given up the chairmanship of the socialist party and Señor Robles, the monarchist leader, is reported to have returned to Madrid as a private citizen. Secondly, on both sides, there will have to be an attempt to appreciate the limits of criticism. On the side of the democracies there can, of course, be no thought of censorship. But the critics of Franco should also stop to think whether they really wish to sabotage the policy of mutual assistance. The Spanish Government, on its side, will have to appreciate that, where the expression of opinion is not controlled, criticism is both more inevitable and has much less significance than where it is a deliberate expression of official policy. Just because their press is highly controlled, they will not be able to go on affording the luxury of saying that the Atlantic Pact is merely a "paper treaty," and that the "appeasement" policy of the British "neo-Marxists" towards China is a "betrayal of the United States." Unless there is a clear understanding on these things, they will cause endless trouble.

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These are the facts of the present situation. What are the reasonable hopes for the future? The first is that if the contact with the democracies is sufficiently close it will gradually soften the outlines of totalitarian rule. For some time many have hoped that General Franco's very security in power would enable him to relax. To some limited extent he has done so; he recently claimed that there were now fewer people in prison than at almost any time for twenty-five years, either under his own dictatorship, the Republic or Primo de Rivera. It may indeed be reasonable to hope that in time Madrid will come to give practical effect to articles 12 and 18 of the *Fuero de los Españoles*—the Spanish Bill of Rights—which was passed in July, 1945. On paper, these articles provide for the basic human rights of full freedom of expression and association and of legal security. It should, in fact, be the object of western diplomacy to help the Spanish people eventually to break out of the present political stalemate—in which many Spaniards accept Franco unwillingly but will do nothing to turn him out. General Franco himself is worried about his own succession, as any man in his position is bound to be. It should be the hope that, when in the inevitable course of natural events the moment comes to form a new government, Spain will be ready to set in motion a progressive political evolution rather than another blood-thirsty revolution.

To achieve this, however, will require some pressure from events, more indeed than they have been able to exert during the past five years. The hope, therefore, is that the increasing dangers, which are militarily uniting Western Europe, will also gradually bring about some working military arrangement between the North Atlantic Powers and Spain. Portugal has already seen the need to join the North Atlantic Treaty Organisation, and Dr Salazar, the Portuguese Prime Minister, is in a strong position to represent the immediate views of Madrid and the west to each other; he last met General Franco for political and military talks at Corunna as

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recently as September. Portugal and Spain are bound by a military treaty, and relations between them are close; General Franco's brother is the Spanish ambassador in Lisbon. In reality the Iberian peninsula is a single military unit.

It is questionable how willing General Franco would be at this stage to join the western defence group. Many Spaniards are unwilling to consider sending forces abroad; at the same time the Spanish army is under few illusions about Russian military power, and the offer of a bilateral alliance or security pact by the United States might be tempting. This could, in fact, be the best way in which to broach the whole question of Spanish military association with the west. The Americans are already reported to have sounded Madrid on the possibility of a Spanish expeditionary corps of 60,000 men.

Progress in matters such as this depends on how much the west needs Spain and how much Spain needs the west. What then does Spain have to offer? Apart from its strategic position, can its economic and military contribution help to offset its political liability to the democratic camp? Economically, Spain is still in a poor way. How poor is shown by the fact that on the basis of calculations made by the Economic Commission for Europe, it takes an unskilled Spanish worker about 83 hours to earn a month's food for his family, compared with equivalent figures of 58 even in impoverished Italy, 49 in France, 26 in Switzerland, 15 in Britain and 13 in the United States. Although Spain exports several raw materials of direct warlike value and has a modest industrial development, it could, in fact, contribute little that would not be equally available from normal trade, if it

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remained neutral. The Spanish standing army, on the other hand, numbers something over 15 divisions—more than that of any other non-Communist country. The maximum strength on mobilisation, according to the Spanish Ministry of War, is 2,057,000 men, mostly of tough quality and already trained. Small arms supplies are fair, but every other equipment aspect is weak—old-fashioned artillery, antiquated French and German tanks, and a negligible even if well-trained air force.

This is not in itself enough to make a formidable contribution to Western European defence in the immediate future; and it is just as well that the western powers are not at once called upon to try to re-equip the Spanish forces, since they could not do so without sacrificing their own well-nigh desperate needs. But, although a period of quiet and tough bargaining almost certainly lies ahead, it would be quite wrong to leave Spain out of all longer-term calculations. If fate has decreed that 1951 is to be civilisation's crucial year, then Spain has little more than a peripheral role to play; it would be a tragic farce to repeat there the vast muddle which has taken place over German rearmament. But in the long run, say over the next two years, it should be the task of western diplomacy to bring about a genuine rapprochement, so that Spain is able as well as willing to throw in its lot with the rest of Western Europe. Peculiarly difficult as this task will undoubtedly be for the British and French after all the ill-feeling of the last fifteen years, that is the goal to which the efforts of all the returning ambassadors should now be directed. For nothing less will ensure either the maximum preparedness of the non-Communist world or the eventual attainment by the Spanish people of the peace and freedom they desire.

Assistance and Welfare

SINCE 1948 less has been heard of the new poor law established by the National Assistance Act than of any other of the social services. It may be because the Act itself was only the culmination of a process that had been going on for some years; it may be because, as things go today, the new poor law is not costly. Nevertheless, the change that has taken place in the last two and a half years is important enough to deserve mention. The fundamental change is that the stigma, which was formerly attached to the receipt of poor relief whether indoor or outdoor, has gone. So, too, has the liability, which dated from the Poor Relief Act of 1601, of relatives to maintain each other. What is still not certain is whether the new system is not too generous for a nation which, in one way or another, is going to be forced to curtail its social services.

The National Assistance Act had two main provisions: it completed the process of transferring the responsibility for granting outdoor relief from the local authorities to the Assistance Board, and it placed on the local welfare authorities (the public assistance committees renamed) a duty to provide residential homes for all old or disabled persons in need of care and attention, no matter what their income.

It is the first of these provisions that is most widely known, for outdoor relief, or national assistance—that is, the giving of grants in cash or kind—affects far more people than indoor relief—that is, the reception of the poor or unfortunate in institutions. Already by 1948, the household means test had been abolished and

replaced by a test of personal needs. The Assistance Board, that is, undertook to pay the difference between the amount that was laid down as necessary for subsistence and the amount that the applicant for relief possessed on his own. What the Act of 1948 did was to extend considerably the system under which some of the applicant's resources were disregarded in the assessment of his needs. An assisted person can now possess a house, £375 of war savings and £50 of other capital before the full assistance payment is reduced by as much as a penny. In addition other allowances from private sources are disregarded up to a total of £1 a week. In brief, assistance does not exist solely for the poor.

The argument behind the system of "disregards" is this: why should the thrifty, who have made private provision to safeguard themselves against the hazards of life, forfeit the fruits of their thrift by having the assistance payments reduced or refused, whereas those who have made no such provision are allowed to profit to the full from the state's bounty? This argument is by no means wholly justifiable. For one thing, it is pertinent to ask why people make provision against the risks of life at all if not to prevent themselves from having to ask for help from public funds. In the past people strove hard to protect themselves from the stigma of pauperism. Has this pride in their independence deserted them now that their financial help comes from the taxpayer at large instead of the ratepayer near at hand? Furthermore, the fact that a person has no savings to fall back on in adversity may mean nothing more shameful than that he

prefers to spend on his children's present rather than to save for his own future.

It is the rising cost of living which makes the policy of disregards particularly important at present. Rising prices are making the basic assistance payment more and more inadequate. But so long as there is any limit on the cost of national assistance, the more generous the disregards, the smaller that basic payment can be.

How to avoid the discouragement of thrift and yet secure an adequate income for those without savings may be the biggest dilemma facing those who have inherited the old poor law system of outdoor relief. If the cost of living had been kept stable, as in 1948 the Government assumed would be possible, the compromise then reached might have been successful. As it is, the Assistance Board is likely to be faced with demands for an increase in its allowances, on grounds of undeniable hardship, at a time when they can least be afforded.

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Rising costs are also troubling the local welfare authorities. In London, the weekly cost of maintenance in a large institution has now risen to about £3 5s. per head per week, and in the small homes to about £4 10s. But the welfare authorities are also having to face the fact that another assumption made by the framers of the National Assistance Act has proved to be mistaken. The chief criticism of the old institution was that it housed too many people and too many different sorts of people, and that inadequate provision was made for the chronic sick in the infirmaries. The main purpose of the new provisions for indoor relief was to oblige all local authorities to do what the progressive authorities were already doing within the restrictions imposed by the old poor law—to sort out the different classes of inmates and to provide for the old, who made up by far the biggest single class, small homes where they could end their days in decency and dignity.

The framers of the Act did not make the mistake of assuming that the shelter provided by the old poor law institution for persons suddenly and urgently in need of accommodation was no longer necessary. The provision of this statutory roof is still an obligation of the welfare authorities. But the legislators did assume that in the main this sudden distress would be caused by fire or flood or some other unforeseen circumstance. They did not see the extent to which, two and a half years after the Act came into force, the housing authorities would fail to deal with homelessness. Yet families, for whom the housing authorities should be responsible, find their way to the institutions, and it is the welfare authorities who have to decide how to deal with them.

Another mistaken assumption was that the hospital authorities would be able to fulfil their responsibilities towards the chronic sick. So much was this taken for granted that the local welfare authorities were precluded by the Act from providing anything in the nature of hospital treatment in their institutions and homes. In some places, the regional hospital boards have taken over the sick wards of an institution, which becomes thereby a "joint user" establishment. Yet although in theory this arrangement should facilitate the transfer of a person from welfare accommodation to hospital bed and back again, in practice it raises difficulties of its own. In London, although the Act has been formally complied with, the institutions have been able to retain their old sick wards for the use of their residents. What the welfare authority cannot do, however, is to take into

these sick wards old people living at home who have become in need of hospital treatment, however simple. Deprived of the services of the former relieving officers, who could order a hospital bed, these old people are often in a most pitiable condition.

Yet although the welfare service, like the assistance scheme, is still a residual service, particularly for the housing and health authorities, it should not be thought that the large institutions are still the dreary places that were so rightly condemned in the past. As Sir Edward Bligh, Chief Welfare Officer of the London County Council, emphasised in a recent address, they are not mass *oubliettes* of the unwanted. The erstwhile house of correction may now have a television set, which the residents watch from easy chairs. The old rules have gone, and the punishments with them. The residents are paupers neither in fact nor in name. They are required to pay a minimum charge of 21s. a week, which if necessary will come from an assistance payment. They may be asked to pay the full cost if they can afford it; but they must all be allowed to retain at least 5s. a week pocket money, which they can supplement by helping in the running of the establishment.

Anyone who has seen one of the small homes for the aged, which it is official policy to encourage, will be impressed by its cheerful atmosphere and by the alertness of its residents compared with the apparent apathy of the institutional resident. Yet it is a fact that many of the present generation of old people prefer the bustle and variety of the large institutions. It is also a fact that, because of physical and financial shortages, for a long time to come the great majority of old people needing care and attention will have to be accommodated in them.

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The new welfare service has its darker side. Like national assistance it has weakened the sense of individual pride and of family unity. Whereas, in former days, great hardships were tolerated by a family rather than that an aged parent should enter the institution, he is now often urged to go there. His children are no longer legally responsible for maintaining him, and when he dies they will cheerfully accept his accumulated pocket money, which may amount to as much as £50. But this weakening of family ties does not date from 1948, and in spite of the greater willingness to enter the institution now that the stigma has gone, about 95 per cent of old people still live independently in their own homes.

The real danger facing the new welfare service is the same as the danger that faces the Assistance Board—and, indeed, the welfare state as a whole—the danger of being too lavish, of letting the best spoil the good, of making some people so comfortable or well off that there is less available for those who have nothing at all. As a welfare official put it, when speaking of the other social services, "everything is now done much better for half the number of people." So far, welfare authorities have, on the whole, resisted this temptation—a temptation, it should be pointed out, which is strengthened by the Ministry of Health's absurdly high standards of accommodation—and they should continue to do so. The great virtue of the old poor law was its comprehensiveness, the fact that it covered everybody who was poor and destitute. It would undo much of the reforms of the past two years if the new homes were so luxurious and costly that their doors had to be shut to large numbers of those who sought admission.

NOTES OF THE WEEK

Moving the Pawns

Mr Attlee's reshuffle of ministers leaves the possibility of a coalition open. If the Prime Minister were quite determined to stick to power with a party administration he could hardly have restricted himself to three changes confined to the departments concerned with domestic affairs. The government weaknesses that matter most are at the points of greatest strain, in foreign affairs and the defence departments. Changes there before very long are inevitable. That Mr Attlee has chosen still to delay them, while making at last the long-expected change at the Ministry of Labour, must mean that his mind is not entirely closed to the idea of some type of coalition. Moreover, with an important and burdensome department to absorb his energies, it will be easier for Mr Bevan to forget his hatreds and to work with the Tories; he may even see himself as the Bevin of the next coalition.

Whether Mr Bevan will be a successful Minister of Labour, in either a party administration or a coalition, is another question. The transfer of Mr Isaacs can be taken to mean that the Government has some new manpower policies, possibly including the direction of labour, very much in mind. At least Mr Bevan will avoid some of the previous mistakes of timidity and inaction in dealing with unofficial strikes, and if he chooses he can provide the sort of vigorous leadership for which the trade union movement has in the past five years looked to the Government in vain.

The Prime Minister has dealt cleverly with the problems Mr Bevan leaves behind at the Ministry of Health. The colourless Mr Marquand should be able to remove some of the extravagances and bitterness from the health service without anyone losing faith. Administratively, there is everything to be said for the transfer of the Ministry of Health's responsibility for local government to the Ministry of Town and Country Planning. Dr Dalton's department will no longer be beating its wings in the air; it seems possible, indeed, that in the more realistic planning now open to him a sphere has at last been found in which Dr Dalton's particular political gifts can be happily exercised. It must be doubted, however, whether the Prime Minister was right to throw in housing as well. If he was right he ought, logically, to have taken the opportunity to merge the Ministry of Works also in the new giant of "Local Government and Planning." It would probably have been better to carry further the separation of the Ministry of Health's old functions, by shifting housing to a Ministry of Works retaining its identity.

These, however, are minor issues. What matters is that Mr Attlee has strengthened his government at one point—labour; in other posts the men have still to be better matched to their responsibilities.

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Parliament and Defence

When Parliament reassembles next week, it will be clear how greatly the political preoccupation of its members has changed. The defence programme is the main, almost the sole, object of interest. It is not yet clear how soon the Government will be prepared to announce the complete range of its new defence measures: the whole of next week's time is taken up with the second reading or committee stage of several minor measures. Mr Shinwell and the Prime Minister are expected soon to announce an accelerated rearmament programme in general terms, but they may well resist attempts to provoke a debate on military plans, including manpower and equipment, until the Defence White Paper has been published at the end of February. It will be very

difficult, however, to prevent the House from demanding full and speedy information, particularly as there is very little impending legislation with which to distract its attention. In particular, the rumour of a possible call up of the Class Z reservists has filled members' postbags with anxious inquiries, an anxiety which they will be swift to pass on to the Government.

The other ground of political speculation is the possibility of a coalition, and on this the Government will be as anxious to find out the views of its supporters as members will be to discover the opinion of the Cabinet. Undoubtedly the increased defence programme will tend to divide the Labour Party. It is interesting that the idea of a coalition has gained considerable acceptance on the "intellectual" wing of the party: it is the men responsible for operating the party machines, on both sides of the House, who would probably put up the hardest fight against it.

Until it knows whether a coalition is being seriously considered, the Conservative Opposition will be hard put to it to decide on its tactics. There will presumably be a debate on the groundnut scheme, involving sharp criticisms of Mr Strachey which could be carried on to an effective general attack on the quality of the Service Ministers if the Prime Minister showed no sign of forming a national Government. The alternative of a general election is unlikely to be pressed, not only because of the dangerous international situation but also because the course of events has exploded the vote-getting stunts of both parties. The needs of defence have made nonsense of Mr Morrison's claim in November, at the time of the debate on the Supplies and Services Act, that only Labour can be trusted to plan and control the economy—just as it has falsified the Tory promise to build 300,000 houses a year. If there are to be new political alignments, they must be based on far grimmer realities.

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No Cease Fire

The Peking Government has rejected the proposal, approved by 50 of the United Nations, for a cease fire in Korea and for subsequent negotiations on the matters at issue in the Far East. If they had accepted, the fighting in Korea would have stopped and that would have been a great immediate gain for humanity. Whether humanity would have gained in the end is another matter, for there is no doubt that a Chinese acceptance would have faced the free nations with a very awkward diplomatic position indeed, in which it would have been very difficult to prevent the emergence of a real split between the United States and its allies.

The difficulty in which the European nations find themselves in this Far Eastern imbroglio is that they are pulled in opposite directions by two almost equally strong principles of their policy. On the one hand, they are reluctant in the highest degree to get involved in a war with China, both because they recognise no necessary quarrel (as yet at least) and because their eyes are fixed on the greater peril in Europe. On the other hand, they recognise the American alliance as their rock of salvation. No wonder they veer from side to side, and if Mao had said yes, they might well have been torn apart. Many voices in America—by no means confined to the "Asialationists"—have been raised to condemn the policy of negotiating with the Chinese Communists and seating them at Uno, even if thereby an armistice could be secured. To have gone further on these lines would obviously have had dangers quite as great as any that will arise from fighting on in Korea.

However, Mao has spared the European nations the agony of the choices that negotiations would have forced upon

them. Any regrets that may naturally be felt at the failure of a proposal to stop slaughter can be answered in three ways. First, Mao would almost certainly have served his Russian masters' ultimate purpose better by accepting. Secondly, British critics should stop to reflect how much their tune would be changed if the Chinese should attack Hongkong; would there then be so much anxiety not to provoke them? And thirdly, there is really very little reason for hoping that negotiations, even if they were begun, would have any success, as the extremism of the Chinese "counter proposals" shows; the cease-fire would only be temporary.

Attention can now be turned back to the process of re-consolidating the alliance of the free nations. It would be foolish of the Europeans to try to dissuade the Americans from moving in the United Nations that China be declared an aggressor. It would be equally foolish of the Americans to ask the Europeans to back up such a declaration by any action that would further strain their resources without any assurance that it would be effective.

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Next Steps in Kashmir

The Commonwealth Conference has produced no solution of the Kashmir problem. This time, however, unlike all the previous occasions, it is reasonably clear where the responsibility lies for the continuance of the deadlock. Mr Attlee and Mr Menzies, who led the attempts to mediate, concentrated on the steps that might be taken to demilitarise and neutralise Kashmir before the taking of the plebiscite, which both sides have accepted in principle. Three proposals were put forward—that a neutral Commonwealth force should oversee the plebiscite, that a joint Indo-Pakistani force should be formed, and that the United Nations should raise a force to do the job. Pakistan accepted all three; India rejected all three. Public opinion outside the two countries concerned has hitherto hesitated to express any judgment on the merits of the Kashmir dispute itself and will probably continue to do so, since it is a complex matter; but on the tactical manoeuvring for position, it is now clear that Mr Nehru has put himself in the wrong. To insist that the consent of the former ruler legitimises India's position in Kashmir and makes Pakistan an aggressor seems to be wholly inconsistent with India's action in Hyderabad. To insist that the "aggressor" must totally withdraw before anything further can be done is wholly inconsistent with India's attitude towards the Korean war. Those who have spoken with him have no doubts of Mr Nehru's sincerity; but in the eyes of the world he is giving an excellent imitation of a man with a bad case.

Mr Liaquat Ali Khan, the Prime Minister of Pakistan, has thus achieved something by his belated visit to London. Unfortunately, it may not help him very much on his return to Karachi, where an excited public opinion may not be satisfied with anything short of an immediate and favourable solution of the whole problem—and, what is more, without any concessions on the other matters at issue with India, where Pakistan's case, both on their merits and in the methods by which they have been handled, is far less strong. There are important provincial elections pending, and the increasingly vocal critics of the government party, the Muslim League, may well be able to strike a serious blow at Mr Liaquat Ali Khan's position. This would be unfortunate for the cause of moderation and good sense in Pakistan's internal affairs, in its relations with India and in its links with the Commonwealth.

Even yet, it is not generally recognised just how tragic this dispute is. It may yet lead to open war, which would be bad enough. It is diverting the attention of both governments from more important things, which in the long run may be worse. And it is threatening to undermine the whole strategy of the free nations in the Middle East. There can be no question of dropping it. Now that the Commonwealth

Conference has failed, it must go back to the Security Council, which has so far not even discussed Sir Owen Dixon's report.

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Middle East Defence

Had the Conference settled the Kashmir dispute, one at least of its tasks would have been greatly simplified—the planning of Middle East defence. Under present peacetime arrangements, this, though of vital interest to all the Dominions in the old world, is shouldered by the United Kingdom alone. In the event of war, the others can be expected, as they have done twice before, to contribute their quota of land, air and even sea forces. Australia and New Zealand, now that they are no longer threatened by a naval adversary in the Pacific, are in a stronger position to proffer all this than they were in 1940. But how can Pakistan (and indeed India also, if it were to consider its interests directly affected by an aggression in the Middle East) spare troops while each is glowering at the other over frontiers within their own sub-continent. Although the one is spending over 60 per cent of its budget on defence, and the other upwards of 40 per cent, considerations of military security forbid that they should participate even in talks of what is to happen if their Persian flank is threatened. While the Kashmir situation stands as it does at present, there can be no hope of the useful contribution that Pakistan's army would otherwise make to the defence of a vital area.

Many people in Britain would like to see peacetime contributions from the Dominions on the Suez Canal, or—better still—nearer to the mouth of the Persian gulf, which is, after all, only some 250 miles from a Commonwealth frontier—that of Pakistan. But the chances of this are remote. The Pakistanis are not the only people who cannot come. Australians and South Africans are unready to shoulder the burdens of taxation and compulsory military service which preventive reinforcement of the Middle East would entail. The free world—vulnerable here—must go on hoping that the cautious Stalin will walk warily in an area which is, after all, also the heel of the Soviet Achilles.

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Liberals and the Speaker

The council of the Liberal Party last weekend considered resolutions left over from the party's autumn assembly. It solemnly approved, and passed to the executive with a demand for a final draft by March, a proposal to create an artificial constituency of St. Stephens for the Speaker. The idea has cropped up before and has little merit. What is regrettably significant is that the Liberal Party should lend its support to a scheme so far removed from the realities of political life in the House of Commons.

The present system has the undoubted disadvantage that the Speaker's constituents are, during his period of office, deprived of the services of an active member. The idea of giving him an artificial constituency was examined by a Select Committee before the war. The reasons for rejecting it—along with proposals to make the Speaker's a two-membered constituency or to prevent further contests there so long as he held office—have not become less valid. MPs are not the delegates of their constituents but members of the High Court of Parliament, elected by the method of constituency representation because that is a convenient way of satisfying the requirements of political democracy. The Speaker's power rests on the very fact that he is chosen from among the ordinary members of Parliament to act as its representative and to preside over its debates. To change this would weaken not only his position but the sense of unity and independence of the Commons as a whole. In practice, the disadvantages are not great: the Speaker is able to get neighbouring members to take up matters on behalf of his constituents; and if any change were made it

should logically be extended to cover the two Chairmen of Committees as well.

The real trouble is that the party organisations in the Speaker's constituency dislike the present system—not so much because the member cannot represent his constituents in the ordinary way as because the convention that the Speaker should not be opposed at elections makes it difficult to keep the party workers together. The revived proposal came from the Liberals of the present Speaker's constituency. A party that magnifies a local grouse into a point of official policy is in danger of losing all claim to be taken seriously. This is unfortunately not the first time in the past few years that the Liberals have confused crankiness with the search for something different and “independent.”

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The People's Choice

In the windy tumult of a political campaign, the “floating voter” bobs along on his own uncharted course, refusing to steer by the lights of any political party until he makes his private decision on election day. When the votes are counted, his decision is revealed in a bright burst of statistics, but his reasons for it remain as unplumbed as ever.

To gather a few facts about the motives of voters, both party members and floaters, the London School of Economics conducted a survey in Greenwich, before and after the General Election of 1950. Some preliminary results of the survey have been published in the current number of *The British Journal of Sociology* and in a Bureau of Current Affairs pamphlet. After tabulating the answers given in 2,058 lengthy interviews, the survey team decided that “behaviour at the polls cannot easily be called informed or educated or even, in any conscious sense, responsible.” At the height of the campaign in Greenwich, with literature and photographs pushed into every letter box, not one voter in ten knew the name of the candidate he was going to vote for. “I'm not interested in him personally,” explained one. The voter's interest is in the glittering personalities of the big party leaders, and the local candidate who is clean-cut and inconspicuous can slide in on a party vote. But this does not mean that the voters always identify even the party leaders with their policies. When the survey team read off at random a series of Conservative and Labour statements of policy, they found that the Conservative statements won general favour. By this token, the Labour candidate in Greenwich should have lost; he was elected by 11,000 votes.

Whatever the decision of the voter, he usually makes it a family affair. “I'm the breadwinner and the missus votes like I say,” explained one husband. The survey confirms that this tendency to vote in clumps is carried forward in a strong class movement to the polls. The voter, whether coal miner or clubman, marks his ballot one way rather than another because he feels that his chosen candidate represents a party prepared to strike a blow for his class. It is this vague pottage of class consciousness, spiced with prejudice and brought to a quick boil by the heat of personal grievance, that is usually served up as a substitute for public opinion during an election. The Greenwich survey makes it easier to agree with a party worker who claimed that most reasons for voting “are not reasons but emotions.”

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The Party Looks for Trouble

There have been signs during the past few weeks that a new Communist offensive is about to be launched in British industry. The strike at St. Pancras, the present attempts of the *Daily Worker* to persuade miners to reject the wage and work agreement made last week, and the call for direct action in the Cominform journal of January 12th look like something more than a coincidence. The chief target seems

again to be the transport industry, which has always been particularly susceptible to Communist interference.

There is plenty of material for trouble-makers. The widespread discontent among railwaymen has been only partially mollified by the recent inquiry into their dispute with the Railway Executive, and the leaders of the unions concerned have had to take a determined stand to prevent the passing of strike resolutions. The dockers are showing impatience at the tardiness with which their wage claims are being handled, and it is possible that serious trouble was avoided only by the outbreak of the influenza epidemic on Merseyside. The National Union of Seamen is also pressing hard for the implementation by shipowners of the Seattle Convention of 1946.

These are all situations of the kind in which Communists revel, and it would be surprising if they did not succeed in stirring up trouble somewhere. Fortunately, none of the transport unions is dominated by Communists, and, although it has always been difficult in so scattered an industry for leaders to reach all members, there are indications that responsible union officials are at last beginning to destroy the influence of local Communist cadres. There is a clearer appreciation by the rank-and-file of Communist tactics and less risk of the unquestioning, sympathetic strike. Nevertheless, it would be dangerous to underrate the power which the Communists still possess; much more work remains to be done by union officials before it can be dismissed as negligible.

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Eisenhower in Twelve Parts

Throughout his European tour, General Eisenhower has said that he is not a politician; and he is right to insist that his job is purely military and that soldiering is his profession. Nothing could be more disastrous to his purpose, which is to raise and train an adequate army in Western Europe, than association with the complicated and inconclusive world of politics. But he almost invalidates his thesis by the skill and assiduity with which he has set himself to dispel the political obstacles in his path.

At his press conference in London he sought out with unerring instinct one of the nagging political fears about his appointment in both Britain and Europe. He is an American who will, Congress and the President willing, include in his command a very large American force. Can he avoid remaining more American than European? Will he consider himself as reporting primarily to the Pentagon, or to the twelve capitals of the Atlantic powers and their representatives, or the standing groups of the Atlantic organisation? The experience of General MacArthur in Korea has shown, if nothing else, the enormous difficulty of allocating military responsibility in a campaign conducted by several nations who are not in a state of war. In Korea, the instructions have come from Washington and the directive from the United Nations, and no one has been satisfied: neither the Americans who feel that they have been blamed for decisions which were not theirs but the consequences of United Nations' action; nor the other countries who feel that Washington control has been misguided or inadequate.

General Eisenhower gave his own and the only satisfactory answer. His relation to all governments will be equal and similar. They must try, he says, and believe him henceforth no more than one twelfth American. The feat of imagination for which he asks will be greatly eased by the unifying force of his personality—already well known to Europeans—as well as by the centralisation of initiative through his official appointment. In a sense he will simplify the political difficulties, not complicate them; for he will be able to bring into the open and command a solution to problems which individual governments have been anxious to face but have hung back from raising themselves. For the rest, the onus is on the twelve governments to show that multiple responsibility need not necessarily be divided.

The Two Germanies

Dr Adenauer of the west has quite properly and skilfully snubbed Herr Grotewohl of the east by replying indirectly—by radio and white paper—to overtures made by the latter in November. The proposal was that six men from each government should meet, arrange an all-German Council (on a fifty-fifty basis), and so prepare the way for elections throughout the country. Its tone was smooth and the trap was cunningly baited. It was suggested that Germans had a common interest in saving peace by uniting against “imperialist” rearmament; to continue the division of 46 million Western from 17 million Eastern Germans could only put off a peace settlement. As the Foreign Minister, Herr Dertinger, put it: “There will be no third world war if Germany refuses to fight.” To make fear of war the impulse behind a movement for unity under Communist leadership was quite a bright idea, and it had Dr Adenauer thinking hard for six weeks.

By replying direct he would be tacitly recognising a regime which is under Soviet orders and whose authority rests on the rigged elections of last October. By accepting he would be running all the risks of collaborating with men who have made open disagreement with Soviet views about America a capital offence; the Social Democrats of the west were violently against both actions, because they understand better than anybody how the trap is set. But to say simply “No” was to leave the initiative in advocating peace and unity with the Soviet camp. He has therefore wisely pointed out that western terms for unity and elections have already been stated—and restated them. In the east the rule of law and personal liberty must first be re-established; the Soviet-controlled People's Police must be disbanded; and there must be real political liberty. Just to rub it in, the reply points out that it is the Communists who have cut off the East Germans from their fellow countrymen, and that a group of men who have signed away the territories beyond the Oder-Neisse line cannot pose as champions of German unity.

This reply should stiffen German opinion and check the drift to neutralism. But it will not do so for long unless the western powers now seize the initiative in their exchanges with Moscow, make quite clear what their programme for German unity is, and remove the fear that is dominating politics west of the Elbe by an increase of troops on the spot.

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Dulles for Japan

The visit of Mr Dulles to Japan as Ambassador-Extraordinary is an event of great importance, for it shows that the American Government, thoroughly alarmed at the deterioration of its affairs in the Far East, is now resolved to cut the Gordian Knot of a Japanese peace treaty. It also signifies that the delicate negotiations involved are to be removed from the overriding authority of the Supreme Commander of the Allied Powers and entrusted to a major political personage straight from Washington. Although it is officially stated that he is going to Tokyo for “discussions” and not “negotiations,” he is too much of a politician to be able to afford such an expedition unless he expects to accomplish something by it. His own views on what ought to be done are sufficiently well known. He believes that a strong and independent Japan in close alliance with the United States must be the future pivot of American policy in the Pacific, now that China, on which such high American hopes were set in 1945, has proved such an unrewarding investment.

In approaching the question of the defence of Japan, the American Government is hampered by no such division in internal politics as confronts it in its European policy. The neo-isolationism of Senator Taft and his faction does not apply to insular territories; on this view of the proper

American strategy, a frontier on the Straits of Tsushima is defensible, whereas one on the Elbe is not. The defence of Japan would be mainly a matter of sea and air power (in contrast to that of West Germany, which lies under direct threat from Soviet land forces) and this would be supplied by America. Japan's share would be the provision of land forces strong enough to ward off seaborne or airborne invasions from the mainland of Asia, which might combine with an insurgent fifth column inside Japan.

The idea of a joint American-Japanese defence of Japan against possible Communist aggression or armed infiltration is now fundamental to the American idea of a peace treaty with Japan, and as neither Russia nor China can be expected to agree to Japanese rearmament for this purpose, a joint treaty concluded by all the ex-allies of the Pacific war is today virtually out of the question. The actual negotiation of unilateral treaties, however, is likely to bring to the surface various conflicts of interest and opinion which have remained dormant as long as the question of a peace treaty was postponed. Within Japan itself there is much opposition to a separate peace and an American alliance. This springs partly from unwillingness to be committed definitely to one side of the world schism, partly from yearnings for an unarmed neutrality, and partly from the fears of democrats that a restoration of the army would mean a return to the old political system. Internationally, American policy implies a further economic strengthening of Japan to render it independent of trade with China. (The hope of this is being used by Peking as a bait to draw Japan into the Communist orbit.) It will result in a promotion of Japanese commercial expansion which may add another awkward issue to those already troubling Anglo-American relations.

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The Plan and the Miasma

Mr Aneurin Bevan is no longer the undisputed champion of the Labour Left, and it is doubtful whether his personality will ever allow him to recover that position. His fundamental beliefs are, none the less, of considerable interest and some practical importance. He is still among the most popular men inside his party, while being the least popular outside it, because he sums up in his own person the things that divide Socialists from anti-Socialists—or, at all events, the Labour Party from the Opposition.

The first of last autumn's series of Fabian lectures, now presented in pamphlet form,* indicates that dividing line with unusual clarity; not merely the obvious dividing line between the Tory believer in hierarchy and the Socialist leveller, but that between the organic and the mechanical view of society which divides liberals, with or without the capital letter, from anti-liberals. The supreme democratic value is, for Mr Bevan, the attainment by the mass of the people of control over their social environment. Control over the social environment can only be exercised where all the “levers” of economic power are in the hands of Parliament; public ownership, pushed to a stage where no “large elements of the economic machine” remain in the hands of private persons, is essential to the maintenance of democracy and to “the showing up (*sic*) of civilised values in modern society.”

Here is the mechanical view of society in all its purity. Apply the motive power, the will of 51 per cent of the electorate, at the centre; let the representatives of the 51 per cent pull the appropriate “levers”; and the power will be transmitted through the appropriate gears so as to produce, in meticulous correspondence to the people's desires, a predictable economic environment, stability of employment, the “proper dispersal of industry”—in short, The Plan. That

* “Democratic Values.” By the Rt. Hon. Aneurin Bevan, M.P., Fabian Tract No. 282. Fabian Publications and Gollancz, Ltd., 14 pp. 6d.

Insistence on the predictable and stable in an unpredictable and unstable world is self-defeating and already, as successive Economic Surveys make clear, demonstrably self-defeated, troubles Mr Bevan not at all ; it is not efficiency or the economic balance sheet that matters, it is the “value” of knowing that bureaucrats and Boards, however remotely responsible to the consumer, are responsible for whatever decisions, good or bad, are being taken. Such, when stripped of the rhetoric of class war, is the drearily negative creed to which many sections of the Labour movement grimly cling.

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A Shorn Press Council

The newspaper industry has taken eighteen months to produce a draft plan for the Press Council recommended to it by the Royal Commission on the Press. That is natural enough. The commission itself sat for two years and, while its fact-finding was excellent, it did little more on the major issues of policy than hand them back to newspaper owners and journalists for solution. What seems a pity is that the further eighteen months’ meditation should have been so patently inconclusive.

The draft plan published last week makes no additions to the commission’s suggestions. It leaves out several of them. The proposed council will be purely a professional association, without the 20 per cent of independently-nominated lay members suggested by the commission. That was to be expected: two journalist members of the commission dissented from this part of the proposal in the first place, and it is not apparent why the building up of better standards of journalistic conduct should demand outside members when other professional bodies have managed without them. Also entirely reasonable is the insistence that the council should deal only with such complaints about the press as come to it from the individuals directly affected. It seems a pity, however, to have rejected the idea that the council should to some extent supersede existing organisations by representing the press as a whole in dealings with the Government and with newspaper organisations abroad. When the scope of its functions inside the British press is so doubtful even the most tenuous external functions would be useful in helping to promote some sort of cohesion. The moral authority of the council is bound also to suffer from the rather aggressively “representative” character suggested for its members.

The National Union of Journalists is objecting to the amount of representation the proprietors propose for themselves, but that is a very minor question. What matters is to decide whether there really are any concrete ways in which a council can raise the standards of the press. It is hard to resist the impression that the newspaper organisations have in eighteen months done no more than dilute the commission’s proposals because they remain very doubtful whether a council can do anything that existing bodies cannot. Would it not be better to say so—and then try to improve the work of the existing bodies ?

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Raw Materials Roundabout

The Washington scheme for raw materials, announced last week-end, is a curious blend of democratic idealism and resigned hard-headedness. (The scheme is discussed in detail on page 149.) At first sight it appears that a new organisation even looser than the old—a paragon of free association—is to potter in where the old bodies have failed to tread. Neither OEEC or Nato is to have any prescribed place in the pattern. The affair is to be open to the whole free world—allies and neutrals, Latins and Asiatics alike.

On closer inspection it will be seen that what has in fact happened is some practical and ruthless adjustment in existing spheres of influence. The slightly undignified scramble between OEEC and Nato for the honour of handling raw materials has been finished, once and for all. OEEC, with many well earned compliments, has been bowed out of the picture—and rightly so. The problem is, first, one of defence and, second, one of the economic health of the whole free world ; in neither case is it appropriate to an organisation whose concern is the economic well being of Europe. Nato also has now been set in its proper perspective, in relation to a problem which concerns the world economy as well as military strategy.

On the other hand, the new structure is clearly not designed to be self-supporting. It must, and is intended to, rest on the dissimilar pillars of the Organisation of American States (OAS), the British Commonwealth, and Nato. The OAS and the Commonwealth must provide the political associations through which the recommendations of the commodity groups are to be distilled into suitable action. Nato must do the same for the Atlantic powers, but within the tighter specifications which defence needs will dictate. There will remain the lonely European neutrals, bereft of their OEEC shell, on whom the pressure to cease being neutrals may become harder to bear. On the whole, this seems to be as good a political framework for the job as anyone has yet suggested. It remains to be seen if it can work.

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Courage in Egypt

When some hundreds of Cairo students and schoolboys, shouting slogans called “decisions of the people,” massed in front of Egypt’s Foreign Ministry last Saturday, they met with an unusual reception. The Foreign Minister, Salah ed Din, told them from the Ministry’s balcony that dictation of policy was no job of theirs.

Whatever the topic on which they wished to make their weight felt (this time, it was Anglo-Egyptian relations), this display of ministerial courage constitutes a landmark. For thirty years—ever since Zaghlul decided to harness the volatile Egyptian crowd to his purposes—successive ministries have too often been obliged to bend policy to suit the whims of street demonstrators. They have done so partly out of an ingrained distaste for saying what their listeners do not like to hear, but chiefly for sheer lack of public backing. No Egyptian political party, except the Wafd, has any form of nation-wide organisation or broad public support. Therefore, Government after Government has been obliged to jettison policy in order to please the mob. Student power has been immense, with two pernicious results: the first, that a prime element in Egyptian politics has been purely destructive in character ; the second, that politics have distracted from their books young men whose examiners have perforce become satisfied with standards that grow progressively lower.

When the Wafd came to power a year ago, there were grounds for hope that it would use its public backing in order to arrest this student habit. Not until now has any one of its leaders done so. Salah ed Din was no doubt moved to make the stand he did by the sight of the crowd. About half of this was Wafdist, but about half—for the first time in Egypt—recognisably Communist. He had the gumption to force it to shout “Down with Communism” as well as “Down with Imperialism,” and to reprove it for shouting “Down with Britain and America.” Some of his victims are bound to gun for him therefor. But his fellow Ministers would do well to stand by him, for he set a precedent in the handling of demonstrators which, if it is followed, can but do Egypt good.

Sabotage from the Saar

One way of encouraging Germans to resist any contribution to Europe’s defence is to do things that exasperate their acute sense of difference and subordination. It has been difficult hitherto to believe that French statesmen and officials were doing this with the deliberate object of frustrating plans for a German defence contribution ; but the revelation of the latest plans for the Saar makes one stop to think. It is seriously proposed to form a contingent of 10,000 Saarlanders for a European army that does not yet exist. No German officers would be admitted, but German-speaking French officers would. The condition laid down by the Saar Premier, Herr Hoffmann, is that his land is formally recognised as a sovereign state. It is said that these are his ideas—big ideas ; but it appears that the British and the Americans, as well as the French, have been consulted.

One can look at this curious proposal in two ways. Either France and Germany are going to find a new basis of European partnership in which the Saar ceases to be a bone of contention and small sovereign states become increasingly anomalous ; or they will remain rivals that will have to get along as best they can by more old-fashioned methods. If the former is the object of French policy, then it would be wise to recognise that this proposal will exasperate the mood in which Germans tackle the final stages of the Schuman plan and the first stage of the European army plan. If French policy is resigned to the latter, then the sooner it is recognised how strong will be the attractive power of a reviving Germany on the German-speaking Saar the better for French security and Europe’s peace of mind.

Sir Ivone Kirkpatrick pointed out in Hamburg last week how selfish, unco-operative and strident the Germans are proving. That is true enough and needed saying. But Allied blunders have contributed to this mood, and the task now is to make it worthwhile for more responsible Germans to take a stand against bad manners. Herr Hoffmann’s proposals for the Saar, coming from a member of the Strasbourg Assembly, are ill-timed and inappropriate. It would not be surprising if he gets telegrams of congratulation from the French Communist Party, for sabotage of the “European spirit.”

* * *

Golden Gate or Prison Wall ?

There has been a little flurry of excitement in the educational world about the number of pupils who are said to leave grammar schools before they are sixteen. The Minister of Education and several headmasters have expressed their concern. During 1948-9, some 26,000 pupils left grammar school before the age of 16, compared with 22,000 in 1946-7. The belief that many left for lack of money is supported by an inquiry, sponsored last year by the Association of University Teachers, into the number of worthwhile candidates who could not find a university place. The number of good candidates who failed to gain entry to the universities was smaller than had been expected, but many schools reported a serious wastage of those who would have made excellent university candidates if they had not been compelled to leave school at 15 or 16 “for lack of financial help.”

But the evidence is not all on the side of the pessimists. According to the Ministry of Education, the proportion of students leaving grammar school before the age of 16 was only 23 per cent in 1948-9, compared with 27.6 per cent in 1937-8. In addition, the sixth form population is going up by leaps and bounds: in 1946-7 there were 12,600 pupils in England who remained until they were 18 ; in 1948-9 the number had risen to 16,600. The gains at this age counter-balance the losses under 16.

Economic pressure is no doubt the main reason for the losses at sixteen. Family liabilities look more formidable to many parents than they did directly after the war. On

balance, however, the premium on a grammar school education is higher than it has ever been. The abolition of fees has built up the demand for places, but not all of those who clamour for entry make their choice with a full sense of responsibility, nor are many of their parents aware how rigorous a grammar school course can be for the border-line child. What looked at the age of eleven like the golden gate to security and success may at the age of fifteen seem a prison wall—particularly if the neighbour’s children are earning £2-£3 a week.

* * *

Traffic Police in Disguise

This seems to be the season for unwelcome developments in the police service. The Commissioner of the Metropolitan Police began the New Year by introducing an experimental system of police squads in a few London areas, and now the chief constables of Oxfordshire, Berkshire and Buckinghamshire have agreed to use policemen in plain clothes in cars without police markings to trap offending motorists. It is claimed that the knowledge that such cars are about will make motorists more cautious and that such drastic measures are necessary to reduce the high rate of road accidents in the three counties.

Both claims may be challenged. If experience in the prevention of crime is any guide, it has been long established that the presence of a uniformed constable on the beat is a far more successful way of preventing criminals from operating than the threat of an efficient detective force which may catch the criminal after the crime has been committed. It can be argued that, similarly, the careless motorist, who is in many ways more dangerous than most criminals, is more likely to be brought to his senses by the sight of a clearly identifiable police car than by the fear of being trapped by disguised traffic policemen. It is also doubtful whether other methods of traffic control have been fully exploited in the three counties concerned. Two police motor-cyclists, for example, can cover more ground than two policemen in one patrol car, and it is difficult to understand why they have not been used more extensively.

It is true that detectives have always operated out of uniform in their attempts to catch criminals, but there is a real distinction between catching a man who has already committed a crime and setting a trap for someone who only might commit a crime. The whole principle of having disguised policemen watching the general public is abhorrent, and it should be abandoned before it spreads beyond the three counties.

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N.B.—Beware of ignorant pretenders.

The Economist

January 18, 1851

Letters to the Editor

Transport in Trouble

Sir,—The issue seems to be quite simple, that where the railways responsible had sufficient capital resources, they have been able to do a good job. Southampton is an outstanding example and it is now the best equipped and most up-to-date port for its size in the country. Other railway owned ports have not been so fortunate, and have suffered accordingly.

The British Transport Commission, who now own the docks, have far greater resources than the railways ever had. Unfortunately, development is held up by the shortage of labour and materials and other prior claims for capital expenditure.

Nevertheless, my original statement must still stand, that the ports in this country will be in a much better position to develop their resources now they are no longer hampered by the exigencies of railway finance.—Yours faithfully,

GEORGE CADBURY

Birmingham 29

The Sardines Return

Sir,—I should like to correct some inaccuracies in the letter which appeared in your issue of January 13th:

1. There are "sardines" in the sea off the Portuguese coast and elsewhere, such being the name applied to pilchards before they attain their full maturity and quite independently of their relation to the canning industry.

2. This variety of pilchards, which is fished in the Mediterranean and off the Atlantic coasts of France, Portugal, Spain and Morocco, is known as *clupea pilchardus* and, according to the now generally accepted classification, belongs to a class of clupeidae going by the name of *sardinops*. This class includes in addition: *sardinops melanostica* (Japan), *sardinops neopilchardus* (Australia and New Zealand), *sardinops coerulea* (California), *sardinops sagax* (Peru and Chile) and *sardinops ocellata* (South Africa)—to all of which the name of "sardine" could also be held to apply, though already somewhat loosely. One may mention further the related species of *clupea stratus* and *clupea harengus*, which in Norway are known respectively as brisling and sild.

3. The Merchandise Marks Act of 1887 restricted the use of the trade name "sardine" to the species known in Britain as "pilchard"—this trade description being also legally protected in Belgium, Germany, Italy and, of course, France, Spain and Portugal. But in the United States the "Pure Food Law" of 1906 allowed all clupeidae to be sold under the denomination of "sardines."

4. The Portuguese town of Setubal has long ceased to be the main centre of the sardine fishing and canning industry; the latter did, however, originate in Setubal when, in 1880, the first factory was set up there by French emi-

grants from Brittany, then in throes of a fishing crisis similar to the one recently experienced by the Portuguese. The main centre of the industry, normally totalling 50 per cent of the national output, has now been for some years the modern town of Matosinhos, near Oporto.

5. Lastly, being a first-class product, the olive oil variety of tinned sardine is limited to a relatively small percentage of the total output, by far the largest part being taken up by the peanut oil preparation.—Yours faithfully,

DANIEL SEPULCHRE

Brussels

Mid-Century

Sir,—Without denying for a moment the importance, stressed in *The Economist* of January 6th, either of capital accumulation or of the productive effort required of us, it would seem somewhat exaggerated to sublimate our need of both into a faith for the West; to inform us that, "What is necessary for the second half of the twentieth century is to show the world that the West is still capable of practising this faith" (in the importance of production and capital accumulation). Surely we need faith in something more profound than production if we are to make our way through the next 50 years without complete disintegration.

Your article mentions freedom and justice; but its concluding stress seems heavily set on what are, at the best, material factors and, as such, subordinate to freedom. One is left with the impression of inverted values—that you see human contentment primarily as a function of material well-being; and that, as a consequence, the productive process is all-important. It is but a small step from this outlook to that which submits the individual entirely to the state in the (supposed) interests of increased production. Between the materialism it represents and that of the Marxist, the difference is one of degree not of kind. With it as the predominant "faith" of the West, our effort against Communism will be reduced to a futile endeavour to fight one form of materialism with a paler version of its essentially evil self. In the ensuing struggle, if it can be called such, it is only too clear which side will win.—Yours faithfully,

PAUL CRANE, S.J.

Catholic Social Guild,
Oxford

Out-of-Date Pensions

Sir,—The letter of your correspondent, Mr G. D. Rokeling, is of particular interest at the present time because it deals with a problem which will become worse for all concerned—ex-Government, ex-local government, and ex-commercial employees—as the cost of living rises.

In the past, recruitment of the best type of men and women to central and local government services was stimulated by the promise of good pensions and

consequent security at retirement. This is no longer true today. Pensions to local government servants are in many cases little better today than they were in 1939, despite the 1944 and 1947 Local Government Pensions Increase Acts.

It is true that these Acts allow increases to be made in pension rates. But because such increases are only made after a test of the needs of the individual, and after taking into account the total income of the individual and his wife, such increases are very often negative.

It is surely unfair to assess a contributory pension on the basis of means. It can fairly be asked why should the income from the savings of a lifetime, or the holding of a property, mean that a pension increase is withheld, while the less thrifty individual who has secured for himself no other form of retirement income secures an increase?

What is wanted is a definite increase in pension rates in line with the increases given to salaries and wages to be effective throughout commercial and Government spheres.—Yours faithfully,

KENNETH LEWIS

Alnwick

Students' Referendum

Sir,—In commenting on the recent referendum of students concerning affiliation to the International Union of Students you say that "British students will now recognise how they have been duped in the past." This statement does not correspond very accurately with the facts. There is no other subject that has been so thoroughly discussed among students in this country.

The referendum result is so obviously indecisive that the matter cannot be regarded as closed. Those who wish to continue affiliation to IUS see in membership a vital link between East and West. It is a link that, if broken, can only serve to help consolidate the world into two hostile blocs. Many students regard it as preferable to "slang" one another from the same platform than to fight the matter out on the field of battle. IUS offers great opportunities for co-operation, whereas disaffiliation holds no prospect of any advantage.

In these circumstances your comments do little to clarify the issues at stake. Your implicit assumption that the world is divided with little hope of co-operation existing, combined with the results of an unconstitutional and unrepresentative referendum, does not automatically lead to the conclusion that the British student has abandoned international co-operation or, indeed, is prepared to do so.—Yours faithfully,

R. H. R. ARMSTRONG

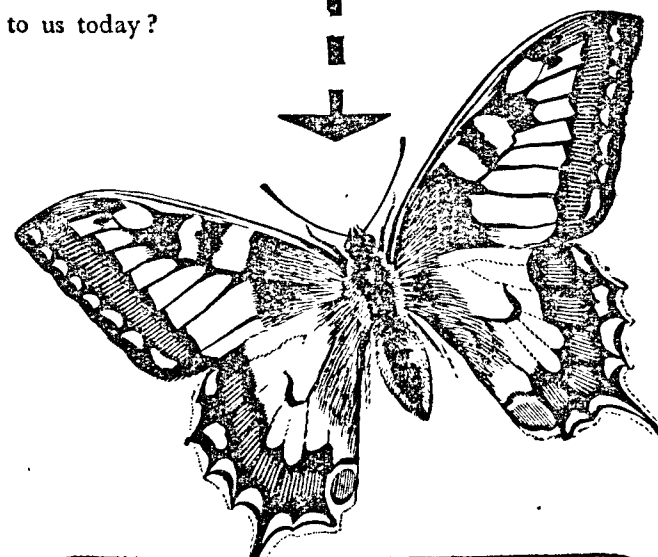
Hillingdon, Middlesex

[There is no evidence that such a bridge as our correspondent conceives would be used for anything but one-way traffic. The essential point surely is that a non-political organisation has been turned into a political pressure group in which no useful work can be done by British students.—EDITOR.]



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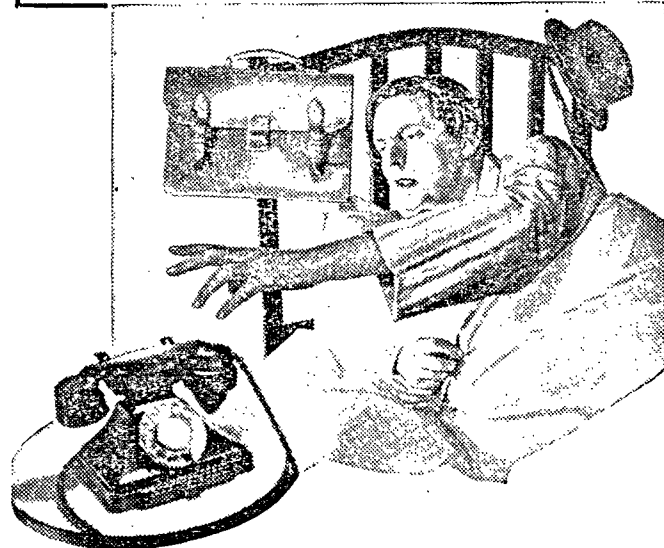
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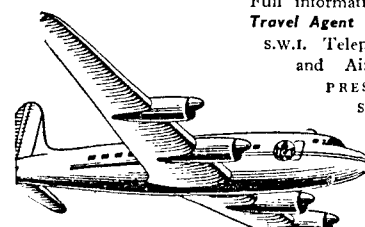
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Books and Publications

Employment or Wealth?

Monetary Policy for a Competitive Society. By Lloyd W. Mints. McGraw Hill.
236 pages. 25s. 6d.

This book tackles what has emerged
since 1945 as the practical economic
problem *par excellence*; that of
harmonising the policies required to
maintain a high level of employment and
damp down fluctuations to a tolerable
amplitude, with those required to ensure
that economic resources shall be
rationally allocated between different
uses both internally and internationally.
Experience has shown both that policies
aimed directly at rationality, the classical
policies of the pre-Keynesian era, do
not automatically produce full employ-
ment and stability, and that policies
aimed at full employment are only too
capable of producing a cumulatively
irrational distribution of resources,
carrying with it a growing danger of
breakdown for the full employment
policy itself. Generally speaking, writers
on employment policy have pushed the
allocations-of-resources problem into the
background—Keynes most decidedly did
so in the "General Theory"—while
those concerned with the allocation of
resources have rarely taken into account
the "employment effect," except as a
frictional influence. Space forbids illu-
stration of this admittedly sweeping
assertion; certainly "Monetary Policy
for a Competitive Society" shows a rare
willingness to confront both problems
simultaneously and in relation to one
another, and despite the disagreements
which it must arouse deserves respect
accordingly.

Dr Mints's main thesis is that mon-
etary instability, due to a defective
banking system and the lack of a
"definite and announced monetary
policy" on the part of authority,
is the sufficient cause of economic
instability in general, and that a
right and above all consistent monetary
policy, beginning with banking reform
is accordingly the most important
means of ensuring the proper working
of a free economy. Here a good
many economists will part company
with him immediately, holding that
enough inherent instability would
remain, even with satisfactorily
"neutral" money, to call for further
deliberate stabilising devices in other
than the monetary field. All will agree,
however, that the monetary factor is
responsible for the worst and most
explosive kind of instability; and having
so agreed, must admire the breadth, in-
genuity and realism of his analysis of
the merits and demerits of the alterna-
tive possible plans for monetary stabili-
sation. These are considered from the
point of view of their effect on general
equilibrium, the relative price move-
ments of different classes of goods and
the ensuing readjustment of resources
internally and internationally; from that
of deflationary or inflationary effect;
from that of the distribution of wealth

between wage earners and property
owners, debtors and creditors; from that
of the sensitiveness or insensitiveness of
the indicators pointing to the need for
action; from that of sheer practical
administrative possibility. Out of all
the various possibilities, Dr Mints pre-
fers, after balancing all these considera-
tions, stabilisation of a combined whole-
sale price index of domestic and
internationally traded goods, with
flexible exchange rates; any necessary
creation of new money or "impound-
ing" of old being accomplished by
way of national Budgets—which apart
from such creation or impounding
should be strictly balanced. This im-
plies that banking legislation should be
altered to prevent variations of purchas-
ing power based on a fractional reserve,
and that open market operations in the
intervals between Budgets should con-
sist of direct dealings with the public.

This summary does Dr Mints much
less than justice. His book deserves to
be widely read and taken seriously. He
has chosen to address himself to his
fellow economists, holding that "to rush
to the public with urgent appeals for
the adoption of policies" is premature
and self-defeating so long as agreement
among experts has not been attained.
He does not, however, address them in
such esoterically technical terms, nor
deal in such refinements of advanced
theory, as to make his argument inacces-
sible to the lay reader; to whom, if
willing to take a little trouble and able,
let us say, to feel at home on the City
Page, it is warmly recommended.

A Critic Recants

Keynes's "General Theory": A Retro-
spective View. By A. C. Pigou.
Macmillan. 68 pages. 6s.

Keynes's "fundamental conception"
of the variables determining the level of
income and employment in the modern
economy was "an extremely fruitful
germinal idea." In this, from almost the
severest of the master's prewar critics,
Keynesians should see victory enough.
It may well be, indeed, that Professor
Pigou's later thoughts on Keynes will be
taken by future historians of economic
theory as marking the high-water point
in the influence of Keynesian doctrine.
The two admirably clear lectures in
which they were expressed (at Cam-
bridge in November, 1949) have now
been printed.

In the controversies that followed the
publication of *The General Theory* Mr
Pigou, together with other critics,
was very far from being defeated on
every point. But on the central point
of the theory he now says bluntly that
in the famous *Economica* review of 1936
"I failed to grasp its significance." The
ground for this reversal of judgment had

been well prepared in Mr Pigou's
writings during the intervening thirteen
years. It certainly does not mean that
by now he has swallowed Keynes whole.
The reappraisal is critical. On many
points of definition and method
Marshall's successor still stands far from
the theorist of the thirties. He insists
that Keynes's analysis is of the short-
period equilibrium positions that various
given conditions would establish; it
describes, that is to say, the tendencies
that in a constantly changing world are
rarely fulfilled. At the best—even if the
changes are infrequent—the analysis
provides a series of economic stills, not
a moving picture of what actually
happens to the economy in between the
positions of short-period equilibrium.

This formal reservation has practical
implications of some importance. It
leads Mr Pigou to refuse to think of
investment as a function of consumption.
When the comparison is between two
positions of short-period equilibrium,
this is no doubt correct. But the
Keynesian analysis surely stands or falls
according to its fruitfulness, in spite of
logical imperfections, as a method of
thought about the real world of
"dynamic" economics, not about the
abstractions of short-period equilibrium.
And Mr Pigou recognises, with everyone
else, that investment is a function of
changes in consumption. His point of
view has the interesting result that, while
he agrees that high savings are associated
with low employment, he denies that
they imply low investment; on the con-
trary, they make employment smaller
only because they require a lower price-
level and a lower rate of interest in order
that investment may be bigger. This is
one of several points at which Mr Pigou's
analytical scheme, with its concentration
on the implications of differences in the
variables rather than the consequences
of changes in them, seems awkward as
well as restricted.

Yet the predominant impression given
by Mr Pigou is of how little he now
disagrees with Keynes. There are many
differences of practical as well as
theoretical emphasis. He points out,
fairly enough, that Keynes—preoccupied
with the problems of the thirties—con-
centrated too much of his attention on
the weakness of the inducement to invest
among the various determinants of the
level of employment. Again, Mr Pigou
maintains, in effect, that the conse-
quences for employment of a cut in
wages are indeterminate, in the sense
that they depend on the state of expecta-
tions about which little more than
guessing can be done. It is here that
the ghosts of old controversies rage most
furiously behind the decent screen of
Mr Pigou's detachment. But the sur-
prising thing about this reappraisal is
the extent to which Mr Pigou passes
over the gaps in Keynesian thinking that
both postwar experience and recent
theory have suggested. And for that
reason his partial conversion may in one
sense represent the extremity of Keynes's
academic influence.

The Journalist's Craft

The Kemsley Manual of Journalism.
Casell and Co., Ltd. 424 pages. 25s.

Both the idea and execution of this generous and glossy volume are admirable. Indeed, it is resplendent with craftsman's pride, team spirit and sense of public responsibility to an extent that is here and there a little irksome. Journalists are not priests; if they were, daily newspapers would be unreadable. And the main lesson of this manual is the immense amount of talent, ingenuity, organisation and thought that go into the production of something that will entertain as well as inform.

It begins with a full description, process by process, of the day's work, starting with the sorting of letters by an assistant editor and ending with the last rush in the publisher's room. Each process is fully illustrated and explained in such a way that the layman will find himself absorbing the essential jargon in the same way that he absorbs American slang from a film. Then each process is gone over again in a separate chapter by a practitioner. There is some extraordinarily good sense about leader-writing; a vivid chapter—the best of all—on make-up and typography, in which the rivals of Kemsley Newspapers get a fair showing; several exciting sections on the hustle and bustle of foreign news transmission and reporting; and some amusing specimens of the cartoonist's art. Even the literary editor gets a look in, pays a much needed tribute to the difficulty of book reviewing and confesses that "it is a hazardous thing to ask a poet, particularly a modern poet," to review a book.

The high seriousness of the treatment is scattered rather than concentrated, and it is not clear just how Lord Kemsley's admirable efforts to work out a training for aspiring journalists produce increasingly intelligent yet lively newspapers. It might have been better to give more attention to one or two of his provincial organs and less to the *Daily Graphic*. Now that this manual has been produced it is clear that newspaper production can be made an entertaining subject for the layman to which both radio and film producers might give their attention. It is particularly recommended to the attention of the dullest and worst presented newspaper in Europe—the Cominform journal.

Implications of Citizenship

Citizenship and Social Class. By T. H. Marshall. Cambridge University Press. 10s. 6d.

This small book, somewhat difficult to read, is nevertheless of considerable importance. It begins with the study from which it takes its general title, this study being a somewhat extended version of two lectures given on the Alfred Marshall Foundation in 1949; while the other three essays—one a "preliminary analysis" of social class, another on the nature of the class conflict, and a third on the "Recent History of Professionalism in relation to Social Structure and Social Policy" date from the decade

before the war. Their background, therefore, is to some extent coloured by the growth and dominance of Fascist and Nazi conceptions, though in the preliminary analysis (1934) the author is expressly dealing with social class in England. He is considering in these three shorter essays a phase when the new "salarial" is emerging, and finds its development frustrated by the wrangles of capital and labour. In the later work, printed first, he is writing against the background of the welfare state, and is discussing the paradox of its steady extension in a society in which the stratification of social class has persisted. The method of this more recent work is historical. The writer studies the history of "citizenship" in its civil, political, and social aspects severally, with the achievement of civil rights in the eighteenth century (the climax being the Reform Bill of 1832), of political rights in the nineteenth, and of social rights, beginning with the institution of compulsory education, and spreading out with the growth of the socialist state.

It might be possible to attack the problem of class statistically. That great book, the "Social Structure of England and Wales," can be regarded as, in one sense, a statistical approach to it. And any such approach is, of course, necessarily both elaborate and also inconclusive, since many different categories, which can be statistically appraised, obviously have some importance in determining class, while no one of them corresponds with any precision to a social class division such as is here being discussed; class which is in a sense "a force that unites into groups people who differ from one another, by overriding the differences between them."

Throughout the book, this elusive force is pursued, with considerable analytical skill, and with elaborate documentation from the work of other sociologists who have discussed the concept. It is always difficult to see the wood for the trees of contemporary history. It would be, however, a matter of great interest to work out how far the situation which lies at the heart of the treatment of citizenship and social class has made out of date that which underlies the earlier essays. There has never been in this country's history a decade of comparable change.

Political History

Revolution in Eastern Europe. By Doreen Warriner. The Turnstile Press. 188 pages. 12s. 6d.

This book has been written in the belief that politics have been allowed to obscure the important social and economic changes which have been taking place in eastern Europe since the war. But politics have a way of creeping in, even when economic matters are the chief topic of interest. As a contribution to history the political chapters in this book are easily the least valuable part, not because they are a summary but because they are written exclusively from one political angle. To take one small example—it is rather surprising to find Yugoslavia's help to the Greek rebels fighting against the legal govern-

ment of Greece, described without qualification as Yugoslavia's "aid to Greece."

No reasonable person would deny that far-reaching measures were essential to improve the appallingly low living standards of so many of the people of eastern Europe. Miss Warriner is extremely well qualified, both by her expert technical knowledge and by her personal experience of the countries concerned, to describe the goals which the Communist planners have set themselves and the progress they have so far made. On the whole the difficulties and failures are not omitted, but she is convinced that the planners are proceeding on the right lines. Only the Yugoslavs are condemned for making a complete mess of their economic planning; one suspects that a few good words would have been found for them, too, if they had not chosen to defy the Soviet Union.

The Soviet Union's role in eastern Europe is, indeed, described in an unconvincing way. Its influence on politics and economic planning is minimised, and, where admitted, is regarded as benevolent. But few in Hungary or Rumania, except hardened Communists, would agree that Soviet control of their most important industries is only used "to secure essential supplies" and "does not constitute exploitation." All the evidence suggests that the Soviet Union's chief interest in the economies of eastern Europe lies in what it can get out of them and not in the people's welfare—whatever the Cominform Journal may say to the contrary.

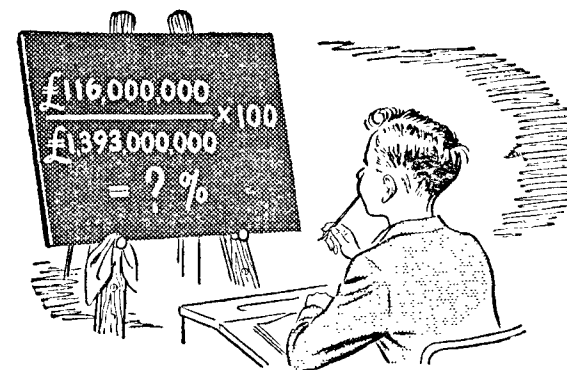
Anthropological Enlightenment

Mirror for Man. By Clyde Kluckhohn. Harrop and Company. 228 pages. 12s. 6d.

The Beginnings of Diplomacy. By Ragnar Numelin, Geoffrey Cumberlege. Oxford University Press. 372 pages. 45s.

A greater contrast in method, manner and theme than these two books present would be hard to find in contemporary anthropology. Professor Kluckhohn has written a text-book for "the intelligent layman." It is unmistakably written by an American for Americans. Hence the latest American fashion in anthropology is expounded at length. According to it, the essentials of social life in all societies can be traced back to the conditions of infant care; and not only the commonplace facts but such complicated matters as national character are "explained" in psycho-analytical jargon. Inevitably, also, the book includes two stock features of the latest American text books, a disquisition on present-day American "culture," and a declaration of faith in science, reason, democracy and anthropological enlightenment.

It is remarkable that Professor Kluckhohn almost completely avoids discussing the economic and political institutions of primitive peoples, but does not refrain from categorical opinions on the subject of international relations with Russia. But then the most important work on primitive economic



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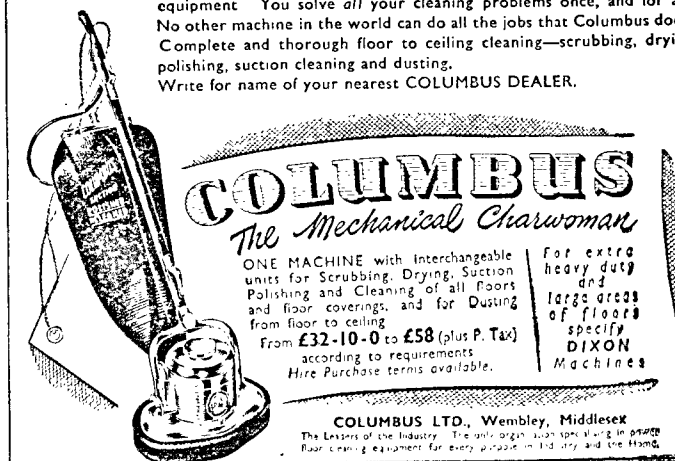
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and political organisation has been done by European scholars and Professor Kluckhohn seems to be unacquainted with it. Yet he is obviously a versatile and sound scholar. Moreover there is charity as well as shrewd understanding and freedom from bias in his judgments. His discussion of what anthropologists mean by such terms as culture is sensible; his account of modern archaeology is illuminating; his chapter on race is a skilful synopsis of established facts and of enlightened opinion; on language he is poor; and, in spite of reservations, he implies exaggerated claims for the use of anthropology in public affairs.

Dr Numelin takes us back to the nineteenth century. His book is a comparative study in the heavy, academic style of his revered teacher, E. Westermarck. As he is the Finnish Minister in Brussels, his theme bears directly on his practical interests. He pursues it assiduously in all its ramifications. His main argument is that diplomacy—"the maintenance of official relations between tribes and peoples"—is an institution as ancient and widespread as human society, not an invention of classical antiquity as some historians assert. He therefore sets out to show that diplomacy and international law are found in the intertribal relations of primitive peoples, if only in rudimentary form, and may, in this sense, be said to have their beginnings in the earliest state of human society. Every conceivable authority is quoted and profuse, but uncritical and indiscriminate, citations of ethnological data are given. The tone is set by the preliminary discussion of the nature of government in primitive society, which concludes with conventional and outmoded distinctions between various forms of juridical relations. Inter-tribal contacts in war and peace are then discussed in the same way. Dr Numelin brings to light interesting information about the role of envoys and emissaries, which he connects with the rules concerning the treatment of strangers and guests and their protection by religious conventions and etiquette. Many of the customs pertaining to diplomatic intercourse in modern times are seen to have parallels in primitive society. Peacemaking ceremonies are described, and there is a full account of the part played by trade in maintaining peaceful relations between tribes. Dr Numelin's

numerous misprints and occasional grammatical slips must be forgiven since the author writes in a language foreign to him. Dr Numelin opens up an important subject in comparative politics, a subject apparently deemed by Professor Kluckhohn to be less germane to anthropology than the excretory habits of infants. Unfortunately Dr Numelin's method and concepts are out of date and his conclusions too general.

How to Invest

Principles of Finance and Investment.

By Lewis G. Whyte, F.F.A. Cambridge University Press. Vol. I. 192 pages; Vol. II. 176 pages. 12s. 6d. each.

The perfect textbook is a rare work of art. The best practitioners often set down their knowledge indifferently; the overburdened student spurns grace and demands systematised knowledge. Mr Whyte's book may not be perfect of its kind, but it is the most comprehensive discussion of the theory and practice of investment for many years. It is intended in particular to serve the needs of actuarial students and that fact alone gives it a particular leaning towards institutional investment. More is to be found here of the factors that determine the course of gilt-edged values than of the influences that determine company profits and equity prices. In recent years the predominant fact for all investors has been the control exercised by the authorities in determining the public value of their own credit. The understanding of these processes of control is far from complete, even by those who follow them closely; someday a modern Bagehot will have to write a "Great George Street cum Threadneedle Street" to explain and rationalise them. In setting down his summary, Mr Whyte can claim to be one of the first to discuss these difficult matters within stiff covers.

These two volumes could be usefully studied by others apart from budding actuaries. The author has succeeded in the one essential purpose of any textbook—to set minds working. He ranges over the fields of economic history and theory, introduces the student reader to the concept of the national income and the practice of the investment markets and then discusses banking and the rate of interest. All this is by way of pre-

liminary to a detailed analysis of the main categories of investment as seen from the particular point of view of life assurance offices—a section of the book that is excellent. The whole task of setting down the historical and theoretical background and then linking this with investment practice represents a large assignment that is not easy to fulfil in well under four hundred pages. Each of the questions on which Mr Whyte touches could easily take up as much space to itself. Thus his "Principles" does not provide—and was not intended to provide—a complete answer to all investment problems. It gives a wide-sweeping survey of the factors that play upon investment values, and provokes thought about them. A certain looseness of form is inevitable with a structural scheme of this kind, and to this must be added an occasional looseness of writing. But it remains a useful book for all, whether future actuaries or not, who want to improve their knowledge and sharpen their thinking about investment matters.

Thanks for Your Shilling

Bernard Shaw's Rhyming Picture Guide to Ayot St. Lawrence. Leagrave Press, Luton. 31 pages. 1s.

This is George Bernard Shaw's last work—the amiable hobby of an old man who wanted to write about the village he lived in and to show off his photograph album. Ayot St. Lawrence is as distinguished and remote as any of the villages within thirty miles of London, and Shaw's shots of it show off its gentle features with true amateur care. Of the rhymes, the less said the better. Shaw calls them doggerel, and doggerel indeed they are. To describe the parish pump Shaw thought it proper to become the parish poet, and he turned out lines of a quality so dreadful that they would be embarrassing if spoken in rustic pageantry on the vicarage lawn. This is in fact his last literary jest, for there is plenty of evidence that he loved his adopted village and joined in its community. Warm feeling and buffoonery survived in his make-up to the end:

Now there is nothing more for me to tell.
Thanks for your shilling friend, and
fare thee well.

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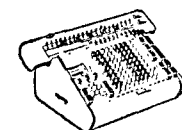
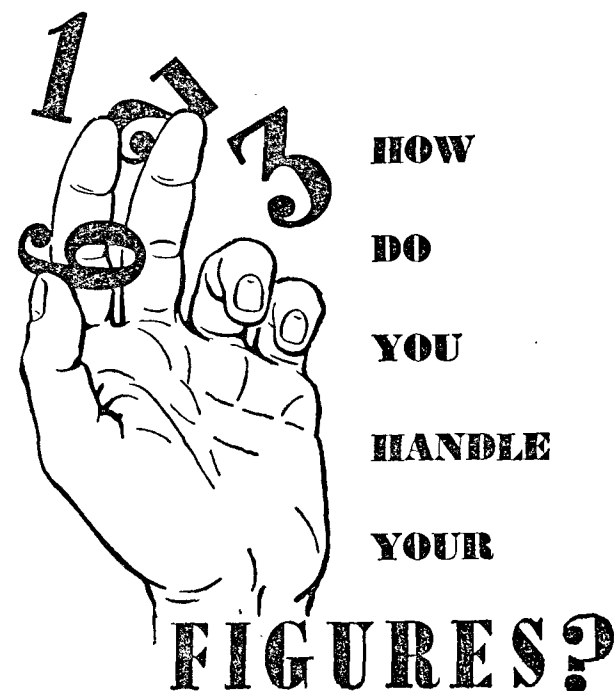
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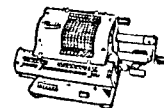
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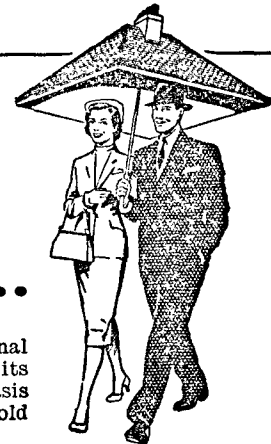
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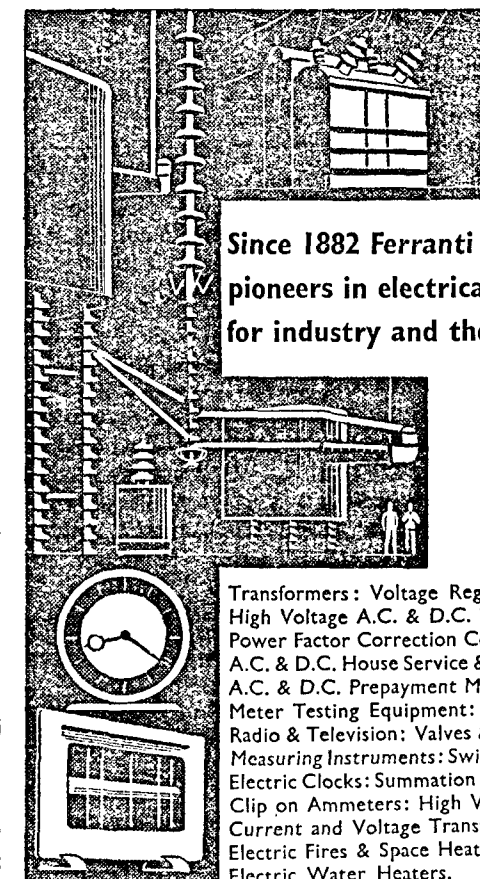
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AMERICAN SURVEY

State of the Debate

Washington, D.C.

IN 1949 Mr Truman began his annual message to Congress with the statement that "the State of the Union is good"; last year he was able to say that "the State of the Union continues to be good." This time, however, he had to warn the Eighty-second Congress that it faced "as grave a task as any Congress in the history of our Republic." The gulf between these two statements is the gulf between the comfortable assumption of the years since 1945 that the Soviet Union was prepared to take every step short of war and the realisation today that it appears to be willing to risk even open war. The economic evidence on which the optimism of the President's last two messages was based is still there. But it rated only a passing reference—"I am glad to say that our country is in a healthy condition"—in a speech which concentrated on the external dangers.

The evidence of the health, the rude health even, of the American economy was produced four days later in the Economic Report, but it failed to cheer anyone, least of all the President, who sent it to Congress with stern warnings of how much of the national output must go into the defence effort. In some ways the Economic Report was more frightening than reassuring in its implications. It revealed that, although current expenditure for defence only represents about 7 per cent of total national output, wholesale prices rose more than 15 per cent in the last six months of the year. The *New York Times*, in commenting on the report, said that the performance of the American economy during this period had been "on the scandalous side." By the end of 1951 expenditure for defence will be 18 per cent of output and there are any number of guesses as to what will have happened to prices and wages by then if the disagreements between Dr Alan Valentine, the Director of Economic Stabilisation, and Mr diSalle, the Price Administrator, are not resolved.

The whole Economic Report, when it dealt with the future, was so devoid of hard facts and clear estimates that it created almost no interest. Self-satisfaction about the dead past—even if it was not, as the *New York Times* thought, misplaced self-satisfaction—was little consolation in a message that spoke bleakly of "a defence effort of great size for a number of years." And the Budget when it came a few days later was so tentative, in spite of its unprecedented size, that it provoked neither enthusiasm nor apoplexy. It was a sign that Representative Martin, the Republican leader in the House, was himself tired—and bored by the inevitability of 90 per cent of the proposed expenditure—that he could find no stronger words for it than "the same old tired programme."

Such interest as there might have been in the economic and fiscal messages, or in those parts of the State of the

Union message which referred to such matters, or recapitulated the dangers to the free world and the intentions of the masters of the slave world, was drowned by the President's intervention in the debate on foreign policy and his appeal for unity. A few days before, Senator Taft had begun his 10,000-word speech in the Senate with the complaint that "a theory has developed that there shall be no criticism of the foreign policy of the Administration, that any such criticism is an attack on the unity of the nation," preferring not to remember that the "criticism" of the last year had consisted almost entirely of outrageous personal attacks on the Secretary of State and his staff. Mr Truman was able to remind the Senator gently that when he asked for unity he did not mean unanimity, and that there was such a thing as responsible and constructive criticism.

★

By comparison with what had gone before, Senator Taft's marathon speech was responsible and constructive, even though what it constructed was a crazy quilt of unrelated policies. And it had the advantage of bringing on to the floor a few days later many of those Senators, from both parties, whose opinions on foreign affairs are worth attention. Senators Connally, Lodge, Knowland and McFarland made prepared speeches and Senators Fulbright, Saltonstall, Morse and, of course, Taft joined in the debate. By the time the smoke had cleared Mr Taft appeared to have explained that what he had meant was exactly what Mr Lodge had said, and it was even generally agreed, among the Republicans, that, in spite of appearances, Mr Hoover obviously meant the same thing, too.

It was a curious afternoon, in which the Republican Senator Lodge showed again those qualities which he used to display regularly when Senator Vandenberg was in Washington. He took care to make a speech which would carry as many of his party as possible, but wasted little time on the irreconcilables. When Senator Wherry, Republican of Nebraska, asked whether he felt that, under the North Atlantic Treaty, the President could commit foot soldiers to be part of an international army, Mr Lodge snapped that "of course he can do it. . . . He can order them to go anywhere. . . . The North Atlantic Treaty does not stop him." But he worked patiently on Senator Taft, whose weakness is his habit of setting up straw men in order to knock them down. Mr Taft had talked as if there were an intention to send a million and a half men to Europe and he had disapproved of the idea, but he finally admitted that he would not object to committing "some limited number of divisions."

Senator Lodge pointed out that the Administration was at present asking Congress for eighteen divisions in all. "We have seven divisions in Korea," he said, "and we are starting to build a total of eleven more to be ready by the end of this year. That is not a vast army." In fact, he inferred, remembering those troops which must be kept in the United States for continental defence and to provide cadres, it represented probably a limited number of divisions. "We doubtless have more dollars per capita than any other nation,"

he remarked, "but obviously we have no more manpower per capita. In this respect all nations are alike and all alike should share the burden." He would, he said, commit no additional troops to Europe without an iron-clad agreement that their dispatch meant the automatic commitment of a very much larger number of European troops. This, Senator Capehart discovered, was "exactly what former President Hoover advocated in his speech some three weeks ago," a discovery which surprised Mr Lodge—and many other people—but which he accepted gratefully as proof that "we are close to agreement" and that the Senate need not "divide up into globalists on one side and retreatists on the other."

By the end of the afternoon many felt that the back of the opposition had been broken and that the great debate was petering out. But during the weekend the enemy rallied and Senator Wherry pressed his resolution that

It is the sense of the Senate that no ground forces of the United States should be assigned to duty in the European area for the purposes of the North Atlantic Treaty pending the formulation of a policy with respect thereto by the Congress.

And when the debate was resumed on Monday the quality of the speeches and of the speakers declined sharply. Senator Bridges was no better than usual and Senator Flanders made perhaps the silliest speech he has given in the Senate. Senator Kerr, Democrat of Oklahoma, enlivened a soporific Tuesday by saying that "some men become statesmen, some men become elder statesmen, but some merely become elder. I regard Herbert Hoover as a fine patriotic American but. . . ."

Everything now waits on General Eisenhower's return, not because there is any doubt about how the vote will go, but because his presence is needed to achieve the greatest possible unity. By the time he has got back to Washington and has had his say, the Administration and the Congress will probably be found in general agreement. Those who refuse to agree will be substantially those who have been opposed throughout to the Marshall Plan, the Atlantic Pact and all such adventures. And the debate which began with Mr Hoover's whimper will have ended with Senator Lodge's bang. At least, that is the present hope of Washington.

Fifty Billion for Defence

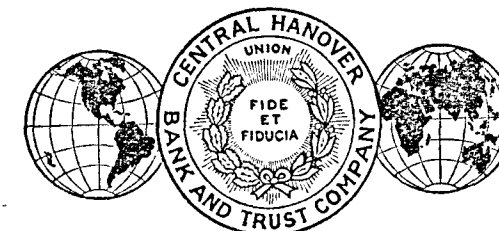
ALL the free world, as well as the United States, is concerned with the physical reality behind the astronomical figures of the Budget that President Truman presented to Congress last Monday. The reality that matters is not fact but faith. It is faith that by the end of this year the American economy will have carried very far its reconversion to defence work. It is faith that the defence expenditure authorised by Congress during the past six months will be bearing fruit in a greatly expanded flow of aircraft, tanks, guns and all the rest to the armed forces of the United States and its allies.

The proposed increase in expenditure no doubt reflects a considerable allowance for further rises in prices. Much of the money will be needed to pay the enlarged forces and for investments that cannot begin to contribute to current armament output until 1953. But, after all allowance for these elements in the programme, it is safe to say that the Administration will succeed in spending all it plans to do, in the absence of general war, only if the deliveries of finished armaments to be paid for have expanded very sharply by

the end of 1951. The proposed expenditure on military services between July, 1951, and June, 1952, is double that of the current fiscal year, for which the revised estimate is now put at \$21 billion (compared with \$12.3 billion in 1949-50); the budget estimate for 1951-52 is \$41.4 billion.

This is not the whole of the increase in defence expenditure. Foreign relations and foreign aid are to take \$7.5 billion, against \$4.7 billion in the current fiscal year; the President emphasised the changing purpose of American aid to foreign countries. The European Recovery Programme can now become relatively unimportant. The "great preponderance" of foreign aid in 1952 will be designed "directly for the rapid build-up of mutual defence forces"; more than one-half—that is, over \$3.5 billion—will consist of shipments of military equipment from the United States to allied countries.

These two main categories do not exhaust the defence expenditures. The costs of defence production carried outside the service departments are put at \$1,100 million (against \$200 million in the current year); the cost of economic controls is to rise from \$36 million to \$276 million. The Atomic Energy Commission is to have \$1,277 million instead of \$818 million. There are comparatively minor costs, almost entirely fresh, like \$330 million for civil defence and \$164 million for new government buildings dispersed, as an air-raid precaution, outside the District of Columbia. When these things (included amongst "other expenditures" in the accompanying chart) are added, the total defence spending estimated for 1951-52 comes out at \$52 billion, compared with \$26.8 billion this year and only \$17.7 billion (even if Marshall aid is reckoned as a defence expenditure throughout) in 1949-50.



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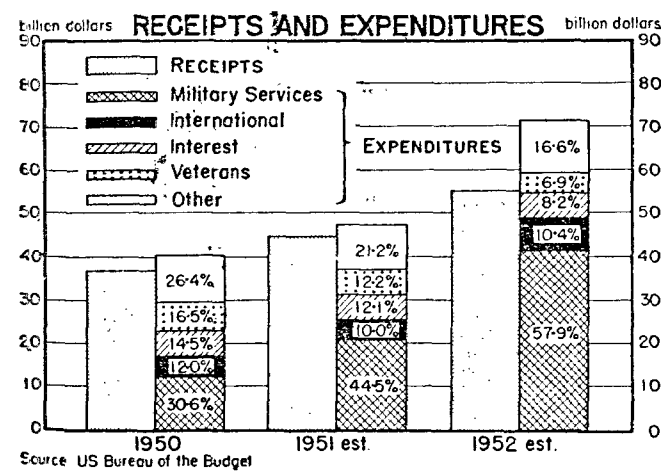
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"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Here is the measure of American optimism about the speed at which industry can turn government decisions into ready weapons. The beginning of the current financial year coincided with the beginning of fighting in Korea. All the effort since then will have increased actual defence expenditure by \$9 billion in twelve months; in the following twelve months the increase is expected to be a further \$25 billion. As a proportion of the national income, the equivalent increases in Britain would be about £400 million in 1950-51 and another £1,100 million in 1951-52.



At \$52 billion defence will take almost three-quarters of the total expenditure of \$71.6 billion. The proportion has risen from 44 per cent in the last financial year to an estimated 57 per cent currently and 73 per cent in 1951-52. There is no possibility of finding the extra money for defence by cutting other expenditure. The whole of that other expenditure is in the present fiscal year \$20.4 billion; it is, in other words, only four-fifths of the increase proposed for defence in 1951-52.

Spending for purposes other than defence is to be cut by \$850 million (4 per cent) from the current level and by \$2,935 million (13 per cent) from that of 1949-50. These are net charges, implying much sharper cuts in some departments partially offset by increases elsewhere. Mr Truman naturally emphasised that "in order that our resources can be diverted to meet the demands of national scarcity, strict economy in non-defence spending is required," but in fact the main change is the automatic reduction in educational and other benefits provided for veterans of the last war. This yields in the new estimates an economy of \$835 million compared with the current year and of \$1,716 million compared with 1949-50. There are, in addition, some savings through changes of policy. Many public works projects have been curtailed. Stiffer terms for government credit will reduce house-building by more than a third, to 850,000 units this year. But, in general, the President's policy for civil expenditure is, in British terms, one of "consolidation," of abstaining from desirable new projects for peaceful times, not of retrenchment.

Something has already been done to limit inflation. The Government now expects to spend in the current fiscal year some \$5 billion more than the original Budget estimate, but the tax increases so far passed by Congress have, together with the inflation-bred buoyancy of the revenue, raised expected receipts by over \$7 billion. The current Budget deficit is therefore now expected to be about \$2.7 billion instead of \$5.1 billion. Existing taxes are expected to yield an additional \$10.6 billion in 1951-52; they will cover, that

is to say, about 40 per cent of the extra spending. Even so, if there were no new taxes the deficit would rise to no less than \$16.5 billion.

The President left no room for doubt that the tax proposals he will send to Congress within the next few weeks will be designed to bridge the whole of this gap, and perhaps a bit more. "At this time, sound public finance and fiscal policy require that we balance the Budget." The American people are to be asked to hand over to their government something like a further 6 per cent of their income. Fortunately, such reserves of taxable capacity do exist in the United States, if Congress agrees to tap them. With a balanced Budget of \$71.6 billion federal taxation will absorb the, by British standards, moderate proportion of a quarter of national income. (State and local taxes take about another 5 per cent.)

In Britain any net increase in government expenditure, even if on paper it is fully matched by extra taxation, must be almost automatically inflationary because the taxes will in one way or another be paid in large part by reducing saving from current incomes. The United States, starting from a much lower level of taxation, is perhaps still free from this dilemma. But a balanced Budget will not prevent inflation, even for the Americans.

With a rapidly expanding defence programme the Government's call on real resources is not measured by the actual spending of \$71.6 billion in the financial year. The President asks for contractual authority to spend in future \$94.4 billion. And, in the President's own words,

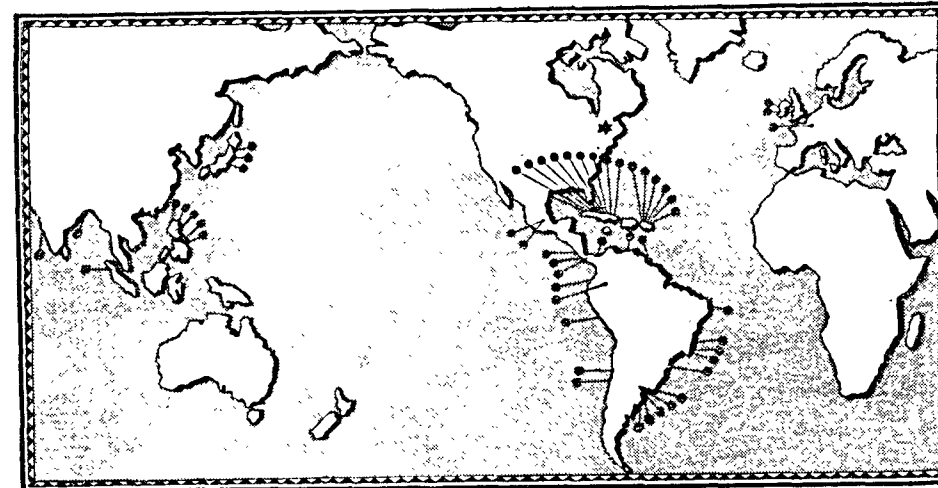
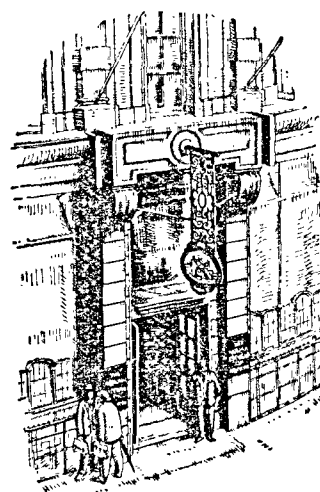
bidding for manpower and materials, which pushes prices upward, begins as soon as procurement contracts to be paid from these authorisations are signed, even though expenditures may not take place for a year or more.

Private industry starts investing—in new equipment, in materials, in goods in process—long before the government pays out, and inflationary pressure would be avoided only by a Budget surplus sufficient to offset this investment stage of the armament programme. That, plainly, is not President Truman's intention. He prefers to suppress some of the symptoms of inflation by "positive stabilisation measures"—that is, by price and wage controls and allocation systems. It is too early to try to guess how much may be lost, in the speed and efficiency of rearmament, by that choice—or by how little it may be, politically, the lesser evil.

BUDGET EXPENDITURES (Fiscal Years, \$ Million)			
Function	Actual 1949-50	Estimates	
		1950-51	1951-52
Military services	12,303	20,994	41,421
International security and foreign relations	4,803	4,726	7,461
Finance, commerce and industry....	227	368	1,524
Labour	263	212	215
Transportation and communication..	1,752	1,970	1,685
Natural resources	1,554	2,117	2,519
Agriculture and agricultural resources	2,784	986	1,429
Housing and community development	261	409	—102*
Education and general research....	114	143	483
Social security, welfare and health...	2,213	2,520	2,625
Veterans' services and benefits.....	6,627	5,746	4,911
General government	1,108	1,252	1,351
Interest	5,817	5,722	5,897
Reserve for contingencies.....	...	45	175
Adjustment to daily Treasury statmt.	+ 330	...	...
TOTAL	40,156	47,210	71,594

* Excess of receipts over expenditures.

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RESOURCES		
Cash and Due from Banks	• • • • •	\$818,188,456.59
U.S. Government Securities	• • • • •	1,030,956,548.75
U.S. Government Insured F.H.A. Mortgages	• • • • •	66,264,330.12
State and Municipal Bonds	• • • • •	43,640,413.56
Stock of Federal Reserve Bank	• • • • •	3,595,050.00
Other Securities	• • • • •	21,720,592.89
Loans, Bills Purchased and Bankers' Acceptances	• • • • •	743,860,413.92
Mortgages	• • • • •	14,151,669.73
Banking Houses	• • • • •	14,514,364.57
Other Real Estate Equities	• • • • •	260,994.84
Customers' Liability for Acceptances	• • • • •	9,247,636.18
Accrued Interest and Other Resources	• • • • •	6,138,789.90
		\$2,772,539,261.05
LIABILITIES		
Capital	• • • • •	\$50,390,000.00
Surplus	• • • • •	69,444,000.00
*Undivided Profits	• • • • •	29,936,865.51
		\$149,770,865.51
Reserves for Taxes, Unearned Discount, Interest, etc.	• • • • •	12,856,488.25
Dividend Payable January 15, 1951	• • • • •	1,511,700.00
Outstanding Acceptances	• • • • •	10,451,692.84
Liability as Endorser on Acceptances and Foreign Bills	• • • • •	3,162,738.26
Cash Held as Collateral or In Escrow	• • • • •	12,836,541.72
Deposits	• • • • •	2,581,949,234.47
		\$2,772,539,261.05

* An addition of \$4,000,000 was made to Reserve for Bad Debts for 1950, of which \$2,140,000 was transferred from Undivided Profits. The total Reserve for Bad Debts was \$19,793,265.44 at the year end; neither the addition to the Reserve nor the total amount thereof has any relationship to current or anticipated losses.

United States Government and Other Securities carried at \$100,505,541.05 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

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American Notes

Basis for Mobilisation

The plan for universal military service which the Defence Department has outlined to Congress reflects General Marshall's conviction that the nation must prepare for a long period of tension and that it is better to make haste slowly than to plunge into emergency measures which the country would not tolerate for long in the absence of a full-scale war. It is one of the ironies of the situation that most of the proponents of an army of 6,000,000 men have been civilians, and that it is the generals who are not resigned to war, and have insisted that the aim, instead, must be a workable system of partial mobilisation which can be expanded rapidly if necessary.

The combination of universal service and universal military training which Congress is to be asked to approve, and which goes by the ungainly abbreviation of UMST, is a permanent measure designed to find the manpower needed to maintain 3,500,000 men in the forces, and assure a steady flow of trained men into the reserves. All 18-year-olds would undergo a 4 to 6-month period of basic training, and most of them would then serve up to 23 months with the forces, after which they would be required to join the reserves. The alternative, if the present Selective Service system is continued, is to start calling up married men, which is costly in terms of allowances as well as in disruption of family life, or to recall former servicemen, a step many people consider unfair. At 18, moreover, there would be the least interruption to education, and the least loss of skills to industry.

The scheme also provides for continuing at least a trickle through the educational pipeline by proposing the deferment of 75,000 college students a year for the next three years, in order to maintain the supply of scientists, engineers, and doctors. These men would take their training at 18, but the service requirement would be postponed until after graduation. The colleges would also benefit from an expansion of military scholarships, though the two provisions combined will hardly compensate them for the loss of the 400,000 men who normally enter each year.

In the field of arms production, it is also noticeable that President Truman called, not for the production of 50,000 aircraft a year, as President Roosevelt did on an historic occasion in 1940, but for the capacity to turn out that number. The aim of the Administration is to raise production from its present 250 a month to 2,000 a month by mid-1952; by the end of that year the number of Air Force groups should be nearing the latest goal of 95 to 100, and in the event of an emergency it is believed production could be very quickly doubled by opening stand-by assembly lines and working shifts all around the clock.

For the Navy, however, tomorrow's ships must be ordered today. The House of Representatives has authorised a \$2 billion programme to provide 173 new ships and the modernisation of nearly 300 more. Among the first group, to the Navy's profound satisfaction, is a 60,000-ton super-carrier, only slightly smaller than the *USS United States*, scuttled nearly two years ago by Mr Johnson, then Secretary of Defence, in the name of economy and the Air Force. Then, a carrier capable of launching today's larger aircraft would have cost \$189 million; now it will take \$235 million, a measure of military inflation.

Stabilisation Round the Corner

The economic stabilisers seem at last to be on the point of turning the corner round which lurk general mandatory controls on prices and wages. For weeks it has been recognised that the corner would have to be turned sooner or

later, but Mr Valentine, the head of the Economic Stabilisation Agency, has been trying to put off the evil day until his office is sufficiently well organised to face what is lying in wait for it. Experienced businessmen are apparently becoming more reconciled to joining ESA and its various divisions are at last being built up; but Mr Valentine still has only 450 employees, about one per cent of the number found necessary for the similar work in the last war, and there is certainly some justification for his delaying tactics.

On the other hand, the certainty that price controls are bound to come, and the uncertainty as to how and when and where (an uncertainty that has been increased by conflicting statements from all those concerned), has had much to do with the comparative failure of the voluntary price freeze which ESA introduced a month ago. It hoped to gain enough time by this means to develop a system under which price controls could be imposed selectively instead of all at once. It has been working out price agreements with individual industries, starting with the basic metals, and with the automobile industry, the guinea pig on which a mandatory price freeze has already been tried. But Mr Valentine has already called his Price Administrator, Mr DiSalle, to heel for advocating a general mandatory price freeze for thirty days. From the latest reports it appears that this is nevertheless coming within the week.

It is the rise in food prices, mounting steadily in recent weeks, that has pushed the stabilisers round the corner, but most of these must rise much higher before they can be effectively controlled. Congress, now clamouring to know why the cost of living is still going up, took care when it passed the Defence Production Act to protect the farmers from price control. And when President Truman suggested recently that the Act would have to be amended in this respect, the farm leaders in Congress made it quite clear that they had no intention of indulging his flight of fancy. But labour leaders, called to Washington last week to discuss the wage stabilisation that must by law accompany mandatory price controls, made it equally clear that they would not accept wage restrictions unless the rise in the cost of living was firmly checked. They made other conditions too, of which the most important was that responsibility for wages should be given to an independent agency, which they thought should also be responsible for handling labour disputes, as was the War Labor Board in the last war.

The Constitutional Issue

The old "twilight zone" between Presidential and Congressional authority has been lighted up, fitfully, by Senator Taft's decision to argue that Mr Truman had no authority to send American troops into Korea, and similarly has no constitutional right, without Congressional assent, to reinforce the European democracies. Resolutions to this effect are now before both Houses. The root of the debate is that, though the Constitution empowers Congress, and Congress alone, to declare war, it makes the President Commander-in-Chief of the armed forces. The only reins left in Congressional hands are the purse-strings and the threat of impeachment, and neither of these is likely to be employed in a war-like situation.

On the purely constitutional issue, there is no doubt that the bulk of judicial opinion is against Senator Taft; his own father, the Republican President, has been made to bear witness against him, on the inability of Congress to interfere with the President's movement of troops. What the Congressional critics can argue with more success is that the President was under no obligation to send troops to Korea; the legal—apart from the moral—obligation does not arise until the signing of the special military agreement with the United Nations. Nor, of course, did the ratification of the North Atlantic Pact involve any specific obligation to send

troops or arms in advance of an attack; the methods of developing collective defence were left to the judgment of the signatories.

Not all those who would like Congress to vote on the sending of troops—as it voted on the sending of arms—are trying to scuttle the North Atlantic Pact. Senator Douglas, who is miles apart from Senator Wherry on other issues, believes it would cement national unity to secure a favourable vote from Congress. And there is no doubt that, if General Eisenhower returns convinced of Europe's determination to defend itself, such a vote could be secured.

There is no certainty, however, that President Truman will take this apparently attractive course. He has promised to consult Congress—even to talk to Senator Taft, though, as he pointed out, this would be more easily and regularly accomplished if the Senator had been willing to accept the responsibilities of a seat on the Foreign Relations Committee. But to permit Congress to assert a veto over military policy would be dangerous; it might delay action in a future emergency and, as Senator Lodge has indicated, Congress is no place to debate or discuss military strategy. There is the additional danger that if the Wherry resolution came to a vote—which does not appear likely—the overwhelming approval of Congress might be frustrated, for a time at least, by isolationist filibustering. For Senators retain the right of unlimited debate.

But if Mr Truman is determined, and right, to stand upon his Presidential prerogative, the intense anxiety of the country over the commitment of American troops in substantial numbers, and the desirability of bridging any constitutional gap, also imposes on him an obligation to do more than he has done to convince the public that the course the Administration is pursuing is the right one. It is possible that Senator Connally may bring forward a resolution similar to that proposed by Senator Douglas which would not be binding on the President, but would range the Senate behind him on such a fundamental departure from past American foreign policy.

Steel Steps Out

At last the steel industry is stepping out smartly enough to satisfy even the President's Council of Economic Advisers; in their annual review they admit that plans have already been made to bring capacity up to 120 million ingot tons a year in the next three or four years. This is the capacity the Council thinks necessary, in view of the sustained defence programme at present contemplated, if steel shortages are neither to check economic expansion nor require an indefinite continuation of controls on civilian consumption. The steel industry has surprised even itself by the strides it has made lately: when its New Year's inventory of annual capacity was taken, it added up to 104,229,650 tons, about 1,000,000 tons more than had been expected, an increase of 4,800,000 tons in the year and of 22,600,000 since 1940. After the Korean outbreak, the industry doubled its planned expansion for 1951 and 1952; by the end of that time total annual capacity is expected to reach 115,000,000 tons.

Much of this expansion takes the form of additions to existing facilities, but the industry is stepping out in new directions as well, to the North Atlantic seaboard in particular. Steel-makers are moving there to be nearer the iron ore which may become so short in the next few years that the new steel mills may not be able to work to capacity. For the much threatened exhaustion of the Minnesota iron mines may have materialised before new mines in Labrador, Venezuela and elsewhere are fully developed. When they are, however, the leading steel corporations will be ready and waiting to receive their raw material by cheap ocean transport.

The US Steel Corporation is building a huge integrated

plant, with an annual capacity of 1,800,000 tons, to be finished by the end of 1952. It is on the Delaware River just above Philadelphia, and the National Steel Corporation is also building a new mill lower down on the other side of the same river. The Bethlehem Steel Corporation already has a plant near Baltimore in Maryland. And in addition the defence programme seems to be going to give New England the steel plant on which it has long pinned its hopes of checking its industrial decay.

There is another reason why steel is going to the sea: as a result of the Supreme Court's decision on basing point prices, steel consumers, for the present at least, have to pay the full freight charges from the mill. Steel firms that move into the rich industrial area on the coast thus have an advantage nowadays over competitors who remain in Pittsburgh or centres further west.

The fact that the government is encouraging the steel industry to expand has been taken as an indication that war is not anticipated this year; if it were, the steel that is going into the new industrial plants would be more useful in guns and tanks. The present rearmament programme is not expected to need much more than 10 per cent of steel output, while in 1944 war production was taking 40 per cent. This should not mean any severe hardship for civilians, but they will nevertheless have to do without some steel today, if they are to have steel (and other things) tomorrow.

In Self-defence

The chief reason for speeding the civil defence Act through the short session of Congress was to stimulate the 44 state legislatures which meet this month to pass the laws and appropriate the money needed for their own defence. Many of them will not meet again for two years. A sum of over \$1.6 billion in federal money was authorised—though it has not yet been appropriated—for the states if they would



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find about \$1.4 billion of their own. Most of the states will give priority to preparations against an atomic attack ; this is true even in Connecticut where the incoming Republican Governor inherits a \$45 million yearly deficit from his predecessor. But a careful reading of the civil defence Act has somewhat blunted enthusiasm for the federal lead the states have been demanding.

New York State, for example, is entitled to draw up to \$249 million, in recognition of the fact that it contains 22 per cent of the people living in primary target areas throughout the country. But, as Mr Dewey indignantly points out, to obtain it the state must find an equal sum—one only a little less than the annual cost of its government. To make matters worse, a Democratic Congress, to prevent “boon-doggling,” insisted that none of this money—with certain exceptions—was to go to finance double-purpose, self-liquidating shelters. States such as New York, which hoped to finance a new underground railway and underground parking lots through federal grants, in part, at least, must rely, instead, on 50-year loans from the \$250 million revolving fund set up for this purpose in the Reconstruction Finance Corporation. The \$104 million scheme for shelters in the existing and proposed underground systems would be entitled to recover only about 1 per cent of the cost from Washington, according to Mr Dewey, and his indignation is echoed across the river in New Jersey. Mr Dewey does not even believe that single-purpose shelters would be of much value ; gaps in the radar screen may prevent the giving of warning in time to make use of them.

These complaints from the Republican Governor of the wealthiest state in the union—and one who has managed its affairs so efficiently as to produce a slight surplus this year—cannot go entirely unheeded in Washington. They certainly are not rooted in any underestimate of the seriousness of the situation. Not to be outdone by the White House, Mr Dewey has issued his own emergency proclamation: he has asked for the revival of the wartime bipartisan State Council, which in an emergency would have drastic powers to conscript manpower and private property without waiting for the recall of the legislature.

Shorter Notes

With the cancellation of the trade agreement with Mexico on January 1st, tariffs on lead are doubled, to 1½ cents a pound on ore and 2½ cents on metal, and those on oil imports go back to the rate established under the Venezuelan agreement in 1939. This allows an amount equal to 5 per cent of domestic oil production to come in at the half-rate of 10½ cents a barrel ; the rest must pay 21 cents. Venezuela has been allotted 60 per cent of the amount permitted at the low rate and the Netherlands 19 per cent.

Six months ago the New York State Legislature permitted those responsible for trust funds to invest 35 per cent of the money in so-called “non-legal” securities, such as common and preferred stocks. The policies of the various banks and trustees handling these funds varies, and in New York City so far only about half of the permitted amount has been transferred. It is estimated that there are about 20,000 trusts with a value of around \$4 billion in New York City, but for various reasons only about \$160 million of this is actually available for investment under the new legislation.

★

The Munitions Board is to stockpile wool as soon as the Quartermaster's Corps has completed its current purchase of \$100 million worth for a war reserve. Another new item on the stockpile list is guayule seed: the plant is a possible rubber substitute which is once more to be grown for experimental purposes.

★

As part of its good neighbourly attempt to eradicate foot and mouth disease in Mexico, the US government has been purchasing Mexican tinned meat, but has not sold it in the United States because Mexican standards have not been considered sufficiently high for American consumers. Now, however, the Secretary for Agriculture is relaxing this ban and permitting the taxpayers to enjoy the meat they have long been paying for.

★

A week after New York's private bus lines celebrated the New Year by putting their fares up to the 10 cents already charged on the municipal service, the fee for local calls on public telephones all over the state also went up to a dime (about 8½d.).

★

In the nine months since the Census was taken, there has been a net increase of 2,233,000 in the population of the continental United States, which now totals 152,340,000.

★

All restrictions have been removed on the amounts of maize and wheat that can be planted this year, although too late to affect the winter wheat crop, about 70 per cent of the total, which is already in the ground. Reserve stocks have been depleted in recent months more rapidly than expected, largely because of the big demand for livestock feed, and the Department of Agriculture is determined to run no risk of short supplies in the present emergency.

THE WORLD OVERSEAS

The Rousset Case

(From Our Paris Correspondent)

THE libel suit between M. David Rousset, ex-déporté and present campaigner for human freedom, and the Communist review *Les Lettres Françaises* has ended after sixteen virulent sessions. M. Rousset receives 100,000 francs damages from MM. Morgan and Daix, who must insert the court's judgment in ten publications including their own and also pay fines amounting to 30,000 francs for irregular behaviour during the hearings. The defendants will appeal.

While it lacked the boisterous sensationalism of the Kravchenko trial of March, 1940, the Rousset case has made a definite impression on French opinion, weary as that is of all totalitarian horrors. In France, indeed, the problem for democrats is not so much how to persuade people of the existence of Soviet labour camps—a nation which has first hand experience of one totalitarian system naturally expects similar practices in another—but to renew their vital reactions against bestialities which they would sooner forget. Thus at a given moment it is always doubtful whether publicity about the Soviet danger will “take.” The Rousset case, which was accompanied by a large newspaper campaign of Right and Left featuring many articles by witnesses at the trial, seems to have served the democratic cause well. A touch of the agreeably fantastic was added by *El Campesino*, the ex-Spanish Republican general whose innumerable adventures have been inspired by Venus as well as Mars.

Republican Idealism

David Rousset, the jovial *bon enfant* type of *militant* which disappeared from western Communism the day that the Soviet-Nazi pact was signed, is as abhorrent to the Kremlinists as Bertrand Russell or Ernest Bevin. Inmate of Matthausen and author of the famous *Univèrs Concentrationnaire*, Rousset manifestly knew what he was talking about. His personality and record have set a fatal stumbling block before the Communists who experienced no similar difficulties with Kravchenko. As commentaries in *Franc-Tireur* and *Le Populaire* have shown, Rousset has symbolised France's republican idealism, with its disappointed hopes and nostalgic reminiscence of Popular Front and Resistance.

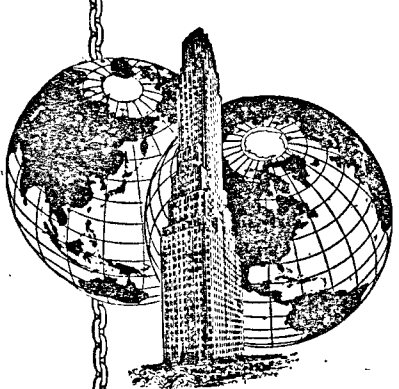
At first sight the Communist handling of the Rousset affair seems mysteriously crude. Why, in the first place, was it necessary to insult Rousset when public abuse clearly risked a court action? Libel cases with their judicial framework and detailed scrutinies are quite unsuited to Communism's propagandist objective, which is to diffuse feeling rather than conquer in debate. Why, moreover, did MM. Morgan and Daix, when brought to court, have to renew their personal attack on Rousset by calling him a counterfeiter (*faussaire*)? It would surely have been so much more effective politely to represent him as a misguided unfortunate. As it was, the world at large has observed once more that the Stalinists are obliged irrationally but systematically to vilify anybody and everybody who levels any criticism whatsoever at the Soviet Union. The reason for this methodical general abuse is probably an internal one. It is, perhaps, the sole means which western Communist parties now have

of preserving their cohesion and their very identity. In France, for instance, only an extreme imposed orthodoxy could, at this juncture in Soviet foreign policy, prevent large desertions by the thinking sections of the French Communist Party. Only a rigorous division of blacks from whites could prevent a disastrous deviation of the inner rings (although not the hard core of *moscouitaires*) to an anti-Soviet (Titoist) or at least relatively independent and critical position. In this respect a man like Rousset must be a serious menace not only to the allegiance of the Communist masses but also—and far graver—to the loyalty of the initiates and semi-initiates. Therefore no challenge must be allowed to pass without riposte. The systematic vilification of the blacks is psychologically a way in which the Party maintains the camaraderie of its members, just as, consciously or unconsciously, the Soviet leaders themselves project all evil designs upon foreign capitalists. In a capitalist country this camaraderie of the besieged band of faithful is clearly of special importance.

Difficulties of Recantation

It is, moreover, naturally reinforced by the social ostracism which Communists inevitably suffer when they become real *militants*. For even if he be grievously assailed by doubt, it is no easy matter for the Communist to return to the circles which he once so contemptuously abandoned. In England the Communist “quitter” may be joyously welcomed back as a prodigal son with a “there! there! you've been through a bad time.” Not so at all in France where in Communism's heyday ordinary folk felt the cold breath of Communist disapproval on their necks and whole regions were virtually ruled by Communists. From 1944 to 1946 to be outspokenly anti-Communist was to be something of a courageous non-conformist ; and in certain places might easily provoke terroristic reprisals. In the intelligentsia, moreover, to become an ex-Communist involves tortures of intellectual humiliation, and where, as in the case of Louis Aragon, a whole reputation is puffed to the high heavens by the wind of organised flattery, recantation would amount virtually to self-extinction. Even Professor Joliot Curie might now feel a little lonely in the silence of his laboratory.

Maîtres Nordmann and Vienney, Kremlinist advocates of Kremlinist clients, were consequently forced to batter blindly at all and sundry. They questioned the competence of the tribunal, the regularity of the proceedings, the presence of journalists, the good faith of the witnesses ; they introduced wholly irrelevant topics such as camps in Madagascar, Greece and Spain ; above all they sought to discredit M. Rousset himself by calling him “prima donna” and “would-be film star.” With a neurotic impertinence peculiar to Communist propaganda before non-Communist audiences Maître Nordmann charged the tribunal with distorting French justice for the purpose of “framing” the Soviet Union. There is no doubt at all that the Rousset-*Lettres Françaises* suit has done severe damage to the French Communist Party.



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Is Chinese Communism “different”?

It is not long ago that it was customary for western liberals, sympathetic to the cause of much-needed social reforms in China, to claim that Chinese Communism was somehow “different” from Russian Communism and even to write the word in inverted commas when used in a Chinese context. The Chinese “Communists,” it was commonly said, were merely practical agrarian reformers, whose Marxist-Leninist doctrine was quite superficial. The Anglo-Saxon mind has indeed been so long under the sway of empiricist and liberal thought that it now finds great difficulty in appreciating the force of ideological fanaticism or in believing that policy in great affairs really may be determined by a body of abstract doctrine. Nowhere has this attitude been more natural than in the Far East, for the Chinese over the last three generations have impressed foreign observers as a people exceptionally pragmatic and opportunist in outlook, with a minimum of fixed and definite beliefs.

However, these supposedly typical Chinese characteristics were precisely the qualities of the China which has been overcome by the Communists, and the latter have been victorious, not simply because they have been clever politicians with an attractive programme, but above all because they have been possessed by an intense energy derived from unquestioning dogmatic conviction. This dedicated zeal, which, by its contrast with the apathy and corruption of their predecessors, has won them the respect of so many observers far removed from the Communist faith, is just what also makes them a danger to the peace of the world and renders vain the idea that the new rulers of China are men ready to be seduced from their spiritual allegiance by a little diplomatic flattery or bourgeois blandishment.

The notion that the Chinese Communists are not good Marxist-Leninists arose partly from their apparent practice and partly from expositions of their creed which seemed to minds untrained in this field of theory to be divergent from the orthodoxy of Moscow. Visitors to Yenan in the period of Communist provincial seclusion found its rustic simplicity something quite unlike Russia, and even after the Communists had captured Peking, Shanghai and other large cities, the initial changes brought about in social and economic life were so much smaller than had been expected that they were taken as evidence of a moderation altogether alien to the spirit of Bolshevism. That this behaviour corresponded to a distinct political theory appeared to be confirmed by the proclaimed principle of the “union of the four classes” [proletariat, peasants, petty bourgeoisie and national bourgeoisie] under the leadership of the Communist

party—a conception which sounded less sinister in capitalist ears than the old formula of the “dictatorship of the proletariat.”

This Chinese variant on Communist theory, however, is really a legitimate development of Leninism, and is by no means incompatible with the faith as held in the Soviet Union. The Chinese Communists admit that their revolution is, in the words of Liu Shao-chi, “generally speaking, still a new-democratic revolution against imperialism and feudalism and not a revolution of a socialist nature,” but claim that “this difference does not in the least minimise its world-historical significance” because the Chinese revolution is a part of the world revolution, the base for which it has greatly “strengthened and expanded.” Or, as Chen Po-ta has explained the matter:

The Chinese Communist party was modelled on the bolshevism of Lenin and Stalin, untainted by traditions of social democracy. . . . The Chinese Communist party upheld the principle of the peasants’ war led by the working class. [Mao Tse-tung] campaigned against the vagabondism of the old type of peasants’ war. . . . The most fundamental point was the leadership of the proletariat, that is, the leadership of the Chinese Communist party or of bolshevism.

Flexible Tactics

The “fundamental point” is indeed the supremacy of the Communist party, which determines the character of the regime, even though the larger part of the national economy remains for the time being in private hands. In the original Marxist theory the objective was socialism and the forces for bringing it about were exclusively those of the proletariat. But once Lenin had put into the foreground of the theory the idea of a highly disciplined party of “professional revolutionaries,” which, because of its social objective, could be regarded as representing the proletariat (even though hardly any of the important leaders, either in Russia or in China, have been proletarian by origin), then the way was open for an extreme flexibility of tactics in exploiting all possible forces of discontent for the overthrow of the established order. Lenin exploited the land-hunger of the Russian peasantry as a revolutionary force, though the transformation of millions of tenants into peasant proprietors was formally contrary to the socialist objective, and the whole idea of an alliance with the peasants was then condemned by old-fashioned Marxists. Mao Tse-tung has gone even further than Lenin in the tactical use of class alliances; he has found room for the petty bourgeoisie and national bourgeoisie (i.e., Chinese capitalists without links with the Kuomintang or foreign capital) against the triple-headed enemy consisting of feudalism, bureaucratic capitalism and imperialism (i.e., landlords, business enterprises run by Kuomintang politicians and all foreign capitalist concerns).

Both in the Russian and Chinese examples what is

important from a Marxist-Leninist point of view is that the Communist party gains power by exploiting the short-term desires and grievances of various discontented classes, even though these have nothing in common with its own ultimate aims. When it has established its own absolute power, it can dispense with such alliances and proceed towards its goal at whatever pace appears expedient in the circumstances. In Russia the peasants to whom Lenin gave the land in private ownership were expropriated a decade later; a similar fate is intended in the future for the peasants and middle-classes who have supported, or failed to resist, the Communists in China. Since in Marxist doctrine the bourgeois-democratic revolution must intervene between feudalism and the socialist revolution, it is recognised that the Communist party in a feudal country must first carry out the bourgeois-democratic revolution before advancing to socialism, but when a Communist party performs this function, it cannot, of course, permit other political parties to compete with it, and therefore the form of state called “people’s democracy” or “new democracy” is adopted. If the Communist party is in power and orders the state so that it cannot be removed by peaceful means, then, as long as it is kept ideologically pure, it can make all sorts of temporary concessions to peasants or capitalists without incurring blame. Moreover, unlike internal policy, foreign policy is not affected by any need for going slow owing to the backwardness of a country’s economy or the absence of the technical conditions for socialism; the principle of the solidarity of the “democratic camp” (i.e., the Communist states) against the “imperialist camp” (i.e., Europe and America) operates from the beginning. Thus the policy of the new regime in China was very fairly defined in a broadcast from Peking a year ago as

the political line of internally carrying out the people’s democratic dictatorship under the leadership of the working class and internationally uniting with the Soviet Union and the revolutionary peoples of the world.

Education in Communist Poland

[BY A CORRESPONDENT]

WITH the new academic year the Communist regime in Poland began a determined drive to mould the universities to its will. As “seats of learning” in the liberal arts their end is in sight. They are to become at one and the same time forcing houses for the “new economic cadres” required by the Six-Year Plan and the fountain source of Marxist-Leninist precept.

The Bierut Government, occupied with things of more immediate importance, has only recently caught up with the universities which had been left to some extent to their un-Marxist devices. In August last, Mieczyslaw Hoffman,

Secretary of the Warsaw Communist party, foretold radical changes. He called attention to the alarming situation—in view of the demands of the Six-Year Plan for qualified experts—that only some 30 per cent of the university students were able to pass their examinations and graduate. (This was no doubt due to the forced admittance of large numbers of proletarian students regardless of their intellectual capacity.) He also emphasised the small numbers enrolling in Communist organisations. Of 30,000 students in the University and other colleges of Warsaw only 6.5 per cent were party members; of professors 16.6 per cent and of assistant professors 8.5 per cent were party members. Attributing the cause to the “weakness of the ideological offence,” he demanded that the Communist party “create an atmosphere in which students are forced to study systematically.”

“Schools of Class Struggle”

How this is now being put into effect was described in a recent speech by the Minister for Higher Education, Adam Rapacki, who spent some time in Moscow last summer. The Soviet system of training youth was, he said, to be the pattern for the new Poland, and by following it 146,000 additional college graduates were to be furnished for the Six-Year Plan. (Present Polish university student membership is about 100,000.) “The universities must become the schools of the class struggle,” the Minister declared. The percentage of peasant and worker students would be raised in the present academic year to 70 compared with 55 per cent in 1949-50. The older and less ideologically adaptable professors are to be eliminated to make way for younger teachers imbued with the new socialist ideals. It is this atmosphere, according to Mr Rapacki, which will produce the required 54,000 engineers, 8,000 agricultural experts, 20,000 graduates in economics and 20,000 teachers as laid down in the Six-Year Plan.

An entrance test on “political knowledge” has already been instituted in the universities. The study of Marxism-Leninism and the history of the Bolshevik party has been made compulsory in such faculties as social science, economics and law; so has the study of the Russian language. Chairs in Marxism-Leninism have been established in Warsaw and other universities. A special group of Marxist professors of history led by Professor Natalia Gasiotowski of Lodz University and Professor Arnold of Warsaw University have been given the task of revising the teaching of history in Polish universities and schools in the light of the class struggle.

To enforce the “discipline of study” students are now being organised into “watch groups” supervised by a “starosta” or monitor, responsible for their punctual attendance at lectures, particularly at political talks. He must report regularly to the dean as to the progress or the reverse of students under his care. Each group is further supervised by a professor or “guardian.”

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The Communist party has recently set up in Warsaw under the directorship of Adam Schaff, an "Institute for the training of Scientific Cadres." In a recent article in the *Trybuna Ludu*, Dr Schaff announced that the Institute was a counterpart of the Academy of Social Science of the Bolshevik Party. Its function will be to turn out indoctrinated teaching personnel for all Polish universities and technical higher institutions. He admitted that so far these had been woefully lacking.

In Polish grammar schools today, and to some extent in elementary schools, the lives of Lenin and Stalin are a part of regular study together with extracts from the works of Karl Marx with Lenin's interpretations. Historical subjects such as the French revolution and British rule in India are taught as presented by Marx. From the seventh form in high schools, modern history teaching includes lessons on political parties, social legislation, co-operatives, and what is called "fascist aggression since 1939." Marxist theories on the class struggle in the Communist Manifesto together with Lenin's interpretations have also to be studied in the higher classes, also the works of the Soviet scientists, Michurin and Lysenko. Polish-Russian history from the early wars of Stefan Batory with the Moscovites down to the partitions is taught from the point of view of Marxist dialectics.

Again, the ideological education of youth is one of the chief functions of the youth newspaper started last May under the auspices of the state-controlled Polish Youth Association with a membership of 1,200,000 boys and girls who also undergo training in military and various forms of national service in order to "be ready to defend the peace and fight the imperialists."

Under Minister Rapacki Polish youth is travelling swiftly along the Marxist road. Four years ago his predecessor in office, Czeslaw Mycech, was still able to declare: "Poland has decided to end the centuries-old quarrel with the brotherly nation of the Soviet Union and to sign an alliance, but we have also two other great nations as our allies, Great Britain and the United States."

Signor De Gasperi's Hard Task

[FROM OUR ROME CORRESPONDENT]

SIGNOR DE GASPERI and his colleagues have now had to turn their hands publicly to the unwelcome task of devising a policy of military preparedness. Government spokesmen have assured the nation that none of the high aims of civil policy are being renounced; the lira is to be kept firm, the agrarian and other social reforms are to be pursued. But evidently a second grade priority is all that can now be promised for the purposes to which in 1950 the Government was asking the nation to bend all its energies. It was typical of the present attitude that an article at the end of the year in the major daily paper of North Italy summing up the entire reform, as it is now being partially put into effect, as a product of competing demagogues resulting in lamentable impoverishment of the land, passed almost unnoticed. The arguments of rapidly succeeding Cabinet Councils since Christmas have been concerned not with reforms but with prospective restraints—price control, census of raw materials, restrictions upon private luxury production. All this—like the full equipment of seventeen, nine, or perhaps only six divisions, and the turning of Italy's industry on to war production—is in the future tense, but a future insistent enough to monopolise the attention of the present.

To render the Government's task as painful as it could possibly be, the Communist Opposition has breathed its softest, most Lydian airs, suggestive of a perfect peace round the corner if only brutal and boisterous men would pause to cull its flowers. Only three weeks ago the Italian Communist

THE ECONOMIST, January 20, 1951

Press received from the Central Cominform office hefty reproofs on its own softness and "Westerliness" of news presentation. *L'Unita*, eating crow, promised to be adamant. One awaited torrents of pitiless invective. Instead, its tones have become strangely dulcet towards that arch-enemy, the Holy See. Pope Pius XII in his Christmas and New Year messages, speaking tenderly of the ideal of peace, is alleged by the Communist commentators to have done so in tones of reproof to the American warmongers. It is hard to assess the fine shades of the Roman hierarchy's prose. But it is not only the Communists who have scented "Something New" (the title of a leader on Catholic politics in another para-Communist daily). The principal "bourgeois" daily of Rome, the *Messaggero*, in a singular article, hinted that Vatican policy was really taking one of those turns which are so bewildering to worldly politicians, like the conciliation with Napoleon immediately after his outrages against Pius VI. The Vatican's battle against Communism would stop short of any taking of sides in a struggle between states, suggested this important and judicious newspaper. This probable truth, pointed out with such emphasis, has given the cue for a recrudescence in Signor De Gasperi's party of that neutralism in foreign policy which is one of the forms of a persistent latent rebelliousness among some of its secondary leaders. There are no signs that this internal dissension among Italian political Catholics will attain big dimensions, but the task of national leadership is rendered all the harder at a miserably hard time.

Cheques and Balances in Ireland

[FROM OUR DUBLIN CORRESPONDENT]

In the last four weeks Ireland has experienced a bank strike, a partial stoppage on one major railway system and an inter-governmental agreement to purchase the other, the institution of a prices tribunal and the issue of a Government order designed to freeze prices. So set down, these happenings may suggest an economic society on the verge of dissolution: the surprising aspect of the situation is that life can go on as easily as in fact it has.

The bank dispute began on December 23rd when the Irish Bank Officials Association notified the Irish Banks Joint Committee that it proposed to withdraw its labour from that day pending satisfactory consideration of demands for increased salaries. Since then the banks have been closed under a series of permissive Government orders. The Labour Court intervened by using for the first time its powers to subpoena parties to an industrial dispute. The bank officials, who appeared to feel that the Court was going not so much outside its province as above its station in industrial life, attended under protest and the proceedings were marked by some acerbity. The Court has since published its recommendations. In them it points out that an agreement of 1948 provided machinery for the discussion of issues arising between the banks and their officials. It found "the Association guilty of a breach of faith, all the more reprehensible because committed by a body of officials who claimed that they occupy positions of trust and responsibility." It had no difficulty in showing that some of the salaries now claimed would be very far out of line with those given for comparable occupations. On the other hand, it pointed out that there were matters, such as the promotion bottleneck that now arises from a large intake of officials after 1918, that might well form the basis of discussion. It concluded by recommending that the officials should return to work and that the machinery agreed on in 1948 should be used to compose these issues. These proposals were rejected out of hand by the officials. The case, however, provided another example of the usefulness

of the Labour Court in examining such disputes, and thereby presenting the issues at stake so that the public can appreciate their merits. After some unofficial representations by the Government, an unsuccessful meeting of the parties was held on January 16th. In the meantime, the officials have constituted themselves as pickets or, rather, observers, outside their premises.

The spectacle of bank managers standing picket outside their own premises is not likely to excite the sympathy of the public but it has led to a fascinating instruction in the velocity of money and the nature of credit. Since it started on Christmas Eve, the strike found the public with unusually large supplies of currency. There was some anxiety lest firms should be unable to pay wages on the next pay-day but, so far as can be seen, no difficulty has arisen on this ground. Business firms have helped each other out. Hotels and cinemas have proved to be ample sources of ready money; and firms generally have been glad to dispose of large holdings of cash after Christmas. Cheques, cashed with local butchers and bakers, have supplemented currency; and there is some irreverent speculation on the number of them that will stand up when the banks reopen at last. Cheque-forms themselves are now coming to an end as the books are exhausted. The printers, in a gesture of solidarity with their new allies, have refused to produce fresh supplies: but there are few now who do not know all about making out cheques on sheets of notepaper. No one as yet has emulated Mr Haddock and executed a cheque on the flank of a cow; but the number of people who claim to have met the January instalment on income tax by the prompt issue of a cheque seems to be unusually high. So far as the general public is concerned, a certain shortage of small change appears to be the only inconvenience though there is some speculation on whether the banks will charge interest

on overdrafts for the period of the strike. The financing of imports also appears to have been maintained by agreement but this must present increasing difficulty as time goes on. The property market, although not very active at this time of year, has also been affected.

Trouble on the Railways

The railway dispute is in every sense a more serious affair. In December the three principal unions concerned with CIE (*Coras Iompair Eireann*), the major railway in the Republic, received an award from the Labour Court. Two of them accepted it and their members have remained at work. The third, the Irish Transport and General Workers Union, refused to do so and has been on strike since December 17th. The carriage of goods by rail has been suspended as a result although passenger services largely remain in operation. Attempts to divert to the road goods normally carried by rail have been frustrated by the strikers. This dispute is not merely a matter of wages. It is part of the struggle between the Transport Union and the unions affiliated to or associated with British unions which has plagued the Irish public so many times in the last decade. Politically speaking, the National Labour Party, which returned five members at the last General Election, was associated with the Transport Union. Its decision to join the Inter-Party Government in 1948, and its merger last June with the fourteen members of the Labour Party (which represents the other wing of trade unionism) was not well viewed by the leaders of the Transport Union who are thought to look upon *Fianna Fail* (Mr de Valera's party) with considerable personal sympathy. The strike is thus particularly embarrassing. It has now lasted considerably longer than, it is likely, its leaders expected; but its ramifications are liable to cause a general suspension, voluntary or involuntary, of work. In the meantime there is serious

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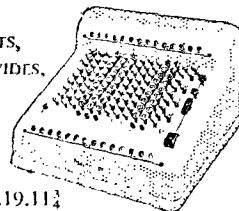
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interference with getting in supplies that may not be available in a few months; and the general public grows less sympathetic to all forms of organised labour.

The other major Irish railway, the Great Northern, has had its own troubles. It operates partly in the Republic and partly in Northern Ireland. In the first, it works at a profit; in the second it has incurred a loss due, it is claimed, to the existence of the state-sponsored Ulster Transport Authority. With commendable independence the directors of the railway gave notice of their intention to close down the railway after December 31st. This brought to a head some discussions between the two Governments in Ireland. The result was the announcement on January 10th that they intended to purchase the system which, it seems, is to be operated by a joint board of representatives from north and south. The ability of the two Governments to come together again—this is the third major agreement between them this year—has given general satisfaction to everyone except the railway shareholders, who have been offered £3,900,000 for the system which, they claim, is worth £10 million. Both Irish Governments have a good record in compensating railway shareholders and it may be that the last word has not yet been said.

Australia's Fears of Japan

[FROM OUR MELBOURNE CORRESPONDENT]

NOT without good reason, Australia has a haunting fear that the Allied victory in the Pacific has not stilled for ever the expansionist ambitions of the Japanese. For this reason, Australians cannot regard with the same equanimity as the Americans the suggestion that the Japanese might have to re-arm themselves "in defence of their democracy." Australia was spared the horrors of occupation by the Japanese, but Australians have no illusions what such an occupation would have entailed, refreshed as they are by the stories of atrocities that were inflicted on Australian servicemen and women which still come forth with monotonous regularity from the Los Negros war trials.

There is little evidence in Australia of a "forgive and forget" attitude towards the Japanese. It is only slowly and with reluctance that trade with Japan is beginning to be accepted. Import licences are still granted only for scarce commodities which cannot be obtained from any other source. The flooding of the Australian market with cheap Japanese textiles before the war is vividly remembered by the trade and the public and there is a general determination that such devastating competition shall not be repeated.

For these reasons, suggestions that Japan should be re-armed are invariably received with undisguised hostility in Australia. As the Melbourne *Argus* pointed out after General MacArthur's latest pronouncement:

Fear of Japanese aggression is in our blood. During the last war we were threatened with annihilation by this people, and we have not yet had time to forget bombs on Darwin, the Sydney raid, or the great Coral Sea salvation, let alone Changi or the Death Railway of Siam.

This attitude must, of necessity, be considered in the development of the relations between Australia and the countries bordering the Pacific. Australia, according to a recent pronouncement by the Minister for External Affairs (Mr Spender) is still working for a Pacific Pact as part of its policy of security in the Pacific. Australia has made it plain to the American Government that such a pact would be meaningless without the active participation of the United States, and, in Mr Spender's words, "the question is still being pursued by Australia with the United States Government."

But here, Australia finds itself in a particular dilemma.

If Australia achieves its objective of a Pacific Pact, and secures full participation by the United States, it is clear that Australia must fall in with the American policy of admitting Japan as an armed and intimate partner of the Pacific bloc. Both Australia and the United States have a common objective in their policy in the Pacific—common action to block the spread of Communism in and from Asia. But a common means of achieving this raises in Australia at least grave disquiet if it means the building up of the naval, military and air strength of Japan.

Possible Inconsistencies

This is awkward, of course, and Mr Spender is fully aware of the difficulty it raises. With some emphasis he explains that "it makes plain sense to Australians that the closer the ties between America and ourselves the greater the security in the Pacific." This, as it stands, is undoubtedly true, but it is equally true that the prospect of a fully armed Japan, ostensibly standing athwart the mainland of Asia ready to protect Australia from possible attack from yet undeclared enemies does not make a ready appeal to Australians. The unbelievably poor response of the manhood of Australia to the call to enlist for service in Korea shows how seriously Australians regard the prospect of a direct threat from the Asian mainland. As the *Argus* pointed out, "there is no potential maritime enemy within striking distance, *except Japan*."

In its relations with other countries of South-east Asia, Australia also faces the charge of inconsistency in refusing point blank to agree to a common frontier with Indonesia in Western New Guinea, while at the same time it is giving material aid for economic development in South-east Asia and is making particular overtures of friendship to these countries in general, and to India in particular.

Both the Government and the Opposition are at one in their opposition to any transfer of sovereignty in Western New Guinea from the Dutch to the Indonesians. The Government and the Opposition would regard any change in sovereignty in Western New Guinea as a "grave threat to Australia's security." The Commonwealth Government is determined to exert every diplomatic means of preventing the territory from falling into the hands of the Indonesians. The former Minister for External Affairs indeed made the novel suggestion in Parliament last year that Australia might consider purchasing the territory if the Dutch were willing to part with it.

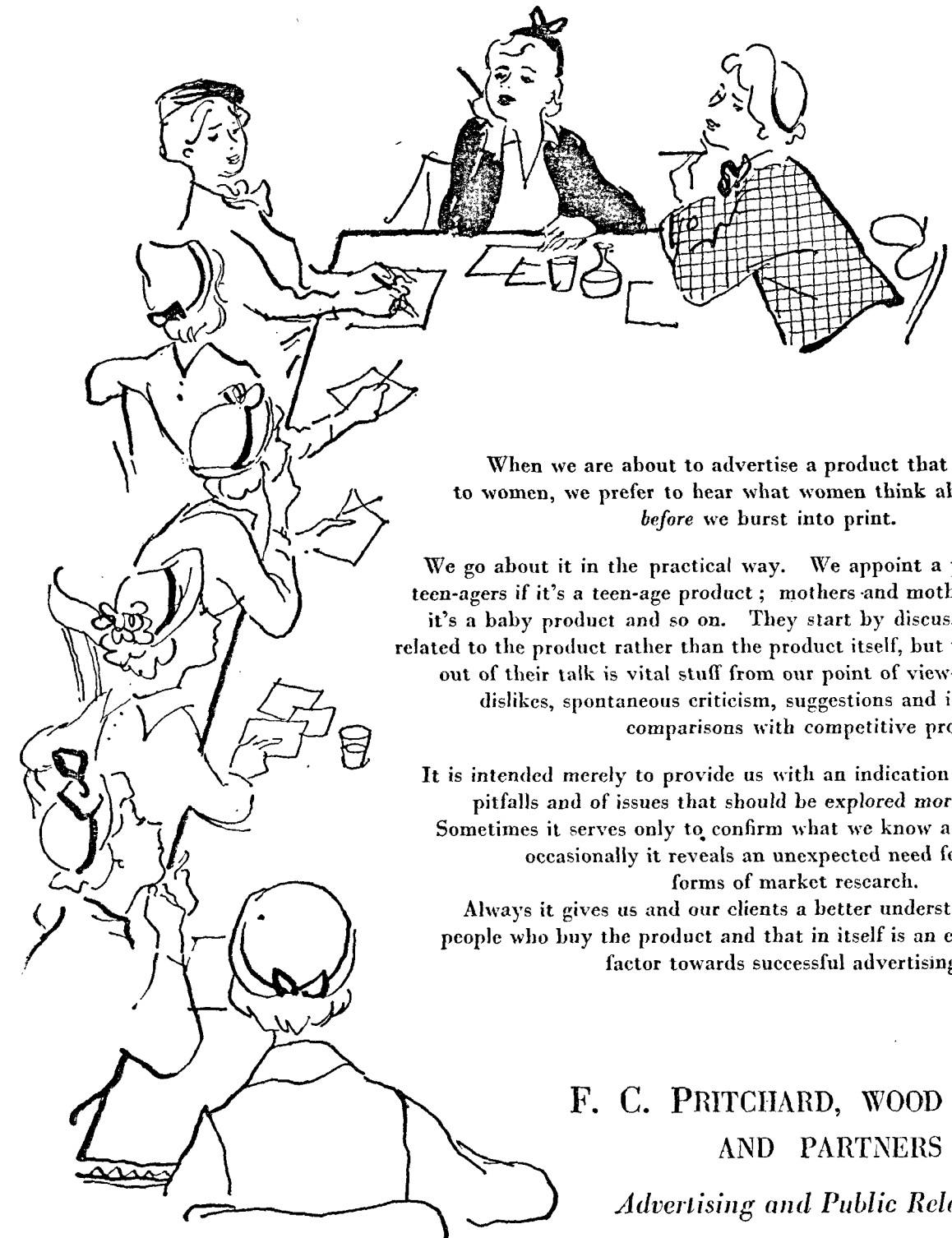
Concern over New Guinea

The concern over Western New Guinea has been resolved temporarily by the Dutch refusal at The Hague last month to cede sovereignty to Indonesia. The issues, nevertheless, underline the difficult position in which Australia finds itself in its relations with its near neighbours. In the past, the Australian attitude towards the peoples of South-east Asia has been more sentimental than realistic. There has been on the one hand a disturbing fear lest the great Asiatic hordes should decide to set envious eyes on the unpeopled lands of the Commonwealth. On the other hand, there has been a humanitarian interest in the backward peoples of East Asia accompanied by a vague desire to help.

As the nationalist revolution in these countries develops, Australia's interest becomes much more realistic than sentimental. This is shown by the strong stand taken towards Indonesian claims to Western New Guinea and the dilemma which the Japanese issue undoubtedly raises. The Government clearly finds it difficult to formulate a clear-cut policy on these issues in the welter of political, economic and racial cross-currents. It looks as if Australia's greatest difficulty will lie in maintaining friendly relations with countries whose policies may be running counter to western strategy.

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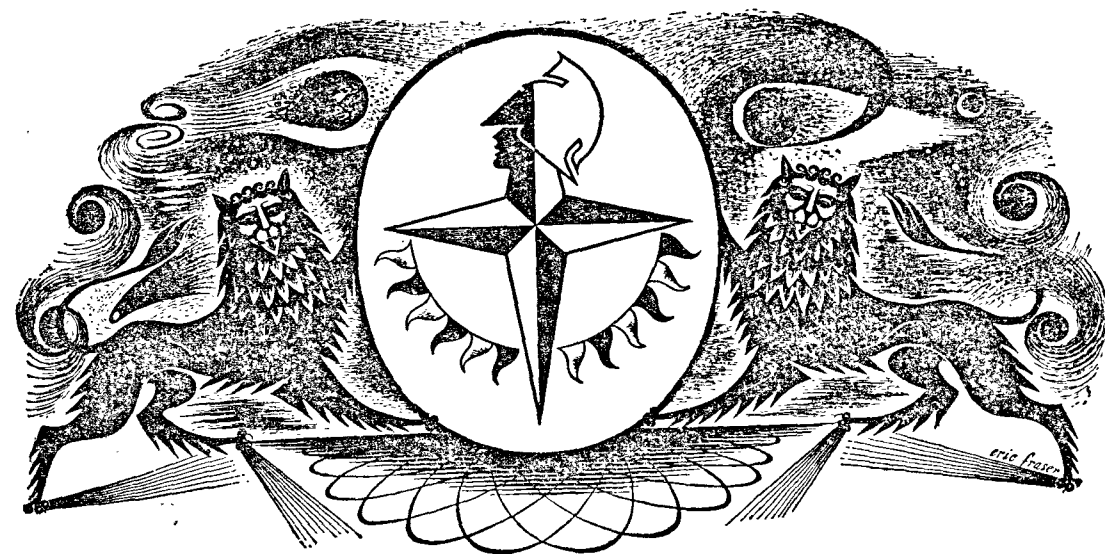
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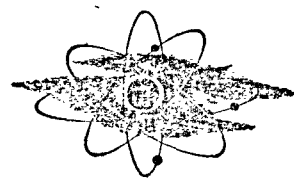
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Co-operation on Commodities

AT first sight, the Washington proposals for dealing with the critical shortages of raw materials seem disappointing. No formal international scheme for the allocation of scarce materials has been proposed. No emergency shipments of vital raw materials from the United States stockpile to Western Europe have been arranged. No interference with existing commodity markets is contemplated and no restrictions on prices. On this showing the problem of securing enough raw materials to maintain full employment and a high level of industrial activity in Britain and Western Europe seems no nearer solution. A new international organisation is to be set up, supplementing the work of the Organisation for European Economic Co-operation, the North Atlantic Treaty Organisation and the Organisation of American States and supplanting the functions of the various international study groups. The decision to create yet another piece of machinery for international negotiation may be questioned when action is more necessary than words. But closer study of the proposals suggests a new approach to commodity problems.

The proposals themselves are simple enough. A number of standing international commodity groups are to be created, each with representatives of "governments of producing and consuming countries throughout the free world which have a substantial interest in the commodities concerned." The three sponsoring countries, Britain, the United States and France will act only as a steering committee, initiating and co-ordinating the work of the individual commodity groups and organising a general secretariat for them. The steering committee will apparently have no executive power. This simple organisation, lacking defined powers, is novel in the field of international commodity bargaining. This, it would seem, is no longer to be decided by the outcome of wrangles between producers and consumers. No longer will Britain and the United States champion opposite causes as they have in every international commodity discussion since the war. Instead, policy is to be the product of freely given co-operation between the major producers and consumers to achieve a common end—the defence of the free world. Let us at least hope so.

No official mention has been made of the commodities to be considered. The original list included sulphur, copper, zinc, lead, aluminium, cotton, wool and rubber. But it is known that this week the United States has sent out invitations to friendly governments to establish commodity groups for sulphur, zinc and cotton, in each of which the United States is the predominant producer and consumer. Nor has the exact composition of these groups been determined. Friendly countries with a substantial interest in a particular commodity will be invited to join; "substantial" is a word difficult to define statistically, but it implies that the groups will be small enough to enable them to work and large enough to cover a sufficient volume of world production, trade and con-

sumption to make their recommendations effective. The task of the groups is to recommend to governments the specific action that should be taken for each commodity "to expand production, increase availabilities, conserve supplies and assure the most effective distribution and utilisation of supplies among the consuming countries."

The communique issued after the Washington proposals had been made known to member countries of OEEC last week merely described the framework of the scheme. Its method of operation can only be a matter of conjecture at this stage. A special meeting of the OEEC has given the proposal unanimous approval. Commonwealth countries have promised their support. The Organisation of American States does not meet until March but no doubt the United States has already tested the reactions of the more important members. It would seem, then, that most if not all the countries concerned in western defence approve the scheme. It is now their job to make it work.

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Considerable pressure has been exerted from time to time to resurrect the Combined Raw Materials Board. But it is well to recall the conditions under which such a board could be expected to operate successfully. It was successful during the war, first, because it was run by only two countries, Britain and the United States, with the assistance of Canada. Secondly, control of shipping space facilitated the control of raw material supplies since Britain and the United States allocated the available ships. Thirdly, the allies were enforcing a total blockade of their enemies, and the latter were in almost total occupation of Continental Europe. These conditions do not obtain today. If the Combined Raw Materials Board were to be re-established now, it would comprise many more than three countries and to get agreement on any specific action quickly would be most difficult. Nor can there be any question, at the present time, of imposing economic sanctions on any country until it is formally denounced as an aggressor by the United Nations.

Even at its best the CRMB could do little more than lessen the direct impact of certain shortages in consuming countries. It prevented bottlenecks from occurring or mitigated their effects. It was helped, too, by the fact that the allies were engaged on an all-out war effort; supplies for civilian consumption could be given second place or not even considered. Under present conditions such a board would presumably have to allocate supplies not merely between countries but also between defence and civilian requirements in the various participating countries.

The three sponsoring powers have evidently concluded that any formal organisation akin to the combined Raw Materials Board would be politically inopportune,

difficult to administer, and doubtful of achieving results. The new scheme is at once more flexible and much less precise. It will not enforce economic sanctions against any consuming country, nor will it necessarily spend weeks in delicate negotiations to achieve a unanimous recommendation. It would seem—though this is largely conjecture—that the real function of the proposed commodity groups is to see that important producers and consumers know about the supplies of and the requirements for each particular commodity. They will then recommend their governments to take appropriate action to achieve the common end. But that action need not be the same for all the producers or for all the consumers. Each country will decide on the action appropriate to its own political and economic situation, given this agreed position on supplies and requirements. Member countries will no doubt try to help one another as far as possible, but it will be voluntary help, imposed by their own spirit of co-operation rather than by a majority vote.

The study of methods of expanding production is likely to boil down to long-term projects and these will have to be co-ordinated with developments already agreed to under Point IV. Consuming countries may be asked to supply machinery and equipment to facilitate such developments. These matters will require close discussion at a later stage. A more urgent topic is the "increasing of availabilities." This phrase presumably means increasing exports to friendly countries—one evident way is by reducing exports to non-friendly countries. Again no uniform system seems likely to be imposed on exporting countries. Each will do whatever it can to expand supplies to the countries collaborating in common defence. Certain countries may find it possible to introduce a system of export licensing and still retain the operation of free markets. Other countries may prefer other methods.

In conserving supplies, the consuming countries will

have to consider the use of possible substitute materials and here the steering committee is likely to play an important role. Such co-ordination has not been characteristic of the international study groups, or if it existed it certainly did not work. The question of the distribution of supplies between defence and civilian requirements will be left to individual countries. But the defence programmes will be co-ordinated and agreed by other bodies such as NATO and OAS and presumably they will be given priority.

The vital question of stockpiling was not mentioned in the communique. Perhaps stockpile requirements will be included in the defence programmes. Clearly the possibility of a co-ordinated stockpile policy must be discussed in one of the various bodies. At the present time it is not only militarily necessary for a country to acquire stocks; it is also financially profitable. But in some circumstances, it may be better to have a stock of weapons ready for use than a stock of unprocessed raw materials. NATO would seem to be an appropriate organisation to discuss this topic in detail, though it can hardly be ignored by the new commodity groups.

The scheme is imaginative rather than compulsive; the approach is new and informal. There is to be no coercion by the steering committee, but the commodity groups will have scope to bring pressure upon their members. The new organisation could in time develop into a body of swift action. It cannot overcome the present raw material shortage immediately; it can only mitigate the more dire effects of the shortage on certain countries. It has no executive power and its usefulness will lie in providing machinery for multilateral negotiations on commodity problems without the need for convening special conferences. It seems loose and informal; but it could become a bold experiment in international co-operation if participating countries were determined to make it work.

Motors and Defence

LAST year the British motor industry produced 788,000 private and commercial vehicles and exported 540,000 of them. The industry now faces a cut in production that might on the least favourable assumptions amount to 20 per cent. Its only consolation is that this time last year it did not expect such great things of 1950. It was then supposed that enough steel would be found for 450,000 cars; in fact, 525,000 were built. Some of the extra steel sheet came from higher home production, but most of it was bought from the United States. In the last quarter of the year, about one thousand tons a week were being imported and the industry was able to raise its output to an annual rate of 564,000 cars.

Last week's announcement of a cut in car production was not unexpected. Production in the last quarter of 1950 was higher than normal and by contrast the seasonal reduction in output for the first quarter of this year was bound to be marked. Manufacturers no longer hold comfortable stocks of important materials and are thus more vulnerable to any delays in delivery. Allowing for seasonal factors of this kind and for the scarcity of non-ferrous metals, the Society of Motor Manufacturers and Traders thought that output in this quarter would probably be 15 to 20 per cent lower than output for the last

quarter of 1950. This estimate suggested an output of between 113,000 and 120,000 cars; these figures would be 11,000 to 18,000 lower than the number of cars produced in the first quarter of 1950 which is, perhaps, the better period for comparison.

There had been some speculation in the motor industry whether its supplies of sheet steel could be maintained, but it was only two weeks ago that the Ministry of Supply admitted failure to obtain any more sheet from America. Most of the imported steel had been going to the Pressed Steel Company, which is now receiving enough sheet only to work four days a week. Since Austin, Nuffield, Rootes, Jaguar, Rover and Singer all depend to a greater or lesser extent on Pressed Steel for their motor bodies, the flow of production in their plants is also threatened. Those car manufacturers who press their own bodies, or obtain them from suppliers other than Pressed Steel, are not affected yet; these include Ford, Vauxhall and Standard, but they fear that the Ministry of Supply will divert sheet to Pressed Steel in order to spread the limited supplies as evenly as possible over the industry. The total tonnage available is about 20 per cent less than the average rate of supplies in 1950.

Since other difficulties would in any case have reduced output by roughly this proportion, the steel cut is unlikely

to affect the total number of cars produced in the first three months, apart from temporary dislocation to the production schedules of Pressed Steel's customers. This does not mean that the cut has no significance. So long as the industry felt that the limit was set to output by the scarcity of zinc, it could fairly hope to recover some lost production later in the year. The Ministry of Supply promised the motor industry high priority for zinc, and although the die-casters have had a 15 per cent cut in their allocations, some other zinc users suffered a 50 per cent cut. The industry was also busy finding substitutes, particularly among plastics, for other scarce non-ferrous metals used in cars. A 20 per cent reduction in steel supplies may make these stratagems unnecessary. If deliveries of sheet could have been maintained during the first quarter of the year the industry could have built up its stocks in preparation for the competing demands of rearmament for the limited amount of sheet that comes forward during the summer. Lacking this breathing space, the industry will face a hand to mouth existence, and instead of being able to work on plans twelve months ahead, it will have to improvise and scramble for supplies.

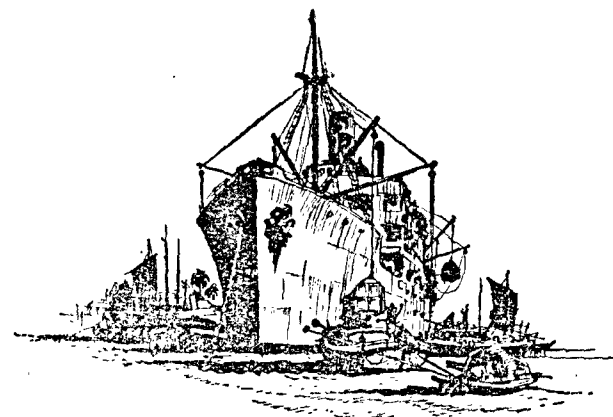
Throughout 1950, exports of cars rose steadily; the Ministry of Supply demands that exports must be maintained at all costs, though to do so will mean cutting into the 110,000 cars already allocated to the home market. It is indeed hard to see how supplies of essential raw materials, so seriously reduced already, can feed both the rearmament and the exporting industries. Some confidence is placed in salvation from the opening of the sheet-making sections at Margam in the late summer;

but this will be a gradual process, for these mammoth plants take time to run in and later this year other industries apart from the motor industry will have important claims on part of its output. Sheet steel is by no means the only shortage. For the first quarter of this year, the large producers should be able to rely on long connections with their principal suppliers to tide them over the most obvious difficulties caused by shortages. But even these bonds could hardly survive the return of dire scarcity of particular materials and components; on paper, some breakdown of production and trade connections seems possible enough. There have been signs during the past few weeks of a greater concern on the part of some units in the industry to get defence contracts; by this means they hope to make sure of materials to keep their factories working.

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The industry's immediate contribution to defence is likely to be limited. The present output of tanks can easily be handled by the established tank builders, and no subcontracting is yet called for. The aircraft industry has reserves of capacity, and even if the motor industry were called in to help it would have to learn a new branch of engineering before it could turn to producing gas turbine aero engines. The only contribution that the motor industry could make—without radical changes in its framework—is the supply of military vehicles, and even so, twelve or eighteen months might be needed to get them fully into production.

Defence orders for military vehicles are now being negotiated, but on lines that do not commend themselves



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to a large and influential section of the industry. At the end of the war, the number and variety of spare parts for no fewer than six hundred types of vehicles in service use had created serious storekeeping problems. A private design experiment by Rolls Royce Ltd. evolved into what has become known as the "B" range of three engines, with powers ranging from 80 to 160 bhp. The War Office decided to standardise all its combat vehicles on this range, largely because the engines had been designed with 90 per cent of their parts in common; its object was sensible—to reduce the number of spares carried and also the large number employed in storekeeping and generally to simplify the problems of supplying a highly mobile army.

The logical outcome of this choice would be that the army no longer required engines designed by any other manufacturer. Rolls Royce is not a mass-producing firm in the sense that the motor industry understands mass-production and although the company designed the engines, it will not make large numbers of them. The first mass-production firm to appreciate the implications of this decision was the Austin Motor Company which recently obtained, in the face of strong competition, a contract for jeep-type army vehicles to be powered by the smallest of the engines; the company has since been given more orders. Last week it was announced that the Rootes group had been given an order for a large number of one-ton lorries and for some of the engines for them. Some of the combat vehicles still in store may have their engines replaced with "B" engines—the RAF is doing this to some of its specialised equipment—but it may still be necessary to place orders for a good number of heavy combat vehicles and their engines. Manufacturers working on design contracts have been told to choose their engines from the "B" range.

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Some sections of the motor industry criticise this decision to standardise on the three designs. From the point of view of production it may not be an ideal arrangement. Some firms, like Austin, Rootes and Vauxhall, make engines for their own heavy lorries. These could change over quite easily to army contracts for their own types of vehicle and engine. But if the contract calls for a Rolls Royce engine, there will be delay for tooling up and training. Other manufacturers suggest that the engines do not lend themselves to mass-production, but the decision of Austin which, after some experience of the engines, is starting to produce them, does not seem to support this point. Further objection is taken to the higher cost of the "B" range of engines, which are

produced to higher specifications than standard truck engines. Army tests, however, have suggested that their longer life between overhauls and lower fuel consumption may outweigh their higher initial cost.

The Treasury as well as the War Office have approved the scheme to standardise on these engines, so presumably these arguments, including those involving finance, have been taken into account. It was at one time hoped that the engines of all army vehicles would be standardised, but approval was withheld on grounds of expense. Non-combat vehicles operate under less arduous conditions and their engines enjoy a more economic life; for these a more expensive engine would be something of a luxury. There are also large stocks of them held since the last war and to change their engines for the sake of standardisation alone would be an expensive proceeding. The army's scheme for full standardisation is, therefore, to be carried through in two stages, the second stage being at present in abeyance. Meanwhile, the number of new non-combat vehicles which the army will need to order depends on the condition of those in store. This is believed to be generally good, and many such vehicles are being sent back to their makers for overhaul. It seems unlikely, therefore, that very large orders will have to be placed for new non-combat vehicles, at least in the first stages of rearmament. In addition to these military orders, a certain number of special civil defence vehicles may be required.

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Defence orders are the industry's insurance against the possibility of any fall in civil production, and for some sections of the commercial vehicle industry they may arrive at a useful time. But they cannot save the motor industry as a whole from several months of real difficulty. With one or two exceptions work cannot start on these orders, whether they are for combat vehicles with Rolls engines or non-combat vehicles with the company's own engine, without some disturbance of current production. When most of next year's output is already sold, these are serious decisions to take. There are strong pressures to stay as long as possible on normal car and commercial vehicle production in the hope that the most acute difficulties will prove temporary or that the Ministry will find a means of carrying out its promises to exporters. Whatever the choice may be, the industry and its leading producers will not make it without much misgiving. For the first time since the war, they may be faced with radical and painful decisions quite unlike any they have known in five years of sellers' markets.

Business Notes

Buoyant Markets

The Stock Exchange this week has not merely sustained, but has actually intensified, its paradoxical buoyancy—in defiant disregard of the news from China, the Cabinet changes at home, and the lowering shadow of the first defence budget. Equity values, after their sharp rise in the first week of the year—a rise that carried the ordinary share index of the *Financial Times* from 115.8 to 118.0—had paused for a few days around that level. But in the past week they have advanced almost every day, raising the index beyond 119, its best level for nearly two years. Since the low point reached just after full-scale Chinese intervention in the Korean struggle, this index has gained 5 per cent. Over the same period, Wall Street industrials (as measured by the Dow Jones index) have leapt by nearly 12 per cent, having been particularly strong in the past week—despite the huge programme of defence outlays and the promise of large tax increases that emerged from the Presidential messages to Congress. The dominant influence in both centres has clearly been the prospect of heavy and inflationary spending—but in London the market's response to this prospect has evidently been strongly coloured by hopes that a further thawing of frozen dividends will permit some of the presumed fruits of inflation to filter through to shareholders. This argument overlooks not only the patterns of domestic politics and the dangers of the coming budget but also—and this is a more significant omission—the fact that, even before defence threatened a new inflation, industrial companies were becoming seriously alarmed at the strain upon their capital resources. It would be most unrealistic to suppose that this strain will in future mount less fast than retainable profits after taxation.

It is even harder to find good theoretical grounds for the continued firmness of gilt edged securities, which have been steadily edging their way upwards for some time now, though without any spectacular movements. There is no reason, however, to suppose that this firmness is other than a quite "natural" movement, despite the approach of the date for the steel takeover. The official operators appear to have been relatively quiescent, and have shown no signs of forcing tactics. Meanwhile, the fruits of this buoyancy in the markets continue to be reaped in a harvest of new issues. The latest and most striking success was that of the Kenya issue, which was heavily oversubscribed and has since risen to a premium of $\frac{1}{2}$. The queue of applicants awaiting the chance to profit from this favourable—and perhaps temporary—mood in the markets includes both gilt-edged and important industrial borrowers. Among the latter, following on the heels of the success of the big operation by Tube Investments (whose new preference stock is now quoted at nearly 10d. premium), is J. Lyons and Co., which is about to launch a "rights" issue of 660,000 £1 shares (at £4 10s.); the existing ordinary and "A" stockholders are offered one new share for each three of the old.

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The Cost of Promises

Last week's negotiations, if indeed they could be called such, between the National Coal Board and the National Union of Mineworkers ended with the "sympathetic consideration" that Mr Attlee had promised the miners a week earlier. The presence of a bloc of miners' MPs at Westminster has ensured for many years that negotiations about coal wages are always liable to finish in Downing Street; these latest negotiations changed the fashion only in beginning there—and in conceding in advance the principle of the claims without benefit of consultation with the miners' employer.

It remains to be seen whether, under the gentlemen's agreement between the Coal Board and the Minister of Fuel and Power by which the latter requires any proposed changes in home coal prices to be submitted to him for approval, the Government will be as eager to accept the financial consequences of this rise in coal costs. In the coming year the Coal Board will have to recoup not only this new rise in wages and the increase granted a few months earlier, amounting together to perhaps £15 million in a full year; it will also have to make up the revenue lost between the hope of higher exports at premium prices and the reality of lower exports partly consisting of American coal sold at lower prices than it cost. This suggests it may have to find some £20 million to meet increased prices and costs—equivalent at the present level of output to about 2s. a ton extra.

It remains, moreover, to be seen what results in coal output will flow from the new concessions to the miners. An extra 3,000,000 tons by the end of April seems a dim hope. The prospect of a general pensions scheme, and increases in pay of 5s. to 7s. a week for the majority of miners paid on day rates, may have some effect in checking loss of manpower from the pits, and enabling recruitment to build up the labour force. For these valuable considerations—the only item that the Board managed to refuse (though it again conceded the principle) was a second week's paid holiday this year—the miners gave verbal undertakings covering a slightly wider range of measures to increase output than they have done before. The union withdrew its opposition to the introduction of Italian miners, but this is a national decision and could be upset by local branches; Lancashire, however, last weekend reversed its previous decision and accepted them. The NUM spoke of an "all-out campaign" to reduce absenteeism and unofficial stoppages of work, of continued support for Saturday shift working (and its possible substitution for the alternative method of working an extra half-hour a day), of reconsidering stints, and of a possible temporary cessation of "cavilling" (a system of drawing lots for profitable workplaces in certain northern pits that wastes time and output in unnecessary transfers). For what they are worth, these words are no doubt welcome in Downing Street. Some of them are of a kind that have been heard before, though they did not manage to prevent the Grime-thorpe stoppage. The Coal Board, which is becoming dreadfully familiar with promises bought at a high price, is not allowing them to temper its general gloom—which now extends meteorologically to predictions of a bitterly cold winter.

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Gambling on Weather

Coal stocks normally fall at this time of year, but the drop of nearly a million tons in the first week of 1951—from a level already critically low—has heightened the risks that will attend any lengthy spell of bad weather in the next two months. The week in question included New Year holidays in some coalfields, which cost the nation nearly half a million tons of coal, but consumption at the same time was lower than it had been in recent weeks. Stocks on January 6th amounted to 11,505,000 tons, little more than two and a half weeks' consumption for the whole country; the most serious shortage continues to be at power stations in the north-west, where the arrival of some American coal has not prevented stocks from declining towards a mere fortnight's supply.

In the second week of the year deep-mined output was higher than in the corresponding week of 1950, but opencast production, nearly a hundred thousand tons lower, kept total output below that of the second week of 1950. The industry has gained and managed to retain some 3,000



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workers since the low point of 686,400 men in mid-November, and it has 600 more men at the coal-face; whether the faint hopes which this scrap of statistical evidence is arousing in the corridors of Hobart House are justified cannot be gauged until the effects of Christmas spending have passed. But it must be said that in certain pits manpower has fallen so low that further slight losses would have much more than proportionate effects upon production. Haulage and surface workers cannot be reduced below a safety minimum, and when this is reached any further departures involve taking men from the face to replace them and perhaps closing certain workplaces. Production therefore rests upon a narrow margin, and the chances of a dramatic expansion of output in the next three and a half months are slim. Immediate action to remedy the coal situation rests therefore upon control of consumption; the full effects of the Ministry of Fuel and Power's reductions in supplies to railways and domestic users have not yet been realised, but they will certainly not suffice during any prolonged break in the present mild weather.

* * *

Bankers on Retrenchment

When this issue of *The Economist* went to press five of the big seven banks had published their end-year balance sheets and four of their chairmen had issued their annual addresses. There is no doubt about the central motif of this year's addresses. In the words of Sir Jasper Ridley, the new chairman of the National Provincial Bank, the provision of hundreds of millions of pounds for additional defence expenditure can surely best be met by postponing "to an easier and more spacious day the spending of harassed pounds on other objects, however desirable they may be." Sir William Goodenough, of Barclays Bank, stressed the same point when he argued that extra taxation should be used only as a measure of last resort since by "disrupting sound habits of work and thrift, direct taxation itself becomes inflationary when it passes beyond a certain level." Sir Thomas Barlow, of the District Bank, in effect applied the same stigma to indirect taxation; he dwelt in particular on the crippling effects of the present level of purchase tax on producers of non-utility textiles. Mr A. H. Bibby, of Martins Bank, laid especial emphasis on the need in 1951 for restraint in personal claims upon production and for an adequate supply of capital to trade and industry.

Despite the deterioration in the international situation, the year 1950, to quote Sir William Goodenough, "has not been entirely unfruitful" in the economic sphere. Perhaps the most satisfactory feature of it, as all the bank chairmen pointed out, has been the revival of confidence in sterling. For the banks themselves it has been a year of expanding resources. The five big banks that have so far issued their balance sheets record an expansion in net deposits of about £116 million in 1950—some £34 million of it in the last six weeks of the year. About three-quarters of the year's increase may be accounted for by an expansion in advances, the bank's most remunerative asset. The bank chairmen, however, were not inclined to misread this as a wholly healthy sign. As Sir Walrond Sinclair, of Williams Deacon's Bank, pointed out, increased demand for advances is largely the result of high raw material prices and of the undercapitalisation of British industry after ten years of heavy taxation and of diminishing buying power of money.

* * *

Gradualism in Steel

While the responsibility for licensing private steel firms under arrangements announced this week belongs to the Ministry of Supply, the Iron and Steel Corporation is now in being, and is cautiously approaching the task of taking

over its nationalised share of the industry on February 15th. The Corporation has an office—two floors of a block near Victoria Station—a nucleus of staff, and a very little to say about its primary policy.

The day-to-day general management of the 80 to 90 companies and 200 subsidiaries it is taking over will be left in the hands of their directors and managements, who are being asked to remain—and it is expected that a large proportion of the executive and technical directors will consent to do so. The Corporation will not operate as a "functional board" on Coal Board lines; its immediate concern will be with finance, development plans, prices, labour conditions, and broad management policy. Despite the Ministry of Labour's gaffe last year concerning the Corporation's methods, the declared intention is to operate upon anything but Civil Service lines; it has been recruiting a fairly small staff, but the final size of the central organisation will depend mainly upon whatever division of responsibility is finally agreed between it and the British Iron and Steel Federation. This division is presumably being discussed at present between the two organisations. While there are certain spheres of activity that may eventually be transferred to the Corporation, it is likely that some matters affecting the industry as a whole, nationalised and privately owned, will be left with the Federation.

A brief but comprehensive survey of the industry that the Corporation will be partly acquiring appears this week in the Federation's *Statistical Bulletin*, reviewing the last "Five Years of Progress." Since 1945 the industry has passed its first objective of 16 million tons, which it did not originally hope to reach until 1952-53; the amended target of 18 million tons, which the Plowden Committee decided would be required by 1955, is now "well in sight," though mainly dependent upon material supplies. The survey makes clear once again the Federation's understandable preference of the system of public control exercised through the former Iron and Steel Board. A major share in development policy, obviously, will pass to the Corporation; its reception of and action upon the industry's second development plan, which is presumably well advanced, will provide a fairly early test of its power and its policy.

* * *

Month's Respite on Metals

Though the prohibition of manufacture of certain goods from zinc or copper has been deferred for a month, so that it will not take effect until March 1st, makers of these goods have acquired from the decision no right to further supplies of metals in the meantime. The Minister of Supply's decision this week did not in fact reflect any change in the supply of non-ferrous metals; the postponement was merely a concession by Mr Strauss to representations from the Birmingham Chamber of Commerce and trade associations—and from certain Midland MPs. The Ministry was later at some pains to explain (for foreign as well as home opinion) that postponement did not mean any relaxing of rationing plans; it pointed out that the new date for the prohibitions would be the same as that upon which the United States will impose a similar ban.

The decision was also taken, according to the Ministry, to keep in production firms necessary in defence production. The mass of small firms in the industries using non-ferrous metals—particularly among brassfoundries in the Midlands—which are potentially much more important in terms of skill than of present output or use of materials, may justify this view. But if these firms are necessary for the enhanced defence effort, it seems doubtful whether permission to use up their scanty stocks for a month will grant them a very effective lease of life; it does not seem likely that defence sub-contracts will be reaching them upon any very large



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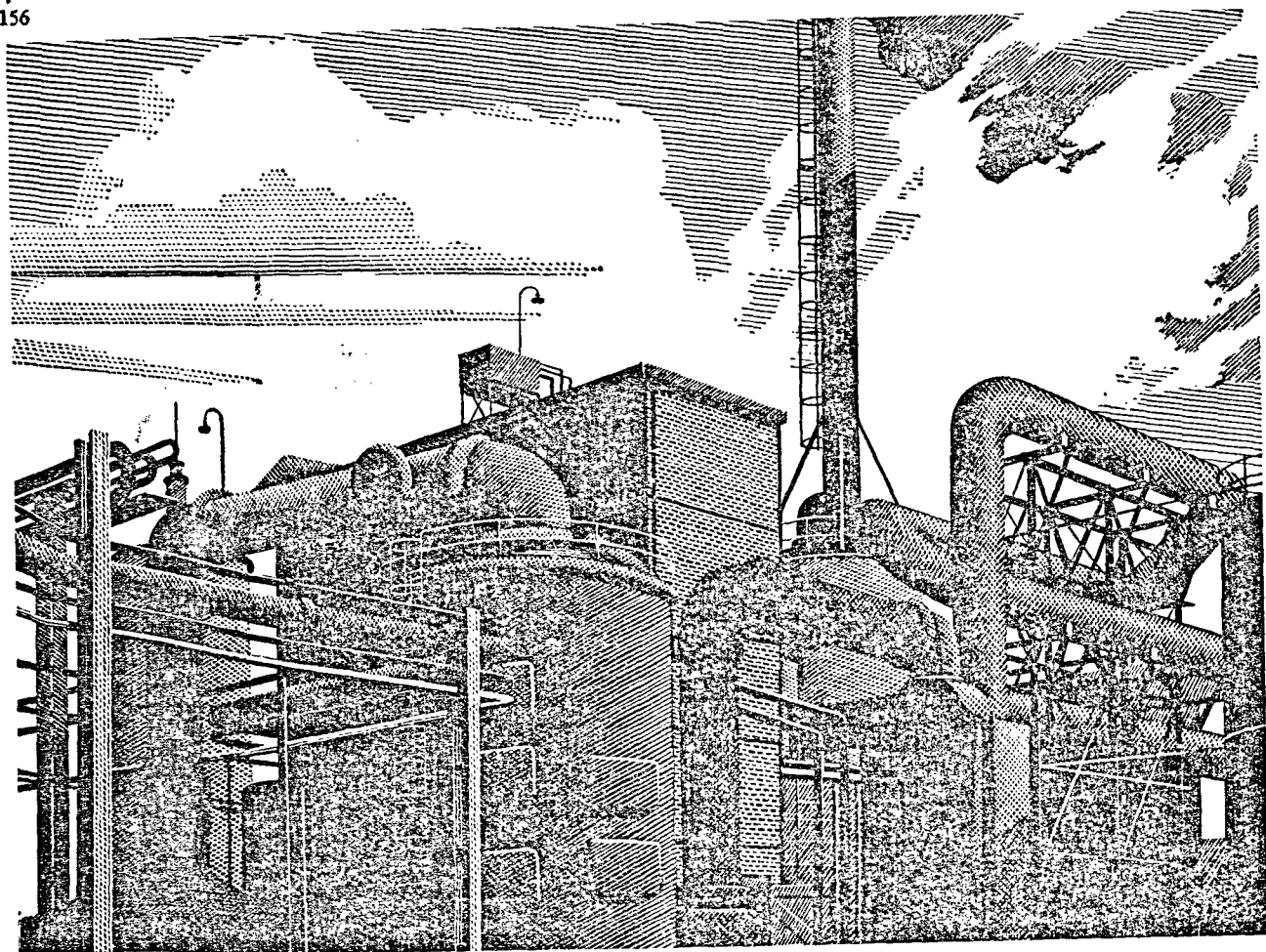
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Fisons 23rd factory in Britain, built in counterpoise to the Government's Plan for Agriculture, and soon, by another 200,000 tons, to swell Fisons output to nearly 2,000,000 tons of fertilizers for Britain's harvest every year.

It's Fisons for Fertilizers

FISONS LIMITED, HARVEST HOUSE, IPSWICH

scale within the next few months. Their survival will depend rather upon their ability to switch to alternative materials or products; the extra month may certainly assist them to adjust to changing circumstances—which is, after all, the most important part of management.

* * *

Fewer Tins of Food

Though the closing of certain food-canning factories as a result of further tinplate cuts is less important in terms of production now than it would be if fruit and vegetables were being harvested, the new cuts are serious for the industry and will soon become vexatious for the housewife. The season for canning fruit and vegetables runs from about May to October; for herring it varies in different districts from February to September; and even for milk there are seasonal peaks in spring and autumn. But in the present off-season firms are generally running their factories well below capacity, canning various miscellaneous foods partly in order to keep workers employed. A threat to the industry's labour force is thus perhaps the most serious immediate effect of the shortage of cans—though shortages of what were formerly considered less popular foods, such as spaghetti, seem already to have caused a surprising volume of public protest to the Ministry of Food.

Within a total allocation of tinplate, the Ministry sets priorities between different preserved foods to guide the container firms in supplying individual firms; milk and herring tend to be favoured more than vegetables or fruit. The effect of successive cuts, however, is being felt in all sections of the industry; total tinplate supplies to the canners were about 18 per cent lower in 1950 than in 1949, and the latest cuts set supplies for the first quarter of this year 17½ per cent lower than in the first quarter of 1950. Last year the preserved food industry canned roughly 600,000 tons of food and used more than 200,000 tons of tinplate; the prewar pack of about 360,000 tons used to take about 120,000 tons. Changing containers is being more widely discussed in the industry than practised; aluminium, the only alternative metal, is scarce apart from its price. One manufacturer at least has begun packing certain vegetables in glass bottles, and jam is almost entirely packed in glass once again. But each bottle normally needs a metal closure; and glass bottle production, which incidentally requires large amounts of coal, is already running close to the manufacturers' full capacity.

Resentment in the canning and container industries is focused upon the high rate of British tinplate exports which are largely responsible for the cuts in home consumption, since production was still rising in 1950. This rate of exports, in which the Board of Trade, the Treasury, and the Ministry of Food are all concerned, rose by 57,000 tons last year to 252,000 tons, while home tinplate consumption dropped by 45,000 tons. To the industry's assertion that it would be more profitable to export tinned goods worth probably fifteen times the value of flat tinplate sheets, these Ministries reply that existing trade agreements, and the liberalisation of trade policy, deter them from curtailing exports (from the plate manufacturers' point of view, it may be possible to get 10s. to 15s. more for each basic box of tinplate exported than by selling it at home). Among the trade agreements which the Ministries hold inviolable, incidentally, is one with the Argentine, to which last year Britain sent more than double the amount of tinplate than was shipped in 1949. Continued deliveries of tinplate after the Argentine stopped sending meat, therefore, may easily have enabled it to continue canning its surplus beef, and assisted it to hold out in the meat negotiations with this country, but when present contracts are completed, further tinplate for the Argentine will be strictly dependent upon meat shipments.

Brabazon and Comet

The third de Havilland Comet made its first flight last week and so became the first production version of a gas turbine civil aircraft to fly anywhere in the world. On the same day an official statement at last confirmed that the Bristol Brabazon would not be put into commercial operation and that work on the project would cease on completion of the second prototype. With the Brabazon abandoned, it seems unlikely that that other aerial dinosaur, the Saunders Roe Princess flying boat, will go into commercial operation either. The Brabazon is a splendid technical achievement and victim of a change in airline policy. There has been a move away from the standard of travel epitomised by luxury non-stop Atlantic crossings, for which the Brabazon was intended, and towards the fast, but more austere, travel offered by the Comet.

This does not mean that BOAC is now basing its policy on the Comet alone. The corporation has on order from the Bristol Company twenty-five of the turbo-prop "175" airliners which, in final form, will have roughly the same range as the Comet. Like the Comet, the "175" will probably be suitable for Atlantic crossings with one or two stops. De Havilland's recent decision to experiment with alternative engines for the Comet suggests that the aircraft's performance is not at present as economical as the airline operators would wish. Equipped with the company's Ghost engines, the Comet can compete with aircraft now in operation; what is less clear is whether it will compare so favourably with the type of aircraft likely to be in operation in a few years' time. The first few Comet aircraft delivered to BOAC will have Ghost engines, but the remainder of the order will have Rolls Royce Avon engines, if Rolls Royce is able to supply them. The Armstrong-Siddeley Sapphire has been mentioned as an alternative, but this engine is not yet fully developed. The object of the change is to give the Comet more power and to reduce its fuel consumption. These changes are of consequence because engine installations cannot easily be modified, and the pressure system of the present Comet, the key point in turbo-jet aircraft, runs off the engines' compressors in a way which could not be done with the Avon or Sapphire engines. No doubt the de Havilland company will find an answer to these difficulties. The company has wisely resisted pressure to make an earlier change of engine, and its ability to do so, coupled with the comparatively smooth development of the Comet illustrates the advantages of keeping the aircraft as a private venture. It is in contrast with the generous spending of public money and enthusiastic use of design resources that have marked some other less successful projects.

* * *

More Softwood, but When?

Six months ago the softwood trade was in a sorry plight. At the end of June stocks had fallen to the very low level of 170,000 standards, and there was little hope that imports for the year would reach even the reduced target of 1,050,000 standards. The prospects for 1951 were no brighter. The timber trade with European countries was returned to private hands in the autumn, but supplies were scarce and prices were high. The Timber Control, chastened by the Seventh Report of the Select Committee on Civil Estimates, was willing to buy in Canada and the United States even at inflated prices if that could have conjured up supplies from nowhere. Then the chance came.

In October the Federal Reserve Board restricted instalment credit for house building and purchasing in an attempt to stem the internal American inflation. The effect of this action on the timber trade was surprising. Producers found that contracts were cancelled and prices of softwood in the United States fell. The Timber Control saw its opportunity and bought; according to reports, some 800,000

standards have been purchased and a further 450,000 standards contracted for. In all it is estimated that Britain should receive 1,250,000 standards from North America in 1951.

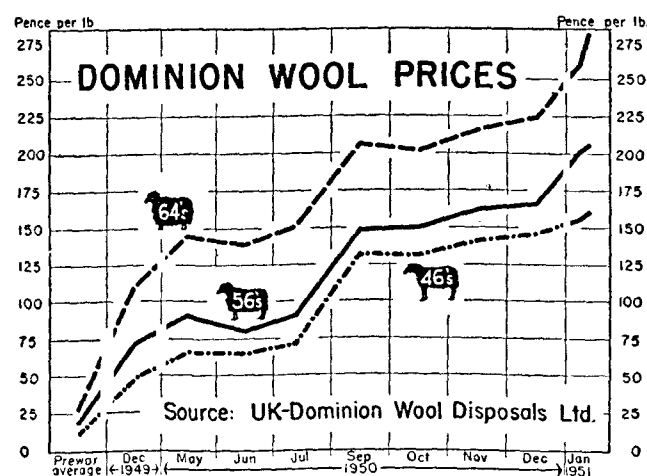
These purchases have at least turned shortage into adequacy, and they have also strengthened the bargaining power of British timber merchants in their negotiations with Sweden and Finland. It is an interesting illustration of what may happen in other commodities—some day, and probably not soon—when American demand contracts. Like the Timber Control twelve months ago, the timber trade has been unwilling to pay the high prices asked by the Scandinavian producers. Private imports this year are, however, expected to reach 500,000 standards. On this basis, Britain should receive about 1,750,000 standards, which would be sufficient to meet requirements (1,500,000 standards) and to leave something over for replenishment of stocks.

On paper, there should be an adequate supply of softwood this year. The real difficulty will come in shipping the timber to this country. The Timber Control has already discovered that the chartering of ships to bring American coal to Britain has created a dearth of American west coast tonnage. Certainly for the first part of the year the shortage of shipping space is likely to become more acute rather than less. But at least it is something that the Timber Control has learned the lesson that dear timber is better than no timber at all.

* * *

Wool Jumps Again

The behaviour of the wool market since the turn of the year defies description. Indeed the further sharp rise in prices in recent weeks has become difficult even to draw, as can be seen from the accompanying chart. It is not strictly accurate to compare wool prices from week to week because the qualities and grades offered differ. But there is no doubt that since the second half of the selling season opened a fortnight ago wool prices have risen broadly by 20 per cent compared with the December level. According to market reports the main pressure of buying has come from Britain and the United States. Bradford was very doubtful of the



staying power of prices after the sharp rise last September, and fearing a fall, it bought only relatively small quantities of wool in the first half of the season. It has now to make up for lost opportunities at very much higher prices. American buying has been mainly for defence contracts.

Even before Korea it was clear that wool would be dearer in 1950-51 than in 1949-50 (when record prices were reached) owing to the high level of consumption, the prospective shortage in supplies and the existence of inflationary conditions. There are some signs, but by no means definite ones, that civilian consumption of wool is beginning to

decline. But there is no sign that inflationary conditions are likely to be curbed in the immediate future.

When the present high cost of raw wool comes to be reflected in the prices of wool textiles, some consumers may be alarmed, despite the best efforts of manufacturers to limit the rise by mixing wool with cheaper fibres. Whether their alarm will stop them buying is another matter. Opportunities for other forms of spending will be restricted as defence production cuts into civilian production, and consumer resistance to higher wool prices might be small. A bigger danger facing manufacturers might be the institution of price control, though this would have to make some allowance for the present high cost of raw wool.

* * *

Power in Zinc Packets

One of the few articles in which the ordinary consumer buys much zinc across the counter is the ordinary dry battery for a radio set, torch, or cycle lamp. Many types of dry cell use zinc both electrically and as a conveniently robust casing for the other elements in the battery; but sizes vary from a railway signalling battery, in which there may be three pounds of zinc, to a tiny hearing aid battery taking no more than a few grammes. Approximately seventeen million cells are produced in Britain each week; thus the industry is an important end-user of rolled zinc (as well as of brass for batteries, torches, and lamps), and reduced supplies of zinc will present it with important production problems.

In 1949 the industry used about 11,000 tons of zinc to make about 862 million unit cells, and last year consumption rose to about 11,500 tons to make about the same number (presumably including a larger proportion of the heavier cells). This year it had plans to reach 900 million cells, taking 12,000 tons of zinc. The electrolytic grade used in batteries is to be cut generally by some 30 per cent, according to the Ministry's allocation scheme, and this would impose a considerable check upon the present rate of production and on future expansion. In fact, however, it seems unlikely that the loss of production will be nearly so serious as this. There is some reason to believe that the official allocation may be more lenient; dry batteries are essential not only for much service radio and telephone equipment but for vital civilian communications such as railway signalling and standby power for the GPO telephone system. Some economies in zinc may be possible in production, though in the last ten years one almost revolutionary change in battery construction has already taken place, from the multi-cell battery to the more compact and economical "layer" type. A factor of perhaps greater importance is that the Ever Ready Company, which dominates the dry-cell industry, is itself an important producer of rolled zinc from bought ingots.

* * *

American Coal for Europe

Europe's imports of American coal this winter will amount to about four million tons including 1,200,000 tons bought by this country. This is less than Europe requires—eighteen nations recently attending the Coal Committee of the Economic Commission for Europe at Geneva hoped to import in the first quarter of this year five million tons more coal and a million tons more coke than European exporters could offer. There is no coke for shipment from the United States and since ECA is releasing no dollars for extra coal, the nations concerned are spending their free dollars reluctantly upon expensive American coal which incurs ever-rising freight charges for delivery across the Atlantic.

Apart from Britain, purchases will be roughly as follows: Belgium 500,000 tons, Austria 150,000 tons, France (including French North Africa) 600,000 tons, Greece 60,000 tons,

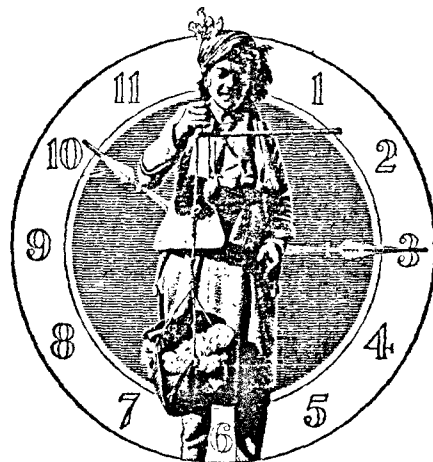
BARCLAYS BANK LIMITED

SIR WILLIAM MACNAMARA GODDENOUGH, BART., LL.D., Chairman.
ANTHONY WILLIAM TURKE, Deputy Chairman.
CUTHBERT FITZGERBERT, Vice-Chairman.
FREDERICK CHILVERTON, Vice-Chairman.
General Managers: G. F. LEWIS, R. G. THORNTON,
J. D. COWIN, E. BRIMLOW.

Statement of Accounts, 31st December, 1950

LIABILITIES	£
Current, Deposit and other Accounts.....	1,287,849,866
Acceptances, Guarantees, Indemnities, etc., for account of customers.....	64,587,211
Paid-up Capital.....	15,858,217
Reserve Fund.....	13,750,000
ASSETS	
Cash in hand and with the Bank of England.....	106,194,255
Balances with other British Banks and Cheques in course of collection.....	51,319,901
Money at Call and Short Notice.....	88,047,000
Bills Discounted.....	315,585,740
Treasury Deposit Receipts.....	97,500,000
Investments.....	310,898,829
Advances to customers and other Accounts.....	325,967,491
Investments in Subsidiaries:—	
The British Linen Bank.....	3,727,658
Other Subsidiaries.....	8,554,670
Other Trade Investments.....	1,588,670
Bank Premises and adjoining Properties.....	8,073,869
Customers' Liability for Acceptances, Guarantees, Indemnities, etc.....	64,587,211

HEAD OFFICE: 54 LOMBARD STREET, LONDON, E.C.3



Time for Eastern trade

Ten-fifteen in England and the London, Manchester and Liverpool offices of The Chartered Bank of India, Australia and China have already opened to the public. At New York the day's work has not yet begun. In the East at Colombo it is tea-time and in Hong Kong business is finished for another day. But wherever business men engaged in the Eastern trade may be, they will find at the nearest branch of The Chartered Bank up-to-the-minute information, skilled assistance and efficient banking services.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

Head Office: 38 Bishopsgate, London, E.C.2.
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Liverpool Branch: 27 Derby House, Liverpool 2.
New York Agency: 65 Broadway, New York, 6.

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.



GLYN, MILLS & CO.

BANKERS
ARMY and ROYAL AIR FORCE AGENTS
Established 1753

ABRIDGED STATEMENT OF ASSETS AND LIABILITIES, 31st DECEMBER, 1950

LIABILITIES	
Capital	£1,060,000
Reserve Fund	1,060,000
Current, Deposit and Other Accounts	77,381,322
Liability for Acceptances, Engagements, etc.	10,092,050
	£89,593,372
ASSETS	
Cash in hand and Balance at Bank of England	£5,377,451
Balances with, and Cheques in course of Collection on, other Banks in the British Isles	3,560,124
Money at Call and Short Notice	20,251,000
Bills Discounted	3,302,793
Treasury Deposit Receipts	3,500,000
Investments:—	
British Government Securities	£23,275,239
Other Securities	1,061,650
	24,336,889
Advances to Customers and other Accounts	18,478,065
Bank Premises:—	
Freehold	£620,000
Leasehold	75,000
	695,000
Liabilities of Customers for Acceptances, Engagements, etc.	10,092,050
	£89,593,372

HEAD OFFICE: 67, Lombard Street, London, E.C.3.
CHILD'S BRANCH: 1, Fleet Street, London, E.C.4.
HOLT'S BRANCH: Kirkland House, Whitehall, S.W.1.

Associated Banks: Royal Bank of Scotland; Williams Deacon's Bank Limited

Williams Deacon's Bank Ltd.

(Member of the London Bankers' Clearing House)

GOVERNING OFFICE: MOSLEY STREET, MANCHESTER.

Principal London Offices:
20, BIRCHIN LANE, E.C.3.
9, PALL MALL, S.W.1.

OVER 200 BRANCHES

CAPITAL ISSUED £8,125,000
CAPITAL PAID UP £1,875,000
RESERVE FUND £1,875,000

TOTAL ASSETS
£143,391,470

31st December, 1950

Associated Banks: The Royal Bank of Scotland; Glyn, Mills & Co.

THE ROYAL BANK OF CANADA

(Incorporated in Canada in 1869 with Limited Liability.)

Head Office, Montreal

JAMES MUIR
President

BURNHAM L. MITCHELL **T. H. ATKINSON**
Vice-President General Manager

Condensed Annual Statement

as on 30th November, 1950

ASSETS

Cash, Cheques and Balances with other Banks	\$471,113,083.00
Government and other Public Securities not exceeding market value	1,042,365,803.19
Other Securities not exceeding market value	104,282,016.90
Call Loans.....	100,004,499.11
Other Loans and Discounts	688,725,564.27
Liabilities of Customers under Letters of Credit.....	69,437,689.31
Other Assets	21,447,686.59
	\$2,497,376,342.37

LIABILITIES

Capital, Reserve and Undivided Profits	\$86,835,866.95
Notes in Circulation	249,989.10
Deposits	2,337,503,468.93
Letters of Credit Outstanding.....	69,437,689.31
Other Liabilities	3,349,328.08
	\$2,497,376,342.37

Over 690 Branches in Canada;
61 Branches Abroad, including

LONDON, NEW YORK, HAVANA, BUENOS AIRES,
RIO DE JANEIRO, SAO PAULO, MONTEVIDEO,
LIMA, BOGOTA, CARACAS, BELIZE, NASSAU,
also in PUERTO RICO, DOMINICAN REPUBLIC,
HAITI, BARBADOS, DOMINICA, JAMAICA, ST.
KITTS, TRINIDAD, MONTSEERAT, ANTIGUA,
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City Office :

6, LOTHBURY, E.C.2

West End Office :

2/4, COCKSPUR STREET,
S.W.1.

B. Strath, Manager.

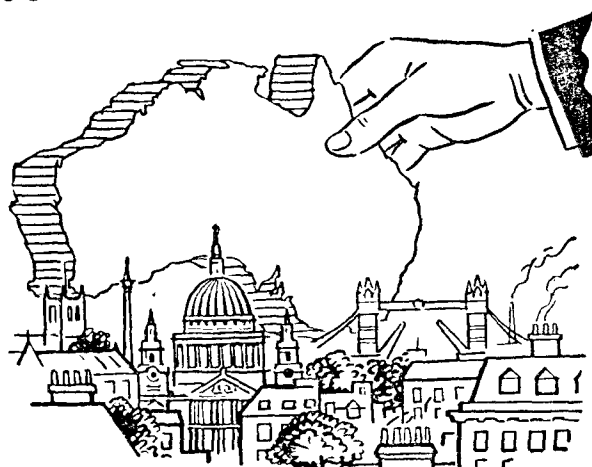
R. B. Murray, Manager.

R. P. Elliott, Asst. Manager.

A. P. Harvey, Asst. Manager.

C. F. Stuart, Asst. Manager.

AUSTRALIA in the METROPOLIS



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7 Lothbury, London, E.C.2

Incorporated in Victoria

Established 1858

Other London offices at Australia House, Strand, W.C.2 and 8 Princes Street, E.C.2

THE UNITED COMMERCIAL BANK LIMITED

(Incorporated in India. Liability of Members is limited)

Head Office :

2 ROYAL EXCHANGE PLACE,
CALCUTTA

G. D. BIRLA, Esq., Chairman.

AUTHORISED CAPITAL Rs. 80,000,000
SUBSCRIBED CAPITAL Rs. 40,000,000
PAID-UP CAPITAL . Rs. 20,000,000
RESERVE FUND . . Rs. 6,000,000

With over 80 Branches at the leading centres of Industry and Commerce in India, Pakistan, Malaya and Burma, The United Commercial Bank is well equipped to serve Banks, Commercial Institutions and individuals carrying on business with India or intending to open connections with that country.

B. T. THAKUR, General Manager.

Eire 125,000 tons, Switzerland at least 100,000 tons, Portugal 75,000 tons, Italy 300,000 tons, the Netherlands 700,000 tons, Finland 50,000 tons and Norway 450,000 tons. These cover roughly the first four months' needs though some of the coal may not be delivered until after April. The Committee is meeting again shortly to consider coal supplies and needs in the second quarter of 1951, and will attempt to devise some stricter allocation scheme for "essential" coal demands this year. Here the inevitable squabbles about competitive degrees of need arise: the steel-producing countries, for example, feel that they should have an over-riding call upon supplies of metallurgical fuels, but the Scandinavian countries, which use coke for domestic heating, argue that their needs are equally important.

Future supplies are uncertain. The Germans have been ordered by the International Ruhr Authority to accept an export target for this quarter about a million tons higher than they desired; conceivably they will simply allow their deliveries to run into arrear. Poland has not withdrawn so completely from the coal market in Western Europe as had been expected; but it has been raising its prices almost to American levels, so that the order of coal prices on the Continent now ranges from American, the most expensive of all delivered, through Polish, Belgian, French, and British down to German. German coal exporters are anxious to raise their prices, and if the occupying authorities agree this may exercise a corrective influence upon estimates of coal need. In recent months import requirements have been inflated partly because no nation is willing to forgo its quota of cheap German coal. The National Coal Board, which precipitated matters last summer with its cuts in exports, is now continuing export deliveries to meet some two million tons of arrears on 1950 orders. But at present, except for certain contracts agreed with countries that have already agreed to cancel orders in arrear, it is hesitating to accept export commitments for this year.

Rise in Oil Prices

This week's increases in the maximum prices of petroleum products (ranging from a farthing a gallon for 100 octane spirit, to 3d. for diesel oil for road vehicles and to a halfpenny for motor spirit) follow the oil companies' regular half-yearly review of their freight costs and are not the result of any increase in the price of crude oil. The American Government has, in fact, taken steps to freeze Gulf oil prices at the December levels. The cost of operating tankers, as well as the cost of internal distribution, has been rising steadily and one of the biggest factors has itself been the increase in fuel prices. But more important is the fact that since the start of fighting in Korea, the charter charges for tankers have risen sharply while the number of tankers available for charter has fallen. The oil companies carry about 50 per cent. of their products in their own tankers and charter the remainder, usually on a 5-year basis. Some of the older agreements have been made on terms which are by present comparisons very favourable to the oil companies, but those made now are more than 100 per cent. above the general level of charges in June and will probably continue to rise as the shortage of tankers becomes more acute. The fleets in the Far East have made heavy demands on available tonnage; there are no storage facilities in Korea, and a number of tankers are being virtually taken out of service to act as floating depots. These are fortunate if they complete one round trip in the time in which they would normally have completed ten. More tonnage must wait until the tanker construction programme is completed.

Integration and the St Pancras Strike

The unofficial strikers at St. Pancras returned to work on Wednesday night after the Railway Executive had agreed to postpone the scheme for the integration of road and rail

goods services to Glasgow. The Railway Executive acted after urgent representations from the National Union of Railwaymen that the scheme should be discussed once again by the joint committee so that the points raised by the strikers could be aired and explained. The scheme is now due to come into force on January 29th, but, somewhat ominously, the strike committee has not been disbanded.

That employees would become the most difficult obstacle in the way of the integration schemes which were hailed as the chief purpose of the Transport Act seems never to have been seriously anticipated. It is obvious now, however, that integration will be impossible unless employees are satisfied that they will not suffer either from redundancy or even from inconvenience. It may well be that there was more to the St. Pancras strike than a simple breakdown of labour relations—the unions, after all, had been fully consulted about the scheme—but not all the mutterings of the strikers were inspired by trouble-makers. There seems to be a genuine fear that improved efficiency must mean redundancy, and far too few attempts have been made to explain the changes which might result from integration.

It is a poor prospect for the Transport Commission. Its main hope of turning its deficits into a surplus lies in the improved efficiency which integration should bring about. But if every goods worker, porter or engine-driver is going to strike every time a new idea is introduced, the Commission might as well abandon hope now. Clearly, management and union officials alike must make the utmost effort to drive home to the men the consequences of short-sighted action and to explain in detail what labour changes, if any, will be entailed by integration.

* * *

More Gold from Europe

The sterling area continues to run an unexpectedly large surplus with Western Europe. The latest monthly compensation of the European Payments Union, covering transactions for December, showed a United Kingdom surplus of £20,444,286. A part of this was probably earned through payments for sterling area commodities at the recently prevailing high levels of prices. This surplus was financed as to £4,354,643 by the use of existing sterling resources, i.e. pre-June 30th balances held by the deficit countries. The United Kingdom is now at the stage at which, as a creditor, it receives in gold half the net amounts due to it and makes the other half available in the form of credits to EPU. In respect of December it received £8,158,929 in gold, increasing the amount so far received from EPU in this form to £12,668,214. The United Kingdom is now a creditor in the books of EPU to the amount of £88,382,857. Here is further evidence that the trend of international gold movements is still strongly towards London.

* * *

Australian Bank Merger

Subject to approval by shareholders and the Australian courts, the long-expected merger between the Bank of Australasia and the Union Bank of Australia will take place next autumn. Since the assets of each bank were in excess of £170 million at their last balance sheet dates, the new institution (which is to be called the "Australia and New Zealand Bank") will start with assets of nearly £350 million; it will thus be the second largest bank in Australia and the largest in New Zealand. The two banks, which were both founded over one hundred and fifteen years ago, have long been complementary rather than competitive in their activities. Rumours of a merger were rife just before the war but the natural unwillingness of the Bank of Australasia to give up its Royal Charter (as it will have to do when the merger takes place) prevented any action at that time. After the war, however, the proposal was taken up again and

arrangements were at an advanced stage in 1947 when the Australian Labour Government introduced its abortive legislation to nationalise all trading banks. The proposal for a merger was dropped during the period of the long legal battle over the Bank Nationalisation Act. It was revived again when the Act was quashed by the Privy Council decision in the summer of 1949, but legal and technical complexities in the three countries in which the banks transact business (particularly in matters of taxation and stamp duties) have complicated the working out of a scheme that will bring advantage to all shareholders.

The reason for the merger are strikingly portrayed by the banks' recent balance sheets, which show that the assets of each bank have been expanding at the extraordinary rate of about 25 per cent. per annum in each of the last two years; the size of the accommodation now required by both banks' largest customers, the increased demand for technical services and the heavy building programmes of both banks have clearly made the establishment of a larger bank desirable.

* * *

IMF Sells Sterling

The Brazilian Government has recently purchased £10 million of sterling from the International Monetary Fund in Washington. This operation is notable on two counts. First, it reveals how part of the funds required for the clearing of commercial arrears due by Brazil to exporters in Britain is being mobilised. Some of the necessary resources were secured by another £10 million operation that took the form of a forward exchange swap, through which spot sterling was obtained against a sale of dollars and with an undertaking to reverse the operation later by offsetting forward transactions. The balance of the £10 million is being provided by the recently reported purchase of sterling from the IMF. Brazil will pay for this sterling in local currency. This is the third approach that Brazil has made to the IMF. The first two occurred in 1949 and involved the purchase of \$17½ million.

Secondly, the transaction between Brazil and the IMF is significant, for its indication that sterling has become a sufficiently scarce currency for its supplies to be augmented from IMF sources. This is not the first sale of sterling by the fund. Within the first few months of its operations a small amount of sterling was sold to the Netherlands. But, apart from this modest precedent, the latest operation is the first occasion on which a sizeable line of sterling has been made available to a member by the Fund. This is an important straw showing the direction of the prevailing winds in the world's foreign exchange situation. Now that Brazil has strengthened its current holdings of sterling, it will be interesting to note how these resources will be used in payment of commercial arrears and how much in financing new purchases.

* * *

Agreement with Belgium

A new monetary agreement was recently signed between the British and Belgian governments. In the main, it does no more than adjust the previous agreement to the fact of both countries' membership of the European Payments Union. The principal adjustment is the disappearance of the reciprocal overdraft clauses in the old agreement by which each country was prepared to hold the other's currency up to a limit of £12 million, any excess holding being convertible into gold. This provision has made way for arrangements by which, during the period between each pair of EPU settlements, each country is prepared to hold the other's currency up to any amount. Such balances are then put into the subsequent clearing and any gold loss or receipt by the two countries arises, not from any bilateral arrangements, but from the terms of their membership of EPU.

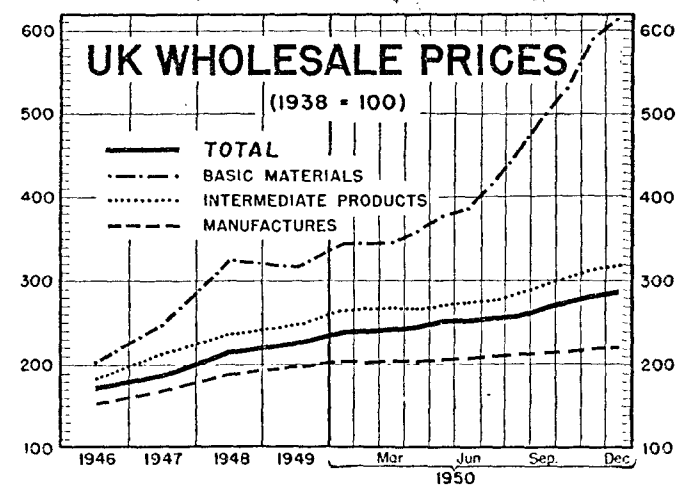
It is interesting to note that Belgium remains outside the

group of sterling "transferable account" countries. An offer was made by Britain to Belgium, as to all other EPU members that were not already "transferable account" countries, to enter into this fold. This was done so as to achieve the complete non-discrimination in their mutual exchange and monetary arrangements enjoined by the EPU agreement on all members. Belgium is one of the countries that have seen fit not to accept the invitation. This may be due to the suspicion that EPU has only a short life before it. Belgium therefore may not want to commit itself to any undertaking to accept sterling without limit, except within the context of strictly bilateral transactions between the Belgian franc and sterling monetary areas.

* * *

Prices at the Double

The trend of wholesale prices in 1950 vividly illustrates the burden of rising costs. Throughout the twelve months the Board of Trade's index has displayed an unbroken rise. In the first quarter it was modest, but it became sharper as the year progressed and particularly sharp after June. By December the index had risen 21 per cent—the largest annual increase since 1940. The rise in the food component of the index was to some extent damped by the incidence of the subsidies, but industrial materials fully reflected the rise in world commodity prices. Basic materials rose by no less than 85 per cent on the year, intermediate products by 22 per cent and manufactured goods by 7 per cent. Food and



tobacco rose by 8 per cent, and building materials by 6 per cent.

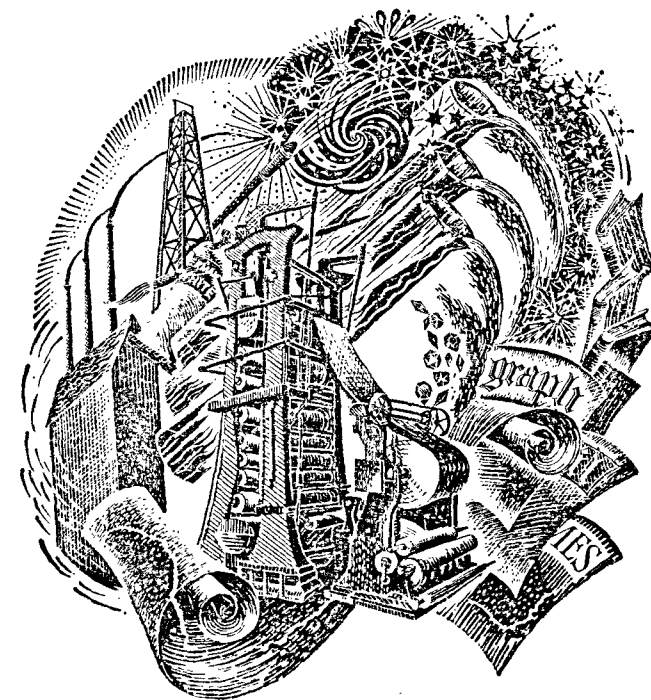
The main contribution to the higher cost of industrial materials has come from wool, the price of which rose by 117 per cent during 1950 (raw wool itself rose by 133 per cent). Non-ferrous metals rose by 60 per cent, cotton by 36 per cent and other textiles by 29 per cent. Most of these increases occurred in the latter part of the year and have still to filter through into retail prices; a sharp increase in retail prices is evidently to be expected in 1951. The actual increase in wholesale prices in December was only one per cent, the smallest monthly rise since June. But this slowing down was only a temporary phase; commodity prices have continued to bound upwards this month.

* * *

Commodity Movements

At long last a break has occurred in the steady rise in commodity prices. This week the price of Cuban sugar was more than ½ cent a pound cheaper; it fell to its lowest price since July. The record world crop was bound to affect the market sooner or later, but it took time to do so. Wheat and maize are also cheaper, but this may be partly seasonal,

BARIUM



PATIENTS may associate barium with the unpalatable meals which they are given before an X-ray examination, but it is barium sulphate which is used for this purpose, and not the soft silvery-white barium metal. Barium is found in nature in the form of barytes (barium sulphate) and witherite (barium carbonate); it is never found free since the metal readily reacts with air and moisture. It was first recognised as an element by Scheele, a Swedish chemist, in 1774. Its name is derived from a Greek word meaning heavy, because all barium compounds are much heavier than an equal volume of water. Barytes deposits, often found in lead and zinc veins, are mined in the North of England, Germany, Canada and the United States. Witherite is far less common. The most famous witherite mine in the world is at Hexham in Northumberland, and workable quantities are also found in Durham. Compounds of barium are important in the manufacture of paper, glass, oilcloth, linoleum and in oil well drilling. Barium metal itself is used to remove the last traces of gas from radio valves and television tubes. I.C.I. uses barium sulphate in the manufacture of paint, and barium nitrate in certain kinds of industrial explosives.



"South African Sherry for me every time

So I've converted you, too, then?

You certainly have! Do you remember you told me to look specially for the fine South African sherries. Since then I've found some which are just exactly to my taste. And don't you find them easy on the pocket, too? That means something these days!

Yes, how is it they can send us such remarkably good wines at such a reasonable price?

Well, there are two reasons: that amazing climate of theirs at the Cape, and then the Preferential Duty.

No wonder South African Sherry is becoming so popular, then.

It deserves to be. Do you know they've been making wine in South Africa for nearly 300 years. With all that experience behind them and the splendid organization they have now built up, they're able to produce the very highest quality. Their really fine wines are matured for many years before they're shipped to this country.

I suppose we can now say, then, that South Africa is one of the leading wine producing countries?

Well, wouldn't you say it was, from the taste of this sherry? *Let me fill your glass!"*

SOUTH AFRICAN WINE FARMERS ASSOCIATION (LONDON) LIMITED



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

The most effective deterrent is the man on the beat.

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

for duties where the human element is essential.

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AND PUT THE POLICE BACK ON THE BEAT



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though, if it is, the fall has occurred earlier than usual. In contrast the price of cocoa (in which private trading has been resumed) is still rising.

Fibres generally have continued to rise; wool has risen by nearly 10 per cent this week. Tungsten and quicksilver are still bounding upwards; tungsten costs more than twice

COMMODITY PRICES							
Commodity and Unit	1949		1950		1951		
	Dec.	June	Sept.	Dec.	Jan. 3	Jan. 10	Jan. 17
Wheat (cents per bushel)...	216½	216½	223½	246½	246½	246½	243½
Maize (cents per bushel)...	131	148	144½	172½	177½	178	175
Sugar, Cuban (cents per lb.)...	4.38	4.30	5.85	5.35	5.45	5.65	5.07
Cocoa, Gold Coast (s. per 50 kilos).....	190½	208½	208½	260	260	290	310
Cotton US middling (cents per lb.).....	31.43	34.64	42.0	44.13	44.62	44.88	45.01
Wool, 56's (d. per lb.).....	71	81	148	167	202	202	220
Sisal (¢ per ton).....	114	150	158½	200	200	200	210
Jute (¢ per ton).....	115	120	111	120	122	129	131*
Flax, Courteir (¢ per ton).....	538	535	547	408	408	415	440
Tin (¢ per ton).....	599½	600½	811½	1,157½	1,157½	1,262½	1,227½
Copper, electrolytic (cents per lb.).....	18.5	22.5	24.50	24.5	24.5	24.5	24.5
Zinc (cents per lb.).....	9.875	15.0	17.5	17.5	17.5	17.5	17.5
Tungsten (s. per unit).....	32.50	126.9	235.0	387.5	407½	440	480
Quicksilver (¢ per 75 lb.).....	26½	16½	24	42½	48	58½	73½
Linseed oil (cents per lb.).....	17.1	17.9	17.6	18.7	18.2	20.0	21.0
Castor oil, naked, firsts (¢ per ton).....	98	120	146	188	210	220	235
Tung oil (¢ per ton).....	220	180	210	230	...	280	290
Shellac (s. per cwt.).....	320	237½	325	400	412½	392½	407½
Rubber, RSS spot (d. per lb.).....	15	24	45½	55	53	64	60
Tallow (cents per lb.).....	6	4½	12	16½	16½	17	18½

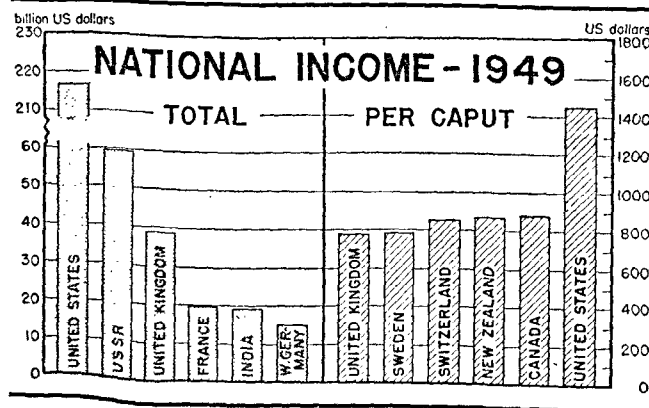
Note: Monthly prices taken at last day of the month except those for wool which are monthly averages. * January 16th.

as much as it did in September, and quicksilver three times as much. The United States "grey" market for copper and zinc is rapidly developing into a black market. In these dealings copper is selling at about 42 cents a pound and zinc at 30 cents. Prices of vegetable oils and tallow are still rising, but rubber and tin have weakened.

* * *

National Income Comparisons

The study of national incomes has opened up new fields of economic investigation. It also involves some pretty exercises of statistical ingenuity. The Statistical Office of the United Nations has recently prepared and published* estimates of national incomes (as totals and per head of popula-



tion) for seventy countries in 1949. These seventy countries are thought to include about 90 per cent of the world's population and more than that proportion of the world's income.

Two striking features of the figures (which are given in * Statistical Papers Series E No. 1.—United Nations.

national currencies and also in dollars) are the overwhelming predominance of the United States on the one hand and the large number of countries with extremely low levels of national income per head of population on the other hand. In 1949 only nine countries had total national incomes exceeding \$10,000 million—Britain was the third largest after the United States and Russia—and only twelve had a national income per head of population above \$500.

The report does not shirk the difficulties of measuring and method that are involved in drawing up comparable estimates of the national incomes of different countries. Only a quarter of the countries examined had up-to-date estimates based on good statistical evidence and less than a quarter had estimates within tolerable margins of errors for one or more years since the war. The range in national incomes is considerable, from \$62 million for Liberia to \$217,000 million for the United States. The median for the seventy countries is \$1,425 million but the countries below this level accounted for only 10 per cent of the population covered by the report. Analysis of income per head of population, however, shows more disturbing results. Twenty-five countries in 1949, representing 54 per cent of the total population, had an annual income of less than \$100 per head. Some 85 per cent of the world's population (55 countries) had an annual income of under \$400. In contrast average income per head in Britain was \$773 and in the United States \$1,453.

Shorter Notes

Largely as a result of heavy orders for transatlantic coal tonnage, the Chamber of Shipping index of tramp shipping freights rose by 18 points in December to 115.7 (1948=100). This was nearly 60 per cent above the level in December, 1949, and brings the average for the year 1950 to 84.0 against the 1949 average of 82.3. The index covers fixtures in sterling only; many other bookings of ships to carry coal to European ports were made in dollars. Since the beginning of the year bookings have generally continued to be heavy, though in the last week some bookings of vessels for forward loading dates have been made at rates slightly below the recent peaks.

*

The Royal Commission on the Taxation of Profits and Income announce that they propose to consider in the first place (a) the general structure of the present system of taxation of profits and income, and its effects on the national economy, and any suggestions for alternative methods of raising revenue by taxes on profits and income; at a later stage they will consider (b) particular matters arising in connection with Income Tax, Sur-tax and Profits Tax. The Commission intend to begin taking oral evidence in June on matters falling under (a). They therefore hope that the written evidence on these matters will reach them as soon as possible and not later than May 15th. Written evidence on matters under (b) should be sent in by December 1st next.

*

The London Cocoa Terminal Market reopened this week after a lapse of nearly twelve years. The terms of contract are virtually the same as before the war. The basis grade is G. F. Accra but other descriptions can be offered at various differentials and conditions. The unit of trading is 5 tons; before the war it was 10 tons. On the first day of trading prices were very high, much higher than the New York level, but they have since fallen, and appear now to be keeping in step with the American market. The volume of trading so far has not been very large.

Company Notes

F. W. Woolworth.—The 5s. ordinary stock units of F. W. Woolworth showed scarcely a flutter of response to the dividend, so accurately had the market anticipated the dividend announcement. The final dividend is 2½ per cent; the rate is unchanged and the payment is made, as in the previous year, on an ordinary capital of £15 million, after it was doubled by the 100 per cent bonus issue. The year's total distribution on the new capital is equivalent to 4½ per cent, compared with a 1949 payment equivalent on the same basis to 35 per cent. The difference represents the payment of the interim dividend for 1950 at the same percentage rate of 15 per cent, but on the doubled capital.

Is a note of caution to be inferred from the mere maintenance of the final dividend? There is nothing in the preliminary statement of profits to suggest that the company did not enjoy a satisfactory year. The rise in profit before tax from £10,822,307 to £11,768,410—almost 9 per cent—is impressive; the Woolworth organisation must have made the most of its opportunities to sell a

	1949	1950
Profit	10,822,307	11,768,410
Taxation	5,802,247	6,413,138
Staff fund	200,000	250,000
Preference divs.	165,000	165,000
Earnings for ordinary	4,655,060	4,940,272
Ord. divs.	2,881,500	3,506,250
Development reserve	500,000	500,000
General reserve	750,000	750,000
Added to carry forward, after adjustments	484,041	212,775
5s. Ordinary stock at 40s. yields £4 12s. 6d. per cent.		

greater volume and a greater variety of goods last year. If purses felt the pinch in 1950, they seem to have been freely opened at least in the Woolworth stores. But 1950 cannot have been a year of unmixed advantage. Costs have increased and have affected certain profit margins; and as the year proceeded the claims of defence competing with those of civilian consumption were becoming evident. These may assume real importance during the current year by limiting the range of goods that the stores can offer—thus narrowing the scope for successful merchandising that in recent years has been markedly expanded.

When the chairman issued his statement on dividend policy last June, he emphasised that the increased interim payment (on the doubled capital) did not necessarily betoken an increase in the total distribution for 1950. The total distribution has been increased, but only to the extent of the change in the interim payment. But the warning that any increase in the final dividend must necessarily depend on the board's view when the 1950 accounts were produced does now assume a certain significance. Stockholders have no reason for complaint at this display of caution—if caution it is. It will clearly assist the undertaking in coping with the more difficult problems of 1951 to have the additional support of nearly £1,500,000 of profits ploughed back.

Carreras Ltd.—Despite the high level of the tobacco duties, the demand for tobacco continues to be relatively inelastic. Last year, there were no complaints on the score of demand, but manufacturers had to contend with mounting costs of leaf, processing and distribution. Against this background the rise in group trading profits of Carreras Ltd. for the year ended October 31, 1950, from £2,749,891 to a record figure of £3,524,581 is an impressive achievement.

Heavy taxation charges, which absorb nearly half of total profits, have prevented an increase in earnings on the same substantial scale, though they are up by some £376,000 to £1,392,754. This rise is equiva-

lent to an increase in group earnings from 41.3 per cent to 54.8 per cent, which comfortably covers the maintained ordinary dividend of 35 per cent. Reserves have been strengthened by the appropriation of £100,000, against £96,785, to general reserves; the company has not this year made a specific allocation to a reserve for the replacement of fixed assets, as was the case in the previous year when £119,279 was so transferred.

Acquisition of new plant and machinery may be reflected in the rise in the book value of group fixed assets after depreciation from £1,748,340 to £1,932,601. Total capital and revenue reserves of £7,449,681, against £6,603,052, compare impressively with the

	Years to October 31, 1949	1950
Consolidated earnings:—		
Trading profits	2,749,891	3,524,581
Total profit	2,918,603	3,670,653
Taxation	1,350,224	1,728,087
Depreciation, replacement res.	267,017	199,701
Group earnings for ord. stk.	1,016,936	1,302,754
Paid	716,158	716,158
To general reserves and group c/f	300,778	586,596
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	1,748,340	1,932,601
Net current assets	8,302,235	9,024,445
Cash and bank balances	667,860	180,358
Stocks	9,282,597	11,035,865
Reserves	6,603,052	7,449,681
Ordinary capital	3,720,300	3,720,300
£1 "A" Ordinary stock at £5 17s. 6d. yields £5 19s. 2d. per cent.		

issued equity capital of £3,720,300. Stocks are up from £9,282,597 to £11,035,865, which represents more than half of total assets of £21,206,763; it is not surprising, therefore, that cash has fallen from £667,860 to £180,358. Although net working capital has risen from £8,302,235 to £9,024,445, the burden of carrying stocks continues to impose a considerable strain on liquid resources.

Buyers of leaf tobacco have now to bear the full effects of devaluation on prices, but supplies are adequate to cover demand. Tobacco might be taxed even further in the coming budget, but even so the question would remain whether a higher rate of duty would reduce the demand.

Colvilles Ltd.—The value of the preference and ordinary capital of Colvilles Ltd. for the purpose of assessing compensation payable on nationalisation has now been agreed between the company and the Ministry of Supply, as have compensation terms for the privately held preference shares of the Lanarkshire Steel Company, Ltd. (of which all ordinary shares are held by Colvilles). The agreed bases for compensation, which will be presented to a special meeting of shareholders on February 2nd, are as follows:

Colvilles Ltd.: £2,000,000 5½ per cent cumulative preference stock, 26s. 6d. per £1 unit; £3,919,000 ordinary stock, 38s. per £1 unit.

Lanarkshire Steel Company, Ltd.: £275,000 6 per cent cumulative preference shares, 25s. per £1 share.

These take-over prices compare with "middle" market quotations on Wednesday, the day before the announcement of 36s. 6d. for Colvilles' ordinary and 24s. 9d. for the preference; and for Lanarkshire Steel preference on January 1st of 22s. 6d.

Teachers (Distillers) Ltd.—Group profits of Teachers (Distillers) Ltd. for the year ended September 30, 1950—the first complete year of trading as a public company—are £714,428, which compares with £313,965 for the nine months to September 30, 1949. The sum of £372,000 is provided for taxation, and group net profits amount to £311,485. Of this sum £232,951 is retained by the subsidiary company, William Teacher and Sons. The total ordinary dividend of 12½ per cent, against 7½ per cent for the nine months ended September 30, 1949, absorbs £41,250.

SECURITY PRICES AND YIELDS

British Funds	Price, Jan. 10, 1951	Price, Jan. 17, 1951	Net Yield, Jan. 17, 1951 (a)	Gross Yield, Jan. 17, 1951
War Bonds 2½%... Mar. 1, 1951-53.	101½	101½	£ s. d. 0 12 8	£ s. d. 0 13 4e
War Bonds 2½%... Mar. 1, 1952-54.	101½	101½	0 13 4	0 18 6e
Exchequer Stk. 2½% Feb. 15, 1955.	101½	101½	0 15 6	1 15 2
War Bonds 2½%... Aug. 15, 1954-56.	102½	102½	0 14 2	1 15 11e
Funding 2½%... June 15, 1952-57.	102½	102½	0 18 10	2 0 9f
Nat. Defence 3%... July 15, 1954-58.	103½	103½	1 3 3	1 5 6e
War Loan 3%... Oct. 15, 1955-59.	104½	104½	0 12 5	1 19 0e
Savings Bonds 3%... Aug. 15, 1955-65.	100½	100½	0 15 3	2 3 2e
Funding 2½%... April 15, 1956-61.	99½	99½	1 11 7	2 18 2e
Funding 3%... April 15, 1959-69.	99½	99½	1 12 6	2 19 4f
Funding 3%... Aug. 1, 1966-68.	99½	99½	1 9 8	2 11 9f
Funding 4%... May 1, 1960-90.	107½	107½	1 15 11	3 4 1e
Savings Bonds 3%... Sept. 1, 1960-70.	98½	99	1 14 5	3 2 2f
Savings Bonds 2½%... May 1, 1964-67.	94½	94½	1 13 7	3 0 7e
Victory Bonds 4%... Sept. 1, 1920-70.	109½	109½	1 13 6	3 0 6f
Savings Bonds 3%... Aug. 15, 1965-75.	95½xd	96xd	1 13 3	3 8 5e
Consols 4%... (after Feb. 1, 1957)	102½xd	103xd	2 0 1	3 13 2f
Conversion 3½%... (after Apr. 1, 1961)	96½	96½	1 18 9	3 10 10f
Treasury Stk. 2½%... (after Apr. 1, 1955)	71½	71½	1 19 5	3 12 0f
Treasury Stk. 3%... (after Apr. 5, 1966)	84½	84½	1 15 10	3 6 11e
Treasury Stk. 3½%... June 15, 1977-80.	103	103	1 16 0	3 7 2f
Redemp. Stk. 5%... Oct. 1986-96.	92½	92½	1 19 6	3 8 5e
War Loan 3½%... (after Dec. 1, 1952)	94½	94½	1 18 5	3 7 5f
Consols 2½%... Brit. Elect. 3% Gtd.	71½	71½	1 18 7	3 10 2f
Brit. Elect. 3% Gtd. Apr. 1, 1968-73.	97½	97½	1 17 5	3 5 7e
Brit. Elect. 3% Gtd. Mar. 15, 1974-77.	96½	96½	1 16 7	3 4 8f
Brit. Elect. 3½% Gtd. Nov. 15, 1976-79.	103½	103½	1 15 5	3 5 0f
Brit. Tpt. 3% Gtd. July 1, 1978-88.	91½	92	1 15 8	3 6 11f
Brit. Tpt. 3% Gtd. Apr. 1, 1968-73.	97½	97½	2 0 9	3 9 3e
Brit. Gas Gtd. 3%... May 1, 1990-95.	91½	91½	1 19 4	3 7 9f
			1 18 10	3 4 10f
				3 8 3e
				3 7 10f

(e) To earliest date. (f) Flat yield. (g) Assuming redemption in 1957. (h) Flat yield given above. If redeemed, in 1952 net redemption yield £5 3 0, gross £6 17 9. (i) To latest date. (n) Net yields are calculated after allowing for tax at 9% in £. *Assumed average life 15 years 10 months.

Last Two Dividends	Ordinary Stocks	Price, Jan. 10, 1951	Price, Jan. 17, 1951	Yield, Jan. 17, 1951
(a) (b) (c)				£ s. d.
60% 20	Anglo-Am. 10/-	7½	7½	4 0 8
25 b 5 a	Anglo-Iran. £1.	5½	5½	5 4 3
10 b 5 a	Assoc. Elec. £1	83/9	83/9	3 11 8
7½ a 20 b	Assoc. P. Cem. £1	86/10½	87/6	6 5 6
40 c 35 c	Austin 5/-	27/9	27/9	6 6 2
15 a 120 b	Bass £1	146/3	146/3	3 8 3½
40 c 10 a	Boots 5/-	48/-	48/6	4 2 6
8 c 10 c	Br. Celanese 10/-	24/9	24/3	4 2 6
12 b 8 a	Br. Oxygen £1.	90/6	90/6	4 8 5
5 a 7½ b	Coats, £1.	58/6	59/-	4 4 9
5 b 24 a	Courtaulds £1.	39/9	39/6	3 15 11
20 c 6½ a	Distillers 4/-	39/3sd	20/6	3 18 1
8 c 8 a	Dormant Long	31/3	31/6	4 1 7
15 c 15 c	Dunlop £1.	55/-	56/3	5 6 7
10 c 10 c	Ford £1	48/9	50/-	4 0 0
17½ c 17½ c	Gen. Elect. £1.	82/6	83/9	4 3 7
11 a 21 b	Guinness £1.	134/4½	134/4½	4 15 3
15 a 17½ b	Hawker Sid. 5/-	32/6sd	32/10½	4 18 10
7 b 3 a	Imp. Chem. £1.	43/6	43/6	4 11 11
18½ b 13½ a	Imp. Tobacco £1	105/7½	105/7½	6 1 2
5 a 7½ b	Lancs. Cotton £1	41/-xd	41/6	6 0 6
10 c 10 c	Lever £1.	41/10½	43/9	4 11 5
15 c 15 c	Lon. Brick £1.	57/6	57/6	5 4 4
45 b 15 a	Marks & Sp. A 5/-	83/6	83/-	3 12 3
4 b 8 a	P. & O. Del. £1.	57/-	58/6	4 2 1
17½ b 7½ a	P. Johnson £1	37/6sd	38/6	6 9 10
15 b 15 a	"Shell" Stk. £1.	77/6	80/-xd	2 10 0f
12½ c 6 a	St. & Lloyds £1	56/-xd	56/-	4 9 3
12½ a 12½ b	Tube Invest. £1.	61	61	4 0 0
8 c 8 c	Union Castle £1	39/-	39/-	4 2 1
12 c 17½ c	U.S. Steel £1	55/-	58/9	5 19 2
33 a 16½ b	T. & Newall £1	86/3xd	87/6	4 2 5
4½ b 2½ a	Vickers £1	35/6	36/-	3 15 0
15 a 27½ b	Woolworth 5/-	45/6	46/-	4 12 5

(g) Interim (h) Final. (c) Whole year. *Free of Tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended January 13, 1951, total ordinary revenue was £174,260,000, against ordinary expenditure of £57,051,000, and issues to sinking funds £590,000. Thus, including sinking fund allocations of £13,653,000 the surplus accrued since April 1st is £220,660,000 compared with £181,405,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Actual, 1949-50	Actual, 1950-51	Week ended Jan. 14, 1951	Week ended Jan. 13, 1950
Ord. Revenue	138,800,000	755,306	714,380	132,339	122,029
Income Tax	120,000,000	63,100	67,800	8,700	8,700
Sur-tax	195,000,000	150,700	143,950	3,700	4,000
Estate, etc., Duties	50,000,000	40,500	41,360	900	1,100
Stamps	270,000,000	32,200	9,350	400	...
Profits Tax	500	80	160	50	...
E.P.T.	4,500	17,700	4,040	300	60
Other Inland Rev.	202,800,000	127,646	119,560	15,439	14,063
Special Contributions	870,650	642,860	703,093	13,716	15,330
Customs	713,150	537,600	542,400	6,700	4,800
Excise	158,350,000	118,040	124,549	20,416	20,130
Motor Duties	56,000	33,140	34,095	12,267	12,691
Surplus War Stores	35,000	67,490	35,932	...	...
Surpl's from Trade	85,000	46,991	41,905	4,000	...
P.O. (Net Receipts)	13,000	8,190	8,650	...	...
Wireless Licences	27,000	13,355	20,858	939	...
Sundry Loans	70,000	65,439	65,537	314	800
Miscell. Receipts (in Crown Lands)	589,780,000	269,130	264,930	18,937	17,420
Self-Balancing	172,150	124,100	133,100	2,500	2,400
Post Office	5,700	9,708	6,656	152	2
Income Tax on E.P.T. Refunds	407,565,000	282,519	278,876	19,207	17,662
Total	1,407,565,000	1,180,460	1,245,493	20,416	20,130

Expenditure	Estimate, 1950-51	Actual, 1949-50	Actual, 1950-51	Week ended Jan. 14, 1951	Week ended Jan. 13, 1950
Ord. Expenditure	138,800,000	755,306	714,380	132,339	122,029
Int. & Man. of Nat. Debt	490,000	350,925	358,366	1,629	1,518
Payments to N. Ireland	36,000	27,412	27,509	247	...
Other Cons. Funds	11,000	9,564	8,272	233	...
Total	537,000,000	387,901	394,247	1,876	1,751
Supply Services	291,806,000	210,822	202,054	39,209	55,300
Total Ord. Expend.	345,506,000	249,606	241,471	41,076	57,051
Sinking Funds	13,380	13,653	600	590	...
Total (excl. Self-Bal. Expend.)	345,506,000	250,936	242,837	41,676	57,641
Total (incl. Self-Bal. Expend.)	363,291,500	264,374	256,812	44,328	60,043

After decreasing Exchequer balances by £1,340,441 to £3,726,356, the other operations for the week decreased the gross National Debt by £107,909,000 to £25,910 million.

NET RECEIPTS (£ thousand)

NET ISSUES (£ thousand)	
P.O. and Telegraph (Money) Acts, 1948 and 1950...	300
E.P.T. Refunds	3
Suez Canal Shares—Issues to reduce debt	186
Export Guarantees Act, 1949, s. 3(2)	145
Housing (Scotland) Act, 1944, s. 4(2), Housing (Financial Provisions) (Scotland) Act, 1945, s. 13(2) and Housing (Scotland) Act, 1950, s. 94(2)	334
Local Authorities Loans Act, 1945, s. 3(1)	5,100
Cotton (Centralized Buying) Act, 1947, s. 21(1)	3,000
Overseas Resources Development Act, 1948, s. 17(1)	750
Finance Acts, 1945 and 1947: Post-war Credits	172
Total	10,050

CHANGES IN DEBT (£ thousand)	
Receipts	
Other debt	4,128
Ways & Means Advances	14,115
Total	18,243
Payments	
Treasury Bills	58,473
Nat. Sav. Certs.	200
21% Def. Bonds	40
3% Def. Bonds	415
Tax Reserve Certs.	28,964
Other Debt	8,060
Treasury Deposits	30,000
Total	126,152

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
1950				
Jan. 14	2990.0	1901.6	297.4	5189.0
Oct. 7	3130.0	1820.0	467.6	5417.6
" 14	3140.0	1789.4	469.9	5399.3
" 21	3160.0	2077.8	490.2	5728.0
" 28	3170.0	2041.1	471.3	5682.4
Nov. 4	3180.0	1885.7	353.3	5419.0
" 11	3180.0	1897.3	374.3	5451.6
" 18	3190.0	1968.7	372.5	5531.2
" 25	3200.0	1950.0	390.9	5540.9
Dec. 2	3230.0	1956.3	369.1	5555.4
" 9	3240.0	1951.6	375.1	5566.7
" 16	3260.0	1939.8	410.8	5610.6
" 31	3270.0	1861.8	394.7	5526.5
1951				
Jan. 6	3270.0	1861.8	394.7	5526.5
" 13	3250.0	1823.3	406.3	5479.6

TREASURY BILLS (£ million)

Date of Tender	Amount Offered	Applied for	Allocated	Avg. Rate of Allotment %	Allocated at Min. Rate
1950					
Jan. 13	230.0	266.1	230.0	10 5-83	43
Oct. 13	250.0	319.4	250.0	10 3-25	76
" 20	250.0	332.3	250.0	10 2-94	66
" 27	250.0	335.8	250.0	10 2-98	65
Nov. 3	250.0	347.7	250.0	10 2-70	60
" 10	250.0	318.4	250.0	10 3-17	72
" 17	250.0	325.6	250.0	10 3-13	69
" 24	250.0	310.6	250.0	10 3-36	79
Dec. 1	250.0	347.5	250.0	10 2-74	60
" 8	250.0	328.8	250.0	10 3-09	72
" 15	250.0	314.6	250.0	10 4-55	49
" 22	230.0	301.7	230.0	10 2-93	67
" 29	250.0	302.4	250.0	10 3-50	82
1951					
Jan. 5	240.0	301.4	230.0	10 (a) the 50	70
" 12	230.0	319.4	230.0	10 2-75	75

On January 12th applications for 91 day bills to be paid from January 15 to January 20, 1951, were accepted dated Monday to Saturday at about 60 per cent. at £99 17s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £230 million are being offered for January 19th. For the week ending January 20th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended Jan. 7, 1950	Jan. 6, 1951	Total, Apr. 1 to Jan. 6, 1951
Savings Certificates			
Receipts	2,200	1,700	67,400
Repayments	2,200	1,700	100,400
Net Savings	Nil	Nil	Dr. 33,000
Defence Bonds			
Receipts	335	315	12,845
Repayments	760	965	38,009
Net Savings	Dr. 425	Dr. 650	Dr. 25,164
P.O. and Trustee Savings Banks			
Receipts	13,638	12,861	496,383
Repayments	8,233	9,002	545,656
Net Savings	5,405	3,859	Dr. 49,273
Total Net Savings	4,980	3,209	Dr. 107,437
Interest on certificates repaid	469	400	22,256
Interest accrued	2,359	2,407	96,528
Change in total invested	+ 6,873	+ 5,216	+ 33,165

BANK OF ENGLAND

RETURNS

JANUARY 17, 1951
ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	Other Govt. Securities	Other Secs.	Coins	Amt. of Fid. Issue	Gold Coin and Bullion
In Circulation	1297,105,858	11,015,100	1334,293,099	678,905	4,012,904	356,825
In Bank: Department	53,250,965	...	...	...	...	...
Total	1350,356,823	...	...	...	...	...

BANKING DEPARTMENT

Capital	Govt. Secs.	Other Secs.	Advances	Securities	Notes	Other Accts.
14,553,000	339,051,441	42,605,322	18,200,838	24,101,434	53,250,965	993,941
Rest: 3,580,521	...	...	...	...	...	...
Public Deps.: 15,581,057	...	...	...	...	...	...
Public Accts.: 13,223,343	...	...	...	...	...	...
H.M. Treas. Special Acct.: 2,357,714	...	...	...	...	...	...
Other Deps.: 402,097,091	...	...	...	...	...	...
Bankers: 317,764,946	...	...	...	...	...	...
Other Accts.: 84,322,146	...	...	...	...	...	...
Total	435,911,659	...	...	...	...	...

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

COMPARATIVE ANALYSIS (£ million)

	1950	1951
Issue Dept.:		
Notes in circulation	1260.4	1332.2
Notes in banking department	40.0	42.1
Government debt and securities	1299.3	1370.3
Other securities	0.6	0.7
Gold and Coin	0.4	4.4
Value at s. per fine oz.	248/0	248/0
Banking Dept.:		
Deposits	15.4	24.9
Public Accounts	117.4	0.4
Treasury Special Account	22.8	24.7
Bankers	111.3	87.4
Others	535.9	421.4
Total	456.6	344.0
Securities	19.2	27.4
Government	22.8	24.7
Discounts, etc.	50.8	39.0
Other	45.4	43.5
Banking dept. res.	11.9	10.3
"Proportion"	11.9	10.3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,375 million to £1,350 million on January 10, 1951.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Jan. 3, 1950	Dec. 27, 1950	Jan. 9, 1951
Taxes	147.7	157.3	157.1
(b) par	147.3	166.4	167.9
Sur-	205.8	303.2	313.9
Cereals and meat	268.1	318.8	320.3
Other foods	152.4	183.6	186.4
Textiles	177.4	213.3	215.9
Minerals	244.1	293.5	297.1
Miscellaneous	...	...	...

COMPLETE INDEX 1913=100

Official buying price for gold was s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealer raised from 172s. 3d. to 248s. 0d. during last week were as follows:

	1951	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
Jan. 11	78.5	90.16	111.15	111.15	111.15
" 12	78.5	90.16	111.15	111.15	111.15
" 13	78.5	90.16	111.15	111.15	111.15
" 14	78.5	90.16	111.15	111.15	111.15
" 15	78.5	90.16	111.15	111.15	111.15
" 16	78.5	90.16	111.15	111.15	111.15
" 17	78.5	90.16	111.15	111.15	111.15

COMPANY MEETINGS

BARCLAYS BANK LIMITED

INCREASED NET PROFIT

INFLATION RISK A DANGER TO EFFICIENCY

STRICT ECONOMY IMPERATIVE

DIVERSION OF RESOURCES FOR DEFENCE PROGRAMME

NEED FOR NEW OUTLOOK ON PRODUCTION PROBLEMS

SIR WILLIAM GOODENOUGH ON THE POSITION AND OUTLOOK

The fifty-sixth ordinary general meeting (being the annual general meeting for the year 1951) of the stockholders of Barclays Bank Limited will be held at the Head Office of the Bank, 54, Lombard Street, London, E.C., on February 8th.

that the great changes in conditions since the war had removed the advantages of direct representation in that country.

CURRENT AND DEPOSIT ACCOUNTS

On December 31st, our current, deposit and other accounts totalled £1,287,849,866, compared with £1,266,243,422 at the close of 1949. It is encouraging to be able to add that the number of current accounts in our books has been increasing from month to month. During part of the year bank deposits as a whole, including our own, were lower than they had been twelve months before, but in August there was the beginning of an increase which raised the total in October and again in November to a new high record. The increase in bank deposits has been in part a reflection of an inward movement of foreign money. It is surely quite contrary to anything that could have been in our thoughts a year ago that events should bring such a remarkable technical alteration in world financial affairs as to induce an inflow of funds to London from abroad. But this has happened. Influences which pressed so hard against the pound as to make devaluation inevitable, have exerted themselves in the opposite direction. Causes beyond our control have had a good deal to do with this extraordinary somersault, but it is the best possible indication that our currency has come to be more highly esteemed than for a long time past. The influx of foreign money has made it necessary for the authorities to provide the sterling to give in exchange, and this has had its effect on the liquid assets held by the banking system.

LIQUID ASSETS

During the earlier part of the year, and again in the closing months, the tendency continued for the Treasury Deposit Receipt to be substituted for the Treasury Deposit Receipt as a means of short-term borrowing by the Government. At the end of the year we ourselves had £315,585,740 in bills discounted, consisting very largely of Treasury Bills, and £97,500,000 in Treasury Deposit Receipts, compared with £260,803,323 and £171,500,000 respectively on December 31, 1949. The increase in our holding of bills, which was higher by £54,782,417 than it had been a year before and bore a ratio of 24.5 per cent. to our deposits, is of very great importance, for it gives us added flexibility at a time when it could hardly be more welcome. I may add that our specially liquid assets taken as a whole, namely, cash in hand and with the Bank of England; balances with other British banks and cheques in course of collection; money at call and short notice; bills discounted and Treasury deposit receipts amounted to £863,149,912 or 49.1 per cent. of current, deposit and other accounts. Investments, apart from those classified as fixed assets, are £468,647,322 and advances to customers and other accounts stand at £453,031,646.

CHANGE IN INTERNATIONAL OUTLOOK

Now may I make some reference of a more general kind to what has been happening in the past twelve months. Our minds have been much preoccupied by the sombre change in international affairs, but in the economic sphere the year has not been entirely unfruitful. Initially, the outlook was in the highest degree uncertain but, just as our hopes of 1949 were disappointed, so our fears of 1950 were not realised. Even before fighting began in Korea we had benefited from the renewed flow of American prosperity. Moreover, the devaluation of sterling,

which had in a sense been forced upon us, and was carried out at an unexpectedly low rate, had given impetus to our export trade and had brought about a more realistic pattern of exchange rates, particularly in Europe.

These conditions have given Western Europe as a whole a valuable opportunity to gather strength. In our own case the change for the better in our balance of trade, the growing confidence in sterling and the suspension of Marshall Aid suggest improvement. There is no need for me to emphasise how vital it is for this country that confidence in its currency should be fully restored. We are the bankers to the whole of the sterling area, and something like half the world's international payments are made in sterling. Our livelihood rests on the maintenance of that position. Confidence implies willingness to hold sterling without any mental reservations and confidence depends primarily upon the view that is taken of our economic strength and stability. But it depends also upon the adequacy of the reserves that we have available to take whatever normal strain may be put upon us as a great financial centre, and in this respect there has been a change for the better. Just before the devaluation of sterling the gold and dollar holding had fallen to £1,340 million. By June last year it had risen to \$2,422 million and three months later it was \$2,756 million.

SITUATION BETTER THAN HOPED FOR

The situation is much more satisfactory than we had any reason to hope, but when we analyse the causes of the increase and take account of our responsibilities in world trade and finance, it is clear that the improvement should be viewed with some caution. Some of it came from purely negative action—the limitation of our own dollar imports and expenditure and that of the rest of the sterling area; some was the natural reflex from devaluation itself; and some the result of the positive effort to sell British goods in the dollar market. But there was the continued flow of Marshall Aid to help us and a heavy American demand for the primary products of the sterling area. This last influence, based on the upward surge of activity in the United States, has been reinforced by pressure there to build up stocks of strategic raw materials. But it has not involved purchases from the United Kingdom.

Therefore, although this demand has helped materially to increase our reserves of gold and dollars, it has brought about at the same time a substantial addition to our liabilities in the shape of the sterling balances which are kept in London by other members of the sterling area. It has also caused a rapid worsening of our terms of trade, which means that the prices we have had to pay for our imports have risen much faster than the prices we have obtained for our exports. In November last it would have cost us £18 million more in exports to import the same amount of goods as we did in the previous January, and it will be surprising if there has been no further deterioration since then.

COMPETITIVE EFFICIENCY

Recent experience has brought home nothing more strongly than the degree to which economic conditions in the United Kingdom and elsewhere are responsive to changes in the level of activity in the United States. This is bound to remain the case and, while healthy prosperity can be left to take care of itself, it would be alarming to contemplate the prospect of a depression in the American economy when we remember the severe effect upon us of a mere hesitation in 1949. Events in the past eight months seem to have put this prospect out of sight, but it must not be out of mind.

We ought now to keep our thoughts and actions bent more than ever upon competitive efficiency throughout our whole economy—industry, commerce and agriculture.

This would serve a double purpose: it would give us strength and resilience to meet a situation such as we feared might be developing a year ago, and it would help us to deal with the new and quite different problems which have since arisen. There is a great deal to the credit of all who are engaged in British industry and it is most heartening to see what has been achieved. The improvement in industrial production has been at a much faster rate than was thought likely and, as post-war investment has begun to show results on an increasing scale, standards of efficiency have risen. But we have not encountered the full force of competition and it may be that we shall not do so for some time to come. The fact that the urge to reach the best standards of efficiency is weakened in this way must not lead to loss of ground that will have to be made up later on.

INFLATION RISK TO EFFICIENCY

A great danger to efficiency, and indeed to the whole stability of our economy, lies in the risk that inflation, which is already with us before the armaments programme has begun to make itself felt, may become really serious. The further demand upon our resources for the purposes of defence must increase that risk. Much will depend upon the method chosen to deal with the budgetary problem. For the moment the extra defence expenditure, although substantial, is not a very large item in relation to the budget total, but a much more material addition is in sight. Therefore, it is of very great importance to tackle the financial problem soundly and boldly from the start. The only proper cause, difficult though it be, is to obtain the additional sums which are spent on defence by reducing other expenditure: first and foremost public expenditure. Extra taxation may be inevitable but to add materially to the present burden of direct taxation might easily defeat its own object and it should be used as a measure of last resort. This is because by disrupting sound habits of work and thrift, direct taxation itself becomes inflationary when it passes beyond a certain level, which, in conditions as they are, must be perilously near at this moment. Therefore, however distasteful, the order of the day should be to meet our needs in the first place by cutting and paring in other directions. There is no commonsense alternative. It is not so much now a question of looking for the greater ease that everybody so much desires as of trying to hold as much as possible of what has been gained and not impairing it by needlessly allowing inflation to get the upper hand. With the future so uncertain it is no more than common prudence to conserve our strength by holding inflation in check and by sparing no effort to retain some sort of reserve of taxable capacity. Strict economy in Government expenditure, unpopular as it is, was never more imperative than it is now. While, owing to the special dependence of this country upon international trade, we must always be sensitive to what happens abroad and, to that extent, subject to influences over which we have no control, inflation is not an elemental force. By this I mean that, at any rate in peace-time, it is largely within the decision of the Government of the day and this ought to be clearly understood.

PUBLIC AUTHORITIES EXPENDITURE

When so much turns on efficiency and economy one cannot help wondering how far we are really getting proper value from the vast outpourings of money represented by the expenditure of public authority both

central and local, because here is a most serious responsibility for leakages which may greatly add to the burdens of the people of this country. War conditions and the subsequent course of affairs have resulted in a new bureaucracy of immense proportions becoming a parasitical growth in our social system. Unhappily, it is implicit in a planned and controlled economy that this should be so. All systems develop problems of their own, however carefully they may be devised, and it seems to me that we have to solve a whole series of problems here in order to ensure that we get money's worth for money spent which is, after all, no more than the nation's due. Anybody who goes about with his eyes open is bound to become aware from time to time of specific and glaring instances of delay, neglect and waste emanating from official sources.

Some waste of effort is inseparable from any undertaking, particularly if it is large and complex, but the public authority as such is a proper object of criticism because it cannot feel the pressure of competition which would produce a sense of urgency in its work, and because the elements of time and price and the need for saving cannot have the meaning to it that is an essential part of the world in which any business man lives. What I have said is not meant in personal disparagement of public servants and officials who are, of course, no worse and no better than other people. I am thinking only of the circumstances of their work which, as happens with all of us, must undoubtedly have a profound influence on their standards and outlook.

DEFENCE PROGRAMME

The additional defence programme is bound to involve a diversion of resources to military purposes: it is scarcely to be hoped that the whole burden can be met out of the natural increase in production. This is because the increase is unevenly spread over the productive system and because the rhythm of production is sure to be affected both by the redirection of effort and by the scarcity of raw materials and manpower. But the possibility of help from that source is considerable, especially if the national temper comes to the right pitch and there is a sense of unity in peril inculcated from the level of Government downwards. Such a frame of mind as this is favourable not only to greater individual output but to the acceptance of the new methods and new ways of thought implied in a rapid increase in efficiency. It could help to speed up a practical outcome from the visits to the United States of the industrial teams organised by the Anglo-American Council on Productivity, whose reports have given much food for thought in the vital matter of productive efficiency.

DEEP-ROOTED MISUNDERSTANDINGS

At least as important as American techniques is the eagerly progressive attitude of mind which is characteristic at all levels in the productive organisation of that country, in contrast to habits of thought still common in our own. That this attitude should have made a deep impression upon the visiting teams is a very important fact, for it has potentialities for good which are well-nigh incalculable. It has become possible now for this particular lesson to be interpreted here in terms that can be understood and appreciated by ordinary people. But there are difficulties. Besides natural inertia there are deep-rooted misunderstandings, some of them almost traditional. There is, for instance, the supposed cleavage of interest between what are described as the "two sides" of industry. Most unfortunately, voices are still raised to keep open these unhappy differences and even to sharpen and extend them, not only by deliberate misrepresentation, but also by the honest ex-

pression of views based on imperfect understanding of facts which with proper care could be verified. As one whose interests are engaged with town and countryside alike, I think at once, as an example, of the controversy on the subject of the subsidies paid by the state in connection with food and agriculture. This particular issue has been confused and distorted in a way that tends to impair the sympathy and understanding between town and country which it becomes more than ever desirable to strengthen.

I have in mind the mischievous caricature representing the farmer as luxuriating in a sheltered prosperity which involves intolerable expense to the rest of the community and fosters inefficiency in the industry. It gives the impression that, besides the payments made direct to the industry—amounting to £24 million in the present financial year—the whole of the so-called consumer subsidies on home produced food, a total of £246 million, is being poured by the taxpayer into the farmer's lap. One does not need to look with more than ordinary care at the published information to see that the direct payments are devoted to raising the standard of husbandry, with a national end in view, while all but a small part of the consumer subsidies is what it purports to be, namely, subsidies to the consumer. It is perfectly clear that the main purpose and

effect of all these payments is not to provide gratuitous ease and comfort for the farmer but to help the consumer and to serve the long-term interests of the community as a whole. What is involved is a reorientation of the industry which would be impossible without help from outside. But whatever may be said or done to put matters right in the public mind some mud is bound to stick.

THE IMMEDIATE TASK

Misunderstandings, either between different groups of people or between people at different levels in the same group or environment, can be much more easily created than removed. Before really substantial practical results on the human side are likely to follow along the lines indicated by the industrial teams which visited the United States, these difficulties will have to be overcome. They will not disappear of their own accord: to remove them a strong positive effort is needed.

The task is to demonstrate beyond argument the advantages both to the individual and to the community of a more progressive frame of mind towards production. This principal might be more readily accepted if it were shown to be compatible with a proper sense of economic security for the individual and were associated with full opportunity for everyone to satisfy his proper ambitions.

DISTRICT BANK LIMITED

RECORD DEPOSIT FIGURE

TAXATION AND THE PRODUCTION EFFORT

URGENT NEED FOR STABLE EXCHANGE

COTTON TRADE PROBLEMS

SIR THOMAS D. BARLOW'S SURVEY

The chairman, Sir Thomas D. Barlow, G.B.E., has circulated, with the report and accounts, the following statement to the shareholders of District Bank Limited, prior to the 121st annual general meeting, to be held on February 9th at the head office, Spring Gardens, Manchester:—

As you will see from the report, Sir R. Noton Barclay has decided not to offer himself for re-election. He has been a member of the Board for thirty-seven years and since 1932 has held with distinction first the office of deputy chairman and then that of chairman. As he occupied the latter position throughout the whole of the last war, the responsibilities he had to shoulder were particularly heavy. In 1947 he decided to relinquish the duties of chairman but retained his seat on the board, and it is with reluctance that we now accept his decision to retire. I am sure you will wish me to convey to him our very best wishes for the future, as well as our grateful thanks for the inestimable services which he has always given to the bank.

During the year we have had the pleasure of welcoming the Duke of Devonshire, the Earl of Verulam and Mr Leslie Shaw to our board. The Duke of Devonshire has deep roots in the county of Derbyshire, one of the shires from which the bank itself drew its first strength. The Earl of Verulam, who is closely associated with industry in and around London, is also a member of our London committee. Mr. Leslie Shaw, who was one of our auditors, has had a wide experience of business problems and is a director of a number of companies in Lancashire and other parts of the country.

THE YEAR'S ACCOUNTS

The statement of accounts shows that deposits, now standing at £239 million,

exceed last year's record figure by £8,300,000. This increase, reflecting as it does the general trend of banking figures, is all too closely linked with the new phase of inflation.

Turning to the assets side of the balance sheet, you will see that the more liquid items, cash, money at call and short notice and bills of exchange, are higher in total and in proportion to our deposit liabilities than they were last year. Underlying this change is the increase in Treasury Bills, which partly offsets the decline in the next item, Treasury deposit receipts. For yet another year the latter form of borrowing by the Government has been running at a lower level. It may be that this trend will be reversed as rearmament gets under way. In the meantime the substitution of Treasury Bills slightly reduces our earnings although we gain something in flexibility.

During the year we have added £731,000 to our investments which are mainly repayable at fixed dates and appear in the balance sheet at less than their market value.

There is an increase of over £10 million in our advances. A sharp upward movement occurred in the early part of the year when there was evidence that stocks were accumulating. Following the outbreak of the war in Korea, these dwindled and our advances showed some reduction. The closing months of the year, however, have brought a change. Prospective shortages of commodities and components, rising prices and a general expansion of business have made additional demands on working capital, the full effect of which seems likely to be carried forward well into the present year. Meanwhile we are pleased to observe that our lendings are chiefly associated with trades which are actively engaged on work of national importance. The gravity of the

international situation has once again focused attention on the importance of our farming industry, and loans to those engaged in this vital task are responsible for an appropriate portion of the increase.

The much larger figures for liabilities of customers for acceptances, confirmed credits and other obligations are particularly pleasing, since they are principally due to the growing activities of customers engaged in overseas trade.

Last year our properties were professionally valued and it is satisfactory to know that they stand at a very conservative figure in our books. No further provision for depreciation has therefore been considered necessary. The increase in the bank property item is explained by purchases which have been made during the year.

PROFIT AND DIVIDENDS

As regards earnings, larger resources and increased advances have helped to swell income, but against this have to be reckoned high taxation and rising working costs. After making the usual provisions, the net profit is £513,168 and, with the amount brought forward, we have a disposable balance of £826,424. Of this we propose to transfer £200,000 to our general reserve and to allocate £50,000 to reserve for contingencies. After allowing for dividend payments at the same rate as formerly there remains a sum of £290,784 to be carried to the next account.

OTHER ACTIVITIES

The further relaxation in Exchange Control, permitting as it does a wider use of sterling for trade and travel, has enabled our foreign department to offer more facilities to customers. The growing volume of foreign bills for collection and of commercial credits handled by the department is complementary to the continued increase of both exports and imports. The returning confidence in sterling is also reflected in the higher balances held in overseas correspondents' accounts and in the greater number and value of forward sales to us of foreign currencies.

Our trustee department continues to grow, and recently it has been necessary to transfer the trustee branch in Lancaster to larger and more suitable premises adjacent to our main banking office in that city.

In connection with trustee work, it is perhaps opportune to mention that the necessity of making a will has once again been emphasised by the fact that a special committee has been appointed by the Lord Chancellor to consider the statutory benefits received by a widow or widower in cases of intestacy. Benefits in certain circumstances are inadequate to meet present-day needs and a will avoids these difficulties by ensuring that a testator can himself decide what bequests best suit the requirements of his widow and dependants. Furthermore, the absence of a will may often increase the cost of administering an estate.

The extension of the bank's activities is constantly under review. At present our development scheme is considerably hampered by the difficulty of obtaining suitable premises and also by the restrictions on structural alterations, but we shall continue our policy of territorial expansion when opportunity offers. In the meantime the two new branches in Oxford Street, London, and in Tunbridge Wells, to which I referred last year, are now open.

MANAGEMENT AND STAFF

The memorial in the banking hall at head office to the eighty-six members of the staff who gave their lives in the Second World War was unveiled on March 22nd. A representative gathering, including more than one

hundred and fifty relatives of the fallen, attended the service of dedication conducted by the Bishop of Manchester. Since the ceremony a photograph of the memorial and a booklet containing the Roll of Honour have been sent to the next of kin.

The men who returned from the forces quickly settled down to banking duties and, as a result of special training and their wider experience, a number have been appointed to positions of greater responsibility. For those of the staff holding executive positions we continue to arrange area conferences. These interchanges of views with our higher officials help to solve practical and technical problems which are invariably encountered in the day-to-day workings of the bank. The courses arranged to familiarise our branch managers and accountants with the work at head office and the specialist services of the foreign and trustee departments are proving of great benefit.

The progress of the bank could not be maintained without the loyal co-operation of the management and staff, and I should like to take this opportunity of thanking the chief executives and all who serve under them for the excellent work they have done throughout the year.

A YEAR OF CONTRASTS

During the early part of last year there was considerable disappointment because devaluation was not having as beneficial an effect as had been anticipated. Despite the exchange advantage, export markets were becoming increasingly difficult and indications of a falling demand for consumer goods brought with them a loss of confidence and an expectation of lower prices. Under pressure of these events, which foreshadowed the return of a buyers' market, it did seem possible that a certain amount of progress would be made in regard to disinflation and the tightening up of our economy.

These hopes, however, were not realised, since the deterioration in trading conditions was arrested largely through the astonishing capacity of the American economy to resist the impact of a business recession. To what extent this resilience was due to the continued provision of Marshall Aid, and how much this policy helped to avert a general decline in world trade, it is difficult to say. The outbreak of the Korean war was of such transcendent significance that such speculations cease to have any immediate value. Indeed the consequences of the war are already revealed in a manner which is all too familiar. Rearmament has transformed the scene and once again we are back to a sellers' market. It might be thought that this would be a favourable opportunity for the business world to plan well ahead, but the grave economic and political uncertainties which obscure the outlook make such a course quite impossible.

A universal fear of inflation has encouraged internal consumption in many countries with substantial anticipatory buying by the general public both here and abroad. In addition a number of commodities are in short supply and their cost has risen alarmingly. The position of many producers is indeed unenviable. Every fresh purchase is on a higher level and the long and complex chain of operations which production now involves throws commitments forward to a degree which cannot be regarded without misgivings. The prospect of a recession in demand and a fall in prices sooner or later is not a pleasant one.

SHORTAGES OF MATERIALS

That the future course of world prices is so unpredictable greatly adds to our difficulties. Raw materials, already subject to an extraordinary demand because of the very

high level of industrial activity throughout the world as well as non-commercial buying for strategic stockpiling, are becoming either unobtainable or only procurable at exorbitant prices. In order to afford some amelioration steps are now being taken to ensure a wider distribution of essential materials. Nevertheless, it seems likely that military demands will continue to absorb any surpluses and thus keep up an artificial level of prices.

For our country in particular this problem looms large, since imported food and raw materials are so vital to our economy. It is, of course, circumstances such as these which make it so difficult for us to avoid further inflation, especially when we are confronted with a rising tide of expenditure on rearmament. Admittedly, external assistance may be afforded to us in the form of dollars, raw materials and components, but the main burden of our defence must of necessity be our responsibility.

EFFECTS OF HIGH TAXATION

In the absence of economies in other directions, additional revenue will obviously be required. The renewed inflationary trend will automatically augment the flow of revenue but, to the extent that extra spending on defence exceeds this additional income, by so much will the load on the taxpayer be increased. Further taxation to meet this deficit cannot, however, be accepted as the solution of future problems without having regard to our limited reserves of taxable capacity. Bearing in mind that so much of the nation's income is already taxed away, a heavier burden can hardly be borne by current income and may have to be met largely out of savings. Thus, by its extra spending on defence, the Government would be actively creating fresh inflation.

Beyond this, high taxation impedes productive effort at every turn. It drains off irrevocably a large proportion of liquid resources, thus leading, through an inability to replace much less expand capital assets, to an eventual restriction of production. In this direction lies economic retrogression unless additional capital can be obtained to rectify the position. Unfortunately, however, with heavy taxation the accumulation of private savings becomes almost impossible. Moreover, it would seem that the penal rate of death duties and the deflection of their proceeds to defray current Government expenditure steadily reduce the capital resources of the country. In view of the consequences of heavy taxation and its misapplication, it appears likely that any additional demand will still further run down real capital assets and retard production at the very time when it ought to be greatly accelerated.

MORE PRODUCTION AND ECONOMIES

Such a strain should obviously be avoided, but other steps will also be necessary if economic stresses are to be prevented. In the first place there must be a big increase in human effort, since hard work can go a long way to increase output from the limited productive resources at our disposal. Also vital to increased production is the full use of expensive plant and machinery, the tapping of marginal sources of labour, the elimination of concealed unemployment and the driving force of more efficient management.

Whilst such measures as these will greatly help to maintain economic stability and check inflation, we must also give serious attention to Government spending. This is already far too high. Now, in addition, we shall have to face the new inflationary pressures which will result from an ever-growing rearmament programme. How, then, can we continue our present budgetary extravagances when the diversion of manpower and materials to defence will so greatly add to

the Government's outgoings, and when the simultaneous drive for exports will so sharply curtail production for the home market? What can this mean but an increased capacity for both public and private spending when there are fewer goods available in the shops? Plainly these are conditions which call for most vigorous retrenchment in all forms of unproductive public expenditure. In particular, the authorities should avoid all unnecessary outlay on capital projects and thus restrain the ever-increasing Government activities with their ugly offspring of directions, regulations, rules, orders and other interferences from whose coils, Laocoon-like, we struggle to be free.

A STABLE EXCHANGE

The urgent need for implementing all possible measures to uphold our economy is not lessened by the noticeable improvement in our balance-of-payments position, since we should be unwise to assume that certain contributory factors will continue to work in our favour. For one thing, although our income from invisible exports may continue its gratifying increase, its upward movement can hardly be expected to offset the future strains our full defence programme will impose on our visible trade. For another, it is the stockpiling in America, necessitating as it has imports of high-priced sterling products—incidentally greatly increasing our obligations to the Sterling Area—which has contributed so much to our increased gold and dollar reserves. More especially, the favourable position has been achieved by a reduction of our imports from America, although part of this saving has only been possible because of the help afforded us by Marshall Aid.

In our present strength, therefore, may lie our future weakness. Stockpiling by the United States cannot go on indefinitely and we might be wise to allow for some diminution. Moreover, whilst there may be a demand for our exports, rearmament will begin to interfere with their supply. Depleted stocks and a lack of raw materials are likely to restrain the available productive capacity of our export industries. Our deferred purchase of dollar imports also means that we have yet to replenish stores in readiness to meet future requirements, and at higher prices than would have been paid earlier.

Having regard to future purchases whether for defence, export or domestic consumption, there is an obvious advantage in revaluing the pound. But against this there is the disadvantage that revaluation would make our exports more expensive, although the need to increase our sales abroad would still remain. Temporarily, as a result of the high level of world trade, we might find a keen demand for our products and thus enjoy the dual benefits of revaluation but, since we have no reason to believe our economy is any less rigid than when we depreciated sterling, any present upward adjustment of the pound would be followed by a readjustment as soon as trade took a downward turn. Could there be anything more damaging to our relationship with the Sterling Area and to our present and future need for dollar capital investment than a constantly fluctuating rate of exchange? Could there, moreover, be anything more harmful to international trade than an unstable pound?

Much more practicable than the revaluation of sterling is that we should aim at freeing it from as many existing encumbrances as possible. We should do this, not only because it is a desirable objective, but also because the more sterling can be pressed into use the better will be the prospects for our overseas trade. Greater freedom for sterling would, in addition, be a challenge to the rigidity of our economy. In particular some relaxation of Exchange Control would force upon us the long-term need for exports at competitive prices.

THE COTTON INDUSTRY

Faced with the complications caused by rearmament, a certain degree of emancipation of the pound would test the efficiency of all our export industries. In this connection, however, the cotton trade would have its special problems. Because of the shortage of American cotton, the demands upon Lancashire's skill in using other growths have become infinitely greater. Whatever can be achieved in this way, the lack of adequate supplies from the United States must inevitably constitute a serious handicap to producers. The rearmament drive will also increase the trade's difficulties in attracting labour, since other vital industries will exert every effort to add to their own manpower. These factors, together with larger Government contracts for the Services, will make it particularly hard for the cotton trade either to step up the volume of exports or to restrain prices.

Admittedly, many of Lancashire's difficulties are unavoidable. Their number, however, is unquestionably increased by such elements of our economic and financial policy as are represented by the utility scheme and purchase tax. A much greater flexibility in utility specifications and more latitude in regard to ceiling prices would provide further

scope for increasing output, for the home market as well as for exports. Purchase tax, designed to curb inflation, now has precisely the opposite effect. As the prices of raw materials and the costs of production increase, so does the amount of purchase tax. Particularly serious to cotton manufacturers is the fact that, as prices become prohibitive through the spiralling effects of purchase tax, there is a falling off in demand for quality goods in the home market. As a consequence, producers for overseas markets are not able to experiment with new fabrics and designs since, if the goods fail to catch the fancy of the foreign purchaser, they cannot easily be absorbed at home. A reduction of purchase tax on non-utilities would therefore lessen the risks for manufacturers producing specialities for export. It would, by the same token, encourage them to develop new lines as they ought constantly to be doing if they are to keep in the van of the world's textile industries.

In the course of my remarks I have made references to the aid which has been afforded to this country by America under the Marshall Plan. I should, however, like to add a special word of appreciation and thanks for this act of generosity which has contributed so much to our economic recovery.

THE CARDIFF MALTING COMPANY, LIMITED

INCREASED SALES AND PROFITS

BONUS ISSUE APPROVED

MR L. NIDDITCH'S STATEMENT

The sixty-fourth annual general meeting of The Cardiff Malting Co., Limited, was held on January 16th at the New Inn Hotel, Pontypridd, Col. Sir Gerald T. Bruce, K.C.B., C.M.G., D.S.O. (vice-chairman), presiding in the absence abroad of Mr L. Nidditch, F.F.S. (Eng.), F.V.I. (chairman and financial director).

The following is an extract from the statement of the chairman circulated with the annual report and accounts for the year ended September 30, 1950:—

Ladies and Gentlemen, I have pleasure in presenting the accounts for the year ended September 30, 1950, and I feel confident that shareholders will agree they are satisfactory, considering the difficult trading conditions which confronted us.

It is with great regret that I have to advise you of the fact that after twenty years of close connection with your company, Colonel Sir Gerald T. Bruce, K.C.B., C.M.G., D.S.O., your vice-chairman, no longer feels able, owing to advancing years, to offer himself for re-election to the board of directors. I feel bound to express my sincere gratitude to Sir Gerald for his friendly co-operation and advice in connection with occurrences of past years, and I feel sure that shareholders will join with me and the rest of the board of directors in appreciation of his wise counsel and sober solid judgment at all times. We wish Sir Gerald all happiness and contentment in his retirement.

PROFIT AND LOSS ACCOUNT

The barrelage sales of the brewing industry as a whole decreased by several millions, and as the gravity of beer was still restricted to that of 1945-46 production, less malt was demanded by brewers, although the specific gravity was raised somewhat last April. However, I am pleased to report we

finished up the year with a slight increase in sales, both in volume and money values.

As you are all obviously aware, rising costs in all directions somewhat affected our gross profits, which is part of Government policy as to restriction of profits.

APPROPRIATION ACCOUNT

The balance of trading account amounted to £36,134, as against £34,924 for the previous year, although the latter was a record for the company and the 1946-47 period was a peak year for the brewing industry. The sum set aside for depreciation is £1,254 and directors' and management remuneration absorbs £2,763, taxation requires £18,500, the balance to appropriation account is £14,570.

Your directors recommend a final dividend of 10 per cent., less tax, making a total of 17½ per cent., less tax, for the year, which is equal to that of the preceding two years, although the capital is now 10 per cent. higher than last year, because of the bonus issue. In addition, your directors recommend a cash bonus of 2½ per cent., less tax. A transfer of £500 to the staff pension fund will, I hope, be approved, thus helping to maintain good relations between employees and management. We again propose to place £5,000 to general reserve.

BONUS ISSUE

Your board also recommends a bonus issue of 12½ per cent. from the capital reserve account, by way of an issue of ordinary stock on the basis of one 5s. stock unit for every eight units held as at the date of the annual general meeting. The liquid cash and reserves are healthily related to the paid-up capital, and the new shares should not be a burden, but should be considered as a legitimate step towards bring-

ing the working paid-up capital into line, hence making the balance sheet more realistic. Stockholders who subscribed in 1947 at 17s. 9d. per unit when the company was made public, are in a position where their holdings now cost them 14s. 4d. for each 5s. unit, after taking into consideration the proposed bonus issue. Dividends have been maintained as then contemplated; we have "ploughed back" considerably more than the share bonus issues and the trading position has been really fruitful.

FIXED ASSETS

There is no change in the fixed assets, excepting the automatic sprinkler installation, completed last month after being on order for two years; we have also erected several steel fire-resisting doors: these are a worth-while protection of our large stock and substantial buildings against the risk of fire, ensuring the continuation of the trade and the consequent safeguarding of our interests. Strangely enough, when the matter of fire precautions was investigated by me in 1948, it was discovered that the mains water pressure was so low that, if a fire had in fact broken out, there was no hope but that the buildings would be gutted and completely destroyed. We have now built a complete pumping unit in connection with the new installation.

GENERAL

As your board are closely associated with South Wales and take a close interest in the coal industry and the miners' welfare, it is satisfying to hear that recent records indicate that the British miner has reached 90 per cent. of 1938-39 production figures, which compare more than favourably with the building industry of to-day. Although it is unchallenged that Europeans in most industries produce more per man-hour, it is gratifying to find that we have overtaken the European miner, according to the report of the European Coal Organisation issued a few months ago. Coal demands are still rising in most countries, but the man-power is still unfortunately dwindling, in spite of more humane treatment and better pay in the last two years. Over the last year, man-power has fallen by nearly 23,000 to a low of 690,000 but in spite of this, production is up by 1 per cent. Face workers have decreased from 294,300 to 285,200 and it would appear to me that due to recent greater inflation, other trades are competing more strongly for man-power; the amenities of "city life" also draw miners away from the coal industry.

Absenteeism in the mines is still unfortunately 12 per cent.; this has been the cause of much criticism and has scarcely improved, and has become a worrying problem to officialdom. I have given this matter my own serious consideration, and venture to suggest that, as a nation, we shall have to accept 10 per cent. absenteeism as the minimum to be expected in any future calculations, based on the human element and the hard and trying conditions encountered compared with other trades. The outlet of the inner forces of most men seek relaxation—a few hours' break at the cinema, watching football, rugby or greyhounds. However, there is far less wrong with British mining than coal mining anywhere else in Europe, but, somehow, more coal must be found to keep industry going, and with increased electrical consumption everywhere, the time may come when we shall have to decide if we can really afford to export this valuable commodity.

TRIBUTE TO STAFF

I want to thank my colleagues and all the executive staff and workpeople of the company, and especially Mr Nicol, our managing director, for their industry and co-operation

during the past year, which has been somewhat arduous although interesting and one of further progress.

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

The retiring director (Mr J. I. Reece) was re-elected; the fee of the auditors (Messrs. Jones, Robathan, Thompson and Company) was fixed; and the proceedings terminated

with a cordial vote of thanks to the chairman, directors and staff.

At a subsequent extraordinary general meeting resolutions were passed authorising the capitalising of £11,000 of undivided profits and distributing it as fully paid-up ordinary shares of 5s. each to the ordinary stockholders in the proportion of one such ordinary share for every ten ordinary stock units held.

WILLIAMS DEACON'S BANK, LIMITED

NEW DEPOSITS RECORD: £130,780,000 EXCEEDED

SATISFACTORY EXPANSION OF ACTIVITIES

WORLD CONFIDENCE IN STERLING RE-ESTABLISHED

NEED FOR LOWER TAXATION ON COMPANY PROFITS

SIR WALROND SINCLAIR'S VIEWS ON INDUSTRY AND FINANCE

The annual general meeting of Williams Deacon's Bank, Limited will be held in Manchester on Thursday, February 8, 1951. The following is the statement by the chairman, Sir Walrond A. F. Sinclair, K.B.E., on the report and accounts for the year ended December 31, 1950.

The proceedings at the annual general meeting will be restricted to the transaction of formal business and I propose to continue the practice of recent years in issuing a brief statement on the bank's affairs in advance of the meeting.

During the year we have suffered a great loss by the death of Lord Bradbury, a former Secretary to the Treasury. Lord Bradbury had been a director of the bank for over twenty-five years and during the whole of that period he had placed his great knowledge and experience unreservedly at the service of the board. We mourn the passing not only of a distinguished public figure but also of one whose personal qualities endeared him to us all.

At the end of the year Mr Harold Bradburn decided, to our very deep regret, owing to advancing years, to retire from the board. Mr Bradburn has served the bank for no less than sixty-two years and joined the board twelve years ago on retiring from the position of general manager. His experience and ripe judgment have been a source of strength and I am sure you would wish me in your name to place on record our deep appreciation of his services to the bank.

From the report you will notice that we have during the year appointed Mr Leslie Roberts, C.B.E., a member of the board and his wide experience has already been of great assistance to us. I offer him, in your name, a cordial welcome.

In your name I would also like to offer our heartiest congratulations to our colleague, Sir Eric A. Carpenter, on the honour of Knighthood which was recently conferred upon him in the New Year's Honours List.

On another page of the report you will see that Mr A. H. Allman has been appointed an assistant general manager and we feel every confidence that he will be equal to his new responsibilities.

A further item of domestic concern of which you will be interested to learn is that during the past year we have acquired a property in Cheadle, Cheshire, where it is our intention, after making the necessary arrangements, to set up a residential training establishment which we hope will be of benefit to the members of the staff.

RECORD DEPOSITS

I now turn to the accounts, from which you will see that deposits at £130,783,053 are almost twelve million above last year's figures and are a record for the bank. I should perhaps add that they were on the last day of the year somewhat swollen by special balances held temporarily for certain customers.

On the assets side, the liquid items, namely cash, balances with other banks, money at call, discounts and Treasury deposit receipts, amount in total to £63,857,132 which exceeds 48 per cent. of our deposits. Official policy during the year has been to continue to reduce the total of Treasury deposit receipts and to increase the issue of Treasury Bills in their place. As a result, this bank's holding of Treasury deposit receipts which last year stood at £16,500,000 is now reduced to £9,500,000 and our discounts, largely of course Treasury Bills, have been increased by £4,191,216. British Government securities at £36,884,062 have also increased.

Advances at £31,096,920 show an increase of £6,263,424. An increase in advances has been, of course, the common experience of the clearing banks, and I shall touch on this subject later.

PROFIT AND APPROPRIATIONS

Our net profit, after making the usual provisions (which include contributions to staff pension and widows' and orphans' funds and appropriations to contingencies account) is £260,384, that is an increase of £2,548 on the year. This, with the balance of £145,685 brought forward, gives a total of £406,069 to be dealt with. After transferring £150,000 to pension fund (in addition to the usual allocation referred to above) we propose to pay dividends at the rate of 12½ per cent. on the "A" shares and on the "B" shares and to carry forward to next year £127,163. I am sure you will feel that these results may be regarded as very satisfactory.

During the year we have opened branches at St. Andrew's Dock, Hull, and Radcliffe, Lancashire, increasing the total of our offices now open to 209.

Perhaps the most satisfactory development during the year 1950 has been the re-establishment of world confidence in sterling.

CLOSURE OF DOLLAR GAP

The announcement that our gold and dollar reserves had reached £984 million at the end of September and increased further to £1,162 million in December was most

welcome and was widely held to vindicate the devaluation of a year earlier. The Chancellor's intimation in December that Marshall Aid was to be suspended from the beginning of 1951 apart from allotments already made, was hailed as an indication that the dollar gap had been closed. In paying tribute to the great generosity of the American people, who have in this disinterested way empowered this and other European countries to effect a rapid recovery from some of the worst effects of the war, I may perhaps also add that the suspension of Marshall Aid will bring in this country a feeling not only of gratitude to our friends in America but almost of relief in the realisation of the fact that at last we hope to be able to pay our own way.

Without wishing to be pessimistic, however, I should like to observe first that we should not allow ourselves to be lulled into a false sense of security by the figures of these reserves, and secondly that it should be borne in mind that the dollar gap has been closed to a large extent through circumstances entirely outside our control. It should never be forgotten that our gold and dollar reserves constitute the reserves of the whole of the sterling area, some members of which now have a large dollar surplus. This surplus is, of course, included in the reserves but increases the sterling balances on current account in this country of those members of the sterling area, who will want payment in due course. This almost certainly must take the form of either visible or invisible exports from this country—inevitably more difficult to provide as rearmament gathers way—or of goods from dollar sources, which reduces the reserves. It should also be borne in mind that American stockpiling and the high level of internal prosperity in the United States have been largely contributory to the state of our reserves, though restriction of dollar imports has played an important part.

DISTURBING PRICE INCREASES

It will be recalled that last year I remarked that devaluation inevitably involved a worsening in our terms of trade. During 1950, however, there has been an intensification of that worsening due to the literally unparalleled increases which we have witnessed in the cost of most basic raw materials. These disturbing increases are too well known to need quotation but they pose problems, some of them fundamental for this country, grimly intensified by the way in which current world prices of manufactured goods have failed to keep in step with those of raw materials. The index of value of imported raw materials, for instance, has increased by 57 per cent. since September, 1949, the date of devaluation, whereas that of exported manufactured goods has only risen by 9 per cent. since the same date.

As a result of stockpiling, in addition to the difficulties of high prices in the closing months of 1950, the spectre of an actual shortage of raw materials has come closer and closer. Such a development would, of course, retard rearmament, slow down production and produce unemployment. It is doubly unfortunate that at this juncture the possibility of an actual shortage of coal in these islands has arisen.

Indeed, some measure of appropriate allocation of raw materials by means of collective agreement is absolutely indispensable if the Western economies are to reach the level of productivity which the rearmament programme demands and therefore the Government's announcement in this connection following upon the Prime Minister's visit to President Truman was heard with relief in industrial circles. This involves, of course, the retention and even the reimposition of some controls.

The rise of prices, particularly raw material prices, has inevitably brought

further demands for bank advances, as the figures in our balance sheet show. It has further thrown into high relief the fact that British industry viewed as a whole is probably under-capitalised. Heavy taxation from 1940 onwards has largely prevented an adequate ploughing back of profits, while during the whole of that period the buying power of money has diminished.

As a consequence, a great many companies—large and small—now find the ratio of their liquid capital to their turnover less than it was ten years ago. It is in these cases that the finance of raw materials at present prices tends to create a problem and in some cases a strain, and the replacement of capital equipment remains an ever-present preoccupation.

While one is grateful for the initial depreciation allowances as increased in 1949 they, of course, merely bring forward an advantage and are to that extent only palliatives—the true remedy is and must be lower taxation on company profits or at least on profits ploughed back into the business.

As I have said, the year has seen a further demand for advances, and there does not appear to be any probability in the immediate future of any reversal of this trend. As you know, the banks direct their loans in accordance with the policy of His Majesty's Treasury.

INCEPTION OF THE EUROPEAN PAYMENTS UNION

The year has also been notable for the inception of the European Payments Union, which is a courageous attempt to arrive at a state of multilateral trade over an area which in addition to including all the Western European countries includes their associated monetary areas as well.

The object is to achieve transferability of European currencies one with another on current trading account so that only the net difference of the trade between all the countries has to be settled. Participants also undertook after January, 1951, to avoid discrimination in respect of any products as between one member and another.

The scheme came into operation on July 1st, and 60 per cent. of the imports of the participants were by agreement within its agis. After February 1, 1951, that figure will be increased to 75 per cent. A large fund for working capital was provided from Marshall Aid funds and was augmented by certain debits accepted by this country, and by Sweden and Belgium of which the largest debit was our own. Each country is allowed a quota of drawing rights representing roughly 15 per cent. of the country's payments and receipts in 1949. Actual settlement of differences is by a carefully worked out scale in which a certain proportion of gold appears. This country, by special arrangement with the United States, is protected against gold losses arising from drawings on old sterling balances by member countries.

The position at the end of five months working was dominated by the great surplus built up by this country, in spite of the initial debit, and by France, and by the big deficit accumulated by Western Germany. Gold has in consequence moved, a consequence that was not expected in the early stages. It must, however, be remembered that the scheme has had to bear, almost at its inception, the abnormal developments in world trade occasioned by the Korean outbreak. In addition, the surplus accruing to this country is to some extent seasonal and is moreover abnormal inasmuch as it arises out of the high prices obtainable for commodity shipments from the rest of the sterling area. To the extent that the surplus arises from the high prices of these shipments it means, as I have said, that those members of the sterling area who have supplied the commo-

dities will feel entitled to ask for exports from this country to a corresponding degree.

DETERIORATION IN INTERNATIONAL RELATIONS

In business generally, the year has not been without its difficulties, the chief of which has been the uncertainty caused by the steady deterioration in international relations which came to a head with the events in Korea.

In these circumstances it is difficult to regard the future in anything but a sombre light in spite of the very satisfactory export figures. In a time of worsening terms of trade and difficulties with raw materials, we have somehow to maintain the necessary rate of rearmament.

In this country, as I said last year, our most crying need is for a less rigid taxation system. The present system does not afford that reasonable incentive on which efficiency so much depends, and the Royal Commission which is to investigate the present arrangements for taxing profits and income has a most important and urgent duty to perform. We are the most heavily taxed country in the world and are paying practically four times as much per head in taxes this year as in the immediate pre-war years. Compared with 1939 we have few taxable reserves left.

REARMAMENT PROGRAMME

It is against this background that the costs of rearmament should be considered. Those costs must come out of the current national income if serious inflation is to be avoided. They must do so either by means of increased taxes or by a reduction of some of the other items of Government expenditure. Admittedly rearmament means that there can be no lightening, at the moment, of the taxpayers' burden, but the time has come when it should be clearly stated that a condition precedent to any increase in taxation at all should be the severest overhaul of Government expenditure and every possible economy should be made there before the heavily burdened taxpayer is called upon for more.

A year ago I voiced my apprehensions as to the wisdom of the nationalisation of the iron and steel industry. Since then this has been carried a step further and the industry is to be taken over on February 15th. The method to be employed in this case is different. The steel companies are to remain in existence but the change in direction cannot but be disturbing at a time when the greatest possible freedom from disturbance is vital to the national economy and the rearmament programme in particular.

The iron and steel industry has done particularly good work in re-organising itself since the war and the improvements in plant are now showing impressive results in ever-increasing production records—steel production in 1950 at 16,293,000 tons has comfortably exceeded the upper target mentioned in the Economic Survey, and pig-iron production will be up on last year.

THE COTTON INDUSTRY

The cotton industry remains prosperous and the seller's market, which before devaluation in 1949 seemed to be tending to disappear, has been re-established by that measure and by, of course, the altered circumstances induced by the outbreak in Korea. Order books are full for a long time ahead and yarn production has broken all post-war records. The question of the supply of raw material may raise its head here, particularly the right kind of raw material. The number of operatives in the mills has slightly increased. On the whole, this presents a most favourable picture but it should not be thought that rearmament itself will guarantee immunity from competition to the cotton trade in overseas markets.

In all areas served by the bank favourable reports indicating a high level of activity

reach us, and as far as the bank itself is concerned it gives me pleasure to say that there has been a satisfactory expansion in our activities and in our connections. In particular the foreign departments in Manchester and London have passed an arduous and successful year.

In conclusion, I must take the opportunity on behalf of all members of the board and of myself, to express to Mr King, our general manager, to the assistant general managers and to all members of the staff throughout the service our best thanks for the devoted efforts they have made during the year and our warm appreciation of their keenness and efficiency.

HAROLD HOLDSWORTH AND CO. (WAKEFIELD)

SATISFACTORY PROFIT

The twenty-first annual general meeting of Harold Holdsworth & Co. (Wakefield) Limited was held on January 15th at Wakefield. Lt-Colonel J. C. Day presided in the absence of the chairman, Colonel Lord Barnby, C.M.G., C.B.E., M.V.O.

The following is an extract from the statement by the chairman:

You will have seen from the consolidated profit and loss account that the combined profit amounts to over £180,000 which I trust will give you as much satisfaction as it does to your directors. The factory extensions at the Scottish subsidiary, together with the completion of the installation of new plant and machinery, have enabled that company substantially to increase its turnover. Thus, despite the difficulties experienced on account of the rapidly increasing price of yarn and the lag in the advance in controlled selling prices, a higher profit was achieved. Although there has been no apparent falling off in demand for this company's products, your directors feel that it would be unreasonable to expect a continuation of equally high profits in the future.

On the balance-sheet of the parent company you will notice that there is an item of £10,000, being an item of unrealised inter-company profit against which there is no comparable figure for last year. In previous years the Scottish subsidiary was in a position to obtain adequate supplies of yarn from outside sources. Now, principally due to its increased turnover and the difficulty of obtaining additional outside supplies of yarn, it has been necessary to keep it supplied from the parent company. These increased supplies are now being met by additional new machinery installed by the parent company.

ADVANCE IN WOOL PRICES

Trading during the year has been made more difficult on account of the continued rapid advance in wool prices. What effect this will have on the wool textile industry as a whole is difficult to assess. There is constant concern that current high level of prices will result in reduced demand, but so far, your company has had no difficulty in obtaining orders, either in the home or the export trade. Instead, it has rather been a case of our being unable to take all orders that have been offered.

The future trend of wool prices is equally difficult to predetermine. On the present basis of consumption there appears to be a considerable world shortage. The United States' stocks are still much below normal, and due to events in Korea and general rearmament it will be necessary to import larger quantities. There has, too, been considerable buying on account of Russia at this year's wool sales.

Apart from the uncertainty created by these high prices, the financing of the company's increasing business becomes a con-

stant source of concern to your board. Stocks held by the company and its subsidiaries, while no higher in weight, although conservatively valued, have, as I have said, increased by over £100,000 in value against last year. If the turnover in volume is to continue, this figure will tend to rise still further, and it is principally for this reason that your directors have felt that, even

though the profits justified some increase in dividend, they would be well advised to adhere to the hitherto rate of 17½ per cent., and accordingly conserve your company's resources.

Further extensions have been carried out at Wakefield during the year and additional spinning machinery is still being installed. The report was adopted.

NATIONAL PROVINCIAL BANK LIMITED

SATISFACTORY GROWTH OF BUSINESS

PROFOUND CHANGES IN NATIONAL AND INTERNATIONAL AFFAIRS

PROBLEM OF PROVIDING DEFENCE EXPENDITURE

SIR JASPER N. RIDLEY'S STATEMENT

The 118th annual general meeting of National Provincial Bank Limited, will be held on February 8th at the head office, 15, Bishopsgate, London.

The following is the statement of the chairman (the Hon. Sir Jasper Nicholas Ridley, K.C.V.O., O.B.E.) circulated with the report and accounts for the year ended December 31, 1950:

BOARD OF DIRECTORS

We greatly mourn the death of our late chairman, Captain Eric Smith. A man of strong personality, of few words, of clear thought, of definite decision—his was a valuable character and influence in an age where talk about a problem is, often enough, accepted as an alternative to settling it. He joined the board in 1929 on the retirement of his father, was appointed a deputy-chairman in 1937 and chairman in 1946. With a great record of family banking behind him, he was due for a long term of office in which his influence in the bank and the City would have been more and more felt for the good. His colleagues miss him sadly as a friend and a banker.

At the invitation of the board, I have assumed the office of chairman, and the Earl of Selborne and Mr David John Roberts have been appointed deputy-chairmen. I welcome the support that I shall receive from these two gentlemen who are well qualified by experience in banking and other business activities for their new responsibilities.

Mr C. G. Hamilton, to our great regret, is not seeking re-election. His services to the bank over many years have been conspicuous. All who have come in contact with him have been impressed by his shrewdness, his great memory and his capacity for putting his finger on the spot. We wish to thank him for all the help he has given the bank.

We regret also that Lord Riverdale has been impelled to take the decision not to seek re-election as a director. In many spheres Lord Riverdale's services to the nation have been outstanding. His name will always be associated with the wonderful scheme for the overseas training of Royal Air Force pilots and crews during the last war. For that service alone the nation owes him a deep debt of gratitude. The benefit of his wide experience of commerce and industry has always been given unstintingly to the bank. We shall miss his presence on our head office board, but I am glad to tell you that Lord Riverdale has agreed to continue his office as chairman of our Sheffield local board.

During the past year Sir Austin Low retired from the board after more than twenty-five years' honourable service.

We were very pleased to welcome, as a member of the board, Sir William Fraser who holds an outstanding position in the oil industry.

We offer our congratulations to our colleague, Sir Herbert Merrett, on the knighthood which His Majesty was pleased to confer upon him in June.

Mr Alfred Fowell Buxton, who has been an extraordinary director since the amalgamation of National Provincial Bank and Union of London and Smiths Bank in 1918, has decided not to seek re-election.

MANAGEMENT AND STAFF

We greatly welcome the honour which His Majesty was pleased to confer upon our chief general manager, Sir William Hadwick, who has rendered great service to banking in general and to this bank in particular.

Last year we spoke of our plans for setting up a staff training centre. This has now come into operation and courses are held there which give promise of rendering much assistance to us in the maintenance and development of our standards of banking service.

I would ask your permission to refer to certain aspects of the domestic life of the bank.

The fundamental duty of a banker is to obtain and keep the respect and confidence of his customers and to be shrewd and capable in his application of the principles of banking. In former days the fate of the private banker in a small country town as well as in a big city hung on such things. And so also today does the fate of a great modern bank and its representatives in all its many branches. In effect, if we cannot achieve a high standard of branch managers we cannot achieve a high standard of banking, and we must suffer in the eyes of the public and in our results. But further, it is possible to have good men and yet to place them wrongly, so that the art of placing a round peg in a round hole is of first rate importance.

This importance is most fully recognised by your board of directors, and a great deal of trouble is taken in order to avoid placing a good square peg in a round hole. The process of sifting and choosing, of assessing and interviewing is very thorough and it is certain that many of our shareholders and customers would confirm that the results in the great majority of cases are impressive. We are proud of the general standard of our managers up and down the country, and of the manner in which their careers are watched and their qualities assessed by our general managers without resort to what I beg leave to call the hocus-pocus of the psychological test which was so widely used in the Services during the last war.

It is indeed interesting to observe what a good position the right manager in the right place can achieve for the good of the bank and of himself in a community to which he may have arrived as a complete stranger. There are people who are apt to discourage young men from choosing a banking career on the ground that it lacks scope for character, skill and ambition. Let them think again: for, after all, the proportion of independent commands, some larger some smaller, within the framework of this bank, with its 1,262 branches and offices, is large. None the less, there must always be some who rise higher than their fellows, whatever profession or trade they choose to follow, and fortunately there are many men who are content to run a middle-sized or even a small job well (especially if it is an independent command) rather than fret because fate is keeping the highest from them.

Amongst our pensioners today there are, you may be sure many who look back on their careers with pride and satisfaction, and, if you analyse and question the cause of such satisfaction, it will be found, as often as not, to be the feeling "I've done my job decently and well. I feel that I acted loyally and efficiently for the bank, that I made many friends in the course of my work and that I left a good name in the community in which I lived."

COUTTS AND COMPANY

The balance sheet of Coutts and Company, who have had a successful year, is attached. During the year Mr S. J. L. Egerton has been appointed deputy-chairman.

STATEMENT OF ACCOUNTS

The principal individual item in our accounts is the liability on current, deposit and other accounts. Although under this heading we experienced the usual fall in figures during the early months of last year from the total of over £777 million reached at December 31, 1949, there has been during the last four months of 1950 a steady increase month by month, and the amount shown in the accounts now presented is £838 million. This is an increase on the previous year's figure of £61 million. Whilst this, in a measure, is indicative of the satisfactory growth of our business, it also reflects the unfortunate process of continued currency inflation.

Shareholders will observe that the published reserve funds of the bank have also been increased from £10½ million to £11 million by an appropriation from the year's profits.

On the assets side of the balance sheet, the combined totals of cash items, loans to the discount market and Treasury and other bills amount to over £384 million. That figure is 45.9 per cent. of our deposits; the corresponding ratio a year ago was 38.7 per cent.

Treasury deposit receipts held by us at the end of the year were £59 million, representing 7 per cent. of deposits. At the end of 1949 we held £98½ million of Treasury deposit receipts, which represented 12.7 per cent. of our then deposits.

Our investments in British Government securities and other securities of a similar character are shown at £159 million, a figure less than their market value. The ratio of the balance sheet figure of these holdings to our deposits was 19 per cent. At December 31, 1949, the comparative figure and ratio were £157 million and 20.2 per cent. respectively.

Advances to customers and other accounts in the balance sheet now submitted stand at £246 million, representing 29.3 per cent. of our deposits compared with £230 million on

the same date of the previous year, which represented 29.6 per cent. of the deposits at that time.

PROFIT AND LOSS ACCOUNT

The profit for the year disclosed in the accounts is £1,454,811, which is slightly in excess of the profit of £1,413,126 made in 1949.

In practically every direction, there have been substantial increases in the cost of running the bank. The additional expenses have not been absorbed by wider profit margins, but the bank has been able to meet them out of the additional revenue accruing from increased advances and the larger turnover of business which it has handled.

The amount brought forward from 1949 is £811,703, and adding this to the year's profit of £1,454,811 there is a disposable balance of £2,266,514.

An interim dividend at the rate of 7½ per cent., less tax, was paid in July and accounted for £391,026. It is proposed to deal with the balance in the following manner: to pay a final dividend of 7½ per cent., less tax, costing £391,026; to make an appropriation to the published reserve fund of £500,000 (bringing the published reserve funds up to £11 million) and to carry forward a balance of £984,462.

A YEAR OF PROFOUND CHANGES

The past year has seen profound changes in national and international affairs. Internationally it has witnessed great progress towards common thinking in the affairs of western civilisation—even a few halting steps towards action. The impulse has come from fear, as the dangers from the east have grown more and more threatening, and the Korean war has fully lit up a most ugly landscape. Under this increasing pressure the nations of the west are now ready, or nearly ready, for

such sacrifices of well being, and ultimately of internal sovereignty, as would have seemed unthinkable two years ago.

The inevitable demand for increased expenditure on defence, which, in the circumstances, falls upon our already hardly pressed economy, brings us afresh face to face with the most obstinate internal problem of today—inflation and more inflation, and the rise in the cost of living. After all her wars this country has had to face and to tackle this double-headed monster, and has fared not too badly, although the depreciation in the value of money has proceeded continuously throughout our history, from the days of clipped coinage to the days of skilfully managed currencies. The two great wars of this century have sharply precipitated the decline.

DEFENCE EXPENDITURE

We are now asked to provide some hundreds of millions for additional defence expenditure this year. Some men would say, indeed they do say, "spend less on other things. Postpone to an easier and more spacious day the spending of harassed pounds on other objects, however desirable they may be: in fact, economise elsewhere." But as yet these voices are small and still. Other men—most men, it would appear—say "The State cannot economise. We must consider merely what is the best form of tax to produce the additional funds required."

How indeed are these to be found from the wealth of a nation which is already more heavily taxed than any country in the world, where 43.6 per cent. of the national income is taken by taxation and compulsory insurance contributions. In 1938 the percentage taken was approximately 25: at least there was a margin at that time. Where is the margin today? It is not wholly unreasonable to ask how far will the definite inflation which is with us be cherished and encouraged by this

further buying power which will be handed to Government, while in the material field shortages and controls must almost inevitably recur. Is it really true that a democratic welfare state just cannot economise, just has no alternative but a steady and even swift inflation?

SUPERFICIAL CHARACTER OF SO-CALLED PROSPERITY

It is only when the movement, in all the deceptive colours of increased pay packets, is far advanced that men wake up to the superficial character of this so-called prosperity which is enjoyed by many today. Wage increases, company profit increases—such things sound fine; but ultimately there is nothing but bitterness in them if the good pound loses his goodness.

In a time of assured peace there may be the shadow of a chance of achieving the Utopia which people dream of—high standards of living, few working hours, the state as a good, kind, democratic parent rather than an interfering autocrat. Men dreamed, or even believed, that those things were ready to hand in 1945. But where is the assured peace? Is there not rather a particularly savage cold, or even partly hot, war? Perhaps eventually we may learn from this bitter disappointment that you cannot pluck Utopia as the companion of military victory; that the destruction of war cannot be made good by fewer working hours; that not even the most brilliant thinkers can devise new economic laws which render obsolete the ancient rule that only by work, and more work, can men live and make good the waste of past wars. If as a result of our tribulations we can firmly glimpse this elementary truth, that would indeed be a step forward.

And if also in such a painful return to sanity the planners should become our valuable servants instead of our dangerous masters, well, that would not do much harm.

NOTICES

CIVIL SERVICE COMMISSION

THE CIVIL SERVICE COMMISSIONERS announce an Open Competition for about 15 vacancies in the Statistician Class of the Home Civil Service, to be held in 1951 concurrently with the competition under Method I for the Administrative Class of the Home Civil Service, and with a similar examination except for certain additional subjects. Age limits at least 20½ and under 24 on August 1, 1951, with extension for regular service in H.M. Forces, and, up to two years, for service in H.M. Forces otherwise than on a regular engagement. Salary in London, £400, rising to £750 (men) or £650 (women). Salaries somewhat lower outside London. Prospects of promotion to higher grades.

Further particulars and forms of application obtainable from the Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 3214; completed application forms must be received by him by January 31, 1951.

CIVIL SERVICE COMMISSION

An Open Competition will be held in 1951 for about 30 vacancies in the Executive Class and Corresponding Departmental Classes and the Information Officer Class of the Home Civil Service and in Branch B of the Foreign Service. Candidates must have obtained (or obtain in 1951) a university degree. Age limits, 20½-24 on August 1, 1951, with extension, up to two years, for service in H.M. Forces. Regulations and particulars are obtainable on application (preferably by postcard) to the Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1, quoting No. 3213. The latest date for the receipt of completed Application Forms is January 31, 1951.

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Form of application and conditions of appointment may be obtained from the undersigned.

H. PICKBOURNE, Registrar.

APPLICATIONS ARE INVITED from suitably qualified men for an appointment as Director of Royal Ordnance Factories (Accounts). The appointment is full time for a period of three years.

Main duties of post are to control the accounting and costing organisation of Royal Ordnance Factories (at present comprising about twenty factories). Headquarters office is at Nottingham, S.E.9; factories are in London and provinces. Applicants must have had: (a) good professional experience; (b) recent commercial and industrial experience in preparation and presentation of financial and cost accounts and budgeting control (preferably in a group of engineering factories); (c) experience in control of staff. They should be members of one or more of the recognised professional bodies, but, exceptionally, the application of any candidate who otherwise satisfies fully the above requirements will be considered. Inclusive salary of the post is £2,500 per annum. Travelling and subsistence allowances in accordance with the Ministry's scales will be payable in respect of absences on duty from headquarters. Candidates with the best qualifications will be summoned to appear before a Selection Board in London.

Applications should be made within ten days of the appearance of this advertisement, by letter only, stating age, name and full particulars of qualifications and experience, to Ministry of Labour and National Service, Appointments Department, 1-6, Tavistock Square, London, W.C.1, quoting Reference J.1.5. In no circumstances should original testimonials be forwarded. Only candidates selected for interview will be advised.

CIVIL Service Commission—Administrative Class of the Home Civil Service, Special Departmental Classes, Executive Class (Graduates), Statisticians. The Commissioners hope to hold the written examination in July, 1951, in Edinburgh, Belfast, Manchester, Leeds, Birmingham, Bristol, as well as in London.

Particulars and application forms from Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 3465; completed application forms must reach him by January 31, 1951.

AMATEURS interested in acting or producing Shakespeare in London are invited to write to Box 566.

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January 18, 1951.

T. H. ATKINSON, General Manager.

UNIVERSITY OF LONDON

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Prospectus from the Director of Studies, Department P17.

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Forms of application may be obtained from the Secretary, Lord Haden-Guest, M.C., Leverhulme Research Fellowships, 3-5, Salisbury Square, London, E.C.4.

Applications must be received on or before March 1, 1951. Awards will be announced in July and will date from September 1, 1951.

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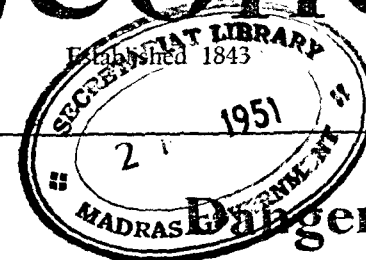
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One Shilling



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Dangerous Corner

THOSE who last week were downcast by the Chinese Communists' rejection of the United Nations' cease-fire proposals have had an ample demonstration this week of how infinitely more dangerous than truculence can be the shadow of a smile on the face of the aggressor. For some reason—either a tardy recognition of how much more mischief they could make by saying Perhaps than by growling No, or perhaps from a less sanguine view of their military chances in Korea—the Peking Communists added a postscript to their earlier reply which appeared to promise the ghost of a chance of agreement to a limited cease-fire. At once everything at the United Nations was once more in confusion. It is not as if the Chinese postscript held out any real hope of ending the Korean affair. Even for the cease-fire conditions were set which will certainly be unacceptable to the United States and ought to be equally unacceptable to all who uphold the principle of not compounding with an aggressor. And even if a cease-fire were agreed "for a limited period," it would not last, for Peking made it clear that it insisted on having its own complete way on all the points at issue. The only difference between the original note and the postscript was that the Communists indicated that they might be prepared to stop fighting before, rather than after, receiving their blackmailer's pay. Nevertheless, by this faint concession, they have succeeded in driving a serious rift between the leading members of the alliance of the free nations. Indeed, for a day or two, until New Zealand and France restored the balance, it looked as if the United States might find itself isolated. The British Government's contribution, in the shape of the Prime Minister's statement on Tuesday, whatever its intention, in fact served rather to widen the rift than to close it.

If it were possible to think only of the present state of the dispute in Asia, then there would be plenty of excuse for irritation with America. It has to be admitted that that irritation is very widespread indeed in this country, and that it affects circles that are normally staunchly pro-American. (It appeared, for example, in one of the bank chairmen's speeches last week.) Emotionally, it originated from the feeling (shared, incidentally, by many Americans) that General MacArthur last autumn abused and betrayed the trust that the United Nations put in him. But it has been raised in pitch in recent weeks by dislike both of the substance of American policy and of the form in which it has been couched. In substance, the United States seems to be deliberately seeking what everyone else is most anxious to avoid, an extension of hostilities in the Far East. The American resolution, for which votes are being canvassed at Lake Success, not only names China as an aggressor, but calls for sanctions—and since military sanctions would be disastrous and economic sanctions ineffective, this seems to the outside world to be mere petulance. In form, American policy seems now to have taken the shape of issuing peremptory instructions to the United Nations by

Congressional resolution and then flying into a temper when they are not immediately obeyed. American readers of *The Economist* know that the United States has no warmer admirer in the world than this journal. We must ask them to take our word for it that great harm has been done to British confidence in America's ability to lead the free world.

But it is the task of statesmanship to rise above the irritations of the moment, to keep long-term objects steadily in view, and to think of the further consequences of present actions. It is in this quality that Mr Attlee's statement of Tuesday was so lamentably lacking. So far from correcting the false emphases of the moment, it seemed to be dominated by them. Those who wish to believe that the British Government, faced with a choice between India and America, has deliberately chosen India, will find every encouragement in the statement. That is not, of course, what Mr Attlee meant. But all the points that he sought to make on the one side were made with force and clarity ("We must give all weight in this Asian dispute to the views of Asian countries"), while all those on the other were muffled and muddled. Incredible though it is, it was only when Mr Churchill prompted him that the Prime Minister added an expression of the desirability of avoiding a rift with the United States, and even then he had to dilute it. He appeared to be trying to say that Britain would vote to accuse China of aggression, but not to impose sanctions—the obviously sensible course to take—but the reference was so vague that it has completely failed to have the effect it might have had in reassuring

the American people on the dependability of their allies.

The dilemma of the British Government is indeed a very painful one. But they will not get out of it by delay and equivocation. The need is for plain speech and loyal action. There is every reason for using the plainest possible language to the Americans—and not merely to the Administration but to American public opinion. But when it comes to action, first things must come first. And incomparably the first thing for Britain is that the Atlantic alliance should hold fast. To base policy on that may, if American opinion continues headstrong, bring misfortunes in its train; but to abandon it will bring disaster, certain, swift and complete. Amid all the fears and frights of this terrible world none would be more awful in its consequences for the British people than an American retreat into isolation. It is true that well-meaning Americans have often asserted that any such retreat is impossible; and perhaps the British Government has believed them to the extent of thinking that the risk can be ignored. But it cannot; and we have the spectacle of a British Government blindly encouraging the very tendency that it ought to fear more than anything else.

The only hope for peace in the world lies in the continued partnership of America and Britain, in which also lies the only hope for this island of surviving if another war comes. The price of partnership is loyalty and mutual forbearance. Let us, by all means, preach that to the Americans. But since our interest in the partnership is even greater than theirs, now is the time to practise it ourselves.

The Cease-fire Debate at Uno

(From a Correspondent)

Lake Success, January 22, 1952

SINCE the withdrawal of the United Nations forces from Bonn, opinion in the Assembly has been veering in favour of the American view that it is necessary to abandon Germany altogether in order to restore peace in Europe. The British delegate, Sir Gladwyn Jebb, has, indeed, continued to press for the condemnation of Russia as an aggressor, arguing that the whole purpose of the United Nations would be stultified if the Assembly refused to stigmatise the Russian invasion of West Germany as an aggression. The American delegate, Mr Warren Austin, however, is urging caution; he maintains that hasty action would not be in the interests of peace and that time is needed to study the latest Russian counter-proposals, which should be given the most careful consideration.

The proposal of the United Nations Political Committee for a cease-fire in Germany, to be followed by a meeting of the Council of Foreign Ministers, was rejected by Russia, who insisted that Russian basic terms for a settlement must be accepted before the victorious Russian volunteers could be advised to desist from their offensive. The Russian demand is that all foreign troops must be withdrawn from Germany and that the internal affairs of Germany must be settled by the Germans themselves; as all German politicians who have not either escaped across the Rhine or joined the Communists have now been shot, Moscow is confident that Herr Ulbricht

will be able to handle the situation without difficulty. The Russians are willing to accept the proposal for a meeting of the Council of Foreign Ministers on condition that representatives of Italy, Iraq and Mongolia are added to it and that the conference is held in Leningrad.

The British army having suffered 50,000 casualties in the fighting in Germany, British public opinion is in a somewhat excitable mood and the Government is being sharply criticised by the Opposition for the ineffectiveness of its European policy. The Prime Minister has pointed out that the RAF cannot be used for bombing beyond the boundary of the British Zone without a decision of the United Nations, but he has promised to do all he can to get the United Nations to declare Russia an aggressor, even though it is generally recognised that no sanctions are likely to be imposed. Opinion in well-informed circles in Washington, however, is that America must be wary of being drawn into an extension of hostilities; it is felt that the British are liable to be headstrong in their reactions to events in Europe and that their old imperial traditions are making them unduly bellicose. The State Department has not yet abandoned its hope of detaching Russia from China, and deprecates any policy which might have the effect of driving Stalin into the arms of Mao.

Senator Bebo has made an important speech at Cincinnati, in which he warned the American people against allowing American troops to be tied up in Europe when

there was such a serious danger of a Russo-Chinese attack on Alaska, Japan and the Philippines. He said it was very unfortunate that nobody seemed to be able to exercise any control over General Eisenhower, who had evidently underestimated the prospects of Russian intervention when he pursued the East German invaders back across the zonal boundary. Everything should be done to restore peace as quickly as possible, so that there should be no damage to the old friendship between the Russian and American peoples. The Russians, he declared, were a proud people who would not long be subservient to the mandarins of the Forbidden City.

A deep impression has also been made by an address delivered to the Foreign Policy Association by Mr John K. Poffenheimer of Adriatic Exports Inc., who told his audience that he had been doing excellent business in trade from Trieste behind the Iron Curtain and that, if only America would do nothing to interfere with Russian expansion, there was no reason why this trade should not go on for a few years longer. He said that Communism in Europe could not be stopped by force, and the sooner Britain realised this, the better.

The Indian Prime Minister has also given a press conference in Mexico opposing the idea of declaring

New Ministries and Old Men

LAST week's rearrangement of the work of government departments was probably subordinate in Mr Attlee's mind to the political necessity of finding a more forceful personality to run the Ministry of Labour. But the shifting of responsibility for housing and local government may have far-reaching effects. There has long been a case for breaking up the administrative empire which the Ministry of Health had accumulated not by logical design but through historical accident. Under Mr Bevan's leadership, the political stresses implicit in the grouping of three important but diverse functions under one roof came to the surface. Mr Bevan threw himself with great energy into launching the housing drive and into initiating the national health service; but the political kudos to be had out of trying to provide every citizen with free medicine and a new front parlour blunted such sense of financial responsibility as he possessed. Having scooped up all the political credit that economic stringencies allowed, Mr Bevan leaves to his successors the awkward task of retrenching public expenditure on health and housing.

Meanwhile, the late Minister of Health's third set of responsibilities—those relating to local government—has been neglected. This is hardly surprising, since the difficulties and the internal wrangles of local authorities have never been matter to attract the politician—although they had a fascination for the more aloof statesmen (such as Goschen) of the nineteenth century. The health of the local government system is vital to the successful administration of the public services, but to allot the dull problems of local government, as well as the colourful opportunities offered by health and housing, to one demagogic Minister is to make sure that the former will be ignored.

There is no doubt that over the last five years the status of local government has declined. The symptoms of this are not merely the transfer of certain local govern-

Russia an aggressor. The Russians, he said, had suffered great humiliations in the period before Peter the Great, and naturally it would take them a long time to get over it; they were very sensitive to criticism and, if they were to be branded as aggressors simply because they had committed an act of aggression, it might spoil the chances of peaceful negotiation. The Indian delegation in the Assembly has been taking a similar line with the support of the bloc of Asian and Arab countries.

The latest news from Germany is that the Russians have crossed the Rhine on a broad front and that an armoured spearhead has penetrated into Aachen. The Political Committee of the Assembly has today voted for an adjournment to consider Mr Vyshinsky's clarification of the Russian terms for a cease-fire. Sir Gladwyn Jebb strongly opposed the adjournment, declaring that the new Russian statement was a transparent attempt to divide the free world and delay the exercise of the pacific functions of the United Nations. Mr Warren Austin, however, urged that delegates must have time to consult their governments about the "new situation" and said that in the opinion of his Government the United Nations "should not at this stage take a new and important decision."

ment functions—of which responsibility for the hospitals is the most significant example—to boards appointed by the Minister. Even more destructive, in the long run, of the best traditions of local government is the crushing effect of the ever-widening range and volume of departmental controls. The original purposes of central control over local government were sound enough. The Government must require subordinate organs to conform with its economic plans; it was also a perfectly proper aim to make sure that all local authorities bring their services up to a satisfactory, nationally-determined standard. The trouble is that, over the last five years, these "minimum standards" have been pushed up too high, so that local authorities have their work cut out trying to do what the Government requires of them—which is often more than is compatible with all the other demands on the country's resources that the Government sponsors. The further result is that no scope is left (as it should be) for the progressive local authority to prove its efficiency and to experiment in new directions. The egalitarian philosophy of Socialism has been converted by Whitehall into an administrative uniformity and fussiness that has to be experienced to be believed.

Not the least of the consequent evils is the growth of a debilitating belief among the general public that the "expert in Whitehall" must necessarily know best. The healthy influence on local administration of what Bentham called the "lay gent"—typified today by hundreds of very ordinary and frequently ignorant local councillors—is being lost. The councillor cannot exercise much influence over an officer who is frequently himself under orders from Whitehall. The machinery for adjusting the working of the public services to take account of the wishes (and the prejudices) of the normal citizen is rusting over.

Mr Bevan has also failed to solve, or even to ameliorate, the tricky problems of local government areas and

functions. It is sixty years since the present structure was established, and in that time the public services have expanded out of all recognition. The postwar needs of reconstruction and of a further large development of the social services have shown the cracks in the framework of local government. At some points it has been superseded, at others it is working badly. Many county boroughs are nursing the grievance that their urgent claims for boundary extensions have not been granted—as they cannot safely be, without some change of system. The Local Government Boundary Commission, set up in 1945, produced a skilful plan of reform. Mr Bevan's only contribution has been to shelve this plan and to snub and then dismiss the commission. There can be little doubt that the public services would today be running better and costing less if these problems had been tackled at an earlier date.

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The measure of Mr Bevan's failures now becomes the measure of Dr Dalton's opportunity. The new arrangements group together town and country planning, housing, and local government in a new Ministry of Local Government and Planning. Its title is something of a misnomer. "Ministry of Housing and Planning" would be better—save that it might mislead the public into the belief that a new housing drive was starting. Names apart, the new Ministry is a more sensible combination than the old Ministry of Health. Under modern conditions housing has more to do with town and country planning than with health. The national health service is now matter enough for one department. Its Minister ceases to be a member of the Cabinet. The criticism of the new arrangements must be that in one sense heterogeneity has simply been transferred. What has been created for Dr Dalton is a new "omnibus" department of disturbing size. It is difficult to see why, when functions were being redistributed, Mr Attlee did not take the opportunity to transfer housing, as has often been suggested, to the Ministry of Works.

As it is, Dr Dalton takes under his wing a highly awkward set of responsibilities. If he makes good, he will be a much better statesman than most people have supposed. He will no doubt follow Mr Bevan in fighting hard in the Cabinet for the claims of the housing programme, but in practice he can hardly avoid pruning it to meet some of the requirements of rearmament. But it is not a pruning that can be made effective by simple cuts; to get the best possible value out of such resources as are available Dr Dalton will have to reverse his predecessor's policy at several points. It is important, however, that these more political preoccupations should not crowd out the other tasks. Dr Dalton has to breathe new life into local government and to undo at least some of the damage of the last five years. This means, in the first place, that the new Ministry should reduce the flow of orders and counter-orders to local authorities, and should refrain from the supervision of every penny of local expenditure. It means, in the second place, that the problem of local government reform must at last be tackled—quickly and with determination. These dealings with the local authorities will call for an unusual combination of firmness and tact on the part of the Minister; and tact, unfortunately, has never been one of Dr Dalton's conspicuous qualities.

Finally, Dr Dalton now has an opportunity to restore the tattered fortunes of town and country planning.

Great hopes—the result of three famous reports and of a series of imaginative and popular plans for rebuilding the cities of Britain—were entertained about the possibilities of physical planning after the war.

These hopes have been sadly falsified. The failure has not come from any lack of legislative powers. A large part of the time of the last Parliament was spent on three major Acts dealing with town and country planning. The Government asked for and got extensive powers to control every aspect of land use. An elaborate administrative machinery was set up, functioning at the national, regional, county, sub-county, and county district levels. Yet all that penetrates to the private citizen is frustration over the difficulties of getting planning permission and of annoyance at being taxed for undertaking improvements. The positive, constructive side of the planning schemes remains on paper.

There are, of course, many reasons for these disappointments, not least among them being the economic exigencies which have held up the whole work of reconstruction. It may still be premature to condemn the whole town planning machinery root and branch. But Dr Dalton will have to recapture public approval quickly, if wholesale condemnation is to be avoided. He has one new administrative advantage. As originally constituted, the Ministry of Town and Country Planning was a mere ghost of the "central planning authority" recommended in the Barlow report. In theory, it was responsible for the co-ordination of all forms of land use. In practice it was a poorly staffed and junior department, isolated at the periphery of public affairs. The last Minister, Lord Silkin, had no seat in the Cabinet. He was in the position of a general planning a campaign without any troops under his control. The senior Ministers responsible for the actual development of housing, industry, and transport could—and did—cock a snook at his plans.

Dr Dalton, from his eminence in the Cabinet, is in a position to do better than that. The addition of housing to his responsibilities should at least mean that the houses go up where the plans say they should. It will take much more than this to make his Ministry a success. Dr Dalton is known to be an enthusiast for town and country planning; but, like Mr Bevan, he loves the political limelight. He can be envisaged walking the Pennine Way, lighting a beacon on the top of Snowdon, and presenting a golden key to the citizens of Harlow. But will he have the sense and the courage to lighten the controls on the ordinary citizen, to amend the unpopular financial arrangements of the 1947 Act, and to produce plans that are realistic and not Utopian? It remains to be seen.

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The Weapon of Publicity

PARLIAMENT is about to be presented with the bill for Britain's rearmament. In anticipation of the size of the sum to be found, a demand for economies has already gone out to departments. Invariably, when cuts are called for, the pruner's eye lights on the government's information services. They are the butt of so much uninformed criticism that they are a prime target, partly out of native distaste for publicity, but largely because they show so little visible return for their cost. Fingers can point, in the current year's estimates, to an outlay of £16 million, of which about two-thirds, or £10.8 million, is being spent on publicity overseas. No matching returns can be quoted because these are either imponderable, or else are buried in the takings of other departments. The chances that overseas publicity will escape a cut are, therefore, small. But before this is administered, as a contribution to the cost of armaments, the role of publicity as a weapon of war and of cold war ought carefully to be considered. Is it logical to prune for rearmament purposes services which, if experience in the last war is anything to go by, are worth running as a weapon in themselves?

Britain's present overseas information services are largely run by three bodies—the BBC, the British Council and the Foreign Office Information Service. These are served, where necessary, by two centralised production departments, the Central Office of Information and the Stationery Office. The £10.8 million already mentioned is divided as follows between these bodies:—

Estimates 1950-51		
	£	£
BBC Overseas Service		4,685,000
British Council		3,052,450
of which Foreign Office grant ...	2,226,000	
Colonial Office grant ...	450,000	
Commonwealth Relations Office grant ...	376,450	
Foreign Office information		2,292,750
Other (principally Colonial Office, Commonwealth Relations Office and Board of Trade)		791,750
Total		£10,821,950

The figure is large, but it must be examined with a sense of proportion. It is less than 1 per cent of the rearmament programme announced last August. Money comparisons are invidious because of the rising cost of everything from equipment and maintenance to authors' and artists' fees, paper and printing; the large sum for the present year buys less, in the way of services and equipment, than did the corresponding figures five years ago. Moreover, the estimates have had to meet the higher sterling cost of many foreign operations that followed from the devaluation. But, if these facts are borne in mind, one or two comparisons with past years are illuminating. For instance, the BBC in war years such as 1943 and 1944 was spending £8,400,000 on all broadcasting, of which 60 per cent was officially estimated to be "on behalf of the war effort," and was buying for that outlay 750 transmitter hours for overseas broadcasting; only 400 such hours can be afforded out of its grant to-day. The British Council, which in the last year of

the war was thought to be worth an allocation of £300,000 to spend in Turkey, is this year given £85,000 and with it can run only a fraction of the same activities.

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There are often questionings about the division of labour between the different services. In particular, there has been much criticism of the arrangement between the Foreign Office and the British Council which allocates political publicity to the one and cultural publicity to the other, but leaves in between a wide no-man's land of general subjects in which the former is supposed to handle the masses and the latter the élite. Such a division offers obvious scope for overlap, quarrel and trespass; but in cold war conditions, it offers one great advantage. It facilitates switches from near-peace to near-war organisation. For whereas the British Council, with its long-term educative activities, yielding their return in habits of liking British ways and buying British goods, is the obvious peacetime priority, the Foreign Office service, with its concentration upon day-to-day channels of publicity, is far more akin to the services that are needed in near-war. The Council can earn peacetime dividends by promoting travel for the ballerina who causes North America to buy British frocks, or the scientist who by introducing British methods of anaesthesia generates large and immediate orders—as happened in Italy—for British medical equipment. But at the other end of the scale—that is, in war—considerations of manpower, materials and transport reduce or even preclude these services at the same time as they heighten the need for overt and covert political propaganda. It follows that, in cold war conditions, the British Council still has its place, but the role of the political publicity expert in the Foreign Office and the BBC is rising in importance: for he constitutes the nucleus for development not only of overt propaganda to the free world, but of political warfare.

Despite jamming, BBC transmissions to occupied Europe in the war served an indisputable purpose; the BBC now needs to run corresponding cold war services not only from London to satellite Europe but from Singapore to satellite Asia; its programmes to the armed forces overseas are important factors in sustaining morale. In the event of war, it must be in a position to transmit from home in spite of bomb damage and accident; it must be insured against these risks by the possession of plentiful equipment. Again, the last war taught the lesson that publicity is a profession and that trained staff is not quickly come by. No opportunity for real economy should, of course, be missed; but if cuts are to be made, they should be decided upon in full knowledge that the money saving to be effected will be small in relation to the cost of weapons for a shooting war and that a big publicity organisation can give value for money in a cold war as in a hot.

If cuts are to be made, the first thing to ask is whether the money at present spent is being well spent. Both the British Council and the Central Office of Informa-

tion have respectively been the subject of three inquiries on this score. After some adjustments the Select Committee on Estimates and the Organisation and Methods Division of the Treasury now seem fairly satisfied with the way in which they spend their funds. The Foreign Office Information Service will be examined in 1951.

As for the BBC's Overseas Service, it is rightly not subject to direct Treasury control. No one hears the whole of it and it is, therefore, subject to little or no independent criticism. There is a case for devising a better method than at present exists for checking and controlling a costly service. But there is no reason to alter the whole system that has just been endorsed by the Beveridge committee.

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The least effective way of securing economy would be an all-round cheeseparing of services and sections. Greater saving is effected for less effort if a whole section of activity can be cut, either by restricting the field to which information is directed, or else by dimming the picture through the elimination of one entire medium of publicity. Given the shape and nature of cold war, the first seems the more desirable course. It might be reasonable to cut out certain countries altogether on the ground either than they cannot hear what is said, or that, in any event, they are likely to be on the side of the free world. The British Council's work behind the iron curtain falls into the first category; many services to the older Dominions and to Latin America fall into the second. To cut out one whole medium of publicity is a more doubtful venture because audiences all over the world are not made to a single pattern. Some are best tackled by one medium, some by another. Films, for instance, are an expensive publicity medium (though few or none are now made specially for overseas); but to eliminate them

would be the reverse of profitable when combating the gospel of communism among the half-awakened peoples of Asia and Africa.

It is fatally easy for established services to argue against cuts in their spending money as automatically as the preacher argues against sin. This article is not written with any such object in mind. But the suggestion can be made that, if and when the axe is brought down on the overseas publicity departments, it should be wielded not simply to save money, but in a manner that will serve rearmament's purpose—that is, the purpose of maintaining peace through strength. Unfortunately, the publicity services concerned form no common front. Since the death of the Ministry of Information, they have lacked a central planning authority and have too seldom worked to a common directive or pattern. Can this now be achieved? The shape in which they survive the axe is a matter of concern to many departments besides themselves. Notably, it is a question of moment to the four defence departments; it also affects the Board of Trade. There is an overwhelming case for cutting them not simply on a money basis of x per cent here and y per cent there, but to a common pattern to be determined on an interdepartmental plan. Their role in cold warfare is as undeniable as their role in war. That their voice penetrates the iron curtain is proved by the trouble the Russians take to jam their broadcasts and to close their offices. They have a power of attack as well as of defence. They can be useful fighters against the swelling stream of Soviet propaganda to backward peoples. They can build morale among allies as well as sap it among adversaries. Rearmament is being organised for these same purposes. Care must be taken not to blunt the one weapon in order to sharpen the other.

John Maynard Keynes

IT is given to few economists to rank, as influences upon the thought and the events of their time, with the traditional types of historical "great men"—the statesmen and conquerors, scientists, explorers and prophets; to set a stamp upon their era and to justify the judgment "had this man not lived, the world would be a different place." It was given in the eighteenth century to Adam Smith, in the nineteenth to Karl Marx; unmistakably, in our own day, it was given to John Maynard Keynes. For good or ill—and there are those to whom Keynes's influence appears catastrophic—the world is a different place on his account; no democratic Government conducts itself, in economic affairs, without reference to his ideas; millions to whom his name is unknown and his thought incomprehensible live nevertheless in a climate of opinion of his making. To say this is not to claim for him the sole credit for that panoply of economic concepts and precepts which is associated with his name; nor is it to ascribe to the "Keynesian" system of economic thought—never yet, it must be remembered, tested in crisis—the qualities of final truth or invariable pragmatic usefulness. It is merely to recognise that Keynes had what his colleagues, collaborators, rivals or opponents had not; the power to bestow upon a logical argument that magnificent and sometimes terrible thing, *la puissance d'une idée en marche*.

In every biography of a great man there must be traced three main strands of inquiry: how did he come to be what he was, to develop his powers and to hold the ideas that he held; what was the substance and the manner of his achievement; and what was his essential personality. The second of these strands is easier to unravel when time has distinguished truth from error and success from failure; the others grow more fragile as contemporary memories fade or are cut off by death. Mr R. F. Harrod's "Life of John Maynard Keynes,"* while a comprehensive study doing full justice to Keynes's achievements both in theory and in practical policy, is intended to present the influences which shaped his development, and the personality which he presented to those who knew him in the flesh, while these memories are still accessible. It is not an ideal biography. Perhaps it could not be, since it would take another Keynes to write with the same inwardness of the many facets of his character, as economist, pamphleteer, philosopher, speculator, statesman, university don and patron of the arts. But Mr Harrod could have been less wordy and more self-effacing, and his gifts do not include that intuitive, almost poetic, insight into the depths of motive and emotion which can breathe life into a lay figure. Nevertheless, he has written a book of profound and

* "The Life of John Maynard Keynes." By R. F. Harrod. Macmillan 674 pages. 25s.

fascinating interest, a lucid and richly documented account at once of a social climate now nearly extinct, of a crucial epoch in English history, of a revolution in economic thought, and of the complex and many-sided activities of a man who, even had his achievement been much less, would have had an almost symbolic interest to future generations. To read the early chapters of Mr Harrod's book, describing with a wealth of quotation from letters and diaries the life led in the first decade of the century, at Eton and Cambridge, by the son of a professional family of moderate means, is to be transported into a world almost unimaginable even to the succeeding generation of such families. The combination of gusto and fastidiousness, of zest and detachment, of refinement in personal relations and disinterested pursuit of abstract truth, which characterised the young Maynard Keynes and his circle, must even in the most propitious circumstances be rare; in our own day it is as unlikely as an orchid in the tundra.

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Mr Harrod ascribes to these early influences of home, school, university, and the friendships which grew out of them, much that was characteristic in Keynes's thought and in his attitude to, and activity in, practical policy. He denies with emphasis that Keynes was inconsistent. The snipe-like changes of direction can be otherwise accounted for—by Keynes's quick readiness to see that circumstances had changed, making necessary a new emphasis or a new slant; by his realistic willingness to accept, and work for, the second best when the best was manifestly impracticable; and, above all, by the intellectual morality imbibed at Cambridge, when the unforgivable intellectual sin was to "identify oneself with a formula, an opinion, a theory, on which dispassionate debate showed that there could be an improvement." One might in addition surmise, though Mr Harrod does not, that there also survived throughout Keynes's life a certain unregenerate desire, very typical of the consciously brilliant member of a consciously brilliant set, to *épater le bourgeois*. He could never be moderate, and was often not even courteous, in controversy, and he must have been responsible for more inferiority complexes among those with whom he came into contact than anyone else in his generation.

These habits made him seem more erratic than he was. Mr Harrod traces the consistent trajectory of Keynes's intellectual journey and unreservedly endorses Keynes's analysis and conclusion. They have their limitations; they display the essential connections existing at a moment of time, and in given conditions, between various economic magnitudes, but not the dynamic laws governing change in those conditions themselves. They require supplementing; they may, since there is no finality in science, require emendation. But all further progress, Mr Harrod implies, must go on from where Keynes left off—there can be no reversal or destruction of his achievement.

In a sense this is unquestionable. The study of economic aggregates has taken its place in the centre of economic science, and can never again be pushed away to the periphery where pre-Keynesian economists left it; the intellectual tools which Keynes forged or burnished for that study are no more likely to be dispensed with than, for instance, the marginal analysis that Alfred Marshall carried to perfection in the study of particular

values in equilibrium. Nor is policy likely ever again to be based on pre-Keynesian assumptions about the relation of interest rates to the volume of savings or on the "Treasury view" of public investment which Keynes vainly combated in 1929. One does not undiscover America.

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It is, none the less, dangerous to rely confidently on Keynesian economics as a guide to practical policy. This danger derives not only from the essentially static nature of Keynes's analysis but from something deeper—from the very readiness to change, adapt, reformulate, which was part of Keynes's strength. Whatever he wrote, said, and advocated was always, as Mr Harrod makes clear, related to current conditions and circumstances, its emphasis coloured by the needs of the moment. There is a lesson in his reported answer, at a Liberal Party election meeting in 1929, to a questioner who asked him how he reconciled his present support of Lloyd George with the devastating personal attack upon him in the "Economic Consequences of the Peace." "The difference between me and some other people," Keynes replied amid applause, "is that I oppose Lloyd George when he is wrong and support him when he is right."

The difficulty was that he always assumed a similar adaptability on the part of his disciples and converts—and almost always in vain. To adapt his own famous phrase about Wilson, it was harder to de-bamboozle them than to bamboozle them in the first place. Few of the Keynesians—or of any other set of humbler mortals—have a readiness equal to his own to change their minds, to reverse their practical policies, to shift the emphasis of their aims, as circumstances demand. His influence, even more by its nature than by its magnitude, was such as could safely be wielded only by an immortal who would always be there to correct himself when necessary.

This is the truer since so much of his doctrine had a powerful appeal to two pernicious types of mind—the illiberal and the irresponsible. He demonstrated a disharmony between private and social interests in the field of money and credit and announced "the end of *laissez faire*"—and is consequently cited by all who relish the diminution of other people's liberty. He looked forward in the 1930s to the "euthanasia of the rentier"—and his name is inscribed on the banners of class war. He advocated the use of budget deficits in depression—and his old Cambridge friend "Daddy" Dalton scattered to the winds, in a few months of roaring boom, the American credits which he literally gave his life to win for Britain. He worked all through his life, not perhaps without errors of judgment, but with unfailing intensity, for a rationally integrated system of international economic relations—and his authority is invoked for manoeuvres worthy of Dr Schacht. One can discern at least a dawning recognition of such dangers in the revealing letter which he wrote, in June, 1944, to his old adversary, Professor F. A. Hayek, after reading the latter's "Road to Serfdom," ("a grand book . . . morally and philosophically I find myself in agreement with virtually the whole of it, and not only in agreement with it but in a deeply moved agreement.") He did not accept all Professor Hayek's economic dicta; he believed him over-pessimistic; he maintained that his policy would lead to disillusion and breakdown; but he underlined the danger of planning carried out in the wrong spirit—

"dangerous acts," he wrote, "can be done safely in a community which thinks and feels rightly, which would be the way to hell if they were executed by those who think and feel wrongly."

The way to hell is proverbially paved with good intentions, and Keynes's critics might argue that his life and work are to be judged, not by the objectives he set himself, but by the actual effect on events of his teaching. His intentions are not in doubt. All through his life, Keynes was a Liberal, and he saw as his self-conscious task the creation of a twentieth-century liberalism, pursuing by new techniques the old aim of human freedom. But the outcome, certainly up to the present, has been very different. The postwar world is plagued by chronic inflation, by an excess of the wrong sort of planning and by an aversion from thrift. In all these things, which add up to a New Illiberalism rather than a New Liberalism, the influence of Keynesian doctrines can be seen. It was he who provided for the pre-war world a philosophic defence of inflation; it was he who preached the necessity and the possibility of asserting collective control over economic events; it was he who pointed out the evils of over-saving.

These charges can, of course, be exaggerated. There would, in any case, have been inflation and regulation in the wake of war. But would cheap money have been driven so foolishly far if he had not consistently "talked down" the rate of interest? And would "full employment" ever have become such an exclusive tyrant if the inventor of the phrase had not convinced a whole generation that it could be achieved not only easily but without any real cost? Unfortunately, all through his life Keynes took such pleasure in knocking down what may be called, in Kipling's words, "the Gods of the Copybook Headings," the old proverbial economic wisdom which taught

that a penny saved is a penny earned, that you cannot eat your cake and have it too, even (so the *rentier* faced with "euthanasia" might feel) that honesty is the best policy. It would have taken a Keynes to put them back upon their pedestals when they were needed—and when that time came (and it was not in a very long run, either) Keynes was dead.

That is the real answer to the charges against him. Fortunate in almost everything else he touched, Keynes was supremely unfortunate in the moment of his death.

Those who knew him, or who really understand his work, have no doubts about the side on which his voice would have been heard in these years. As always, he would have been for liberty and commonsense, for realism charged with humanity. There are plenty of proofs of that in his books. His economic analysis did not arrive automatically at inflationary conclusions; it is a two-way street; and as Mr Harrod proves by extracts from his pamphlet "How to Pay for the War," he could use it to counter rampant inflation as well as chronic deflation. He never liked planning in the sense of complete governmental control; he invented the term "purposive direction" to make the distinction clear, and another of his lapidary phrases was the need for a "dispersion of decision." It would have been good to have watched him using his own peculiar weapons of scorn and realism on the emotional nonsense that passes for policy today. But he died too soon, and the inheritance is disputed. If the new liberalism, using all the Keynesian techniques in the service of the old liberal aims, still remains to be constructed—if, indeed, the struggle for it has to be started from further back—that is more the misfortune than the fault of Maynard Keynes.

NOTES OF THE WEEK

"Who Will Speak for England?"

After a recess of thirty-nine days, during which the whole balance of the international situation has altered beyond recognition, the members of Parliament reassembled to find the Government in the grip of nervous paralysis. Since Christmas General Eisenhower has visited London, and a new defence programme has been in course of preparation which will demand considerable sacrifices of the British people. At Lake Success a divergence has arisen between the British and the American view on policy towards China which will do increasing harm to the Anglo-American alliance with every day that it goes unresolved. Yet the Government not only refused to suspend the programme of entirely trivial legislation fixed for this week, but appeared quite unaware that defence and foreign policy are now the only questions worthy of parliamentary debate.

The Prime Minister's statement on Tuesday was merely an attempt to convince himself and the House that the act of recognising that Britain is pulled two ways by its commitments to the United States and by its ties with the Commonwealth is the same as a positive policy, making either a choice or a reconciliation between two opposites. But it was in Mr Aneurin Bevan's arrogant dismissal of a question on the Class Z reservists that the Government's leadership touched bottom. The officially-inspired rumours of a partial call-up have created great alarm in the country. The Government's deliberate procrastination in announcing the programme increases alarm—probably quite needlessly

—and destroys public confidence in the Government. If the Government wishes to prejudice public opinion, not only against itself, but against the whole defence programme, this is the way to do it. The delay in announcing the defence programme is all the more striking since Mr Shinwell, in an interview with the London correspondent of the *New York Times*, on January 16th, gave what appears to be a résumé of the programme which he will eventually present to Parliament.

Clearly the inertness and nervousness of the whole Government are not merely the result of exhaustion. In the first place, there is a great deal of knife-sharpening within the inner counsels of the Government, as Mr Bevin's grave illness makes it inescapably necessary to appoint a successor. Secondly, there is the permanent debate within the Labour Party to which the Anglo-American difference over China has acted as a violent catalyst. The extreme left, the pacifists, the fellow-travellers or merely the congenital anti-Americans, can point to the public reaction over Class Z to prove that they are no longer a lunatic fringe but represent a substantial body of opinion. If they revolted they are sufficiently numerous to make it impossible for the Government to carry on without Tory support, which the Tories might very reasonably refuse to give. Mr Attlee himself has specifically ruled out the possibility of a coalition, and presumably also any other form of broadening the base of his administration. That leaves him with only one alternative to carrying on with his present exhausted and badly demoralised team. Faced with an outbreak of "neutralism"

among his supporters in Parliament and the country, and with the increasing defection of moderate opinion to the Tories, Mr Attlee may decide that the only possible course is to throw down the reins and leave the future to the decision of a general election.

* * *

Breaking the Country's Back

The urgency of the need for further Government changes has been forcibly demonstrated by Mr Strachey, who in one thing is remarkably consistent. He continually makes it plainer that by temperament he is quite unsuited to control the War Office. In a speech last week-end he pushed to the extremes of absurdity the doctrine that the needs of defence should be subordinated to some undefined standard of economic well-being. By that test, "it would have been foolish to build up armaments before now."

Such a refusal of normal hind-sight is also, by any normal logic, a complete rejection of the Government's present policy. The basis of that policy is the belief that the western powers are in danger because they are too weak to deter aggression. If there is now any hope of preserving peace by strength, then plainly the west should have been stronger earlier and the present crisis would be less acute. There are reasonable, if distressingly familiar, excuses for the unpreparedness of the democracies: Russian aggressiveness was under-estimated. But to maintain that the past policy was right, even as things have turned out, is to say that the present policy is wrong.

Mr Strachey himself obviously fears that the consistency of his two positions is not apparent. But his attempt to reconcile them seems to amount to little more than a contention that Britain can rearm now because the Korean crisis has marvellously coincided with a great improvement in economic capacity. This is nonsense. Everyone would agree that "it is neither right nor wise to break your country economically in order to pile up armaments"; that is also, by definition, an ineffective defence policy. What is significant is that Mr Strachey is so ready to apply to defence the truism—that quarts cannot be extracted from pint pots—which is ignored when any left-wing scheme for quick social betterment is under discussion. Plainly the British standard of living in the last three years has not been so low that any squeeze for the sake of armaments would have been more dangerous than the present threat to the free world. What Mr Strachey really means is not that defence expenditure must be kept within the limits of the country's physical capacity, but that it should not be allowed to "break the back of this Government," to "break up the work we have already done." In a minority of Labour politicians this attitude is historically understandable; but it is intolerable that one whose views are so out of touch with the country's present needs should be Secretary of State for War.

* * *

French Hopes on Germany

The visit of the French Prime Minister to Washington next Monday and the latest inquiries in Moscow about arranging a Foreign Ministers' conference are closely connected events. For M. Plevin is as concerned to present to President Truman his government's view on Germany—and other world problems—as Mr Attlee was last month to present the British view on China. French official opinion has moved rapidly towards the idea of a *modus vivendi* between the powers in Germany, an "agreement to distrust." This would take the form of working towards unity in an occupied Germany along the lines that have proved not unsuccessful in Austria. That, at least, is what M. Schuman, the French Foreign Minister, implied in a speech to the national committee of his party on January 15th. He suggested guardedly that four power talks might produce a

unified and neutralised Germany; but that would still "be a long way from the evacuation of Germany." Where, he seemed to ask, could American troops be stationed in Europe, if not in Germany? That is, indeed, the crucial question.

The aim of the French, quite clearly, is to remove what they consider to be—in Moscow's eyes—the main obstacle to such an arrangement: the American desire for west German rearmament. They want to achieve this without abandoning (and being abandoned by) General Eisenhower and Atlantic defence. The calculation is that they could get in return Soviet agreement to reduction of the Communist SS in Eastern Germany—the *Bereitschaften*.

To talk aloud about one's hand before the game begins is hardly in the diplomatic tradition of Talleyrand and Richelieu; but as diplomatic secrets are kept no better in Washington than in Paris, it is perhaps as well that its play should be discussed beforehand—provided it is made clear beyond doubt, as it can be, that there is no intention of retreating from the conditions for German unity recently stated by Dr Adenauer with the support of all parties in Western Germany.

* * *

Europe's Own Army?

Washington will expect to learn from M. Plevin more about his proposal for a military counterpart to the Schuman Plan. It looked at one time as if French Ministers were waiting for American reaction to the results of General Eisenhower's survey of Europe's defence possibilities before making their next move. But on Wednesday they decided to call a conference early next month, to which members either of Nato or the Council of Europe are to be invited. By that time more should be known of the progress made—it is unlikely to be impressive—in the talks on German defence now proceeding at the Petersberg between Dr Adenauer's advisers and the Allied High Commission. In the purely technical discussions of military experts that the French have in mind, a delegation from Bonn would negotiate as equals about a German contingent in a European force. As the declared intention of the Atlantic Council is to form an "integrated force" under General Eisenhower, the Americans will want to know—as does everybody—whether the French have changed their military policy or are simply keeping several balls in the air at once, as is their wont.

The French reason as follows. If the Americans discover that Germany may not so easily be rearmed nationally, and under their auspices, and if Congress should still insist on a German contribution, the French will be in a position, with increased American support, to proceed with the Plevin plan as a regional basis for European rearmament within Atlantic defence. Good Europeans—the argument would run—will fight for their own countries only on this basis; therefore let American defence in Europe be built on this secure foundation.

Most Frenchmen feel keenly that any German rearmament—whether on the American or Plevin patterns—is a risky business. For a Moscow which views any effective form of European defence as a capitalist threat to its own security will not be greatly comforted by the absorption of Germany in a European army, which Germans would in any case probably eventually lead. The clear-minded Frenchman admits this inevitable risk, but he opts for the Plevin plan as conforming to his own European ideals, and rejects the more "national" American plan for arming Germany, which does not.

One influential section of French official opinion wants to establish a Third Force in Europe which would in fact be a force, with an effective army, and would not come directly under General Eisenhower. They do not envisage that this bloc would be neutral, but it would act as a moderating influence should the United States show signs of getting involved in war with Russia on grounds which Paris thought

insufficient. Equally, it is thought, the Germans if linked with Paris would be less likely to create a *casus belli* over the Oder-Neisse line than they would if allied directly to Washington. Stalin would realise that European opinion is extremely averse to war, and would, therefore, not be moved to launch a preventive attack. The best that can be said for this thinking is that it is as evasive as the flight of a pigeon that has sighted a gun, and that it is incompatible with French obligations under the Atlantic Pact.

Nehru the Mediator

Slowly and painfully Mr Nehru is rehabilitating the word "appeasement." To the Commonwealth he recommends patience with China, to the French complete independence for Indo-China, to the western world a change of attitude and a cutting of losses in Asia. By many he is already hailed as the new Smuts—with the spirit of Gandhi. By others he is narrowly watched as a politician adroit enough to lead the Commonwealth simultaneously towards conciliation in China and away from it in Kashmir. Combatants in the cold war turn enviously to this man who seems to bring detachment and dignity to the consideration of their problems. Before a myth is created, which might lead to a premature rally of all the forces of neutralism behind Mr Nehru, it would be wise to ponder on the source of his present influence.

First there is the power of his single-mindedness. Europeans tend to overlook the fact that the statesman is working all the time for what he believes to be the safety and interest of India. He sees safety in being charitable to the Soviet Union and China, and interest in good relations with the rich and compliant west. He is as conservative and distrustful of ideological policies as was Castlereagh. Then there is the politician's appeal to western consciences. He plays cunningly

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on the theme of "effete colonialism"—as if it were still a major factor. Then there is the shrewd refusal to talk in the strategic, geopolitical terms into which events have forced so much of the free world's thought and talk. He gives the impression of riding serenely on the Asian upsurge. Nobody, in fact, keeps cooler in the cold war.

It is still not proven that Mr Nehru's diagnosis of Asia is correct; even if it should turn out to be it does not follow that his treatment is the right one. He may of course enjoy beginners' luck, but that will depend on how difficult Stalin and Mao Tse-tung make things for him. So far the effect of his intervention—doubtless unintentional—has been to hamstring the executive action of Uno by individual diplomacy, and to put American relations with this country in jeopardy. He would add greatly to his reputation for wisdom and impartiality if he could—while still Prime Minister of India—prove his ability to exercise a similar moderating and disconcerting influence in Moscow and Peking.

The Lost Beef of Old England

The Anglo-Argentine meat negotiations last week broke down yet again. For the British housewife the disappointment was sharper than usual, since the chances of agreement had seemed to be somewhat greater. Argentina had scaled down its original demands by 14 per cent, to an average price of £120 a ton, but the Ministry of Food refused to offer more than an average of £104 a ton, with a top price of £111 10s. for chilled beef. The Argentine Ambassador in London has flown back to Buenos Aires this week, and it seems that the British negotiators will have to follow him there if the Ministry of Food wants to resume the talks.

There is little doubt that the negotiations will be resumed, for the Ministry can hardly be content to pass a life sentence of short rations on the British public. For their part, the Argentinians have some 70,000 tons of beef piled up in their freezing plants; the immediate occupation of canning substantial amounts of beef for the American armed services does not alter the fact that Argentina must look to the United Kingdom for its permanent market. For the time being the British consumer faces the dreary prospect of another four-penny cut in the meat ration, which was sliced down to a thin shilling only this month.

The Ministry of Food is now quite literally making itself a barrier between British consumers and meat for which they would willingly pay higher prices. Grocers are doing good business in imported hams at £5 a tin, and working-class housewives are buying the same hams at 2s. 6d. a quarter-pound. The difference between this ham and Argentine beef is, for the Government, that the ham is not subsidised and is of no importance in the official cost of living index. The effect of refusing to pay higher prices for the beef is not, of course, to keep down the real cost of living. That has already increased, as housewives use the money they cannot spend on rationed meat to buy instead tinned meat and high-priced fish. No one wants the Government to give the Argentinians any price they ask, but their latest offer suggests that they are trying to strike a fair bargain; and it is ridiculous that the Ministry of Food should refuse in order that the Government may take some pride or consolation in an artificially depressed cost of living index. Food supplies are being distorted by party policies that may have had some relevance to times of general scarcity and wage restraint but now are not even effective for the narrow (and unrealistic) purpose of keeping prices stable in an unstable world.

Controlling the Boards

Mr Ralph Assheton, MP, last week revived his suggestion that the Public Accounts Committee, of which he used to

be chairman, should be entitled to receive reports on the efficiency and price policy of the nationalised industries from the firms responsible for auditing their accounts. The proposal is important not so much in itself as because it raises in direct form the basic question of the degree and nature of Parliamentary control of the public boards. The corporation was chosen as an instrument of public control precisely in order to avoid the effects of that direct, day-to-day Parliamentary and Ministerial supervision to which the departments are subject. It remains very much in doubt whether this element of initiative can be combined in practice with the principle of ultimate responsibility, through Parliament, to the public, and the trickiness of the problem is most strikingly exemplified in the question of financial supervision.

The official view is that Mr Assheton's proposal—first broached, and rejected, in 1949—would impair the confidential relation between the auditors and the boards and run counter to the principle of day-to-day autonomy in policy and management; and these objections have some substance. One may doubt, however, whether the "confidential relation" is so outstandingly valuable as to be worth preserving unimpaired at the cost of depriving the Public Accounts Committee of the guidance which the suggested reports could give; nor does it seem likely that a better-informed committee would be more inclined to step out of its proper role, and trespass on the boards' prerogatives, than one left unbriefed in the realities of an unmanageably complex subject.

It is another question whether the committee, with so much else to occupy its attention, is really the body through which to exercise that minimum of long-distance Parliamentary supervision which is needed to prevent the corporations from becoming a highly undemocratic *imperium in imperio*. Until some alternative machinery is devised, however, it is better that the Public Accounts Committee should do its work in the light of whatever information is available than that, denied such information, it should face the choice of working in the dark or rejecting altogether the responsibilities that no other body can at present discharge. To reject Mr Assheton's proposal should be to say that a more effective way of achieving the same objective must be found.

Medical Certificates

The administration of sickness benefit under the national insurance scheme is being severely tested, for the first time, by the influenza epidemic. General practitioners are also being put to great strain. Some people suffering from influenza will wish to spare their doctor unnecessary work by refraining from asking him to visit them. They will also wish to prevent the spread of influenza by refraining from visiting him. But their unselfishness may penalise them because without a doctor's certificate they will not be able to claim sickness benefit.

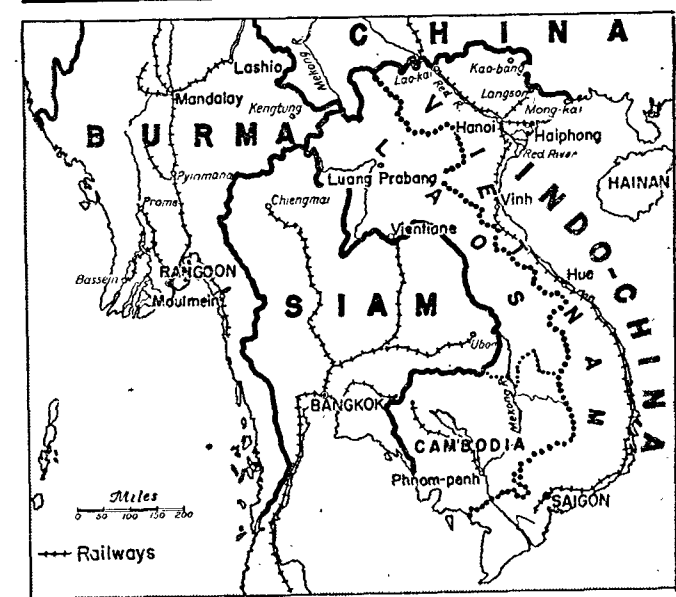
Early this month a statement from the Ministry of National Insurance gave the impression that alternative evidence of incapacity could be accepted. Last week, however, another statement made it quite clear that this "alternative evidence" is only intended to cover the period between the start of the illness and the day on which the patient is seen by his doctor. A person therefore has to write to his insurance office as soon as he is ill if he wishes to obtain the full sickness benefit he is entitled to. Sooner or later this letter has to be backed up by a doctor's certificate, although by that time the patient's need for medical treatment will probably have disappeared.

What all this means is that in an influenza epidemic, even more than at other times, general practitioners are for the most part performing purely clerical duties, whether for the Ministry of National Insurance or for employers who often demand a medical certificate after an employee has had two days' illness. Another strange duty that the Ministry of

Fuel and Power would like to impose on them is to inspect a patient's coal cellar and see that it is empty before certifying that a patient needs "additional heating" for a specified period. If doctors are to be progressively burdened with such trivial tasks, which can be carried out only at the expense of their true professional duties, the quality of the service that the public gets for its taxes will deteriorate even more.

Viet Minh Held

A flare of courage has swept through Indo-China these last few weeks; the French feel as the men of the British Eighth Army felt shortly after General Montgomery's arrival in the western desert before the battle of El Alamein. Whatever the critics of General de Lattre de Tassigny may say—and there have always been plenty of them, especially among his American colleagues—he seems to have revolutionised the position in Viet Nam since his arrival in December. Admittedly he has had luck. No general can do without it. But he has also energy, drive, the ability to be ruthless, and the confidence and personality which move and inspire other men. As a result of this buoyant leadership, the French and Vietnamese forces round Hanoi have lately driven back several very heavy Viet Minh attacks aimed at capturing the city, and in a few places have carried out sharp local offensives against the enemy. The scale of all these engagements has been greater than at any previous period of the campaign, the Viet Minh attacking with 30,000 men at a time and using far more equipment, such as mortars and artillery, than they possessed even six months ago.



The great question now is whether the French will be left alone to beat Ho Chi-Minh. Will the Chinese intervene directly as they did in Korea? If the Indian view of Chinese policy is right—that China's aims are limited to self-defence—then Peking may for the time being hold back, for a French success could diminish Communist prestige but not Chinese security. If this is a correct appreciation, the new regime in Viet Nam has got off to a good start, even though the French and Vietnamese still face a very serious situation. On the political side—which is vital—General de Lattre, in his role of High Commissioner, has made some sensible speeches, stressing French sincerity in establishing the new state of Viet Nam and appealing to its nationalism with promises of its coming greatness. This at last is the language understood in the East today. Whatever happens, if the pressure of the immediate emergency should pass, Paris will have to beware of slipping back into the old niggling caution.

Cartels and the Schuman Plan

In Paris the discussions on the Schuman plan have rapidly moved forward to a crisis. After months of weary negotiation, the German delegates have made reservations on the cartel question which are totally unacceptable to the French. From the outset M. Monnet, the French architect of the project, was determined that it should not be simply a whitewashed version of an international cartel. But most of the industrialists—particularly the Germans—have all along cynically assumed that this piece of window dressing could be managed without hard words, the cartel being for them a highly desirable form of industrial organisation. Now M. Monnet's insistence that the German central coal selling agency be disbanded has forced a showdown.

The French say that to retain such a monopolistic institution is clearly incompatible with the principle of a single market on a competitive basis. The Germans claim that the selling agency is the only body in the industry with the experience to handle the distribution and marketing of coal, the individual producers having long ago given up these functions. The German Miners' Trade Union adds the argument that centralised selling has enabled less efficient and high-cost mines to sell their output and maintain employment.

The fate of the plan can, in fact, only be settled between the Occupation Powers and the Germans. Nothing can be done until the reorganisation of the Ruhr under Allied Law 27 has taken shape. The French and Dutch insist that, before committing themselves to a single market, they must know whether the Ruhr will be allowed to retain the advantages it had from its interlocked system of vertical trusts, by which the steel industry controlled most of the Ruhr's coal. Their hesitation springs from the conviction that, if the Germans prevail, then the Ruhr steel industry will have retained the means by which it can avoid free competition and resort to the manipulations of prewar days. For example, combined steel-coal concerns could evade the turnover tax on coal sales and the parent company, in times of coal shortage, could gain a priority of supplies. The Allied authorities in Düsseldorf have come to grips with the question only this week.

The Germans, before pooling their resources in the plan, are determined that they shall not be compelled by the Occupation Powers to forgo the benefits they reaped from this structure. (They point also to the similar advantages enjoyed by the French steel concerns who own their ore supplies.) Before the war the German steel industry owned approximately 56 per cent of Ruhr coal. The latest compromise German proposal would liberate half of this holding, but the Allies—with American legal decartelisers to the fore—are pressing with little success for more stringent measures.

If the Schuman plan should break down the effect on the French will be far reaching. M. Schuman's project represented to many a tremendous political gesture, with France coming more than half-way. They would regard breakdown as a final warning that the combination of German big business and militarism is beyond reason and must be faced as an intractable enemy.

De Gasperi's Effort in Italy

It is greatly to the credit of Signor De Gasperi that Italy has shown in recent months such a staunch sense of solidarity with the west. For the Catholic Prime Minister is saddled not only with enemies to the Right and neutralists, but also with the most dangerous Communist Party in Europe. It may have suffered a slight decline in strength, but it still claims a card membership of 2,561,275, of whom one-fifth are women. It was therefore remarkable that General Eisenhower's visit to Rome passed off without any

ugly incidents in the city. Yet "Death to the slave driver, Ike" was scrawled on the walls as he passed. In the rest of the country, where three people were killed in clashes with the police, the Communists failed to pull off the nationwide strike which they had promised, although there is no question that they had done everything in their power to mount a serious political offensive outside parliament. They also failed a couple of weeks ago to prevent the Senate voting by 161 to 92 in favour of the government's policy of supporting the Atlantic Pact.

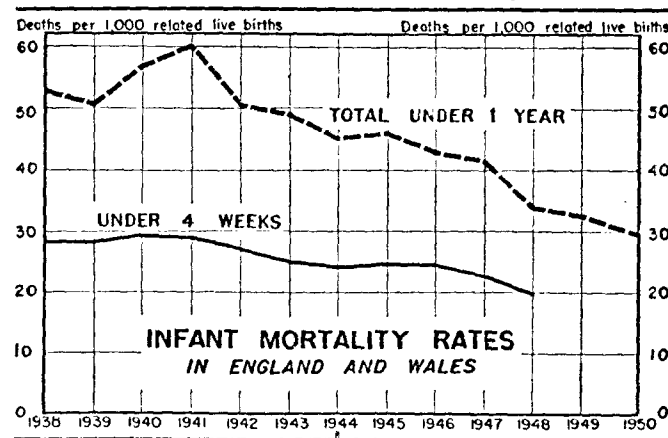
It is all too easy from this quiet side of the Channel to forget how arduous is the job that faces a man in Signor De Gasperi's position as he carries his country along in the western alliance. The Italian Prime Minister has not only the powerful arm of the Communists against him. He has also to overcome the lingering resentment towards the allies of the first war—Signor Orlando, the veteran colleague of Lloyd George, voted against the Atlantic Pact because of the "humiliation of Italy"—and a latent isolationism, sometimes fanned by statements from the Vatican, which encourages hopes that Italy might, after all, be able to stand aside from a war between the Great Powers.

Although the Italians have been slow to start production for rearmament until they could obtain firm American promises to pay a large part of the cost, they now have a definite programme for expanding the armed forces. The army is to consist of twelve infantry divisions and two armoured brigades, of which three divisions would be available as an "initial" contribution to a combined western force. Here again, Signor De Gasperi is up against discouragement, in the form of the restrictions still imposed by the peace treaty. If Italy is seriously required to play its full part in the Atlantic Pact, a more demonstrative appreciation by the west of Rome's efforts may soon be needed. As General Eisenhower no doubt found out, it would be a mistake to take the Italian contribution for granted.

The Trend of Infant Mortality

The death rate in England and Wales for infants under one year fell in the third quarter of 1950 to the record low level of 24 per 1,000 live births, compared with 27 in the third quarter of 1949. For the whole of last year the rate is estimated at 29.8; it had never before fallen below 30.

How much lower can the rate reasonably be expected to fall? As the accompanying chart shows, it is the deaths in the first four weeks of life (the neonatal deaths) that have become the dominant factor in infant mortality. These were



falling up to 1948, the last year for which the age distribution of infant mortality is available, but not nearly so sharply as deaths at ages between four weeks and one year. This contrast, which is common to other countries with a falling infant mortality rate, is explained by the different causes of death in the two age groups. In the neonatal period, the main causes of death are prematurity, congenital malfor-

mations and birth injuries, all of which are less susceptible to the progress in medicine in recent years than are the infections, particularly bronchopneumonia, which are the main cause of death in the postnatal period.

This does not mean that a further improvement in the neonatal death rate is impossible. The biological and medical committee of the Royal Commission on Population considered that, with higher standards of antenatal care and of obstetric skill, the rate ought to come down to 15 or even lower. The significant fact about the neonatal rate is that it does not show the same marked differences between the social classes (defined by the Registrar-General on the basis of the father's occupation) as does the postnatal rate. The last year for which figures are available for the distribution of infant deaths by social classes is 1939. In that year, the biological and medical committee pointed out, the postnatal rate for Class I was 8, compared with 30 for Class V (the unskilled). In 1948, the postnatal rate for all classes was 14. If, therefore, the postnatal rate for all classes could be reduced to the rate for Class I in 1939, and the neonatal rate to, say, 12-15, the total infant mortality rate ought to fall to about 20. Sweden achieved this in 1949. Until the achievement is equalled here, infant mortality cannot be regarded with complacency.

The Selection of Students

A fair audit of the short-term effects of the postwar expansion of the universities will show a balance sheet nicely divided between fresh benefits and new problems. Among the problems one of the most important is the increased difficulty of selecting candidates for admission, because liberal awards for university training have greatly increased the number of applicants; the universities must now do the weeding out which was formerly done, in great measure, by the family purse.

The way in which many provincial universities have performed this job is trenchantly criticised by the Headmaster of Maidstone Grammar School, writing in the current number of the *Universities Quarterly*. Mr W. A. Claydon thinks that many faculties in the provinces place too much reliance on grades and marks in the Higher Certificate examination and pay too little heed to headmaster's reports and interviews which might distinguish between the well crammed and the well educated, or between the unbalanced and the balanced. This criticism applies particularly to the more popular arts faculties, where the number of applicants has been very large. Often only a small proportion of borderline candidates is interviewed. It would be illuminating to have a record of the number of students who fail the final examination or never complete the course. The figures might shake the universities themselves. Even in the London School of Economics, where candidates have to pass a special written examination and very often an interview, it was recently stated* that about 15 per cent of the students fail in their final examinations and 23 per cent in their intermediate examinations. Where selection methods are more casual, the proportion of failures is likely to be still higher.

While the evidence of weakness in the universities' methods of selection is strong, it must be said that Mr Claydon ignores one extenuating circumstance: the stiff competition for university places between 1945 and 1950 has led many candidates to apply to two, three, four or even five universities. Several of them may therefore toil through a time-consuming selection process for the same candidate. Such a multiplication of effort does not encourage universities to improve their methods. The schools themselves might ease the problem by discouraging pupils from spreading their applications too wide. The solution suggested by the Working Party on University Awards—a central clearing house for applicants—was vehemently rejected by the universities; each wants to

* Himmelweit: *British Journal of Sociology*, December, 1950.

preserve its own criteria for selection. To some extent the problem is now settling itself. Except in the most popular science departments, the pressure for entry last October was greatly eased: one large history department offered places to 60 candidates, and only 19 finally accepted. This is an extreme example, but certainly the number of places should now be nearer to the number of well-qualified candidates—if the universities can pick them.

"A Matter of Urgency"

The Minister of Labour's reply to the Catering Wages Commission, which reported last August on the operation of the Catering Wages Act, can hardly be said to disentangle the confusion that the Act has created in the hotel industry. Since the commission's report was published there has been much consultation with so-called representatives of both sides of the industry—who in fact represent only a small section of it—but the upshot is that the commission's chief recommendations are referred back to it.

On one point some progress has been made. The commission's recommendations for abolishing some of the nonsense in the wages order for licensed establishments have been forwarded by the Minister to the wages board with the request that they should be considered and, if agreed, adopted before the coming holiday season. There is thus a good chance that the regulations that force hotel-keepers to lower their standards of service—for instance, that bank holiday work must be paid, in effect, at triple rates—will be modified.

Neither the employers' nor the trade unions' representatives, however, agree entirely with the commission's proposals for reforming the wages board machinery. These were that

The Public Eye

In no one point is the half-century we have just closed more distinguished from its predecessors than in the share of public attention and sympathy which the condition of the poorer classes has obtained. . . . We have had a Factory Commission, a Children's Employment Commission, a Commission to inquire into the condition of those employed in Mines and Manufactures, and a Commission to inquire into the Employment of Women and Children in Agriculture. We have had Inspectors of Mines and Inspectors of Factories appointed to watch over the interests of those employed, and to keep the public informed upon the subject. Now, though we do not approve of much of the rash and clumsy legislation which followed the reports of these various commissions, and though we have from time to time raised our voice against it, yet not only did the mere issuing of them testify to the earnest concern felt by the higher classes in the condition and comforts of their less fortunate fellow-citizens, but the information thus spread through the community we regard as an unmingled good. It is in the last degree desirable that everything should be laid open and that every man should feel that he lives and acts under the guardianship and inspection of the public eye. We have that confidence in the talent, zeal, and good feeling of our countrymen, that we rejoice at the mere publication and exposure of abuses and anomalies, satisfied that by the process of discussion a remedy will be found if a remedy exists, and that when found it will be promptly and courageously applied. Abuses are, for the most part, perpetrated only because they can be kept secret, and are permitted only because they are unknown; that the world knows of them is generally sufficient to insure their cessation.

The Economist

January 25, 1851

the separate board for unlicensed residential establishments should be abolished; that a single board for licensed and unlicensed establishments should be helped in its wage regulations by committees for each section of the industry; and that, for the purpose of regulating wages, the industry should be divided between "large London establishments," "large provincial," and "small establishments wherever situated." The commission has now been asked to consider the views of "both sides" of the industry on these proposals and to decide "as a matter of urgency" whether to make a formal recommendation under the Act that a single board should be set up. The establishment of committees, the Minister points out, cannot be undertaken without a request from the wages board.

"Both sides" of the industry rejected the commission's proposal for the establishment of a joint national committee to examine "as a matter of urgency" the question of tipping. That proposal, too, has therefore been referred back, although a wages code which ignores tipping is futile. Perhaps the best thing for the industry is that, "as a matter of urgency," the whole cumbersome and entirely inappropriate machinery set up by the Catering Wages Act should be scrapped, and a new start made in a spirit of realism.

* * *

National Unity in Finland ?

The long government crisis in Finland ended last week when a new coalition was formed. In the new cabinet seven posts are held by the Agrarians, whose leader Kekkonen remains Premier, seven by the Social Democrats, and two by the Swedish People's Party. It will receive the support in the Diet of the Conservatives and of the small Progressive Party. Thus effective unity of all except the Communists seems at last to have been achieved.

The most urgent need for national unity is in economic affairs. It has long been obvious that the continued inflation, caused by frequent alternate rises of wages and food prices, could only be halted by a government which could command the confidence of both farmers and workers. Mr Kekkonen's new programme promises stability of prices, economy in state expenditure, measures to improve the position of small farmers and increase the efficiency of agriculture, and greater activity in housing. It has been agreed that wages should be increased by 5 per cent since mid-November and by a further 5 per cent from the middle of this month. If the new government can overcome the distrust between town and country, and persuade all classes to bear part of the burden of recovery, it will have deserved well of the people.

Unfortunately it will not be helped by its international situation. Moscow has left no doubt of its hostility to a government which would include Socialists but not Communists. Kekkonen, who has a reputation for "appeasing" the Soviet Union, rejected in December some of the Socialists' candidates for ministerial office on the ground that they were personally distasteful to the "great neighbour." Having yielded to opinion in the country and in his own party, he will have a difficult time. Moscow will no doubt do its best, through the Communist Party and the strong Communist minority within the trade union movement, to revive industrial unrest. It may also use its powers under the trade treaty to fix unfavourable prices for Finnish engineering exports.

More direct intervention has hitherto been avoided largely because of Moscow's reluctance to antagonise Sweden. Soviet pressure in the recent discussion of the status of the Aaland islands—strategically placed at the mouth of the Gulf of Finland 50 miles from Stockholm—suggests that Moscow now cares less for Sweden's goodwill and may be more ready to cause trouble in Finland. The Finns, as so often before, have decided that courage is less dangerous than surrender.

Letters to the Editor

Planning in Germany

Sir,—The review in *The Economist* of January 6th of Mr Balogh's valuable survey of economic trends in Western Germany seems to me to depart from the careful objectivity you usually maintain. You admit the disastrous consequences of the economic policies pursued by the Bonn Government and by the Bi-Zonal authorities before that Government took over. After all, you could scarcely deny them; they are flagrant. But then, instead of providing us with an alternative set of reasons for these disastrous consequences, you content yourself with denying Mr Balogh's conclusions under a cloud of verbiage about the German people's "unsuitability" for "experiments in controlled inflation." It looks to me like word-making to conceal a poverty of argument: in the last 25 years the Germans have shown themselves as "suitable" for economic experiment as any other people, and, indeed, far more ingenious than most in devising and applying such experiment.

The nasty fact, which is ably brought out in Mr Balogh's paper and as ably concealed by your reviewer, is that the economic policies of the Bi-Zonal authorities in Frankfurt (at any rate after the middle of 1948), and later of the Bonn Government, have been inspired by a quite ruthless determination to restore

the economic *status quo*. To "explain" such policies by dogmatic *obiter dicta* on the German character is not worthy of *The Economist*.

Your reviewer seems not to have understood the argument about controls. Mr. Balogh's thesis, unless I have misunderstood him, was that an economy as dislocated and dismantled as Germany's was after 1945 could be restored to health only by a clearly conceived programme which should advance, by *controlled* steps, towards a high level of employment. No one wants to restore Nazi controls: what is wanted are democratic controls. In the case of food collection, for example—where the British and American record has been scandalously inefficient and misguided—controls were applied from the beginning. Instead of combining coercion with inducement—surely the essence of all good economic policies—British and American military government merely applied the threat of coercion. Farmers were told to deliver their crops; when they failed, nothing but verbal violence was used against them—although their failure went side-by-side with real starvation in the towns.

Lastly, it was not, as your reviewer asserts, "the Russian thesis" that Germany could pay reparations from current production. It was also, and just as

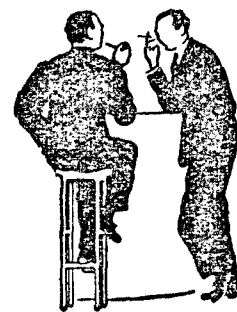
much, the Western thesis (see sub-para. (b) of Section (2) of the Yalta Protocol). The later dispute with the Russians was never that Germany could not or should not pay reparations from current production: it was entirely a question of precedence. The Russians maintained that the payment of reparations was a primary obligation on Germany; the western powers (but the French only when it was convenient) held that reparations from current production should be paid by Germany only after the deficit in the four-zonal balance of payments had been made good.—Yours faithfully,

BASIL DAVIDSON

Braintree

Traffic Police in Disgrace

Sir,—The note in *The Economist* of January 20th will disappoint many of those who are anxious to reduce the disastrous toll of traffic deaths, by placing on the roads a number of plain-clothes officers in plain clothes the chief constable of Oxfordshire has followed a procedure which is neither novel nor contrary to the spirit of the English law. Your suggestion that in the past these police have used plain-clothes officers, whether called detectives or not, only "after the crime has been committed" is, I believe, contrary to the facts. We all know that when there is a public pro-



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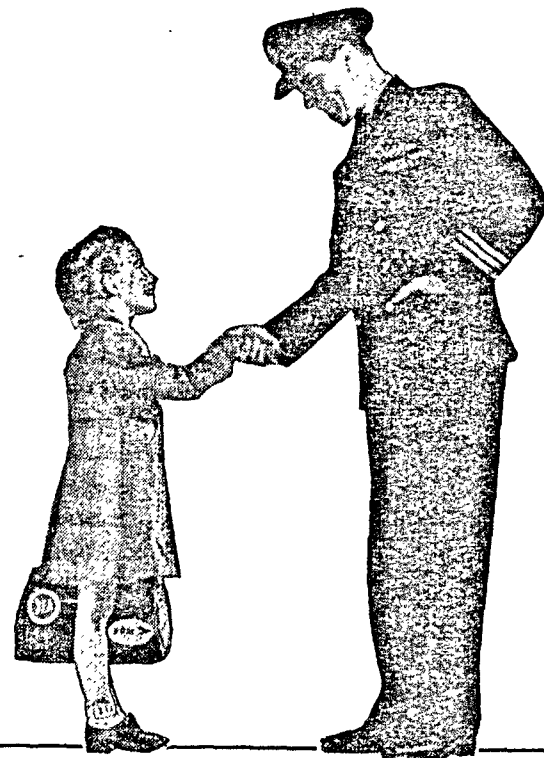
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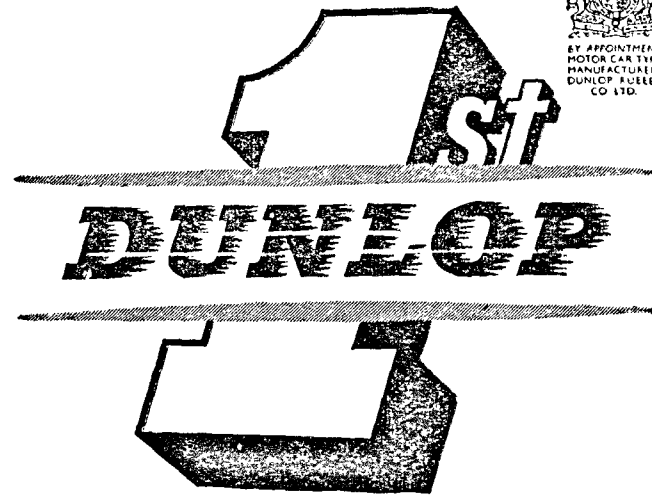
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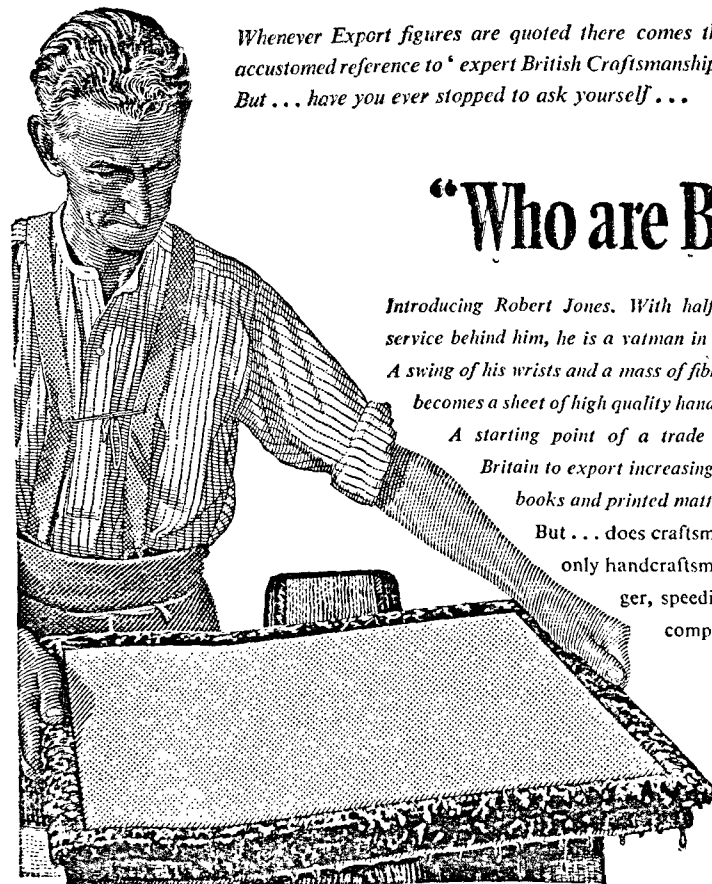
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*Illustration: Courtesy of Mr. J. R. Jones and Messrs W. S. Hodgkinson & Co. Ltd., Wokeley, Som.

cession, such as at the opening of Parliament, police officers in plain clothes mix with the crowd because it would otherwise be easy for the potential criminal to know when he was under observation. To talk of these plain-clothes officers as being "in disguise" is to introduce prejudice in place of argument.

You say that the purpose of the plan is "to trap offending motorists." This seems to suggest that motorists will be encouraged to drive dangerously and will then be snared, for this is the ordinary implication of the word "trap." It is clear, however, that the primary purpose of the plan is not to trap motorists, but to stop reckless and dangerous driving. The other day I was driving along an unrestricted main road at a respectable pace when a following car, going at racing speed, cut in between me and an approaching lorry. I escaped death by not more than three feet. If that reckless driver had suspected that I was a police officer in plain clothes would he have been so ready to take a chance?

Your suggestion that there should be more police motor-cyclists is a valuable one, but, even if their number were more than doubled, which is obviously impracticable at the present time, they could not patrol more than a small part of the public highways.—Yours faithfully,

ARTHUR GOODHART

University College, Oxford

Taxing Capital Gains

Sir,—To an American tax lawyer who has had some superficial experience with the British income tax system, the note that appeared in your issue of December 16, 1950, contained much of interest but arrived at one conclusion which was, to say the least, misleading.

As you are doubtless aware, capital gains in this country have been taxed since the beginning of the Federal income tax, but beginning with the early twenties they have received special treatment differing from that accorded to such periodically recurrent forms of income as salaries, interest and dividends. The theory of this special treatment is that, when a capital gain is realised, it usually represents an accession to the taxpayer's wealth which has been taking place over a long period of time. It is considered unfair, therefore, to lump this gain on top of all of the taxpayer's other income so as to cause it to be taxed in his highest bracket in the year of receipt. At present, in the United States, this special treatment takes the form of an option to include one-half of the gain on the sale of a capital asset held for more than six months with the taxpayer's other income to be taxed at the appropriate rate, or to tax the entire capital gain separately at a flat rate of 25 per cent.

While, as your note well points out, it is often difficult if not impossible to distinguish between a true capital gain and a mere increase in cash, without any increase in actual purchasing power owing to the declining value of the currency, there would seem to be considerable practical and political justification for a capital gains tax on the American plan, provided that the rate does not go

too high. It is, in a sense, a sop to Cerberus.

Your note, however, poses a dilemma which in fact does not exist. You say

The difficulty about it is that either the taxpayer is refused permission to set his capital losses off against his capital gains (which is illogical and unjust), or else persons who, in the ordinary sense of the word, are very rich can wholly escape taxation in years of falling prices.

No one "can wholly escape taxation in years of falling prices" if the expedient, now in force in this country, is adopted of having capital losses deductible only against capital gains. No matter how great a man's capital losses may be in any year, he is still taxable on his other income as if such losses did not exist. To be strictly accurate, he can deduct such losses up to \$1,000 from other income, but this does not make a significant difference to the large taxpayer.

Injustice can be prevented, as it is here, by providing that the excess of losses over gains in any one year can be carried forward and used to offset gains of any of the next five years, any amount not used in the first succeeding year being carried forward to the second and so on. In this way what is taxed is in effect the net gain over a six-year period. In general this practice has given rise to substantial justice and has been widely approved in this country.—Yours faithfully,

JOHN DANE

Brookline, Massachusetts

New Records in Life Assurance

Sir,—In your issue of January 6th, you imply that there is comparability between new Life Assurance sums assured for 1950 and National Savings for the same period.

The comparison is misleading. The figure which is best compared, as a measure of purchasing power applied through the medium of Life Office investments to the financing of capital projects rather than to the purchase of consumer goods, is the net increase during the year of the Office's funds. That is, the excess of their total premium and interest income (including that derived from the year's new business) over claims, annuities, surrender values and management expenses disbursed. This figure is strictly comparable with net National Savings including accrued interest on deposits.—Yours faithfully,

K. MUIR MCKELVEY

Glasgow, C.I.

Bank Salary Dispute

Sir,—The factual account of the bank salary dispute in your issue of January 6th has been read with interest and approval by many people who work in banks, and doubtless by others. You are quite right in suggesting that though it is disappointment with the Midland Bank bonus and the consequent dissolution of that bank's staff association which is attracting public attention at the moment, the trouble is widespread and deep seated. What annoys bank employees is that they are coming to believe that successive waves of inflation which

have made them poorer have made the institutions they serve richer than ever before.

An article in the November number of *The Bank Officer* (the organ of the National Union of Bank Employees), purported to prove that the "gross profit" of the eleven clearing banks was £50 million in 1938 and £92 million in 1949, an increase of 84 per cent, and there is no obvious flaw in the train of argument. The writer then went on to try to draw further inferences but admitted that he was badly handicapped by lack of reliable information. (Was this his fault, or was it the fault of the banks?) He finally arrived at the conclusion that he and his fellows are now getting a much smaller share of a much larger cake than was the case before the war.

Is there any good reason why banks in Britain should not publish their profit and loss figures in detail as do American banks? I submit there is none. If candour does no harm in the United States, does secrecy do good here? I believe it does harm, alike to the relationship of the banks to their staffs on the one hand and to the public on the other. The annual report of one of the great New York banks contains much detailed information and shows the amount of interest received, dividends received, other earnings, salaries and wages paid, reserved for bad debts, etc. When banks in this country publish similar information, either voluntarily or because of legal compulsion, they will be subjected to less ill-informed criticism, but they will also, I suspect, probably have to pay the union's national minimum salary scale.

Let no one be in doubt about it, bank employees are intensely loyal to their salt, but they are becoming increasingly critical of the size of the salt ration.—Yours faithfully, BANK MANAGER

Chilled Beef from Argentina

Sir,—You ask in *The Economist* of January 13th if we would not all jump at the chance of paying extra for prime chilled beef.

Yes, but suppose we could do so only by cutting our expenditure on tobacco or beer—if, in other words, we removed ourselves from the subsidy-paying class into the subsidy-receiving class—just think of the catastrophic consequences to the Treasury! Carrying this system of "fair shares" to its logical conclusion, is it indeed right that any of us should be allowed to smoke or drink at all if there are still some unfortunate people who can afford to do neither, or at best only sparingly? This monstrous injustice should not be allowed to continue. Already I feel a twinge of moral pain on lighting up a cigarette and gulping down a pint, and I am sure I could not face a choice juicy steak of prime chilled beef (cooked to a turn, with fried onions and new potatoes) without anguish wringing my brow and tears of remorse running down my cheeks.—Yours faithfully,

ALAN SMITH

Dundee

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What Does "Sterling" Mean?

Sir,—A note in your issue of December 2, 1950, discussed the recent Privy Council decision that a holder of a Commonwealth of Australia loan (formerly a Queensland loan), which was expressed to be repayable in "pounds sterling," must be satisfied to receive only Australian currency. Your note pointed out that "a London lender in 1895" apparently failed to get unequivocally inscribed in the contract his right to be repaid, in London, in sterling.

May I hasten to defend the Commonwealth from the possible implication that it was unfairly attempting to repay English holders of this loan in currency less valuable than—to coin a phrase—"English sterling." It seems that the Commonwealth paid English holders of this loan both their interest and later their capital, in "English sterling." This should, I hope, dispose of any suggestion that the Commonwealth had tried to act unfairly to "a London lender." The Commonwealth's action may, however, have been unintentionally generous,

because it was ignorant of its now ascertained legal rights.

I must report that charity does not necessarily begin at home. What is good enough for an English holder may be too good for an Australian; the Commonwealth decided that, however it treated English holders, it did not have to treat Australians on the same footing. Australian holders were repaid only in—to coin another phrase—"Australian sterling." In other words, though English and Australian lenders lent currency of the same value, Australians were repaid 25 per cent less.

What considerations of equity were applied by the Australian governmental authorities (let me say it was in 1944) in evolving these methods of repayment, one for English and another for Australian lenders, are still secret. It is, though, poor consolation to Australian holders to realise that, according to the Privy Council, the English holders were overpaid—for I assume that this is what the decision means.

Perhaps the "London lender" was not so clever after all—only lucky. Australians were not even lucky.—Yours faithfully,
JOHN BONYTHON
Adelaide, Australia

THE ECONOMIST, January 27, 1951

Organised Farmers

Sir,—The closing sentence of your note on "Organised Farmers," in the issue of January 13th, betrays an unfortunate state of mind. I quote: "Senator McCarthy himself gave the Wisconsin Farmers' Union a clean bill."

One can hardly quote the Senator as an infallible authority in these matters, and it seems doubtful that he is quoted for the true value of his statements. The only possible conclusion is that, as the most arrant of those who smear reputations behind congressional immunity, if the Senator refuses to attack the organisation, it is safe to predict that it will not be denounced. The safety of the prediction is, however, known to lie not in the truth or soundness of the Senator's judgments, but in the fact that no one likes to contradict himself.

Whatever the Wisconsin Farmers' Union may or may not be (I know nothing about it), it would seem preferable to make up one's mind on criteria other than the fact that they are safe from calumny.—Yours faithfully,

HERBERT CAHN
Christ Church, Oxford

Books and Publications

La France Combattante

Envers et contre tout. By Jacques Soustelle. Vol. I. "De Londres à Alger (1940-1942)." 470 pages. 420 francs. Vol. II. "d'Alger à Paris (1942-1944)." 452 pages. 585 francs. Robert Laffont, Paris.

These volumes are a survey of the French contribution to the defeat of the Axis. M. Soustelle, an ethnologist working in Mexico, joined General de Gaulle in London in June, 1940. He remained in the General's *Comité National* as director of information until 1942. After the formation of the Algiers Committee he continued the co-ordination of the resistance until the Normandy landings. A large part of M. Soustelle's admirable record deals with the elaboration of the Resistance; with espionage, sabotage and the French armed forces of the interior. The story which has been veiled from the foreign reader by Communist propaganda now emerges clearly as a great national effort. From the first reconnaissances by agents landed in Brittany in the autumn of 1940 to the large

destructions and armed resistance synchronised with the landings of June, 1944, the lines of development are carefully drawn.

But the supreme interest of the book lies in its central thesis, which transcends the strategic conduct of the war by the Allies as a military whole. General de Gaulle knew from the moment of the military collapse of 1940 that he would be nobody and his country nothing unless it could be demonstrated that France had never ceased to fight against Hitler. This was at once a juridical and diplomatic position and a national magnet to French arms. Thus the General maintained throughout that the Pétain armistice was illegal and the *Etat Français*, a collaborationist fraud; that the Victor of Verdun had usurped the

prerogatives of the French Republic; and, Vichy and all its works being illegal, de Gaulle was to summon all Frenchmen to the colours of the sole valid representative of France, himself, their *de facto* and *de jure* president and commander-and-chief until victory.

General de Gaulle's conviction that France would have no place in the victory unless unified under himself as *La France Combattante* led him to titanic efforts to preserve this cohesion. In 1942, says M. Soustelle, Mr Churchill was no longer able to support the General against Mr Roosevelt (who still maintained relations with Marshal Pétain) on account of the greater necessities of British imperial strategy. However this may be, the course of events justified the Gaullist position against the American President. M. Soustelle gives an excellent description of the long fiasco of Algiers in which the Americans supported first Admiral Darlan then, after his assassination, General Giraud. In the event this intellectual and spiritual obstinacy did create a military organisation, which would have been destroyed by a less uncompromising attitude. The legend and reality of the appeal of June 18, 1940, was, above all, quite essential to the resistance within France.

In some ways the resistance of the interior was most important of all for France's political future as the Gaullists had planned it. The General's ideological starting-point was a vacuum left by the defection, as he saw it, of the prewar French *élites*. The events of 1940 proved to him that France, in war or in peace, could no longer be governed by the representatives of "the parties." The Republic must therefore be renewed

by the spontaneous introduction of a new constitution that would ensure the observance of its laws. (In 1950 de Gaulle's position is still the same: M. Soustelle is moreover still his director of information.) Granted this premiss, any theoretical admission that the Pétain armistice might have been expedient; any "agreement to differ" with the Marshal's emissaries abroad or in the French Empire would, for the Gaullists, have prejudiced not only the fighting present but the political future of France. Hence the General's intransigence with the Allies who, having an entirely different list of priorities, not unnaturally found him often impossible. M. Soustelle's account of British liaison with Carlton Gardens is often rich in unconscious humour.

De Gaulle beat the Germans; he beat the Americans and he beat the Pétainists. He gave the lie to Mr Churchill's occasional doubts of his authenticity. ("After all, are you France?" asked the Prime Minister in a bleak interview at a black moment. "If I am not, why do you deal with me?" came the reply.) Nevertheless he was beaten in the end by the old Third Republican political parties which, if unworthy survivors, were yet not in the least dead. The Communists, with their flair for the exploitation of the worst and the corruption of the best, stole much of the Gaullist glory in the post-war apathy. But, beyond them, the *renovation* so much spoken of at Carlton Gardens did not prevail against the natural diversity, disharmony and regionalism of the French people. In a sense de Gaulle fell between two stools. Having staked all on a united France, "pure et dure" he fanned the revolt against the past *élites* to a degree sufficient to discredit individuals but not to displace the system to which they were appropriate.

The Severed Nation

Korea Today. By George M. McCune, with the collaboration of Arthur L. Grey Jr. *Institute of Pacific Relations, Allen and Unwin.* 372 pages. \$25.

The title of this book might well be changed to "Korea Yesterday," for it was completed in the spring of last year and thus deals with the situation before the outbreak of the Korean war—which has

already made all previous history of the Far East seem rather remote. Nevertheless, any settlement which may in future be made in Korea must take account of the basic factors which Mr McCune has surveyed in detail in this work. The facts here set forth should at least arouse a sympathy for the peculiar ill-fortune of the Korean people and a sense of the responsibility shared by all Korea's "liberators" for the fate which has befallen the country. In the Judgment of Solomon the child was awarded to the claimant who was not willing to have it cut in half, but it was by agreement between Russia and America that Korea was bisected, though it is only fair to add that on the American side the zones of military occupation were not originally intended to be separate political units. Today, after five years of partition and factional strife, Korea is a battleground between foreign armies which have swept to and fro over almost the whole length of the peninsula in their devastating warfare, and it is no wonder that many Koreans do not care what the result is, if only they can get a cessation of hostilities.

Mr McCune shows how the Russians initially had the advantage in the struggle for political supremacy because they backed the Korean Communists and their camp-followers resolutely from the beginning, whereas the Americans, wishing merely to prepare Korea for political democracy, did not at first recognise any particular Korean authority or party as entitled to speak for Korea. The author emphasises the discontinuity and inconsistency of American policies in Korea and the lack of planning before the commitment of occupation was undertaken. If the American and British Governments have now made up their minds to continue support for South Korea, even after the failure to incorporate the North, much more thought will have to be given to its problems than was forthcoming between 1945 and 1950.

Threats to Democracy

The Only Way. By Alexander Loveday. *Hodge.* 221 pages. 12s. 6d.

It was never more necessary than today to think through afresh, without political *parti pris*, the assumptions of democracy, and to restate them, not in the abstract, not in the peculiar idiom of political philosophers—but in relation to familiar

current events and in a vocabulary and style accessible to ordinary educated persons. It has rarely, moreover, been harder; those who have the spiritual and mental energy for such thinking *through* rarely have at once the gift of expression in lay terms and the faculty of detachment from political bias. Mr Loveday, an academic with long experience of practical administration, an economist widely read in political theory, an Englishman intimately acquainted with the life of other countries, is rarely qualified for the job; and "The Only Way" is an outstanding presentation of that fundamental liberal creed which is common to a very wide range of party opinion but, for lack of clear conception, is too often overlaid with contradictions.

"Democracy," so Mr Loveday sums up, "is not primarily a system of government, but a system of ideals and ethical principles" constituting rules of conduct whose purpose "is to give the individual scope to develop a harmonious personality as full and complete as his natural endowments permit." This aim calls for a harmonious society—social harmony depending in turn not on paper constitutions but on the respect paid by the average citizen to "the principles that constitute our democratic ethics." War, inflation, depression, variously disintegrate that respect; while the agencies transmitting it from generation to generation, family, church, neighbourhood, have been weakened, leaving the schools to carry a burden to which they are not equal. The freedom essential to harmonious development is under-valued by individuals obsessed with the fear of war or unemployment sacrificed to the illusion of national or economic security; the task of democratic thought today is on the one hand to re-establish a rational and consistent hierarchy of aims, to distinguish between ends and means, to weed out what is contradictory and self-stultifying in its aspirations, and on the other to devise practical institutions of self-defence and self-betterment within whose framework the weakened confidence, responsibility and human solidarity of the individual may, however slowly, reconstitute themselves.

To both parts of this task, though particularly to the former and more fundamental, Mr Loveday brings a valuable contribution. One can disagree with him. One can retain, for instance, a conviction that that Federal Union of all free

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nations which he prescribes, even were it politically acceptable, would suffer such spasms of internal economic adjustment as to be actually weaker, not stronger, than the mere alliance or confederation which he rejects. One can question the relative importance, to the development of harmonious personalities, of this particular enlargement of free choice and that particular assurance of an economic minimum. It is not, however, so much by inexpugnable conclusions and demonstrations as by the establishment of the agreed point of departure and of the method and spirit of enquiry that "The Only Way" claims attention and respect. This is a book to be widely read and discussed.

Relativity

Out of My Later Years. By Albert Einstein. *Thames and Hudson.* 282 pages. 15s.

This collection of essays, addresses, extracts from articles and interviews, and unpublished fragments, epitomises Einstein's outlook on the world during the last sixteen years. His publishers claim that the chapters on his theory of relativity are simple enough to be understood by every intelligent person, and this, alas, may be so! The present reviewer will concentrate on more general matter.

The arrangement is not chronological but according to subject, which demands a continual adjustment from the reader between pre- and post-atom bomb perspective; but in spite of these disconcerting breaks in continuity, there emerges from the whole book a three-fold impression: of an abiding enthusiasm for the cause of supranational organisation as the only means of saving the world from self destruction; of a belief in socialism as the framework in which the solution of present problems could be achieved; and of the wisdom and humanity of the writer.

Einstein believes that world government will come, either through the military power of the victor in a third world war, or through international agreement and the force of persuasion. It is his single minded endeavour in every public utterance, upon whatever topic, to drive home a plea for the latter course. He considers that the essence of the crisis of our time is the

dependence of the individual upon society, not as an organic tie or protective force, but as a threat to his natural rights and his economic existence. At the same time, man's egotistical characteristics are unavoidably being accentuated at the expense of his social urges. All human beings are suffering from this deterioration: "Unknowingly prisoners of their own egotism, they feel insecure, lonely, and deprived of the naive, simple and unsophisticated enjoyment of life." The remedy is the establishment of a socialist economy, accompanied by education towards social goals instead of the worship of acquisitive success.

But Einstein postulates that a planned economy is not necessarily socialism, since it may be accompanied by the complete enslavement of the individual by the power of bureaucracy, and unless it is international it might "more easily lead to war than capitalism, because it represents a still greater concentration of power." He also warns the Soviet Union against blaming capitalism for all existing social and political evils, adding that government is in itself an evil if it does not resist the tendency to deteriorate into tyranny.

This would be an excellent bedside book, since it is so full of steadying reflections. But the most comforting glimpse into the mind of a great thinker is contained in the last sentence of his "Self Portrait": "I live in that solitude which is painful in youth, but delicious in the years of maturity."

Afghanistan

Afghanistan. By Sir Kerr Fraser-Tytler. *Oxford University Press.* 330 pages. 21s.

Not much has been written about Afghanistan since the late Sir Percy Sykes produced his great two-volume history. Sir Kerr Fraser-Tytler has now written an informative and well-documented book which, as he says, is a "study of political developments in Central Asia" with particular reference to Afghanistan. It is a work that is much needed at the present time, for it is a careful appraisal of all the factors that have been at work in that little-known territory which

contains within it the dividing line which separates Southern from Central Asia. The mountains of the Hindu Kush projecting from the main ranges of the

Pamirs have served throughout the ages as a breakwater diverting westward the flood of the migrations from further Asia and protecting the approaches to India.

But this natural mountain barrier can be traversed by armies and has been since the time of Alexander the Great. It can also be outflanked on the west. Along this route the invaders from Timur to Sultan Mahmud of Ghazni and Nadir Shah have invaded India. The Hindu Kush then provides no barrier for India like the Himalayas but rather a deterrent which slows down a forward march.

Sir Kerr Fraser-Tytler has served in the Indian army and in the External Affairs department of the Government of India and is therefore well qualified to write on the various phases through which British policy has passed in seeking the best way to defend the Indian sub-continent. In the first two Afghan wars we attempted to make the Hindu Kush the virtual frontier of India. But no power has ever been strong enough to hold such an advanced post. The British then attempted to create with some success a buffer state under their protection. But Afghanistan is still a country largely in a tribal state and periods of instability following the assassination of an Amir often led to an upset of the buffer state policy.

At last in the Mahomedzai family rulers have been found who were able to weld the polyglot of races and tribes into something like a state. The future will largely depend on whether this stability can be maintained. The author does not deal with the economic and social developments that are going on in Afghanistan, but he has a lot to say about the problem of the Pathan tribes and on the fluctuations of British policy on the North-west Frontier.

This is one of the danger points of the future. For the rulers of Afghanistan have never recognised the Durand line as preventing them from influencing the tribes across the border. The present Pathanistan movement which is being inspired from Kabul is only a new stage in uniting the Pushtu-speaking tribes and aims at consolidating the Pathans behind the present rulers of Afghanistan. The book has much to say on this important subject which is causing so much trouble to Pakistan and may be the source of Russian intrigue whenever the Kremlin thinks the time opportune.

AMERICAN SURVEY

Congress Makes its Bow

Washington, D.C.

THE opening of the Eighty-second Congress has been comparable in sound and effect to the opening of Fibber McGee's clothes closet; and in a way the circumstances were similarly predictable. Every loyal listener to the wireless in the United States knows that when McGee undertakes to fetch something for his wife, Molly, he is going to the well-beloved cupboard, and that, as soon as he pulls the door open, there will fall out of it with an immense and prolonged clatter the accumulated copper plant-pots, roller-skates, picture frames, old boots and bicycle-pumps of a long family life.

It is just over 150 years since Congress first took up its quarters in Washington. The cupboard on Capitol Hill is packed to bursting with ideas and attitudes put out of sight, but not altogether discarded. And a lot of them have tumbled forth during the last two weeks into and beyond the current "Great Debate" on foreign policy.

The chambers in which the new Senate and House are assembled have been newly decorated on lines which irritable critics have variously compared to those of a funeral parlour and a cinema. Within these freshly brocaded walls, gold and blue respectively, there was quickly revealed to be a remarkable unanimity on the need for swift and comprehensive rearmament. When President Truman's \$71.6 billion Budget arrived, the prevailing reaction of both Houses was that the sooner the projected immense sums were authorised, appropriated and spent for military procurement and services, the better and safer it would be for everyone. But after that the rope of unity began to unravel.

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The new Congress, meeting at a moment of national apprehension, nervous tension and fault-finding, has been pervaded by the consciousness of defeat in Korea, by uncertainty concerning what the Far East is going to produce next, by the brooding sense of dissatisfaction with the performance of America's allies both in the United Nations and in Western Europe, and by the knowledge that the election results had deprived the Administration's supporters of their secure majority.

It took the Southern Democrats and the conservative Republicans only a day or two to show off the fire-power they were going to be able to bring against the Administration designs which arouse their displeasure. In the House the "reactionary coalition," as the revived *cliché* has it, swiftly scrapped one of the most useful reforms the dominant Democrats of the Eighty-first Congress had devised to ease the passage of liberal Bills. This was the provision that the Rules Committee, which decides what legislation shall reach the floor of the House, may be prevented from holding up a Bill if it does not like for longer than 21 days.

In the Senate one of the three new Republican Senators posted to the Appropriations Committee was Senator McCarthy of Wisconsin, the scourge of the State Department. Once upon a time, the Senate Appropriations Com-

mittee concerned itself only with the amount of money it would be proper to appropriate under given Bills. More lately, particularly in the case of legislation involving foreign aid, it has felt entitled to require the State Department and other officials to repeat evidence and re-answer questions on policy and performance already thrashed out in the Foreign Relations Committee. Senator McCarthy has now improved his strategic position by being appointed to a sub-committee of the Appropriations Committee which deals specifically with funds for the State Department, and it may be a reasonable assumption that unquiet times are in store for a number of Mr Acheson's assistants.

The chairmanships of committees remain in Democratic hands, since the Democrats at the elections managed to preserve a majority. But, by virtue of the seniority rule, the chairmen and members of a disproportionate number are conservative Democrats whom the Solid South has faithfully returned for many years. (Senator George of Georgia has been *in situ* since 1922.) Their hand, in several cases, has been strengthened by the advent of new Republicans entitled to committee seats because of the increased Republican representation in the Senate. On the Senate Foreign Relations Committee Senator Tom Connally will preside, in future, over seven Democrats and six Republicans, instead of eight Democrats and five Republicans. The new Republican on this powerful body has turned out, after much intricate jockeying and horse-trading, to be Senator Tobey of New Hampshire, who, though not a jet-propelled liberal, is generally considered to be a worthy choice.

Up to the outbreak of the Korean war there had been thirty issues in the Eighty-first Congress on which a vote for the bi-partisan foreign policy was asked; and among the Senators who were discarded by the electorate or retired last November there were five—Senators Lucas, Downey, Myers, Thomas of Utah and Thomas of Oklahoma—who had voted for the bi-partisan policy on every one of these issues. And there were others who were almost as reliable—Senator Tydings and Senator Pepper—whose departure the Administration has mourned.

Senator Dirksen, who has taken Mr Lucas's Illinois seat, and Senator Nixon, who has come into possession of the California seat Mr Downey held, will chalk up no such records. On the other hand, liberals expect a good deal of Senator Mike Monroney, of Oklahoma, one of the few successful Democrats, and the predictions are that Senator Duff, recently Republican Governor of Pennsylvania, is destined to become a mighty and not an illiberal power in the Senate. Neither in the House nor the Senate have the Republican leaders been displaced. The Democratic leadership is carrying on business as usual in the House, but in the Senate, where the mantle of Senator Lucas has fallen upon the less experienced shoulders of Senator McFarland of Arizona, the opening days of the Eighty-second Congress have produced moments when Democrats have wept for the touch of a vanished hand.

But these changes, the new faces and the new decorations, the new committee members and the voices ringing with new

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authority, amount, in the main, to a variation of the ornaments on the cake. Underneath the icing, below the marzipan, the consistency of Congress is about the same. If there is reason to expect stronger coalitions of Southern Democrats and Republicans, there is little mystery about what sort of legislation will be allowed to pass and what will bring the coalition into action. Mr Truman will not secure from the present Congress the civil rights, social and labour reforms he would like, but he could not persuade its predecessor to pass them either, and for similar reasons.

The Great Debate has not, up to the present, revealed any decisive renunciations of ideas and attitudes on foreign policy developed during the post-war years. Apprehensions stirred by events on two sides of the world have been reflected in both the composition and the oratory of the Congress, yet the signs of a sensational *volte face* have not so far appeared. Nor is there yet any reason to believe that if General Eisenhower returns with a recommendation for action, the Eighty-second Congress will be less willing—after passing a “compromise resolution”—to support the President on sending American troops to Europe than, in similar circumstances, the Eighty-first Congress would have been.

Story of an Inflation

Washington, D.C.

THE Annual Economic Review by the Council of Economic Advisers, which is a report to the President, accompanies the Economic Report from the President to Congress at the beginning of every year. The Review for 1950 was written with a kind of gloomy pride—pride at what the American economy could do and gloom at what the American people could do with it. “We must stop eating so much cake,” the Council of three economists decided, “when the aggressors are arming so many divisions.” And they told the story of how much cake had been eaten in the second half of the year—or, at least, of how much cake had been bought to be stowed away in the deep freeze for consumption in some bleak future. The Department of Agriculture estimates that there are at present one billion pounds of meat, enough for two weeks’ average consumption, stored in deep freeze units in private houses.

A few days after the report had been published, Macy’s department store took a full page in most of the New York newspapers to announce that, since Christmas, the people of New York had been buying 25 per cent more goods in all department stores than they had done during the same period of last year. “Evidently,” Macy’s told the public, “some of you are buying what you don’t need . . . are buying out of fear of the future . . . WHY ARE YOU BUYING SO MUCH, NEW YORK?” The answer, if New York were able to give a composite one, would be that it was buying out of fear of the future, but less from fear of future shortages than from fear of future prices. There has been unending talk of controls and no action, although the evidence that they are needed has been accumulating since the start of the Korean war. It has now been laid out for all to see by the Economic Advisers.

The economic history of 1950, they pointed out, can be divided into three distinct parts. The first was the period of recovery from the mild recession of 1949; during this period the level of expenditure for personal consumption rose slowly from an annual rate of \$180.6 billion in the last quarter of 1949, through \$182.4 billion in the first quarter of 1950, to

\$185.2 billion in the second quarter. It was at the end of the second quarter that the Council’s second period began—the expansion of the defence programme after the Korean outbreak. In the third quarter personal consumption jumped to \$198.4 billion. It declined a little in the fourth to \$197.0 billion because, after the Inchon landings, indiscriminate buying stopped for some twelve weeks; then the reality of large-scale Chinese intervention at the end of November marked the beginning of the third period—that of intensive rearmament. And Macy’s desperate advertisement suggests that personal expenditure will be over the \$200 billion level in the first quarter of 1951.

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After the Korean war began, the Review says, “there was prompt and universal recognition by the American people that a great defence effort must be made.” Unfortunately, they recognised it not by tightening their belts, but by letting them out another \$15 billion a year. Or, as the Council observes rather obliquely, “the first result took the form of one of those mass movements which occasionally upset economic analysis based solely upon statistical data or assuming a regular pattern of economic behaviour.” The rush of consumers to buy “fantastic quantities” of those goods which had been short during the last war—regardless of whether there was any justification for believing that they would be short in the next one—continued through July and August. The immediate effect, both in rising prices and the reduction in retailers’ and wholesalers’ stocks, was considerable.

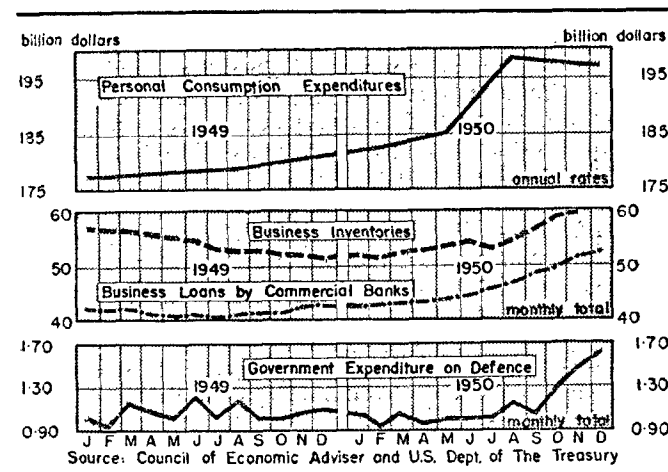
But more important was the effect on merchants’ policies. Between July and October, the Review points out, manufacturing and retail inventories increased by \$5 billion from an admittedly conservative level and, during the same period, the loans of all commercial banks increased by the same amount. “The force which directly sustained the rapid advance in economic activity during the third quarter,” the Review says, “was civilian demand, buttressed by rising civilian income, but without any extraordinary increment from government sources. Producers were making goods for civilians, and not for defence, when they pushed up the industrial production index 6.6 per cent between July and August, and continued to carry it forward, although less rapidly, during the next two months.”

The situation in the last month of the year—during the third phase—was different. Industrial production and employment stayed at the level of the two previous months, but wholesale prices doubled their rate of increase and the expansion of business loans by commercial banks, which had been steady at about \$160 million a week since the end of June, suddenly quickened its pace to \$230 million. But wholesale price increases in December, the Council thinks, were largely the result of two factors: “first, an effort by sellers to increase prices before they could be frozen by price controls and, second, the evaluation by businessmen of the pressure on prices which would flow from an accelerated defence programme, and a continuing upward trend of money incomes.” Retail buying during the Christmas season was little more than normal and it was not until after Christmas that the mad rush of which Macy’s complained last week started again.

Even by the end of the year, however, Treasury payments for defence orders had not begun to add to the inflationary effect. During the last five months of the year there was a net surplus and, over the calendar year, the budget was almost in balance. Yet “at the end of 1950,” the Council concludes, “the national economy was subject to forces of inflation far

more powerful than those which arose following the original outbreak in Korea. . . . There will soon be added the direct effect of the rapidly expanding military programme. . . . Clearly it will be necessary to resort to more direct action than has thus far been taken to prevent inflation from continuing its destructive spiral.” It is, indeed, doubtful whether there are many who still need to be persuaded of this necessity. Macy’s, in their advertisement, announce that they “feel strongly there should be controls on prices, on farm-products, on wages, on profits.”

But until the Economic Stabilisation Agency can collect a staff to administer the controls, of the approach of which there have been all too many warnings, the inflation will go



on. And it will be kept from getting completely out of hand only by the incredible productivity of a country which, having raised its gross national product under the stress of war from \$91.3 billion in 1939 to \$215.2 billion in 1945, and, in the first five years of peace, to \$255.6 billion, could, in the year when a new defence effort was needed, raise it still again to \$278.8 billion. The price of this productivity is, however, an ever-increasing consumption, and a consequent rise in the prices of those raw materials which are urgently needed at this moment in other countries, as well as in the United States. There is even a gloomy side to the ability of the American economy to expand and expand and expand.

American Notes

Cease-fire in Washington

Hostilities between the President and Congress over the dispatch of troops to Europe seemed to be petering out this week, thanks to a willingness on both sides to forget the constitutional niceties and act together, as they must if they are to act at all. For defiance of the Wherry resolution, the President substituted a tactful and realistic welcome of the Senate’s wish to be associated with the creation of the European army, Senator Taft, instead of persisting that no troops should be sent, retreated far enough to agree to American reinforcements being dispatched, though he continued to argue that Congress should place a limit on their number.

The result has been that the Wherry Resolution, which would have forbidden the President to act until the Senate came to a decision, has been successfully side-tracked. It will be considered by the Foreign Relations and Armed Services Committees, without any commitments having been made by Senator Connally as to when, or in what form, it would reappear on the floor. If all goes well, it will emerge, after General Eisenhower’s report next week, transformed

into an expression of support for the President’s policy which in no way compromises the Presidential powers.

But while the domestic ranks were being closed, a deeper gulf appeared. Both the House and the Senate rushed to pass virtually unanimous resolutions urging the United Nations to condemn China as an aggressor. Such gratuitous advice—made no more acceptable by the explanation that it was meant to “inject a little backbone into the United Nations”—is not binding on anyone. But the votes are an accurate reflection of the disillusionment and frustration caused in the United States by the reluctance of its friends and allies to abandon the slightest hope of a settlement. In the American view, Uno will be morally bankrupt if it punishes a small aggressor but appeases a big one. Senator Morse felt compelled, after Mr Attlee’s speech, to conclude that the question was whether Britain was on the side of the United States or of Red China.

The Senate went on to call upon the United Nations not to accept Communist China as a member. It would be a hardy Administration which defied such sentiments. But on the Chinese issue, Congress and the State Department appear to be, for the first time, not only in step but hand in glove. The House and Senate resolutions appear to have been introduced with the knowledge of the White House and have been cordially welcomed by Mr Acheson. The recent speech of Mr Ernest Gross, Deputy Representative at Uno, in which he insisted that the Formosan issue must be handled in accordance with American national interests and that the Nationalists must be consulted, suggested to some observers that, driven by the Chinese Communists, the State Department was backing into the arms of its critics at home. It is denied that any change of policy is contemplated. But bipartisanship arrived at by this route might, as the *Washington Post* points out, jeopardise the Atlantic alliance as well as the United Nations.

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Stabilisers on Thin Ice

The public conclusion of Mr Wilson, the head of the Office of Defence Mobilisation, that “price and wage ceilings must be imposed with speed and forthrightness” because “voluntary controls will not work” was followed almost at once last week by the resignation of Mr Valentine and his replacement at the Economic Stabilisation Agency by Mr Eric Johnston. This is a victory for those, like Mr DiSalle, the Price Administrator, whose sharp political ears told them that the public would tolerate no more delay in controlling the cost of living, and a defeat for the go-slow school who felt that the controllers lacked the staff, as yet, to work out and enforce a general price order. Mr Valentine, an academic figure, was determined to test the economic ice exhaustively before putting any weight on it.

Mr Johnston, the czar of the motion picture industry and experienced not only in business, but in the ways of Washington under mobilisation, will have more powers than Mr Valentine possessed; he will also, probably, be more willing to delegate them than Mr Valentine was. In addition to overseeing price and wage policy, Mr Johnston will exercise authority over rent control, home financing, subsidies and other economic aspects of mobilisation.

The testimony of Mr DiSalle this week before the Joint Congressional Economic Committee suggests that before the week is out a general freeze may be ordered of all wages and prices not specifically exempted under the control act. The conspicuous exemption is food prices as long as they are below parity, and the chairman of the House Banking and Currency Committee revealed that the President will attempt very soon to secure from Congress effective controls over these as well. It is thought in Washington that a thirty-day standstill order on wages will give time to work out a war stabilisation policy. For this, the moment is opportune. Mr

John L. Lewis and the soft coal operators, led by representatives of the steel industry, which has its own "captive mines," have just concluded, with great speed and secrecy, an agreement raising wages by 20 cents an hour. This snaps into place the last main link in the present round of wage increases, the fifth since the war.

It is recognised by everyone that any roll-back and freezing of prices will freeze many injustices into the structure as well, and that intensive re-working of the order will be necessary. The gamble which the President and Mr Wilson seem about to take is that the rudimentary stabilisation organisation will be able to enforce its orders and remedy these inequities quickly enough to avoid a general disillusionment with controls which might lead to widespread evasion.

* * *

Easing Conversion Pains

When partial mobilisation came in the door, the Munitions Board's carefully laid plans for full mobilisation flew out the window. Under these plans firms were supposed to have "shadow" orders for armaments, so that they would know what to do when war came. To have given the green light to these orders would have meant reactivating "shadow" factories; this would have dislocated the labour force, caused housing shortages and so on. It would in fact have meant a disruption of civilian life that is undesirable if a prolonged period of cold war is to be endured. For this reason, the services have, as far as possible, been placing contracts with automobile and other consumer goods' manufacturers who are forced to cut back civilian output because of shortages of raw materials.

How far this policy will in fact ease the pains of industrial conversion is far from certain. Automobile firms are already laying off men and reducing output by 20 per cent, and the cut-backs are sure to get worse. But it will be the end of the year before these firms are tooled up for their new defence contracts, even though these are at last being placed with greater speed. Many car companies would prefer to build new facilities for aircraft and tank production, so that they can keep their labour employed, even if at a reduced rate, on civilian assembly lines, until the time has come to start defence output. For it is everywhere agreed that before long skilled men will be jewels of incalculable price. Some automobile firms have already ordered tools for their 1952 models, although 1951 cars are only being shown this week, in the hope of getting delivery before defence swallows up all the machine tools. Some firms, such as Willys-Overland Motors, which makes jeeps for army or civilian use almost indiscriminately, have no conversion problem. Others are prepared to do both kinds of work side by side, notably the General Motors Corporation, which is to make Thunderjet aircraft in its car assembly plant at Kansas City.

The Department of Defence has another reason for spreading its contracts among a variety of firms. It is anxious to disperse both facilities and "know-how" for making essential weapons, so as to lessen the damage that could be done by air attack. Aircraft firms, which had expected to be allowed to reactivate their stand-by facilities before automobile makers were given a share of the aircraft cake, resented this new policy at first, for licence fees do not push profits nearly so high as contracts do. Now, however, that President Truman has hitched the aircraft wagon to the star of a five-fold increase in output this year, and to the nebula of a fifteen-fold increase in capacity (to 50,000 planes a year) before long, there is obviously more than enough aircraft cake for everyone. The automobile industry has no doubt that it can cope with 35,000 tanks a year as well.

* * *

Housing the Defence Worker

The federal belt which is squeezing workers and materials out of the building industry has been tightened by

two more notches. The Federal Reserve Board has extended to multi-family dwellings the less liberal credit terms applied to one-family and two-family units in October; and the National Production Authority has forbidden the commencement of any new commercial construction costing more than \$5,000 until February 15th, when a licensing system will be introduced. This follows the ban on recreational building. Private builders, who believe that the restrictions on credit will cut the production of new houses from 1,350,000 in 1950 to 700,000 or less in 1951, expect that the next step into austerity will be the placing of price limits on new houses—something never before attempted.

Some of the materials and labour released will go into industrial expansion, but the Administration believes part should also be diverted into building permanent homes for defence workers. During the war, some eight or nine million people followed war industries into new communities, which often had neither the houses nor the facilities to absorb them decently. Military re-enlistments even now are unfavourably affected by sub-standard living conditions. No repetition of the war's mass migration is expected, but the housing authorities wish to be prepared this time.

Much can probably be done by relaxing credit restrictions in defence areas. But in addition, a Bill has been introduced to increase by \$3 billion the authority to guarantee private mortgages, chiefly for flats for workers in war industries, and to empower the government itself to spend some \$125 million on housing and community facilities in defence centres. This would apply particularly to installations in isolated areas, such as the new atomic plant on the Savannah River in South Carolina. Here an influx of 30,000 people is expected, and money will be needed for schools, roads and sewers, as well as to acquire building sites to prevent exploitation. Private builders are torn between their desire to bolster their shrinking incomes by a share of this new federal money, and their traditional fear that the public part of the programme may prove to be a socialistic camel's head in the tent of private enterprise.

Shorter Notes

The Federal Reserve Board has increased the margin requirements for share purchases and short sales from 50 per cent to 75 per cent. This return to the margin required before March, 1949, is regarded as a preventive measure, for the volume of credit in the market on January 1st was only about \$1.4 billion compared with \$3.6 billion four years earlier. However, this type of credit has been creeping slowly upward in recent weeks, with the heavy turnover, which for many days has been greater than 3,000,000 shares. The Board's chief concern, however, remains the excessive expansion of bank credit, and there is talk of reviving its "special reserve" plan, which Congress turned down in 1947.

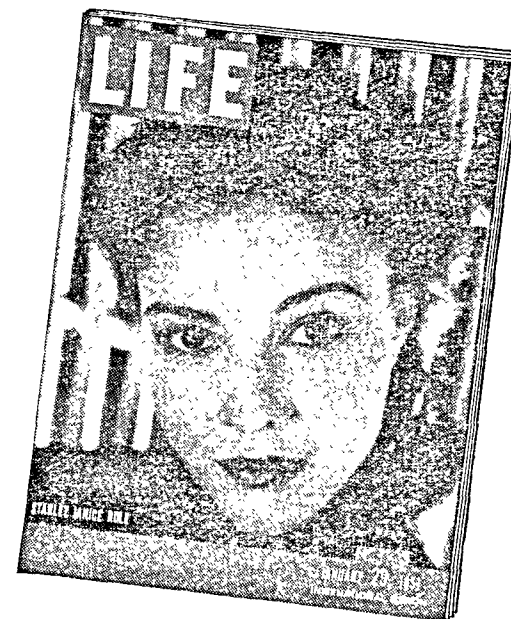
*

The five-cent coke will soon be as extinct as the five-cent telephone call and the five-cent fare. Some retailers are absorbing wholesalers' increases on Coca-Cola and other soft drinks, in deference to public attachment to the old price, but six cents a bottle is already being charged in New York and many other cities, and even Georgia, home of Coca-Cola, will not be able to hold the line much longer.

*

During the first ten days of January all the estimated 4,000,000 aliens in the United States were required to register, under the provisions of the new Internal Security Act. This registration must be repeated every January. Most uncharacteristically, Senator McCarran in writing his Bill, seems to have overlooked the fact that since 1940 aliens have been required to register within five days any change in their home addresses—a more stringent provision. This requirement has, however, often been neglected.

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THE WORLD OVERSEAS

Russia's Agro-Towns

(By a Correspondent)

THE Soviet countryside is in a turmoil. The process of supplementary collectivisation, which both the State and Party organisations started preparing a year ago, is now in full swing. The amalgamation of smaller collective farms into larger units has already been going on for over 8 months and this first stage of supplementary collectivisation should be ended in April in the whole of the Soviet Union. The only exceptions are the newly acquired territories—the Baltic States, Bukovina and the so-called Western Ukraine and Byelorussia—where the primary collectivisation has not yet been completely carried out.

The quick tempo of amalgamation is to be explained by the tense international situation. The additional collectivisation should immediately free millions of labourers and make this manpower available for industry where it is badly needed for the present armaments race. Besides the reduction in the number of collective farms should also enable the authorities to cut down the number of food supply centres, while the contraction of the agricultural population should increase these food supplies for the towns. The advantages of a concentrated system of supply compelled even the Nazi occupation authorities to maintain the collective system, though its break-up, especially in the Ukraine, would have been very useful for propaganda purposes. The Soviet authorities hope gradually to reduce the collective farmer to the level of the agricultural labourer working in State farms. The big collective farm, which with time should contain some 3,000 farmers, will thus be transformed into an agro-town. The long-term end is to eradicate all differences between agricultural workers and the workers in the towns.

From Soviet sources it appears that already in the first phase the number of collective farms has been reduced by at least 60 per cent. In certain regions the process has already been completed. Thus Byelorussia formerly had just under 10,000 collective farms. Now, after amalgamation, this figure has been cut down to just over 3,250. In the Ukraine the total has been reduced from over 26,000 to below 14,500. The cuts have been even more drastic in central Russia, where there had been many small collective farms with 300 to 400 hectares of land. Since villages were usually changed into *kolkhozy*, the typical small Russian village has led to small collective farms. But now the Soviet authorities consider that modern agricultural machinery, tractors and especially combines, cannot be fully exploited in such small units. Besides, in larger *kolkhozy* more varied crops can be grown and can be more easily combined with large-scale cattle rearing. It is considered that a collective farm should have at least 1,200 hectares of land.

Generally the larger unit should allow for a more rational division of labour and resources and thus assist the Government in its struggle against the drought (carried out mainly by afforestation and also by building ponds and canals) as well as in its plans for housing and electrification of the countryside. The amalgamation should also bring about a saving of machinery and particularly of fuel consumption. The latter is now of the utmost importance, since the Baku sources have been partly exhausted and the new sources on the Volga cannot yet be exploited to the full.

The Soviet Union should soon have 100 or 110,000 col-

lective farms instead of 250,000. A large proportion of agricultural labour will thus become redundant. In addition the country bureaucracy, which is still more numerous than in the towns and which in collective farms accounts for approximately 30 per cent of the total manpower, will be cut drastically. Thus altogether some 3 to 4 million workers will soon be made available and, it is announced, will be immediately directed into industrial production.

The Party expects that the new collectivisation drive will help to reinforce both its own and the Government's influence in the countryside. In the elections of new chairmen of the *kolkhozy*, due care is taken by the authorities that a Party-member is chosen. The extension of the farm should also strengthen the Party cell inside it, thus avoiding the instances, particularly common after the war, when no Party member or even candidate could be found in a collective farm. Besides the character of the chairman will also change. Hitherto he has often been a local man defending the farm against the State, especially over questions of food supplies. Now he will be an agronomist, usually an outsider prepared by the regional Party schools. He will defend the interests of State and Party against the farmers.

Families to be Transplanted

It appears from Soviet sources that the present campaign causes greatest dissatisfaction in the bigger and better organised collective farms, which dislike the amalgamation with smaller and poorer farms, because they fear that it will lower their profits and their standard of life. But it is the second phase of supplementary collectivisation which will meet with greater opposition. The party announces that farmers from the smaller *kolkhozy* will be actually moved, together with their families, to the new houses in the bigger collective farms. Visions of future agro-towns are painted: "Two thousand beautiful houses along asphalted streets and avenues with lawns. Two thousand two-, three- and four-storey houses with electricity, radio, water supplies and bathrooms. A central square with a statue of Stalin. Next to each house a fruit garden." The transplantation of the farmer from the place where he and his family have lived for generations aims at blunting his property instinct. The farmer's house is normally in the neighbourhood of his former land, now incorporated into the collective farm. Once moved away from there, it is hoped, his feeling of ownership will diminish and with it the dreams of recovery.

Soviet propaganda tries to pass over in silence the issue of the farmer's own plot of land. Up to now each collective farmer has had his own plot of a quarter hectare next to his house. He also had a cow and some poultry. These plots were the source of the farmer's private income and, particularly during the war, the farmers used to try to increase their size. The authorities did not react violently as there was not enough machinery and labour to exploit the whole collective property. After the war a strong campaign was carried out for the recovery of these lands, on which the peasants worked much more assiduously than on the collective land. In future, it seems, the farmer will have to content himself with a "fruit garden." The very announcement that peasants will be moved and deprived of their private plots must cause a great

deal of anxiety and unrest in the countryside. The actual migration of the peasants has therefore been postponed to a later date. In the meantime preparatory work is to be done. In each new big collective farm a brickfield producing at least 500,000 bricks per year and a tile factory with an output of 100,000 per annum are to be built.

It seems that in spite of unrest in the countryside the Soviet authorities will be able to overcome the resistance. It was much more difficult to do it in 1929-33, when it was necessary to amalgamate 20 million small farms, inhabited by 70 million people and covering 370 million hectares of land. The resistance was extraordinary and the preparation for collectivisation insufficient. There were only 40,000 tractors in 1929. Famine reigned in the Ukraine. Food supplies for the towns were very small and grain had to be requisitioned by force. Now the output figure for tractors in the last Five Year Plan was 720,000. With a steady supply of machinery and with favourable weather conditions for the last two years, the Soviet authorities claim that the harvest brings in 127 million tons of grain. The grain supplies for stocks and for the towns (the so-called commercial grain), it is claimed, accounts for 40 per cent of the total. The resistance in the Ukraine was broken by 1933. The other main centres of resistance have since been broken. Besides, the migration of the farmers is to be extended over ten years, though some Soviet papers argue that the process may be speeded up.

Japan Welcomes Mr Dulles

[FROM OUR TOKYO CORRESPONDENT]

JAPAN's political leaders whipped themselves into a democratic ecstasy of pacifism in preparation for the arrival this week of Mr John Foster Dulles as ambassador to plan a peace treaty and reach agreement on Japanese rearmament. The crisp Tokyo air is clouded with honourable doubletalk about Peace, beautiful Peace, and Prime Minister Yoshida was credited with a plan to release a flock of white doves carrying United Nations' flags in their beaks at Haneda airfield when Mr Dulles arrived. The situation is one dear to the heart of Japanese international bargainers. They know exactly what the Americans want—which is largely what they themselves want. In the classical Japanese tradition, they are accordingly denying that that is what they want in order to get more of it on more advantageous terms.

Prime Minister Yoshida piously leads the apparent Japanese opposition to the rearmament of Japan. He insists that Japan must have "national independence" and "burning patriotism," but shudders away from the idea of another Japanese army, and blandly quotes General MacArthur's own sonorous words, in the new democratic constitution, renouncing armed forces for Japan "forever." Adopting a more prosaic attitude, Finance Minister Ikeda claimed last week that "it would be utterly impossible for Japan to finance rearmament" and stated that he had "no thought whatever of compiling a budget that makes any provision for rearmament."

The Japanese Socialists alone appear honestly and sincerely to oppose rearmament, but their arguments comprise little else than vague hopes. For instance, Secretary-General Inejiro Asanuma of the Social Democratic party rests sternly on his party's resolve to continue its "peace movement based on humanity to achieve the ardent wish of mankind to exterminate war." The Japanese people generally want war as little as most people anywhere want war. But they will accept an army with a shrug. And, anyway, the people's view still matters little in Japan, despite the singular American delusion that the nation has been satisfactorily democratised inside five years.

Japan's leaders are, of course, privately delighted at the discrediting of the occupation-dictated constitution before

even the end of the occupation. Despite their profound and grateful obeisances, they hated it as a compulsory conqueror's monument to their defeat and humiliation, and they would in any event have moved to amend or modify it by due "democratic" processes once the opportunity presented itself. Now the opportunity is prematurely here.

The real demands and wishes of Japan are contained in a privately circulated series of recommendations prepared and submitted this week to Prime Minister Yoshida by four influential managerial associations—the Japan Management Association, the Federation of Employers' Association, the Federation of Economic Organisations, and the Osaka Management Association. They include the following: Peace with "majority nations"; rearmament, "in the interests of domestic peace and order and national defence"; territorial and immigration considerations, "in view of the extreme difficulty of maintaining the livelihood of the Japanese people within the present territory"; the unfreezing of frozen Japanese assets overseas; and permission to organise "industrial defence corps" in key industrial plants deemed "susceptible to possible rioting."

In addition, Japan's Economic Stabilisation Board is working independently on proposals for Government and private loans from the United States for the development of Japanese industries—especially power plants, shipping and machine-tool plants—and for financial and material aid for the equipment of a Japanese army.

Apart from the comforting knowledge that the Americans want to persuade them to do what they fundamentally want to do anyway, the Japanese have another strong bargaining argument in their huge manpower resources—the one cardinal weakness in all United Nations planning. It is expected that the Japanese Government will insist on the development of an armed force which will be intrinsically and sturdily Japanese, with no suggestion or hint of "a mercenary United Nations force."

Meantime, while the pacifist Yoshida prepares to yield to the blandishments of the warlike Dulles, the training of the nucleus of the new Japanese army is already actively under way—75,000 recruits of the National Police Reserve, mostly ex-servicemen and officers, who rushed to enlist within two weeks and who wear a smart army uniform and—in harmony with Japan's present mood of expedient pacifism—an insignia amusingly compact of a new white dove of peace and the old rising sun of war.

The French Budget for 1951

[FROM OUR PARIS CORRESPONDENT]

THE crux of the French budget for 1951 lay in the acceptance of 740,000 million francs of military expenditure. M. Pieven's insistence upon pressing the vital part of the corresponding appropriations through the National Assembly on the last day of the old year has paid the Government handsomely. With the new taxes safely on the statute book and with the "provisional twelfths" to go on with (the monthly advances voted by the Assembly pending the passing of the several chapters of the budget), M.M. Petsche and Fauré may regard their task as virtually complete. The one remaining uncertainty concerns the 25,000 million francs of economies which the Government must specify by February in order to balance the rearmament budget. (The original total of 165,000 million francs of new taxes was provisionally lowered to 140,000 million in the course of the debate, the Government reserving the right to increase the new voted taxes to the extent that the proposed economies are not implemented).

In expenditure the massive increase has been on the armed forces, a rise of 180,000 million francs (excluding the

140,000 million of American aid). The civil budget, which stands not much higher than last year, nevertheless contains many supplementary expenses, including a rise in the salaries of civil servants and in war veterans and old age pensions and an estimated deficit of 90,000 million francs in the state railways. These extraordinary charges are masked by considerable administrative economies.

The 1951 budget compares with its predecessors as follows:

FRENCH BUDGETS OF 1949-51 ('000 Million Francs of 1950)			
	1949	1950	1951
Civil expenditure	950	950	1,040
Military expenditure	432	420*	740†
Civil equipment and reconstruction	132	141	155
TOTAL	1,514	1,511	1,935
Reconstruction: War damage	350	329	318
(buildings, railways, merchant fleet)			
Productive investments (Plan Monnet)	317	398	362
GRAND TOTAL	2,181	2,238	2,615

* 19 per cent. † 29 per cent.

In order to give priority to rearmament, the credits for modernisation and equipment (Plan Monnet) have been substantially reduced from 398,000 million to 362,000 million francs. Of the latter amount, moreover, 80,000 million may be spent only if corresponding receipts accrue from loans floated by the public utilities. The exact extent of the reverse to French industrial development occasioned by the special rearmament budget is hard to determine. *Electricité de France*, which has vast hydro-electric and thermo-electric projects in hand, probably loses the most. The Communists are making as much as they can out of the curtailment of the Monnet Plan: i.e. guns instead of dams like those in the Soviet Union. Yet, from an electoral viewpoint it is clear that out of the 355,000 million francs special rearmament fund only the 50,000 million francs to be secured by a National Defence Loan might have been attributed to investments. The American aid is strictly military and the new taxes would not have been proposed, let alone voted.

M. Petsche's original *projet de loi*, which the Assembly by its voting of the military budget has substantially maintained, is as follows:

THE FRENCH BUDGET FOR 1951 ('000 Million Francs)			
EXPENDITURE		RECEIPTS	
PART I—(General Budget):		PART I—(General resources):	
Ordinary civil expenditure	1,040	All previous taxes as at December 31, 1950	1,455
Reconstruction and equipment of State property	145	Increased fiscal control	20
	1,185	Counterpart of Marshall Aid funds	115
(Military Budget)		Treasury loans	180
Metropolitan France	500		
Gendarmerie	20		
Indochina	194		
Overseas territories	26		
	740	PART II—(Special armament fund):	2,170
PART II—(Budget for Reconstruction and investment):		New taxes	165
Renewal of war-damage	263	United States Military Aid	140
Housing	34	National Defence loan	50
Merchant navy and railways	55		
Monnet Plan	248		
	600		355
GRAND TOTAL	2,525	GRAND TOTAL	2,525
SUPPLEMENT			
(Credits conditional upon the Raising of Resources)			
Reconstruction and equipment of State property	10	State-guaranteed loans (post office & other public utilities)	90
Investments (Monnet Plan)	80		
	90		90
	2,615		2,615

The main gap in receipts, in comparison with last year, is caused by the reduction of Marshall Aid counterpart funds by 135,000 million francs (on the original estimate for 1950). Reinforcing the huge increase in the military budget this void has necessitated fiscal measures that just about scrape the bottom of the barrel. The principal added burdens in 1951 are a jump in the tax on companies' profits from 24 per cent to 34 per cent and a rise in the production tax from 13.50 per cent to 14.50 per cent (also from 4.75 per cent to 5.50 per cent on certain services and other exchanges).

The production tax, which is levied only once in the chain of exchange—when the finished product passes from the producer to the distributor—is a great fiscal stand-by in France because it is the easiest of the indirect taxes to collect. In this respect it differs from the tax on transactions, which is much harder to track down in an economy in which self-employed artisans occupy so prominent a place. (The transactions tax, with its two-tenths added since 1948 is, however, also a pillar of the 1951 budget.) This year the Ministry of Finance considered reintroducing the luxury taxes—on furs, scent, night-clubs, cafés, etc.—which were levied during the war. But the scheme was turned down; partly because "luxury" is a word capable of no adequate definition in France (necessities are luxuries and luxuries necessities); partly because such taxes if levied are apt not only to be uncollectable but also to stimulate fraud on the transaction tax: for the small tradesman, faced with a tax both complicated to compute and, when computed, liable to dispel his clientele, is inclined to pay no taxes on the philosophy that he may as well be hung for a sheep as a lamb.

The tax on companies' profits has, as usual, been harshly received by the business community, which argues, first, that it hamstringing an economy which must expand its existing resources if only for the sake of future revenue; secondly, that it hopelessly prejudices the state's chances of borrowing. The same section of the community is strongly in favour of a "fiscal amnesty" for all those who have hidden resources for the same reason that this capital might serve the state. (M. Fauré, Minister of the Budget, is at present studying the conditions of such an amnesty.)

The least onerous taxes appear to be those on petrol and tobacco. Although petrol is over five shillings a gallon, the motoring class does not stint itself and could probably pay more. If, as is probable, the 25,000 million francs of proposed economies are not achieved and consequently the new voted taxes must be increased, the only margin seems to reside in these consumers' taxes.

Booming Pakistan

[FROM OUR KARACHI CORRESPONDENT]

By now it is fairly obvious that a good fairy must have attended the birth of Pakistan, and that the boon she conferred on the infant princess was that she would always be lucky in her financial and commercial ventures. Alas, as so often happens in the pages of Hans Andersen, among those present was also a wicked fairy who bestowed the curse of corresponding political ill-fortune. Politically nothing has gone quite right for the country: the Kashmir dispute should never have been allowed to begin and, once begun, should have been rapidly smothered at birth; Afghanistan's malevolence was totally unexpected and seems unappeasable; and the Bengal troubles mostly owed their origin to the Hindu irredentists of West Bengal, who have never forgiven Pakistan for coming into existence at all.

But economically Pakistan has had much better fortune. Again and again during these three years it has seemed that the Commerce Ministry or the Finance Ministry has taken the pitcher once too often to the well, but always it seems to come back unbroken, thanks to the intervention of

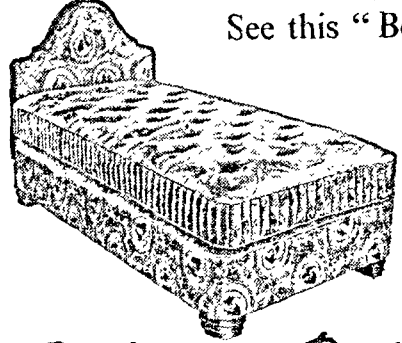
providence in one form or another; there has been an unexpected windfall of revenue, or a sudden sharpening of world demand, or a bumper crop, or even—when the situation demanded it—an exceptionally small crop. It would, of course, be churlish to deny that there has been good judgment as well, but luck has certainly played a big part.

The biggest gamble was the decision not to devalue the Pakistan rupee, and events have proved that this was largely justified. The chief virtue of the decision was that it put the lid on inflation. Prices of rice and wheat dropped along with prices of jute and, temporarily, cotton, and all agreed that this was thoroughly healthy. Yet hardly a soul expected that the Pakistan rupee could maintain its ascendancy over the Indian rupee for more than a year. Jute and cotton exports were the main factor in the problem, with wool and hides and skins next in importance. But from the time when the Korean affair started a world-wide rush to stockpile raw materials, the Pakistan Government has been able to sit back and watch the prices of its export commodities rising steadily and, in some cases, spectacularly. Wool never caused the slightest anxiety and, even with the rupee standing at 2s. 2d., it has been fetching record prices, so much so that the Government has been able to impose an export duty of 25 per cent *ad valorem*. The hides and skins market was dead for a time, but this, too, has recovered and is in a healthy condition.

Jute was the main anxiety. The short-term quasi-barter deal with India helped Pakistan through the first jute year (July, 1949, to June, 1950), but the Government of India, when approached in September, 1950, for another short-term agreement, would have none of it; the Pakistan jute grower was to be left to get along as best he could, and India would not help to bolster up the Pakistan rupee. It has since, however, turned out that the Indian jute mills are in a far worse state, and the Government of India has, it is understood, had to reopen negotiations. The Pakistan Government may not be interested in these, for the foreign jute demand is exceptionally keen, and baling and shipping facilities in East Bengal have been greatly improved. Thanks to the opening of the new port of Chalna, December shipments of jute reached an all-time record, and, with half the jute year gone, over half the current crop has been shipped.

Cotton behaved almost as sensationally as wool. With a smaller American export quota, world prices firmed up to a point where the Pakistan rupee ratio was no obstacle whatever. In fact, the rapid rise in prices after the Korean outbreak forced the Government to intervene, in order to steady the market, by increasing the export duty from Rs. 60 to Rs. 300 a bale. After a brief hesitation, keen buying was resumed. Unfortunately the foreign buyers were shabbily treated by the Pakistan Government and may not easily forget this, for the duty was at buyer's risk in nearly all contracts, and the Government made no exemption

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in favour of outstanding contracts. This meant that the buyer of 1,000 bales had to amend his letter of credit by adding no less than £25,000 to it.

Out of this transaction the Government receives a windfall of about Rs. 24 crores (over £25 million at the present rate of exchange) which for a Government whose total annual revenue is only Rs. 115 crores is no small amount. The Finance Minister, Mr Ghulam Mohammed, will in any case have little difficulty in balancing his budget on the revenue side, and it is possible that the whole windfall will be earmarked for the Government's first year expenditure under the six-year development plan, which forms part of the Colombo Plan. It would nearly cover the amount scheduled for this purpose. Pakistan is also fortunate in finding itself comfortably self-sufficient in rice and with a surplus in wheat, at a time when India is faced with the necessity of importing over 3,000,000 tons of food grains.

Nevertheless, these same world conditions, which have given Pakistan such striking immediate advantages, carry with them long-term disadvantages which cannot be ignored. In the first place they militate against the industrialisation of the country and the fulfilment of the six-year development plan, for Pakistan is short of many basic materials, and its industries have to depend largely on supplies from abroad. The Government has now joined in the general rush to stockpile such commodities as iron and steel and non-ferrous metals, but it is somewhat far back in the queue for the dwindling supplies. This may result in a serious set-back. Secondly, the easy money conditions for trade are tending to perpetuate a fundamental weakness. Few Muslim businessmen have any idea of building steadily and solidly for the future by investing in industrial enterprise, and they generally prefer a rapid turnover and quick profits. It is recognised on all sides that this has been the main reason for the shyness of indigenous capital, and the Government has been fighting against this tendency; at present, however, it seems to be fighting a losing battle against the demoralising influence of easy trading conditions.

Political Currents in South Africa

[FROM OUR JOHANNESBURG CORRESPONDENT]

HAVING increased its own majority at Pretoria East and reduced the Nationalists' majority at Smithfield, the United Party surveys the political scene with a slightly more hopeful eye. There have even been rumours that Dr Malan may rush into a General Election in 1951. But the Nationalists are hardly likely to follow the fatal course of the Scots at Dunbar, and come off their hill on to the plain. Early in

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BRANCHES IN PRINCIPAL TOWNS

the new session of Parliament, which began last week, the Nationalists hope to knock the tenacious Cape Coloured voters, who support the Unity Party and spoil the beauties of Table Mountain and are objectionable in other ways, off the common roll where they have been since 1853. But the Nationalists will not reap their political advantage until after the Delimitation Commission has redistributed seats, and its report, based on the 1951 census figures, can scarcely be ready before mid-1952. The other possibility is a general election fought in the event of war. But this would hardly put the Government out—times, the enemy and the Nationalists have all changed since 1939—while Mr Strauss, the United Party leader, is reported to be stoutly opposed to entering into a coalition even if the Nationalists offered it.

Dr Malan is 76. If he dies or retires, he will be succeeded by Mr Havenga—who, however, is 69. Mr Havenga will now never be more than a caretaker Prime Minister. Who, assuming the Nationalists remain in power, would succeed him? Dr Malan's choice is Dr Donges, 52, wily, and robust. The bland pipe-smoking Dr Donges might manoeuvre a squirming United Party into having a try to out-thunder him as the defender of "white South Africa," opposed to the United Nations interference yet firmly anti-Communist, pro-West and if necessary pro-war. This is the current Nationalist line, and it presents the United Party with considerable difficulties. *Die Burger*, with a smile of austere satisfaction, enjoins the United Party for its own good not to give the appearance of being a "fifth column" supporting Uno over South-West Africa. Mr Oswald Pirow, prophet-fuhrer of the *Nuwe Orde* and indefatigable hander-out of all-round knocks, professes bewilderment that the Nationalists should continue to send Ministers to Lake Success to be shot down by an international organisation, "three-quarters" of whose members would have to leave if South Africa's "justified" colour-bar were ever applied to Uno itself. *Die Burger*, and the new Minister of Mines, Mr J. H. Viljoen, jointly chant that the happy alliance between Dr Malan and Mr Havenga could be the forerunner of "unification on a much broader basis."

But lurking in the wings, with all the unobtrusiveness of the trained elephants about to enter the circus ring, are Mr J. G. Strydom and the *Ossewa Brandwag* under its remarkably patient leader, Dr Hans van Rensburg. Already hailed by his enthusiastic supporters as next Prime Minister and first President thereafter (with Dr Donges thus relegated to the role of MacDuff), Mr Strydom effectively controls the Nationalist caucus and rules the Transvaal Nationalist organisation, of which he is undisputed boss, with an iron hand. No aspiring Nationalist has much chance of parliamentary nomination without the approval of this large-lunged, broad-chested man with the disturbingly hypnotic gaze—like some other political seers, Mr Strydom watches visions in the air without ever losing his grip of the political machine.

Demands for a "Real" Republic

Dr van Rensburg stands aghast at Mr Strydom's side. Aghast, because he sees piffling *apartheid* replacing sturdy republicanism as the chief Nationalist slogan. While Mr Pirow merely jeers at the penchant of Nationalist Ministers for rushing overseas to attend conferences, the *Ossewa Brandwag* more sternly cries out against the newfangled notion of a republic "within the British Commonwealth" which to those suspicious minds would be almost worse than no republic at all. Dr van Rensburg once threatened to bring his commandos into Johannesburg, and learned much of profit and interest at the Brown House in Munich. Mr Strydom still staunchly holds to the view that Adolf Hitler could and would have been the saviour of Europe against Bolshevism, if Britain, America and Smuts, their handyman, had not wickedly conspired to destroy the Brown bulwark

against the Red flood; and his leather lungs have also frequently demanded a real republic.

Awkwardly placed over UN "interference," the United Party must not be regarded as in other matters just the Tweedle-dee to the Nationalist Tweedle-dum. Hazlitt poured scorn on Tories and Whigs as two stage-coaches bound for the same destination but splashing each other with mud on the way. To apply the metaphor to the United Party and the Nationalists would be tempting, but unfair. It is true the United Party programme includes "social and residential separation of the races," "prohibition or avoidance of racial inter-marriage," and other apparent pale reflections of the Nationalists' gaudy vote-pulling *apartheid*. Yet the United Party will fight with every weapon at its command against the proposal virtually to disfranchise the Coloured voters, and not just because of the effect this will have on its own political chances. Dr Malan cannot get the Coloureds off the common roll without a frontal attack on the Constitution, and it is over this that the United Party is sticking in its toes. It also genuinely objects to the Nationalists using *apartheid* to make enemies for South Africa and isolate it from the rest of the world, by insisting on "special" hygiene for Indians travelling on State aeroplanes, and barring the entry of delegates to international conferences unless they are of "pure European descent" (which may make it impossible to hold the joint congress of the South African and British Medical Associations that was to assemble in Johannesburg in 1951).

The Native Problem

Others too have misgivings about Nationalist policies. The chief misgivings are, of course, the 8,000,000 natives, represented by their highly intelligent leaders in the Native Representative Council, now threatened anew with abolition. Burly but soft-spoken Professor Z. K. Matthews, who was born 49 years ago of Bamangwato parents who emigrated from Bechuanaland to the Cape, and has studied at London and Yale and served on a British Royal Commission on Native education in 1936, has declared that the natives do not want equality but will not tolerate a "master-servant" relationship between white and black.

Some Nationalists would like to get on good terms with the NRC. *Die Burger* regrets the latest ban, which prevents natives from other African territories from studying at South African native colleges, as unwise. The Dutch Reformed Church is divided. At the funeral of a policeman killed by natives in the Witzieshoek riot, the Rev. W. F. Venter recalled that the dead man was a great-grandson of the Voortrekker David Malan who was murdered by Dingaan, and darkly declared: "We shall continue to have a history of conflict between European and non-Europeans which eventually will lead to the flow of blood we see in the distant future." But Dr Ben Marais wrote from the United States, where he represented the DRC at the congress of the World Council of Churches, that "the friendly feeling towards South Africa and our Church which I encountered here in 1935-6 has changed to an ice-cold atmosphere of criticism and condemnation."

All these voices carry weight. But it is certainly premature to think in terms of a swing-over from the Nationalists to the United Party—though some forecasters have pointed out that the 200 to 300 vote shifts at Pretoria East and Smithfield would, on a national scale, do the trick. More probable is a "moderate" Nationalist policy as favoured by Malan, Havenga and Donges—continued membership of Uno, no isolationism or neutrality, cold-storage republicanism, and *apartheid* reached only by gradual degrees. Mr Strydom would then be to a Malan or his successor what Malan was to Hertzog, a dangerous but not fatal thorn in the flesh. And when even General Smuts agreed to fusion with Hertzog, Mr Strauss might not in the end be able to resist it with the "moderate" Nationalists.



Rearmament and Civil Aviation

WE face the new year hardened by the pressure of world events. The rearmament programme takes shape and is being tackled with a will. No country was quicker to recognise the need than Great Britain, although the fact was for long obscured by our necessary concentration upon industrial and economic reconstruction in the general sense, universally recognised to be of prime strategic importance.

It is probable that in addition to the reinforcement of American air forces on the Continent and in England we shall see American fighters being flown by the Royal Air Force in the near future, bridging the gap until British production can build up. For all such support we are thankful—it is indeed necessary to the interests of both America and ourselves.

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Because this effort has been paralleled in the civil field, by world-wide sales of the Dove light transport, leading now to the Heron, and by the realisation of the Comet jet airliner and the Ambassador inter-city liner, the rearmament requirements can be satisfied without jeopardising export business so long as war is averted.

Of these considerations the ones which are vital in the situation with which the new year opens concern the progress which has been made in fighter production and in design towards the operational needs of the period ahead.

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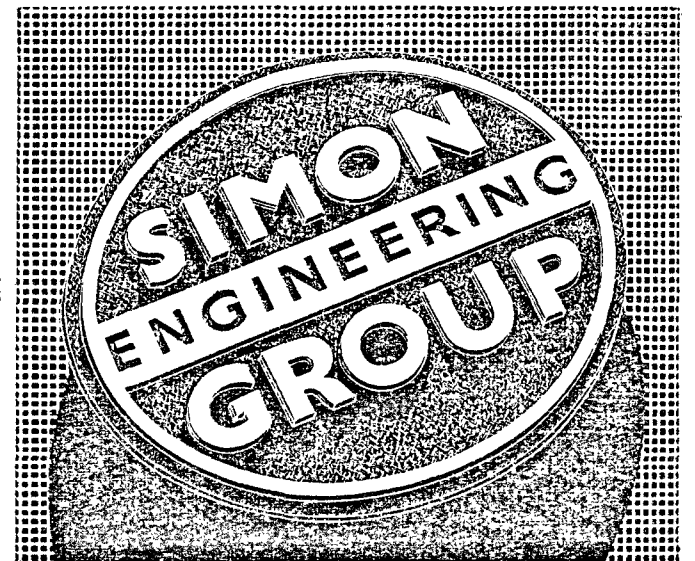
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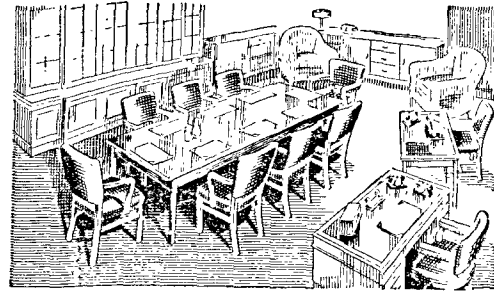
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THE BUSINESS WORLD

Fuel in the Fifties—I

How Many Miners?

THIS winter's fuel crisis is a matter for vigilance. Its risks are thoroughly appreciated in the country, but they will not be averted by discussion or by such emergency measures as the Minister of Fuel and Power has ordered. The National Coal Board can contribute little beyond an anxious concern to get more output in time. Given kinder weather than planners deserve, the country may scrape through the next eight weeks with inconvenience but without industrial dislocation. But it knows how Micawberish are the margins upon which British coal supplies are balanced. Four million extra tons of coal—a week's output—would meet the primary needs of consumers; without them, stocks are tumbling and customers are starved of fuel. The shade of Micawber haunts the corridors of Ministry and Board; something may turn up to save the situation, including the mercy of mild weather.

What matters most about this crisis, the second in four years, is its bearing upon fuel prospects for the next few years—the near future of practical reality as distinct from the middle distance of the mid-sixties upon which the Coal Board's recent plan for coal was focused. Is the failure of 1950-51 a culpable but non-recurring breakdown of policy or practice, or is it, as some people close to the facts of the industry fear, only the opening of a chronic coal shortage in the fifties?

The industry's 15-year plan is of limited assistance in considering this question. The practical men who devised it were concerned with coal fifteen years from now, not with coal during the next fifteen years—a fact that left them a certain latitude and partly disarmed their critics. Their private expectations about 1950 to 1965 seem to be vague and heavily qualified. On certain assumptions, the plan postulated a rise in the industry's annual output to 240 million tons by 1965; this would represent an average cumulative rise in output of about 1.2 per cent a year from 1949 until then. This rate of increase was exceeded in 1948 and 1949, but not in 1950. Such a rise in output would not be spread evenly throughout the fifteen years. In the early part of this period, only modest benefit would be reaped from large-scale development schemes and output per manshift could not be expected to rise as fast as in recent years. The plan assumed, with reason, that the industry could not afford to lose much labour until perhaps the mid-fifties. To accept any immediate reduction of the industry's manpower from the 1949 figure of 700,000 men to the planned 1965 figure of 618,000 men would reduce output. Recent new investment might provide a small annual rise in output per manshift until say 1955, sufficient with a somewhat diminishing labour force to carry output to a level slightly higher than in 1949. "Slightly higher" is vague enough; but clearly the first third of the period, up to 1955, is likely to see much less than a third of the extra 38 million tons a year expected to

accrue by 1965. In the second quinquennium, large plans would begin to mature and output per manshift should rise more sharply, while in the last this rise should be accentuated. Not until these later years would it be safe to let the industry's manpower run down really fast (which means, ideally at least, continuing to recruit young miners but taking less trouble to persuade older ones to stay). Thus the prospect for 1955 is an increase in deep-mined production of much less than thirteen million tons a year. But thirteen million tons a year is the planned level of opencast production for the last two years. And by 1955, on present lines of policy, output from opencast workings will have dwindled to little or nothing; early in 1950 it was calculated that 45 million tons of coal were economically worth winning by this method, and last year twelve million tons was removed.

★

Given the assumptions of the Coal Board's long-term plan, it seems that by 1955 the biggest conceivable increase in deep-mined coal production would only cover the expected decline in opencast production. The real gains, from continuous mining and other technical developments, will come only in later years. The prospect of perhaps as much coal in 1955 as is sufficient today is profoundly disturbing, even though the years immediately after 1955 might bring quickening increases in output if the plan works. Unfortunately, doubt has even been cast on this pace of progress because of developments since the plan was completed. The assumption that labour for the plan would be available in the right numbers and at the right places now looks very shaky. Last year the industry lost twenty thousand men; and the men are not staying where the plan assumes that they will—in the South Wales anthracite area, where the plan demands 18 per cent more men by 1965, there was a fall of 6 per cent last year. The change in the total number of miners since the plan was devised would set the Coal Board's man-power division the task of engineering not a gradual decline throughout the fifties, but an actual increase for some years, if the man-power curve postulated in the plan were to be regained. Recruitment of young men is being hampered by a large block of older men working at the coalface, so that youth can only slowly rise in skill and earnings. In practice, despite the present expedient of importing trained Italian miners into surface and haulage jobs to release British miners for the coalface, the Board is making little attempt to recruit men from outside the mining areas. Of the body of "foreigners" recruited in 1947—both from abroad and from "white" non-mining areas—only a number of Poles and European voluntary workers remain, working fairly effectively in most pits. The majority of the men who were attracted by the general recruiting drive for coal—and whose lack of skill and need for training

brought a decline in output per manshift—have since left. In mining areas, despite its attractive "Ladder Plan" for promotion, the Coal Board is recruiting only about 7,000 young men a year to stem wastage.

If the manpower assumptions upon which the plan was partly based prove incorrect, the plan becomes untenable. A considerably more pessimistic, but upon the face of it more realistic, hypothesis is now being considered. In practice, recruiting officers have found that at present the mining communities are the only useful source of recruits. The new hypothesis examines the implications of that practical view. The industry's present labour force is far from ideally balanced; at the end of 1948 there were roughly 220,000 young men under 30, 330,000 miners between 30 and 50, and 160,000 older miners over 50. Since 1870, it is argued, the mining villages have fed the industry's manpower from miners' sons. The growth of miners' families increased the proportion of miners to the total working population from 6 to 8 per cent between 1870 and 1913. From 1920 until the mid-thirties some 400,000 more miners left the mines than the number of recruits that entered them. Between 1935 and 1950 the industry took in and retained those who are now the younger miners of between 15 and 30—roughly 200,000 without the foreigners; there may have been between 425,000 and 500,000 miners' sons alive in those years, of whom the industry succeeded in attracting only about 40 per cent.

*

In the course of the next fifteen years all miners over 50 will leave the industry. The industry plans to lose 80,000 miners by 1965, but there will also be "natural wastage" of mining manpower at all ages; as a result the Board may have to make up a loss of 300,000 men during the fifteen-year period. Upon the practical recruiting assumption that only mining communities produce miners who stay in the industry, it must look to the miners' sons of today to make up the loss. And the frightening fact is that one cannot find enough of them. Estimates are sketchy, but it seems doubtful whether there are more than 220,000 to 250,000 miners' sons; and all the boys who will enter the industry by 1965 have now been born. If the industry manages to attract only the same proportion of miners' sons as it has in the last fifteen years, and if outside recruitment still fails to produce useful miners to stay, the coal plan's manpower assumption would fall apart. The industry on this worst hypothesis might get 100,000 men to replace

300,000; and instead of a fall in manpower to 618,000 by 1965, or an average loss of 5,300 a year, it might have to face a fall to 418,000, or 18,600 a year. Incidentally, this last average is slightly lower than the annual decline of 1949 and 1950.

*

If such a catastrophic fall in manpower were to occur, what would it mean in terms of coal? On the output per manshift for 1965 assumed in the coal plan, it would mean missing the target of 240 million tons by 80 million tons. Extraordinary measures would no doubt be employed to draft outside manpower to the mines should such a crippling wastage continue into the late 'fifties, with effects upon output which cannot be guessed. But in the short term, perhaps up to 1955, the trend that has already set in may not yet seem sufficiently alarming automatically to set in train emergency measures. If by better recruitment the National Coal Board were able to reduce the rate of continuous wastage to only 14,000 men per year, the loss of seventy thousand men would mean in five years a loss of twenty million tons of coal to be made up by increased output. That would need a rise in productivity, over the five years, of perhaps ten per cent; this is not likely, but perhaps, remembering the new techniques, not impossible. But such a prospect would mean that at best output was held near the 205 million tons a year mark; and unless opencast production could be prolonged Britain in 1955 might dispose of 12 million tons of coal less than it has had in 1950.

This whole pessimistic hypothesis is worth airing if only to throw the assumptions of the Board's long-term plan into perspective; it is fair to say that its implications are not being ignored in the industry. Figures apart, the implications of the sociological argument alone are alarming. When a way of life goes out of fashion with such good reason as mining it is hard to arrest the trend. Whether the "flight from the mines" could be checked by the pressure of propaganda seems doubtful. A second incentive, featherbedding the miners, is the argument of Mr Horner. But the levels of extra wages, pensions, better conditions, or additional houses necessary steadily to bring in new miners, or persuade all born in the industry to stay and have larger families are impossible to foresee. And the financial consequences of such a policy for a country whose industrial production is founded on coal—and not dear if not always very cheap coal—would be far too serious to accept without close examination of the country's fuel needs and resources. (To be concluded)

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Are Gilt-edged Vulnerable?

PRICES of gilt-edged securities have faltered in the past few days, but it is not this flickering in the face of an apprehended rise in the international temperature that calls for explanation in the market's behaviour; it is the sustained strength of gilt-edged ever since the spectre of massive outlays on defence first raised again its ugly head. This is not the only obscurity in the gilt-edged picture. There are, indeed, three principal questions. First, how far has the market's strength been due to irrational factors and is it, therefore, vulnerable at its present level? Secondly, if it is vulnerable, will the issue of steel stock on February 15th precipitate a change of trend? Thirdly, what is the prospect for gilt-edged securities as the national economy takes up the full strain of its defence burden?

Movements in the market have not, in fact, been spectacular at any time since its rally from the violent slump of the summer and autumn of 1949. Barely a couple of points separate the present prices of long-dated and irredeemable stocks from those of end-1949, and scarcely more than that margin marked the extent of the market's immediate fall after both the first and the second of the aggressions in Korea. Dated stocks, it is true, now yield up to half a crown per cent more than they did during the "home for Christmas" buoyancy of late November; but they still yield nearly half a crown less than they did before the Korean hostilities started. The moderation of these movements is scarcely less surprising than their general direction. An untutored observer might be excused for supposing that the international events of last summer held at least as great a threat for the future of gilt-edged as did the devaluation crisis of 1949; but any forecast based on this supposition would have been proved hopelessly wrong—so far.

The immediate explanation of this paradox must be sought in the changing whims of investors and in monetary policy rather than in the underlying "real" factors. The balance between the fundamental influences that underlie the pattern of interest rates—the total flow of the nation's "real" savings on the one hand, and the total "real" demands on those savings on the other—has certainly deteriorated since last midsummer. The main cause of deterioration has been the large increase in investment outlay that is represented by Britain's rapidly rising current surplus on its balance of external payments; the direct impact of rising defence expenditure has presumably so far been relatively small. Production devoted to building up an export surplus calls for increased "real" saving in much the same way as does an increase in capital works or defence expenditure at home—although it is true that part of the associated money incomes, notably the portion flowing through invisible exports into profits, may yield a high proportion of new savings (or increased tax yields). This kind of self-financing depends to a large extent on the maintenance of dividend moderation, and in any case it would meet only part—perhaps a small part—of the new demands. The only other way in which the pressure of "real" demand has been relieved has been by drafts upon inventories of food and materials—a non-recurring

relief and one that actually presages added strain for the future, and threatens the level of production.

The disequilibrium in the savings-investment account would assuredly have put pressure on interest rates but for one other development—the readiness of the authorities to pursue an expansionary monetary policy. The growth of a surplus on the balance of payments puts roughly corresponding strain on central Government finances; this strain arises in various ways, but most obviously for the financing of gold and dollar purchases. During the second half of 1950 the Treasury appears to have met most of the resultant net demands upon it (after allowing for the reduction in Government-owned inventories) by additional borrowings from the

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(Per cent)

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Shorts and Middles						
2½% Nat. W. Bds. 51/53	1 17 11½	1 19 3½	1 19 10½	2 0 11½	2 0 7½	1 19 6½
3% Nat. Def. 54/58	2 1 8½	2 12 1½	2 10 0½	2 11 8½	2 10 7½	2 10 0½
3% War Loan 55/59	2 5 0½	2 13 4½	2 9 5½	2 10 10½	2 11 1½	2 10 7½
Medium Longs						
3% Sav. Bds. 55/65	2 19 5½	3 2 4½	2 19 6½	3 1 1½	2 19 10½	2 19 10½
4% Funding 60/90	3 1 8½	3 6 11½	3 1 5½	3 4 5½	3 3 11½	3 3 5½
Longs						
2½% Sav. Bds. 64/67	2 17 5½	3 1 5½	2 17 0½	2 19 3½	2 19 9½	2 19 6½
3% Sav. Bds. 65/75	3 6 1½	3 8 10½	3 2 6½	3 4 7½	3 5 1½	3 5 0½
3% Brit. Elec. 74/77	3 6 8½	3 8 10½	3 3 1½	3 4 8½	3 5 2½	3 5 ½
3½% Brit. Elec. 76/79	3 9 9½	3 11 7½	3 4 10½	3 6 2½	3 7 4½	3 7 4½
3% Trans. Stk. 78/88	3 9 0½	3 11 8½	3 5 1½	3 7 4½	3 8 2½	3 8 4½
3% Gas Stk. 90/95	3 9 5½	3 11 9½	3 5 1½	3 7 5½	3 8 2½	3 8 4½
Undated						
3½% War Loan '52	3 14 3½	3 16 6½	3 12 10½	3 14 7½	3 14 6½	3 14 9½
2½% Consols	3 10 5½	3 13 3½	3 8 7½	3 10 10½	3 10 8½	3 10 10½
2½% Treas. Stk. '75	3 11 3½	3 14 3½	3 8 9½	3 11 0½	3 11 4½	3 11 6½

(e) To earliest date. (f) To latest date. (g) Flat yield

banks of newly created deposits. In effect, the additional supplies of current sterling required by foreigners to pay for the goods represented by Britain's export surplus (and to provide, also, their additional holdings of bank deposits and of sterling securities that represent last autumn's capital inflow) have been furnished without reducing significantly the original volume of sterling funds available for domestic financing. Thus has the securities market escaped the pressure that might otherwise have been imposed upon it; but the balance between saving and investment has been achieved only by an inflationary depletion of stocks and by the generation of additional savings and tax revenues through the effects of rising prices upon incomes.

Against this background, the paradox of the market becomes somewhat easier to understand. Since the rising pressure of the "real" forces has not so far been allowed to exert itself in the securities market, investors have found no compelling reason for reversing, or even discontinuing, the policies they were pursuing before Korea. During that period there was a tendency to move from cash into securities, and from short-dated into medium- or longer-dated stocks. There is no reason to suppose that the authorities, in their market operations as distinct from their monetary policy, have encouraged

this tendency in any aggressive way. During the second half of the year, they were almost certainly net sellers of securities—either by public issue (the £250 million issue of 3 per cent Funding Loan last November, of which only a small part was immediately subscribed by the public) or by market deals. In this respect the technique has differed markedly from the blatant efforts of the Dalton phase. But the very fact that the November issue, as well as the British Electricity Authority loan earlier in the year, was pitched on a basis that inevitably compelled the “departments” to subscribe the lion’s share makes it quite plain that the authorities were glad to capitalise the opportunities created by the willingness of investors to become somewhat less liquid. By biding their time, and creating new credit, they were able to peddle their BEA holdings on a rising market—and they hope to do the same with Funding Loan.

The answer to the first question, therefore, seems to be that, although there has been much of the irrational in the recent behaviour of the market, it may be less vulnerable, on a short view, than the underlying factors would suggest—provided, of course, that the authorities are ready to create credit and do not press their sales.

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The second question is whether, even so, the present level of gilt-edged prices may be unable to withstand the shock of the steel issue. In this context, the nature of the issue itself is probably not very material. The fact that there has lately been a demand for the 3 per cent medium-dated stocks has led to some suggestions that steel stock might carry this rate, with redemption dates in the middle to late sixties. But both precedent and orthodoxy argue for a long life for a compensation stock, and most competent observers remain convinced that a 3½ per cent stock will be chosen; such a stock, unless allotted at a premium, could on the present basis have a life extending to the next century, say 1995-2000, or even a little longer than that. The choice between these two alternatives is unlikely, however, to decide the degree of pressure that the operation will involve. The remaining private holders of steel shares who find gilt-edged securities an unacceptable alternative are likely to be just as ready sellers in either case.

The precise amount of the issue is not yet known, but it may be expected to approach £300 million. The amount to be allotted to private holders, however, will be much less than this. During the past four months or so there has been a steady flow of steel securities to institutional buyers seeking a cheap route into gilt-edged.

Profits and Replacement

THE last quarter of 1950 (as the accompanying table shows) saw another material increase in published “profits.” With each month that passes, it becomes more and more desirable that accountants and economists should find an agreed definition of what profits are. The accountants are immersed in the intricacies of the 1948 Companies Act and of postwar Finance Acts; the economists find it difficult to translate their concepts of profits and capital into the language of the market place. “Profits” as they appear in company reports—with the assurance of an auditor’s certificate that they

Thus the impact of the operation has been well cushioned already. Even so, prospective sellers of the new stock may be sufficiently numerous to offer a significant threat to a market left to its own devices. But the authorities will have both the wish and the moral duty to provide a shock-absorber. They will also certainly have ample resources for the purpose; and, in the light of recent monetary policy, it seems most unlikely that they will be deterred from using them by the thought that, by so doing, they will be diminishing the rate of contraction of bank credit that seasonal factors are already producing. The answer to the second question, therefore, seems to be that, short of a coincidental shock from international politics, there is no reason to expect the operation to touch off any abrupt change in the market’s direction.

These relatively reassuring conclusions for gilt-edged investors are, however, strictly related to the short run. In a fundamental sense, the market undoubtedly is vulnerable already. There is a dangerous assumption implicit in both the expansionist policy pursued by the authorities and in the complacency of investors in face of international danger and defence burdens. Both assume—though perhaps unconsciously—that the monetary policy for defence financing in a cold war can be the same as that adopted in total war. In the last war, the gilt-edged market was prevented from falling (and did, in fact, slowly rise) by injections of newly-created credit on a scale sufficient to meet whatever demands for finance would otherwise have put pressure on the market. But the only reason why this credit could be created without causing disaster to the war effort was that the spending of surplus money and surplus incomes was prevented by a network of physical controls and by other sanctions that work only in actual war.

Those who assume that the pressures of defence can be financed similarly are taking for granted not only the speedy erection of a similar complex of controls but that such controls could work in peace with no more friction and evasion than in war. All postwar experience—and especially the experience of the Dalton phase—shows this to be an entirely unwarrantable assumption. Eventually the controls will have to be buttressed by sterner disinflation and general retrenchment and by restraint in monetary policy. The first tentative steps in this direction may, indeed, be witnessed even sooner than the market appears to expect. An effort, expected to be announced next week, to make “small” savings securities more attractive would in principle concede this whole argument—however carefully it might be presented as a limited concession to the “small” man.

present “a true and fair view” of the results—are rising fast. Some 646 companies whose reports appeared last quarter reported an increase in disclosed profits of 18 per cent, from £184.9 million to £218.8 million. But a growing number of practising accountants are now beginning to question the economic meaning of such figures. To some extent they have a “real” content, corresponding to increased output and to the more efficient use of plant and equipment last year. To some extent also, they have an illusory content, corresponding to the rise in prices with its consequent increase in so-

called inventory profits. And, further, there is an illusory element of another kind, which corresponds to the inadequacy of the provisions for replacing used-up capital—the old argument of provision based on replacement cost versus provision based on original cost.

This is well-worn ground. There are fewer accountants nowadays who would reject—as many were rejecting only two years ago—arguments for the need to make provision for replacement on the basis of current costs. Last year’s inflation of costs and prices has made converts to this principle in unexpected places. When it is said that the “profits” of 2,708 companies whose reports appeared last year increased by £100 million, many who would formerly have accepted the statement without demur now stop to ask what it really means. They observe that after deducting various costs and provisions (including depreciation) the residual “profit” was about £1,010 million, of which income

PROFITS, PROVISIONS, AND DEPRECIATION (£'000)						
	Reports Published October–December, 1950			Reports Published January–December, 1950		
	646 Companies		659 Cos.	2,708 Companies		2,779 Cos.
	Previous Year	Latest Year		Previous Year	Latest Year	
Gross trading profit.....	184,910	218,775	219,978	1,067,463	1,157,076	1,170,166
Income from investments.....	10,330	11,153	11,181	79,177	81,250	81,528
Other current income.....	3,184	4,049	4,052	8,575	8,768	8,787
Non-recurring credits.....	8,308	10,726	10,774	39,629	46,213	46,903
Total income.....	206,732	244,703	245,985	1,194,844	1,293,307	1,307,384
Repairs and maintenance.....	1,841	2,067	2,073	8,019	8,900	9,005
Depreciation.....	23,518	28,002	28,164	149,283	181,345	183,003
Income tax (excl. profits tax).....	63,029	74,472	74,795	362,326	383,675	387,696
Profits tax.....	20,557	25,657	25,799	115,639	124,568	126,058
Directors' emoluments.....	7,869	8,399	8,544	39,713	41,815	42,770
Administration charges, etc.....	10,254	12,067	12,098	31,981	34,910	35,328
Contingencies, provisions, etc.....	16,894	19,570	19,656	85,844	107,021	104,003
Pensions.....	2,428	3,216	3,243	17,990	17,395	17,456
Minority share in profits.....	1,738	1,927	1,928	15,204	16,730	16,755
Profits retained by subsidiaries..	8,298	12,611	12,624	60,683	80,180	80,598
Debt interest.....	5,089	5,090	5,098	21,407	23,114	23,346
Preference dividends.....	5,833	5,950	5,972	34,191	34,541	34,876
Ordinary dividends.....	20,544	22,691	22,843	129,143	133,900	135,233
Revenue reserves.....	14,107	19,219	19,373	87,660	94,212	95,228
Brought in (parent company)...	35,969	40,102	40,486	195,430	228,191	229,638
Carried forward (parent company)	40,102	43,867	44,261	228,191	244,192	245,667

can pray in aid these assumptions in support of their certificate that the profit and loss account shows a “true and fair view” have been heard to doubt whether, in real terms, a genuine profit has been made—on the ground that insufficient provision has been made at current prices to replace stocks and used-up capital.

The dressing up of capital to look like revenue has become a thoroughly vicious habit of our time. No one can say by how much the reported total income of these companies (£1,293.3 million) was inflated by “inventory gains” that ought to be put straight back into the business to maintain the level of its physical working capital but are taxed instead to the extent of more than half. No one can say by how much last year’s depreciation provisions (£181.3 million) fell below what will be needed to replace industry’s plant and equipment when the time comes. The 646 last quarter companies set aside £28 million for depreciation, compared with fixed assets with a book value (after deducting depreciation) of £586 million. This was less than 5 per cent—wholly insufficient to meet even the increase in

the money cost of replacement last year. But this is all that the income tax inspector allows; the difference—if provision is made for it at all—must come out of taxed profits. On this showing it is seriously to be doubted whether any appreciable part of last year’s ordinary dividends—they amounted to £133.9 million, compared with £129.1 million in the previous year—were truly earned in any economic sense.

In money terms, the figures look impressive enough. They appear to provide a great reservoir of taxable capacity, for profits (as computed by traditional methods) show an immediate response to inflation, and thus provide an open invitation to Chancellors to claw back the deceptively coloured fruits of their own laxity of financial control over the economy as a whole. The appearance, however, is dangerously misleading, more particularly since companies cannot speak for themselves but only through their chairmen, whose views are habitually dis-

missed by politicians as being mere expressions of self-interest. It is here that considered professional support of the case for protecting the substance of industry could be of immense benefit to the economic health of the country. Unless there is a change of attitude on the basic problem of capital replacement, the damage of a few more years of debilitating inflation may be too great to overtake. Already it is, in effect, hypothecating the savings of future years to maintain capital assets that are being depleted here and now; and it is not clear whether, if present trends con-

tinue, this unequal struggle will succeed. It is becoming more and more certain that there will be little enough

NET WORTH, EARNINGS AND DIVIDENDS
646 COMPANIES REPORTING OCTOBER–DECEMBER, 1950

	Preceding Year	Latest Year
	£ Million	£ Million
Issued ordinary capital.....	236.2	273.6
Real equity or net worth (i.e. net assets after deducting liabilities and prior charges).....	677.1	735.1
Ordinary earnings*.....	47.1	58.3
Ordinary dividends†.....	30.5	22.7
Earnings rate per cent:—		
On issued capital.....	23.2	36.1
On net worth.....	12.5	14.2
Dividend rates per cent:—		
On issued capital.....	14.5	15.1
On net worth.....	5.4	5.6

* Including amounts retained by subsidiaries and after taxation. † After tax.

to spare for the expansion (as distinct from the maintenance) of the country’s productive assets.

Business Notes

Bankers' Diagnosis

This year's series of annual addresses by the chairmen of the big banks has been completed this week by the appearance of those of Lord Aldenham, the new chairman of the Westminster Bank, Lord Linlithgow of the Midland Bank, and Lord Balfour of Burleigh, of Lloyds. They make it plain that on nearly all the leading issues, the whole group speaks with a single voice. All are concerned at the rising pressure of inflation, and all are convinced that the task of keeping it within bounds as defence outlays mount must be tackled by firm measures of budgetary disinflation. The crucial point, that this is indeed the only way of securing the necessary diversion of productive resources to defence effort without creating a grave risk of at least partial breakdown of the nation's productive machine, was made most forcibly by Lord Balfour:—

No doubt an attempt will be made to direct resources towards essential uses through the allocation of key raw materials and by reimposing a host of other controls; but the whole lesson of the past five years is that in a country not actually at war, and unless financial policy is pulling in the same direction, physical controls work very badly, if at all.

Lord Linlithgow approaches the problem more timidly, but there is no sign now of the preference for "direct action," instead of orthodox financial restraints, that seemed implicit in his argument twelve months ago. He regrets the prospective reversal of the recent trend of decontrol; remarks that "even before the new defence programmes were drawn up the forces of inflation had not been decisively arrested, despite the unprecedented calls made upon the taxable capacity of the country"; and questions whether, given the inflationary process of the past five years, the objective of full employment has been "correctly interpreted." Both he and Lord Balfour are concerned at the lack of mobility of labour.

None of the bankers believes it to be practicable to secure the requisite disinflation by means of tax increases. Though some addition to taxation may be inevitable, the bankers are convinced that this by itself would defeat its object. Beyond doubt, the main contribution to the process of curtailing the excessive demands upon the community's resources must be sought in cuts in the Government spending for civil purposes—and in the "social" part of the capital investment programme. No Government, however, and least of all the present Government, will be able to pursue retrenchment with the necessary vigour unless it first promotes a popular understanding of the simple underlying facts of public finance. As Lord Aldenham forcibly argued, the public must be made to understand that it is itself paying for the "free" social services—and that wasteful use of the facilities they afford puts immediate strain upon individual private purses. It is not confined within that mythical concept, the "public purse," which Lord Aldenham would prefer to call the "public sieve," through which taxpayers' money is filtered to some essential uses, some desirable ones, and some sheer waste.

* * *

The Banks in 1950

Each of the clearing banks has now published its full accounts, but, at the time this issue of *The Economist* went to press, the combined statement of position as at the end of 1950 was not available. From the individual balance sheets (which are not all drawn up on a basis strictly comparable with the regular monthly figures), it would seem that gross deposits rose by between £160 and £170 million in 1950; this rise, which was spread fairly evenly among the bigger banks, is in unhappy contrast to the experience in 1949, when

gross deposits had remained fairly stable. The chief explanation of this differing experience lies in the fact that the rise in advances (which amounted to about £125 million in 1950 compared with about £145 million in 1949) was supplemented

CLEARING BANK DEPOSITS (GROSS) (£ million)				
At December 31st	1948	1949	1950	Change in 1950 %
Barclays	1,262.8	1,254.4	1,272.2	+1.4
Lloyds	1,122.6	1,130.9	1,147.7	+1.5
Midland	1,318.3	1,321.0	1,364.0	+3.3
National Provincial	768.1	776.5	838.3	+7.9
Westminster	837.3	807.7	815.1	+0.9
Martins	288.2	305.1	303.2	+0.1
District	225.6	231.3	240.0	+3.8
Wms. Deacon's	119.9	118.9	130.8	+10.0
Glyn Mills	75.0	77.0	77.2	+0.3
Coutts	52.0	50.7	48.8	-3.8
National	71.2	71.8	72.4	+0.8
Aggregate	6,141.0	6,145.3	6,311.7	+2.7

ADVANCES AND INVESTMENTS (£ million)						
At December 31st	Investments			Advances		
	1949	1950	Change %	1949	1950	Change %
Barclays	302.8	310.9	+2.7	296.1	323.7	+9.3
Lloyds	273.4	273.7	+0.1	271.2	288.8	+6.5
Midland	289.5	301.2	+4.1	331.1	344.5	+3.7
National Provincial	157.0	159.6	+1.6	230.1	246.0	+6.9
Westminster	224.6	209.6	-6.7	190.1	208.9	+9.9
Martins	75.1	74.5	-0.8	68.7	74.8	+8.8
District	71.3	72.1	+1.1	45.6	56.4	+23.7
Wms. Deacon's	35.1	37.3	+6.2	24.8	31.1	+25.3
Glyn Mills	20.4	24.2	+18.6	13.8	15.8	+14.5
Coutts	19.4	19.3	-0.6	10.9	12.8	+17.4
National	31.6	32.8	+3.8	21.9	25.5	+16.5
Aggregate	1,500.2	1,515.1	+0.9	1,504.3	1,628.1	+8.2

by an increase in Government borrowing, from the banks last year; in 1949 it had been offset by a reduction in such borrowing. In the first three and a half months of the year, it is true, heavy repayments of floating debt out of tax proceeds enabled net bank deposits to run down by £300 million despite an increase of £108 million in bank advances. In the following six months net deposits increased by £340 million although advances declined. Since mid-October there has been some sign that advances have begun to mount again. It remains to be seen whether repayment of floating debt in the next three months of heavy tax gathering (when inflation will be making the revenue buoyant) will be sufficient to start this cycle of events at the beginning again.

The Midland Bank has extended the experiment that it inaugurated last year in presenting some interesting statistics and charts with its balance sheet. These show the percentage increases during 1950 in turnover on current accounts and in various types of overseas services, the distribution of the bank's advances between different sectors of the economy, and the wide dispersion of the bank's capital among 73,000 shareholders. Public understanding of the banking system would be greatly facilitated if the other big banks were to follow the Midland's example next year.

* * *

Success Story

The success of the export drive in 1950 was a great achievement for British industry. The country's deficit on visible trade (which was discussed on page 94 of *The Economist* dated January 13th) was reduced to £128 million compared with £147 million in 1949; the deficit would have been much smaller but for the sharp rise in the cost of

imports. The devaluation of sterling undoubtedly made British costs more competitive in world markets, but manufacturers made the most of their opportunity. Total exports last year were worth £2,170 million, a rise of 21 per cent on 1949. Only part of this was due to higher prices; the volume of exports is estimated to have increased by 15 per cent. Exports of food, drink and tobacco were 38 per cent higher, by value, than in 1949; exports of raw materials were 29 per cent higher, while exports of manufactures increased by 21 per cent. Most of the increase in the first two categories was due to higher prices, whereas for manufactures the volume increased more than export prices.

The vehicle group was again Britain's largest exporter; motor vehicles in particular made a notable contribution, which is discussed at greater length in these notes. Vehicle exports increased by nearly 30 per cent on the year to a new record of £407 million—almost a fifth of Britain's total exports. Shipments to the United States were more than double those of 1949 but still smaller than of 1948. Exports to Canada, on the other hand, were not quite double their 1949 level but were three and a half times their value in 1948. Machinery remained the second largest group with £317 million, a rise of 14 per cent on 1949. Exports of agricultural machinery and generating sets showed particularly large increases; Russia was the largest market for generators, taking over 35 per cent of the total. Iron and

BRITISH EXPORTS (£ million)			
	1948	1949	1950
Food, Drink and Tobacco	94.0	97.6	134.9
Raw Materials	67.5	81.6	105.4
of which—Coal	38.9	50.8	49.9
Wool	8.7	12.9	27.8
Manufactures	1,376.6	1,559.7	1,881.6
of which—Vehicles	268.2	314.7	407.1
Machinery	232.9	278.7	316.9
Cotton goods	131.1	159.1	158.4
Iron and Steel manufactures	105.3	126.3	156.1
Wool manufactures	95.3	104.2	140.5
Chemicals, etc.	83.5	86.1	107.4
Electrical goods	72.6	79.2	83.9
Other items	44.8	47.2	48.2
TOTAL EXPORTS	1,582.9	1,766.1	2,170.1

steel exports rose by 24 per cent to £156 million; shipments to Australia, the largest market, were almost double those of 1949 while exports to Canada increased nearly fourfold. Canada became the third largest market, following very closely on South Africa.

The increase in the export of textiles was the smallest among manufactured goods. The value of cotton exports at £158 million was actually smaller than in 1949, though shipments to the United States and Canada increased. Exports to British West Africa declined from £19 million to £15 million while those to India fell much more sharply, from £11 million to £1 million. In contrast exports of wool textiles increased by 35 per cent to £140½ million. Canada has remained the largest market; it and the United States together accounted for over a fifth of the total value. Exports of other textiles increased by a little over 20 per cent compared with 1949.

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Record Car Exports

Last year the British motor industry exported 343,618 cars and 54,684 car chassis. Their combined value came to nearly £117 million, which was 60 per cent higher than in 1949. The surprising thing about these figures, which are the highest the industry has ever known, is that sales in the second half of the year were greater than in the first half. Such a result is uncommon, for car sales normally show a peak in the spring followed by an appreciable decline in the latter part of the year.

The most important developments have been in the dollar markets. The motor industry has always sold primarily to soft-currency countries and Australia is still its largest customer. In addition to the 76,246 cars shipped there during the year, no fewer than 45,916 chassis valued at £7,269,881 were also sent out to which Australian-built bodies were attached in local assembly plants. But by the end of the year, shipments of complete cars to Canada were running at a higher rate than shipments to Australia; exports to Canada for the whole of last year were more than double those of 1949. At the same time, the United States has moved up into fourth place in the market for British cars. Two factors have helped sales in North America—the rising price of American cars and the high price of petrol which has encouraged the demand for cars with economical fuel consumption. The cuts made in the 1951 production schedules of the

EXPORTS OF BRITISH CARS						
	1948		1949		1950	
	No.	£ '000	No.	£ '000	No.	£ '000
Australia.....	24,284	8,211	51,615	18,407	76,246	28,233
Canada	14,478	3,601	31,205	7,814	76,229	21,504
Sweden	3,308	929	3,376	1,003	23,647	7,378
U.S.A.	24,409	5,568	6,686	1,847	19,977	6,062
South Africa	16,155	4,538	18,538	5,037	19,313	4,454
New Zealand ..	8,094	2,114	9,054	2,257	16,380	4,539
Belgium	14,753	4,156	11,621	3,273	12,955	3,810
India	12,641	3,423	5,577	1,662	10,378	2,673
Total for all countries	226,021	59,920	257,943	72,812	398,302	116,601
(cars and chassis)						

American motor industry are too recent to have brought any benefit for British manufacturers; the latter have their own production problems that may have to be weighed against a further stimulus to their sales in dollar markets.

Adequate sales and service facilities have now been established in Canada, and the industry is confident of being able to hold the ground it has gained there. The United States market is less predictable. Of the six leading British manufacturers, Vauxhall makes no attempt to sell there at all and Ford has only a limited interest in the market—both for obvious reasons. The revived popularity of small British cars dates from the New York motor show organised by the industry after a number of less successful sales campaigns on conventional lines. The subsequent increase in orders was very rapid; at least half the shipments were made in the last four months of the year, and it is too early to say whether the volume of orders will be maintained.

* * *

Prospect for 1951

The motor industry's immediate export problem is to distribute a limited number of cars to the best advantage. Scarcity of shipping on the Australian, New Zealand, East and West African and Swedish routes is likely to cut exports to those countries in the next few months. This may be of incidental help to the industry because supplies intended for those markets can be diverted with more profit to North America. The biggest fear of British manufacturers is that they will face growing price competition from European, and particularly German, manufacturers who have expanded their exports. The Ford company has recently raised its prices and a rise all round the industry seems inevitable. But the factors responsible for the price increases—rising material costs and reduced output—will equally affect European manufacturers and to place so much emphasis on prices may well underrate the strength of inflationary pressure in some of the best export markets. The average value of the cars exported from this country has risen, in spite of devaluation, from £286 in 1948 to more than £313 in 1950, while the numbers exported have risen from 193,995 to 343,618. The persistent rise in exports during the industry's off-season

last year is only another indication of this trend. It would be folly for British car manufacturers to price themselves out of the market; it would be regrettable, on broad national grounds, on the other hand, if the industry were tempted to sell its exports too cheaply.

The real problem may not be prices so much as deliveries. As the rolling mills change over to defence orders, so they will gradually put into effect the Ministry of Supply's directive to cut deliveries of sheet steel to the motor industry by 20 per cent. Because this transition takes time and affects different mills in different ways, it will not be easy to spread the cuts evenly between individual firms. Pressed Steel, for example, had to reduce deliveries of car bodies to its customers shortly after sheet imports from the United States came to an end, while other body builders are still working normally. The motor industry has in the past few weeks maintained its present high rate of output by eating into its stocks and each firm is now peculiarly vulnerable to interruptions in its supplies. Both the Nuffield and Austin factories had to work short time after Pressed Steel cut its deliveries, and neither firm has yet suffered the anticipated 20 per cent reduction in deliveries of sheet to its own body building works. Whether the cuts, when they come, will mean a four-day week all round the industry depends on the amount of overtime now being worked, and the possibility of putting the men on to other work. The Standard Company, for example, expect to balance reduced car output by increased tractor output, but the Nuffield organisation still has 1,500 men on a short week out of its total payroll of 6,000.

Austin Motors was back to normal working this week after changing production schedules and making more chassis. This is one of the methods by which the industry hopes to maintain its exports, apart from taking cars from the home market's allocation of 110,000 for the year (in 1950 home deliveries are estimated to have been between 113,000 and 114,000). The export of chassis depends on the existence of assembly-plants abroad capable of making car bodies—several British makers have assembly plants in Australia, New Zealand and South Africa—and on those plants being able to get the necessary sheet steel. In Australia, where large numbers of chassis are already imported, sheet is not yet a problem, but this does not mean that it may not become one, and the opportunities for a change of this kind are not unlimited. An alternative might be to export commercial vehicle chassis, to which wooden bodies could be built locally. From the half a ton of sheet or more per chassis so saved, car bodies could be built.

* * *

Is there a Film Crisis?

Sharply varying proposals for reviving the British film industry have been put forward in the last fortnight by the industry's largest trade union and by the other five. The Cinematograph Films Council met this week, and Mr J. H. Lawrie, of the National Film Finance Corporation, has issued a statement about the Corporation's future policy. These verbal developments have focused more publicity upon the industry's "crisis" than is perhaps altogether justified; disinterested scrutiny suggests that in fact the industry may now be economically slightly healthier—or less sick—than in the previous eighteen months. Slightly fewer films were produced last year—62 first features compared with 66 in 1949 and 63 in 1948—but this output was achieved with a smaller studio labour force (3,422 in December against 5,317 in December, 1949, and 7,618 in March, 1948). There is evidence that some progress was achieved in cutting film production costs: and those interested observers who make a practice of estimating the "total" balance-sheet of the industry put last year's loss on film production at nearer £2,000,000 than the £7,000,000 guessed for 1949 and the £5,000,000 for 1948.

Such economies, as the trade unions justifiably point out, mean lower output and more unemployment for their members. At present, certainly, only four of the industry's fifteen studios are fully occupied and eight are wholly idle. Only a dozen films are "on the floor," and though Mr O'Brien of the National Association of Theatrical and Kinema Employees is confident that forty-eight first features will be produced during the year, production plans in the industry are notoriously unreliable. Of the points made by the NATKE and the group of other unions it is significant that the first union, generally considered the more conservative, now wants strong Government action: a £20 million subsidy administered through the Film Finance Corporation. Sir Laurence Olivier, speaking at the meeting of the other unions last Sunday, put his finger upon an undoubted central factor in the industry's difficulties—that exhibition and distribution take too big a share of film proceeds. Adjustments in this field, within the industries' own financial boundaries, would need more radical treatment than slight changes in Entertainment Tax on the lines of the present "Eady plan." The group of smaller unions, however, rejected the £20 million subsidy plan, as well as more Government control of film production. But they, too, wanted an all-party meeting "to consider Government steps to assist the industry."

* * *

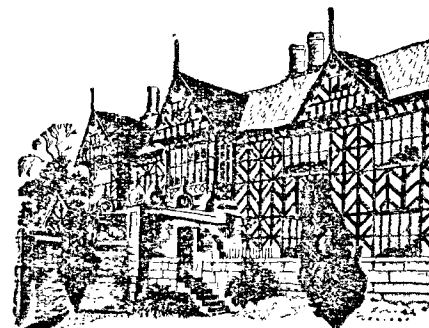
Groups and Independents

Mr Lawrie's plan, however, is for the present merely a new method of spending part of the million pounds the NFFC has in hand together with the £200,000 it expects in repayments during the first half of this year. The NFFC is to set up two companies, one in association with the Rank Organisation and one with the Associated British group. Groups of independent producers will be associated with each on a contract basis; the projects which they submit to the new companies will, if approved, be financed jointly, NFFC paying 30 per cent and the commercial firms 70 per cent. The advantage for the distributing circuits is that these films will provide work for the studios they own and that they will be assigned distribution rights; for the producers, freedom from financial preoccupations; and for the NFFC, hopes of more economical continuous production. A third, smaller company will also be set up under Mr John Grierson and Mr John Baxter to use the services of younger producers such as those associated with documentary films; this more experimental group might perhaps be allotted £100,000 or so for up to half a dozen pictures. On all three groups Mr Lawrie estimates that only £700,000 of the £1,200,000 available might be spent; the remainder will be advanced by the Corporation as hitherto to other independent producers, including those associated with the British Lion group.

Present resources of the NFFC will not take it much farther than the next six months, at present rates of repayment; and inevitably if the group system is a success the question of further public money will arise. The scheme accepts the present structure of the industry and does nothing to affect division of the proceeds; the Corporation correctly considers both points outside its scope. It is not the "fundamental attack" on the industry's problems which Mr Wilson once promised, but probably would not repeat now; it seems a workable arrangement which might well have come earlier. Obviously it would be an elaborate system of spending the NFFC's last funds (to finance perhaps not more than nine features from the two larger groups), and presumably the Corporation hopes for further funds. These might be justifiable upon a modest scale; but wider schemes of Government assistance, in present circumstances particularly, are quite unjustifiable. Last year's experience suggests that there may be a level of production at which the industry, by internal reorganisation of various kinds, can eventually earn a living; and there is, in the last analysis, no good reason why it should not be left to find that level.

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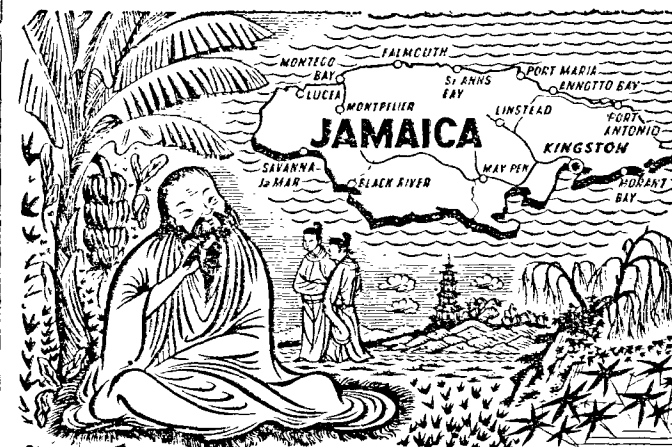
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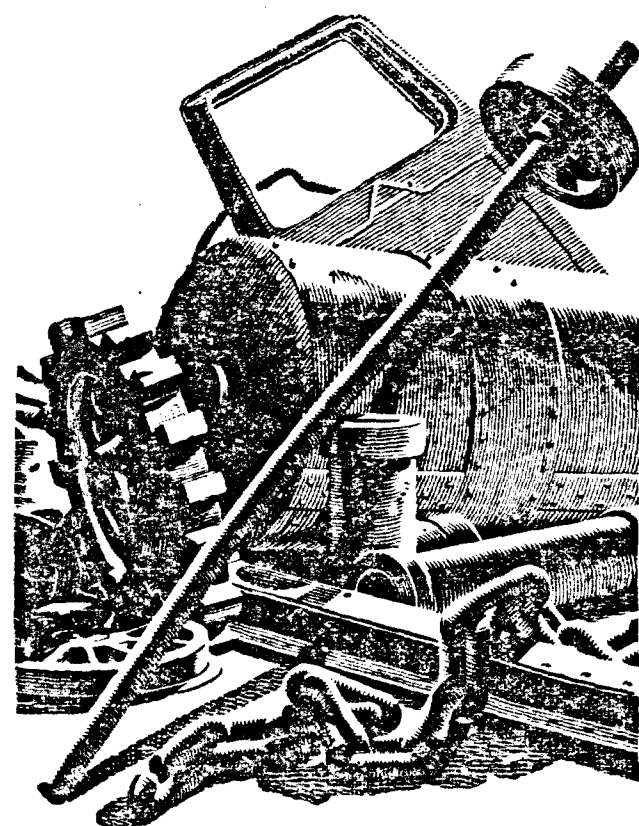
BANANAS: The

Latin name of the common banana is *musa sapientum* and the name comes from the legend that in ancient Asia, Wise Men

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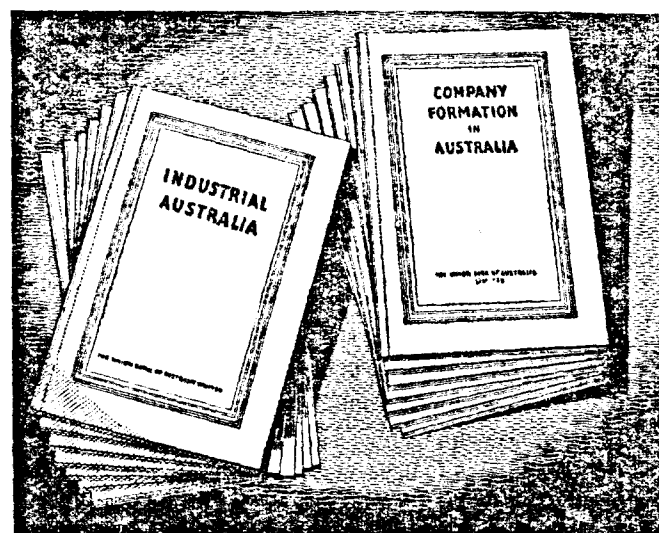


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BEA's Vain Chase

The bringing into service of nearly a million kilowatts of new generating capacity in 1950 has left the British Electricity Authority almost as far from catching up with peak demand for electricity as it was twelve months ago. It issued figures last week showing that of 1,023,000 kW of new plant installed last year some 923,000 kW was brought into service; but since the rise in peak demand was estimated at the lowest at 700,000 kW during the same period this additional equipment did little to reduce the gap between total capacity and peak demand—which amounts to some 800,000 kW in terms of installed capacity and in practice, taking into account plant "outage," to some 1,500,000 kW at the highest peak load periods of the year. Unlike the National Coal Board, which according to Lord Hyndley has the problem of a man running up a downward escalator, the BEA is involved in an apparently interminable chase, hoping but never quite managing to narrow the lead held by its quarry.

General discussion of fuel problems, engendered by the present threats of a crisis, has recently reinforced the criticisms, upon broad economic grounds, of the BEA's single-minded policy of continued expansion of generating capacity. To all suggestions that peak demand might be restricted—including those put forward by the Clow Committee two and a half years ago—the BEA continues to cite overpowering "technical difficulties"; and since it commands perhaps the majority of the electrical supply experts in the country, and many of the remainder are equally imbued with the industry's traditional expansionism, these objections, though open to doubt, have been difficult to controvert. One independent and expert estimate, however, has recently been made concerning the "load limiting" system suggested by the Clow Committee in 1948. This system would involve the installation in consumer's premises of a limit switch which when in operation would restrict total consumption to an agreed "firm" minimum (above which the switch would first cause the lights to flicker and after a short period, unless the excess were switched off, cut off the load). This would operate only at times of peak load, being set into operation by a "ripple" or similar signal sent over the distribution network. Ripple control at peak periods would thus ensure that the surplus load above consumers' firm minimum requirements would then be switched off—thus lopping off the summit which BEA has always sought vainly to scale.

Price of the Peak

Though at present some 110 central control installations exist in the country, considerable further extension of the system has always been rejected as likely to consume too much capital and time. This independent estimate, however, suggests that the whole of the BEA's network could be "ripple signalled" at a cost of approximately £2,000,000. If the ten per cent of domestic power consumers whose electricity bills amount to £10 a year and over, plus most commercial consumers (in all about two million users) could be induced to allow a limiting switch to be installed to reduce their demand at times of peak loads—and only then—to an agreed essential minimum, it is estimated that the cost of the two million relays and cutouts might not exceed £6 per installation, or £14 million in all. If each consumer were thus induced to reduce demand by one kilowatt during peak hours, two million kilowatts would be saved, and the peak load problem, with its present attendant power cuts, would disappear. Generating capacity to provide that two million kW, at present prices, would cost some £120 million.

Previous objections by the BEA to the tremendous costs involved in dual wiring of each consumer's premises, to allow central switching off of "non-essential" demand, would not appear to apply to this proposal, which would set an agreed "essential" total consumption for each consumer and allow the consumer to decide how he allocated that total at any

one time. An economic incentive to consumers to accept such limitations—which would also have the economic virtue of bringing electricity prices nearer its costs at the time of consumption—would be to charge for the guaranteed "essential" minimum supply at a higher rate, and for that which was liable to interruption at a lower rate. In the long run, of course, any system which successfully limited peak demand would tend to lower general production costs by improving the load factor and by limiting uneconomic investment in generating plant. It is difficult for the non-specialist to weigh the technical possibilities of such a system, or the possible drawbacks: but it deserves a more considered and more convincing answer than the BEA's old standby of "technical difficulties."

Boom in Tanker Freights

The trend of the freight market for dry-cargo tramp ships has been followed closely by tramp tankers; in fact, the characteristic inelasticity of the tanker market has resulted in a far steeper curve, although the peak rates of the winter of 1947-48 have scarcely yet been reached. Until July last year freights had been fairly steady for several months at about the same level as the Ministry of Transport and US Maritime Commission schedule rates, which had been abandoned at the end of 1946 (although rates had previously been much lower than this until they were boosted by the increased operating expenses resulting from devaluation in September, 1949). The Ministry of Transport rate for a single voyage with a cargo of "dirty" oil from the Persian Gulf to UK-Continent ports was 57s. 6d. a ton. By September last year 126s. 6d. was a typical quotation, and at the end of the year 165s. had been reached. Tonnage is still scarce, but British charterers, at any rate, have not been disposed to offer more than 172s. 6d., which is the MOT rate plus 200 per cent: the highest rates at the 1947-48 peak were about 250 per cent above the MOT rate. From the Caribbean, the MOT schedule rate was 32s. 6d., but freights paid in September had advanced to 70s. and by December to some 94s. A recent fixture from the Caribbean to Denmark was made at MOT rate plus 230 per cent, while a forward tanker for May loading has been taken at MOT plus 180 per cent.

The rise in dollar freights has been even more marked. The USMC schedule rate for voyages from the US Gulf to US East Coast ports was \$2.85, but as little as \$1.70 had been accepted in the summer of last year. The Korean campaign, however, had the effect of withdrawing a good deal of American tanker tonnage from the market, and by the end of the year as much as \$6.80 was being offered. Now, at the period of peak winter demand in North America, USMC plus 190 per cent is the basis for early tonnage (equivalent to MOT plus 317 per cent) and USMC plus 185 per cent has been paid for three consecutive voyages for a Liberty type tanker early next month. These attractive dollar freights, which are now readily available for non-American tonnage, have naturally diverted tonnage from other markets, so that freight rates everywhere have been affected. Although tankers now form a large percentage of new building, most of the new ships have been booked on long-term time charter from the date of ordering. The opening of the trans-Arabian pipeline, however, is expected eventually to release more than sixty vessels by reducing the haulage distance via the Suez Canal, though there is little sign of relief from this source yet. It has probably been offset to some degree by the need to use tankers as storage vessels for the Korean campaign, owing to the lack of shore installations. Further substantial withdrawals of tankers for military purposes are in fact expected.

Meanwhile there has been a considerable increase in the fixture of tankers for consecutive voyages at high rates. More than MOT plus 190 per cent has been paid for three consecutive voyages from the Persian Gulf, about April, and

charterers have indicated that they will pay MOT plus 200 per cent for the first voyage in April, with a reduction of 10 per cent for each subsequent voyage. Another alternative offered is MOT plus 150 per cent for trips over one year starting in the summer, but offers of a fixed rate of MOT plus 40 per cent until the end of 1953 have failed so far to attract owners.

Discount Houses' Year

The balance sheets of the three largest discount houses, and their chairmen's addresses that accompany them, confirm the impression set down in *The Economist* two weeks ago that Lombard Street has had a profitable year and one in which resources have expanded to a new record level. The "big three's" bill portfolios have increased by £33.8 million to £433 million, their investment holdings by £37.9 million to £211.1 million, and their total of loans and deposits by £71.1 million to £634.7 million; if other discount houses experienced a proportionate rise in their assets in the calendar year 1950, Lombard Street's total portfolios of bills and bonds may now exceed £1,050 million. It should be noted, however, that the accompanying table may somewhat overstate the propor-

"BIG THREE " DISCOUNT HOUSES—1948-50 (£ million)				
At December 31st	Union	National	Alexanders	Total
Bills :—				
1948	164.8	107.2	52.0	324.0
1949	212.1	109.1	78.0	399.2
1950	216.8	132.7	83.5	435.0
Investments :—				
1948	78.6	52.0	55.2	185.8
1949	52.8	60.4	59.0	172.2
1950	87.2	63.9	60.0	211.1
Loans and Deposits :—				
1948	240.9	156.6	105.1	502.6
1949	271.2	166.7	125.7	563.6
1950	300.0	194.0	140.7	634.7
Net Profits :—				
	£ 000's	£ 000's	£ 000's	£ 000's
1948	305.3	251.1	175.5	731.9
1949	310.8	236.5	150.4	747.7
1950	327.0	301.5	165.1	793.6

tionate holding of bonds; Lord Kennet, of the Union Discount Company, revealed in his address that his company's short bond holdings had been considerably reduced in the year, although the holding on its balance sheet date was some £24 million higher than a year previously.

Both Lord Kennet and Commander Coke, the chairman of the National Discount Company, revealed in their addresses that there had been a welcome increase in turnover of commercial bills during the year; Commander Coke, indeed, reported an increase of 42 per cent in his company's purchases of these acceptances. All three chairmen referred to the conversion of National War Bonds, 1949-51, which has given the discount market one less "short" to deal in, but Sir Eric Gore Browne of Alexander's Discount Company (who, like Commander Coke, was making his inaugural speech as chairman) pointed out that the total of Government securities outstanding with a life of less than five years still exceeds £2,000 million.

Dollars for South Africa

The South African Government has carried its negotiations for four separate dollar loans to a successful conclusion. It was announced this week that the World Bank is to lend it \$20 million for the expansion of railway and harbour facilities and \$30 million for electric power facilities; these loans will be for 15 years at 3½ per cent and for 20 years at 4 per cent, respectively. At the same time the Union Government has arranged through Dillon, Read and Co. to place \$10 million of 4 to 5 year promissory notes with eight large American commercial banks and to replace its existing (but

soon expiring) 3 year revolving credit of \$20 million with those banks by another credit of the same amount. It is understood that up to \$10 million of the proceeds of this private loan will also be used for transportation projects. South Africa's development programme is at present passing through its salad years and it has long been obvious that it is precisely in this sort of economy that the American investor should take over the role that the British investor would have played in bygone days. The World Bank has estimated that only about 20 per cent of the equipment that South Africa will buy with the proceeds of its new loan will come from the dollar area. Most of the rest will come from the United Kingdom and, since the equipment concerned (rolling stock, turbo-generators and so on) is presumably on South Africa's "universal licence" list, this means that Britain will be paid in dollars. Six months ago, when dollars were even more valuable than the resources that make turbo-generators, this would perhaps have been a cause for greater satisfaction than it is now—but then it is about six months since the loan began to be negotiated.

The World Bank has also announced this week that it is to increase by \$15 million its existing \$75 million loan to the Brazilian Traction, Light and Power Company; this loan is for 25 years at 4½ per cent. It is expected that about three-quarters of the proceeds will be spent in Canada.

Six Months of EPU

Details have now arrived from Paris of the full results of the December compensations conducted by the European Payments Union, and thus supplement the British figures summarised in *The Economist* last week. The complete figures reveal the counterpart of the United Kingdom's substantial surplus—a surplus that, after allowing for the use of existing resources by the deficit countries, amounted to £16,318,000 for December alone, of which one half (£8,159,000) was settled in gold. Western Germany continued to run a deficit in December and had to use 32.5 million units (each unit being equal to a US dollar) out of the special credit of \$120 million that was put at its disposal when it had exhausted its EPU quota. Another deficit country was the Netherlands, which had to meet a deficiency of 12.1 million units, of which 2.4 million units was paid in gold. Norway had a deficit of 1.4 million units in December and has now exhausted its initial credit of 50 million units granted at the start of EPU. Italy, contrary to expectations, is also among the deficit countries and in December increased its deficit with EPU from 17.1 million to 30.9 million units.

With the completion of the December compensations, EPU has now run for six months. The position of the member countries at the end of this period is shown in the following table:

EPU COMPENSATIONS, JULY—DECEMBER, 1950 (millions of units of account)				
Country	Amount of Initial Debit (+) or Credit (−) Balance Used	Use of Quota		
		Credit Granted (+) or Received (−)	Gold Received (+) or Paid (−)	
Austria	− 37.4	...	...	
Belgium-Luxemburg	+ 21.8	...	...	
Denmark	...	− 38.4	...	
France	...	+ 153.2	+ 51.2	
Germany	...	− 192.0*	− 128.0*	
Greece	− 70.8	...	...	
Ireland	− 3.3	...	...	
Italy	− 30.0	− 30.9	...	
Netherlands	− 51.1†	− 75.5	− 2.4	
Norway	...	+ 25.4	+ 11.4	
Portugal	...	...	− 12.6‡	
Switzerland	...	...	...	
Sweden	...	+ 5.3	...	
Turkey	...	+ 247.5	+ 35.5	
United Kingdom	+ 150.0	...	...	

* 36.7m. units of account covered outside the quota under special credit to Germany.
† Including 50m. units of account as a grant and 1.1m. units of account as a loan.
‡ Switzerland chose to settle in dollars rather than receive credit from the Union.

The United Kingdom—or, rather, the Sterling Area—has been the dominant creditor. If the figures continue their recent trend, a point will soon be reached at which the other members of EPU will deem themselves justified in taking action against the hardness and scarcity of sterling. EPU, however, is far from being deadlocked by this chronic creditor status of the United Kingdom. The gold payments into the Union to date still exceed by nearly \$50 million the payments made to the three creditor countries, France, Britain and Portugal.

Shipbuilding Output Improves

It is possible to trace, from the latest shipbuilding returns issued by Lloyd's Register of Shipping, signs of an improvement in the output from British shipyards in recent months. During the last quarter of 1950 the tonnage completed, launched and started was greater than in the previous quarter; the industry's performance last year is summarised below:—

	Commenced		Launched		Completed	
	No.	Tons	No.	Tons	No.	Tons
1950 :—		Gross		Gross		Gross
1st quarter	66	268,392	65	204,440	86	360,969
2nd "	66	372,435	95	484,873	85	345,614
3rd "	68	387,650	63	307,472	71	288,858
4th "	64	389,502	55	317,750	77	393,481
Total, 1950	264	1,417,977	278	1,314,535	319	1,388,922
Total, 1949	282	1,212,139	321	1,260,078	340	1,353,350

Tonnage launched and completed in 1950 was higher than in the previous year, although the number of ships was smaller. The tonnage on which work was started, however,

was more than 200,000 tons greater, and the number of ships increased by two. During the last quarter, moreover, the number and tonnage of ships fitting out afloat was reduced from 99 of 599,220 tons gross to 76 of 516,358 tons gross; while the respective figures for ships on the stocks or for which materials were being worked increased from 224 ships of 1,447,014 tons to 254 ships of 1,528,330 tons gross. If the improvement in this category can be continued through the launching and fitting out stages in succeeding quarters, the hope inspired by the latest figures will be justified. The greatest danger may lie in shortages of materials and components.

The total of ships under construction in Great Britain and Northern Ireland at the end of December was 330 vessels, of 2,044,688 tons gross, an increase of seven vessels and a decrease of only 1,546 tons compared with the previous quarter. This figure amounted to 42.43 per cent of the world total of 4,818,753 tons which was 20,392 tons less than at the end of September. Although 556,057 tons were completed abroad, and 693,627 tons launched, only 524,468 tons gross were started during the quarter. Work under construction increased by 79,376 tons in the United States and by 24,766 tons in Germany, but fell by 115,400 tons in Japan and 33,620 tons in Sweden. The leading shipbuilding countries abroad are now France (457,413 tons gross), USA (340,195), Italy (313,978), Holland (306,794) and Sweden (304,990).

Oil tankers under construction continue to increase and now amount to 178 ships of 1,927,814 tons gross, or 40 per cent of all construction. In British yards, the proportion is even higher, at 56.1 per cent, and they are building 97 vessels totalling 1,146,364 tons gross—more than half the world total. At the end of the year plans had been approved or material ordered for 148 vessels of 954,486 tons gross, on which work has not yet started. Of this tonnage, no less than 70 per cent consists of tankers.

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The Demand for Silver

The recent rise in the price of silver appears to be a belated response to changes in the supply and demand equation of which full and interesting details are provided in the latest review of the silver market published by the New York firm of Messrs Handy & Harman. They estimate the production of silver in 1950 in the Western Hemisphere at 134.7 million ounces, an increase of about 6 per cent; production outside the Western Hemisphere is provisionally estimated at 22½ million ounces, compared with 23 million ounces in 1949. As against this total estimated production of 157 million ounces, industrial consumption of silver in the United States alone amounted to 120 million ounces last year, the highest rate reached since the war. Estimates of industrial consumption in other countries include 12.2 million ounces for Britain, 5.2 million ounces for Canada and 9.6 million ounces for Western Germany. It is, therefore, clear that current consumption has been running well ahead of output. The gap has been largely filled by supplies of demonetised coins. Supplies of this metal imported into the United States amounted to 37.3 million ounces in 1950, including 21.6 million from Cuba, 9.8 million from Spain, 2,400,000 from Yugoslavia and a similar amount from China and Hongkong. Messrs Handy & Harman remark that "events of the past year have brought about a basic change in the factors affecting silver. From 1946 to 1950 the situation generally was one of over-supply. Since the middle of 1950, with the non-Communist world, and especially the United States, apparently committed to a long-term defence economy, there has been a growing demand for the use of silver, not only in present lines, but also as a substitute for those metals already under government allocation. The indications are that this demand will continue to expand."

A slightly different slant on the situation was provided by Messrs Mocatta and Goldsmid in their recent annual circular. They raised the interesting question whether silver might not go the same way as gold and become a metal whose main usefulness to the world sprang from the fact that the United States was willing to buy it at an arbitrary price and sterilise it. If this happened, Messrs Mocatta and Goldsmid pointed out, "no country would be able to use it freely and, regarding it as a means of earning dollars, would not even wish to do so. Its use in art and industry might become even more restricted and its standing in the East as a measure of value might disappear altogether." The demonetisation of the metal is certainly proceeding apace, but the industrial demand for silver is likely in the near future to outpace any resultant additional supply of silver in the world's markets.

New Advance in Fibres

Natural fibres are feeling the full blast of rearmament demand. Cotton prices are still creeping upwards and this week were approaching 46 cents a lb. Wool continues its fantastic rise and crossbreds (56's) are now only twopence less than "a pound a pound"; merino wool is well above

Commodity and Unit	PRICES OF NATURAL FIBRES						
	1949		1950		1951		
	Dec.	June	Dec.	Jan. 3	Jan. 10	Jan. 17	Jan. 24
Cotton, US middling (cents per lb.)	31.43	34.64	44.13	44.62	44.88	45.01	45.70
Wool, 56's (d. per lb.)	71	81	167	202	220	238	258
Sisal (£ per ton)	114	130	200	200	210	210	210
Jute (£ per ton)	115	120	120	122	129	131*	141*
Flax, Courtauld (£ per ton)	333	335	408	408	415	440	448

that level. British and American buyers have been competing against each other in Australia during the past fortnight, but it is very unlikely that British manufacturers can maintain this scale of buying. Finance will be one limiting factor. Jute has jumped £10 in the past week to £141½ a ton; port facilities have been extended in Pakistan but now there is

little or no shipping space available. Flax has also risen but more modestly while sisal has remained unchanged, more because of the timing of the contracts than because of any lessening of demand.

Atomic Power Developments

If reports that the Ministry of Supply's plutonium plant in Cumberland has completed its trial runs are correct, far larger quantities of nuclear fuels will now become available for the atomic energy research programme. So long as this work depended on using uranium 235 as a fuel, its field was bound to be limited. This, the only fissionable form of uranium occurring naturally, is present in uranium metal only as one part in every 140, the balance consisting of non-fissile uranium 238. The Cumberland plant is designed to use neutrons released from the fission of U235 to turn a proportion of the non-fissile atoms of uranium into plutonium, which is fissionable and has been the starting point of much of the nuclear research work done in the United States. Small quantities of plutonium have been imported from Canada during the past year for work in this country. Plutonium was the explosive used in the first test explosions as well as in one of the bombs dropped on Japan, and it is assumed that a country must have its own supplies of plutonium before it can start producing atom bombs; there are no natural deposits.

The Ministry of Supply has always described the Cumberland plant as a research project, and it is doubtful whether its output will be large enough to support more than a greatly expanded research programme. But plants of this type, which can convert stable materials like U238 and possibly the much more plentiful thorium into useful fuels, are the obvious answer to the problem of finding nuclear fuels for a full atomic power programme, and both here and in the United States physicists are anxious to get practical experience in running them. It is held that an atomic power plant, that is, one generating electricity with heat provided by an atomic pile, is now a practical proposition and there is nothing to prevent work from starting on one immediately should it be required. But before this is done, more experimental work into the materials of such a plant is considered necessary to see if costs could be reduced. Sir John Cockcroft has estimated that the capital cost of a plant generating 50 megawatts would be about £7,500,000 compared with £2,500,000 for a coal-fired station of the same capacity. But against this, Sir John also estimated that over 30 years the fuel costs of the nuclear generator would be between £1,000,000 and £4,000,000 compared with £16 million for coal. In the type of plants for which design studies have been commissioned, such as atomic power plants for submarines and, in America, for aircraft, these cost comparisons are much less important.

Dearer Road Haulage

The announcement by the Road Haulage Executive that rates for freight and parcels will be increased by 10 per cent from January 29th is hardly surprising. Indeed, private hauliers have followed suit with an increase of 7½ per cent. The new wage agreements and the higher costs of tyres and fuel have increased operating costs to a point at which some rise in rates was inescapable if a working profit was to be maintained. No single rate book exists for British Road Services as a whole, and presumably rates will continue to be charged, subject to the new increase, according to local custom and to the agreements between group managers and traders. This poses the question whether a general increase in rates will prove more desirable than leaving group managers to work out their own rate adjustments within the ambit of a 10 per cent increase.

It may be, of course, that the financial state of British Road Services is still unsatisfactory and that its revenue

Abridged Particulars for Information Only

Application has been made to The Council of The Stock Exchange, London, for permission to deal in, and quotation for, all the issued Preference and Ordinary Shares in the capital of the Company.

S. D. STRETTON & SONS (HOLDINGS)

LIMITED

(Incorporated under the Companies Act, 1948.)

Manufacturers of knitted underwear, outerwear and half-hose for the Admiralty, the Ministry of Supply, and the Crown Agents for the Colonies.

Authorised	SHARE CAPITAL	Issued and Fully Paid
£150,000	in 150,000 6 per cent. Cumulative Redeemable Preference Shares of £1 each	£132,766
£150,000	in 3,000,000 Ordinary Shares of 1s. each	£135,000
£300,000		£267,766

(Neither the Company nor its Subsidiary has any Mortgages, Debentures or Loan Capital outstanding.)

The Advertisement shows (*inter alia*) that:—

- The Operating Company, S. D. Stretton & Sons, Limited, whose business was originally formed in 1796, is well known in the Trade, by its registered Trade Marks "Moon", "Capstan" and "Welfex". The Accountants' Report in the above-mentioned Advertisement sets out the Operating Company's profits for the eleven years ended 31st March, 1950. In these eleven years the Operating Company's sales have increased, in marked degree and the sales for the last year were some £247,000 in excess of those for the year to 31st March, 1940. The demand for the Operating Company's production and particularly for its men's and boys' knitted underwear, swimwear, fishermen's jerseys, and half-hose is at present in excess of the output.
- The profit attributable to the Company's holding in the Operating Company, for the year ended 31st March, 1950, as shown in Column (4) of the Accountants' Report in the above-mentioned Advertisement, was £76,846. The Directors estimate that, having regard to the preliminary figures available to them for the six months ended 30th September, 1950, and in the absence of any substantial change in present trading conditions, the profit of the Operating Company attributable to the Company for the year ending 31st March, 1951, will be not less than the previous year, namely £76,846. After deducting from this figure, a total of £23,455, as stated in the above-mentioned Advertisement, there would remain a balance of £53,391, which is sufficient to cover over 5½ times, the gross annual dividend on the £132,766 issued 6 per cent. Cumulative Redeemable Preference Shares and Profits Tax at the rate of 20 per cent, thereon, together requiring £9,559. After deducting from the remaining balance of £43,832 an amount of £2,700 in respect of Profits Tax at the rate of 20 per cent, on the anticipated dividend of 10 per cent, on the £135,000 Ordinary Share Capital, there would remain available for payment of the Ordinary Dividend and for reserves, subject only to Income Tax, an amount of £41,132. An Ordinary Dividend of 10 per cent would absorb gross £13,500.
- The first accounts of the Company will be made up to the 31st March, 1951, and will cover a period of approximately 2½ months. The Directors propose, in the absence of any substantial change in present trading conditions, to recommend the payment of a dividend on the issued Ordinary Shares, at a rate of not less than 10 per cent. per annum (less Tax) for such period.
- The total net Tangible Assets of the Operating Company are shown in the Accountants' Report in the above-mentioned Advertisement to amount to £273,193, and the proportion thereof attributable to the Company is £270,959. The Valuations set out in the Advertisement, show that the present-day values of the fixed assets, are considerably greater than the book values. If the valuation figures, which it is not proposed to adopt in the books of the Operating Company, were taken into account, the proportion of the present-day value of the net Tangible Assets of the Operating Company attributable to the Company, after deducting estimated preliminary expenses, would be approximately £590,000.

A copy of the above-mentioned advertisement, giving particulars required to be advertised in connection with an application made to the Council of The Stock Exchange, London, for permission to deal in and for quotation for, all the issued Preference and Ordinary Shares in the capital of the Company, may be obtained on application to:

WHITEHEAD INDUSTRIAL TRUST LIMITED,
MITRE HOUSE, 177, REGENT STREET, LONDON, W.1.



ASK THE MAN WHO KNOWS

Business men and bankers who have visited

Australia or New Zealand will tell you that the best

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BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2,
and 47 Berkeley Square, W.1

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

ALEXANDERS DISCOUNT COMPANY LIMITED.

Statement of Accounts, 31st December, 1950.

LIABILITIES		£	£
Authorised Capital, 1,300,000 Shares of £2 each	...	2,600,000	
Issued Capital:—			
100,000 £2 6% Cumulative Preference Shares, fully paid	...	200,000	
1,200,000 £2 Ordinary Shares, £1 paid (Reserve Liability, £1,200,000)	...	1,400,000	
Share Premium Account	...	1,733,750	
General Reserve	...	466,250	
Profit and Loss Account	...	452,000	
			4,052,000
Loans, Deposits, Sundry Creditors and Contingency Reserves (including liabilities of £138,802,452 secured on certain assets per contra)	...		140,677,567
Final Dividends (less Tax) recommended	...		69,300

NOTES:—

- There is a Contingent liability in respect of Bills Re-discounted, excluding Treasury Bills, of £7,336,904 (1949—£5,398,092).
- Taxation recoverable to date has been included in these accounts.

£144,798,867

ASSETS		£
Balances at Bankers and Cash in Hand	...	958,124
Bills Discounted (less Provision for Rebate)	...	83,467,405
British Government Securities (Quoted)	...	59,264,313
Corporation and Dominion and Colonial Government Securities (Quoted)	...	716,352
Loans on Security and Amounts Receivable	...	392,673

£144,798,867

24, LOMBARD STREET, LONDON, E.C.3.

needed to be increased by more than was strictly justified by the rise in operating costs. Lord Hurcomb, in reviewing the work of the Road Haulage Executive during the past year, said last week that a fairly large sum would again have to be written off because of unusable stores and vehicles that had been acquired in the course of taking over private undertakings. He also stressed the poor maintenance and garaging facilities of British Road Services; although these facilities are now being improved, they must have resulted in heavy hidden costs in the form of excessive wear and tear of vehicles.

With so much work still to be done towards consolidating their present undertakings and sorting out their new possessions, the Road Haulage Executive's decision to revoke so many original permits remains a mystery. There is still no indication of how many holders of the 5,000 original permits concerned will elect to be acquired by the Transport Commission, but it will not take a very large number to swamp the already overburdened staffs at group and divisional headquarters. Efficiency, which had begun to show signs of improvement at the end of 1950, will inevitably decline.

* * *

Israel's Sterling

The sterling balances that the Government of Israel inherited from Palestine are now coming within sight of liquidation. At the end of World War II these balances amounted to about £110 million. They have now been reduced to about £14 million, and, by an agreement announced this week, between the British Government and that of Israel, this blocked sterling is to be released over the next two years in amounts of £7,000,000 and £6,700,000 respectively. It has also been agreed that in case of need the second year's release may be anticipated by the Government of Israel, to the extent of not more than £2,000,000. As in 1950, charitable remittances made privately to Israel from residents in Britain may extend in 1951 to £2,250,000.

This agreement has been well received in Tel-Aviv, where it has been hailed as the removal "of the last stumbling block in the way of regular financial and commercial relations" between the two countries. The rapidity with which Israel has run through its available sterling and has built up indebtedness to the United States, Switzerland, France, Belgium and Sweden is a significant reminder of the extremely artificial basis on which the economy of that country is still operating. A situation is emerging where serious thought will have to be given to the value of the Israeli £ and its bearing on the balance of payments of the country. The Director-General of the Ministry of Trade and Industry, Mr Hollander, has recently stated that there was absolutely no reason even to consider a devaluation of the Israeli £. He agreed that the exchange rate probably acted as a deterrent to the flow of investment capital to Israel. It would have been more to the point to have his views on the effect of the exchange rate, not on the flow of capital (on which Israel is becoming far too dependent) but on that more fundamental factor in the situation, the balance of current payments.

Shorter Notes

The Governor of the Bank of England, Mr Cameron Cobbold, left this week on a visit to the Commonwealth Bank of Australia. Mr Cobbold, who will return via New Zealand and the United States, is expected to be away from London for about two months. While in Sydney, Mr Cobbold will hold discussions with a number of other central bank governors who will be in Australia for the Jubilee celebrations.

The proposal of the Sun Insurance to pay a second interim dividend for 1950 of 2s. 2d. per share requires a change in the articles, which at present limit the amount of interim dividends to the previous year's final dividend. In 1949 the interim and final dividends were 1s. 8d. per share, making 3s. 4d. for the year; for 1950 a final interim of 1s. 8d. has been paid. The directors' statement argues that "the shareholders should in all justice receive by way of dividend a larger proportion of the income arising from accumulated funds," and they think that the annual dividend rate should be raised moderately. A decision about a final dividend for 1950 (if any) must depend on the results of the year. This statement has greatly stimulated the insurance share market as a whole.

*

The Chairman of Seager Evans has informed shareholders of dealings in the shares of the company carried out by Mr Ernest Thornton-Smith, a director, on December 5th, when a special board meeting was held to approve a bonus issue. These dealings were investigated by the Stock Exchange authorities and entailed the purchase of 4,000 shares on that date. Mr Thornton-Smith, in a letter to the chairman of the company, has stated that "the purchase of this small number of shares was purely coincidental with the result of a later meeting during the same day" and that "the whole affair was due entirely to inadvertence." Mr Thornton-Smith intends to place his resignation in the chairman's hands, to take effect on March 31st.

*

The report of the Issuing Houses Association for the year to November 30, 1950, records that a communication has been sent to the Governor of the Bank of England asking him to inform the Chancellor of the Exchequer of the injurious effect of the 2 per cent stamp duty and the ill-effects caused by the profits tax and by restrictions on the capitalisation of reserves. The Association holds—quite rightly—that the use of the word "bonus" in connection with such capitalisation is misleading; they have searched without success for another word, but suggest that "bonus" should not be used when referring to the capitalisation of reserves.

*

The chairman of the Hawker Siddeley Group has stated this week that an application has been made to the Treasury to capitalise a proportion of the group's £13 million reserves. The nominal issued equity capital is £1,500,000. The board have been anxious to do this for some years but have not, apparently, found negotiations easy. Mr Sopwith spoke of "too stringent" conditions governing an operation of this kind. He also appealed for more rapid expansion of aircraft production, with particular reference to some of the group's new prototypes. This has a special importance for Hawker Siddeley, since some of its largest outstanding orders are for the Meteor, one of the two standard jet fighters in service in this country and in Western Europe. The Meteor is now due for replacement and competition for a successor may involve in addition to the Hawker Siddeley group, Vickers and de Havilland.

*

Lord Inman, who resigned from the chairmanship of the Hotels Executive on January 15th, revealed on Tuesday some of the principles that have guided the work of the Executive since its constitution three years ago. It was accepted, for example, that restaurant cars could not be run at a profit—a loss of eightpence was incurred on each 5s. meal—and that to pay its way the Executive had to balance these losses against the profits from hotels and refreshment rooms. The Executive had therefore sold, and would continue to sell, hotels which did not fulfil one of three conditions: that it earned a profit, that it provided an essential service for travellers where other accommodation was not available, or that it earned dollars.

Company Notes

Raleigh Industries.—Output and sales of the Raleigh Industries group in the fifty-three weeks ended August 26, 1950, broke all previous records and showed an increase of some twenty per cent over the previous year. The production of bicycles and tricycles now exceeds one million machines per annum and output of accessories has increased proportionately. Total output has increased by over one hundred per cent since 1939, and the praiseworthy expansionist policy of the company may be judged by the doubling of the business of its subsidiary companies in the United States. The demand for the company's products, particularly in foreign markets, has been so great that it has proved impossible to meet all requirements. This expansion may have been assisted by devaluation, but it also took place in a year of rapidly increasing costs; in this sense, the rise in group trading profits from £1,472,764 to £1,681,984 is a considerable performance.

Nor have the equity shareholders been forgotten, for the ordinary dividend has been raised from 20 per cent to 25 per cent, a rate which is comfortably covered more than twice by earnings. The chairman justifies the increase—if any justification is needed—by comparing the voluntary limitation of dividends with the rise in wages, which are now approximately one hundred per cent above prewar rates. The problem of replacement, which is now a commonplace of industrial policy, has been tackled by the provision of £269,560, against £250,000, to

	Years ended	Aug. 26, 1949	Aug. 26, 1950
Consolidated earnings:—			
Total profit	£	1,472,764	1,681,984
Taxation	£	625,819	764,041
Depreciation, replacement res.	£	374,588	405,382
Group earnings for ord. stk.	£	299,227	363,429
Paid	£	137,500	171,875
To group reserves and c/f	£	162,647	214,329
Cons. balance sheet:—			
Fixed assets, less depreciation	£	1,015,288	1,341,143
Net current assets	£	2,661,202	3,137,439
"Quick" assets	£	1,264,741	1,527,542
Stocks	£	1,568,096	1,729,509
Reserves	£	2,636,389	3,410,118
Ordinary capital	£	1,250,000	1,250,000
£1 ordinary stock at 80s. 3d. yields 15s. 8d. per cent.			

a special reserve to meet additional replacement costs; this reserve now totals £953,792. Stockholders may feel that there is good ground for expecting at least the maintenance of the increased ordinary dividend in the coming year. But the chairman emphasises that rising costs may force up prices and so "jeopardise the large and competitive export markets." Current orders on the books stand at a record figure, but it will only be possible to fill them if adequate supplies of raw materials are forthcoming. Subject to this necessary proviso, the chairman comments, the outlook for the next twelve months should be "bright indeed."

Steel Company of Wales.—Interest in the Steel Company of Wales report for the year to September 30, 1950, lies less in the profit and loss account and more in the balance sheet. But it is proper to record an increase in trading profit from £2,112,728 to £2,411,201, and of the latter amount only £50,000 arose from the appreciation of stock values compared with £250,000 in 1948-49. Thus the trading figures reflect a real achievement of increased output—concurrently with the major development projects now nearing completion—and of profitable export business. Net profits have suffered because interest on the Finance Corporation for Industry loan has required £504,678 compared with only £37,767 in the previous year. But it is satisfactory that this sum has been charged to revenue and still leaves, after other charges, a balance carried forward on profit and loss account of £1,451,512 against £994,055 a year earlier.

The report shows that expenditure sanctioned on the development schemes at

Margam and Trostre totalled £63 million last September, of which £41.4 million had been incurred. This is the first official intimation of what was to be expected—that the original estimate of £60 million has been exceeded; labour and materials have risen and certain changes in the original plan have also affected the outcome, and the total cost of the new developments will be "appreciably higher." The company itself had arrangements well in hand for raising the additional cash, but the formation of the Iron and Steel Corporation has ruled out any possibility of securing finance through normal channels. Provision of the balance of funds required now falls, presumably, to the Corporation; and a further substantial sum will also be needed for other developments.

Engineering progress continues to be satisfactory. Since September one of the new blast furnaces and the slabbing mill have been brought into production, and most of the remaining plant in the development scheme—including the wide strip mill—should start operating before September. But the success of the whole scheme will depend, as the chairman emphasises, on the solution of the urgent problem of raw material supplies, and in particular of coal.

Associated Commercial Vehicles.—Comparison of the trading results of A.C.V. in the past two financial years is difficult, since in the year ended September 30, 1949, profits of the Park Royal subsidiaries for approximately six months only were incorporated in the consolidated accounts. Group trading profits for the year ended September 30, 1950, are shown as £1,794,840, which compares

	Years ended	Sept. 30, 1949	Sept. 30, 1950
Consolidated earnings:—			
Total profit	£	2,000,976	1,794,840
Taxation	£	2,019,734	1,816,429
Depreciation	£	1,332,922	922,456
Group earnings for ord. stk.	£	394,140	1518,024
Paid	£	260,937	250,937
To group reserves and c/f	£	133,203	428,948
Cons. balance sheet analysis:—			
Fixed assets, less depreciation	£	1,811,774	1,755,928
Net current assets	£	6,440,433	7,317,250
"Quick" assets	£	926,187	2,529,293
Stocks	£	5,705,532	4,497,016
Reserves	£	4,314,841	5,177,501
Ordinary capital	£	2,087,500	2,087,500
£1 ordinary stock at 80s. 3d. yields 15s. 8d. per cent.			

with £2,000,976 in 1949. The market has accepted this result as evidence of a less satisfactory year's trading, and has marked down the £1 Ordinary Stock units.

In addition to this apparent fall in profits, there is a further difficulty in interpreting the movement of group earnings. The calculation is complicated by the inclusion in the accounts of £171,861 of exceptional income, while in 1949 there was an exceptional loss of £74,673; in the latest year, £273,534 is transferred to general reserves, whereas in the previous year £97,500 was appropriated to a future tax reserve on pre-acquisition profits. Views may differ on the treatment of these items, but one interpretation, as shown in the accompanying table, would be that earnings have risen from 19 per cent to 25 per cent, free of tax.

On this basis, the maintenance of the Ordinary dividend at 12½ per cent, tax free, a rate which has been paid since 1946, is covered nearly twice. The company calculates the provision for taxation as 49.71 per cent of "so-called profit" against 67.48 per cent in 1949; the tax position of the company is, of course, the more complicated because the important AEC subsidiary only started trading (for the purpose of present tax computations) in October, 1948. The balance sheet conveys an impression of strength that would certainly make a greater impact if it were not for a certain doubt about the trading prospects in the coming year.

SECURITY PRICES AND YIELDS

British Fund:	Price, Jan. 17, 1951	Price, Jan. 24, 1951	Net Yield, Jan. 24, 1951 (n)	Gross Yield, Jan. 24, 1951
War Bonds 2½% Mar. 1, 1951-53	101½	101½	0 18 2	0 14 0e
War Bonds 2½% Mar. 1, 1952-54	101½	101½	0 17 1	0 13 6f
Exchequer Stk. 2½% Feb. 15, 1955	101½	101½	0 15 4	0 15 1
War Bonds 2½% Aug. 15, 1954-56	102½	102½	0 14 3	0 16 2e
Funding 2½% June 15, 1952-57	102½	102½	0 18 11	2 0 11f
Nat. Defence 3½% July 15, 1954-58	103½	103½	0 12 10	1 19 7e
War Loan 3½% Oct. 15, 1955-59	104½	104½	0 15 7	2 3 7e
Savings Bonds 3½% Aug. 15, 1955-65	100½	99½	1 12 11	2 19 7e
Funding 2½% April 15, 1956-61	99½	99½	1 9 7	2 13 5e
Funding 3½% April 15, 1959-69	99½	99½	1 14 9	3 2 6f
Funding 3½% Aug. 1, 1966-68	107½	107½	1 13 7	3 0 7f
Funding 4½% May 1, 1960-90	99	97½	1 18 10	3 13 7f
Savings Bonds 3½% Sept. 1, 1960-70	94½	94½	1 15 10	3 5 5e
Savings Bonds 2½% May 1, 1964-67	94½	94½	1 15 10	3 3 1f
Victory Bonds 4½% Sept. 1, 1920-76	109½	108½	1 10 11	3 4 7*
Savings Bonds 3½% Aug. 15, 1965-75	96xd	95½	1 19 10	3 7 5e
Consols 4½% (after Feb. 1, 1957)	103xd	102½xd	1 13 10	3 9 2g
Conversion 3½% (after Apr. 1, 1961)	96½	96½	2 0 3	3 13 7f
Treasury Stk. 2½% (after Apr. 1, 1975)	71½	70½	1 19 1	3 11 6f
Treasury Stk. 3½% (after Apr. 5, 1966)	84½	83½	1 19 8	3 12 5f
Treasury Stk. 3½% June 15, 1977-80	103	102½	1 16 1	3 7 4e
Redemp. Stk. 3½% Oct. 1986-96	92½	92	1 16 3	3 7 6f
War Loan 3½% (after Dec. 1, 1952)	94½	94½	1 18 8	3 7 9f
Consols 2½% Brit. Elect. 3½% Gtd.	71½	70½	1 18 11	3 10 10f
Brit. Elect. 3½% Gtd.	96½	96½	1 17 0	3 5 2f
Brit. Elect. 3½% Gtd.	96½	96½	1 17 6	3 5 11e
Nov. 15, 1976-79	103½	103½	1 17 1	3 5 11e
Brit. Tpt. 3½% Gtd.	92	91½	1 16 1	3 7 4f
July 1, 1978-88	92	91½	2 1 3	3 9 11e
Brit. Tpt. 3½% Gtd.	97½	96½	1 19 7	3 8 4f
April 1, 1968-73	91½	91½	1 18 2	3 6 6e
Brit. Gas Gtd. 3½% May 1, 1990-95	91½	91½	1 17 2	3 5 4f
			1 19 9	3 8 10e
			1 19 3	3 8 4f

(e) To earliest date. (f) Flat yield. (g) Assuming redemption in 1957. (h) Flat yield given above. (i) Redeemed in 1952 net redemption yield £5 3.2 gross £5 17.9. (j) To latest date. (n) Net yields are calculated after allowing for tax at 9s. in £. *Assumed average life 15 years 10 months.

Last Two Dividend	Ordinary Stocks	Price, Jan. 17, 1951	Price, Jan. 24, 1951	Yield, Jan. 24, 1951
(a) (b) (c)				(d) s. d.
20 a	Anglo-Am. 10/-	74½	74½	3 17 6
25 b	Anglo-Iran. 1/-	54½	54½	5 3 9
10 b	Assoc. Elec. 1/-	83/9	85/	3 10 7
74 a	Assoc. P. Cem. 1/-	87/6	87/6	6 5 6
40 c	Austin 5/-	27/9	27/9	6 6 2
75 a	Bass 1/-	146/3	146/3	6 4 1
40 c	Boots 5/-	48/6	48/6	4 2 6
8 c	Br. Celanese 10/-	24/3	24/6	4 1 8
12 b	Br. Oxygen 1/-	90/6	92/	4 6 11
5 a	Coats 1/-	59/	58/6	4 5 6
5 b	Courtaulds 1/-	39/6	39/6	3 15 11
20 a	Distillers 4/-	20/6	21/-	3 16 2
8 c	Dorman Long 1/-	31/6	31/6	5 1 9
15 c	Dunlop 1/-	56/3	57/9	5 3 10
10 c	Ford 1/-	50/-	48/9	4 2 1
17 c	Gen. Elect. 1/-	83/9	83/9	4 3 7
11 a	Guinness 1/-	134/4	134/4	4 15 3
15 a	Hawker Sid. 5/-	32/10½	32/10½	4 16 0
7 b	Imp. Chem. 1/-	43/6	43/6	4 11 11
18½ b	Imp. Tobacco 1/-	105/7½	108/9	5 17 9
5 a	Lancs. Cotto. 1/-	41/6	41/6	6 0 6
10 c	Lever 1/-	43/9	43/9	4 11 5
15 c	Lon. Brick 1/-	57/6	57/6	5 4 4
45 b	Marks & Sp. A 5/-	83/-	84/6	3 8 11
4 a	P. & O. Def. 1/-	58/6	58/6	4 2 9
17½ b	P. Johnson 10/-	38/6	39/6	6 7 7
15 b	"Shell" Stk. 1/-	80/-	81/3d	4 9 6
12½ c	St & Lloyds 1/-	56/-	56/-	4 9 8
12½ a	Tube Invest. 1/-	61	61	4 0 0
8 c	Union Castle 1/-	39/-	39/-	4 2 1
12½ c	U.S. Steel 1/-	58/9	58/9	5 19 2
3½ a	T. & Newall 1/-	87/6	89/4	4 9 5
41 a	Vickers 1/-	36/-	36/-	3 13 5
15 a	Woolworth 5/-	46/	46/3	4 11 0

(a) Interim (b) Final (c) Whole year (d) Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended January 20, 1951, total ordinary revenue was £142,730,000, against ordinary expenditure of £66,639,000 and issues to sinking funds £120,000. Thus, including sinking fund allocations of £13,773,000 the surplus accrued since April 1st is £296,630,000 compared with £272,585,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Actual, 1949-50	Actual, 1950-51	Week ended Jan. 21, 1951	Week ended Jan. 20, 1950
ORD. REVENUE	£'000	£'000	£'000	£'000	£'000
Income Tax	138,800	858,487	811,239	100,181	96,859
Sur-tax	120,000	68,550	73,604	5,500	5,800
Estate, etc., Duties	195,000	154,900	147,250	4,200	3,400
Stamps	50,000	41,500	42,469	1,000	1,100
Profits Tax	270,000	219,260	220,320	5,500	4,800
E.P.T.	32,500	32,500	9,350	400	...
Other Inland Rev.	500	270	190	190	30
Special Contribn.	4,500	17,900	4,120	200	80
Total Inland Rev.	202,800	1,393,517	1,308,293	117,171	111,969
Customs	870,600	659,642	721,874	16,782	18,781
Excise	713,150	543,600	548,200	6,000	5,800
Total Customs and Excise	1,583,750	1,203,242	1,270,074	22,782	24,581
Motor Duties	56,000	45,209	37,827	12,069	3,732
Surplus War Stores	35,000	77,384	35,932	9,895	...
Surpl's from Trade	85,000	47,541	41,905	500	...
P.O. (Net Receipts)	13,000	8,190	8,650	...	...
Wireless Licences	27,000	16,616	22,676	3,281	2,018
Sundry Loans	70,000	67,934	65,966	2,495	430
Miscell. Receipts (in Crown Lands)	389,780	285,933	279,167	168,243	142,730
Total Ord. Rev.	3,897,800	2,859,633	2,791,760	1,682,433	1,427,300
SELF-BALANCING					
Post Office	172,150	127,600	136,500	3,500	3,400
Income Tax on E.P.T. Refunds	5,700	9,937	6,942	229	286
Total	4,075,650	3,097,170	2,932,202	1,717,972	1,464,166

Expenditure	Estimate, 1950-51	Actual, 1949-50	Actual, 1950-51	Week ended Jan. 21, 1951	Week ended Jan. 20, 1950
ORD. EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Int. & Man. of Nat. Debt	490,000	357,439	364,003	6,514	5,609
Payments to N. Ireland	36,000	27,412	27,509	127	...
Other Cons. Funds	11,000	9,691	8,802	127	530
Total	537,000	394,542	400,317	6,641	6,139
Supply Services	291,806	217,905	208,104	70,300	60,500
Total Ord. Expd.	345,506	251,357	248,135	76,941	66,639
Sinking Funds	...	13,500	13,773	120	120
Total (incl. Self-Bal. Expd.)	345,506	251,357	248,135	77,061	66,759
Total (incl. Self-Bal. Expd.)	363,291	274,584	263,851	80,790	70,445

After increasing Exchequer balances by £212,812 to £3,939,198, the other operations for the week decreased the gross National Debt by £72,198,408 to £26,203 million (revised figure).

NET RECEIPTS (£ thousand)	Section 16 (3) of the War Risk Insurance Act, 1939	Cotton (Centralised Buying) Act, 1947
300	4,651	4,951
NET ISSUES (£ thousand)		
P.O. and Telegraph (Money) Acts, 1948 and 1950...	300	
E.P.T. Refunds	348	
Export Guarantees Act, 1949, s. 3(2)	60	
Local Authorities Loans Act, 1945, s. 3(1)	3,600	
New Towns Act, 1946, s. 12(5)	26	
Cinematograph Film Production (Special Loans) Acts, 1949 and 1950	200	
Overseas Resources Development Act, 1948, s. 17(1)		700
Colonial Development		700
Miscell. Financial Provs. Act, 1946		3,000
S. 2(1) War Damage: War Damage Commission		277
Finance Acts, 1946 and 1947: Post-war Credits		4,511

CHANGES IN DEBT (£ thousand)	RECEIPTS	PAYMENTS
Other Debt:		
Internal	2	8,709
Treasury Bills		600
Nat. Savings Certs.		125
2½% Def. Bonds		315
Tax Reserve Certs.		25,347
Other Debt:		
External		54
Ways & Means Advances		12,050
Treasury Deposits		25,000
	2	72,200

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
Jan. 21 1950	2990.0	1963.4	317.1	5493.5
Oct. 14 1950	3140.0	1789.4	469.9	5550.0
" 21 1950	3180.0	2077.8	490.2	5748.0
" 28 1950	3170.0	2041.1	471.3	5682.4
Nov. 4 1950	3180.0	1885.7	353.3	5419.0
" 11 1950	3180.0	1897.3	374.3	5451.6
" 18 1950	3190.0	1968.7	372.5	5531.2
" 25 1950	3200.0	1950.0	350.9	5500.9
Dec. 2 1950	3230.0	1956.3	369.1	5555.4
" 9 1950	3240.0	1951.6	375.1	5566.7
" 16 1950	3260.0	1939.8	410.8	5610.6
" 31 1950	3168.5	384.0	...	5252.5
Jan. 6 1951	3270.0	1861.8	394.7	5526.5
" 13 1951	3250.0	1823.3	405.3	5478.6
" 20 1951	3220.0	1844.6	396.8	5461.4

TREASURY BILLS (£ million)

Date of Issue	Amount Offered	Amount Applied for	Amount Allotted	Avg. Rate of Allotment %	Allotted at Min. Rate
1950					
Jan. 20	220.0	271.4	220.0	10	5.74
Oct. 20	250.0	332.3	250.0	10	2.94
" 27	250.0	335.8	250.0	10	2.98
Nov. 3	250.0	347.7	250.0	10	2.70
" 10	250.0	318.4	250.0	10	3.17
" 17	250.0	325.6	250.0	10	3.13
" 24	250.0	310.6	250.0	10	3.36
Dec. 1	250.0	347.5	250.0	10	2.74
" 8	250.0	326.8	250.0	10	3.09
" 15	250.0	314.6	250.0	10	4.55
" 22	250.0	301.7	250.0	10	2.93
" 29	250.0	302.4	250.0	10	3.50
1951					
Jan. 6	240.0	301.4	230.0	10	3.35
" 12	230.0	319.4	230.0	10	2.75
" 19	230.0	321.3	230.0	10	2.73

On January 19th applications for 91 day bills to be paid from January 22 to January 27, 1951, were accepted dated Monday to Saturday as to about 60 per cent. at 99 17/8. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for January 26th. For the week ending January 27th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended Jan. 14, 1950	Week Ended Jan. 13, 1951	Total, Apr. 1 to Jan. 13, 1951
Savings Certificates:			
Receipts	1,900	1,800	69,200
Repayments	2,250	2,000	102,400
Net Savings	Dr 350	Dr 200	Dr 33,200
Defence Bonds:			
Receipts	345	380	13,225
Repayments	789	835	38,844
Net Savings	Dr 444	Dr 455	Dr 25,619
P.O. and Trustee Savings Banks:			
Receipts	16,881	15,056	511,439
Repayments	11,664	10,855	556,511
Net Savings	4,917	4,201	Dr 45,072
Total Net Savings	4,123	3,546	Dr 103,891
Interest on certificates repaid	477	470	22,736
Interest accrued	2,367	2,404	94,932
Change in total invested	+ 6,013	+ 5,480	- 27,683

BANK OF ENGLAND

RETURNS

JANUARY 24, 1951
ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	Govt. Securities	Other Govt. Securities	Other Govt. Securities (other than gold)	Ant. of Fid. Issue	Gold Coin and Bullion (at 248s. per oz. fine)
In Circulation	1234,673,893	11,915,100	1334,245,264	728,513	1,350,000,000	356,823
In Bank & Department	65,682,930					
						1350,356,823

BANKING DEPARTMENT

Capital	Govt. Secs.	Other Secs.	Discounts and Advances	Securities
14,553,900	320,701,411	36,905,537	15,824,674	11,492,833
Public Accts.:				
H.M. Treas.	13,406,960			25,412,609
Special Acct.	2,357,714			
Other Depos.	390,154,784			
Bankers	306,329,591			65,682,930
Other Accts.	83,824,193			955,223
	424,245,131			424,245,131

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

COMPARATIVE ANALYSIS (£ million)

	1950	1951
Issue Dept.:		
Notes in circulation	1247.7	1314.0
Notes in banking department	52.7	36.3
Government debt and securities	1299.3	1345.2
Other securities	0.7	0.7
Gold and coin	0.4	4.4
Valued at s. per fine oz.	248.0	248.0
Banking Dept.:		
Deposits:		
Public Accounts	12.5	18.7
Treasury Special Account	117.4	2.4
Bankers	291.7	297.4
Others	110.2	84.8
Total	531.8	403.3
Securities:		
Government	453.7	339.0
Discounts, etc.	14.7	20.4
Other	23.8	24.7
Total	492.2	384.1
Banking dept. res.	57.9	37.4
"Proportion"	10.8	9.2

* Government debt is £11,015,100, capital £14,553,900. Fiduciary issue reduced from £1,375 to £1,350 million on January 10, 1951.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Jan. 24, 1950	Jan. 9, 1951	Jan. 23, 1951
Cereals and meat	147.7	157.1	157.6
Other foods	147.3	167.9	169.1
Textiles	212.3	315.9	327.7
Minerals	268.1	320.3	321.2
Miscellaneous	152.5	186.4	189.2
Complete Index	170.5	216.0	219.0
1913=100	245.6	297.1	301.3

COLD AND SILVER

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

	SILVER	GOLD
1951		
London	78.5	190.14
New York	78.5	189.4
Bombay	78.5	189.4
Bombay per tola	78.5	112.15
Jan. 18..	78.5	190.14
" 19..	78.5	189.4
" 20..	78.5	189.4
" 21..	78.5	189.4
" 22..	78.5	189.4
" 23..	78.5	189.4
" 24..	78.5	189.4

MIDLAND BANK LIMITED

YEAR DOMINATED BY INTERNATIONAL AFFAIRS

MARKED PROGRESS TOWARDS EQUILIBRIUM

UNCERTAINTIES IN THE OUTLOOK

LORD LINLITHGOW ON GROWTH OF DEPOSITS

The one hundred and fifteenth annual general meeting of the Midland Bank Limited will be held at the head office, Poultry, London, E.C.2, on February 16th.

The following is the statement by the chairman, the Most Hon. the Marquess of Linlithgow, K.G., K.T., on the report of directors and balance-sheet for the year to December 31, 1950, which has been circulated to shareholders:—

During the year just ended attention has been concentrated very largely on international affairs. Developments on the political plane have, unhappily, commanded instant concern; but on the financial and economic level they have been scarcely less striking. Indeed, if one were to be satisfied with a superficial view, the change, in one vital respect at least, since the time of widespread currency devaluation could be taken as far more gratifying than anyone had a right to expect. Even with proper qualifications it may be recorded that marked progress has been made towards that international equilibrium for which Britain, in company with other countries damaged and impoverished by war, has been struggling through more than five strenuous, exacting years.

DOLLAR GAP CLOSED

The past twelve months or so have seen a rapid narrowing of the "dollar gap"; for the sterling area, indeed, the gap has actually been closed, and estimates indicate that even by the middle of 1950 a surplus of dollar earnings on current account had been achieved. More generally, the monetary reserves, in gold and dollars, of postwar "deficit countries," taken in the aggregate, have been growing faster than the most hopeful prophet could have foreseen 18 months ago, so that an appreciable part of the world's monetary gold stocks, unduly concentrated in the United States, has by now been redistributed to serve the purposes of properly dispersed resources.

The production of goods has been growing markedly with the progress of postwar reconstruction and technical improvement, and important steps have been taken along the road of liberalisation of trade and payments in Western Europe. Negotiations are proceeding, moreover, under the terms of the general agreement on tariffs and trade, for further lowering of the barriers to international commerce. All this adds up to a solid achievement, even when full allowance is made for the impetus given by the acceleration and enlargement of defence measures in response to increased political tension.

UNITED STATES' CONTRIBUTION TO RECOVERY

It would be an endless task, merely provoking unprofitable controversy, to try to allocate the credit for this achievement. One thing that can be said indisputably, however, is of high significance in any consideration of the prospects for consolidating and extending the gains already won. It is that the speed and extent of the progress recorded thus far must be ascribed very largely to the immense contribution made, directly or indirectly, by the United States of America.

It has indeed been a political miracle of modern times that the United States, re-

versing her long-standing policy, has accepted with astonishing promptitude, and expressed in munificent and decisive action, the responsibilities of leadership in world affairs. Let us look for a moment at the variety and scale of the material contribution made by the United States to economic recovery, particularly in the war-ravaged countries of Western Europe.

FAR-SIGHTED ENTERPRISE

In the line of succession from lease-lend, which came to an end immediately the fighting ceased, the United States Government was by far the largest contributor to postwar relief, especially through Unrra. Then, when something more than relief was seen to be necessary if any progress were to be made towards the re-establishment of a sound basis of economic life in Europe, the European Recovery Programme was conceived, and brought into operation towards the middle of 1948.

Under the guidance of Mr Paul Hoffman this far-reaching enterprise, it is safe to say, was carried through with a degree of vision, adaptability and wisely directed generosity which alone renders it unique, quite apart from the magnitudes involved. Altogether, outright grants under these two and other similar headings had amounted, by last September, to nearly \$18,000 million net in cash or in kind, all provided within the Budget of the United States Government and all therefore subject to the scrutiny and assent of Congress. Added to this vast sum must be the further provisions by way of loans or credits, including the 1946 loan to the United Kingdom Government and the operations of the Export-Import Bank, amounting to a net total of over \$9,000 million.

Then, again, the United States has contributed \$3,400 million to the resources of the International Bank and the International Monetary Fund. A complete enumeration of all such allocations, including, for example, the expenditure authorised by Congress for "Point Four" technical assistance for underdeveloped areas, makes an astonishingly varied and imposing list. It is important, moreover, not to forget the secondary results of provision on this scale. Our friends in Canada, for example, who themselves have played a notable part in measures of postwar recovery, would be the first to recognise the substantial support given to the economy of the Dominion by the "off-shore" purchases arranged under the European Recovery Programme, which went far to fortify Canada's resources of United States dollars.

DEVELOPING EUROPEAN TRADE

I have mentioned the far-sighted vision with which the programme was carried into action, and one of the ways in which this quality has been expressed is in the action taken to quicken the reviving powers of self-support among European countries on the basis of adequate dollar-earning exports. The substantial reduction already achieved, even before the war, in the scale of United States import duties has been carried still further—though one must add with regret that measures to remove administrative obstacles to the entry of foreign goods still lag woefully behind the good intentions of enlightened Americans from the President downward.

It has indeed been a political miracle of modern times that

developed territories may grow in magnitude; the plans embodied in the Gray report on post-Marshall measures may perhaps extend the period of American-supported recovery and provide the momentum for sustained expansion without resort to further "emergency" arrangements; and American investment abroad, through Governmental agencies or under private auspices, may grow in volume if confidence gathers strength on both the political and economic planes.

STAGE OF SELF-SUPPORT

While, therefore, direct assistance from the United States may be foreseen as continuing in one way or another for some time ahead, it seems that the world—given peace—is coming within sight of the day when sustained economic welfare can and should be achieved on the basis of self-support within a freely moving system of international trade and finance. Even so, and beyond the stage of "emergency" aid, the international economy will continue to be powerfully influenced by conditions within the United States. We had a short and happily mild demonstration of this dependence in the secondary consequences of the American business recession early in 1949.

It may thus become a question of cardinal importance to the rest of the world whether business activity in the United States is likely to be steadier than in times past, or whether it will prove to be still subject to violent fluctuations, the effects of which will be speedily and disturbingly transmitted to other countries. No one expects stability—in free-enterprise America, I believe, the objective of economic policy has been described as progress through "high-frequency oscillation"—but equally everyone recognises the catastrophic reactions throughout the world of such upheavals as occurred within the economy of the United States in prewar times.

INHERENT U.S. STEADINESS

For myself, I do not think we need nurture anxiety on this account, for, despite some evidence of continued surface effervescence, there is good ground for believing that the economy of the United States has greater inherent steadiness than in times past. One has to reckon, for example, with what are sometimes called "built-in supports" for consumers' buying power in the form of pensions and similar social security arrangements as well as measures of unemployment insurance and relief which come into operation automatically in a period of lagging demand for the products of industry; and further with a system of support of prices of farm products which again, with all its faults, does tend to maintain the demand for industrial goods.

On another aspect of the matter, the financial system has been strengthened by a variety of measures, including powers of control over some forms of bank lending and business in stock exchange securities, having the effect of fortifying the structure and enlarging the possibility of restraining undesirable developments. Then, again, a marked contrast with conditions in the 'thirties is to be found in the smaller volume of outstanding mortgage and other debt in relation to the flow of incomes, and in the far larger liquid resources in the hands of agriculture, industry and trade.

BALANCE ON RIGHT SIDE

I do not pretend that this is a complete array of the factors to be considered in forming a judgment; nor am I blind to the weaknesses that have to be brought into the account, such as the heavy dependence of some industries on the maintenance of liberal facilities for consumer-credit. Yet I feel sure that the balance is on the right side, especially when we acknowledge the convincing signs of

a less volatile, better informed and more long-sighted attitude towards capital investment and business fluctuations among those responsible for the conduct of industry and trade.

If the psychological trend is indeed in this direction, then a powerful factor which formerly helped to exaggerate the upward and downward phases into extreme boom and depression will have been weakened, to the great advantage of the United States itself and of the entire world. For it requires little knowledge or intelligence to understand that, for as far ahead as can be foreseen, the maintenance of a high level of employment and a steady advance of prosperity within the United States must be a condition of continued progress towards economic recovery and expansion throughout the world.

EQUAL PARTNERSHIP

The disproportionate influence exercised by the United States on world affairs, in part by reason of the "natural" course of economic evolution and in part as a consequence of the damage and disruption wrought by war, is to some extent inevitable; but it is also excessive when judged by the long-term interest of the world as a whole. It can, I believe, be accepted as sound dogma that very heavy, concentrated dependence—whether direct, as in terms of imperialism, or indirect as in present circumstances—upon a single political and economic power is basically unhealthy, however strong and consistently far-sighted and benevolent that power may be.

It follows that insistent stress should be laid on that objective of mutually accepted policy which consists in a closer approach to equal partnership; and nowhere is such a movement more to be desired than in relations between the United States and the British Commonwealth. That this article of policy is generally approved is one of the hopeful signs in international affairs, and I am sure everyone will have noted with gratification the words used by Mr Douglas in his letter of resignation from the office of Ambassador of the United States, which he had occupied with unusual distinction: "A continuing close relationship between our own country and the people of the British Isles and of the British Commonwealth of Nations, even though that relationship has now become somewhat merged with international organisations in which we all play a part and which we all support, is one of the solid corner stones of the civilised world."

IMPLICATIONS FOR BRITISH POLICY

For reasons of both short- and long-term relevance, therefore, and in the widest of world interests, our own policy should be framed with a view to constantly strengthening the economic foundations of the British Commonwealth. And this purpose should continue to rank high notwithstanding urgent preoccupations, as with matters of social policy or national security—indeed, it must always be an essential element in such preoccupations, since economic staying-power and capacity for expansion may well be the first requirement of success in dealing with what seem to be the most pressing problems, whether domestic or in external relations. I therefore ask myself, looking at the situation as a banker, what should be the guiding lines, in the years immediately ahead, of action in the economic and financial sphere, and there are three matters on which it seems to me timely to make some comment.

My first point arises from the necessity, everywhere deplored but recognised as inescapable, of diverting to concerted defence measures some of the economic resources actually or potentially at our command. In this matter we should resist any temptation to lean too heavily on the United States, for there are limits to the resources, in manpower and materials, even of that great

nation; yet help may be made available therefrom in support of the common effort. Then again, notwithstanding supply difficulties and the demands of the Forces for manpower, some reliance may be placed on the growing productivity of British industry, which gives cause for congratulation to all who have contributed to it in any one of a number of ways.

For the rest—and the rest need not turn out to be so onerous as to give rise to serious hardship—it is essential that the diversion of resources should be at the expense of current consumption. It would be a culpable example of short-sighted expediency to divert resources from the improvement of economic capital at home or the development of productive capacity in overseas parts of the Commonwealth, more particularly in Africa and south and south-east Asia. I repeat that the quality we need, above most things, in the present state of the world is staying power.

HIGH DOLLAR EARNINGS ESSENTIAL

Secondly, no effort should be abated in maintaining at the highest attainable level the dollar earnings of the sterling area, and of Britain in particular as the central unit of that association. The defence programme may require larger imports of raw materials and may impair export capacity in some branches of industry. The fact that the balance of current payments of the United Kingdom showed a substantial surplus last year, and the further, more directly relevant, fact that the sterling area as a whole has been earning a dollar surplus, give no ground whatsoever for any slackening of endeavour. The suspension of Marshall aid must in itself tend to slow down the growth of gold and dollar reserves; yet only by the maintenance of that growth can the pound sterling reach a position in which steps can be taken towards wider convertibility.

Then again, we in Great Britain must prepare ourselves for meeting the interest and sinking fund on the American and Canadian Government loans, the service of which is due to begin at the end of this year. The first annual payments will entail drawing on our gold and dollar resources to the extent of well over \$150 million. It is true that the "escape clause" in the loan agreements might perhaps be invoked; but there is everything to be said for avoiding recourse to that expedient and for according the highest priority to payments falling due under the debt contracts.

SUSTAINED EXPORT EFFORT

To fulfil these liabilities, while at the same time adding to monetary reserves, meeting more of the import requirements of partners in the sterling area and supplying capital for development of resources overseas, will call for the greatest and most sustained export effort that can be put forth. The work of the Dollar Exports Board and of the Anglo-American Council on Productivity has yielded gratifying results, which will need to be applied and multiplied in the period immediately ahead.

Assuming continued success along these lines, so that equilibrium on the balance of payments is firmly established and the monetary reserves of the sterling area are powerfully reinforced, the question will arise whether the time has not come for moving gradually towards fuller convertibility and freer use of the pound sterling. Britain's participation in the European Payments Union, on terms which provided a link between members of the Union and of the sterling area, was an important step in this direction; so also were the offer of transferable account facilities to O.E.E.C. countries not previously enjoying them and the institution of more liberal exchange control arrangements with Scandinavian countries.

It may be worth considering whether further progress could be made by offering inducements, with suitable safeguards, to wider membership of the sterling area. We can perhaps usefully remind ourselves and our friends abroad that the sterling area, which historically was a natural growth arising from complementary trading and financial relations, has a much firmer economic foundation than has a deliberately devised association like the E.P.U., comprising a group of countries that have little in the way of economic solidarity beyond that which is provided by geographical proximity and common devastation by war. A number of countries which formerly were "natural" members of the sterling bloc, by reason of long-standing trade and financial connections, are not now members of the sterling area, and it seems not unduly visionary to hope that arrangements might be concerted under which they might see fit to bring themselves once again into this firmly grounded monetary association.

Whatever the particular methods, however, by which the pound sterling might be brought nearer to its old position of ready availability for all trading purposes, there can be no doubt that progress along this line would constitute a far more desirable application of regained strength than a deliberate revaluation of the pound in terms of the dollar, which might easily have the result of dissipating some of the gains already achieved.

WEAKNESS IN THE DOMESTIC SITUATION

Turning, very briefly, to the domestic scene, we find here, too, as on the external side of affairs, a record of substantial if qualified achievement. The notable increase in the volume of industrial output, apparent a year ago, has continued, thanks largely to the extensive improvement of capital equipment; and there is evidence that the opportunity presented by devaluation of the pound to expand export trade, often in spite of the attractions of the home market, has been vigorously seized. All this, and more, is remarkable in face of the inescapable difficulties of the postwar period, to which have been added the distractions resulting from political divisions and the needless diversion of effort caused by such projects as the nationalisation of the steel industry. If, moreover, any complacency should be felt on the basis of past, very solid, accomplishment, it can be speedily dispelled by reflecting upon the fuel shortage and the all-too-frequent power cuts which disturb the smooth running of industry and cause endless inconvenience. It is further to be regretted that defence measures would seem to have entailed arresting, and perhaps even reversing, the trend of decontrol which had made substantial advances in the past two years or so.

In considering the prospects for continuance of the rising trend of productivity—upon which so much depends in terms of both national security and individual welfare—one cannot ignore the accumulating evidence of stringency or lack of balance in the financing of industry, associated with the progressive shortage of equity capital. The Governor of the Bank of England called attention to this problem some months ago, and as time passes its urgency becomes more evident. It is to be hoped that the expert inquiries instituted by the Government into the effects of the present system of taxation of incomes and profits will be pressed forward rapidly, and the resultant recommendations treated as questions for prompt decision.

INFLATIONARY PRESSURE

The complex problem of industrial financing, however, is but one manifestation of a single cardinal factor in the economic situation, namely the continuance, and perhaps intensification, of inflationary pressure. Herein lies the prime cause of anxiety in any view of the immediate future. It seems to

be officially recognised that the pressure may be increased by the needs of rearmament, not only in this country but throughout the world; what seems to be less readily admitted is that even before the new defence programmes were drawn up the forces of inflation had not been decisively arrested, despite the unprecedented calls made upon the taxable capacity of the country.

On this matter one's judgment is to some extent dependent on personal definitions, particularly of the term "full employment"; but if one accepts as the objective the absence of prolonged and enforced idleness among competent and willing workers, then it can be argued that the maintenance of a "high and stable level of employment" is practicable without prejudice to the preser-

defence charges on the national revenue, which may make more difficult the further pursuit of such a policy, that the reasons for the growth of bank deposits should be brought to light. The November issue of the Midland Bank Review contained an article which was designed to explain the working out of various factors governing the rise or fall in bank deposits, and I propose to follow the pattern of that article in attempting to interpret the movements of the past year. For this purpose the latest figures I can use are drawn from the November returns of the London clearing banks, but there is no reason to suppose that the substitution of December figures will seriously modify the conclusions reached. The essential data may, then, be set out as follows:—

	FLUCTUATIONS IN BANK LIABILITIES AND ASSETS (£ Million: Approximately at Mid-Month)				
	Net Deposits	Investments	Other	Total	Advances
Nov., 1948, to Aug., 1949	-117	+ 31	-227	-196	+ 86
Nov., 1949, to Aug., 1950	- 86	- 18	-203	-221	+125
Aug. to Nov., 1949.....	+126	+ 6	+ 69	+ 75	+ 46
Aug. to Nov., 1950.....	+252	+ 15	+224	+239	+ 15
Year to Nov., 1949.....	+ 9	+ 37	-158	-121	+132
Year to Nov., 1950.....	+166	- 3	+ 21	+ 18	+140

CLEARING BANKS' DEPOSITS

valuation of sound monetary conditions. As events have turned out the pound, considered in its domestic setting, has depreciated continuously in postwar years; measured in perhaps the most realistic and comprehensive way, on the basis of actual consumers' expenditure, it lost about one-fifth of its purchasing power in the home market in the five years to October, 1950.

FULL EMPLOYMENT

This being so, one is forced to ask whether the objective of full employment has been correctly interpreted in terms of policy—whether, that is to say, we have in fact had too strong a demand for labour, at the cost of inflation and of that quality of mobility which was laid down as necessary in the famous White Paper on Employment Policy, and whether policy in associated directions, as in the expansion of desirable social services, has been carried forward so rapidly as to put an excessive strain on the country's command over goods and services.

Whatever be the final answer to these questions, it is certain that, so long as monetary or other factors operate to impede the maximum exploitation of our productive capabilities, both human and material, progress along the lines, already indicated, of full and fruitful international collaboration is bound to be held back. In such circumstances Britain—which can mean nothing other than the people of this country acting both individually and collectively—would scarcely be able to avoid the verdict of having acted as a brake on the wheels of internationally concerted measures of political security and economic expansion. To remove all ground for such a verdict must be the task to which our country is committed for the years immediately ahead.

MONETARY CONDITIONS

Arising out of my remarks on inflationary pressure, it will not have escaped notice that the latter part of the past year has seen a marked expansion of liquid money in the form of bank deposits—a movement which is reflected in our own balance-sheet, where deposits are shown to be £40 million, or 3 per cent. higher than at the end of 1949. The expansion is the more noteworthy since it follows a period of more than two years over which the trend was almost level, thus according with the official policy of stabilisation through budgetary disinflation. Are we to infer, then, notwithstanding statements in the Budget speech last April, that that policy has failed or been abandoned? It is obviously important, especially in view of heavier

It will be seen that over the year to November, 1949, the net deposits (that is, deposits as recorded less cheques on and balances with other banks) of the clearing banks were practically unchanged in amount, whereas over the year to November, 1950, they increased by roughly £170 million, or nearly 3 per cent. The disparity, however, was concentrated in the last quarter of the year. It is clear from the table that, largely under the impact of seasonal movements, there was a shrinkage in the first nine months of each year. In both periods an increase in non-Governmental borrowings from the banks was far more than offset by a reduction in the requirements of public authorities including the Government itself; but in the later period the net contraction was less pronounced.

For the concluding three months, however, a marked divergence is to be noted, the expansion of deposits being twice as large in 1950 as a year earlier. Inspection of month-by-month figures for 1950 shows that the expansive movement was at its full strength in the period mid-August to mid-October. The divergence is not to be traced to the borrowing demands of the "private sector" of the national economy, for the increase in advances was smaller than a year before. The responsible factor is to be found in the banks' holdings of "public sector" assets, in particular Treasury bills and Treasury deposit receipts; taken together, the "public sector" assets expanded more than three times as much in the quarter to November, 1950, as in the corresponding period of 1949.

REASONS FOR EXPANSION

The clue to the source of the expansion has now to be followed into the Exchequer returns, and at the first stage the evidence conflicts with the results; for on the basis of revenue and outgoings the past year's record is slightly more disinflationary than that of 1948-49, while the same comparison is true of the concluding three months of the year. To reach any accurate interpretation of the figures, knowledge would be required of the magnitude of the decline which it is thought may have taken place in Government-financed stocks of primary commodities; but at least one may conclude that it is not in any rapidly mounting scale of current Government expenditure, or in any shortfall of revenue, that the origin of the expansion in bank deposits is to be found—the pressure of rearmament outlay, it appears, has yet to be felt.

We are driven, then, to search for other possible causes of the addition to the amount of bank finance provided for Government needs. Looking first at domestic conditions, it is possible—though the facts are by no means clear—that some decline may have occurred in private, non-banking holdings of Government debt; but when allowance is made for other internal factors, such as the accumulating surplus on the national insurance funds, it would not be warrantable to find here the cause of expansion on such a scale as has been noted.

STERLING AREA'S BALANCE

It follows that the expansion must have been due overwhelmingly to the changed external position, including the establishment—for the time being at least—of a surplus on the sterling area's balance of payments with dollar countries and the tendency among foreign buyers to meet their foreseeable requirements of sterling by purchases in advance of actual need. Under the impact of these forces the Exchange Equalisation Account had to take into its possession large amounts of gold and dollars, and in paying for these it had to hand out equivalent quantities of sterling, a substantial part of which went on to deposit with the banks. The fact that it was found necessary, in July and again in October, to make large additions in sterling to the resources of the Exchange Account indicates the pressure of the requirements thus arising.

As the outcome of the whole process, bank liabilities and assets were both enlarged as opposite facets of the same movement: on the one side deposits grew, and on the other the banks came to hold, or finance the holding of, additional Treasury bills put out by the Exchange Account to pay for the gold and dollars it was acquiring. Against the expanded volume of deposits the banks had to hold a larger quantity of cash, in order to maintain the regular ratio of 8 per cent. and, in accordance with the now well-established system, the authorities accepted the responsibility of providing the additional cash in the form of bankers' balances with the Bank of England.

IMPACT OF TAXATION

Thus analysed, the growth of bank deposits gives far less cause for anxiety than if it had been traceable simply to deficit financing through a sharply unbalanced Budget. Indeed, it would be possible to argue that some part of the momentum towards expansion will work itself into reverse as sterling bought in anticipation of needs is used to pay trade debts as they fall due. Nevertheless, it would be wrong to regard the increase with complete equanimity, particularly in the light of foreseeable factors making in themselves for further expansion. One of these is the prospective rise in Government expenditure, particularly on account of defence, which, having regard to the existing level of taxation, will not be easy to provide for out of revenue while leaving still a substantial Budget surplus to cover "below-the-line" outlays.

It is relevant here to remark that, in order to exert full disinflationary effects, taxation needs to have its impact on incomes and private spending; taxes which have the result merely of transferring capital are largely ineffective for this purpose. The relation between revenue and outgoings, it is true, is only one of the major factors governing the total Governmental requirements of bank finance, and no one can judge at all confidently the weight to be exerted by other factors, particularly the course of the external balance of payments.

INDICATIONS OF FURTHER PRESSURE

In the non-Governmental field, however, there seem to be indications of continued expansive pressure through the upward trend

in bank advances, which lifted our own balance-sheet item by £13 million to £344 million in the course of 1950. The rise in the level of prices, possible further increases in production in some industries, the return of important parts of the trade in primary commodities into private hands and the widespread financial stringency in business all point in this direction. On the other hand, many undertakings are finding it impracticable to maintain their required stocks of materials and may have to operate on a lower level of activity, while some have already taken the view that their turnovers must be restricted, even at the cost of a reduction of output, to accord with the capital resources at their disposal. It can be taken for granted, moreover, that the banks will continue to scrutinise applications for credit with full regard for the national interests as expressed in the terms of official communications of Government policy.

Taking all things in view, as far as the prospects can be judged, it would not be surprising if a trend towards monetary expansion were to continue, unless measures to combat inflationary pressure are adopted which go nearer to the source of the trouble than those so far employed—unless, in particular, the heavier rearmament outlay can be brought within the compass of the present volume of Government spending.

AFFAIRS OF THE BANK

In accordance with monetary developments just mentioned, and with the upward trend of business activity, our gross earnings for 1950 were higher than for the preceding year. This increase, however, was more than offset by the continued growth of salaries and wages, pension provisions and other staff costs, as well as other running charges and the higher load of profits tax, so that the net profit, as already announced, was again slightly lower on the year.

Out of the net profit we have allocated a larger amount than a year ago to the general reserve for future contingencies, believing that the many uncertainties clouding the future impose upon us the necessity of strengthening to the fullest possible extent—in the interests of depositors, shareholders and staff alike—the inner reserves of the bank. If the directors' recommendation for a final dividend is approved, the balance to be carried forward into the next year's account will be a trifle larger than that brought in. As evidence of healthy growth in the volume of our business I would refer you to the diagrams printed at the end of the annual report. The experiment begun a year ago along these lines was so cordially welcomed that I feel sure the present expanded and improved series will be of wide interest.

OVERSEAS BUSINESS

On the overseas side of the business, perhaps the major part of the postwar re-expansion arises from the still growing use of documentary credits, covering British imports and exports and trade between countries other than the United Kingdom. The volume and diversity of transactions under the last heading are a tribute both to the strengthening of the position of London as the pre-eminent financial centre of the world and to the leading part played in it by our own overseas branch. Associated with, and in addition to, this essential service to international trade is the work involved in the task, imposed by national necessity, of operating the elaborate system of exchange control, under which we have to apply a never-ending stream of new or revised regulations and instructions. We estimate that the equivalent of the full time of several hundreds of our staff, whether at the overseas branch and the four special foreign branches of the bank, is occupied in this work; quite apart from the skilled labour of

dealing with exchange control forms, for trade, travel and other purposes, at a rate approaching a million a year, much time of highly trained and specially equipped officials is taken up in interpreting the regulations to customers and helping them to frame their applications to the authorities.

DEALINGS IN CANADIAN DOLLARS

A warm welcome was given to the limited facilities accorded some months ago for dealing in Canadian dollars, for which we were particularly well prepared by the installation of new equipment following destruction by enemy action; and it is hoped that, in the light of experience now being gained, some further steps in the direction of larger freedom for approved business may be found possible as time goes on. In common with other banks, we experienced in the later summer months an accumulation in our hands of foreign-owned balances as a result of rumours, usually having their source outside this country, of pending revaluation of the pound, which led traders abroad to anticipate their sterling requirements; a large part of these balances has now been worked off in course of trade, but the residue is indicative, along with other signs, of the higher esteem in which sterling is now held throughout the world.

This sustained growth of our overseas business, however, is by no means wholly due to circumstantial factors; it could not have been secured without a high standard of service and the maintenance of a lively attention to the infinitely varied needs of customers at home and of banking and other clients abroad. For both purposes constant contact has to be maintained on a personal level, and we believe it to be in the interests of the trade of this country and its earnings on "invisible" account that these intimate relations should be cultivated and periodically refreshed. During the past year representatives of this bank have visited the United States and Canada, the Scandinavian countries and Finland, the Netherlands, Belgium, France, Spain, Italy, Switzerland, Germany, Yugoslavia, Greece and a number of Middle East countries; and visits are about to be made to various parts of South America.

"SELF-BALANCING" ITEMS

Attention has already been directed to the rise, over the past year, in the bank's deposits and advances, and one or two other items of the balance-sheet call for mention. A striking increase has occurred in the "self-balancing" items relating to acceptances and confirmed credits, and this, together with the enlargement of forward exchange contracts, has to be attributed mainly to the expanding volume of international trade, at rapidly rising prices, financed through these particular facilities available in the London market.

With regard to the assets held against deposits, the switching over of official requirements, noted a year ago, from Treasury deposit receipts to Treasury bills was carried further, though there have been signs latterly that the movement may have come to an end. In recent months we have added to our holding of investments by purchases of short-dated Government securities, thus keeping the ratio of investments to deposits at about the same figure as a year or two years ago. Investments and advances together still cover less than one-half of our deposits, as against the conventional two-thirds before the war, so that a very high standard of liquidity is maintained.

PROGRESS OF AFFILIATED COMPANIES

Personal observation, as well as accounting and other records, enable me to report favour-

ably on the progress of our affiliated companies. Our oldest affiliation is with the Belfast Banking Company, which, under the chairmanship of Lord Alanbrooke, amply maintains its record of trusted service in the financial affairs of public authorities, business undertakings and private citizens in Northern Ireland. Thanks very largely to the guiding wisdom of Sir Harold Yarrow, the combined Clydesdale and North of Scotland Bank has begun the writing of a new chapter in the long and honourable history of the two separate institutions—a chapter marked by the issuing of a new note, the design of which happily embodies the elements of this historic union. The arrangements for fusion of the two businesses have gone forward smoothly and, I am confident, to the advantage of all concerned, particularly customers of the two amalgamating banks.

The business of the Executor and Trustee Company is still growing, and during the past year two more branches have been opened. In our own bank, new offices have been established in various places where public need holds out the prospect of remunerative service, and the total of branches and sub-branches, at 2,118, is now very close to that

recorded just before the outbreak of war, which enforced a large number of closures.

STAFF PENSIONS

During the past year two important steps have been taken, with the approval of the Board, in the interests of the staff and the bank. First, in the light of an actuarial inquiry, the bank's contribution to the Mutual Provident and Widows Fund has been heavily increased in order to enable present benefits to widows and orphans to be maintained without raising the rate of contribution from members of the staff.

Secondly, a Pension Trust Fund has been established, requiring very large appropriations out of the current earnings of the bank to provide for the great expansion of pension liabilities which results from unevenness in recruitment caused by two world wars. The new scheme, like that in force hitherto, involves no contribution from existing members of the permanent staff. In conclusion, I am glad to pay tribute once again to the high standards of efficient service steadily maintained by our staff in every department of the bank's work.

LLOYDS BANK LIMITED

SPECTACULAR IMPROVEMENT IN STERLING POSITION

DOLLAR EXPORT EARNINGS RISE TO NEW RECORD LEVELS

NATION ALREADY OVERTAXED

LORD BALFOUR OF BURLEIGH ON NEED FOR DRASTIC PUBLIC ECONOMY

The annual meeting of Lloyds Bank Limited will be held on February 16th at the head office of the bank, 71, Lombard Street, London, E.C.3.

The following is the statement by the chairman, The Rt. Hon. Lord Balfour of Burleigh, D.C.L., D.L., which has been circulated with the report and accounts for the year to December 30, 1950:—

My Lords, ladies and gentlemen,

During the past year we have suffered the loss by death of Lord Wardington, and I must begin my annual statement to shareholders by placing on record our deep sense of the value of the services rendered by him for forty-seven years to Lloyds Bank. Lord Wardington, affectionately known to his friends for most of his life as Montie Pease, joined the board as a partner in Hodgkin, Barnett, Pease, Spence and Company, on the amalgamation with the bank of the business of that firm in 1903. He was chairman of the bank from 1922 to 1945, and during that period served no less than four separate terms of office as chairman of the Committee of London Clearing Bankers and president of the British Bankers Association.

Lord Wardington left behind him a great record in the fields both of banking and of sport. Special tribute to his memory was paid on his passing both by his colleagues on the board and by the staff of the bank.

I must also refer with deep regret to the death of Mr L. D. Williams, which occurred on February 4, 1950, after my last year's annual statement had been issued to shareholders. Mr Williams was a member of our South Wales Committee. His untimely death deprived the bank of a most valuable director.

RETIREMENT OF DIRECTORS

Shareholders will recollect in the report of the directors for the year 1948 a phrase to the effect that their directors had accepted the general principles of the new Companies

Act as to retirement. It had become evident to your board that there was a danger that with the passing of the years the average age of the board might become too high. In October, 1947 (the new statutory provision as to directors' retirement did not come into force until June 30, 1948), your directors resolved that the retiring age for directors should be considered to be seventy, and that re-election after that age should be exceptional rather than usual. Many men of over seventy retain such mental and physical powers as to enable them, with their accumulated wisdom and experience, most admirably to fulfil their full duty as directors. Examples are numerous among those of our former colleagues who have retired during the last few years, both before and since the coming into force of the new Act. Shareholders will, I know, wish me to record their appreciation of the public spirit of men who voluntarily refrain from offering themselves for re-election in such circumstances. While in the short run we lose the benefit of their wisdom and experience, we all recognise the importance of securing a regular accession of younger men to the board, and we believe that this policy will in the long run prove to be in the best interests of the bank.

On this occasion seven directors who have attained the age of seventy or over retire in accordance with our agreed policy and do not offer themselves for re-election. They are Sir Peter Bennett, Kt., O.B.E., M.P., Sir Harold Bowden, Bt., G.B.E., Lieut.-Colonel R. K. Morcom, C.B.E., Sir William Verdon Smith, Kt., C.B.E., The Rt. Hon. Lord Teviot, D.S.O., M.C., Sir Henry E. S. Upcher, Kt., and Sir Evan Williams, Bt., LL.D., D.L. The bank is indeed fortunate to have the benefit of counsel of so eminent a group of men, every single one of whom has been honoured by the King in recognition of services rendered in many spheres of public life, more particularly in industry, in

agriculture and in public administration. Special reference must be made to Colonel Morcom, who completed forty years' service on the board in 1950 and since the death of Lord Wardington has been our senior director. The sincere regret we feel at our friends' relinquishment of office as directors is mitigated only by our conviction of the soundness of the policy which dictates it, and by the fact that in almost every case geographical circumstances most fortunately permit us still to benefit by their collaboration. Sir Peter Bennett and Colonel Morcom will continue to serve on our Birmingham committee, Lord Teviot on our Salisbury committee and Sir Evan Williams on our South Wales committee and Sir William Verdon Smith will continue to give us the benefit of his advice in Bristol.

The re-election is proposed of Lord Brand, Mr W. H. Fraser, Mr C. E. Lloyd, Sir Sydney Parkes and Mr R. A. Wilson, who have attained the age of seventy years, and special resolutions will be moved to this effect.

NEW APPOINTMENTS TO THE BOARD

Of the five new directors appointed to the board whose re-election the shareholders will be asked to confirm, Sir Edmund Bacon is Lord Lieutenant of Norfolk and a prominent agriculturalist. Sir Frederick Burrows, after being president of the National Union of Railwaymen, served with distinction as Governor of Bengal at a critical period, and is chairman of the Agricultural Land Commission; I would direct the special attention of the shareholders to this appointment, for Sir Frederick Burrows brings to our counsels a wealth of experience of a kind not previously available to us. Lord De L'Isle and Dudley comes to us with an exceptionally fine record of war service; Sir George Nelson is head of a great industrial enterprise; Mr E. Whitley-Jones, after a lifetime of service in banking, has been joint chief general manager since 1946. I am confident that these appointments will give as great a measure of satisfaction to shareholders as they will prove themselves to be of advantage to the board.

I record with pleasure the conferment of a knighthood on Sir George Leigh-Jones.

Mr J. C. Taylor has been appointed a member of the Liverpool Committee and Mr H. B. Robin Rowell, C.B.E., A.F.C., D.L., a member of the Newcastle-upon-Tyne Committee.

In consequence of Mr Whitley-Jones's election to the Board Mr A. H. Ensor becomes sole chief general manager. Mr R. G. Smerdon, M.C., and Mr E. J. Hill have been appointed deputy chief general managers and Mr A. J. Faux and Mr G. Y. Hinwood have succeeded them as joint general managers.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

I will refer now to our profit and loss account and the balance sheet.

Our profit at £1,761,603 is £52,327 higher than last year.

It might have been anticipated that, with the large increase experienced towards the end of 1949 and during the current year in our loans and advances, there would have been a substantial increase in our profit. It has been necessary, however, to give all the assistance possible to our staff to meet the increased cost of living with which they have been faced, and other running expenses continue to mount, with the result that additional earnings have been largely absorbed.

Referring to the balance sheet, although our current, deposit and other accounts at £1,149 million show an increase of £17 million over those at the end of 1949, the increase was experienced in the closing months of the year—following the pattern of several preceding years.

On the assets side of our balance sheet, British Government Treasury Bills at £219 million show an increase of £32 million, which is largely attributable to the fall of £56 million in our holding of Treasury deposit receipts.

The other item upon which comment is necessary is loans and advances at £289 million; showing an increase of £18 million; even so our lending is still only 25 per cent. of our deposits.

I indicated last year that, in view of the large increase in the price of raw materials, the heavy incidence of taxation and the rise generally in the cost of overheads, it would be inevitable that a further expansion in bank advances would occur. It is impossible in such circumstances for the commerce and industry of the country to be carried on with its prewar working capital; and we cannot refuse support for legitimate trading requirements where they do not conflict with national policy.

EXECUTOR AND TRUSTEE DEPARTMENT

This section of our business continues to expand in a most satisfactory manner. Our policy of decentralisation has proved successful and we now have twenty-four branches open. Arrangements are in train to establish further branches.

INDIA, PAKISTAN AND BURMA

It is with pleasure that I again record further satisfactory progress of our business in India and Pakistan. During the year we opened a branch at Dacca in Eastern Pakistan and arrangements are well advanced to establish new branches in Karachi and Madras. I anticipate that these will be in operation during the course of the year.

The exchange difficulties still remain to restrict business between India and Pakistan. I sincerely hope that this problem will be resolved before long.

Owing to changed conditions which followed the events of 1947, we have closed our branch at Simla. Simla has now lost its importance as the summer seat of the central Government of India.

Conditions in Burma remain unsettled but we maintain our business in Rangoon.

A high standard has been maintained by the officials and staff of our Eastern branches, and I would like to offer them my warm thanks for all they have accomplished under very difficult conditions.

THE NEW TRAINING CENTRE

A further step in our staff training programme was taken during 1950 when on October 2nd the training centre at Hindhead was opened.

The training centre, which is entirely distinct from the staff college, is framed to deal with the preliminary training of new entrants, both young men and young women, in order that they may take their place in our branches and departments with some basic knowledge of the work required of them, and to foster in them a sense of loyalty to our bank and pride in its service.

The opening courses at the training centre have given most promising and encouraging results, and I feel certain that our training plans are being developed on sound lines and will prove most profitable from every point of view in the future.

OVERSEAS DEPARTMENT (FORMERLY COLONIAL AND FOREIGN DEPARTMENT)

During November the overseas business of the bank was transferred from 80, Gracechurch Street into new premises which we had acquired in Eastcheap. Owing to the rapid growth of that business our old offices were inadequate to accommodate the staff,

and working conditions became very trying; I am pleased that it has been possible to remedy that unsatisfactory position.

STAFF

Our thanks are due and should be recorded here to our staff for another year's excellent work. There is ample evidence of the lively spirit in which the daily tasks are carried out, and there is a keenness to be of service throughout our staff, non-clerical as well as clerical, which must conduce to the interests of the public and of our shareholders alike.

I feel sure the existence of our staff college and of our new training centre is valued by the staff, who know that there never has been a time when better or quicker opportunity was open to hard work and talent wherever they are to be found. The times we live in are difficult but the difficulties are being faced, I believe, with a determination and courage which deserve high praise.

THE BURDEN OF REARMAMENT

Since my last statement there has been a very serious worsening of the international situation. Twelve months ago we were still living in the uneasy peace generally called the Cold War. Today, British troops are fighting with other United Nations forces in Korea. At many other points, fresh disturbances may well flare up at any time. The peaceful nations of the world are forced to shoulder a vast additional burden of armaments if they are to become strong enough to keep the threat of war at bay.

This marked deterioration in the political scene did not, paradoxically, prevent a notable improvement in the world economic and financial picture. Obviously, that cannot last; world-wide rearmament cannot take place without throwing up many and serious economic problems. It represents at least a partial return to war economics, and the typical features of a war—or even a postwar—economy tend, as we all have cause to know only too well, to be inflation and regimentation. To some extent we have already had a foretaste of these problems. The prices of many important primary commodities have been bid up to fantastic levels in a world-wide scramble to build up strategic stocks. This process has sharply inflated the level of incomes in primary producing countries, such as Australia, and the level of costs in manufacturing countries, such as Britain. In the U.S.A. itself, President Truman's proclamation of a state of emergency may foreshadow the imposition of very far-reaching controls.

DOLLAR GAP CLOSED

For the most part, however, the problems of rearmament, both at home and in the world at large, still lie before us. In the meantime, Korea has accelerated a development which, if it had come about for any other reason, would have been a cause of great satisfaction. I refer, of course, to the alleviation of the world dollar shortage. Those who take a defeatist view of the possibilities of achieving dollar balance should note that the world dollar gap was shrinking very rapidly even before Korea. In the preceding nine months American exports continued to decline while American imports showed an appreciable expansion. This is, of course, the result that one would expect on general principles to follow the sharp appreciation of the U.S. dollar against most other leading currencies.

Admittedly, devaluation is not the whole story. It is fortunate that by September, 1949, American industry had completed the lightening of stocks responsible for the minor recession of the summer, and was ready to take the currency adjustments in its stride

and to forge ahead once again to unprecedented heights of prosperity, with industrial production well over twice the prewar level. Had American business confidence been in a less robust condition, the prospect of intensified competition in home and overseas markets from greatly cheapened sterling and other products might well have initiated a deflationary spiral of declining prices and activity, in which event the result of the devaluations would have been very different. Nevertheless, the subsequent course of trade lends strong support to the view that much of the previous lack of balance between the dollar area and the rest of the non-Russian world was attributable to the clearly excessive level of costs in Europe and elsewhere at the artificial exchange parities then prevailing.

In combination with a high level of internal activity in the United States, therefore, devaluation has proved an important corrective influence. We have actually seen the beginnings of a redistribution of world monetary reserves: since September, 1949, the United States has been losing gold to other countries, whose gold and dollar reserves, for this and other reasons, have risen by some \$4,000 million.

The improvement in the position of sterling has been most spectacular of all. Throughout 1950, indeed, the sterling area was able to earn a modest surplus in trade with the dollar area, the United Kingdom deficit having shrunk to a fraction of its former level and having been more than offset by the surplus achieved by other sterling countries. The most important single factor contributing to this result has been the sharp curtailment in purchases of dollar imports. But in addition our dollar export earnings rapidly recovered after September, 1949, and, notwithstanding the devaluation, have recently been reaching new records. Invisible earnings show even greater improvement, and the former drain of gold payments to non-dollar countries under bilateral agreements has been eliminated.

EUROPEAN PAYMENTS

Nor is that drain at all likely to recur, for a great step forward has been made with the formation of the European Payments Union, which includes the former European "hard currency" countries, Belgium and Switzerland. The Payments Union at last gets rid of the restrictive framework of bilateral agreements, provides for a generous exchange of mutual credits between the member countries and places settlements within Europe upon a fully multilateral footing. As was to be expected, the new organisation has had its teething troubles. Germany in particular virtually exhausted her quota within the first four months, and had to be provided with additional credit. The sterling area, by contrast, registered a surplus in European trade so huge as to raise the question whether we can afford to extend so much credit to this particular group of countries, having regard to our obligations to the rest of the world. The Colombo Plan, designed to promote the rapid development of South-east Asia—a very constructive undertaking—will in particular call for large amounts of sterling finance in the next few years. In judging the results of E.P.U., however, it must be remembered that part of our export surplus to Europe has earned conditional Marshall Aid, and that we are now receiving gold from E.P.U. in respect of half of any surplus. Moreover, our credit with E.P.U. can at any time be translated into imports if we care to purchase them.

The elimination of the sterling area's current dollar deficit meant that during 1950 we were able to place the whole of our Marshall Aid receipts to reserve. The recovery in the reserves gave rise in turn to rumours that the dollar-sterling exchange rate might be raised. Americans suddenly became

anxious to cover their sterling commitments for many months ahead, the forward quotation for sterling in New York rose for a time to a substantial premium and dollar funds flowed into the country on a large scale. After allowing for this movement, the sterling area's current dollar surplus for the past fifteen months was no more than \$774 million. On the other hand, our reserves more than doubled during this period, rising by as much as \$1,875 million to \$3,300 million, easily their highest postwar level.

MARSHALL AID SUSPENDED

The recovery in our reserves has had an important repercussion: it has led to the cessation of Marshall Aid to the United Kingdom much sooner than could have been anticipated even a short while before on either side of the Atlantic. With the disappearance of our deficit in current trade, a continuance of dollar aid in that particular form would, of course, have been completely inappropriate. Indeed, both parties will rejoice at this testimony to the success of the Marshall Plan, one of the most unanimous acts in history. Fortunately, American generosity is not exhausted. Marshall Aid itself is not terminated but only suspended, and meanwhile the North Atlantic Powers are working out an equitable means of sharing the common defence burden that will doubtless result in a flow of military aid by the United States to her European partners.

So much for the facts. What of their implications? From all that has been said, it is clear that there has been an immense improvement in the position of sterling in the world during the past year. Whether that improvement is sufficiently lasting and far-reaching to permit a fundamental change in the technical position of sterling, such as an upward move in the dollar-sterling rate or an early return to convertibility, is a question that has been exercising many minds. Whatever the merits of any technical arguments for an alteration in the dollar rate, it should be emphasised that what may seem convenient at any moment from the purely British point of view is in any case not conclusive. Like all the other signatories of the Bretton Woods Agreements, we are pledged to observe a certain code of conduct in our external monetary affairs, the object being to substitute a certain measure of international co-operation for the monetary anarchy which played such havoc with international trade before the war and was clearly detrimental to the basic interests of this country. If at times any such discipline may seem a little irksome, let us remember the disruptive effects of the competitive devaluation of the United States dollar in 1934 and be thankful that all the Bretton Woods signatories have renounced such expedients in future.

REVALUE THE POUND?

Our own Bretton Woods obligations seem to me one among other good reasons for rejecting the popular nostrum that we should "set the pound free," i.e., abandon any fixed parity and allow the day-to-day value of sterling to be decided by market forces. As anything more than a transitional stage towards a new parity, a return to the prewar regime of a "floating pound" would be contrary to the Bretton Woods Agreements and threaten to demolish the new system before this has had an opportunity to prove its worth. Before setting sterling adrift to weather the buffeting of supply and demand one would in any event have to be very sure that the underlying position was indeed strong and the reserves in hand sufficient to meet every contingency.

Any eventual upward change should thus be to a definite new parity, partially reversing

the devaluation of 1949. Suggestions have been put forward that such a move would already be expedient as a means of countering inflationary pressure. At first sight this argument seems plausible, but on closer investigation one doubts whether a moderate appreciation of the exchange rate would, in fact, produce any very significant results in this direction. Certainly, if the object is to combat inflation, one can think of many more effective ways of doing so.

It is interesting to speculate, moreover, on the case the British delegate to the I.M.F. would put forward for the proposed action. In 1949 it was easy to demonstrate that sterling was suffering from a "fundamental disequilibrium" at the prevailing exchange rate. It would be difficult indeed to show that the converse of this situation exists at the present time. Surely the obvious answer to any proposal to raise the dollar rate would be to point to the severe import restrictions that are still in force. We should be placed in the paradoxical situation of arguing at one and the same time that sterling is so strong that it should rise against the dollar but so weak that it needs to be defended by a formidable array of discriminatory import restrictions, quotas and exchange controls.

NEEDLESS RESTRICTIONS

The first reflection of any genuine improvement in the strength of the pound, in other words, should take the form of dismantling the special import restrictions which according to the generally accepted international code, only a country in balance of payments difficulties may legitimately employ. When sterling is self-supporting at \$2.80 without the aid of these special props it will be time enough to discuss an improvement in the rate. Those in this country and in North America who supported the case for devaluation in 1949 did so in the belief that it was above all the artificiality of exchange rates which had split the non-Russian world into two separate "hard" and "soft" currency trading areas. It was taken for granted that the adoption of more realistic parities, bringing the level of costs in those two areas much more into alignment, would make it possible once again for them to trade together without the necessity for discriminatory restrictions to keep that trade in approximate balance. Before the event, indeed, nobody supposed that sterling need fall as low as \$2.80 in order to restore equilibrium in our dollar accounts. To suggest that after the sterling price of dollar goods had been raised by 44 per cent. and the dollar cost of sterling goods reduced by 30 per cent. we should nevertheless still need the whole panoply of exchange restrictions to keep the situation under control would have seemed fantastic.

And indeed the absurdity of any such contention is surely demonstrated by what has in fact happened. In this country, as well as in the overseas sterling countries, purchases from the dollar area have declined by appreciably more than the "planned" 25 per cent. This clearly suggests that the steep rise in the sterling cost of dollar goods to importers has been as effective as the planned restrictions in bringing about the desired curtailment, and that we could have lifted many of the import embargoes without in fact releasing any flood of pent-up demand. Surely, too, that is the least we might have done as a gesture of good faith to our Canadian and American friends, an assurance that British policy in these matters really does aim, as our Government has so often affirmed, at a return to non-discriminatory trading just as soon as our circumstances permit.

The scope for actual increases in dollar expenditure, unfortunately, is still narrowly restricted by the exiguous level of our exchange reserves. Admittedly, these are now back to something like their prewar level,

but in the meantime rising prices have almost trebled the monetary value of world trade. There is, of course, no valid method of placing an actual figure on the minimum reserves which are needed, but in my view our present holdings should probably be at least doubled before there can be any thought of a return to full convertibility even in respect of current payments.

LONDON AS FINANCIAL CENTRE

Complete freedom of transfer for capital as well as current transactions frankly does not seem to me to be even in sight so long as we remain the most over-taxed country in the world. This I say with the greatest regret, for nobody could be more conscious that the position of Britain as a great trading nation, and of London as the financial capital of the world, must inevitably be lost unless sterling can in fact regain its prewar status as a strong and free currency. The value to our whole economy of the overseas income earned by the City of London through its banking, insurance and other financial services to the outside world (including in prewar days the earnings of flourishing commodity futures markets) is only too easily overlooked. It is a remarkable fact also that the income from our sadly depleted overseas investments is even now sufficient to pay for nearly one-fifth of our food or one-quarter of our raw materials. How dangerously easy it would be for London to slip behind as a financial centre is sharply brought home to us by the recent exodus of several important Rhodesian companies as the direct result of penal taxation—a most disturbing phenomenon.

CONVERTIBILITY PROSPECTS

Nobody will suppose, therefore, that I under-estimate the importance of an early return to full convertibility of sterling on current account or, in consequence, the importance of our acquiring sufficient gold reserves to make that possible. Whether the best way to acquire those reserves under present conditions is to build them up out of the proceeds of a current surplus in trade with the dollar area is an altogether different question. Basically, such a policy means exchanging goods for gold, a process that must aggravate the inflationary pressures which already threaten us. It would be ironical if we were to undermine the intrinsic worth of sterling by the very measures designed to buttress its position.

Nevertheless, the restoration of sterling convertibility remains a most desirable objective for the United States as well as for ourselves. And provided the dollar gap remains closed, with or without military aid, there is in principle always the possibility of achieving it by means of a currency stabilisation loan. When the Economic Recovery Act was introduced, President Truman explicitly stated that Marshall Aid was not intended to preclude such operations, for which the necessary legislation would be introduced at the proper time. It is satisfactory that Mr Gordon Gray, in his sympathetic and enlightened report to the President, has reopened this question. A stabilisation credit on a scale that would facilitate the restoration of sterling convertibility clearly merits the consideration of all concerned.

Unfortunately, the military situation may have rendered the whole subject of convertibility for the time being an academic one. In spite of the rise in primary commodity prices and the steady decline in U.S. exports, it would clearly be unwise to count on a continuance of the sterling area's surplus in current trade with the dollar area. Moreover, preoccupation with such matters as the convertibility of currencies and the safeguarding of exchange reserves belongs essentially to a

peacetime environment. If strategic considerations are to be paramount, then, as we learnt in 1940, one has to think in terms of a pooling of resources: it would be absurd, for example, for this country to devote its resources to the production of peacetime luxuries for shipment to North America simply in order to earn dollars.

EFFECTS OF DEVALUATION

The past year has seen a welcome liberalisation of our trade with Western Europe and some minor relaxations of the exchange control as affecting European countries. On the other hand, devaluation, as we have seen, has not brought that dismantling of import restrictions and exchange controls vis-à-vis the dollar area which it was hoped would result. It did, however, reverse the declining trend of our dollar export earnings and imparted fresh life to the export drive. Exports per working day in the second half of 1950 averaged more than 175 per cent. of the pre-war volume—a level that seemed an almost unattainable target a few years ago. The proportion of our exports going to North America has increased and, in spite of the cut in the exchange rate, our dollar export earnings have risen to new record levels.

Welcome as it is, this expansion in exports naturally imposes a severe burden on our economy. In our exchanges with the outside world, we are now receiving only the terms of trade to which the productivity of our labour and the level of our money costs of production entitle us. The need to give more of our exports to pay for a given volume of imports has absorbed a large share of the additional output resulting from the remarkable increase in productivity that has been in progress for the past eighteen months or so. And the Chancellor of the Exchequer has estimated that this adverse shift in the terms of trade would necessitate yet a further stepping up of exports by some £400 million this year to maintain our balance of payments position.

Internally, the effects of devaluation have as yet been less inflationary than was feared. The interim index of retail prices actually showed no rise on balance during the first eight months of 1950, though whether this tells anything like the full story is open to question. There can, in fact, be no doubt that the high and rising cost of living is causing severe hardship to many sections of our people and giving rise to considerable discontent.

Fortunately, the upward pressure on prices has not—thanks to the responsible attitude of trade union leaders and employers alike—provoked wage increases on the scale that might have been feared. I have indicated on previous occasions that the attempt to suppress inflation by “wage-freezing” policies, instead of combating the inflation at source by an effective disinflationary policy, inflicts grievous harm on our economy by destroying the mobility of labour and in many other ways. Nor can such policies ever hope to be completely successful, and this means that the decline in the purchasing power of money (and therefore in the value of savings), which has now been in progress without interruption for over eleven years, must be expected to continue until Government expenditure is curtailed and our finances generally put on a sound footing once more. Given the continued state of suppressed inflation, however, the wage front has held better than one dared to expect—welcome evidence of a growing sense of social responsibility all round.

REARMAMENT PROBLEMS

Can this restraint be maintained, or will the dams break under the impact of rearmament? This additional burden is one that our policies of the last five years have done little to fit us to bear, and that applies both

to the finding of the necessary resources of labour and materials and to the finding of the necessary money.

Any suggestion that the additional output needed for rearmament may come simply from a continued rise in productivity per head is highly optimistic. To a large extent the recent rise in productivity has reflected the elimination of bottlenecks and the smoother flow of production. It is therefore likely to be halted by the dislocation inseparable from a large-scale change-over to defence production. There is even some question whether we shall be able to keep our labour force fully employed in the face of incipient shortages, not only of imported materials, but of the one important raw material we should be able to produce at home, namely, coal. Even the supply of steel, in spite of the industry's wonderful production record, is once again a bottleneck.

On the other hand, it would be absurd to suggest that there is no slack in our economy. The fact that virtually every employable person is on somebody's payroll does not mean that production is running at the absolute maximum when most industries are working a five-day week. The labour force itself may be capable of expansion through the attraction of women back to the factories, distasteful though the social implications of that would be, or by the employment of redundant European workers. In such ways—but above all by an increase in individual effort, including if necessary the working of longer hours and multiple shifts—it is undoubtedly possible to expand production, given the necessary supplies of raw materials, fuel and power. It is another question whether such additional production can possibly be sufficient to take care of defence demands and so remove the need for drastic curtailment in other directions. It is even more doubtful how the extra output is to be secured in the industries where it is most needed.

LACK OF MOBILITY

Rearmament requires a major shift in the pattern of production within an economy which now lacks the flexibility needed for such adjustments. How are the defence industries, in the absence of an effective policy of disinflation, to secure the additional manpower they need? Direction of labour in peacetime would be, to say the least, an extremely serious step to take. To allow the defence industries to bid up wages in order to attract labour would aggravate the wages spiral. No doubt an attempt will be made to direct resources towards essential uses through the allocation of key raw materials and by reimposing a host of other controls; but the whole lesson of the past five years is that in a country not actually at war, and unless financial policy is pulling in the same direction, physical controls work very badly, if at all.

Adequate mobility of labour between industries can be restored only by reducing the over-all pressure of demand. Failing that, the rigidities of our present situation will make it very difficult to shift resources into the defence industries. It follows that to some extent at least production for defence will have to be at the expense of exports or capital formation: for the very industries most essential to rearmament are also highly important producers of exports and capital equipment.

CAPITAL PROGRAMME MUST BE CUT

This must be borne in mind in appraising the financial burdens in store for us, for it means that it is still impossible to assess with any precision what the financial implications of rearmament actually are. The Chancellor's “rash guess” that defence expenditure in the coming year might rise by £300 million has obviously been already overtaken by

events, but a round estimate of what the Treasury expects to spend does not in any case really indicate the actual financial problem which is involved. On the one hand, much preliminary work on defence may have to be financed by private industry. On the other hand, we do not know how far the necessary resources will be provided by increased production and how far by a mere diversion of output to armaments production from exports or capital investment.

The undesirable consequences of cutting down exports or investments have to be weighed against equally unpleasant alternatives. Exports to the dollar area should, no doubt, be maintained to the best of our ability. In recent months, however, we have been running a surplus of the order of £400 million per annum in our over-all balance of payments, and it is questionable whether overseas investment can or need be maintained at this rate. Again, little more than half of our total capital formation is devoted to the modernisation and equipment of productive industry. Some £500/£600 million of the remainder represents expenditure on “social capital”; and, desirable though these things are, some of that expenditure might be postponed without grievous hardship at the present time of national emergency. Certainly, such expenditure should be cut to the irreducible minimum before there should be any thought of raising taxation. It is to the capital programme that one would look for a large share of the economies by which rearmament ought primarily to be financed: the lavish standards which have grown up since the war over the whole field of public expenditure stand in striking contrast with the difficulties in making ends meet in their personal expenditure suffered by so many of the taxpayers who foot the bill.

RETRENCHMENT ESSENTIAL

Even before Korea, the case for reducing Government and other public expenditure to permit an alleviation of the tax burden was so overwhelming that it is appalling now to have to contemplate an actual increase in taxation. One cannot doubt that a real policy of retrenchment would yield very substantial economies, though one or two cherished idols would have to be shattered in the process. I have in mind such things as the notion that the majority of families derive any net benefit from the food subsidies, or that new houses must be occupied exclusively by tenants receiving enormous subsidies when many others, worse housed, would be only too happy to pay an economic rent for them. Unfortunately, there seems little hope that this radical overhaul of spending policies, designed to eliminate waste and to limit public subsidies to those really in need of such assistance, will be carried out even now. If not, we must prepare ourselves for yet a further addition to the crippling load of taxation which our people are carrying.

What is absolutely certain is that any additional fiscal burden will fall on a nation which is already grossly over-taxed. Still higher taxation will not only diminish still further the incentives to effort and initiative; it will have lost a great deal of its former effectiveness in curbing inflationary pressures. More taxation, especially more direct taxation, will mean less saving, while any increase in indirect taxation will raise prices and provoke demands for higher wages. In other words, any remaining margin of taxable capacity is terribly small. To finance defence we must look, in the main, not to increases in revenue, but to drastic reductions in other public expenditure.

To secure adequate resources for rearmament, to safeguard the purchasing power of our savings, and to restore to our internal economy that resilience which alone will permit the maintenance of our social services

unimpaired—these are the main objectives of a policy of vigorous retrenchment. Drastic economy is always difficult, disagreeable and unpopular, but to follow any other course now would be to sacrifice the substance for the shadow and to condemn our people to slow strangulation, social services and all.

UNION DISCOUNT COMPANY OF LONDON, LIMITED

RECORD FIGURES

LORD KENNET'S STATEMENT

The annual general meeting of The Union Discount Company of London, Limited, will be held on February 15th at the offices of the company, 39, Cornhill, London, E.C.

The following is the statement of the chairman, the Rt. Hon. Lord Kennet of the Dene, P.C., G.B.E., D.S.O., circulated with the report and accounts for the year to December 31, 1950:—

The past year, despite the varied political scene, has not been a particularly eventful one for the discount market. The movement from Treasury Deposit Receipts into Treasury Bills has continued and there has been an expansion in our commercial bill activity: this latter growth is largely due to the considerably higher prices of all commodities. Despite this increased demand for bill credits, the discount rate for bank and fine commercial paper has remained unchanged throughout the year.

During the year there have been no major movements in the discount market, but it has been an active year with our turnover in bills and bonds considerably increased.

The balance sheet total of £308,790,028 is a new high record, being £29,027,320 larger than the figure for 1949. The main item on the assets side of the balance sheet reflecting this increase is our holding of short-dated British Government and other securities, which is £87,235,330, this figure being £24,459,073 greater than the 1949 figure. As I have stated before, over long periods some inference may be drawn from changes in this figure, but on a year to year basis increases or decreases may merely reflect the technical position of the market on our accounting date. As an example of this, I would mention that our holding has already been considerably reduced this year. Conditions generally in the short-dated bond market have not been unfavourable and this company has been able to trade at a reasonable profit.

TWO CONVERSIONS

The main events in the short bond market have been the two offers to convert National War Bonds 2½ per cent. 1949/51 into Funding 2½ per cent. 1956/61 and Funding 3 per cent. 1966/68, and the fact that no notice has been given to redeem National War Bonds 1951/53 at the earliest possible date. These two conversions of 1949/51s have, of course, removed this stock altogether from the scope of the discount market, which accordingly at the present time has one less “short” to deal in.

The net profits are £326,985, which is £16,157 greater than last year and the balance carried forward to the credit of profit and loss account is now £872,888.

Once again we have to express to our many friends our appreciation of their continued good will and to our management and staff our thanks for their able and loyal co-operation in the furthering of our affairs in an active year.

ALEXANDERS DISCOUNT COMPANY, LIMITED

SATISFACTORY ACCOUNTS

The eighty-third annual general meeting of Alexanders Discount Company, Limited, will be held on February 14th in London.

The following is the circulated statement by the chairman, Sir Eric Gore Browne, D.S.O., O.B.E., T.D.:—

In the accounts, I think that I should draw your attention to the following items. In the balance sheet an increase in deposits from £125,689,101 to £140,677,567, an increase in bills discounted from £77,987,312 to £83,467,405, an increase in British Government securities from £49,611,930 to £59,264,313, and an increase in our balance sheet total from £129,767,401 to £144,798,867. I have recently had occasion to examine some of the accounts of this company for the years long ago, and it is interesting to recall that at the end of 1911, thirty-nine years ago, a year before Lord Colgrain joined the board, the corresponding figures were:—Deposits £9,311,740, bills discounted £9,878,739, British Imperial Indian and Colonial Government securities £1,024,777.

RECORD FIGURES

The figures which we now present are the largest in our long history of over 140 years. They demonstrate, I think, not only the importance of the part which this company is called upon to play in the London money market; they also serve to emphasise the vital necessity, to which my predecessor has frequently referred, of continuing to build up our inner reserves, a task made harder by the heavy burden of taxation. Only thus can we face the future with increasing confidence, whether or not changes occur in current interest rates. It is of course true to say that the policy of the Government plays a dominant part in the movement of these rates, which, in our national economy, no longer depend in the main on the movement of goods and gold. But we must never forget that, even in a controlled economy, as recent events have shown, public confidence is still an important factor.

A bill of exchange has been defined as “An order drawn on a person or firm, at a distance, requesting payment of money to some person or firm assigned by the drawer in consideration of value received.” We look forward to the day when this company, as a discount house, will handle once more, in increasing volume, true commercial bills covering the movement of goods both at home and abroad.

PROFIT AND ALLOCATIONS

If you will now turn to the profit and loss account, there we show balance of profit for the year of £224,212, compared with £204,669 for 1949, while our expenses were £59,112 compared with £54,269. We propose to pay the same dividends as last year and to carry forward £452,000 compared with £409,000 in the preceding year. I hope that you will agree that these accounts may be regarded as satisfactory.

During the past year the main events of interest to the discount market were the offer in June to holders of the 2½ per cent. National War Bonds 1949/51 to convert into 2½ per cent. Funding Loan 1956/61, together with a cash payment of 33s. 9d. per £100. Later, in November, notice was given for the repayment of the remainder of the 2½ per cent. National War Bonds 1949/51 on February 1, 1951, with conversion rights into 3 per cent. Funding Loan 1966/68 at par. Neither of these new issues was suitable for us, but, in spite of the redemption during the year of £714 million of short-dated bonds, the total of British Government securities outstanding with a life of less than five years still amounts to over £2,000 million.

NATIONAL DISCOUNT COMPANY, LIMITED

EXPANSION OF BUSINESS

The annual general meeting of the National Discount Company, Limited, will be held on February 14th in London.

The following is an extract from the circulated statement of the chairman, Commander the Hon. Lovel W. Coke, R.N.

The accounts will, I hope, be considered satisfactory. One of the main functions of the discount market is to provide the means for the negotiability of the commercial bill drawn on London. We are pleased to report an increase over last year of 42 per cent. in our purchases of these acceptances.

Our business in short-dated bonds has been very considerable, and although there have been no outstanding movements in prices, there have been opportunities for profitable operations from this source.

You will see that there has been a considerable expansion in our business, and the total now amounts to £199 million, being an increase of 16 per cent., or some £27 million over the previous year's figures. Our deposits, which now stand at £194 million, are proof that the company has shared fully in the expansion which has taken place in the discount market's activities during the past year.

After making provision for rebate, amortisation of premiums on securities (including special amortisation) and taxation, and after making transfers to contingency reserves and deducting directors' fees, there remains a profit of £301,522.

It will be proposed at the forthcoming meeting to pay dividends of 5 per cent., less tax, on the “A” and “B” stock, making 10 per cent. for the year on both classes, and to carry forward to the next account the sum of £250,912 against £212,890 brought in.

APEX (TRINIDAD) OILFIELDS LIMITED

STRONG FINANCIAL POSITION

The thirty-first annual ordinary general meeting of Apex (Trinidad) Oilfields Limited was held on January 24th in London, Mr Malcolm MacLachlan (chairman and joint managing director) presiding.

The chairman said that oil revenue, after provision for development and contingencies, and after depreciation of fixed assets, amounted to £1,704,000. After providing £10,000 for London and New York expenditure, etc., and £1,025,000 for taxation in Trinidad and the United Kingdom, the net profit was £669,000.

The directors recommended a final dividend of 1s. 3d. free of income tax per 5s. 0d. unit of stock, making a total dividend for the year of 1s. 9d. free of income tax.

The production for the year amounted to 2,833,000 barrels of crude oil and 3,549,000 gallons of casinghead gasolene.

During the year 82,371 feet had been drilled in continuance of the programme to obtain production and to extend the tested areas of the property. Eleven wells had been completed in the main field and 7 in the South Quarry area. Interesting developments continued in the Synclinal zone. Well No. 481 was now giving good production from the main sand. Three further wells had since been completed. Well 496 gave no production. Well 504 was giving excellent production from the largest sand body so far encountered, and was the outstanding development of the year. Well 511 was not a commercial producer.

The company's financial position was one of great strength.

The report was adopted.

WESTMINSTER BANK LIMITED

STRONG POSITION OF STERLING

LORD ALDENHAM ON CAUSES OF IMPROVEMENT

The statement by the Rt. Hon. Lord Aldenham, chairman of Westminster Bank Limited, has been circulated to shareholders, with the report and accounts for the year ended December 31, 1950, which will be presented at the annual general meeting at the head office on Wednesday, February 14th. The following is a summary of the statement, which is dated January 11, 1951.

Lord Aldenham, in recounting the year's changes in the directorate, paid a specially warm tribute to the Hon. Rupert E. Beckett, who during 1950 resigned from the chairmanship of the bank, which he had held with such distinction for twenty years. Mr Beckett still remains as a director.

The balance sheet shows that current, deposit and other accounts, at £815 million, were £7 million higher than at the end of 1949. This increase was in some degree associated with the strong position of sterling and the consequent influx of money from abroad.

INCREASED ADVANCES

Advances to customers and other accounts increased on the year by £18 million to £208 million. This upward trend was well spread and was a natural accompaniment of increased trade and industrial production.

The course of bank deposits and advances in 1950, taken in conjunction with increased production, suggests that there was no great addition to inflationary pressure; but the outlook for 1951 is by no means so favourable in this respect.

The accounts show a profit for the year of £1,471,031, an increase of £10,474 compared with 1949. Higher earnings from advances were partially offset by a reduction of income from investments. All expenses continued to rise, especially staff costs, which are, of course, by far the largest item. The profit has enabled the declaration of the same dividends as for last year and again the placing of £600,000 to reserves for contingencies.

In the wider field of national affairs the economic progress of 1950 must now be viewed in the light of the outbreak of war in Korea, which has been taken by all the freedom-loving nations as an indication that the cold war in Europe may at any time become a real war. But our defence measures are a long way in arrears; making up for lost time must impose a heavy burden on this country and greatly add to our economic difficulties.

STERLING AREA'S RESERVES

The other outstanding development of 1950 was the striking increase in the gold and dollar reserve of the sterling area, a change of fortune which led to the mutual agreement between the Governments of the United States and the United Kingdom that Marshall Aid to Britain should be suspended from January 1, 1951. It is difficult to exaggerate the success of the Marshall Plan, an act of international co-operation surely without parallel in time of peace.

The appearance of a surplus of dollars in the balance of payments of the sterling area and the consequent suspension of Marshall Aid to Britain do not mean that, quite apart from the strain of defence preparations, the economic recovery of this country is anywhere near complete. An examination of the causes of the improve-

ment makes this clear. The devaluation of the pound in September, 1949, coincided, roughly speaking, with an upward turn in the level of business activity in the United States. A second strong influence was the heavy cut in dollar imports which the United Kingdom and the countries of the overseas sterling area were forced to make at the time of devaluation.

THE KOREAN WAR

At the end of June, 1950, a third factor was added—the outbreak of war in Korea. A new stimulus was given to the demand for raw materials, and the third quarter of the year ended with the reserve standing at rather more than double the figure at the time of devaluation, the sterling area having had a surplus of \$400 million in the first nine months of 1950 apart from Marshall Aid received. This fact encouraged the idea abroad that the pound might be revalued. The result was a sharp rise in the demand for sterling exchange for forward covering of purchases of sterling area goods—an exact reversal of the conditions which prevailed immediately before devaluation.

At the end of 1950 the gold and dollar reserve of the sterling area had risen to \$3,300 million, compared with \$1,688 million at the end of 1949. In the last quarter of the year there was an increase of \$544 million, consisting of a surplus of \$398 million and Marshall Aid amounting to \$146 million. The Treasury announcement confirmed that the forward purchasing of sterling mentioned above accounted for a large part of the surplus in the last quarter—probably over one-third.

HOW U.K. FARED

Figures to show how the United Kingdom (as distinct from the sterling area) fared in 1950 in the effort to balance her dollar trade are available for the first six months only. The overall balance of payments of the United Kingdom showed a surplus of £52 million for the first half of 1950, compared with a deficit of £38 million for the whole of 1949; and it seems probable that in the second half of 1950 the growth of exports and the increase in invisible earnings produced even better results than in the first half in respect of both our dollar balance and our overall balance.

While therefore genuine progress was made in 1950, much of the gain both in the sterling area as a whole, and in our own position was attributable to exceptional factors the removal of which would leave us once again short of dollars. We need a much more substantial dollar reserve before any revaluation of the pound should be considered.

The real test of our ability to earn our living in a competitive world has been postponed, not averted, by the present emergency, which has once again created "sellers' markets."

INTERNAL CONDITIONS

Internal conditions in this country during 1950 were more favourable than had been expected. The rise in the cost of imports due to devaluation was slower in reaching retail prices than forecasts had suggested. A large part of our increase in exports was provided by higher production, and we were thereby saved the feared reduction in the volume of consumer goods available at home. Personal incomes were kept fairly stable in

accordance with the policy courageously initiated by Sir Stafford Cripps.

There must be a wider understanding that it is American charity that has enabled us for some years to live, as a nation, beyond our means. The national standard of living in future must be set by reference to the production index rather than to the cost-of-living index. It will, in fact, be so set whether we wish it or not.

Industrial production did increase notably during 1950—at a much greater rate than was anticipated in the Government's Economic Survey but, by progress on both sides of industry, much more still can be achieved in this direction. Shortages of raw materials will check production in some industries in 1951; but recent reports from our branches all over the country refer to the under-manning of many industries. This under-manning and the needs of the Services should absorb any labour displaced by lack of raw materials. But the difficulty of persuading men displaced from one industry to take work in another is formidable, as is exemplified by the grave lack of manpower in the coal-mining industry.

During the year demand in several lines of business was curtailed, and there was a widespread impression of there being "less money about," but in fact the explanation of this impression lies in the changed directions of demand. Statistics of retail trade show that as a result, no doubt, of higher prices and the greater selection of goods on offer in the shops, money was drawn away from entertainments and semi-luxuries and spent on essential goods, such as groceries, clothing and house furnishings. The total amount spent by the public on their living expenses was probably greater than ever before.

The appointment of a strong Royal Commission under Lord Justice Cohen to inquire into the present system of direct taxation is a sign of a tardy recognition of the bearing of this matter on economic efficiency, although the exclusion of the level of taxation from the terms of reference makes the Commission's task more difficult.

"THE STATE WILL PAY"

It would seem that the only real contribution that the private individual can make towards the lowering of the level of taxation is to kill the idea, which is by no means confined to the lower income groups, that "the State will pay." We used to be told that the State purse was not inexhaustible; that is an under-statement; the State purse does not exist.

We need to get public opinion mobilised against waste. As an instance of waste, Lord Aldenham quotes figures of estimates and expenditure on the National Health Service, and says there may be waste in administering the Service; there is certainly waste in the use made of it by the public. No Government can provide the nation with an economical Health Service except with the co-operation of the individual.

There is no doubt that we in this country face yet again the possibility of a great war, and that yet again we are not in such a position of strength as we should be to meet that threat. Surely, then, every act and word of responsible statesmen of all parties should now be judged by the contribution they make towards restoring the national unity of wartime or helping to increase the national productivity. If the Dunkirk spirit can be roused in the nation throughout 1951, we can show all the freedom-loving nations that we are once again making ready to shoulder more than our fair share in the defence of liberty and we may well be able to reach such a position of strength in twelve months' time that we can look back and say, "One more danger squarely met."

BURNLEY BUILDING SOCIETY

A CENTURY OF PROGRESS

The annual meeting of the Society was held at Burnley on January 24th.

Sir John H. Grey, J.P., the chairman, in the course of his speech, said:—Few institutions on attaining the distinguished age of 100 years can review the past with greater reason for satisfaction, or look forward to the future with more cause for confidence, than the Burnley Building Society. It is consequently with all the more pride and pleasure that I present for your consideration today the one hundredth annual report and statement of accounts of your Society, which was established on November 8, 1850.

There is a very considerable difference between the total assets of £29,578,845 shown on our latest accounts and those at the end of the first financial year, which were £1,998. And yet, with all this difference in size, there is, I feel, very little change in the aims and ideals of the Society, and in many ways the path we are pursuing today is merely a continuation of that trodden by those few pioneers to whose zeal and enthusiasm, and determination to see that the Society progressed on the right lines, we owe so much.

We repeat again our distribution of 2½ per cent. to old series shareholders, 2½ per cent. to new series shareholders (Class A) and 2½ per cent. to new series shareholders (Class B). Results during the year have been rather better than was expected. In fact, our share department shows a record increase of £3,480,653 to £20,387,742.

Deposit balances now stand at £7,490,146. Much of our balance represents genuine savings which have been built up over a period of years. There is now as great a need for individual saving as ever, and I cannot stress too strongly the urgency of this, both from the national and the personal point of view.

MORTGAGES

On the mortgage side we have made 9,610 advances to a total of £6,793,404. Repayments have not been quite so heavy as last year, and the net increase in our mortgage assets is £2,687,497. Altogether we have now 41,424 mortgage accounts, and the average amount owing is £619. During the year we have continued our policy of lending almost entirely to borrowers wishing to buy homes for their own occupation.

The Government's present policy of virtually refusing to allow the private builder to build houses for owner-occupiers is difficult to understand, especially when we bear in mind that in the inter-war period private enterprise was responsible for providing a total of some 2,886,000 houses out of a total of 3,998,000. The need of the moment is for homes, and in not setting free the private builder to use his initiative and enterprise the Government has failed to seize its opportunity.

Our profit and loss account shows gross income of £1,081,454. The amount of £438,241 paid to shareholders represents 88 per cent. of the net earnings. Total assets now stand at £29,578,845, an increase of £3,128,056. Mortgages at £25,631,221 represent some 86 per cent. of the total assets, while investments, bank balance and cash at £3,788,669 represent a further 13 per cent. Our total reserves now reach a figure of £1,335,701.

We press on to our second century in the hope that we, and other building societies, may be allowed to make an even more useful contribution to the nation's needs, and with the determination to leave nothing undone to ensure that our members in another hundred years' time look back on our efforts with the same approval as we now bestow on the pioneers.

The report was adopted.

ASSOCIATED MOTOR CYCLES LIMITED

POPULARITY OF COMPANY'S PRODUCTS

The twenty-second annual general meeting of Associated Motor Cycles Limited was held on January 22nd in London, Mr S. R. Hogg, the chairman, presiding.

In the course of his speech, the chairman said: The total profit of the group, after taxation, is £178,334, compared with a figure of £135,354 for the preceding year. After bringing in the balance of undistributed profit brought forward—£207,110—there is a total available profit of £385,444. It is proposed that a final dividend of 15 per cent., less tax, be paid, making 20 per cent., less tax, for the year, as compared with 17½ per cent.

It may cause some surprise to note that the company is able to work on what appears to be a reduced value of stock and work in progress, and I hasten to give an assurance, if such assurance be necessary, that your Board are fully conscious of the difficulties of obtaining raw materials and have taken every step to deal with the position and to maintain adequate stocks within the possibilities of the present situation.

It will interest the shareholders to know that the total net assets of the group, apart from goodwill, now amount to a book value of £973,572, being nearly 3½ times the company's issued share capital, even though the parent company alone has had to make provision for the payment of approximately 4½ times as much in taxation as it has distributed to the shareholders in net dividends.

The book value of the fixed assets, apart from goodwill of the group of companies, after providing for depreciation, is £188,159. Your company has always adopted a conservative policy as regards depreciation and amortisation and this figure is, therefore, already well written down. The heavy burden of taxation makes it extremely difficult, if not almost impossible, for undertakings to set aside out of revenue the necessary sums for yearly replacement and development.

NEW ACQUISITION

I now have to report that as a result of negotiations which were commenced early in the year 1950 your company has acquired, on terms which your directors consider satisfactory, more than 95 per cent. of the issued share capital of the James Cycle Company Limited of Birmingham.

During the year under review, costs of raw material and services continued to rise against us, but our improved efficiency with corresponding increased output has enabled us to absorb the increases in cost and show improved results without any increase in our own selling prices. In fact, the prices of our motor cycles remain at the same basic level as in September, 1947, an achievement of which I think we may be proud in view of the very substantial increase which has occurred in all manufacturing costs in the past three years.

The popularity of our Matchless, A.J.S. and Francis-Barnett motor cycles continues to increase in home and export markets and the demand remains substantially in excess of our manufacturing capacity. We have continued, in the national interest, to send a very high proportion of our motor cycles to the export markets.

You will expect me to say something about future prospects. All I will venture to say is that in spite of all difficulties I hope to be able to present to you another satisfactory report at this time next year.

The report was adopted.

BRITISH STEEL CONSTRUCTIONS (BIRMINGHAM)

YEAR OF SUBSTANTIAL PROGRESS

The fourteenth annual general meeting of British Steel Constructions (Birmingham), Limited, was held on January 18th at Birmingham, Mr Arthur H. Johnson, O.B.E., the chairman, presiding.

The following is an extract from his circulated statement:—

The past year has been one of substantial progress. Among the highlights, the settlement of the claim against the Ministry of Works must take precedence. Although the full amount of the claim was not met, I feel that the settlement for £77,500 may be regarded as very satisfactory.

During the year an arrangement was concluded with the Finance Corporation for Industry, Limited, whereby the corporation accepted 160,000 shares of 5s. each in settlement of the sum of £75,000 which was due to be paid on December 6, 1950, in respect of loans to Smiths Building Systems (Birmingham), Limited.

As a result of the above settlements, the liquid position of the company was considerably improved, and with the cash which was available, supplemented by the proceeds of the recent issue for cash of 240,000 shares of 5s. each, we have been able to complete the arrangements for the discharge of the further loan and premium of £92,250 from the Finance Corporation for Industry, Limited, which was secured by a debenture on Granwood Flooring Company, Limited. The completion of all these arrangements will enable your board to proceed with the further steps required to provide permanent capital to replace the temporary capital so readily placed at their disposal by the company's bankers, and with this object in view you will be asked in due course to approve a proposal for the increase of the share capital of the company.

THREE VITAL REQUIREMENTS PROVIDED

We have assisted very considerably in the provision of three vital requirements of the nation, namely: (1) Houses for the people; (2) Schools for the children; (3) Exports for dollars. Since August, 1949, we have handed over for occupation no less than 600 houses, an achievement of which the company has reason to be proud.

It is hoped that in the not too distant future we may be able to convince the appropriate Government departments and other builders that the "Smith" system is the method by which it is possible to produce the extra houses which are so urgently required in the minimum of time and at less cost than traditionally constructed houses.

In the aggregate, the turnover of the company was slightly under one and a-quarter million pounds, which showed an increase of approximately 10 per cent. over the preceding year, and the trading profits have increased by approximately 20 per cent., and this net profit represents approximately 10 per cent. on the average capital employed in the business.

CURRENT YEAR'S GOOD OUTLOOK

We have reason to believe that the results of the current year will show some improvement over the past year. We already have firm contracts for more than 600 houses, and several local authorities have intimated to us that they will require us to build further houses for them during 1951. In addition, the volume of orders on hand for steelwork, flooring and heating equipment is larger than at any time previous.

The report and accounts were adopted.

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RESERVE LIABILITY OF MEMBERS - - - - - \$20,000,000

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Chairman and Chief Manager: HON. SIR ARTHUR MORSE, C.B.E.
London Office: Gracechurch Street, E.C.3.
Local Managers: S. A. Gray, A. M. Duncan Watt, H. A. M. M. M.

BRANCHES

BURMA Rangoon	CHINA (Cont.) Shanghai Swatow Tientsin Tungchow Amoy Canton Chefoo Dairen Fochow Hankow Harbin Hankow Kowloon Nanking Peking	INDIA Bombay Calcutta Tientsin INDO-CHINA Haiphong Saigon JAPAN Tokyo Yokohama MALAYA Kuala Lumpur Singapore Borneo Kuala Lumpur Singapore Borneo Kuala Lumpur Singapore	MALAYA (Cont.) Kuala Lumpur Singapore Borneo Kuala Lumpur Singapore Borneo Kuala Lumpur Singapore Borneo Kuala Lumpur Singapore	NORTH Borneo (Cont.) Singapore Borneo Kuala Lumpur Singapore Borneo Kuala Lumpur Singapore Borneo Kuala Lumpur Singapore
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UNIVERSITY OF CAMBRIDGE
UNIVERSITY LECTURESHIPS AND UNIVERSITY ASSISTANT LECTURESHIPS IN ECONOMICS

The Appointments Committee of the Faculty of Economics and Politics give notice that they hope to appoint several University Lecturers and University Assistant Lecturers in Economics to take office from October 1, 1951. The appointments will be subject to the Statutes and Ordinances of the University. Further particulars can be obtained from the Secretary of the Faculty, the Marshall Library, Downing Street, Cambridge, to whom applications should be sent to reach her not later than February 24th. Eight copies of the application should be sent, and, if so desired, at least one copy of any published work or unpublished writings. Testimonials are not required, but a candidate should give the names of two persons to whom reference can be made.

THE Civil Service Commissioners invite applications for pensionable appointments as Professional Accountants in the Home Civil Service.

Candidates must be at least 25 and under 35 years of age on August 1, 1950, with extension for regular service in H.M. Forces. Candidates must have had wide professional experience and be members of one of the following bodies—

- Institute of Chartered Accountants in England and Wales.
- Society of Incorporated Accountants and Auditors.
- Society of Accountants in Edinburgh.
- Institute of Accountants and Actuaries in Glasgow.
- Society of Accountants in Aberdeen.
- Institute of Chartered Accountants in Ireland.
- Association of Certified and Corporate Accountants.

The London salary scale for men is £600 x £25—£750. Men aged 30 or over start at £600. Lower starting salary for younger entrants, from £475 at age 25. Provision for special increases on completion of probation. The rates for women and for posts in the Provinces will be somewhat lower.

Particulars and application forms from Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1, quoting No. 3426; completed application forms must reach him by February 15, 1951.

CHIEF Accountant required for large group of old-established companies in N.E. London. University education preferred. Must be Chartered Accountant with practical experience as company accountant in financial cost and consolidated accounts. Wide general commercial experience necessary. Position offers opportunities of advancement, and only first-class applicants should apply. Commencing salary not less than £1,500 per annum.—Apply Box 561.

CHIEF MEDICAL STATISTICIAN in the General Register Office. The Civil Service Commissioners will shortly be filling this post owing to the retirement of Dr. Percy Stocks. Those wishing to be considered must be registered medical practitioners with knowledge of medical statistics and experience appropriate to the post. Salary £1,850—£2,125.

Full particulars and application forms from Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 3471. Completed application forms must reach him by February 23, 1951.

NO Capital Depreciation and a return of 2½ per cent. (income tax paid by the Society) are the terms offered for Share Investments by the 73 year old Chelsea and Waltham Green Building Society. Write for Leaflet F to 110-112, Kings Road, Chelsea, S.W.3.

TRANSLATOR, French, German, Spanish. Economics Graduate. Journalistic experience. Seeks position with commercial organisation, bank or publication.—Box 565.

LEADING oil company requires in London, Hons. degree graduate (economics) age 26-30 with some business experience to join specialised staff of central department serving general management. Appointment offers considerable scope for initiative. Salary according to experience and qualifications.—Full particulars in writing to Box No. 569.

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HOUBLON-NORMAN FUND

The Trustees of the Houblon-Norman Fund invite applications for Fellowships or Grants in aid of research into the working of financial and business institutions in Great Britain and elsewhere and the economic conditions affecting them.

Apart from exceptional cases, awards will be confined to British-born subjects normally resident in the United Kingdom and will take effect from October 1, 1951. Fellowships will be awarded for one year, renewable for a second year; and the amount of all awards will depend upon the circumstances of the candidate and the likely expenses of his work.

Applications should be made not later than the 31st March and forms of application may be obtained from the Secretary of the Fund (W. M. Allen), c/o the Bank of England, London, E.C.2.

W. M. ALLEN, Secretary.

January 5, 1951.

UNIVERSITY OF BELFAST

Applications are invited for Two Lectureships in Economics in The Queen's University of Belfast.

(I) Salary £800 by £50 to £1,150. (II) salary £550 by £50 to £850, and on certain conditions being satisfied, to £1,150. Both posts have contributory pension under the F.S.S.U. Initial placing on the scales will depend on experience and qualifications. Applications should be received by April 2, 1951. Particulars from G. R. Cowie, M.A., LL.B., Secretary.

THE Civil Service Commissioners invite applications for appointments as *Senior Scientific Officer* and *Scientific Officer* to be filled by competitive interview during 1951. Interviews will begin in January and will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1951, may eventually be announced. Successful candidates may be appointed immediately. The posts are in various Government Departments and cover a wide range of scientific research and development in most of the major fields of fundamental and applied science. Candidates must have obtained a university degree with first or second class honours in a scientific subject (including engineering) or in Mathematics, or an equivalent qualification, or possess high professional attainments. Candidates for *Senior Scientific Officer* posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for *Scientific Officer* posts taking their degrees in 1951 may be admitted to compete before the result of their degree examination is known.

Age Limits: For *Senior Scientific Officers*, at least 26 and under 31 on August 1, 1951; for *Scientific Officers*, at least 21 and under 28 (or under 31 for established civil servants of the Experimental Officer class) on August 1, 1951. Salary Scales for men in London, *Senior Scientific Officers*, £700 x £25—£900; *Scientific Officers* £400 x £25—£550. Rates for women are somewhat lower.

Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. 3399.

URWICK, ORR AND PARTNERS LTD., Consulting Specialists in Organisation and Management, are appointing an additional Consultant to their Marketing and Selling Division. Applicants must satisfy the following requirements:

1. University degree or equivalent professional qualification.
 2. Considerable experience as a senior executive in Sales or Merchandise Management; or in Marketing.
 3. Breadth of outlook and interest in contemporary affairs.
- The appointment offers considerable scope in a particularly interesting type of work. Applications should be addressed in writing to the Company's Offices, 7, Park Lane, London, W.1, quoting Reference: MS/1057.

THE Organising Committee of CO-OWNERSHIP IN INDUSTRY have planned a CONFERENCE, to be held February 9th to 11th, in the Bishop Partridge Hall, Church House, Westminster. They invite those who support the principle of Co-Ownership to write for tickets to the Organising Secretary of Co-Ownership, 11, Suffolk Street, Pall Mall, London, S.W.1. Price of ticket for Conference, including buffet supper, on Friday evening, 15s.

RESEARCH ASSISTANT required for six months to assist in writing the official history of large financial institutions. Sound training and considerable resourcefulness required. Part-time engagement of good candidate would be considered.—Write, stating salary required, to Box 3399, c/o Charles Barker & Sons, Ltd., 31 Budge Row, London, E.C.4.

EXPERIENCED Chartered Patent Agent offers services as a consultant and adviser to financier(s) interested in seeking out developing and exploiting meritorious inventions for which capital is required.—Box 567.

INFORMATION bulletins, Journals of Societies or Institutions. Editing, design, layout, and finalization of text for printer. Moderate fees. Inquiries from Embassies, literary, social and industrial bodies.—Box 561.



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Korean Stalemate

THERE are now two main dangers to be avoided in the handling of the Korean problem. One is that the British Government should be swept by strong currents of pro-Chinese feeling in the Labour Party into a role which would worsen its relations with the United States without improving its precarious contacts with Peking. The other is that the Americans, encouraged by the United Nations Assembly's resolution declaring China an aggressor, should turn their backs on the moderating counsels which began to be heard in Washington after Mr Attlee's visit. Either development alone is undesirable; the combination of the two might be disastrous.

What has to be emphasised both in Washington and London is that the military situation—which seemed, not so long ago, to be yielding to the Chinese the very triumphs that their propaganda promised in its wildest moments—has now changed. The troops of the United Nations are no longer in retreat but are waging a limited offensive; they are within striking distance of Seoul and their armour has advanced to within 20 miles of the 38th parallel. Whether they will advance further, whether the Chinese will counter-attack effectively, or whether there is to be a stalemate on the battlefield is quite uncertain. But the fact of which policy must take account is that the Chinese "volunteers" are clearly feeling the strain. Indeed, Peking now faces the prospect of a war of attrition in which the odds may not be in its favour. Its losses have been heavy—lately overwhelming; an epidemic of typhus is taking its toll, and the difficulties of supplying a large army half-way down the peninsula are severely straining the capacity of a power that controls neither sea nor air. What is more, the weeks ahead, with improving weather and the thawing of bridgeless rivers, will increase both the difficulties of the Chinese supply columns and the striking power of the Uno air force.

To expect American—and British—policy to be unaffected by this turn of fortune would be quite unreasonable. Too often, in the controversy about China that has been raging in this country, has it been overlooked that there is and must be a connection between the tone of the talking at Uno and the course of the fighting in Korea. It is forgotten that the period of greatest intransigence by the Chinese at Lake Success was also the period of retreat by Uno's forces; and it remains a mystery to anyone who had read the threats and boasts of the Chinese in their press and radio why they should have been expected at this period to negotiate on any terms likely to be considered in Washington. Now, if the military situation continues to develop in Uno's favour (or even if it merely remains what it is now) the time may be coming when Peking will find it worth while to think—if not to talk—in realistic terms. It is vitally important that this time should be used with skill and patience.

The signs at the moment are not favourable. The United Nations' charge of aggression has drawn from Mr Chou En-lai, the Chinese Foreign Minister, a reply describing the resolution as "illegal,"

"slanderous," and due to the "coercion and domination" of the Organisation by the United States; and he has declared that the People's Government will have nothing to do with the Good Offices Committee set up by the Assembly. Also regrettable is the fact that Sir Benegal Rau of India has laid down his role of mediator and that Mr Lester Pearson of Canada is considering a similar decision. There is for the moment, therefore, a breakdown of Uno's diplomatic activity while its military role goes on. That may do no harm. So long as the military situation is clearly moving in favour of the United Nations, its Good Offices Committee and, above all, its Collective Measures Committee—which would have the job of recommending economic sanctions—need show no undue haste.

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It is and should remain the British argument that economic sanctions will do more harm than good. Because the main strategic materials from all sources—oil, for example—are already under embargo, very little of vital importance is going into China from the western world. A greatly increased effort at control would produce only small additional results, which could have little effect on the slender war potential of Peking. It is understandable that Americans should resent the use of Hongkong as a channel into China for valuable goods and materials; but it is also reasonable that the British should wish to provoke no Communist action against Hongkong, which is almost the last channel left for information about what is going on in China. What is more, the strict application of sanctions means sooner or later that an American warship stops on the high seas ships bearing Indian jute to China; or that British officials try to stop remittances home from the millions of overseas Chinese in Malaya. Can it be seriously argued in Washington that the divisions and difficulties that such action would cause among America's friends would not far outweigh its effect on the People's Government in Peking?

By all means let the private study of economic sanctions go on. It is desirable that the United Nations should understand clearly what sacrifices are called for, in this and other possible cases, when it tries to enforce its will. But let Mr Acheson, and particularly those who are urging him on to stronger measures, think carefully whether the application of sanctions is the right and useful next move. Indeed, it should be asked whether, for the time being, it is wise to make any fresh move. There are times in every military and diplomatic situation when it is wiser to do nothing—just to wait. Clearly, in the present state of deadlock at Uno, the speechmaking methods of the Assembly serve no purpose at all. If Mr Chou En-lai has anything fresh to say, the lines from Peking to Lake Success remain open, however much it may be said that the door has been slammed in the Chinese Foreign Minister's face. Peking can have an armistice whenever it is ready to withdraw its troops behind the 38th parallel and to start negotiations, without demanding that its ultimate peace terms shall be accepted as conditions for a cease-fire.

If the best course for the Americans at the moment is to do nothing and for Uno to say as little as possible while General Ridgway's offensive has its effect, what is the right course for the British? The question will be asked anxiously, even passionately, in the House of

Commons next week. Some members will be tempted to urge such drastic and foolish ideas as the withdrawal of British troops from Korea or separate approaches to Peking. They will command little support because their advocates seem more interested in rebuking the United States than in settling the Korean question fairly and firmly. What will command more attention is the suggestion that Britain should now mediate between the Americans and the Chinese. It is being argued that the British have made clear beyond doubt their good will towards the People's Republic by recognising its government, by dissociating themselves from American actions in Formosa, by their caution and restraint at Lake Success. It is further argued that Britain, as America's principal partner, as a mediator with Asia by virtue of its Commonwealth ties, will be listened to with respect in Washington. All these things are true within limits; but they are not true all the time and in every situation. Washington is at the moment little more disposed to listen to conciliatory views on China than for some time past. Peking, so far as is known, has shown of late no special sign of interest or favour. The gap between Chinese and American terms for negotiation—whether about Korea or about a general settlement of Far Eastern questions—is as wide as ever; and the excitement and indignation in both countries have only lately shown signs of subsiding.

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For the British to mediate now in such a situation would be certainly rash and probably futile. It would undermine Uno's military effort without improving the prospects of peace. One can imagine no more invidious position than that of a British Government deliberately affronting much of American, and not a little of British, opinion by such action when co-operation with the United States is the first aim of its policy, when it has troops fighting for the United Nations in Korea—and fighting successfully—and when it has seen many of the estimates that it has made of China's intentions falsified by events. If the Chinese showed clear signs of wishing to stop the war, and if the British Government were then to use diplomatic channels to get Washington and Peking into contact, that would be a quite different matter. Indeed, there would be much to be gained by keeping any such preliminaries away from the public proceedings of the Uno Assembly, where American behaviour is not seen at its best. But at the moment such possibilities do not exist. Just as the next stage on the battlefield is uncertain, so is the next stage in the diplomatic exchanges.

It would, in fact, be not unsatisfactory if the next few weeks produced both in Korea and Lake Success a position of stalemate on the 38th parallel. Now that the impetus of the Chinese military offensive has died away there must be time for the violent American political reaction to it to die away too. Fresh proposals for terms and negotiations at this stage will only revive it, especially if they come from this country. The sensible thing now is for the British Government to argue in Washington with the greatest firmness against economic sanctions and to press for a breathing space. Peace may come in Korea only through a stalemate, and it will assist both sides to a realisation of this fact if the House of Commons next week concentrates on making the Government's task easier and not more difficult.

The Heave and the Pull

THE defence programme that Parliament debates next week has already commanded a wide measure of respect and assent. Whatever the criticisms in detail—and these can be made only in the course of the debate, as Ministers disclose the programme in more detail—most people are ready to regard its general form as "about right." Any other reaction would, indeed, be an utterly damning indictment of the Government. However completely Ministers are excused their lack of foresight before war began in Korea, they have now had nearly eight months in which to assess the country's needs, to educate their party, and to summon up their courage. It is the measure of their weakness that even so the present programme can be accepted as big enough only because it is commonly assumed to be not the final but the penultimate bite at the cherry: as was argued in these columns last week, if the programme is carried out in full the expenditure for purposes other than production is likely to be bigger in the second and third years than is implied in the official estimate. If things develop as now looks likely, expenditure on defence will in little more than two years' time have risen to an annual rate of about £2,000 million, or one-sixth of the national income. There are no standards by which to assess its adequacy; but it can reasonably be regarded, on a broad, pragmatic judgment, as about the right scale of effort to which to commit Britain at this stage in international affairs.

The realists in the Government deserve praise for their courage in undertaking so much. They have dropped the politically attractive illusion that security can be had on the cheap, by forgoing prospective improvements in the standard of living rather than by sacrifices of current consumption. They have accepted the unpopular principle—particularly repugnant to much Labour thinking—that efficiency in defence requires discrimination in the call-up of reservists, not equal service from all. They no longer make British efforts dependent on American aid. These were major hurdles, and the taking of them—even after so much hesitation—is this Government's greatest achievement. What it does not do (however quiet the Russians may be) is to leave the country with a straight run home.

The defence programme will be carried out successfully only after the Government has taken one more, and a bigger, psychological hurdle. That is to realise that by its nature the programme will work only if it works comfortably, with a margin of resources in hand. This is the paradox of defence in the cold war: the effort has to be great, but it must be made without the sharp strains and dislocations that are tolerable in war. This is true in the sense that peace-time objectives remain important; but, more important, it is essential to the defence programme itself. British rearmament has two psychological aims. One is to deter Russian aggression; to the creation of joint Western forces adequate for this purpose Britain has to make the largest single contribution after that of the United States. The second aim is to reassure the weaker allies. It is to give them the confidence to stand up to threats, to resist Communist disruption from within; it is to make the two main members of the free world look strong enough for the smaller powers to feel it worthwhile to add their own contributions to mutual defence rather than to retreat into defeatism.

The actual accumulation of strength will necessarily be slow at first. If its psychological purposes are to be served during the next two years the effort will have to be made with apparent reserves. Neither Russia nor Britain's allies will be impressed by the doubling of expenditure on arms production this year if the small access of strength gained thereby is paid for by a fuel crisis and by reducing the British people to vegetarianism while the rest of the world eats meat. Rearmament will fail in its psychological purposes if it is the work of a country struggling with fresh weaknesses in its balance of payments, with factories closing down or stuttering at half-pressure for lack of raw materials. If the economy is over-driven in this fashion it is likely, of course, that defence production will in practice fall behind the programme. But even if that is by heroic measures avoided, the impression on the world of a Britain exhausted and distracted in its efforts will defeat the immediate aims of rearmament; the sacrifices will be much less likely to prevent war than good management could make them. What is required of Britain is the quickest possible strengthening of the armed forces, but the movement that will impress both enemies and friends is a collected canter not a panting gallop.

★

The implications for Government policy are very simple—and very unlikely to be accepted. They are just that it should plan rather than wait for things to turn up; that it should reckon, and prepare to meet, the costs of defence before the bills come in. The real costs are the cuts in civilian consumption that are inevitable to make room for defence production. What has to be debated is the method by which those cuts shall be made. The Government can order the armaments; wait for civilian supplies to fall off while the real volume of demand is maintained, or—if money incomes rise faster than prices—increased; and then, when the shortages have materialised, the cuts in consumption can be enforced partly by rising prices but mainly by the Government jumping in with physical controls, with rationing schemes and allocations and prohibitions and price ceilings. This is the way that, politically, the Government will be tempted to go, and on past performance certainly will go. There will, indeed, be some Budget measures to check purchasing-power, but they will be half-hearted; they will always lag behind the reduction in civilian supplies. This is the new form of the error of over-optimism that led to the economic crises of 1947 and 1949. Its consequences may not be catastrophic but they will certainly be appalling. They are an economy of half-suppressed inflation, of coal crises and widespread raw material shortages, of lagging exports and rigid restrictions on new enterprise. If the rearmament programme is fulfilled in spite of these handicaps, it will be at the cost of unnecessarily large sacrifices; the rigidity of men and resources, which inflation creates, will be overcome only by far more burdensome Government interferences with individual liberty—including the direction of labour—than anyone can want to contemplate as a long-term policy.

The objection is not, of course, to controls as such. There are two aspects of the rearmament pro-

gramme: one is the immediate, once-for-all heave necessary to get British defences into better shape; the other is the high level of preparedness—claiming perhaps one-eighth or so of the national resources—that may have to be maintained for as long ahead as can be foreseen. For the initial heave some controls are certainly necessary. The objection is to relying on them also to keep the effort going. For that purpose they can hardly be more efficient than were the controls of the postwar period. And a Britain with the economic weaknesses of 1946-49 is certainly not going to impress the world by its rearmament. If the policy of seeking peace through strength may have to be maintained for a decade or more (and so we must hope, since the alternative is war) then its economic counterpart must also be planned for the long run.

What is necessary to make the defence programme effective, at the smallest real cost, is a further act of political courage from the Government. It is to reckon realistically, without assuming that everything for the best will turn up, what the necessary sacrifices of con-

sumption are going to be; to state those sacrifices bluntly; and then firmly to set financial policy to secure the full cut in consumption quickly and smoothly, without inflationary strains, as supplies are reduced. No one would pretend that this is an easy policy: in this matter the Opposition stands in almost as much need as the Government to demonstrate its good sense. At the moment opinion in the country is swinging in favour of the Conservatives in part (though only in part) because of hardships—and particularly rising prices—that are not merely inevitable but will increase. The Opposition will demonstrate its worth as an alternative government only if it can resist the temptation to play on these causes of popularity. But, above all, it is Labour's responsibility, as long as it chooses to remain in office, to show that it is willing boldly to ask for sacrifices when they will do most good, not to impose them by arbitrary cuts after the over-loaded economy has got into further jams. This is now the test of political leadership, and next week's debate should show which party is the more capable of it.

Neutrality

IF the criticism and indignation now being directed against American foreign policy from this and neighbouring countries were being vented against the Soviet Union by voices in Eastern Europe the arrests, the purges and the trials would already have begun. In that half of Europe public criticism of Moscow's foreign policy is a "crime against peace," punishable by death; whereas in the Atlantic alliance the right to free discussion and open disagreement is firmly upheld between partners who are far from equal. The comparison is not one to be pressed; but no more is it one to be forgotten whenever deep divisions open up between the United States and its allies. For to keep it in mind is one way of maintaining a clear distinction between vital and superficial differences.

It is clearly time to apply such a test to the movement of opinion known as "neutrality." It can be neither ignored nor despised, for it has the support of some people of integrity and intelligence. And it achieves a prominence out of proportion to its political strength just because its point of view is argued with passion and brilliance. Among its opponents it causes an exasperation which recalls the bitterness of 1938 over Munich. Among the enemies of the free world it causes unceasing glee. Indeed, it must sometimes be thought in Moscow that America, too, has its Titos to deal with, forgetting that it takes a Stalin to provoke Titoism. What, then, is this neutrality? Is it the product of that "pessimism bordering on defeatism" which General Eisenhower found in "many strata of society" in Europe? Is it a passing phase or a permanent trend?

The neutralists seem to represent a wide range of attitudes and aims. They include genuine pacifists who are a law (or an anarchy) unto themselves; persons whose fear or weariness of war leads them to welcome any escapist rationalisation of their feelings that is offered; politicians and intellectuals of both Left and Right—but mostly Left—who see in rearmament and protracted cold war the end of their hopes for social advance and prosperity; lonely, sensitive minds that detest the raucous and tough manner in which relations between the free world and the Communist govern-

ments are conducted; and, finally, those bodies of opinion that genuinely believe partnership with capitalist and materialist America to be against the interests of their country and of Europe. It remains to add the fellow-travellers, who are not neutral at all but who see in this movement of opinion rich opportunities for mischief.

Leaving aside the special situation in Germany, what arguments are at work among these neutralists? Theirs is an attitude in some ways comparable to isolationism in America, though its origins are different. The neutralist is often a recent convert to what he calls political realism. In his time he has been starry-eyed: he has, for example, advocated collective security without thinking out what that implies against a strong and resolute aggressor. Within the last six months he has seen the test made—and he dislikes the result. He now sees with dismay that collective security means a sacrifice of independence in foreign policy; a dogged persistence in taking the very risks from which he thought the system and the slogan would protect him; the use of methods of discussion and negotiation that lend themselves to demagoguery and exhibitionism. From such risks and excitements he begs leave to withdraw, and advocates the methods of conciliation and appeasement on which he once poured such scorn. In this sense he is an isolationist; he turns against national commitments because he had not correctly estimated their risks.

This isolationism of the neutralist may take a more particular form. He may object not so much to alliances or commitments in general as to the association with the United States in particular. He will protest that the interests—indeed, the fate—of his nation are at the mercy of a foreign policy that is blown hither and thither by the gusts of popular opinion. He finds the manner of the American rearmament effort provocative, and argues that the Russians may just as well be frightened into war as into peace.

Then there is the kind of neutralist who wants to have his cake and eat it: who makes alliances and re-insures against them. He will protest that diplomacy can prevail where the display of strength will fail. He talks

longingly of the subtle technique by which the light of agreement dawns during the redrafting of a paragraph; by which a Europe growing in strength might interpose itself between the two world giants; by which procrastination is used to appease and heal differences. He will advocate simultaneously the integration of Germans into a European army, discussion of the demilitarisation of Germany with the Russians, and general disarmament. He distrusts the forthright simplifications of what he believes to be American thinking and heartily supports the Attlee manner.

Clearly, in this neutrality there is something that is not merely disloyal, evasive and defeatist. In the nations of the Continent some of it is due to the fact that the last war is remembered for its defeats, whereas in Britain and America it is remembered as a victory. Let it be admitted that the rationalisation of such emotions coincides only too often with the main lines of the Soviet-directed "peace campaign." Let it be admitted, too, that neutrality is quite often the merest Usaphobia, an attitude compounded of jealousy, resentment, cussedness and genuine disagreement with the workings of American democracy. But when these have been allowed for, let it also be granted that there are significant and honourable ideas to be studied in neutrality. The morale of European peoples still rests mainly on national pride and the spirit of independence. It is stronger even than the love of individual freedom. To guard that spirit against the predominance of the greater powers in the Atlantic Pact is an important function of opinion in the free world. Again, let it be realised how much easier it is for an American than for a European to accept as a premise of policy the indefinite division of the Continent into two hostile camps. For many French and Germans the premise is unacceptable. Sooner or later Europeans will try to overcome those divisions by traditional political methods; sooner or later they will want to see both American and Russian armies withdrawn from Europe, the presence of the one—as they see it—being the cause of the presence of the other. Finally, let it be admitted that it is one of the functions of the intellectual not only to treat all points of view, including the Russian, on their merits, but also to put aside the language of strategy and cold war.

Here, however, is the rub. The neutralist intellectual is often not content with such a role. He, too, talks strategy; he, too, makes his estimates of forces and intentions, and his forecasts of economic and political consequences. Being unconcerned with politics as the art of the possible, he is liable to talk nonsense about them. He wants to see everything in black and white, and to move towards those ends which his reasoning proves desirable and possible. In this role he can in a time of danger exercise a dangerous influence, because he may be subject to, and unconsciously acts as a channel for, the propaganda of the enemies of the free nations. It is necessary, therefore, to find some test by which to distinguish between disloyalty and independence, between deliberately subversive comment and naïveté. Without it there is danger of weakening the tradition of toleration, and of strengthening too much the pressure for conformity in the public opinion of the free world.

The tests which the liberal mind can apply are, first, is the argument of the neutralist honest and untempered? Secondly, does he apply his standards of

criticism impartially to the free world and the Communist world? Where there is passion and distortion of facts and thought, there speaks the mischief-maker, who is abusing the privileges of the intellectual in a free society at a time of danger. Where there is no criticism of Russia or China, but only the persistent indictment of America, there, too, the mischief-maker is at work, applying moral standards according to the exigencies of party politics or doctrine. Where the former Pétainist or supporter of Hitler and Mussolini is found in the ranks of neutrality—there, too, is ground for deep suspicion of motives. But where these tests can be passed, there is something to be treated with respect.

There is yet a third test, less easily applied but of equal importance. Has the neutralist a constructive and practicable political idea? If the French neutralist advocates the European army which, he says, can command pride and respect on the Continent, is he facing or evading the main issues of western defence? If the Italian speaks longingly of the Third Force in Europe, is he asking for something politically practicable or is it just escapism? These are difficult tests, it is true, but it is part of the task of American and British foreign policy to apply them with care and sympathy. For, if it is the security of Europe that is the main issue in the years ahead, it is likely that Europeans will have useful ideas to contribute. The time is now passing when the political initiative has in every case to come from outside Europe, as in the case of the Marshall Plan, the Atlantic Pact and even the United Nations. Soon the stage will have been reached where, in order to get out of Europeans and Americans the effort needed to make themselves strong, it will be no longer necessary to concentrate all attention on common dangers and common fears. If peace can be preserved and the free world's alliances maintained, a time of release from present tensions is bound to come. It is the error of the genuine neutralist to anticipate this moment, to be the swallow that arrives before the spring. And it is the offence of the mere mischief-maker to delay it by trying to weaken an alliance built up by patient and painful effort.

Land of Promise

WE are as sanguine of our Future Progress as we are satisfied with our recent steps. We laugh at those faithless prophets—the querulous Jeremiahs of the day—who affirm our retrogression, and predict our decadence. Where is the warrant of their prophecy? Where are the symptoms of the growing malady which is to carry England to her grave? Are they to be found in her spreading Empire—in her expanding and multiplying population—in her accumulating wealth—in her commerce bounding with new elasticity—in her industry, buoyant with recovered freedom? Has her science ceased to be inventive? Have her engineers forgot their cunning? Have her people begun to be indifferent to their civil rights, or to abnegate their mental freedom? Are her poor falling back in their physical condition—becoming more turbulent, more ignorant, more destitute? Or is it not true . . . that in all points our national position in 1850 is almost as much in advance of that which we occupied in 1800, as it is behind that which we hope to occupy when the opening of a new century shall shine upon our quiet graves, and gladden the hearts of our children and our children's children, with the promise of yet richer harvests and the hope of a more unchequered civilisation?

The Economist

February 8, 1851

Colonial Responsibility

LAST week, in an address of welcome to the Secretary of State for Commonwealth Relations, the Prime Minister of Southern Rhodesia uttered what were doubtless intended to be words of warning. Southern Rhodesians hoped that Mr Gordon-Walker would realise that

it is impossible to expect people who only sixty years ago were unaware of the use of the wheel, and knew no modern language, to advance suddenly to the sphere of legislation in this part of Africa.

Sir Godfrey Huggins was careful to say "in this part of Africa." But his warning is significant because this week the people of the Gold Coast have been going to the polls under a new constitution which will take them to a point of political advancement far ahead of anything else in colonial Africa. To some people this new constitution is a bold experiment; to others it is a gamble which can lead only to disaster and anarchy. What is more important is that the Convention People's Party, which is expected to become the dominant party in the new legislative Assembly, thinks that the new constitution does not go far enough.

There is nothing new in the general principles governing constitutional reform in the Gold Coast. The transfer from crown colony government to responsible government follows a set pattern all over the colonial empire. First comes the appointment of unofficial members to the Legislative Council and the gradual increase in their numbers and influence. Then they are elected instead of nominated, and eventually a main step forward is taken when the elected, unofficial, members are in the majority in the council. They now have power; but, to prevent this power from degenerating into obstruction, attempts are made at the same time to foster a sense of responsibility by giving some of the unofficial members of the legislative council seats in the executive council. To begin with, they are nominated by the Governor; this was the position reached in the Gold Coast under the Burns Constitution of 1946. Another stage is reached when these unofficial members of the executive council are elected by the legislative council from its own membership—a position reached in Trinidad last year, and in Jamaica in 1945. Then comes another big advance when these elected unofficial members of the executive council are in a majority over the official members. By this time the executive council has become the centre of government, the instrument of policy, in place of the Chief Secretary's Office under crown colony government.

When this stage has been reached—as it has in Trinidad, and in the Gold Coast under the new constitution—the local political leaders have attained considerable power. Indeed, only two things then remain to prevent either the obstruction of good measures or the enactment of bad ones. One of these is the powers still reserved to the Governor, the other is the elected members' own sense of responsibility.

The powers reserved to the Governor are those of veto—that is, the power of refusing assent to a measure—and of certification—that is, of declaring that a Bill which he considers essential for good government should have effect even though it has not been passed by the Legislative Council. On paper, these powers are con-

siderable. In practice, they are much smaller. The constitution usually provides for some check on the Governor's use of his reserve powers—such as that they can be used only with the consent of the executive council or, failing that, with the prior authority of the Secretary of State (except in cases of urgency). It may be that the existence of these reserve powers acts as a brake on the worst forms of irresponsibility. But they are rarely used nowadays, and there is some force in the view that their disadvantage as an irritant outweighs their value as a deterrent. The Coussey Committee, the all-African body whose recommendations form the basis of the new Gold Coast constitution, nevertheless advised the retention of reserve powers. The British Caribbean Standing Closer Association Committee (the "standing closer committee"), which drew up the framework of a federal constitution for the West Indies, also thought there was a need for reserved powers to enable the imperial government to discharge its responsibilities for defence, international relations and financial stability; but it made the interesting suggestion that they should be exercised by His Majesty by order-in-council. This would not in reality diminish the authority of the Governor, since he now has to get the consent of the Secretary of State before he can use his powers, and it might remove a potential source of friction between him and the local political leaders. The reserve powers are, at best, not a very strong guarantee of good government. The major reliance must be on a growth of a sense of responsibility among those to whom power is being transferred.

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Yet another, more serious, obstacle to the growth of responsibility lies in the executive council itself. It is asking too much for the unofficial members of the council, when they have not a clear majority, to accept responsibility for government. This has been made very clear in Jamaica under its present constitution. The island's executive council consists of equal numbers of elected and of nominated and *ex-officio* members, with the Governor exercising a casting vote. There is, it should be pointed out, no question of the Governor using his casting vote to force through a measure which is obviously opposed by the elected members. It would be contrary to commonsense for him to do so. Similarly, he would not use his vote to defeat a measure on which the elected members had set their heart. Yet so long as they can, in theory, be outvoted in the executive council, they can disclaim all responsibility for the actions and measures of the council when they want to. It can often happen that, when a measure agreed on in the Jamaican executive council turns out to be unpopular the minister concerned can stand up in the House of

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Assembly and court popularity by declaring that he had no responsibility for it.

Those who say that to give the unofficial elected members of an executive council a majority is going too far should reflect on the experience of Jamaica in the last five years. It will probably be said, when the present constitution is revised and there is an elected majority on the executive council, that the island's politicians have not shown themselves worthy of a further advance towards responsible government. But they can hardly acquire a sense of responsibility without it.

An elected majority on the executive council is not, however, enough. The "standing closer committee" pointed out another failing in the normal method of selecting the unofficial members of the executive council. Where, as in many colonies which have reached this stage of constitutional advance, these members are severally elected to the executive council by the legislative council, there can be no sense of cohesion, of collective responsibility, among them. Their primary loyalty, the committee pointed out, is to the body which elects them, not to their colleagues. It, therefore, recommended that, in the proposed federal government for the West Indies, the House of Assembly should elect one of its members to the Council of State (the executive council) who should thereupon be designated Prime Minister. The other unofficial members of the council should be selected by him, and authority would, therefore, be concentrated in his hands. A similar practice has been in force in Barbados in the last few years. There, the leader of the House of Assembly is invited to submit the names of four members of the House of Assembly for appointment to the executive committee. It will be interesting to see the results of the compromise reached in the Gold Coast, where the executive council is to be appointed by, and responsible to, the Governor, but will also require the approval of the Legislative Assembly appointed by the Governor.

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It may be objected that all this concern with the details of colonial constitutions is really beside the point. The important decision to be taken is whether, judged

by the results to date and the foreseeable prospects for the future, the process of transfer of power and responsibility to the colonial peoples is going too fast. The liberal British theory in the past has been that the process can hardly be too rapid, that whenever a group of inhabitants can be found ready to shoulder responsibility, it should be thrust upon them. But though this is still the principle of the Colonial Office's policy, many sections of opinion in Great Britain which have supported it in the past have come to have serious doubts about it today.

This is too big a question to be debated in a paragraph or two. But the questioners might reasonably be asked whether they have considered the practical consequences of calling a halt. Perhaps, if a different decision had been taken a generation or more ago, a different course might present fewer difficulties today. But His Majesty's Government has been proclaiming so long and so often that self-government within the Commonwealth is the goal of all colonial peoples that their politicians can be forgiven for taking it at its word. And constitutional reform, once it has been started on its course, acquires a momentum that makes it very difficult to stop, especially in its later stages. It is worth noting, for instance, that the Soulbury Constitution for Ceylon lasted only three months, after which the colony achieved full dominion status.

Judged by their general level of education and economic development, the colonies that are now hovering on the brink of responsible government are not ready for it. Yet are those who argue that the pace should have been slowed down prepared to accept the force and the bloodshed which refusal to grant reform would almost certainly entail? The demand for political advancement is catching—already Central African leaders are aspiring to a "Gold Coast constitution." The only way to direct colonial nationalism along sound lines is to give the colonial politicians—of whatever race or colour—a chance to act responsibly, and this can best be done not through the ballot box, which confers power without responsibility, but through the executive council. Yet, however soundly a constitution is drawn up, it cannot force the colonial politicians to act responsibly. In the next few years, it will depend on them whether government is responsible in fact as well as in name.

Defence Comparisons

COMPARISONS are proverbially invidious, and comparisons of efforts and sacrifices between allies are possibly the most invidious of all. It is doubtful whether anybody in Great Britain would have wanted to institute a comparison between what is being, has been and is about to be done in the common cause in Britain and in America. But in American public opinion, the widespread belief that Britain is "dragging its feet" and that a disproportionate part of the burdens of resisting Soviet imperialism is being placed on American shoulders appears to be reaching a point of some public importance. If these things are to be debated, it is as well that the debate should be based upon facts and not upon fancies. This article is an attempt to provide some of the facts as nearly as possible in comparable form. No attempt will be made to draw conclusions.

Two preliminary points should be made. First, if the comparison is to be factual, it can only be based on

the record of the past and present. Estimates of what is to be done in the future must be excluded, partly because they are only estimates, which may turn out to be very defective, and partly because the practice of the two governments in regard to future expenditure is very different. The American executive asks Congress for very large authorisations which are intended to be ceiling figures and may never in fact be attained. The British Government, with its more intimate relation to the legislature, puts forward estimates which are more the minimum figures and can always be supplemented later. This article, therefore, is confined to the period from the culmination of the war to date. Secondly, the comparison made here is between the expenditures of money and manpower made by each country in its own defence. Both countries have, throughout the period, been giving aid to other nations, America by the Marshall Plan, Britain by the release of sterling balances and other

means. These programmes have doubtless served defence ends; but they have been mainly civil in character; and it would be beyond the ingenuity of statisticians to separate the defence element.

The data are presented in the accompanying tables and diagrams. One table and one diagram show money expenditure; the other table and diagram give a comparison of the size and disposition of the armed forces of the two countries.

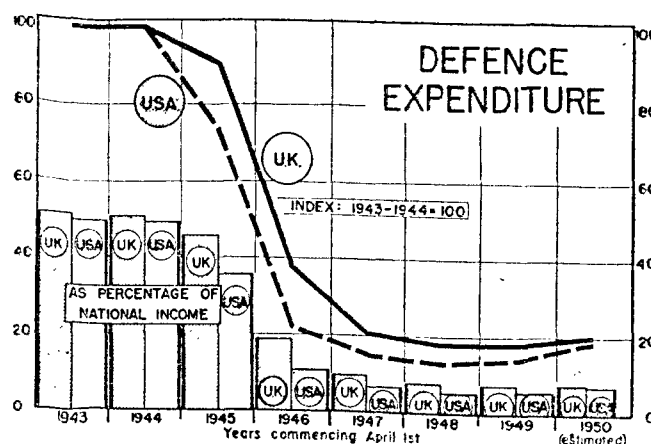
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The financial figures have, so far as possible, been reduced to a comparable basis. Thus the American figures have been readjusted to the British financial year, which runs from April to March. The amounts include, in addition to the costs of the armed forces, certain programmes closely related to military services and, in particular, the stockpiling of strategic materials. Thus, on the British side, the expenditures of the Ministry of Defence and of that part of the Ministry of Supply directly devoted to defence (with the Ministry of Aircraft Production during the war years) are added to those of the armed services. The British figure of £824 million for the current year is the total of the estimates, including supplementaries. The American figure of \$16,400 million is based partly on the actual expenditure of \$10,522 million in nine months to December 31st and partly on the President's recent estimate for the twelve months ending June 30, 1951. In the eight years covered by the table, from April 1, 1943, to March 31, 1951, the United Kingdom will have devoted 23.0 per cent of its national income to defence; the corresponding figure for the United States is 19.5 per cent.

The manpower table contains three pairs of columns.

Year Commencing April 1st	DEFENCE EXPENDITURE					
	Total Figures		Index, 1943-44=100		As Percentage of National Income	
	UK	USA	UK	USA	UK	USA
1943	£ mn. 4,183	\$ mn. 85,781	100	100	51.0	49.5
1944	4,184	89,984			50.3	49.0
1945	3,812	64,763			45.8	35.6
1946	1,590	19,618			18.8	10.6
1947	881	13,334			15	6.5
1948	758	11,604	18	13	7.6	5.2
1949	736	12,739	18	14	7.1	5.7
1950*	824	16,400	20	19	7.7	6.9
Total of above.	16,968	314,223	...	...	23.0	19.5

* Estimated.

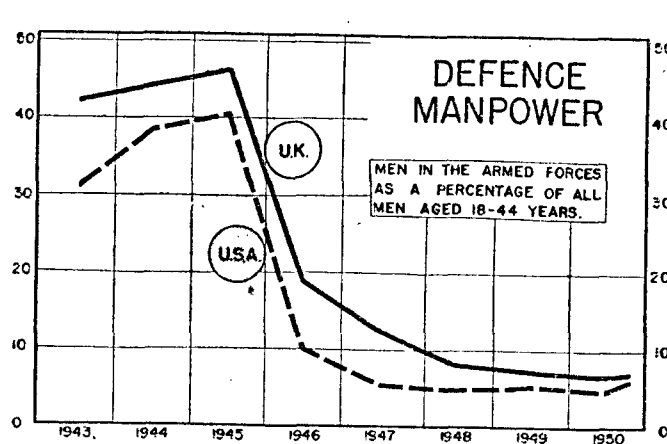


The first of these gives the absolute totals of men and women in the armed forces (excluding part-time service such as immobilised National Guard or Territorials). These figures, of course, ignore the relative size of the two communities. Accordingly, the second pair of columns gives the total of men in uniform as a percentage of the field of recruitment from which they are drawn—that is, of the total of men of military age. The third pair of columns gives the proportion of each country's armed forces serving overseas. This comparison is more difficult to make since the definition of "overseas" is not the same in the two countries. In the United States, the distinction is between those within and those outside the continental United States. Consequently, soldiers or sailors afloat at the time of the census are "overseas" whereas in Britain they are classified according to their base. Although men serving in the British Home Fleet may be away from the coast for a considerable period of the year, they are not regarded as on foreign service. It is only necessary to recall the part played by the Home Fleet in the Battle of the Atlantic to realise how misleading these statistics can be. In the table, the British figures have been adjusted as far as possible to bring them into line with the American ones but the adjustments are almost certainly on the conservative side. It is also only fair to add that the home base in Britain is considerably nearer to at least one probable seat of trouble than is any base in the United States.

It is not intended in this article to draw more than one moral. When allowance is made for the imperfections of the statistics, the salient fact that emerges is the very close parallelism between the two sets of figures. There is no basis of fact sufficient to support either an eastbound or a westbound traffic of complaint across the Atlantic.

Date	DEFENCE MANPOWER					
	Total Numbers including Women (thousands)		Men in Armed Forces as Percentage of all Men Aged 18-44		Percentage of Total Forces Serving Overseas	
	UK	USA	UK	USA	UK*	USA
Mid-1943	4,761	9,043	41.8	30.9	n.a.	29
" 1944	4,967	11,450	43.9	38.5	38	49
" 1945	5,090	12,122	45.8	40.6	51	63
" 1946	2,032	3,031	18.7	10.0	39	50
" 1947	1,302	1,581	12.4	5.3	36	51
" 1948	846	1,444	8.0	4.8	30	43
" 1949	770	1,614	7.3	5.3	31	40
" 1950	690	1,457	6.6	4.8	31	38
Oct. 1950	726	1,880	7.0	6.2	n.a.	n.a.

* Including navy afloat as overseas in line with US counting.



NOTES OF THE WEEK

The Government Wins

The Government's majority of ten in Wednesday's division on steel was larger than had been expected in an influenza-ridden House, but at no time did the Opposition in fact entertain any great hopes of winning this division; indeed, the more realistic Tory leaders are reconciled to the possibility that the Government may go on winning set-piece divisions for some time. From the Opposition's point of view, the debate achieved its two secondary purposes. It enabled the Conservatives to reaffirm their intention to undo steel nationalisation if they regain power, and it gave Mr Churchill a further opportunity to deploy the arguments which he hopes will carry final conviction at the next general election.

The debate itself produced little that was new except Mr. Strauss's vague references to the interim machinery by which it is hoped to smooth the changeover in steel and to ensure priority for the needs of the rearmament programme. The Opposition's main case was once again that nationalisation should be postponed in the interests of national unity and efficient rearmament, and naturally it fell on determinedly deaf Ministerial ears. The Labour party has not grown more willing to change its set course on steel nationalisation in order to secure Conservative support at this stage. Mr Churchill spent some time examining the motives for this act of "partisan aggression," this "crazy step," this "unpatriotic deed," and concluded that it was a major act of appeasement of Labour's left wing. This, however true it may have been when the Steel Act was first devised in 1948, is now an over-simplification. Even the more moderate Ministers undoubtedly feel that, having committed themselves on this highly controversial measure, to draw back would be to throw doubt both on their own leadership and on the principle of nationalisation which, for want of a better, remains the mainspring of Labour theory. They are driven on as much by the fear of admitting to themselves that they might be wrong as by any fear of their critics.

In the division the Liberal Party rallied after its many hesitations of recent months and voted unanimously against the Government. Any other course would have been one more deadly blow at its own position in the country. On the other hand, the Liberals have made it clear that they do not propose to join the Tories in any further attempt in this Parliament to reverse the steel decision. This emphasises what the Tories have now recognised, that only a general election can secure the return of steel to private ownership. Meanwhile, they have made it clear that they will harry at every turn what Mr Oliver Lyttelton described as this "planless, coalless, meatless, hopeless government."

* * *

The Government's Insecurity

In attacking the Government on steel, the Opposition chose a subject on which there are no longer any important dissensions within the Labour Party. But on all the other subjects due for debate, there is still a considerable turmoil of opinion within the party. It is true that the special meeting of the Parliamentary Labour Party on Wednesday produced no violent explosion—it seldom comes up to expectations in this respect—but this was partly because the ground of debate was shifted from the economic implications of defence, on which there is considerable feeling, to defence itself, which occasions less interest. There was, however, a spirited attack on Mr Maurice Webb, the Minister of Food, for the harm that his handling of the meat ration has done to the Government's reputation.

It is clear that in next week's debate on foreign policy and defence there will be no mass abstention or opposition by the left wing of the Labour Party, not because it has been converted to the Government's view but merely on the ground that open dissension would mean a Tory government. Ramsay MacDonald more completely dominates the policy of the Labour Party from beyond the grave than he ever did when alive.

The difference between the present political situation and that of a few months ago is not that the Government's narrow parliamentary majority is any less secure. It is that the majority quite clearly no longer corresponds to the degree of public support for Labour. The latest Gallup Poll figures published on Monday in the *News Chronicle* show the Tories with a lead of 51 per cent of the popular vote, against Labour's 38 per cent. No doubt this margin would narrow during an election campaign, as it did last time. But at the previous peak of the Government's unpopularity, in November, 1949, the Conservatives' lead was 3 per cent smaller than it is now. Ministers must fear not merely that the majority of the country is against them but that they have little chance of regaining a lead over the Tories. If the government were defeated in a snap division, as happened last year, it might well now seek a dissolution.

* * *

Nearer a Four-Power Conference

The latest of the long series of Notes from Moscow on the subject of a four-power conference still leaves the western foreign offices guessing what the inscrutable and verbose Russians really mean. Ninety per cent of the Note is, as usual, pure propaganda; Mr Molotov certainly knows that there is no possibility of the western powers presenting him with a rearmament Germany as a *fait accompli*. Indeed, western policy (which has veered in face of the German opposition to rearmament) is now, very sensibly, to hold only non-committal practical discussions with the German authorities, until such time as the Allied forces are stronger on the ground, and the necessary political conditions have been established for a genuinely willing German contribution to their own defence. General Eisenhower made the present American views on this question very plain in his report to Congress.

The kernel of Mr Molotov's Note is the passage in which he expresses conditional willingness to discuss questions other than German demilitarisation. By this he might mean merely that he would include those provisions of the Prague resolution dealing with a peace treaty and the withdrawal of troops from Germany. These are in any case the main aims of Moscow's policy for both Germany and Japan. On the other hand, Soviet insistence upon keeping the conference within the framework of the Foreign Ministers' Council, as set up at Potsdam, leaves room for the western powers to raise such pertinent matters as the Russian rearming of the ex-enemy satellites in excess of treaty limits.

It may be assumed that Moscow does in fact wish to hold first a conference which would deal exclusively with Germany and then convene a second meeting of the Council of Foreign Ministers, enlarged to include Mr Chou En-lai, for the purpose of reaching a similar settlement on Japan. Mr Molotov would, however, probably be glad to delay the first conference in the hope that Herr Grotewohl, in the meantime, would have succeeded in finding Western German representatives who are willing to meet him and pass a resolution on the same lines as the Prague declaration. It would greatly strengthen the Russian case if a pressure group of east and west Germans could be used at the conference.

Both Dr Adenauer and Dr Schumacher are, however, well aware of the manoeuvre and have exposed it to the German public.

Under these circumstances the western Foreign Ministers would be well advised to advocate at once an early meeting of the powers, and to clarify their own minds on the terms which they should demand for a German settlement. In doing so, it is essential that they should be in full accord with the Federal Chancellor and the Social-Democrat leaders; nothing must be left undone to make it clear that Western Germany is not going to be sacrificed in the attempt to squeeze a smile out of Mr Molotov.

* * *

M. Pleven and His Plans

By all accounts M. Pleven's visit to Washington has been a great success, more successful, in fact, than Mr Attlee's. Apart from more aid for Vietnam, the French Prime Minister was mainly in search of the United States' confidence in France as its chief and permanent military partner on the European continent. In his speech to the National Press Club M. Pleven said:

We shall never allow the unity of the western world to be broken by any act or threat whatever, whether from the interior or the exterior.

This statement evidently gave the lie to American suspicions of French neutrality in a world war and has made its due effect.

Reports of the last days suggest that the Schuman Plan has, largely owing to American representations, been salvaged on the brink of the dust-bin in negotiations between the High Commission and the German Federal Government at Bonn. The Pleven Plan for a European Army—originally the intended sequel to the signing of the coal-steel pact—is, however, still shrouded in diplomatic fog. Invitations have finally been sent by France to the European governments to attend a technical conference on the formation of some kind of supranational army, which may constitute a component of the whole Atlantic Force under the command of General Eisenhower. In this project the French have, it seems, transferred their emphasis from the limitation of the size of units (although not the total volume) of German armed force to the question of effective Atlantic control of the personnel and policy of the German command. Thus, while the dispute over combat teams and divisions may subside, France will stick to its contention that some European politician must be authorised by "Europe" as High Commissioner to sanction or blackball the appointment of individual German officers to positions under General Eisenhower. Neither French public opinion nor the French government is likely, for instance, to swallow the re-appearance on the European stage of General Guderian or any other leading light of Hitler's war, however great their military skill. In this manner the formation of General Eisenhower's armies need be retarded neither by the presence of a "European Defence Minister" at General Eisenhower's elbow nor by an abstract limitation of the size of German units.

Provided that M. Moch makes no further public utterances on German rearmament and that the phrase itself is banished from the headlines of the world press, there is a chance that 1951 will see a harmonious development of Atlantic Defence. The bare formula "European Army," instead of being an escape-concept devised by dispirited continental nations more fearful of ex-Nazi Germany than of Stalinist Russia, may become a real live army in Europe. M. Pleven's talks with President Truman will surely also have done something to lighten the obscurity which has surrounded the future relationship between SHAPE, Nato and the general foreign policies of the governments which participate in these agencies.

Second—and Third—Rounds

The Government is not getting far with ideas of a new wages policy. Mr Gaitskell and Mr Bevan had "exploratory" talks with the TUC's economic committee on Tuesday. The views of the union leaders seem to fall into two groups. There are those who think it futile to try to revive any policy of wage restraint; and there are those who would again champion restraint provided the Government first gave positive proof of its capacity at least to prevent further increases in prices and profits. Since, in fact, prices are bound to go on rising for a time, neither point of view encourages the Government to make proposals of its own.

It seems certain that within a matter of weeks almost every large group of workers will have gained an advance in wages since restraint finally broke down last autumn. The immediate question is whether the new line can be held for a time—with or without any formal policy. Most unions are probably quite prepared to pause before making fresh claims, provided that everyone pauses. But if one or two unions decide otherwise, it is inevitable, with the present pressure of demand, that the rest will soon follow their example, the employers will be unable to resist, and the spiral will take another full turn. It is hard to see that the Government can stand aside and do nothing if this process begins before the Budget. What has to be doubted is whether it can in fact do anything effective by another direct attempt to hold down wages. And even a disinflationary financial policy takes time to exert its influence on wage negotiations; it might be the third rather than the second round of wage advances that the Budget succeeded in inhibiting. That it should succeed is all the more important.

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The Dock Strikes

It is most encouraging that the trade union leaders of the dockers have succeeded in preventing the dock strikes at Liverpool and Manchester from spreading to other ports. Early this week Mr Deakin and his colleagues in the dockers' section of the Transport and General Workers' Union opposed and defeated the attempt of the so-called Port Action Committee to enlist support in London for the strikes; they showed that no more than about two hundred of the 27,000 dockers in the London area were prepared to follow the Communist line. Their success has also had repercussions in Liverpool, where, at the time *The Economist* went to press, the strikers seemed to be losing enthusiasm.

The alleged cause of the strike, which was called by unofficial agitators without warning, was dissatisfaction with the wage agreement ratified by a substantial majority of the dockers' leaders last week; this increased the minimum wage from 19s. to 21s. a day. There is little doubt that the real point was to make one more attempt to break up the official unions. There are also some grounds for believing that, like the "go slow" movement among engineering workers in the same area, the strikes were part of a general campaign by the Communists to dislocate industry in the north-west region.

The chief cause of the Communist failure in London was the energetic effort which the official union leaders have made during the past twelve months to show up Communist motives for what they are. Mr Deakin has been relentless in his attack, and every part of his organisation is now alive to the methods by which the Communists have sought to gain control of branches and districts in the past. From the point of view of the country as a whole, this is undoubtedly the best way of making the Communists harmless. It obviates any need for drastic political or legal action—which might so easily be misunderstood and misrepresented—and it strikes at the foundations of Communist influence.

Shocking Pink

It may or may not be significant that the colour chosen for "The British Road to Socialism"* is one easily recognisable by anyone conversant with fashion literature as "Shocking Pink." It is more certainly significant that the Executive Committee of the Communist Party should choose for its programme a markedly nationalistic title, and that the contents of that programme should have an unprecedentedly nationalist, even patriotic, slant. The familiar pie-in-the-sky and down-with-the-wicked-exploiters themes are of course not omitted, but they are well in the background; the main plank of the Communist platform is nothing less than a declaration of British independence.

Independence, needless to say, of the "American millionaires" whom President Truman presumably represents; independence of the "war camp" of the Atlantic and Brussels pacts; this is the independence now threatened or forfeited by the treachery of the Labour Government. That any threat to an "independent"—i.e. disarmed and isolated—Britain could possibly come from the "peace-loving" nations in general or the Soviet Union in particular is a calumnious myth. Socialism must come in each country in a form, and by means, arising out of that country's needs and traditions; British Communism is British, it is implied, not Soviet-dictated or Cominform-inspired. And so on, for more than half the pamphlet; the remainder being concerned with constitutional and economic projects deserving no more attention than usual.

There are two main bodies of opinion whom this change of front may be designed to impress. One is the Communist Party membership itself. Not all Communists, presumably, are completely devoid of concern for the specific interests of their native land; is there a danger that, unless reassured, some might find in a leadership wholly and overtly subservient to the Kremlin a justification for that horrid thing Titoism? Is King Street vaccinating its devotees with a non-lethal dose of nationalism, to forestall an Italian-style split? The other, of course, is the Labour Party's lunatic fringe, sufficiently disgruntled by rearmament and its attendant discomforts—so Mr Pollitt may think—to be attracted into the fold of true Socialism by a gentle smoothing away of obstacles. In either case it is significant that the means of popularity should be sought in the repudiation of what used to be a central tenet of Communism everywhere—its overriding internationalism, its contempt for frontiers, its assertion of the unqualified unity of the workers' International. Mr Pollitt must have put on his bowler hat to draft this new version of a popular front programme.

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Paris versus London Headquarters

As the time approaches when General Eisenhower's headquarters near Paris take shape attention is focused on a problem which has been worrying European and American officials for some time. What is to be the future of the tenuous relationship between the older Organisation for European Economic Co-operation and the newer North Atlantic Treaty Organisation? Are they to remain separated geographically by the Channel and functionally by two different aid programmes? How can the two staffs be best used?

On the American, the aid-giving, side a marriage has almost been arranged. It is too soon to say that it will shortly take place for a number of questions remain unanswered: in particular, whether economic and military aid, after the present ERP credits expire in June, will actually become one or will merely be tightly co-ordinated; how the Economic Co-operation Administration can be most efficiently merged with American Nato missions, and whether

*"The British Road to Socialism." Published by the Communist Party, 16, King Street, W.C.2. 22 pp. 3d.

Paris or London will be the centre. But Mr Katz, the US special representative in Europe, and Mr Spofford, the American deputy on the Atlantic Council, have just returned to Europe after talks with the new co-ordinator of foreign aid programmes in Washington, Mr Thomas D. Cabot. And they undoubtedly have in their pockets some plans for streamlining the shape of American organisations in Europe.

While the European offices of ECA are thus in suspended animation, the struggle in the field between OEEC and Nato becomes increasingly bitter. The device adopted last October of trying to resolve it in favour of both parties by turning OEEC officials into the Nato economic and financial working group, set up in Paris, has not yet succeeded. The conflict is seen at its most acute on the issue of location. On the one hand, Britain and some leading American officials in Nato want to stay in London. They fear the quicksands of the continental atmosphere and prefer the calmer London air where Anglo-American co-operation thrives so well. On the other hand, the continentals and some Americans argue that it is nonsense to divorce the political and production authorities from the military headquarters, when they must in time of peace be in daily contact. These national arguments have an emotional counterpart in the fears of the smaller countries that London is the breeding ground of great power (particularly Anglo-American) oligarchy. The air is already slightly tainted with resentment over the three-power military Standing Group in Washington and there is a determination that the deputies shall not try a similar coup. The situation threatens to sterilise the economic work of both organisations and should not be allowed to continue.

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Rumours from Prague

The published results of the Czech economic plan for 1950, incomplete and inadequate though they are, provide an important clue to the meaning of last week's rumours of dissensions and purges within the civil service and the Communist Party. Although a rise in production is claimed in almost every branch of industry, it is admitted that heavy engineering production fell 0.6 per cent behind the plan target, which must represent quite a large falling behind in the super-plan target; and although the mining industry exceeded the plan target by 3.7 per cent, it only achieved 99.5 per cent of its super-plan target.

These deficiencies may not appear excessive—the targets were perhaps in any case impossibly high—but they occur in key sectors of Czech industry. Coal is the foundation of all economic development; and the inability of the Czechs to build enough heavy engineering products is placing them in a very difficult position. They have been increasingly unwilling to give the Russians priority in the delivery of machinery because they have been desperately anxious to maintain their deliveries in the West, whence must come essential raw materials as well as consumer goods needed to stimulate the productivity of Czech workers.

The reports of extensive purges in various Czech ministries may be exaggerated. Certainly Mr Kliment, the Minister of Heavy Industry, still seems to be riding out the storm. But whatever purges there have been are undoubtedly due to the Soviet Union's dissatisfaction with the contribution Czech industry is making to its voracious needs. It has also been expressed in the holding up of promised grain supplies to the Czechs. The Czech Government has tried to put the blame for the subsequent food shortage on the hoarding and speculative activities of "criminal hostile elements"; and it has raised the price of bread and flour, ostensibly because of the improved quality of the flour, but really in an attempt to ration by the purse.

It should also be remembered that, apart from their economic performance, the Czech Communists have been

proving unsatisfactory in other ways. They have failed to press ahead with the collectivisation of agriculture; and the Cominform journal's attack two months ago on the "political and theoretical mistakes" of the Czech Communist paper *Rude Pravo* was really an oblique attack on the ideological shortcomings of Gottwald, Zapotocky and other leading Communist politicians.

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Communist Patriots in Italy

It is as yet too early to estimate the exact significance of the latest defections from the Italian Communist Party, which are discussed in an article from our Rome correspondent on page 326. To jump to the conclusion that the revolt led by Signore Magnani and Cucchi, and the subsequent purge to which such revolts always give rise, are a serious blow to the efficiency of the party would certainly be wrong. Similar defections—although not of such leading party members—and similar purges have happened before. They do not touch the inner core of fanatical Stalinists; indeed, it might be argued that they can only benefit from the sloughing-off of all whose loyalties might be divided if ever a real bid for power were made.

The issue over which Magnani and Cucchi split with their comrades was not one of party dogma; it was a simple principle of patriotism. They could not stomach the Communist campaign to undermine the willingness of the reservist to defend his country. They recognised from whence the danger threatens; and they felt compelled to reaffirm their belief that, where Italy's territorial integrity is concerned, the Soviet Union is "just like any other country." Their stand is not likely to affect the Communist diehards, who have already been actively planning their battle stations on the hoped-for day when Italy is invaded by the Red Army. But it is clear that it has been received elsewhere with sympathy, and sometimes with more than sympathy. It is not without significance that the pro-Magnani posters plastered all over the strongly Communist town of Corregio in Emilia were not torn down; that a local general strike, called for last Monday to show the strength of the Communists, was called off; and that the powerful Communist-dominated Partisans' Association is reported to have split over the question of the defence of Italy.

That the party leaders themselves are seriously concerned is shown by the absurdity and virulence of their attacks on the two rebels. Magnani and Cucchi are of sufficient eminence and reputation within the party to serve as a rallying point for any other "national" Communists; and the cause of their quarrel with the party can only increase the discredit into which Communism in Italy has gradually been falling.

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The Use and Abuse of Land

It is an unfortunate coincidence that the Ministry of Local Government and Planning's handbook, "The Control of Mineral Working" (HMSO. 2s.), should appear at the same time as the Minister of Fuel and Power's announcement that open-cast coal-mining is (contrary to an earlier promise) to be carried on indefinitely and on a wider scale. It is the responsibility of Dr Dalton's Ministry to ensure that all land is well used, and nobody contends that open-cast coal-mining falls within this definition. It is a wasteful way of using land, as well as a costly means of getting coal. The provision that the land shall be restored to a suitable condition after use (to the limited extent that this is practicable) makes the operations less wasteful but more costly.

The Ministry's handbook, which is intended as advice to the local planning authorities and the interests affected, significantly excludes coal from its terms of reference. All

other minerals may be worked only by permission of the local planning authority and subject to any conditions imposed by it. The handbook, on the whole, adopts a sensible approach and stresses that economic factors should be carefully studied and onerous conditions avoided. All the same, it is strange justice that private mineral undertakings should be closely regulated while another Ministry is free to tear up as much land as it pleases in pursuit of its production target. In the former case, the interests of agriculture and amenity are carefully protected; in the latter case, the extensive damage done them is merely "regretted" by the Minister.

The need to get more coal is not an adequate defence of Government policy. Open-cast mining is a temporary expedient for avoiding the difficulties involved in recruiting sufficient labour for the mines. As such it may now have to be continued for a few more years. But it provides no permanent solution to the coal problem—especially since suitable sites are being rapidly exhausted without making more than a fractional contribution to coal stocks. A Government which enjoins on others the prudent conservation of land resources should surely not be so careless itself.

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Proposals for Local Government

Sir Malcolm Trustram Eve, in a lecture this week at London University, gave an able defence of the proposals which, as chairman of the ill-fated Local Government Boundary Commission, he put before the Government in 1948. Sir Malcolm is no inhuman advocate of the big unit in local government. He urged that the all-important "human" services—education, health, the care of the aged and of children—should be administered as locally as possible; and he contended that any town having, broadly, 60,000 or more inhabitants could provide these services efficiently. This conception of a new type of borough, responsible for most, but not all, local government functions, was the most fruitful idea in the commission's report. The new type of authority might prove as appropriate to the conditions of this century as the county borough was to those of the last. The complementary aspect of the proposal is that certain other services (notably police, the fire service and the making of town and country planning schemes) should be administered over the broader area of the geographical county.

Sir Malcolm also applied his ideas to Greater London, an area not included in his commission's terms of reference. He recognised the LCC to be an anachronism; but he rejected the idea of a Greater London Authority because it would be grossly oversized—even if its functions were to be restricted (as they well might be) to physical planning and the protective services. Instead he would split up the area of the Metropolitan Police District into six county councils, each with from one to two million inhabitants. This would produce smaller and neater administrative counties both inside and outside the London wen (for Kent, Essex and Surrey would be shorn of their suburban areas). The proposal is worth considering. However, Sir Malcolm might more logically have arrived at the notion of returning his "human" services to the minor authorities in Greater London—most of which already meet his minimum requirement of 60,000 inhabitants. Why, then, should they not become most-purpose authorities, possibly within the framework of a single large county council whose powers could be strictly limited?

In general, the Boundary Commission's scheme of reform is by no means perfect; but it does represent the only constructive official proposals available for dealing with a pressing problem. The Government, which last year promised the quick production of superior proposals of its own, has a difficult task to do—and one that it has shirked for quite long enough.

Canada's Rearmament

The plans for Canadian rearmament and defence, announced on Monday by Mr Brooke Claxton, the Minister of National Defence, represent a very considerable advance on any programme that Canada has previously contemplated in peacetime. The strength of the active forces is to be raised to 115,000 men, which is about 70 per cent higher than the present figure, and ten times the size of the force Canada maintained in the 1930s. A brigade group is to be made available for service in Europe and the Royal Canadian Navy is to have 100 ships in commission. The RCAF will, within the next three years, produce eleven squadrons for the integrated force, will train 1,100 Nato airmen a year, and raise its first line strength by 3,000 aircraft.

The nature of the Canadian defence programme has been shaped by two unalterable factors: the impossibility of inducing the French-Canadian section of the population to accept conscription in peacetime, and the necessity to integrate armament production with that of the United States. It is no secret that General Eisenhower and the other Nato powers had hoped that Canada would send a full division to Europe, but the Canadians clearly feel that this is not possible without conscription. Their military effort has to be confined to a small force in peacetime, and the best offer that they can make is to have ready a speedy mobilisation programme in the event of war. The new programme envisages the mobilisation and equipment of four divisions in the first year of a war.

It is the necessity to standardise on American equipment which led to the decision to put the Canadian brigade group, when it comes to Europe, under American rather than British command, a decision that has been accepted with reluctance by the soldiers, who know and prefer British methods and organisation. At the end of the war Canada had arms and equipment of British make, or made in Canada on British lines, for rather more than two divisions. One division's worth was given to the Dutch last autumn; the decision to dispose of the other division's worth to the other Nato powers marks the final decision to standardise on American types. In aircraft, on the other hand, the Canadians in producing the *Canuck* fighter and certain other aircraft have effected a successful synthesis of their own between British and American types. It is therefore probable that the RCAF squadrons in the integrated force will be able to fit into either the British or American sphere of operations.

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Peking's Decoy Ducks

An interesting internal development in China since the outbreak of the Korean war is an officially sponsored drive of the six non-Communist parties in the People's Government coalition for recruiting new members. Plans for this expansion are reported to have been worked out at conferences held in November and December, and each party has been allotted its particular field of political activity. Thus the China Democratic Association for National Reconstruction is to recruit industrialists and merchants, while "democratic overseas Chinese" are to be reserved for the China Democratic League. The licensed sphere for the non-Communist parties is strictly confined to the "national bourgeoisie" and petty bourgeoisie, whose support for the regime is to be thus organised; workers and peasants are strictly reserved for the Communist party, and even the so-called China Peasants' and Workers' Democratic Party is only to recruit "Government employees, specialists and technicians"—presumably those who in a society based on Marxist principles are anxious to cover themselves with a proletarian label. It is laid down that all non-Communists enrolled in the coalition parties must accept the common programme of the People's Political Consultative Conference,

participate in land reform, support the Government's foreign policy and observe the rules of the particular party which they join.

It may seem at first sight odd that a dominant Communist party should be thus encouraging expanded membership of middle-class parties which are in coalition with it. The Communist tactics, however, are quite logical in relation to the policy of postponing the expropriation of the "national bourgeoisie" (capitalists unconnected with either the Kuomintang or foreign interests) and the petty bourgeoisie until these classes have performed their function of expanding Chinese industry. The Communists need to retain and consolidate the support they had during the civil war from these classes, who were inspired by disgust at Kuomintang corruption and fiscal incompetence and also by nationalist motives—but they do not want them in large numbers inside the Communist party.

The function of the non-Communist parties in the People's Government coalition is to act as decoys for the middle classes, whom the Communists regard as class enemies and intend ultimately to destroy. The non-Communist parties have no real power in the state, and can be curbed or suppressed whenever necessary; for the Communists hold the key posts in the administration and keep a firm control of the army. The attitude of the non-Communist parties to their masters has nothing in common with what a free democracy regards as normal in an independent political party. Thus the Democratic League, in a manifesto at the time of its reorganisation a year ago, declared that in representing certain classes of the population its purpose was to "follow the lead of the Communist party," adding that "the path of Mao Tse-tung can never be wrong."

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National Insurance Review

The Government Actuary's interim report on the working of the National Insurance Act up to March 31, 1950 (HMSO, 1s.), is non-committal and factual. What it gives is an estimate of the numbers in the different classes of contributors and in the different classes of beneficiaries. It also shows the effect of full employment on the National Insurance Fund. What it does not do is to give any hint that the original estimated rate of unemployment (8½ per cent) should be revised to the current actual rate of under 2 per cent, with a view to increasing national insurance benefits without a comparable increase in contributions.

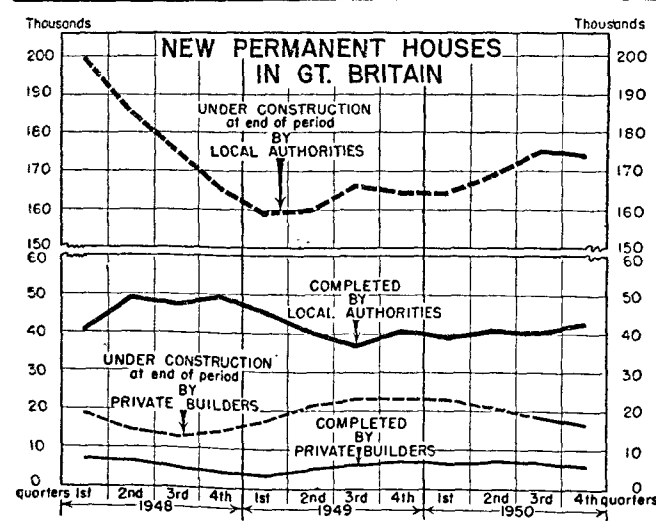
On March 31, 1950, the reserve fund was unchanged, compared with the figure on July 5, 1948, and the National Insurance Fund, into which contributions are paid and out of which benefits are met, had risen from £109.6 million to £333.7 million. More than four-fifths of this increase is accounted for by the light unemployment figure. The cost of sickness benefit was slightly under the estimate—£66 million in a year compared with £77 million. Because so little has had to be paid out in unemployment benefits, the proportion of national insurance payments accounted for by retirement pensions is even higher than had been expected. It was estimated that they would account for half the total expenditure; in fact they accounted for nearly two-thirds. But this is not all. Owing to the increase in the number of people entitled to retirement pensions during the next thirty years, the cost of these pensions is likely to be doubled; and since the income from contributions will remain about the same (even if allowance is made for the additional 4d. per head per week payable from October), almost the whole of the extra cost of retirement pensions will fall on the Exchequer.

Clearly, therefore, if it is decided that the assumed rate of unemployment can be revised, the benefit should be used to relieve the Exchequer of part of this burden and neither to increase benefits nor to reduce contributions. Any help

that is to be given to national insurance beneficiaries to meet the rise in the cost of living should be given through the national assistance scheme—that is, after a test of needs. This is not the time for the state to become more generous to those of its old-age pensioners who have other resources.

Five Years of Housing

The record of the fifth year of Labour's administration of housing is now available,* and it is possible to look back over the whole period. Since Mr Bevan, as Minister of Health, consistently refused to commit himself to any definite target, no one knows how far he overshot or fell short of his own intentions. The greatest change during the period has been the shift in interest. In the early days the monthly output of houses was the dominant preoccupation and there were constant adjustments to get the programme into balance; there has since been a growing realisation of the problem of costs and an appreciation that the maladjustments have become more financial than physical. For two years the manpower engaged in house-building and the output of houses have remained stationary: 231,000 men have been producing 197,000 or 198,000 houses a year. Over the five years, 821,000 permanent houses and 157,000 temporary houses have been built and 283,000 homes have been provided in houses which have been adapted or converted. Some 1,250,000 families have thus been rehoused since the beginning of 1946.



Housing has now for two years been free from the disorganising shifts in capital investment policy, and it is disappointing that this period of stability has shown no improvement in productivity. The Government and the industry seem to have settled down into a remarkably firm rut. Much has been said about the value of incentive schemes and about the gradual decrease in the time taken to complete houses. These improvements are not visible in the returns. Dr Dalton can hardly be complacent about the resources in men, money and materials devoted to housing. Can they really not be put to better use, either producing more houses or doing something else? At the present rate of building, very little impression can be made on the central problem of housing—slum clearance. Until the Government is prepared to spread the resources devoted to housing more widely—by spending less on each individual house and by allowing private enterprise to attempt faster and more economical methods of building—new slums will come into being nearly as fast as old slums are cleared. At present private enterprise is building only about one-eighth of the

* Quarterly Housing Returns. Cmd. 8138, 8139.

houses. While the weight of Labour opinion will no doubt remain firmly on the side of local authority housing, it surely is not hard to recognise that a little more freedom would probably help to quicken the pace of building.

War's Waifs and Strays

The two most pitiful groups of refugees in the world today are the Arabs and the Koreans. The problem is not primarily to find them jobs and a new niche in the world, but to provide them with the basic necessities of life: food, clothes, shelter and medical supplies. There are about 800,000 Arab refugees and the present estimate of over 2 million refugees in South Korea will swell continuously as long as the fighting goes on. It is disgraceful that a sense of responsibility for these unfortunate people seems still to be so unevenly developed among the members of Uno; for the negotiating committee specially set up to chivy members into paying their agreed share of the cost of relief programmes has had only a qualified success.

It is true that Korea has not done too badly. Of the \$250 million aimed at, \$222 million has been pledged in currency or goods by 38 different countries. But of this sum all but \$29½ million has been pledged by two countries—the United States with \$162½ million and Britain with \$28 million. Only fourteen countries have contributed a total of \$34 million towards the Assembly's \$50 million Arab relief programme. Here again all but \$1 million has been provided by the United States and Britain; and since both the American contribution of \$25 million and the British one of \$8 million are conditional on "adequate contributions" being made by "a sufficient number of other governments," the future of the Arab relief programme seems to be in grave danger.

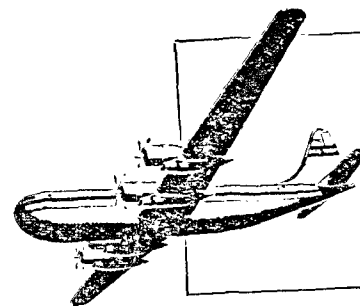
Unless the United Nations agency in Palestine receives new funds quickly it will clearly have to abandon its constructive rehabilitation projects and concentrate on the prevention of starvation and disease. And even if the Americans and the British waive—as they probably will—the conditions attached to their contributions, the sharp rise in world prices will make it extremely difficult for the agency to meet all demands even in the restricted field of relief. It is time to say frankly to some of the Latin American representatives—so ready with their advice and votes when the political fate of Palestine was at stake—that they are shirking their obligations as members and their responsibilities as civilised governments.

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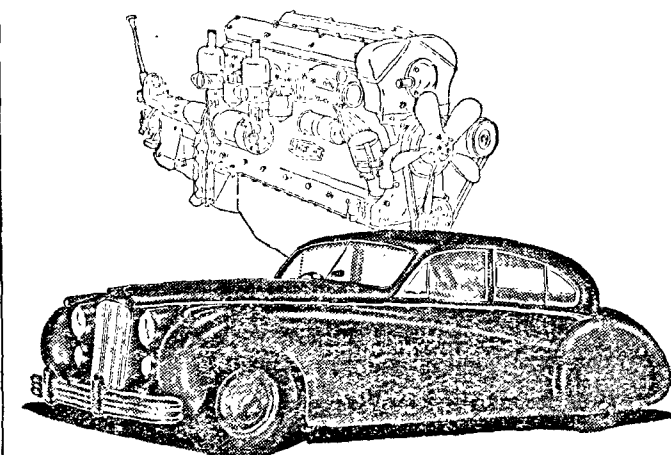
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Letters to the Editor

The Weapon of Publicity

Sir,—Your article in *The Economist* of January 27th is timely and valuable, but I think you deal too summarily with the BBC's overseas services. The Beveridge committee by its terms of reference excluded "those aspects of the overseas services for which the BBC are not responsible." Clearly the reference here is to the cold war propaganda broadcasting. Moreover the committee's discussion of the overseas services is brief and very general. Some of the fundamental aspects are not dealt with.

Concerning the cold war propaganda broadcasting, most persons who have had adequate and responsible experience of political warfare propaganda will agree that this activity of all others should be entirely a government activity. Such propaganda should be initiated and controlled throughout by an appropriate government agency, since, to be an effective instrument of political warfare and national policy, it must be the work of those who not only know all the relevant facts but are able to direct propaganda with a view to forthcoming developments of which they alone can have the knowledge. The United States government makes no mistake about this since the Voice of America is purely a governmental activity. But this is not all. The immense power of propaganda initiated and controlled throughout by a government is shown not only by the present Russian propaganda broadcasting, but by our own experience in two wars. I would urge on the government the absolute necessity of now making propaganda part of our rearmament, to be controlled and provided for side by side with the provisions for the fighting services.

On the rest of British overseas broadcasting the crucial question to be asked is how many people listen to these elaborate and costly programmes which are broadcast round the clock to all the world, day in and day out? The answer is, nobody knows; but such small information as is available leads to the presumption that listening is on a small scale. Paragraph 245 of the Beveridge report seems to be a tacit admission of this and the forthcoming establishment of an audience research organisation for overseas broadcasting is welcomed. But has the cost of such an organisation been considered? In some of the countries for which the information is most necessary the audience research will not be allowed. And even in friendly countries there will surely be considerable political objection to such an activity, for it will certainly be regarded as a very formidable propaganda activity. Surely the best way to achieve all the aims which our overseas services desire is to have an exchange of transcription programmes with such countries as will accept them. This means that the programmes will be broadcast in the national services of the countries concerned and we can know at once how many people are listening from the records of those same countries. Here the British Council and the BBC can

work very closely together, each saving the other large sums of money and really achieving the objects which they have in mind.

Finally, you put your finger right on the point when you asked if a central planning authority working to a common directive or pattern can be achieved. —Yours faithfully,
J. COATMAN
St. Andrews University

Planning in Germany

Sir,—In championing Mr Balogh, in response to my review of the latter's book on Western German economic policy, Mr Davidson has hardly done his cause a service.

It is no argument against the statement that the German circumstances—defined in my review—were unsuitable for an experiment in controlled inflation to say that the Germans in the last 25 years have shown themselves as suitable as other people for economic experiments, and have been ingenious in devising some themselves. This is indeed "word-making" to conceal a poverty of argument. The only point in harking back to the ineffective method of food-collection practised before 1948 should be to show that it was not possible to offer inducements to the farmers until the currency reform gave value to money, and freedom from controls brought goods to the shops. In other words, Mr Davidson, who thinks he is arguing in favour of "democratic" as opposed to "Nazi" controls, is really recalling evidence in favour of the policy which was pursued with such manifest success after June, 1948. He is, incidentally, wrong in stating that my review "admits the disastrous consequences of the economic policies" in Germany to date. It admits faults; but if the amazing recovery of Western Germany (in contrast to the Soviet Zone) is "disastrous," the word has really lost its meaning.

Mr Davidson's final disservice to Mr Balogh, though not to Russia, is to draw attention once more to the fact that the author supported reparations from current production. The fact that the other Powers once agreed that reparations might be taken when Germany had balanced its payments, does not alter the truth of my statement that it was a Russian thesis—nor does it become better economics.—Yours faithfully,
YOUR REVIEWER

Dangerous Corner

Sir,—In a leading article on January 27th you say "first things must come first. And incomparably, the first thing for Britain is that the Atlantic alliance should hold fast." I am sure that there are many besides myself who regard this as one of the most shocking statements ever published by *The Economist*. "My country, right or wrong" may have something to be said for it, but to adopt as the motto of the Foreign Office "somebody else's country, right or wrong" is to base our foreign policy on the most blatant form of expediency. The first

things for Britain must always be principle and justice, and justice is not something to be reserved for one's friends and denied to one's enemies. If we feel that we are bound by the Cairo Agreement to bring about the return to the present Chinese Government of Formosa, if we feel that the Chinese Communist Government should have a seat on the Security Council, even if we feel, on maturer consideration, that the crossing of the 38th parallel by the United Nations forces was in itself an act of aggression against North Korea, then we must say so publicly, even if by so doing we run the risk of offending our American friends.

To judge by the general tone of your article you have so little confidence in the good sense of the people of the United States, and in their readiness as believers in democracy to conform to the will of the majority, even though it is against their own views, that you feel the greatest risk we can run is to lose the support of the United States by voicing our own opinions. The partnership between America and ourselves which you regard as the only hope for the survival of this island if another war comes, and which I regard as the only hope for world peace and the defeat of Communism, requires, as you say, loyalty and mutual forbearance; but unless the partnership is based on honesty it will achieve nothing, and if it is obtained by the sacrifice on our part not only of the right to speak our minds but also of the right to stick to our principles, it can only result in the destruction of democracy and justice as we understand it.—Yours faithfully,
H. D. WALSTON
London, S.W.1

[Mr Walston should read our article again. So far from wishing to abridge "the right to speak our minds" or "the right to stick to our principles," the article affirmed them. We have never been afraid of frank speech to Americans; they always respect it, as the last two weeks have shown. Policy must, of course, be based on moral principles (is it not a moral principle to act in loyalty to those who have been, and will be, your best friends?) but it is the purest hypocrisy to pretend that the policy of a great power can be based solely on moralising generalities—particularly when, as Mr Walston's examples show, they can be given such queer applications. The true argument against the actions of the United States Government is not one of morality (for if that is the major consideration, the Chinese have behaved much worse) but of prudence; and the most imprudent thing we could do would be to permit the Atlantic alliance to be broken.—EDITOR.]

Ambassadors to Spain

Sir,—You seem to have gone badly astray in your note in *The Economist* of January 13th. You contrast the attitude of the Left to Spain with the lack of volunteers for Korea as symptomatic of loss of direction by the Left. That is a false comparison, as any disciple of the *New Statesman* could soon tell you.

To the Left, Spain was a struggle between socialist democracy and fascism—or so it was thought at first. Korea

is a struggle between a "people's democracy" and the near-fascist Syngman Rhee regime, which provoked the North Koreans even if it did not attack them first.

So, if you make an analogy with Spain, the International Brigade would be fighting for North Korea and not Syngman Rhee. British laws of treason and a slightly different view of Communism are among the reasons why the Left in Britain has not responded in the same way. Our native Communists have had a correspondent with the North Koreans and some have sent medical supplies. The non-Communist Left has been content to assume the discarded mantle of Colonel Blimp in the late thirties: "Gad, Sir, Garvin is right. There's only one way to stop these bullying aggressors—find out what they want us to do and do it."—Yours faithfully,
NEVILLE BEALE

Russlin

Keynes Behind the Curtain

Sir,—In *The Economist* of January 13th, after justly exposing the "extraordinary irrelevance, the effect as of ineffectively flailing fists," etc., as characteristics of a review of Keynes's "General

Theory" in a Soviet journal, you pose the important question: "what manner of mind is expected to be convinced, swayed, or strengthened in its convictions by this piece of epileptic incontinence?" Your answer is somewhat astonishing: Presumably it is the Russian mind, and the educated Russian mind at that. One only needs to look into the discussions of economic questions in "Russian Wealth" and other "thick" journals intended for the average educated reader in pre-revolutionary Russia to become convinced that it is not the Russian manner of dealing with questions of economics which presents itself in the Soviet review. *Le style, c'est l'homme*, true. But this style, "Dshugashvilese," as Koestler named it, is not the style of educated Russians of today. It is Communist style, inaugurated by Stalin and adopted by Communist writers and speakers in all the countries where there are Communists.

The real intention of articles of this kind in the Soviet press is precisely to show "the kind of view that is expected of a theoretical economist in Moscow." It is not necessary that he should be convinced, neither is he expected to be. The only thing needed

and expected is that he should behave as if he were convinced.

As to the genuine reaction of the Russian reader, I can recall my own experience. In 1939-41, as a student of history at the University of Moscow, I passionately and industriously searched in articles like that under consideration. I was searching for grains of truth about the outside world. This "inveighing" article on Keynesian Theory, had I read it in 1940, would have shown me that there are people abroad trying to find a way out of the capitalist system without revolution and "dictatorship of the proletariat," and that some of them seem to have found a theoretical possibility of eliminating at least the most unpleasant phenomena, such as economic crises and unemployment.

It is true that the kindly souls who demand "open-hearted, cards-on-the-table, man-to-man approach to the Soviet should study the style." But must the West deal with the Soviet? Instead of dealing with the Stalinists should it not try to deal with Russians? The latter have not been approached so far.—Yours faithfully,

S. V. UTECHIN

New College, Oxford

Books and Publications

The Rise of the Expert

The British General Election of 1950. By H. G. Nicholas. Macmillan. 353 pages. 21s.

Mr Nicholas has written a straightforward, fair, thorough and readable account of last year's general election. Nuffield College, which sponsored the study, must feel that the value of the experiment first made in 1945 has been entirely confirmed. This book has the same essential merit as its predecessor, Mr R. B. McCallum's "The British General Election of 1945": that is to say, it combines detachment with the ability to enter understandingly and even sympathetically into the spirit of an election campaign as it exists for all the three main parties.

The nature of the 1950 election is summed up in the fact that Mr Nicholas's most important and interesting chapter deals with party organisation.

The parties might differ in their attitude to a planned economy. They were at one in their addition to planned electioneering.

The Conservatives had full-time party officials in charge of all but 15 of the 542 constituencies in England and Wales. The inferiority of Labour organisation was in this respect more apparent than real. Though there were many fewer full-time Labour agents (279 in Great Britain) they were concentrated where the party headquarters wanted them; of the 115 constituencies that Transport House regarded as marginal, all but fourteen had full-time agents. The Liberals' organisational weakness was not in numbers—350 of their 475 candidates had the services of paid agents—so much

as in experience and training. In general, there had never before been such a concentration of power in the hands of the party central offices staffed by, and working through, a class of full-time, professional political workers—among whom there often exists, as Mr Nicholas points out, the camaraderie of experts on opposite sides of the fence.

It is a matter of argument how far the rise of the "back-room" professional is a direct and simple reflection of the development of modern techniques of persuasion, and how far it has been accelerated by the pigmy stature of contemporary political leaders. This issue Mr Nicholas does not discuss directly. It is significant, however, that the things he analyses carefully are the manifestos, the party broadcasts, the election addresses, the methods of canvassing and the social, vocational and educational classification of the candidates. Mr Churchill's is the only personality to receive any definition at all, and that thanks chiefly to the detailed account of his friendly exchanges with the *Manchester Guardian*. Even the Prime Minister and his five best-known colleagues are barely mentioned except for their specific actions or statements: four Cabinet ministers do not appear in the index at all and the remaining seven have twelve references between them.

Mr Nicholas gives a lively account of the campaign: perhaps the chief criticism must be that too much of the detail is confined to his elaborate account

of the newspapers' (not, in fact, the Press's) treatment of the election. It would be difficult by this time to draw any novel conclusions. The paradox of the 1950 election was that the campaign was serious-minded, honest, "demure," and yet it failed to perform satisfactorily any of the major functions of an election. It failed to return a Government with an adequate majority: it provided a mandate for nothing but the sort of moderation that can too easily mean getting the worst of all possible worlds: and—because of the conspiracy of near-silence on foreign affairs and defence, together with the ignorance or cowardice about economic issues that was widespread among the candidates—it contributed disappointingly little to the political education of the electorate. Mr Nicholas is not to be blamed if his book has some of the same characteristics.

There is an admirable statistical appendix by Mr D. E. Butler. Its main conclusions must, however, be treated cautiously. Mr Butler points out the existence of what he calls a "bias" in the electoral system: for any given total of votes over the whole country Labour will get fewer Parliamentary seats than would the Conservatives with the same number of votes, because so many Labour votes are "wasted" in piling up huge majorities in places like the Durham coalfield. This is not in dispute, but there are three dangers of misinterpretation: (1) This is no new development and its existence in no way "explains" the failure in 1950 of arithmetical rules which were supposed to fit the facts without any such allowance. (2) The statistician is looking for a tidy relationship between votes and Parliamentary seats, and what appears to him as a

"bias" is not necessarily an unfairness or a defect in the electoral system; the political theorist may well argue that votes in solid "one party" areas should be subject to some discount in representation. (Such refinement of argument is, of course, irrelevant for both the big parties, since to them the advantages of the non-transferable vote in single-member constituencies far outweigh the unfavourable weighting of votes that it makes possible.) (3) It cannot be assumed that the bias of the relation between votes and seats is necessarily also a bias as between opinions and seats. Mr Butler points out that the poll in safe Conservative constituencies was lighter than in safe Labour constituencies, and it may well be that the Conservative elector is more inclined than the Labour elector to leave things to his neighbours when he feels sure that the job will be done for him. The "wasted" Labour votes in Durham may have a parallel in inhibited Conservative votes in Sussex.

An Awful Example

The Cambridge History of Poland: From the Origins to Sobieski. Edited by W. F. Reddaway and others. Cambridge University Press. 607 pages. 42s.

The Cambridge University Press planned this two-volume history of Poland as long ago as 1936. The volume covering the period since 1696 appeared in 1941. The war has delayed the publication of this, the mediaeval volume, until 1950. Some of the contributors are dead, others have been cut off from the Polish archives by the misfortunes of war or by the political transformation of Poland since 1945. It is therefore not surprising that the volume already has the air of being out of touch with recent research, especially in relation to the earliest history of Poland.

Nevertheless the book is of great interest and value, especially because there is no other full and scholarly history of Poland in English or French. The truly epic political history of Poland, from its first emergence in the path of the German *Drang nach Osten* during the reign of Otto the Great down to the raising of the curtain on the first act of the Polish tragedy at the end of the seventeenth century, is here told with commendable clarity and fullness. The economic, social, religious and cultural

history is dealt with more superficially and patchily and is not clearly integrated with the political story. Nevertheless anyone who reads the book with understanding will perceive the fascinating and instructive idiosyncrasy of the Polish state.

Poland is history's awful example, for in Poland alone of the European states monarchy never won the battle against the land-owners. Even Hungary, the closest parallel, had its period of successful autocracy under the Angevin and Hunyadi dynasties. But the burden of Polish history is the recurrent efforts and failures of its kings, Piasts, Jagellons and Vasas alike, to establish an hereditary royal supremacy. The clue to their failure is to be found in the success which the land-owners had in eliminating the towns from economic and political power, for by so doing they destroyed the only ally which could have ensured the success of the monarchy. The monopoly of production and commerce which the Polish gentry secured for itself helped to make Poland one of the largest and richest states in Europe in the sixteenth century, but the land-owners neither would nor could give the Republic that order and security which alone could have saved it from partition.

Despite the fact that this volume has twenty-three contributors the essential unity of Polish history emerges from their narratives. But the volume is not free from the pit-falls which so often embarrass collective work. The worst fault is that each contributor has been allowed to spell the names of persons and places as he fancies to the confusion of the reader who does not know, for example, that Kassa and Koszyce are the same place or that Wladislaw and Ladislas are the same person.

Big Business

Social Aspects of Enterprise in the Large Corporation. By George Hurff. Pennsylvania University Press (London: Geoffrey Cumberlege). 133 pages. 16s.

The problems of economic size and of the locus, nature and motives of enterprise in the large organisation are generally discussed in this country in terms of the nationalised industries, which exhibit them most acutely. Mr Hurff's book demonstrates that to the greater part of them the issue of public or private ownership is irrelevant. Sheer

magnitude, with the separation of functions and dispersal of ownership which it involves, raises them in its own right.

"Social Aspects of Enterprise" disclaims both comprehensiveness and profundity; but it is neither superficial nor am-:eurish. The author skilfully economises space, energy and his readers' time by constant reference to the literature of the subject, from Alfred Marshall to the latest legal judgment, and builds up a significant and stimulating picture of the implications—economic and juridical as well as social—of great size. From the point of view of pure economics its most striking feature is the separation, with the rise of the salaried executive class, of the traditionally profit-rewarded functions of dynamic innovation and adaptation from the legal right to receive profit. Profit, it appears, may serve as a yardstick long after it has ceased to offer a direct personal incentive—though Mr Hurff is careful to point out that indirectly it may have as big an incentive value as ever. The "division of the corporate usufruct" between executives, labour force and shareholders has ceased, he holds, to be capable of determination on purely economic grounds—an argument of unmistakable political importance. The legal elements of the picture can hardly be fully appreciated, in this country, except by those equipped to draw the necessary international comparisons in company law; they are, however, well worth study regardless of the reader's nationality, particularly as they concern the position, powers and accountability of directors.

But perhaps the most valuable section of all is that dealing with large-scale enterprise as a form of human co-operation. Here, Mr Hurff argues, is the "limiting" or "strategic" factor in progress today; "failure to cope with it" (i.e., human collaboration in the purposive change which is the stuff of enterprise) "imperils the very basis of our social and economic order." One wishes that he had dealt at greater length with the questions of communication, incentive, group loyalties, leadership and ethical conflicts on which he touches in this chapter; but here as elsewhere he has been skilful in indicating essentials, placing them in relation to one another, and setting up guide posts for reference and further study.

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Wisdom and Learning

International Law. *The Collected Papers of Sir Cecil J. B. Hurst.* Stevens and Sons, 302 pages. 30s.

Sir Cecil Hurst joined the legal department of the Foreign Office in 1902, serving for 27 years and becoming its head in 1918. The Second Hague Conference of 1907, the London Naval Conference of 1908, the manifold problems of the first world war, the drafting of the Covenant, the creation of the World Court, the Treaty of Locarno were items in his legal practice. He also appeared as counsel for Great Britain in international cases, including cases before the World Court. In 1929 he left the Foreign Office for the bench of that court, being its president from 1933-36. In 1943-45 he was president of the War Crimes Commission.

Sir Cecil's main contribution to international law is, of course, to be found in diplomatic archives and in the records of the court. But he also did much for its scientific study, as chief founder and for some years editor of the *British Year Book*, as a member of the Hague Academy, as president of the Grotius Society in the difficult days of 1940-46 and as chief founder of the new *International Law Quarterly* in 1947. The papers now collected comprise two presidential addresses, seven *Year Book* articles between 1921-29, a course of twelve lectures to the Hague Academy in 1926 and two recent Grotius Society papers. The Hague lectures and one address are here for the first time published in English.

The Hague lectures give an illuminating account of diplomatic immunities. Three of the papers concern the nature and development of international law, three touch on aspects of the claims of individuals against foreign governments, three relate to rights over the sea or the sea-bed and one considers the effect of war on treaties. The range of the papers is thus somewhat limited and there is nothing on the greater issues of peace and war or on international organisation. Within their chosen range, however, the papers are full of interest and show an admirable combination of legal learning and practical wisdom. The two most recent papers are not the least important. One provides a stimulating introduction to the study of the new claims which are being made to oil and other resources of the ocean-bed; the other advocates the scientific re-statement of international law by jurists rather than further attempts at codification by governments and has exercised a wide influence on modern thinking concerning codification. The publication of his collected papers is a happy tribute to a loyal and distinguished servant of international law on his eightieth birthday.

Problems of Partition

The Austrian Economy Since 1945. By K. W. Rothschild. *Royal Institute of International Affairs.* 82 pages. 7s. 6d.

The economics of partition have rarely been studied. In Europe, they can

best be examined in Austria, which has experienced them twice in twenty-five years—the first time in the collapse of the Habsburg Empire, and the second time when it was prized loose from the Greater German Reich in 1945. This second disintegration, which Mr Rothschild describes with a wealth of instructive statistics, coincided with the economic separation of the satellite states from the west, to which Austria belongs. Mr Rothschild sets forth the several stages through which this severely tried country has fairly successfully passed from war conditions. Its currency reforms are of particular interest; for the Austrians were experts in money muddles. The reform plans were well conceived, but were never fully carried through, because the country was not willing to pay the price for success. This was almost inevitable, since it is ruled by a coalition of two antagonistic, almost equally strong parties, the Socialists who represent the wage earners and the industrial urban population, and the Christian Social People's Party, representing the farmers, the small shopkeepers and the handicraftsmen (a good deal of Austria's industrial output continues to come from the latter's workshops). This particular feature is not sufficiently stressed in Mr Rothschild's otherwise very comprehensive picture of Austria's social structure. He is on the whole a believer in the country's future. Yet he barely touches on Russia's claims on "German property in Austria," which have so far barred the way to peace and prosperity. Were they satisfactorily settled, Austria could easily become the playground of the western world, for her mood is far more "playful" than that of her much sterner Swiss rival.

An Intimate Biography

The Life of Joaquim Nabuco. By Carolina Nabuco. *Stanford University Press.* London: Geoffrey Cumberlege. *Oxford University Press.* 373 pages. \$5.00. 40s.

This intimate biography of an outstanding statesman is, naturally, of primary importance to his own countrymen, and in Brazil it has appeared in three editions since it was first published in 1928. Ronald Hilton's translation brings to the English speaking world an opportunity of understanding the complicated relationship of one of the largest—and in some respects the most important—of the Latin-American countries with the United States and Great Britain.

Joaquim Nabuco was a man of extraordinary versatility. He was an intellectual dilettante, an historian of note, a recognised writer, and an accomplished linguist, who wrote in French as well as Portuguese, and lectured to American university students in English. He was an affectionate family man who brought up his children with wisdom and tolerance; a polished diplomat of acknowledged finesse, charm and achievement; and an impassioned crusader for the cause of slave emancipation, and for the ideals and practice of Pan-Americanism.

All this is made apparent by his daughter, who writes his biography with a loving enthusiasm that sometimes verges on the fulsome; and here her translator has served her badly, because superlatives which would appear natural in the original Portuguese, and to readers of a more spontaneous and ardent temperament, become cloying in a more temperate idiom.

His public career falls into three equal phases. The rise of the Brazilian Liberal Party gave him the opportunity to enter parliament in 1879, at the age of 30, and for ten years he waged, and won, an unrelenting fight for the freedom of slaves in Brazil. On the declaration of the Republic he abandoned politics, because of his monarchist principles, in spite of invitations to join the new government, and for the next ten years devoted himself to writing, until political evolution and the modification of his own views made it possible for him to put his talents once more at the service of his country. The last ten years of his life were crowned by a distinguished diplomatic career, first as Minister in London, and later as Ambassador in Washington, where he did much to forward the plans for Pan-American Union.

It is perhaps given to few men to be able to say, as Nabuco did: "Within the sphere of activity which I had prescribed for it, my life is concluded. . . . To me, my life, when viewed in this happy light, seems to be a beautiful dream which Divine Providence, as a special favour, permitted to come true."

Layman's History

History Today. Edited by Peter Quennell and Alan Hodge. 72 *Coleman Street, E.C.2.* Monthly, 2s. 6d.

It is a pleasure to notice the birth of a new and serious monthly periodical, instead of the more usual and melancholy business of writing the obituaries of old favourites. *History Today*, whose second number—for February—has just been published, springs fully armed in a place where the ranks have grown particularly thin—the treatment of history as a serious subject, but presented in such a way that it can be enjoyed and explored by the intelligent layman as much as by the professional. The magazine's aim is to have articles written by professionals with a gift for exposition, and to draw the reader on by illustrations. Certainly the first two numbers have produced a dazzling array of experts—Mr G. M. Young on Mid-Victorianism, Miss C. V. Wedgewood on Stratford, Mr Alan Bullock on The Historian's Purpose, and Mr G. D. H. Cole on The Social Structure of England.

It is to be hoped that *History Today* will fall on fruitful ground, coming out as it does at a time when British historical studies—especially on the political side—have never been more ably conducted, and when external danger has given the normally indifferent Englishman a revived interest in his own heritage.



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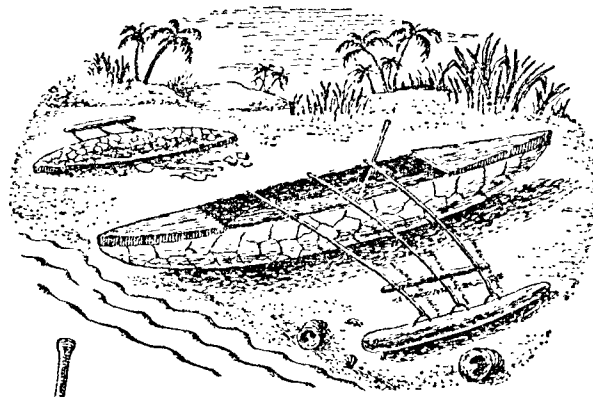
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AMERICAN SURVEY

Atlas of the Free World

Washington, D.C.

THE great debate on foreign policy had lost its greatness a couple of weeks before General Eisenhower came back from Europe. He had expected to have to take off his coat and join in a fight; instead he could put on his best uniform and join a parade. For some time before he made his appearance in the Library of Congress, the mysterious processes by which the American public makes up its mind and transmits its decisions to its elected representatives had been operating. And its decision was that Mr Herbert Hoover was a great statesman who had made an important and timely speech, that every sentiment expressed in it was admirable, but that it would be disastrous to follow his suggestions.

This is not as contradictory as it seems. Probably most Englishmen would be delighted if circumstances made it possible to disregard anything that happened on the Continent. Equally most Americans would like to be able to disregard anything that happens across the Atlantic. The difference between them is that people in Britain had to abandon rather earlier the pleasant illusion that such a course was possible, so that the Little Englander is almost extinct while the Little American, for whom Mr Hoover is the chief surviving spokesman, can still be found in significant numbers. And there are many more who can be found ready to raise a nostalgic cheer whenever the suggestion is made that the responsibility of power can somehow be lifted from their shoulders.

Mr Hoover unwittingly seems to have played the part of the tap at the bottom of the sump of a motor-car. When he was turned on the dirty oil drained all over the road. All the irritations which had been accumulating in the minds of his speech-writer, his friends and a large section of the public appeared—and they were not a pretty sight. But the engine had been emptied and left ready to receive the clean oil of General Eisenhower. "We cannot either individually or nationally," he said, "afford to look over our shoulders with a suspicious thought that our friend is not doing as much as we are." Nobody else in America today could have dared to tell the assembled Congress to change so radically its established view of foreigners; but nobody else, equally, would have taken the precaution earlier in the speech to put Congressmen in the right mood to accept what he had to say by assuring them that "I know you have no end to serve except the good of the United States."

"By doing no more than voice his own faith and determination," the Alsop Brothers wrote, "Eisenhower measurably altered the Washington atmosphere even before his departure for Europe," and by doing so made his task on his return so much easier. And M. Plevin helped by arriving in Washington and giving an impression of French morale very different from anything the United States had been led to expect. As far as anyone can discover, the General made no important revelations of fact to the various Congressional committees with which he talked in private. It would be hard to think of any important new facts which he could have revealed. But he gave the impression that at last there was someone in high places who knew what he was doing,

knew what he wanted to do and had a superb confidence that all would come out right. No more was necessary.

Since the beginning of the Korean war Washington has suffered from too little leadership at home and too much in Tokyo. Part, at least, of General MacArthur's support has come from the belief that, although in theory he should keep his mouth shut, anything he had to say would probably be more relevant than anything being said at home. Mr Truman is, as the 1948 election proved, well-liked. But popularity is not enough when there is a critical situation in the world; and confidence in him has been declining. Mr Acheson can prove brilliantly that other men's policies are stupid and illogical; he is less successful in persuading anyone that his own are right. General Marshall is trusted completely—and his team in the Defence and Service Departments, with the exception of Mr Matthews, the Secretary of the Navy, make their opposite numbers in London look a sorry bunch—but he cultivates his own Department and makes no forays into general policy. The rest of the Cabinet hardly counts in the present mood.

The American people may be sturdy believers in democracy and perennially suspicious of politicians and bureaucrats. They may like electing Hardings and Coolidges and Hoovers in times of peace. But they want strong leadership, and they want it from an individual who can speak for himself when things look dangerous. Mr Truman has been a fox terrier at bay, rather than a President guiding his nation through a crisis. When answering questions about such things as controls, he has reminded people of the wartime joke about "I didn't say there was any sense in it; I said it was our policy," instead of showing that he knows where he is going and how fast he wants to go. Last week General Eisenhower took over a part of his job for him and was at once recognised as the only man to do it. It is not only the combined armies of the free world which he must lead from now on; its political unity also rests on his shoulders.

All this, of course, is very depressing for Senator Taft, who showed his realisation that he must walk warily by refusing to comment on the General's speech until he could see a little more clearly which way the wind was blowing. At this moment, after his victory in November, the Senator has a firm grip on the Republican National Committee. If the convention were to be held tomorrow he would undoubtedly be nominated for President on the first ballot. Those of his party who dislike his ideas and mistrust his ability to carry the country would be swamped by a double argument—that a Republican victory was certain and that, since a liberal candidate had failed in 1948, a conservative should be chosen this time. Seventeen months from now, when the convention is held, Mr Taft will still be strong and the same arguments will still be convincing—unless they have been invalidated by General Eisenhower.

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

It is expected that the General will be prepared to resign some time in the spring of 1952 and, once he has resigned, he will be a possible, though by no means a certain, candidate for the Presidency. It would be an exaggeration to suggest that he would be popular with the high priests of the Republican Party. He is not one of them. But his supporters might be able to organise a revolt of the kind which won the nomination for Mr Willkie in 1940. And, worse still, the regulars might have to admit defeat and accept him out of fear that, if they did not take him, the Democrats would. Few people doubt that General Eisenhower could win as a Republican against anybody the Democrats could find and as a Democrat against any Republican—especially Senator Taft.

How much General Eisenhower wants to be President—even whether he wants to be President at all—nobody knows. He showed quite clearly in 1948 that he disapproved of soldiers in politics. But he also must know, and a year from now will know even better, the dangers of having a man like Mr Taft in the White House. It may be easy by then to persuade him that it is necessary to keep the Senator out, even at the cost of going in himself.

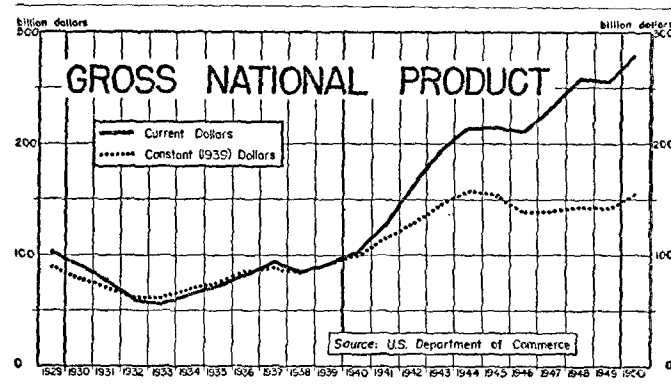
Productivity and Inflation

[FROM AN AMERICAN CORRESPONDENT]

BEFORE the last world war Dr E. G. Nourse, the well-known and conservative economist, in his book "Price-Making in a Democracy," took the automobile industry as the outstanding example of the advantages of passing technological progress in industry on to every section of the community by means of reductions in prices. The chairman of the General Motors Corporation was another who then held that this course was economically preferable to that of raising wages as productivity increased. Yet today the automobile companies are in the vanguard of the firms that think in terms of pushing up wages, and it was the General Motors Corporation which, in 1948, first dabbled in unorthodoxy. In 1950 that company dived head first into the new era of "wage-boosting," long advocated by trade union economists, and was followed by many other leading firms. That was the year when wages were raised by greater amounts than ever before, when higher welfare payments were granted, especially for retirement benefits, and when the trade unions in return accepted long-term agreements providing for five years of industrial peace.

Until last year growing familiarity with the implications of gains in productivity was producing more settled wage policies and more widespread understanding of the inflationary aspects of labour controversies. Now this trend has been checked and the responsibility for stopping inflation has been placed on direct and indirect controls. But the authorities in charge of credit and fiscal policies do not yet show full awareness of the duty that now rests upon them, and as a result the danger of future inflation is acute. In 1950 the incomes of American wage and salary earners rose by \$21.3 billion and in the last quarter of the year they were running at an annual rate of \$155.9 billion. This sharp climb was the combined outcome of gains in productivity, increases in the cost of living, labour's loud demands for higher wages and an unseemly haste on the part of large corporations to give labour what it wanted. There is even a suggestion of "connivance" in the fact that management's record profits in 1950 left it with no tenable grounds on which to refuse wage increases.

At the end of last month the Department of Commerce published its estimates of gross national product (its measure of the country's output of goods and services) in real terms, based upon the 1939 price level. In the usual terms of current dollars, as the accompanying chart shows, much of the remarkable growth in national product has been due to inflation, the result of increases in prices, not in actual production. The Department's new calculation demonstrates that real output gained only 75 per cent from 1929 to 1950. The annual rate of gain per person employed comes out at 1½ per cent; on a man-hour basis it is rather more than



2 per cent, owing to reductions in hours of work. In 1950, however, this rate of gain seems to have been at least 7 per cent, decidedly above the average.

In the automobile industry the gains have been remarkable. When the number of cars and trucks produced is related to the number of General Motors' workers, it appears that productivity rose by 22 per cent in 1949 compared with 1948 and by yet another 25 per cent in 1950. In 1949 average weekly hours worked rose by 4 per cent, but this, like the increases in productivity, was in large part the consequence of a smoother flow of materials, which reduced the stoppages on assembly lines. As a result, the income of the General Motors Corporation rose from \$440 million in 1948 to \$656 million in 1949 and to a rate of \$850 million in 1950. Average weekly earnings of the company's workers rose from \$64 in 1948 to about \$72.50 in 1950; at the present time annual earnings average around \$3,750.

The improvement in productivity in the last two years is now being translated into estimates of the output of the economy for war and civilian purposes. Senator Taft has suggested that the share of the total product to be taken by the federal government be restricted to 25 per cent, and this view appears to be shared by other Senators who do not always agree with Senator Taft; in fact, it is not much below the official budget request of \$71½ billion. In the following table the figures are given in 1950 dollars; the government total includes the expenses of state and local governments, but excludes all transfer payments:—

	\$ billion at 1950 prices.	
	Fiscal Years ended June 30,	
	1950	1952
Gross National Product	263.4	310.0
Government Share (goods and services only, exclusive of transfers):—		
Defence	13.5	54.0
Other	29.7	23.5
	43.2	77.5
Balance available for civilians	220.2	232.5

There would thus appear to be room for an increase, over the two years, of no more than about 5½ per cent in total civilian consumption and capital formation, which, with

rising population, implies a smaller *per capita* rate of increase. This is difficult to reconcile with current wage settlements. Inflation, in fact, is not being directly stimulated at present by budget deficits, but is largely the outcome of the phenomenal growth in labour's total pay. This growth comes in part from higher wage rates, but it also comes from greater employment, especially in the better paying industries. It is clear that increases in productivity will permit wage scales to move upwards; but since such increases will take place in defence as well as in civilian industries, they give every promise of exceeding, at constant prices, the growth in the consumers' share of total output.

In these circumstances heavier taxation is badly needed, as is a savings campaign to make up for the \$500 million by which redemptions of Series E savings bonds (held mostly by the lower-income groups) exceeded sales in the last six months. The "pay-as-we-go" principle of taxation has extraordinarily wide support but, from present indications, the savings campaign is no more likely than are debt management policies and monetary controls to be adequate to stem the inflationary tide in the near future.

It is possible that in the last ten years the country has learned that inflation can prevail and that goods are therefore more desirable than dollars. But it is not yet widely understood that emphasis on the creation of purchasing power must be reversed when it is prices and not employment that continue to rise. Americans are willing to tax themselves, but they still want, and take it for granted that they deserve, wage increases to cover rises not only in productivity but in the cost of living and in taxes.

American Notes

Ten Billion "Package"

This time there is even less reason than usual to think that the taxes finally approved by Congress will be closely related to the Administration's proposals. It was only a first instalment of those proposals that the Secretary of the Treasury, Mr Snyder, laid before the Ways and Means Committee of the House of Representatives on Monday. President Truman sticks to his view that his budget of \$71.6 billion for 1951-52 should be balanced by raising \$16.5 billion in additional taxes. (He does not pretend that this will prevent inflation, but it would require a remarkable President to propose a budget surplus.) Last week Mr Truman proposed that Congress should now quickly write a Bill for a first "package" of \$10 billion of new taxes, and promised suggestions for the further instalment of \$6.5 billion later in the year. His argument for the split was that Government expenditures would rise very rapidly during the next few months, and one instalment of taxes must therefore be rushed through. The point was put rather more bluntly by Mr Snyder, who argued that, since \$10 billion would certainly be needed, it was sensible to get this out of the way and then concentrate Congressional controversy on the second "package."

As a way of trying to shake Congress out of its traditional slowness and independence in preparing tax measures, this is probably as good a strategy as the Administration can hope to devise; but it does not look like being effective. Congressmen seem as anxious as ever to take their time and see, in the hope that all the extra taxes for 1952 can eventually be disposed of in one Bill—which would certainly mean that the President got no new taxes at all until the middle of the year.

Congressmen are stating with customary vigour the two arguments for raising less money than the Administration demands—without, of course, denying the principles of sound

money and balanced budgeting. One argument is that the Administration has underestimated the yield of current taxes; the other is that the expenditure proposed in the President's budget can be cut. It is significant that some Democratic "Fair Dealers" have joined the Republicans in this view. But a very big proportion of non-defence expenditure (which is about \$20 billion) would have to be cut before it made much difference to the budget as a whole. Few Congressmen are prepared to claim that a tax increase of at least \$10 billion can be avoided in the course of the year—and that alone means raising federal taxes as a whole by one-fifth.

*

The President, arguing that the poor are too poor to pay and the rich too few, would concentrate this burden on the middle and lower-middle income groups. The Administration proposes that the lower exemption limit for income tax should be left unchanged, but the rate of tax should be raised by a uniform 4 per cent of taxable income whatever its size. This would yield \$4 billion. The rates of tax both on corporation incomes and on excess profits would be pushed up 8 per cent, to yield another \$3 billion. The capital gains tax would rise from 25 to 37½ per cent. The remainder of the \$10 billion would come from increased excise taxes on cars (the tax rising from 7 to 20 per cent), on many other durable consumer goods (from 10 to 25 per cent), on cigarettes, petrol, beer and spirits; various luxuries (including golf clubs) would bear new taxes. Congress will not follow the President's suggestions for choice but, if in the end it has to find more than \$10 billion of new money, it will be able to drop some of them only by finding instead a substantial new source of revenue; a retail sales tax is the only possibility that has been seriously canvassed as yet.

* * *

Sickness on the Railways

The coal miners' long standing reputation for being the sick men of American labour has recently been taken over by the railwaymen. For the second time in six weeks there has been an epidemic of absenteeism amongst members of railway unions on the grounds of sickness. This excuse was used in the hope of escaping the legal penalties which would be incurred by an avowed strike against the government. The Army has been nominally in control of the railways ever since last August, when the special processes of mediation provided for railway disputes were exhausted and a strike was imminent. The argument actually concerns certain of the operating unions only: the conductors, firemen, engineers and so on are claiming the 40-hour week, with no reduction in pay, which the non-operating unions have already won.

An agreement providing for a wage rise was in fact reached after the first outbreak of "sickness" in December, but the 40-hour week was postponed until 1952 at the earliest, when it was hoped the manpower shortage might be eased. The union rank and file refused to ratify this agreement, and the employers therefore accused the railwaymen's leaders of bad faith. As a result, negotiations were completely suspended until last week; when they were resumed, there was no indication that the employers were prepared to make the concessions without which a lasting settlement would appear to be impossible. The railwaymen may not be physically ill, but they can hardly be blamed for being sick of a dispute that has now dragged on for nearly two years, during which other trade unions have had little difficulty in getting what they wanted. The present stoppage was precipitated by the wage freeze which made the men fear, although probably unnecessarily, that their last chance had been lost.

It was in fact only the switchmen who caught the latest sickness, but their absence from work tied up the marshalling yards in the main railway centres to such an extent that military supplies were delayed, passenger services were inter-

rupted, embargoes had to be placed on mails and industrial operations were seriously affected. There is no sympathy felt for the railwaymen's methods, but a good deal for their claims. This is presumably why the Director of Defence Mobilisation, asking the men to go back to work because they were endangering their country, adopted a more moderate and conciliatory approach than had been expected. At the time of writing the switchmen seem to be returning to work, but slowly and without enthusiasm. The moment has come when the government, which has been in charge of the case since last August, should show more energy and initiative in seeking a cure for the railwaymen's complaint.

* * *

What Price Credit?

Hostilities between the Treasury and the Federal Reserve Board flared up again last week when President Truman attempted to make it appear that the Board had surrendered unconditionally to the determination of Mr Snyder, the Secretary of the Treasury, not to permit any change in the level of interest rates. A 2½ per cent yield on long-term bonds has been maintained since early in the last war by Federal Reserve purchases at pegged prices; the consequence has been to deprive the central bank authorities of any effective regulation of the supply of credit. Banks wishing to expand their loans have been able to sell their government securities without loss to replenish their reserves. Mr Snyder's announcement that the 2½ per cent rate would not be exceeded in financing mobilisation turned these long-term bonds virtually into demand notes.

Officers of the reserve system quickly and indignantly denied that they had promised any more than the maintenance of orderly conditions in the government bond market, and outside commentators expressed pained surprise that the President had attempted to dictate policy to an independent agency responsible to Congress. From the record of the meeting, some of the President's enthusiasm for freezing bond prices seemed to be based on unhappy memories of a Liberty Bond bought during the first world war, which, when he cashed it, was selling well below par. No one seems to have pointed out that present savings issues are immune to fluctuations.

*

Mr Snyder nailed the 2½ per cent yield to his mast—and, incidentally, scoffed at those who harboured the delusion that fractional changes in the interest rate can be effective in fighting inflation—in announcing that holders of Series E savings bonds, now beginning to mature, would be offered cash, a ten-year extension on the same terms, or a 2½ per cent savings bond. The real test, however, will come in the second half of the year, when the Treasury must refund \$32 billion of outstanding securities, and may call in another \$12 billion. Together, this would involve nearly one-third of the total marketable debt exclusive of bills. Mr Snyder points out a rise of ½ per cent in financing the public debt would cost the government another \$1.5 billion a year.

There is still time, therefore, for the issue to be debated, and a forum is provided by the Senate hearings now opened on the Economic Report. Mr Keyserling, the chairman of the President's Council of Economic Advisers, and one member, Mr Clark, have already submitted a statement arguing that the confidence of investors must not be shaken by falling bond prices, and that inflation can best be cured by rapid economic expansion. In their view, general credit restriction would hamper expansion, and selective controls, on inventory loans, as well as housing and consumer credit, are to be preferred.

The Federal Reserve Board might take its case to Congress; last year a subcommittee under Senator Douglas

concluded—though the Treasury turned a deaf ear—that the Federal Reserve's views should prevail over those of the Treasury when the control of credit was at stake. Senator Douglas, at least, is still of the opinion that any money saved the Treasury by keeping down interest rates artificially is lost many times over through rising prices of goods the government buys. It is not likely, however, that the Federal Reserve will challenge the Treasury on the specific issue of yields and prices; Mr Marriner Eccles, the Treasury's most formidable critic on the Board, recently testified that

I'm not one who would say that any central bank . . . should enforce its will. But it does seem to me that the Government should recognise the dilemma that a fixed pattern of interest rates creates.

Mr Eccles, speaking only for himself, urged that Congress resolve the dilemma by giving the central bank new powers to replace those it has lost, such as the right to impose reserve requirements on all commercial banks, not merely on members of the system, the right to require banks to maintain a secondary, special reserve of government bonds or cash, and perhaps powers to require savings institutions to hold a proportion of their assets in government bonds.

* * *

Congress Weighs the Draft

General Eisenhower has taken time off from his other duties to put his shoulder to the wheel of General Marshall's Bill for universal military training and service. This proposal, including, as it does, lowering the draft age from 19 to 18, and lengthening the term of service from 21 to 27 months, is bogged down in Congressional fears of the embattled mothers of America. The service committees are naturally anxious to show that they have exhausted every other source of manpower before they take the unprecedented step of calling up boys of 18 in peacetime. Though the veterans in the draft age groups, 19-26, are certain to remain immune, there are other protected classes. As Mr Vinson, the chairman of the House Armed Services Committee, remarked, the present conscription Act is like a sales tax passed just before an election—all exemptions.

Some Congressional suggestions are clearly unprofitable. Stories of 4-F's, the rejects who, while not strong enough to carry a rifle, manage in civil life as prize fighters or baseball players, have given Congress an exaggerated idea of the number that can be recruited from this group. Mrs Rosenberg, the new Assistant Secretary of Defence in charge of manpower, receiving her baptism of Congressional fire, put the number in the end at not more than 80,000. Veterans with only short service might supply a few more, though most of them were discharged for physical reasons. Raising the age limit would take men who would not make such good soldiers and who had already acquired industrial skills. Occupational deferments can be squeezed. The big concession the Department of Defence has made to Congressional sentiment is to agree to summon some 300,000 childless married men, now deferred by Presidential order. But this is only on condition that the final Bill does not prohibit the conscription of the 18-year-olds. There is a good deal of feeling, as well, that if they are called up, these boys should not be sent overseas until they are 19, but General Marshall has pleaded that this would tie his hands in an emergency.

The Department of Defence perhaps made an error in presenting its case so largely as a question of balancing the manpower accounts. Congress is inclined to believe that from one source and another the forces can reach their 3,462,000 goal without the 18-year olds. This would allow a very small margin, and does not take into account the need for replacements. But, most important, it ignores the need for creating a big back-log of trained men who could spring into action in an emergency in three months, rather than taking a year and a half to train.

While Congress hovers on the brink, the strain on the eighteen- and nineteen-year olds themselves is becoming unbearable. The colleges have been depleted by panic enlistments of young men wishing to assure themselves at least of the service of their choice by volunteering. General Marshall has had to promise that men whose call-up is postponed because they are at college will not necessarily lose their freedom of choice.

* * *

Dry Rot in the RFC

The Senate Banking Committee, in the course of its year-long investigation of the Reconstruction Finance Corporation, the government's largest lending agency, has already laid bare a number of cracks in the structure. It has now reported that the whole agency is, in the words of Senator Fulbright, the committee's chairman, "infected with institutional dry rot." The general signs of the disease are said to be lack of resistance to political pressure, personal favoritism in making loans, failure to take expert advice and inefficient management. The particular symptoms that angered even the Democratic members of the committee were the apparent subservience of the directors to the White House, and the readiness of a Republican representative on the board to give special attention to recommendations coming from the Democratic National Committee.

The directors of the RFC of course deny the charges, but the Senate will probably make them an excuse for further refusals to confirm the board. All five members have held interim appointments since last August, when the President completely reorganised the high command of the agency, in an attempt to silence criticism. His new appointees were known for their interest in the small business enterprises which are so dear to Congressional hearts and which are the chief, although not the most publicised, recipients of RFC loans. The agency has also been trying to put its own house in order, by reducing its staff and tightening its operations in other ways, so as to cut expenses.

But this has evidently not satisfied Senator Fulbright, who long ago prescribed a more drastic remedy. He has Bills before Congress which would require greater publicity and stricter terms for loans, and would replace the board of directors with a single governor. This is how the RFC was run in its palmy days, until 1947. Responsibility could thus be pinned on one man, whose position would be important enough to attract a first-class financial administrator to the job. Last spring the most satisfactory cure for the RFC's dry rot might have been to pull down the agency altogether; useful as it was during the depression and the war, such government lending hardly seemed necessary in times of peace and prosperity. But with the Korean outbreak, the RFC once more became an important part of the government structure. Not only is it in charge of the synthetic rubber programme and the Texas tin smelter, the only one in the western hemisphere, but under the Defence Production Act the RFC is also concerned with the granting of loans to encourage industrial expansion for defence purposes.

* * *

Doctoring the Hospitals

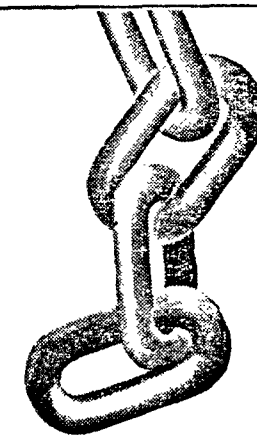
A long-standing quarrel inside the Veterans' Administration has come to a head with the replacement of the medical director, Dr Paul Magnuson, by Vice-Admiral Boone, once the White House physician. Dr Magnuson declares he did not resign, but was discharged because he believed the veterans' hospitals, which will soon number 170, with over 150,000 beds, should be run by medical men, rather than "bureaucrats." In his five years of service, Dr

Magnuson has helped to make veterans' medical care second to none, chiefly by enlisting the wholehearted co-operation of the medical profession. One point at issue has been his insistence that new hospitals, under the VA's present \$750,000 building programme, should be placed near medical schools, where they are easier to staff and the best civilian advice is available. Mr Gray, the Veterans' Administrator, has, however, been unable to resist Congressional pressures. A number of hospitals have been built in isolated communities and several have been unable to open because of lack of staff.

This tendency to slip back into political control of the veterans' hospitals is all the more deplorable in view of the present general shortage of doctors and nurses and the certainty that it will become more acute. The nation's hospitals, which admitted the record number of 17 million cases in 1950, are already losing their doctors and nurses; by July, more than 14,000 medical men will have been called up under the "doctors' draft," most of them men who received their medical education at government expense and have done little or no military service. Those left behind will have new civil defence duties. The position would be easier if the unification of medical services recommended by the Hoover Commission had not been blocked by the hostility of vested interests, notably the veterans' organisations.

Inside the forces, however, a single medical policy council has been created under the chairmanship of Dr Meiling. As director of medical services for the Department of Defence since 1949, Dr Meiling has been prodding the services to pool their facilities. He is now asking the civilian hospitals, in step with military ones, to lower their requirements for doctors and nurses, to make them go round. President Truman's decision that veterans' hospitals must accept Korean wounded is another sign that the barriers set up by tradition and interest are being broken down.

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THE WORLD OVERSEAS

Trade Union Triumph in Germany

(From Our Special Correspondent)

MANY observers of the German scene have been surprised at the way in which a crisis has developed over the German Trade Union Federation's demands for *Mitbestimmungsrecht*, or right of joint management in the iron, steel and coal industries. The whole subject has appeared unwieldy and as exclusively German as its name. There seemed little reason for British concern about it; for the German trade unions had proved themselves moderate in their wage claims and, it seemed, were only asking that the labour representatives in the decartelised steel firms should continue to sit on the boards after the concerns were released from Allied control. One of the avowed aims of the unions was to use their directorships in order to keep out the old owners—and that is also the intention of the Occupation Powers in breaking up the Ruhr combines. The unions, in fact, seemed to be reasonably justified in threatening a strike if their demands were not met by a law presented to the *Bundestag* by February 1st.

A number of misconceptions, however, lie behind this too complacent attitude. The German trade unions' longing for joint control of industry goes back to the infancy of their movement. It is linked with their desire for unity of the organisation which, in turn, is connected with their present effort to remain independent of any political party. The leaders still have in mind the split in the unions which enabled Hitler to destroy them so easily. Numerous statements by Herr Boeckler, the chairman of the Trade Union Federation, and other leaders leave no doubt that the present demands are only the thin—though not very thin—end of a very large wedge. *Mitbestimmungsrecht* is the name for a syndicalist revolution that has little to do with trade unionism as known to the TUC or with nationalisation as known to the British Labour Party. It means, in general terms, the establishment of a corporate state within a state, in which power would be exercised without democratic responsibility by joint organisations of trade union representatives and employers. If the one party chose to oppose the other, the result would be chaos; it would be equally unfortunate if, on the other hand, they compounded on measures to raise and share profits at the expense of the consumer, and of the stability of the currency. That the latter development might take place is indicated by the way in which the union leaders support cartels and vertical trusts in the Ruhr. In either event, it would mean the end of an independent trade union movement, and of overall regulation of the economy by a democratic government. It would also weaken the works councils in favour of the union headquarters. That it would mean the end of the independent business man goes without saying.

Pyramid of Committees

The main provisions of the Trade Union Federation's demands were made public last year. They fall into two sections. First, they provide for the establishment of a pyramid of boards, chambers of commerce, or in the latest phrasology, "Senates," to deal with industry as a whole, with similar organisations for agriculture; secondly, they demand a fifty per cent representation of trade unionists in

the *Aufsichtsrat* (board of directors) and *Vorstand* (board of managers) of every individual company over a certain size.

During last year, conferences between the "social partners" and the Government took place, with the object of arriving at an agreement which could form the basis of a *Mitbestimmungsrecht* law, to which the Government is in principle committed. They broke down, chiefly because the employers, though willing to have representatives of the works council in the *Vorstand*, objected to giving seats on the boards of directors to nominees of trade union headquarters.

The TU Federation then seized upon the loophole left by the fact that the British, when segregating the steel manufacturing firms out of the Ruhr combines, installed labour directors in the boards under a Trustee who nominally acts for the High Commission. This arrangement was extremely annoying to the owners, and hints were dropped that it would be abolished when the industry was finally regrouped and returned to the Germans. The trade unions thereupon presented their strike ultimatum. The arrangement, they claimed, must not only be retained in the iron and steel industry, but extended to the coal companies. After that, it is clear, will come the chemical industry—and then the rest. If the Government and *Bundestag* do not conform, the strike weapon will be used again. The chief factor that might well stop the union leaders from proceeding further on the road to syndicalism would be reluctance on the part of the workers to down tools on this issue; they realise this possibility, and may overcome it by associating wage claims with demands for further *Mitbestimmung*.

Why Government Gave Way

The trade unions have gained an astonishing victory in the negotiations which have just taken place. In view of the extreme hostility of the employers it can only be explained by the Government's fear of a strike and the fact that the settlement is specifically confined to those heavy industrial firms which fall under Allied Law 27. For this latter reason the Government hopes that it cannot come into effect until the industry reverts to German hands. At present, British military regulations prohibit even a meeting of a board of directors of the decartelised mining companies, or a change in the board.

The settlement provides for the following organisation in the iron, steel and coal companies:

(1) two out of the eleven members of the board of directors (*Aufsichtsrat*) to be nominees of the main trade union concerned, and two more to be trade unionist employees of the firm, who will be nominated by the works council, and may be rejected by the TU headquarters;

(2) a fifth director to be nominated by the trade union but to be a neutral individual having no connection with the industry;

(3) the employers to have similar rights of nomination;

(4) the "eleventh man," as he is popularly termed, will be an expert and an arbitrator, who will be nominated by the rest of the directors. The general meetings are to elect the nominees.

In the board of managers (*Vorstand*) a labour manager will sit with the technical and commercial managers—all of them on a year's probation unless they are already tried men. Finally, two new bodies, called "Senates," will be set up over the steel and coal industries to resolve disputes and give recommendations. They will consist of nominees of the employers and unions chosen by the Government.

This agreement has been passed in principle by the Upper House and will go to the *Bundestag* on February 14th. There it will have the support of the Christian-Democrats, out of loyalty to Dr Adenauer, and of the Social-Democrats (who, however, do not entirely favour the syndicalist revolution, as opposed to nationalisation). But Dr Adenauer's coalition partners, the Free Democrats and the *Deutsche Partei* have expressed their indignation at the way in which parliament has been asked to rubber-stamp a demand made under threat of a disastrous strike. They represent the embattled ranks of employers and shareholders, now fighting under the banner of democracy.

Dr Adenauer is already in a weak position owing to his support for German rearmament. With the Social-Democrats' *approchement* on internal matters is not likely to go far enough to make a "grand coalition" possible, though there is some reason to hope that the antagonists may agree to a bipartisan foreign policy. It is, therefore, possible that *Mitbestimmungsrecht* may disrupt Germany's first post-war democratic government, with incalculable effects on international politics.

Communist Defections in Italy

[FROM OUR ROME CORRESPONDENT]

JUST what tint of liberty has been chosen by the two North-Central Italian Communist hierarchs and deputies, Valdo Magnani and Aldo Cucchi, both aged thirty-nine, both academically distinguished and both voted into Parliament triumphantly in 1948 as heroes of the partisan war, has still to be seen. But to learn that two Emilian Communist Deputies have "resigned" from the party is in itself a piece of news which is, on a small scale, almost as disconcerting as Mussolini's "resignation" of his premiership announced so baldly one evening eight years ago. One does not at this stage quietly shift one's seat from the Communist terminus along to an adjoining sector in the parliamentary amphitheatre. The only sector adjoining that of the Communists is that of the Nenni Socialists. The Nennian party at its recent national congress (also held in the lush political atmosphere of Emilia) radiated such a Muscovite atmosphere that the few remaining advocates of constitutional method within its bosom, though led by one of the sons of the

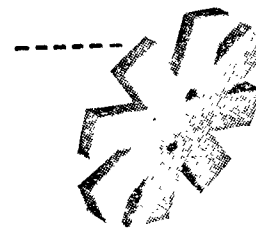
illustrious Matteotti, felt it more prudent not to open their mouths; while Lelio Bassi, a Nennian revolutionary much in accord with Lenin but a little out of tune with Stalin, was also given the cold shoulder. It can hardly accept refugees from the great big sister party.

Next further along is the PSU (United Socialist Party), striving to serve as hyphen between Nenni and Saragat, but by the time one reaches the PSU, which is at the moment also holding its congress, in Turin, one rubs shoulders with Ignazio Silone, a co-author of *The God that Failed*. It would be as well then perhaps to take the jump to the unblushing Atlanticism of Saragat's PSL (Democratic Socialist Party). There is, however, quite a different route of exit from Muscovite Communism—that which leads in the first place into Left Wing Catholicism.

The Patriotic Heresy

This may prove to be the way chosen by Magnani, whose defection had been preceded by signs of insubordination a fortnight ago at the provincial Communist Party congress at Reggio Emilia. (This was one of the many provincial congresses now being held for the promised but unpromising national Communist congress of a few weeks hence: and the national congress preparations were the motive of the sudden January trip to Russia of the two acting chiefs of the party, Longo, the party Blimp, and the dark and subtle Secchia, to consult with the convalescent Togliatti.) Magnani at the local congress fell into the heresy of "equidistance," saying that the Communists would fight whoever from any side committed aggression against Italy. Somewhat notably it fell to Umberto Terracini to administer the party reproof. Terracini, by length of party service (he was indisputably one of the founders of the Italian party, an honour somewhat dubiously now ascribed to Togliatti), length of prison term, and brilliance of intellect (he presided admirably over liberated Italy's first parliament), should be very high indeed in the party hierarchy. In fact, however, he is tainted by suspicions of heresy, and himself incurred clamorous reproof a year or two ago for a show of "equidistantism" not unlike Magnani's. Terracini has long been wooed to come out and become a national leader, but orthodoxy has prevailed with this truly notable man. Cucchi's defection is much more surprising than that of Magnani. He is one of the silent, tough and highly decorated men whose function had been felt to be not to reason why. It is not entirely a surprise that something "Titoist" has happened in the central stronghold of rural Communism: there were premonitory rumblings even in 1949 when the city of Bologna had to shoulder a general strike on questions of international policy. The personality of the defectors is, however, unexpectedly conspicuous.

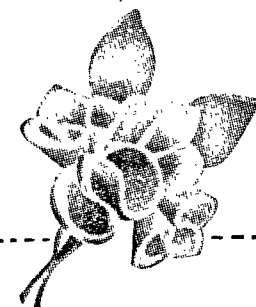
Explicitly Titoist splinters exist in Turin and Milan; but they are small and obscure enough to allow of the suspicion that they have been created, or utilised, by, the



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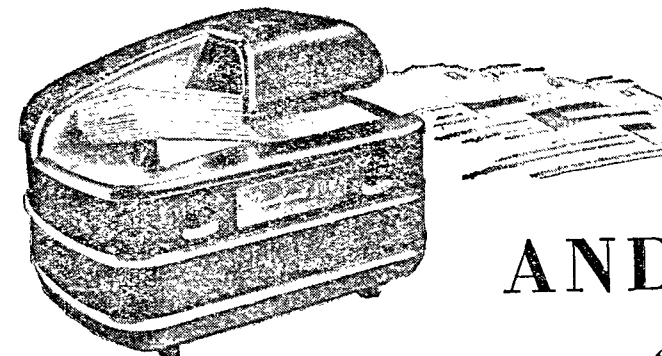
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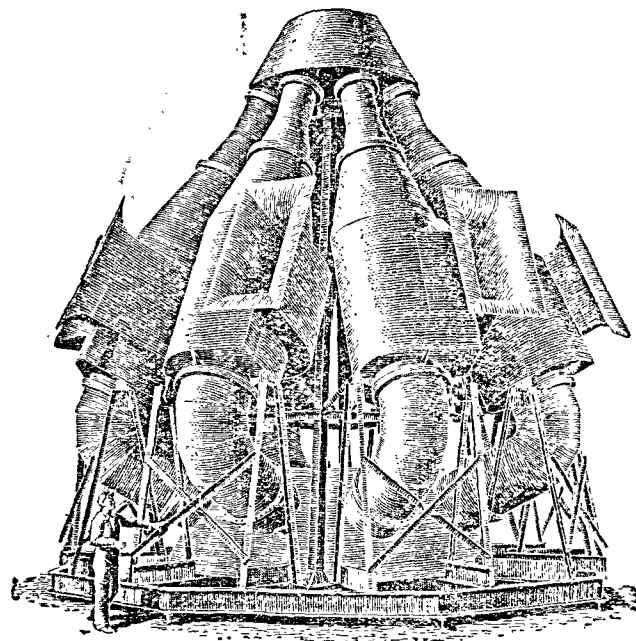
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HENGROVE, BRISTOL 4

Cominformists themselves as relatively harmless refuge for malcontents who might otherwise put beef into the PSU or join the Christian Trade Unions. The first impression of the Emilian defection is that it is much more serious.

France's Trade Policy

[FROM OUR PARIS CORRESPONDENT]

MANY policy officials in Paris are becoming increasingly anxious about France's present trade policy and the effect which it is likely to have upon the health of the French economy in the coming period of rearmament. The huge military budget which the country has just accepted is on this view a burden which, if tolerable for a year or two, can scarcely be borne *ad infinitum* without an expansion in the French national income. The steps taken so far to meet this burden will impinge mainly on the already low standard of living of the working class. Expenditure on housing has been delayed and further indirect taxes have been proposed. Money wages are being kept reasonably stable, but rearmament and the consequent inflation must lead to a fall in their purchasing power. Some economic experts in the Ministry of Finance and National Economy, at the Quai d'Orsay and in banking circles, are therefore arguing that one of the best means of increasing prosperity and thus enabling France to support a rearmament programme is to adopt a far freer import policy. American experts in ECA fully agree with this opinion.

When M. Queuille became Prime Minister in the autumn of 1949 and M. Petsche Minister of Finance, the French Government embarked upon a new economic policy. This included a tighter credit regime, the reduction of government expenditure and an increase in tax revenues. At the same time internal controls were gradually removed. This policy, which aimed essentially at curbing inflation and strengthening the franc, succeeded, thanks in part to American assistance in the form of raw materials and funds for the investment programme. It led to a great expansion in production. A further step towards French prosperity then remained to be taken. If France was to bring its industry up to modern standards it had to adopt a much freer trade policy. In the absence of effective internal competition only the impact of foreign competition would create flexibility and high productivity in French industry and thus bring about increased production and consumption. This step has unfortunately not been taken.

Farmers Against Imports

The traditional opposition to free trade has not weakened in postwar France. The peasants and even many urban Frenchmen cling to the belief that the strength of the Republic must be based on a prosperous class of agricultural smallholders and that this prosperity depends upon a high degree of protection. Rural protectionism has been strengthened in recent years by industrialists and their work-people, both of whom suffered heavily during the inter-war depression which hit France with particular severity. There is no possibility that any major political party will take up arms against these ranks in this, an election year.

From time to time the Ministry of Finance and Economic Affairs permits "shock imports" of consumption goods in order to hold down domestic prices. There is invariably a lively market for these goods among the French working class. Such genuine measures of liberalisation both satisfy a demand and stimulate the French producer to increase his productivity—or would do so if they were not promptly rescinded under pressure from industrialists and farmers.

Apart from the harm it does the French nation this attitude toward trade is also a grave obstacle to France's fulfilment

of its obligations under the European Recovery Programme. A glance at the French record in foreign trade over the last two years reveals the fact that its imports have actually declined since it undertook to liberalise its import trade.

AVERAGE MONTHLY VALUES OF FRENCH TRADE
(millions of dollars)

	Imports		Exports	
	Total	OEEC Countries	Total	OEEC Countries
1949:—				
1st quarter	291.2	62.0	231.4	82.1
2nd "	302.2	65.1	245.8	83.9
3rd "	261.0	70.5	216.1	82.9
4th "	238.2	72.6	210.3	76.4
1950:—				
1st quarter	264.3	77.2	224.8	89.0
2nd "	257.6	68.3	232.6	97.8
3rd "	217.7	56.5	228.8	103.0
October	268.8	74.9	332.8	138.5
November				

This table indicates: (a) a slight downward trend in the general total of imports, quarter by quarter, as between 1949 and 1950 with the sole exception of the period October-November; (b) a more or less stationary position in the general total of exports until the sharp rise of October-November, 1950; (c) the establishment of a favourable trade balance for the first time in the third quarter of 1950, but at a lower level of trade than during the corresponding quarter of 1949; (d) most serious of all, a striking increase in the export surplus with OEEC countries in the second half of 1950. Clearly, a liberalisation policy which limits itself to lifting quota restrictions and does not deal with tariffs is unreal.

Doubts Among Neighbours

Nor do the harmful consequences of French trade restrictions end here. They are, in fact, a very direct threat to France's own proposals for a common sharing of the rearmament burden of the Atlantic powers. Rearmament in France will inevitably create strong inflationary pressures, and these will be aggravated as long as France insists on maintaining a substantial export surplus. Rearmament will also call for a larger governmental revenue. Sizeable contributions to this revenue have been promised from the United States on condition that the funds are used for the purchase of imported goods. Further aid might well be forthcoming from France's neighbours if they are certain that the French Government would use these acquisitions of foreign currency not to build up the reserves of the Bank of France but to expand the flow of imported goods. In short, the picture seems to show that everyone is determined to help the French Government ease the burden of rearming—except the French themselves.

Socialist Planning in Sweden

[FROM OUR STOCKHOLM CORRESPONDENT]

THE chief asset of Swedish planning in the postwar years has not been a power to make correct forecasts of economic developments. On the contrary, that power has been conspicuously lacking; and the story of Swedish planning has been characterised by a number of disappointments, some of them very grievous. But, apart from events in 1946 and 1947, the authorities have shown some capacity for adjusting the machinery of planning to new and unforeseen conditions. This flexibility has been facilitated by the fact that the "free" sector of Swedish economic life has all along remained quite large.

The Swedish welfare state does, no doubt, suffer from serious deficiencies such as, for instance, a housing shortage.

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But the Government can point with satisfaction to the rise in industrial production to a level more than 45 per cent above the record figures of 1939. According to official statistics, real wages of male industrial workers were in 1949 26 per cent above the 1939 level, and women's wages had risen still faster. Agriculture is also prosperous and building activity is very considerable. In 1945-1948 the production of housing was larger than at any other period of corresponding length.

On the other side of the balance sheet there must be listed a loss of almost two-thirds of the gold and foreign exchange reserve as well as considerable restrictions on imports and on dealings in foreign exchange.

The economic and social policy that has been pursued in recent years was to some extent mapped out in the "Post-war Programme of the Labour Movement," published in 1944. It contained a great number of recommendations for socialist policy but had less to say about the means that must be used to implement them. The authors were, however, much more interested in planning than in nationalisation measures, the latter being largely relegated to a dim and distant future.

It was taken for granted in 1944 that an extensive building programme was indispensable for securing that full employment which was considered a chief aim of Sweden's postwar economic policy. In 1944 housing production was again at a very high level, but the stagnation during the first part of the war had left a legacy in the shape of a housing shortage. This was also due to the rent restriction introduced in 1942, and it has tended to grow worse, in spite of the ambitious building programme. There is therefore some element of truth in the saying that the Swedish building planners have indefatigably been pouring water into a sieve. It was realised that both the maintenance of rent restriction and the financing of new buildings, which, by the way, were partly subsidised by the community, would become more difficult if there was a rise in the rate of interest. The programme of 1944 accordingly recommended a policy of low interest rates, and this elimination of rises in interest rates from the armoury of monetary policy was stubbornly maintained in subsequent years.

Balance of Payments Difficulties

In 1946 the government took steps for carrying into effect some of the recommendations of the 1944 programme in the field of social policy. The official view that the new expenditure, although considerable, could be fitted into the current budget without any very serious difficulties seemed—at least at first—to be borne out by events. The immediate danger arose from a source which had been entirely overlooked—the balance of payments. The gold and foreign exchange reserve of the Riksbank at the end of the war

seemed more than ample and it rose still further in 1945 in spite of the large credits granted by Sweden to different countries about the end of the war. The increase continued during the first half of 1946 and in the middle of the year the authorities thought the position so unshakeable that they did not hesitate to carry through an appreciation of the krona, the dollar rate being reduced from 4:20 to 3:60. By that measure the Government hoped to prevent the rise of prices in the United States from affecting costs of living and wages in Sweden. The same aim of checking an inflationary rise in wages by price reductions was also pursued in other ways, particularly by the repeal of the turn-over tax.

This policy proved largely abortive. Ultimately there was a rise both in prices and in wages. Meanwhile the great outflow of gold and foreign exchange, which had started when purchases abroad and particularly in the United States could be made in greater volume than before, attained alarming proportions. In face of these unexpected developments the authorities were for a long time unable to agree on any efficient measures to counteract them.

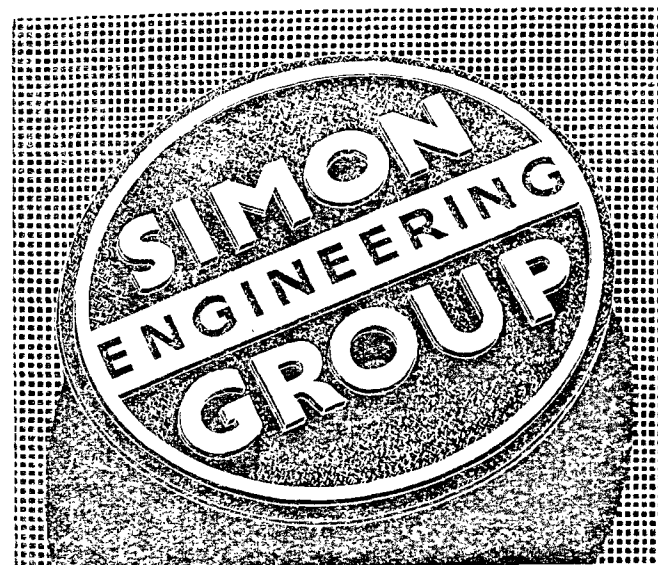
A rise in interest rates was out of the question from the beginning. When rates showed a tendency to stiffen under the influence of the outflow of foreign exchange, the Riksbank had to buy bonds in very large quantities, in this way preventing that contraction in the market which would have facilitated any attempts to put an end to the drain of the Riksbank reserves. Ultimately the governor of the Riksbank, Mr Rooth, resigned as a protest against the official policy.

Pressure on Property Owners

The Minister of Finance, Mr Wigforss, seemed for some time less interested in the monetary crisis than in the new taxation bill which was introduced at the spring session of the Riksdag in 1947 and adopted by the Socialist majority without any very extensive alterations. This new legislation brought alleviations in income tax to the lower income groups. Company taxation on the other hand was considerably increased. As the companies had in 1938 been accorded very great advantages in the way of depreciation allowances, there was some likelihood that the new law would, if anything, bring an increase of investment that would be most inopportune.

An important feature of the new law was the heavy increase in property taxes. The inheritance tax was supplemented by an estate tax more or less on the British pattern. Total death duties were after that, in spite of differences in detail, comparable to the British and they were also applicable to gifts. The current property tax was raised to ruinous heights which virtually forced capital consumption on considerable groups of property owners. Like the rise in the tax on company income the increased property tax was, therefore, likely to aggravate the monetary difficulties.

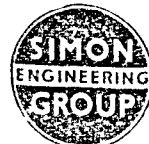
(To be continued)



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NEW 191

THE BUSINESS WORLD

Rubber for the West

NEWS has come from Washington this week about the first steps towards a common western policy on key commodities. In London a conference of the major rubber producing and consuming countries has been in session; it is said to be in no way to be connected with the Washington discussions, though its terms of reference are very similar. Its purpose is "to review supply and demand of natural and synthetic rubber particularly in 1951 and 1952 and to consider if action is necessary or desirable to secure an equitable distribution of prospective available supplies." This phraseology is in wide terms, but it could clearly include—and in all probability has emphasised—the possibility of directing exports of natural rubber to certain countries rather than to others. Unlike previous conferences, this week's meetings have not been held under the aegis of the International Rubber Study Group. British colonial and dependent territories, Indonesia, Ceylon, Thailand and Vietnam represent the producers, and the United States, Britain, Canada, France, Italy and the Netherlands represent the consuming countries. Only governments have been represented at the conference which would seem to indicate that matters of governmental as distinct from trade policy were under consideration.

The conference has been called at a moment of particular difficulty. To bring production, prices and deliveries into a degree of order best suited to serve the needs of the Western countries for civilian and defence purposes will plainly be difficult. The average monthly price for spot rubber in London rose continuously until November, then declined temporarily in December and then resumed its rise last month. But world production also increased sharply, quarter by quarter, last year; total output, at 1,860,000 tons, was the highest ever recorded and nearly 400,000 tons larger than in 1949. Most of this increase was due to much larger output from smallholdings; apparently smallholder production no longer falls when the price of rubber rises. In Malaya, smallholders produced 329,000 tons compared with 271,000 tons in 1949, and the increase in their output was most marked in the second half of the year when the high rubber prices offered the prospect of high profits. On the other hand, estate pro-

duction fell from 401,000 tons to 377,000 tons, though output from the large holdings was also higher in the second than in the first half of the year. Wet weather in the early months of 1950 reduced tappings and certain areas were replanted with high yielding stock. But far greater difficulty was caused by interruption to normal output by banditry and by the attraction of tappers from the estates in response to higher wages and calmer life on the smallholdings. Total production in Malaya, despite these troubles, increased from 672,000 tons to 705,000 tons. In 1951, an output of 700,000 tons might be maintained if smallholders' production continued at the recent high level; but estate output is expected to fall slightly since large areas are due for replanting.

But the welcome improvement in the supply of natural rubber must be largely credited to the rapid expansion of Indonesian production from 431,000 tons in 1949 to 692,000 tons. Here, again, the larger contribution came from the smallholders. Their output (calculated by reference to exports) was extremely low in the first quarter of last year, when output was hoarded rather than marketed. But after the currency reform eleven months ago, exports increased steadily and the total for the year, 520,000 tons, was almost double that of 1949. Estate production increased very modestly from 167,000 tons to 172,000 tons. This year, given the continuation of present political stability, Indonesian output might well reach 700,000-750,000 tons. Production in Ceylon and in most of the other smaller producing countries has also expanded during the past twelve months and may increase further this year. World production in 1951 might therefore approach 1,900,000 tons; it should without difficulty maintain last year's level of 1,850,000 tons.

Consumption of natural rubber has not increased to the same extent as production. World total consumption in 1950 is estimated at 1,650,000 tons, some 212,000 tons more than in 1949, but still 210,000 tons less than current output. American consumption at 713,000 tons was the largest in any year except 1941, and a single month's consumption reached 69,178 tons last October. But the subsequent fall to 44,000 tons in December shows

TABLE I—WORLD PRODUCTION OF NATURAL RUBBER (Tons)

	Malaya			Indonesia			World
	Estate	Smallholder	Total	Estate	Smallholder*	Total	
1946	173,787	229,932	403,719	...	175,000	175,000	837,500
1947	360,530	285,832	646,362	12,736	265,215	277,951	1,280,000
1948	400,628	294,561	695,189	101,743	350,606	452,349	1,525,000
1949	400,815	270,688	671,503	167,210	263,851	431,061	1,487,500
1950	376,744	328,622	705,366	172,000	520,000	692,000	1,860,000
1st quarter...	90,541	71,351	161,892	43,762	71,047	114,809	372,500
2nd "	88,936	71,616	160,552	42,104	137,089	179,194	450,000
3rd "	98,392	87,972	186,364	40,055	154,776	194,831	505,000
4th "	98,875	97,683	196,558	46,000	157,000	203,000	552,500

* Based on reported and reported exports from Indonesia

TABLE II—WORLD CONSUMPTION OF RUBBER ('000 Tons)

Natural Rubber					Synthetic Rubber		
USA	UK	Europe	USSR(a)	World	USA	World	
278	91	60	10	555	762	915	1946
563	154	175	35	1,110	560	625	1947
627	194	275	100	1,420	442	480	1948
575	184	328	105	1,438	414	450	1949
713	229	355	82	1,659	532	575	1950
178	54	83	7	388	102	113	1st quarter
185	54	83	21	410	133	142	2nd "
186	50	89	25	422	144	154	3rd "
164	62	100	29	430	153	166	4th "

Source: Rubber Study Group Secretariat.

(a) Net imports

† Provisional.

the measure of effectiveness of governmental restriction on civilian consumption; consumption of natural rubber in the United States is limited to 40,000 tons a month in the first quarter of 1951, and if this restriction is maintained, total consumption of natural rubber in America this year will not reach 500,000 tons. Consumption of synthetic began to increase from March last year, when the price of natural rubber rose well above that for general purpose synthetic (GR-S). Stand-by plants for producing synthetic rubber have been recommissioned and production this year is expected to reach at least 600,000 tons despite the shortage of the raw materials. Although natural rubber has been forbidden for certain civilian products, synthetic rubber can be used to an unlimited extent. Since the end of December the United States Government has become the sole importer of natural rubber, but purchases this year are unlikely to be smaller than last year. In 1950 only 100,000 tons were put into the stockpile. In 1951, if imports are maintained at last year's level and if consumption is no higher than 500,000 tons, some 300,000 tons should be available for the stockpile. This would give the Munitions Board about a year's supply of natural rubber (850,000 tons) and this quantity could be eked out over a longer period if synthetic production can be stepped up—say to 750,000 tons a year.

In this country, consumption of natural rubber increased last year from 184,000 tons to 220,000 tons; 1951 is not expected to show a rise much above this level. European consumption has also increased though not so markedly; only a modest rise is to be

TABLE III—EXPORTS OF RUBBER FROM MALAYA & INDONESIA, 1950
Monthly Averages or Calendar Months—Long Tons

	1st Qtr. Av'ge	2nd Qtr. Av'ge	July	Aug.	Sept.	Oct.	Nov.	Dec.
<i>From</i>								
<i>Malaya:</i>								
U.S.A.	28,365	27,330	27,120	35,738	32,288	39,037	39,028	36,428
U.K.	16,474	14,618	19,270	16,012	15,922	17,052	18,787	17,259
U.S.S.R.	6,033	5,899	12,175	10,815	4,635	1,272	1,904	1,460
China	...	7	1,490	3,513	4,772	12,061	9,302	7,180
Hongkong	455	1,363	2,337	6,642	5,136	11,791	5,575	7,429
Japan	1,676	1,380	5,363	5,728	7,411	5,034	4,948	2,115
Others	25,514	23,764	35,399	32,179	29,984	32,915	24,153	39,187
TOTAL ...	78,518	74,351	103,154	110,627	100,148	119,162	103,697	111,053
<i>From</i>								
<i>Indonesia:</i>								
U.S.A.	8,091	18,526	19,257	13,053	15,219	23,238	8,163	...
U.K.	740	2,457	2,859	2,784	1,930	2,600	1,973	...
U.S.S.R.	...	...	...	...	...	...	...	...
China	...	...	...	...	...	...	...	...
Hongkong	180	215	196	202	57	215	97	...
Japan	1,219	2,440	1,456	203	713	889	340	...
Others	19,032	38,951	47,307	50,970	44,335	49,261	51,519	...
TOTAL ...	29,262	62,589	71,085	67,212	63,254	76,353	62,092	...

expected in 1951. Russian purchases (despite some of last year's headlines) were on a smaller scale in 1950 than in either 1949 or 1948. In fact, Russia took only 82,000 tons compared with 105,000 tons in 1949; an increase of 18,000 tons this year, therefore, would not be an occasion for any extreme raising of Western eyebrows. Any estimate of world consumption in 1951 at this stage must be largely a guess, but probable trends suggest that it might reach 1,500,000 tons for normal purposes and 1,800,000 tons if American needs for stockpiling are included.

Stockpiling will remain the key to the market. Last year world production exceeded consumption by 200,000 tons; of this balance, 100,000 tons went to the American stockpile, 50,000 tons to China, 20,000 tons believed to be stockpiled by Japan, 20,000 tons put into

stock by other countries, including Australia, Italy and Germany, and 10,000 tons destroyed by fire in Singapore. This year the margin of world production over consumption is likely to be of the order of 350,000-400,000 tons, of which 300,000 tons will find their way into the American stockpile. Britain and France also intend to build up strategic reserves which could account for a further 200,000 tons; such a quantity would represent barely eight months' supply for the two countries taken together. If these three countries were to be forced to compete with China and the Soviet Union in the open market, the price of rubber could rise to fantastic heights. A primary problem thus confronting the London rubber conference is to discover means of providing enough natural rubber for the Western Powers without unduly forcing up the price.

Last year Malaya exported 38,500 tons of rubber to China and 44,000 tons to Hongkong—much of which must have been for transshipment to China. These shipments occurred largely in the second half of the year. Indonesia, up to November, sent nothing to China and only 2,000 tons to Hongkong. If Malaya's shipments could be stopped, and if, in addition, supplies to Japan and other countries could be kept at little more than the 1949 level, some 100,000 tons could be released for Britain and France. Such a redirection of exports could be contrived by a system of export licensing or of international allocation; either method is politically feasible so long as some supplies are allowed to go to countries not actually arraigned as aggressors. But each method would be administratively difficult to enforce. In Malaya, Chinese dealers control all the smallholders' and part of the estate output, in all perhaps half of Malaya's total production. Well over 10 per cent of Indonesia's production is smuggled out to Malaya by Chinese merchants, while the long, rambling land frontiers of Siam and Vietnam—both adjoining China—would provide grand opportunities for illicit trading. It is not that the Chinese dealers are necessarily sympathetic towards Communist China. But to enforce a system of allocation or export licensing for rubber, it is useless for the appropriate governments merely to pass well-meaning resolutions in London; the measures must be policed, and to do that effectively they would need the full backing of Malayan rubber traders. On this view a complete denial of rubber to, say, China would seem out of the question; the more realistic aim is to find a method which would keep the leakage to a minimum.

International allocation could be a powerful means of reducing the world price of rubber. No country wants to be held to ransom by primary producers at a time when it is accumulating a strategic reserve for common defence (though such a reserve in peacetime would be a potential threat to producers). But if an agreed method of redirecting supplies of natural rubber to the Western Powers—whatever it might be—had the effect of holding the price of rubber at an artificially low level, the incentive to smuggle supplies to China and elsewhere would be all the greater. Britain learned during the last war that to deny supplies to enemy or potential enemy countries was a costly business. It would still be a costly business in conditions of "near war." If the leakage is to be reduced to a minimum, the price of rubber may have to be maintained at a high level. It will not be easy for the London conference to find the right answers to these difficult questions.

Next Stage in Nylon

NYLON is the classic case of a new material developed from laboratory experiment into an important industry in little more than a decade. To a prewar observer, the forecast that this country would have a total capacity for producing ten million pounds of nylon yarn a year would have seemed fantastic. When a spinning plant of this size was first planned, there were doubts whether markets could be found for so much nylon yarn; before the plant came into full production last summer, it was clear that demand had been under-estimated. Present users would be glad to get 50 per cent more yarn; promising applications are not being pursued because there is no hope of more nylon yarn for at least four years, when new plant now on order should be in production. Until then, domestic capacity is fixed at ten million pounds of yarn a year and a million pounds of nylon polymer for the plastics industry.

The successful development of nylon production in this country is the outcome of a partnership between Imperial Chemical Industries and Courtaulds. The former had acquired the Commonwealth rights (outside Canada) to develop nylon, from du Pont; the latter brought its great experience of spinning and weaving rayon; and the two combined in equal shares to form British Nylon Spinners. A venture of this kind into new techniques applied on a large scale is a challenge to scientific skill and financial risk-taking. It was soon discovered that the production of nylon polymer is one of the most difficult chemical operations to handle on a large scale. The process starts with benzene, oxygen, nitrogen and hydrogen, and after eight stages of formidable complexity there emerges a nylon salt; when this has been polymerised (in the layman's terms, when it has been made plastic) the first stage is complete and the nylon can be drawn into yarn or used as a plastic material. The larger the scale of production, the more difficult does it become to control this process. ICI's first commercial polymer plant had a capacity of a million pounds a year; this was opened in Huddersfield in 1941, but not before the engineers had learnt to their cost that in a full-scale plant the process behaved differently from what they had come to expect from their experience with the pilot plant. This experience was repeated on a grander scale in bringing a plant of ten times the size into production at Billingham.

During the war the Huddersfield plant supplied nylon polymer to two small spinning factories of British Nylon Spinners. In 1944 plans were prepared for a spinning factory at Pontypool to cost £6 million, capable of producing ten million pounds of yarn a year. ICI undertook to build a plant at Billingham to turn out this amount of nylon polymer. The Pontypool plant is probably the largest multi-floored factory in Europe, with processing sections nearly a quarter of a mile long; but production within the plant is built up by the endless multiplication of a small-scale process. The polymer from Billingham is melted in small autoclaves, extruded through spinnerets, and allowed to cool into a filament. This thread is then cold-drawn to four times its length, a physical process that rearranges the molecules in the material so that the filament becomes a yarn. None of this was simple to organise on a large scale, but it was

less formidable than the difficulties that the engineers had to solve at Billingham, where it took more than a year to bring the plant into smooth operation. Not until last summer, indeed, were both plants running to their full capacities.

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So much for the establishment of a large-scale nylon industry in this country. The second phase of expansion started some months ago. It shows once again how quickly events can overtake plans, for it was conceived before the latest increases in natural fibres, when nylon was a comparatively costly yarn. Perhaps by the time the new plants are working this basic assumption about comparative costs will be more accurate than it seems today. The expansion programme also allowed for competition from other synthetic fibres, notably "terylene," which may be in production when the nylon plants are ready. On these bases, it seemed reasonable to suppose that British Nylon Spinners could safely count on finding a market for another twenty million pounds of yarn a year. A two-fold increase sounds a lot, but some who are close to the industry are confident that consumption will eventually reach seventy million pounds when all applications are fully developed.

ICI's expansion of nylon polymer production is governed first, by the company's obligation to British Nylon Spinners and, secondly, by the requirements of the plastics industry. Plant for twenty-two million pounds of polymer a year is planned, which allows for trebling the present consumption of nylon yarn and plastic—say thirty million pounds of yarn and three million pounds of polymer. The uses of nylon as a plastic are barely developed. American experience suggests that nylon will remain a special purpose plastic and its use in filaments, extrusions and sheets is growing. Nylon is not easy to prepare in the form of moulding powders, but the greatest scope for development may lie in this direction—for example, if nylon could be moulded in cheap self-lubricating bearings.

The market for nylon yarn is difficult to predict. It may never become a "cheap" material like rayon and the entire development of its markets has been conducted on the basis that nylon is a material of special properties. Yet it may be that demand has been under-estimated because undue stress has been put on developing specialised outlets for these special properties. There are many uses in which nylon is the obvious choice for technical reasons; examples can be found in certain types of filter cloths, glider ropes, and in hosiery where the rare combination of strength and elasticity in a thin yarn has revolutionised the knitting of fine stockings. But there are wide markets in fields where nylon competes with established fibres. To take one example, laundries are using an increasing amount of nylon for nets, press cloths and guide tapes, all of which used to be cotton. The nylon article costs more, but it lasts longer. In other uses scarcely out of the experimental stage, such as nylon coal sacks or carpets, there has been less resistance to the higher initial cost than might have been expected.

The development of knitted nylon fabrics owes much to the British warp knitters, who were quicker than the American knitting industry to develop the possibilities of continuous filament nylon and now have the satisfaction of exporting knitted nylon goods to the United States. Woven nylon may prove in the end to be a more limited market. It has the advantage of being non-inflammable, but its main attractions lie in permanently pleated fabrics and fine fabrics of considerable strength that are easy to wash. A more important expansion of nylon consumption may rest upon the woollen industry. In spite of nylon's comparatively high cost, some wool weavers and knitters have been using continuous filament nylon to reinforce weak yarns for processing at high tensions. About a tenth of the output of yarn at Pontypool is being converted into nylon staple and experience from using up to 20 per cent of nylon with wool suggests that British Nylon Spinners will be justified in producing a much larger proportion of staple.

Most of this experimental work was done under the shadow of rising wool prices. The present level of wool prices has completely altered the emphasis. It is no longer the aim merely to enhance the technical qualities of wool with a judicious admixture of nylon, but rather to determine how much nylon can be added without destroying the character of the cloth. Rising prices of natural fibres, combined with shortage of spruce pulp (and sulphuric acid) for rayon, has changed nylon from a yarn sold on performance to one which sells on price. Nylon staple costs 11s. 3d. a pound now compared with 19s. for fine crossbred wool. But the civilian consumer should not suppose that high wool prices will be counteracted by developing nylon mixture cloths. A recent exhibition in Manchester showed some of the military uses of nylon; these were varied enough to suggest that rearmament may involve heavy cuts in civilian supplies. At least 55 per cent of the yarn produced is going to the hosiery industry and another 15 per cent goes by special arrangement of the Board of Trade to hosiery manufacturers in Australia and New Zealand. The balance is spread over the rest of the textile industry, and because nylon stockings and fabrics have a high export value there may be official pressure this year to maintain the supplies of yarn to exporters at the expense of the home market. The entire output of some warp knitters is being sold in the United States.

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For the future, much will depend on whether nylon and the new synthetics are to be developed in parallel or in competition. Both du Pont and ICI are putting other synthetic materials into production. At the same time both are expanding their output of nylon, and du Pont may grant nylon production rights to a new formed subsidiary of Monsanto and American Viscose. This company, the Chemstrand Corporation, will also produce a synthetic of its own, and other American chemical firms are known to be developing synthetic products. In some respects the materials have complementary properties—where nylon is elastic and alkali resistant, ICI's new "terylene" is inelastic and acid resistant. But in other respects they are undoubtedly competitive. "Orlon," developed by du Pont, has greater resistance to light than nylon and can be expected to encroach on outdoor uses for nylon. "Terylene" is bound to trespass on nylon's important industrial fabric

market and both new synthetics are spoken of as clothing fibres—"orlon," in particular, as a wool substitute. Yet nylon may still prove to be the best adapted to textile requirements in that it calls for no major change in machines or techniques. It dyes by ordinary methods, whereas special methods will probably be needed for dyeing "orlon" and "terylene." This point may be of small importance when these latter yarns are dyed alone, but it could make all the difference to the yarn chosen for a wool mixture.

Presumably ICI, Monsanto and du Pont hold the view that the prospective world market is large enough for several synthetic fibres of this type. But these markets may not lie wholly within their control. In Germany, I G Farben is producing "perlon," a material of the nylon family which I G claims to have developed before du Pont produced nylon. Although the two sets of patents do not conflict, the consumer might find it hard to establish any difference between the two products. Moreover, the development of perlon, like the development of nylon, is considered by chemists as the starting point for a whole group of related textile yarns. The possible consequences of development on these lines by I G or by firms holding licences from it should not be underrated.

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The interest which nylon has stimulated must not be allowed to exaggerate the size of its contribution to the textile industry. This has been technically important but physically small. A comparison between the output of nylon and of wool, cotton and rayon shows that since the middle of last year, the nylon spinning plant has been running at full capacity of about 800,000 pounds of yarn a month. The latest monthly figures show rayon yarn output at 34 million pounds, cotton yarns at 20 million pounds and wool yarns at 47 million pounds. In four years' time the combined output of nylon and "terylene" yarn might just exceed 40 million pounds a year; this is less than five weeks' output for the rayon industry.

But to forecast the future demand for nylon on present evidence would be to limit it to a comparatively narrow field. The nylon industry cannot develop fully until the textile industry and its customers have become sufficiently familiar with nylon's properties to recognise when circumstances justify its use. There are signs that the wool industry was the more aware of this, and had discovered in wool-nylon mixtures a higher standard of quality than was expected from ordinary mixture yarns, as well as characteristics not found in pure wool. In much the same way, the industrial market for nylon yarns is building piecemeal as engineers learn to understand its behaviour under various conditions. It is important that nylon, or indeed any of the related synthetics, should not be treated as mere substitutes for established yarns. Their strength lies in points of difference rather than in similarities; if the markets for natural fibres were at some future time to be less strong than they are today, the high capital costs of synthetic plants might make them vulnerable to price fluctuations in any of the natural fibres, from jute to silk. But given a probable reduction in rayon production, and the present high prices of other yarns, substitution is more likely to sustain the demand for nylon rather than extension of its uses.

Business Notes

Corporation and Federation

In this week's steel debate Mr Strauss had more success in mustering partisan votes to confirm the disruption of a vital industry than in explaining how his creature, the Iron and Steel Corporation, proposed to go about it. He was unable to announce agreement between the Corporation and the British Iron and Steel Federation even upon interim arrangements between the two bodies for the first few months of nationalisation. Frequent and lengthy discussions culminated upon the day of the debate in a meeting between Mr Steven Hardie, chairman of the Corporation, and certain leaders of the Federation; but the Minister on the same afternoon was still able to speak only of "discussions now proceeding."

The interim arrangements envisaged by the Corporation, which would insert its representatives into parts of the existing machinery of the Federation without otherwise modifying it, may be the minimum necessary to enable it to carry out its statutory duties; but in three months' time the Minister and Mr Hardie propose to take another, much larger bite. From being represented upon the Federation's various conferences dealing with different sections of the industry, the Corporation would then, according to the plans Mr Strauss outlined, in effect take over those conferences in which publicly owned companies had a predominant interest. These conferences—which of course include privately-owned companies—would then report directly to the Corporation. They would also appoint an advisory council to the Corporation with an executive committee—the body of experts that the Corporation is understandably anxious to recruit. Whether they would retain any formal link with the Federation or not, they would thus effectively come under the general control of the Corporation, and some parallel division of the Federation's staff and services would presumably be proposed.

This involves more than the powers of a normal holding company, as do certain of the spheres of control that the Corporation proposes to reserve in its relations with constituent nationalised firms. It hardly accords, either, with the Minister's description of Corporation policy as "the minimum of centralisation and the maximum of devolution." Apart from its merits as a structure of organisation, however, it is clear that the Federation cannot accept any such change within so hasty a period. Mr Hardie, no doubt, must now be impatient to bring nationalised steel into being, rather than to devise an ideal structure. The Federation's equally strong and more justified determination, presumably, is to concede the minimum of change in the structure of the industry until the electorate has once again been heard on the issue. In the long run—if it should be a Socialist long run—Mr Hardie would no doubt have his way. But in the short run, although he may have the power to make such fundamental changes and may be anxious to make them, they would be very difficult to justify, given the present balance of political power.

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Witchback in Steels

The momentum imparted to activity in stock markets, Billings to the scissors movement between gilt-edged securities through industrials, by the approach of steel vesting day has gathered strength in this past week. Although steel shares have been moving steadily from private investors towards the public institutions for many weeks, it is now clear that the effect of the whole operation had been much less fully discounted than was generally supposed a fortnight ago. As soon as

dealings in these shares became free of stamp and fee (because the stock to be delivered will in effect be steel stock), the stream of private selling increased and the appetite of the institutional investors was whetted by the resultant persistence of the discount on take-over prices. These cross movements set powerful influences in motion. The gilt-edged market could not compete with the attractive "back-door" route through steel stock, and hence has languished for lack of buyers as well as from some selling for the purpose of buying steel shares; and the industrial market has had a powerful flow of reinvestment funds directed towards it. By Monday of this week this demand had raised the ordinary share index of the *Financial Times* to 121.8—no less than six points above its level at the turn of the year—and on that day the number of Stock Exchange markings leapt to its highest level for four years. Gilt-edged, meanwhile, continued to sag.

On Tuesday, however, this complicated market situation became further involved. The broad streams flowing from the steel switching then met in head-on collision with opposite movements set in motion by the possibility of a Government defeat in Wednesday's debate. Institutional investors then became worried about the possibility of being saddled with steel shares that they do not want—during the general market scramble many such shares had been bought almost indiscriminately, without regard to the merits of the companies as continuing private entities—while brokers were debating the knotty technical problems that a postponement of vesting day would have presented for the machinery of the Stock Exchange settlement. These new influences provoked both a sharp rise in the discounts on steel shares and, on Wednesday, a sudden interruption of the slide in gilt-edged. It was scarcely surprising, therefore, that on Thursday morning those who would have had to wrestle with unprecedented technical problems of Stock Exchange practice were confessing to a feeling of relief—though fully sharing, of course, the City's disgust at the act of nationalisation itself. As expected, the discounts on steel shares returned to their former levels, while gilt-edged were inclined to falter.

The principal questions, in this context, in the coming week will be the terms of the steel issue itself, the extent of private and institutional selling of the stock after the vesting and the extent of resistance that the authorities will offer to it. The "departments" have been unexpectedly—and satisfactorily—inactive in recent weeks, but they are expected to ensure that the market remains on an even keel at least during the first day's dealings in the new stock. Thereafter their tactics will presumably be dictated principally by the degree of pressure encountered. That will depend partly upon the general view of gilt-edged prospects as a whole. It is still a matter for debate how far the recent slide has been due to the steel operation as such, rather than to more fundamental influences; and there is likewise a parallel debate about industrials. When the steel reinvestment stimulus has exhausted itself, will the inflationary prospect and the hopes of further dividend increases suffice to support the present upward trend?

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Coal Cheer and Costs

Cheered by some improved statistics and mericful weather, the Parliamentary Secretary to the Ministry of Fuel and Power this week became so cautiously confident that he forsook English for jargon. Given good weather and good behaviour by consumers, Mr Robens is reported to have

said, "then undoubtedly we shall ease through this position without any serious deleterious effect on the situation." By this form of words, Mr Robens was no doubt suggesting that the chances of avoiding a major fuel crisis were a little better. After all, the weeks pass and the spring approaches. Mr Robens had indeed to report a further fall in distributed stocks of coal in the week to January 27th, but at least at a slower rate. Both home consumption and exports declined in that week, and output for the following week remained higher than in the corresponding week of 1950. Colder weather at the beginning of last week, however, caused the power stations to burn 50,000 tons more coal, and may partly have offset the effects of new economies upon general coal consumption. The weather has contributed far more to the hope of averting disaster than the varied fuel economies described last week by Mr Noel-Baker; in the first four weeks of the year the average temperature was 40.8 degrees, nearly two degrees lower than last year but five degrees higher than in the January preceding the bitter fuel crisis of 1947. The effect of the 15 per cent cut in coal deliveries to industries has not yet appeared in consumption figures, nor has the saving from cuts in railway services; but Mr Noel-Baker was at last able to hazard a guess at the value of banning lighted shopwindows and advertising—50,000 tons of coal in three months.

The financial effects of the higher coal prices he announced will not be fully felt immediately. Output has been insufficient to meet a growing industrial demand, itself partly stimulated because coal was becoming relatively cheaper than other materials that industry uses. Some rise was justified and inevitable, apart from the recent wage concessions. But this does not alter the widespread effect that higher coal prices will have in increasing costs and prices throughout industry. Electric power, an equally widely-distributed item of cost, must rise accordingly; the price went up last year even though fuel costs declined slightly. A flat rise of 4s. 2d. a ton in coal prices will put up the British Electricity Authority's fuel bill by £6,000,000, and generating works costs by perhaps one-tenth. The steel industry today uses roughly 35 cwt. of coal to make a ton of steel, which implies a rise of at least seven shillings a ton in prime costs. On last year's figures of consumption, the coal price increase would cost other industrial consumers perhaps £7,000,000 a year in direct fuel costs alone, apart from concomitant rises in the cost of transport and other materials.

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Balancing the Board's Books

The increase in price approved by the Minister was more prompt, and also larger, than the National Coal Board might have expected from its earlier experience. The first round of wage increases granted from last October will cost the Board £4,000,000 in a full year, and the second round £8,000,000 a year, plus £2,000,000 as a non-recurring contribution to begin a pension fund; and material purchases, according to Mr Noel-Baker, will cost £13 million more this year than in 1949. Against these current and impending rises in expenditure—£27 million—the higher prices should contribute more than £40 million in a full year.

Two other items to be charged against this increased revenue are more difficult to estimate. The NCB exported roughly two million tons less coal last year than it hoped to do, which involved the sacrifice of £2,000,000 from its £1-a-ton export premium; it is likely to export even less this year. Its imports of coal are to include 1.2 million tons of American coal upon which it is likely to lose not less than £3 a ton (Mr Gaitskell's figure of \$3,345,440 "spent" up to January 22nd bears, of course, no direct relation to Mr Noel-Baker's earlier statement that 1,073,000 tons had been ordered from USA, India and Nigeria). This expenditure will fall almost entirely into the Board's 1951 accounts, not those for 1950; and Mr Noel-Baker's fairly ample provision of revenue gives

a broad hint that neither he nor the Coal Board is hoping for much assistance from exports to assist the profit from home coal operations in 1951.

The Board's financial statement for the first nine months of 1950 shows, in fact, that such assistance from high-priced exports was proving insufficient to offset increases in costs. In the first quarter of the year the Board showed a surplus of £5,600,011, which represented, other items apart, a profit of 3s. 9d. a ton on 52.6 million tons of saleable deep-mined coal. The second quarter's surplus was £2,451,971, resulting from a profit of 2s. 8d. a ton on 50.1 million tons. In the third quarter, 46.9 million tons of coal were sold at a profit of 1s. 6d. a ton but the Board finally incurred a total deficit of £450,524. For these three quarters the additional earnings from exported coal, at £1 a ton higher than home prices, would have amounted to £5.3 million, £4.7 million, and £3.9 million respectively; thus the decline in the Board's profits has proceeded much faster than the decline in export earnings. In the fourth quarter of the year exports were 800,000 tons lower than in the third; moreover, a wage increase worth £4,000,000 a year was made retrospective from the beginning of October. This meant £1,000,000 extra in wages for an output of 53 million tons, or nearly an extra fivepence on labour costs a ton; with the higher material costs Mr Noel-Baker reported, and prices generally unchanged, it seems unlikely that even the third quarter's profit of 1s. 6d. a ton could be repeated. But the fixed charges for interest and other items upon NCB profits, allowing for profits from ancillary operations, require colliery profits of perhaps 1s. 5d. a ton. All of which suggests that in the fourth quarter of 1950 the Board will have been very fortunate indeed to avoid another deficit, and that the final surplus for the year will be less than the £3,000,000 realised on the first two quarters.

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Substitute for Policy

Mr Noel-Baker's second important decision—to prolong opencast working of coal—was to be expected. It might have been unavoidable as a minor part of a long-term fuel policy; but it is in no sense a substitute for one, and taken by itself it seems a questionable expedient. The former programme (itself an extension of an earlier original) was due to run down by the end of 1953, removing about 38 million tons of coal in the period; by the change of policy it is hoped to get an extra 12 million tons by extending operations for two more years. The Treasury has agreed to the spending of more dollars upon big earth-moving equipment—this time by contractors, who will presumably have to amortise the total costs of this specialised machinery over the very short periods of extended or additional contracts. The existing programme had already dispensed with dollar purchases; much of the machinery would have gone out of service as contracts came to an end, and the limited further needs by the end of 1953 could have been provided from the small output of large-bucket earth-moving equipment that British firms can spare from export demands.

Financially, the increased coal prices should make it possible for the extended programme to be carried through upon the Minister's principle that opencast coal production must pay for itself. Recently, the Ministry's Directorate of Opencast Production has been doing its ugly job with growing efficiency; from the days of losing 17s. 8d. a ton in 1945-46, it has reached the position that in the current year so far it is doing rather better than its estimate of breaking even. The full costs, including the destruction of amenities and fertility cannot be estimated—and in any case there is natural pressure from farming interests for better restoration. To date, 60,258 acres have been requisitioned for opencast mining, and 18,382 acres released; 15,208 acres are being restored or ready for restoration, and 26,768 acres are

"coaling or preparing to coal." The total yield of the programme from 1942 to the end of last year was 78,125,000 tons, and the average yield per acre about 1,500 tons. The volumetric ratio of overburden to coal, which mainly governs the physical difficulty of working any site, has been rising until at present the average is about nine to one; but with an increase in prospecting, it may be that the additional coal required can be located. Vague estimates suggest that there might be 70 to 80 million tons on workable sites; allowing for "freezing" of sites by interested departments and for

COST OF PRODUCING A TON OF OPENCAST COAL

	1947-48	1948-49	1949-50	Est. 1950-51
	s. d.	s. d.	s. d.	s. d.
Boring and Prospecting.....	1 3	1 4	1 4	1 4
Production costs.....	27 0	29 9	30 0	30 9
Services:				
(1) Capital.....	1 0	1 0	9	3
(2) Operational.....	5 7	5 8	5 0	5 1
Plant.....	1 11	6	3	1
Selling expenses.....	2 0	1 6	1 4	1 3
Establishment charges.....	1 6	1 6	1 6	1 6
Loss in volume, quality, etc.....	1 0	1 0	1 9	9
Compensation.....	1 3	1 3	1 6	1 6
Total cost per ton.....	42 6	43 6	42 5	42 6
Selling price.....	39 7	42 3	42 2	42 6
Deficit per ton.....	2 11	1 3	3	...
Quantity produced, tons.....	11,115,000	11,917,000	12,440,000	12,500,000
Total net loss, £ million.....	1.42	0.74	0.16	...

other difficulties, this might enable 50 million tons to be removed. Even assuming a further growth in production costs (which include restoration), the present level of coal prices should afford the opencast producer—that is, the Ministry of Fuel and Power, not the Coal Board—fairly generous profits in the next two or three years. This is more likely to be gathered in by the Treasury than applied either for improved restoration or to offset the losses on the American coal the National Coal Board has been ordered to buy.

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Railways and the Coal Cuts

To save 10,000 tons of coal a week out of their total consumption of 290,000 tons, British Railways have been compelled to withdraw well over three thousand services. The third instalment of these debilitating and discouraging withdrawals takes effect on Monday next, and will involve a number of long-distance services that were presumably paying their way satisfactorily. At this time of the year about 65 pounds of coal is consumed per engine mile; an exercise in proportion therefore suggests that a saving of 10,000 tons a week would call for a reduction of 290,000 engine miles a week (in practice, probably rather less) out of a total passenger engine mileage of roughly five million. For the

sake of a little coal—about 3 per cent of the total weekly consumption of 290,000 tons on the railways—track and stock will be used to less advantage, though their indirect costs will continue. The normal economics of railway operation have to be turned upside down because coal (which costs relatively little in the total of direct and indirect railway expenditures) is insufficient to allow the railways to run their business in accordance with commercial commonsense.

This feeling of frustration has certainly made its mark on the railway administration. It has also created a considerable amount of suspicion in the minds of locomotive and operating staffs. The unfortunate Railway Executive can depend on getting plenty of kicks from the travelling public for cuts that have been imposed on the railways from above (exactly how this has been done seems to be in doubt), and perhaps they could have done more to explain how the curtailment in services has come about. Some of the men prefer to find the explanation for the cuts not in the professed need for saving 10,000 tons of coal but in a dark scheme by the Executive for getting rid of surplus staff. This is not so, but it hardly helps the Executive in its present difficulties about staff relations. Obviously, the only reasonable assumption that the Executive can make is that the savings will not be demanded as soon as the risk of a fuel crisis has been averted—even this means apparently some time after Easter. In the last few weeks there has been great difficulty in finding locomotive crews and maintenance staffs because of sickness. No doubt it would be easy to exaggerate the chances of absorbing all the displaced passenger crews on freight services, but some transfers can be made. But what happens on the London Transport railways where cuts in services have now been made—in order to save, apparently, a mere 700 tons of coal a week? Can the train staffs be absorbed on other duties? And will the saving be genuine, in the sense that boilers can be banked and generating sets taken out of service while the cuts are in force?

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Ceiling for Scrap

Maximum prices for non-ferrous scrap metal came into force this week. The Ministry of Supply has approved the revised list of prices proposed at the meeting of the Scrap Advisory Committee on January 9th, with one or two minor amendments; part of this list was given on page 285 of *The Economist* of last week. On the face of it, it is difficult to see how the new order will bring more scrap on to the market. Scrap prices have recently been well above those for virgin metal, but the new limits are quite appreciably below the Ministry's selling prices of new metal, and in any case these are too low in view of the present scarcity of metal. It would have been more reasonable to have raised the prices of virgin metal above the corresponding prices for scrap. To reduce the prices for scrap, as the Ministry has done, is



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unlikely to relieve the present metal shortage and may even intensify it.

The test of the new control will be whether it maintains the supply of scrap coming forward; there is reason to believe that the amount of scrap available at the new maximum prices will decline. First of all, the incentive to disgorge hoarded stocks has been reduced. The maximum price for No. 1 copper wire, for example, has been fixed at £175 a ton; last week it was selling at well above £200 a ton. Admittedly, since exports of scrap metal and secondary ingots are virtually forbidden, certain supplies will continue to come forward even at the new reduced prices. But the marginal quantities, which at the present time are very important, come from non-regular suppliers and these firms will only be encouraged to go through their surplus stores if the return they get from selling scrap more than compensates them for the cost and effort involved.

Secondly, the new control does not impose maximum prices for secondary ingots; that is a serious weakness. Any manufacturer or merchant can now buy scrap at controlled prices, convert it into secondary ingots and sell them at any price that metal users are willing to pay. In any case there is no scientific method for determining the quality of scrap and the number of people who have the necessary experience and expertise must be very limited; the order might therefore be easily contravened through ignorance as well as through connivance.

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Expanding Nickel Output

Nickel is a vital strategic material, as well as an important raw material for a peacetime economy. Last year, despite the increase in nickel output, supplies to civilian consumers had to be curtailed so that the defence requirements of the United States, Britain and Canada (including stock-pile purchases) could be fully met. The president of the International Nickel Company has stated this week that deliveries of nickel in 1950 reached a record level for any peacetime year. They totalled 256 million lb., nearly 47 million lb. more than in 1949. This large volume was maintained only by drawing on reserve stocks, for the increase in output that took place last year was insufficient in itself to meet the increase in demand.

At the outbreak of war, surface mining of nickel ore was developed. Between 1942 and 1945, out of a total annual ore production of 11,400,000 tons, over half (6,000,000 tons) was mined on the surface. These deposits, however, are now being worked out, and last year the surface mines yielded only 4,100,000 tons out of a total of 9,800,000 tons. A project to extend underground mining capacity was started over ten years ago. Full conversion is expected to be completed by 1953, when the total output of ore mined should reach 13 million tons a year—all of it coming from underground pits.

* * *

Learning from the Doctor

The City in recent weeks has been watching with interest the speed with which the American authorities have been creating a pattern of economic and financial controls that became all too familiar in this country in the early post-war years. The latest move in this direction has been the declaration by Mr Snyder, after a conference with Mr Truman and the Federal Reserve Board, that the Government's refunding and defence needs will be financed "within the pattern" of the existing 2½ per cent rate for long-term bonds. This statement bears an interesting resemblance to the Daltonian utterances of 1945-47, for the US Government authorities appear to be fully aware that the continued pegging of the long-term rate will scarcely be achieved without a further large "monetisation" of debt and a consequent creation of credit. There is, however, one

important difference in this context between Mr Snyder's position and that of Dr Dalton. How far the Bank of England differed from Dr Dalton's tactics has never been disclosed; but he certainly did not have to face, as does Mr Snyder, an open conflict with the central banking authorities. And this declaration from him is merely the latest round in a struggle that (as a Note on page 322 shows) is certainly not over yet, even though it puts the Treasury in the lead. Mr Snyder's contention (like Dr Dalton's) that small movements in interest rates could have little effect in restraining excessive spending of course misses the main point in the Federal Reserve's argument: it is the creation of credit to sustain low rates, rather than the lowness of rates as such, that does the damage.

This attitude towards monetary policy is at least consistent with other lines of US Government policy: the attempt to freeze prices and wages and the spread of physical controls reflect a forsaking of the rules of the market-place that implies a hope that rationing and direct action will do the work of the price mechanism. It is scarcely surprising, therefore, that systems of selective and "qualitative" controls are steadily gaining favour with the monetary authorities themselves. The most important of the restraining effects that the Federal Reserve authorities have been able to take since Korea have been those embodied in regulations W (control of instalment credit) and X (a new control of real-estate credit). But, more recently, there have been restrictive moves towards qualitative control of bank lending in general. The authorities are exhorting the banks, and other lending agencies, to minimise and screen their loans "in the national interest." It is being pointed out—in the words of the Federal Reserve Bank of Cleveland—that "in time of expanding activity and rising prices, almost everyone's credit, at least short-term credit, is good, and it is very difficult to distinguish between the essential normal needs of business, and those of an additional and speculative nature." The priority certificate, it seems, is destined to become a principal weapon in the battle against inflation. It is to be hoped that America will not discover, as Britain did in the early postwar years, that all such weapons become very blunt indeed in any conditions short of total war.

* * *

Rhodesia's Gold

The Minister of Mines of the Southern Rhodesian Government has announced in Parliament at Salisbury that permission has been asked from the International Monetary Fund to allow a proportion of Southern Rhodesia's gold output to be sold in the open market at premium prices. This statement promises the addition of yet another source of supply of newly mined gold reaching the free gold markets. The Government of Southern Rhodesia decided in 1948 to pay its gold producers a subsidy of 27s. 6d. per ounce of fine gold. This measure was found by the IMF to be inconsistent with its rules for gold dealings, which seek to prevent international gold transactions at other than official prices. By agreement with the United Kingdom this straight subsidy was set aside and replaced by other arrangements under which subsidies were given not on gold produced but on the basis of tonnage mined and grade of ore mined. This, apparently, passed muster at the IMF. These special aids to Rhodesian gold producers were withdrawn after the devaluation of sterling; these producers have been selling the whole of their output to the Bank of England at the official price. They cannot have ignored the happier fate of their neighbours in South Africa who, with IMF sanction, are able to dispose of up to 40 per cent of their gold output at premium prices, though they have to go to the inconvenience of having this gold fabricated before it becomes eligible for this privileged treatment. The concessions granted in the past by the IMF to South Africa can hardly be withheld from Southern Rhodesia, or Canada, which is making a similar request. A situation is fast arising

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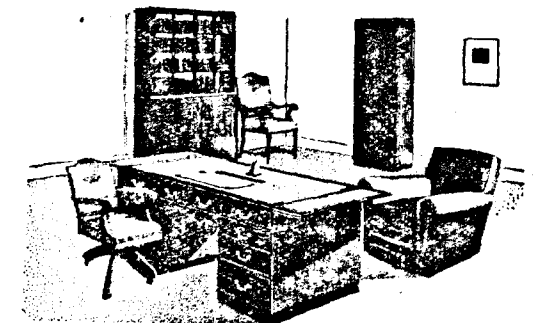
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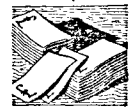
Advanced to Trade, Industry, Agriculture and other borrowers : £289 millions



Invested in British Government Securities, including Treasury Bills and Treasury Deposit Receipts : £545 millions



Loaned at Call or short notice to the Money Market (which in turn invests mainly in Treasury Bills and short-dated Government Bonds) : £116 millions



Held as Cash in our tills and with the Bank of England and other Central Banks : £97 millions

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N P B

Extracts from the Balance Sheet
as at 31st December 1950

£838 Millions	Lodged on Current, Deposit and other accounts.
£246 Millions	Advanced for Trade, Industry and other purposes.
£403 Millions	British Government Treasury Bills, Treasury Deposit Receipts and securities.
£156 Millions	Coin, notes and balances with the Bank of England and money at call and short notice.

Capital : £9,479,416
Reserve Funds & carry forward : £11,984,462

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in which a very substantial proportion of the newly mined gold will be feeding, not the monetary reserves of the world, but the free markets that serve not only industrial requirements but the hoarding demand for the metal.

Season for Trade Talks

The Treasury is keeping a full programme of financial and commercial negotiations in train. The discussions with Switzerland reveal no difficulty on the question of payments—these matters always go well when Britain is the creditor—but have bogged down somewhat on the trade side. Switzerland, as a latter-day debtor to Britain and to the European Payments Union as a whole, is somewhat impatiently awaiting evidence of greater liberalisation in British import policy. The talks with Jordan have entered their third week. The tidying up of the financial relics of the old Palestine mandate has taken some time. The main problem that remains to be discussed is the release of Jordan balances for the current year. The talks with Egypt are completely deadlocked. The latest news from that quarter is that a secret debate on Egypt's financial relations with Britain is to be held next week in the Egyptian Senate. Pending this debate, no further moves can be expected from the Egyptian Government. A Treasury representative is in Baghdad to discuss with the Government of Iraq the problem of hard currency allocations from the sterling area dollar pool. An agreement negotiated in 1947 provided for releases from Iraq sterling balances over a period of five years, but separate yearly agreements have to be made on hard currency allocations. Trade and payments discussions are looming up with Spain and Portugal. They will probably be held in London so as to ease the burden carried by that increasingly peripatetic species, the British higher civil servant.

World Bank Income and Expenditure

The International Bank for Reconstruction and Development is acquiring increasing weight. Its latest half-yearly report puts it in the class of the billion dollar giants, its total loans over its four-year life having now crossed that milestone. The bank's income has kept pace with the increase of its commitments. Gross income for the last six months of 1950 amounted to \$13,370,710 after deducting loan commissions of \$3,114,702 appropriated to the special reserve. This reserve receives the yearly 1 per cent commission levied on all loans issued by the bank and earmarked in a special fund to provide for losses on loans and guarantees: by the end of 1950 the reserve had been built up to \$34,752,901.

The bank's net income for the second half of 1950 totalled \$7,754,631: outgoings on bond interest absorbed nearly \$3,400,000, while the administrative expenses amounted to \$2,408,907. The administrative budget, now running at the rate of almost \$5,000,000 a year, is beginning to look generous in relation to income and turnover of business. The International Bank necessarily incurs heavy expenditure in the course of its far flung activities. Teams of investigators have to be sent out to "vet" projects and once loans are granted the bank takes inordinate but justifiable care to "follow through" and control the expenditure of the funds it makes available to borrowers. This is all the more reason why the elaborate and effective mechanism that the bank has devised to supervise the expenditure of its loans should also be used to screen its own administrative budget.

Fewer New Cars

The expected cut in the home market quota of cars and commercial vehicles has been announced by the Ministry of Supply. The original figure of 110,000 cars (the same as in

1949 and 1950) has been reduced to 80,000 and the quota of commercial vehicles has been reduced from 95,000 (81,500 in 1950) to the same level as for passenger cars. Should the industry's output during the year exceed 460,000 cars and 230,000 commercial vehicles, half that excess may be sold on the home market.

The Ministry of Supply has made the frank, if unusual, admission that "it is not possible to estimate with any assurance the likely output of vehicles in 1951." On present evidence it seems possible that 60,000 fewer passenger cars might be produced this year than 1950's total of 522,500. This represents a fall in output over the whole year of about 11 per cent, on the assumption that the reduction of 15 to 20 per cent in the first half of the year may be mitigated by some recovery of output in the second half of the year. It will be divided "equally" between the home and export markets, 30,000 cars being taken from the home market allocation and the remaining 30,000 from exports. This means that deliveries to the home market will be cut by 27 per cent and those for export by about 7 per cent.

There is some chance that the Ministry's estimate will be exceeded. Vauxhall Motors is the latest firm to go over to a four-day week, but others, including the Austin and Ford companies, are maintaining employment by making a higher proportion of chassis. For allocation purposes, the Ministry is prepared to count a chassis as one vehicle. The extent to which chassis can be substituted for exports of complete cars depends on the quantities of sheet available for body pressings in the countries of destination and on sufficient supplies of materials, including non-ferrous metals, to maintain chassis output in this country. There are no reports yet of sheet becoming scarce in Australia, which is the chief market for chassis. Short-time working by part of the industry may improve deliveries of materials to other manufacturers, but early in the year, before the cuts in sheet steel supplies were announced, it was estimated that shortage of other materials would reduce the motor industry's output by between 10 and 15 per cent in the first half of the year.

Working in a Vacuum

The Director of the Royal Institution, Professor E. N. da C. Andrade, spoke last week of the remarkable way in which the esoteric laboratory technique of vacuum processing was quickly becoming standard practice in a number of industries. The object of the vacuum is to remove as many air molecules as possible, so that they do not interfere with the process being carried out. Modern vacuum treatment dates from the development within the past forty years of the diffusion pump, an ingenious apparatus which relies on a mechanical pump to produce a "rough" vacuum and then on a vapour pump which reduces the pressure in the chamber until a "high" vacuum has been created.

Professor Andrade described a number of industrial processes which are now being carried out as a matter of routine in a "high" vacuum. The evacuation of valves and cathode tubes, and the vacuum distillation process in the fine chemical industry, have been used for some years. More recently, the moisture in heat-sensitive pharmaceutical products such as blood plasma, penicillin and some vitamins, which cannot be removed by ordinary heat treatment, has been removed by evaporation under vacuum conditions after preliminary freezing. This process, adopted by the pharmaceutical industry from necessity, has been taken up by the food industry from choice. In the United States, vacuum-dried orange juices, milk and coffee preparations are being sold on a growing scale in competition with those prepared by conventional methods, and their introduction in this country is expected.

The technique of metal shadowing of microscope specimens and of metallising mirrors for astronomical and

scientific purposes is carried out in a vacuum for technical reasons. Exactly the same method is being used by quite small firms to give a decorative metal coating to cheap plastic sequins, buttons, sheets of paper and plastic and to coat condenser papers; the process gives a better and cheaper product. Vacuum coating technique has been used with such success that it is replacing other methods of plating. For convenience and longer working life, matrices of gramophone records are similarly coated. Other vacuum processes involve the production of gas-free metals of exceptionally high purity, and of high precision castings.

The atomic energy authorities are still the best customers for vacuum equipment, and are covering much of the development costs. Although vacuum techniques are sufficiently simple to be used by workers without scientific training, manufacture of the equipment calls for highly specialised engineering skill, which only a handful of firms can claim. One leading British firm in this field, W. Edwards and Company, might be thought small by ordinary industrial standards, but it has built up a business in the past thirty years solely by developing vacuum equipment and probably commands the highest concentration of vacuum engineering knowledge in the country. Another firm, British-American Research Ltd., is a newcomer set up to produce equipment developed by American vacuum specialists. Metropolitan-Vickers includes among its manifold activities a range of vacuum equipment—perhaps the nearest approach to mass production in this highly specialised field.

* * *

The Trend of Stocks

Of all the dubious half-knowns in economic statistics, the measurement of inventories and work in progress is one of the most important and perplexing. The evidence of the latest analysis of balance sheets received in the last quarter of 1950 goes some way to support the impression that indus-

ANALYSIS OF COMPANY REPORTS PUBLISHED OCTOBER-DECEMBER, 1950 (£'000)

	646 Companies			645 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies) :-			Fixed Assets :-		
Debtenture	130,339	134,166	Land, property and plant	703,664	763,452
Preference	172,718	175,051	Less depreciation ..	159,070	182,105
Ordinary	256,250	273,618		544,594	581,346
	559,306	582,835			
Reserves and Surplus :-			Trade Investments	43,211	44,687
Capital res. and EPT refunds ..	130,225	142,908			
Revenue res. and carry forward ..	281,590	318,619	Intangible Assets.	38,829	37,772
Total Capital Reserves and Surplus	980,121	1,044,362	Current Assets :-		
Outside Interests in Subsidiaries ..	33,272	37,593	Stocks	315,634	339,567
			Debtors	212,423	252,179
Current Liabilities and Provisions:-			Gilt-edged securities ..	31,553	26,457
Bank overdrafts and loans	40,756	44,591	Other marketable investments	112,189	104,885
Creditors and accrued charges	323,369	354,220	Cash	169,421	190,321
Reserve for future taxation	59,332	71,164			
Other provisions	31,253	30,285			
	454,765	500,260		841,524	913,410
	1,468,158	1,582,215		1,468,158	1,582,215

try's inventories, reckoned in real terms, have fallen, but it is not as conclusive as one could wish. The latest balance sheets for 646 companies show a rise in stocks from £315.6 million a year earlier to £339.6 million—the latter figure relating to an average accounting date midway in July, 1950. To decide about the physical movement of stocks would require much more evidence than this—matters such as rates

of stock turn and the bases of valuation are involved and on these there is little or no information. The book figures, conventionally valued "at cost or market, whichever is lower" reflect the full impact of market prices only after an interval during which stock is turned over. But it can probably be said with fair safety that a rise in book values of inventories of 8 per cent reflects no more than the rise in prices during the latest notional financial year to which the figures apply.

Another perplexity, on which no light is thrown by published accounts, is the division of the stocks figures into primary raw materials or incoming partly finished manufactures on the one hand, and work in progress on the other hand. In recent months, a fall in the first would not have been inconsistent with a rise in the second—that is, the pipeline might have become more tightly filled with intermediate products even though it was receiving fewer raw materials. But this is only a speculation. There are some indications that work in progress has lately been increasing, and firmer evidence about falling stocks of raw materials. The balance between the two factors cannot be established, but it will have a crucial bearing on industry's efforts to carry the immense burdens of defence, exports and essential output for use at home.

* * *

British Merchant Tonnage

At the end of 1950 the British merchant fleet totalled 19,626,000 tons gross, according to Ministry of Transport figures published in the *Digest of Statistics*. This total comprises all vessels of over 500 tons gross registered in United Kingdom and Commonwealth ports, and compares with a total of 18,608,000 tons at the outbreak of war in 1939 and 19,382,000 tons at the end of 1949:—

BRITISH TANKER AND NON-TANKER TONNAGE
Vessels of 500 Tons Gross and Over—'000 Tons Gross

Date	UK and Colonial			Total Commonwealth		
	Tanker	Non-Tanker	Total	Tanker	Non-Tanker	Total
Sept. 3, 1939 ..	3,064	14,313	17,377	3,236	15,372	18,608
Dec. 31, 1949 ..	3,701	12,953	16,654	3,872	15,510	19,382
Dec. 31, 1950 ..	3,962	13,600*	17,562*	4,149	15,477	19,626

* Including 641,000 tons gross transferred from Canadian registry, but excluding 34,000 tons of foreign tonnage on bareboat charter.

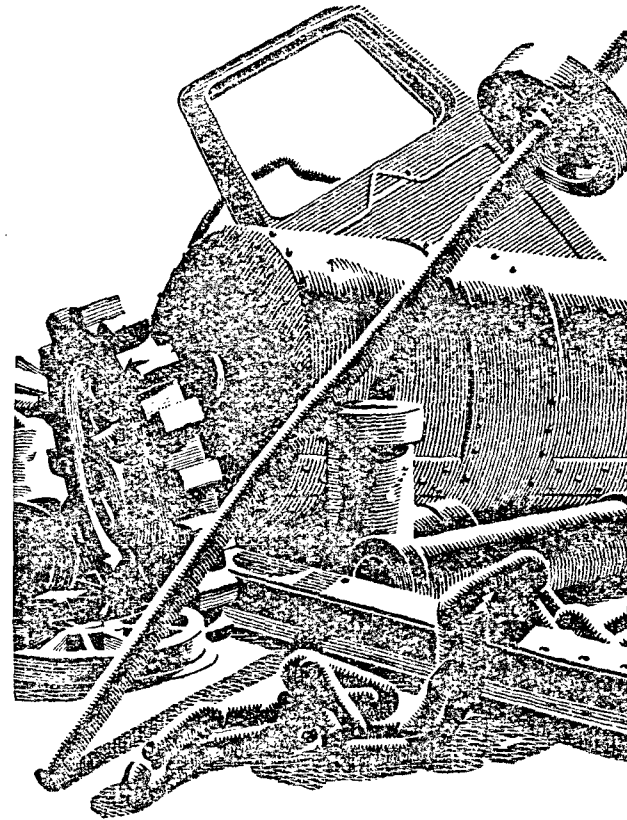
The grand total is now about 1,000,000 tons larger than in 1939; nine-tenths of this increase is accounted for by tankers. Ships registered in the United Kingdom and Colonies barely exceed the 1939 total, and then only because of the transfer of some 641,000 tons of Canadian-owned tonnage to the British register in the past year. Even including this group of ships, vessels other than tankers on the British register are 700,000 tons fewer than in 1939, while the British tanker fleet has increased by 900,000 tons gross. It is perhaps significant, in view of recent movements in tramp freight rates, that the total of British dry-cargo tonnage fell slightly during 1950.

More tankers than dry-cargo vessels will be built in 1951 also, to judge from the Admiralty shipbuilding returns published in the *Digest*:—

BRITISH SHIPBUILDING, 1946-50
Vessels of 100 Tons Gross and Over—'000 Tons Gross

Year	Laid Down		Under Construction at End of Year		
	Tankers	Non-Tankers	Tankers	Non-Tankers	Total
1946	208	1,100	242	1,547	1,789
1947	291	853	414	1,570	1,984
1948	409	811	620	1,363	1,983
1949	608	605	855	1,005	1,860
1950	753	604	1,050	811	1,861

Well over half the tonnage under construction is now tanker tonnage, of which 50 per cent is intended for British



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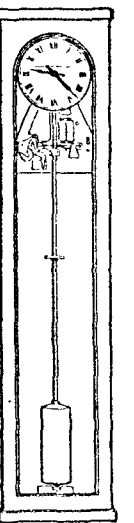
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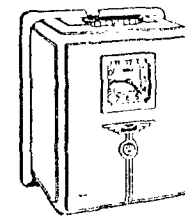
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In fact, the Timber Control bought only very small quantities of softwood from North America in June and July. The period of heavy buying was spread over the three months, August to October. In this period the Timber Control bought at varying prices—at first at high prices and later, when the break occurred at the beginning of October, at lower prices. Stocks of softwood in Britain at the end of June were run down to a mere 170,000 standards and the Timber Control would have been compelled to buy minimum requirements almost irrespective of price. Its gamble on the market nine months earlier failed and was directly responsible for the dearth in supplies in the middle of the summer. The choice was thus blunt—dear timber or no timber at all and the Control had at last learned that it would have to pay to get what it wanted. The break in the American market, when it occurred, was unexpected and the Timber Control made sensible use of its opportunity. But if it had postponed all its buying until prices fell, the timber trade would have been in a sorry plight. It is, indeed, true that private trade should not be blamed for the recent rise in timber prices. But if the Timber Control had not built up British stocks of timber before private importation was resumed, the rise in prices might have been even sharper.

The trend in agricultural prices in recent weeks has been conflicting. Grain prices fell quite sharply in the middle of January but subsequently recovered and this week reached new seasonal peaks. Sugar, on the other hand, has been falling steadily though moderately since January 10th. The winter world crop is at last beginning to tell on the market.

[illegible]

The British Government is gradually being forced to take steps to conserve Britain's dwindling supplies of raw materials. As from next Monday export licences will be required for all destinations for antimony, vanadium and zinc (and certain types of their alloys) nickel ores and concentrates, cobalt compounds, certain types of steel materials, sulphuric acid, naphthalene, anthraquinone and even feathers, down and candles. The coal shortage and the power cuts are said to be responsible for the ban on the export of candles.

In order to accelerate deliveries of imported American coal more than 264,000 tons of which has now been landed at British ports, a number of large American vessels have been chartered to carry coal to Rotterdam for transhipment to Britain. This decision, which will add something to freight charges, has been explained by the National Coal Board as due to the limited facilities British ports possess for discharging coal from large ships. The Board's spokesman held that "whether the operation saves money or not is of far less importance than the pressing need for coal now." For the next few weeks at least, this principle is undeniable; but the expedient, for which the Ministry of Fuel and Power is responsible, will worsen the financial situation of the Board.

Two more motor manufacturers raised their prices this week. Vauxhall Motors has increased the price of its cars by £20, so that the Wyvern now costs £415 and the Velox £470 (both plus purchase tax). The price of the company's Bedford trucks has been increased by between £25 and £80, the new price of the 10-cwt. van being £365 and of the 7-ton lorry £850. The Austin Motor Company has also raised its prices. The new figures are not yet definite, but the A.40 is expected to go up from £392 to £420, and the Sheerline from £1,250 to £1,340. The price of the 25-cwt. truck is expected to rise from £645 to £685 and of the 5-ton lorry from £678 to £773. These increases are in line with those recently announced by other manufacturers. The Rootes' Group Hillman, for example now costs £425, the same price as the Ford Consul, while the new price for the Ford Anglia is £280 an increase of £23.

Company Notes

Roan Antelope and Mufulira.—The revenue accounts of Roan Antelope and Mufulira for the six months ended December 31, 1950, provide impressive justification for the recent activity in Rhodesian copper shares. Estimated profits before taxation of Roan Antelope have risen substantially from £678,000 in the second half of 1949 to £2,695,000 in the six months to December 31, 1950, and those of Mufulira from £1,623,000 to £3,796,000 for the same periods. Both companies, however, report lower profits in the 1950 December quarter than in the previous three months; estimated profits of Roan Antelope have fallen from £1,601,000 to £1,094,000, and Mufulira from £2,021,000 to £1,775,000.

This easing of profits in the last quarter was not accompanied by a fall in the production of blister copper; Mufulira production was up from 20,763 tons to 21,855 tons and that of Roan Antelope from 17,795 tons to 18,333 tons. This rise in production is in distinct contrast with the announcement of a 10 per cent cut in production, made necessary by the shortage of coal, which was to take effect from October 11th last; the companies have had long practice in showing ingenuity in meeting fuel shortages and perhaps their effect was over-estimated. But the rise in production would certainly have been much greater if fuel had been plentiful. The high level of profits in the last six months reflects the high prices of copper in a world short of non-ferrous metals.

Roan Antelope		6 Months to Dec. 31, 1950
Blister copper sales (long tons)	1949	35,648
Revenue	1949	5,904
Operating expenditure	1949	2,837
Added to value of stocks	1949	138
Estimated operating surplus	1949	3,205
London expenditure	1949	60
Replacements	1949	450
Estimated profit before taxation	1949	2,695
Mufulira		6 Months to Dec. 31, 1950
Blister copper sales (long tons)	1949	41,118
Revenue	1949	6,735
Operating expenditure	1949	2,778
Added to value of stocks	1949	231
Estimated operating surplus	1949	4,118
London expenditure	1949	42
Replacements	1949	350
Estimated profit before taxation	1949	3,796

The confident expectation that the ordinary dividends of these companies will be increased is supported by these results, particularly after the news that the labour disputes in Northern Rhodesia have been settled. It must be remembered, however, that fuel shortages remain and that neither Roan or Mufulira has transferred to Rhodesia; this fact may not greatly alter the ordinary shareholder's net return, though it may affect the market's view of the shares in comparison with Rhokana. The 5s. ordinary stock units of Roan Antelope on the present dividend of 25 per cent give a yield of nearly 6 per cent, at 21s., and the 5s. units of Rhodesian Selection Trust, which controls Mufulira, yield over 6½ per cent on the 50 per cent dividend and at the present price of 38s.

Liebig's Extract of Meat.—The rise in group trading profits of Liebig's Extract in the year ended August 31, 1950, from £1,348,000 to £1,659,476 may be attributed in the main to the expansion of trading of the company's European subsidiaries, particularly in Belgium and Italy. Profits earned at home by Oxo Limited dropped considerably; sales of this product fell off in the summer months as consumer's demand slackened, but improved considerably in the

last quarter of 1950. Trading profits have shown a welcome improvement in the River Plate and have been sufficient to absorb the losses on exchange, which are shown in the accounts, after crediting certain exchange profits from other sources, at £207,818, against £53,006. The fall in the British taxation provision from £610,364 to £384,058 arises "rather from a change in policy than from any other factor" as the company will no longer provide for any taxation liability on the earnings of foreign subsidiaries until these profits are brought into the parent company's accounts. "To pave the way for still greater efforts" the European subsidiaries have conserved the major part of their very satisfactory earnings, so that retentions by subsidiary companies are shown at £267,092, against £119,289; in 1949 these retentions were drawn on considerably by the transfer of £115,490 from subsidiaries' general reserves in order to build up the parent company's contingency reserve. The ordinary dividend of 9 per cent, tax free, has been maintained, so that the gross yield on the £5 stock units, at the current price of £14, is some £5 17s.

F. W. Woolworth.—The impressive rise in trading profits of F. W. Woolworth last year by nearly £1,000,000 to some £12,260,000 was only accomplished, according to the chairman's statement, by obtaining a considerably increased volume of sales. This increase has been achieved by "better buying at a lower ratio of profit mark up" and "much improved store operation." Last May the company decided to build up a reserve of good selling merchandise; the shrewd timing of this policy can be measured by the rise in the book-value of stocks from nearly £6,700,000 to over £10 million. The foresight of the directors in stockpiling in a period when further rises in the price of consumer goods were clearly to be expected contrasts favourably with the running down of stocks by the Ministry of Food in the same period. The company are now well placed to sustain the rising turnover which is "an absolute necessity in view of continually increasing expenses, of which not unnaturally wages are by far the biggest item." The chairman also discloses that the present net current assets of a little over £18 million are sufficient to meet all foreseeable additions to fixed assets and to finance any likely increase in stock values.

Mr. B. E. Uffindell joins other leading industrialists in tilting his lance at the purchase tax, and in particular its automatic increase each time the cost of goods rises. To avoid this adding fuel to the inflationary bonfire the chairman suggests that purchase tax on essential and semi-essential goods should be frozen if the percentages cannot be reduced.

Central Line Sisal Estates.—The directors of Central Line Sisal Estates have recommended a final dividend of 20 per cent to make a total payment for the year of 25 per cent. This compares impressively with a total dividend of 10 per cent in 1948-49 and provides the equity shareholders with a due share of the jump in profits in the year ended June 30, 1950, from £95,802 to £136,625; this latter total includes £15,500 of provisions no longer required. The policy of building up revenue reserves continues for £30,000, against £20,000 last year, has been transferred to general reserves. A provision of £15,700 is made for past years' taxation still in dispute. The rise in profits, accompanied by the increased dividend, follows a period of considerable activity in sisal shares in recent weeks.

SECURITY PRICES AND YIELDS

British Funds	Price, Jan. 31, 1951	Price, Feb. 7, 1951	Net Yield, 1951 (n)	Gross Yield, Feb. 7, 1951
War Bonds 2½% Mar. 1, 1951 53.	101½	101½	0 16 8	0 8 2½
War Bonds 2½% Mar. 1, 1952 54.	101½	101½	0 17 9	0 17 9
Exchequer Stk. 2½% Feb. 15, 1955.	101½	102½	0 14 5	1 14 4
War Bonds 2½% Aug. 15, 1954 56.	102½	102½	0 14 5	1 16 6
Funding 2½% June 15, 1952 57.	102½	102½	0 14 5	1 16 6
Nat. Defence 3½% July 15, 1954 58.	103½	103½	0 13 5	2 0 5
War Loan 3½% Oct. 15, 1955 59.	104½	104½	0 15 11	2 4 3
Savings Bonds 3½% Aug. 15, 1955 65.	99½	99½	1 16 5	3 5 5
Funding 2½% April 15, 1956 61.	99½	99½	1 12 4	2 16 6
Funding 3½% April 15, 1959 69.	98½	98½	1 10 0	2 13 6
Funding 4½% Aug. 1, 1966 68.	98½	98½	1 15 6	3 2 10
May 1, 1960 90.	98½	98½	1 15 6	3 2 10
Savings Bonds 3½% Sept. 1, 1960 70.	96½	96½	2 1 6	3 8 10
Savings Bonds 2½% May 1, 1964 67.	93½	93½	1 17 6	3 5 0
Victory Bonds 4½% Sept. 1, 1920 76.	107½	106½	1 12 11	3 7 0
Savings Bonds 3½% Aug. 15, 1965 75.	94½	94½	2 2 3	3 10 1
Consols 4½% (after Feb. 1, 1957)	102	101½	1 17 6	3 13 4
Conversion 3½% (after Apr. 1, 1961)	95	94½	2 0 11	3 14 10
Treasury Stk. 2½% (after Apr. 1, 1975)	69½	69½	1 19 9	3 12 9
Treasury Stk. 3½% (after Apr. 5, 1966)	82½	82	2 0 6	3 14 1
Treasury Stk. 3½% June 15, 1977 80.	101½	100½	1 18 1	3 9 9
Redemp. Stk. 3½% Oct. 1986 96.	90½	90	2 1 5	3 11 0
War Loan 3½% (after Dec. 31, 1952)	93	92½	2 0 1	3 5 11
Consols 2½% Brit. Elect. 3½% Gtd. April 1, 1968 73.	69½	69½	1 19 7	3 12 1
Brit. Elect. 3½% Gtd. Mar. 15, 1974 77.	95½	95½	2 0 2	3 8 2
Brit. Elect. 3½% Gtd. Nov. 15, 1978 79.	101½	100½	1 18 1	3 9 11
Brit. Tpt. 3½% Gtd. July 1, 1978 88.	90	89½	2 3 2	3 12 3
Brit. Tpt. 3½% Gtd. April 1, 1968 73.	95½	95½	2 0 5	3 9 1
Brit. Gas Gtd. 3½% May 1, 1990 95.	89½	89½	2 1 3	3 10 10
			2 0 8	3 10 3

(d) To earliest date. (f) Flat yield. (g) Assuming redemption in 1957. (h) Flat yield given above. If redeemed, in 1952 net redemption yield £5 3 0, gross £6 17 9. (i) To latest date. (n) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 13 years 10 months.

Last Two Dividends	Ordinary Stocks	Price, Jan. 31, 1951	Price, Feb. 7, 1951	Yield, Feb. 7, 1951
(a) (b) (c)				
60 c	Anglo-Am. 10/-	7½	8½	5 14 4
25 c	Anglo-Iran. 1/-	5½	5½	5 6 2
10 b	Assoc. Elec. 1/-	85/-	87/6	3 8 7
74 a	Assoc. P. Cem. 1/-	87/6	90/-	6 2 3
40 c	Austin 5/-	26/10	27/3	6 8 5
15 a	Bass 1/-	146/3	150/-	6 1 3
40 c	Boots 5/-	48/6	48/6	4 2 6
8 c	Br. Celanese 10/-	24/6	25/7½	3 18 0
12 b	Br. Oxygen 1/-	95/6	97/-	4 2 6
5 a	Coats 1/-	57/8	59/-	4 9 9
5 b	Courtaulds 1/-	39/3	39/6	3 15 11
20 c	Distillers 4/-	21/-	21/-	3 15 2
8 c	Dorman Long 1/-	32/-	32/-	5 0 0
15 c	Dunlop 1/-	57/9	58/-	5 3 5
10 c	Ford 1/-	48/9	48/11	4 3 2
17 c	Gen. Elect. 1/-	83/9	83/9	4 3 7
11 a	Guinness 1/-	134/4½	134/4½	4 15 3
15 a	Hayker Sld. 5/-	35/10½	34/11	4 15 3
7 b	Imp. Chem. 1/-	44/6	44/6	4 7 11
18½ b	Imp. Tobacco 107/6	107/6	110/-	5 15 3
5 a	Lanes, Cotton 1/-	43/9	44/-	5 15 8
10 c	Lever 1/-	43/9	44/4½	4 10 8
15 c	Lon. Brick 1/-	57/6	57/6	5 4 4
45 b	Marks & Sp. A. 5/-	84/-	86/-	3 9 9
4 b	P & O Def. 1/-	58/-	58/-	4 2 9
17½ b	P. Johnson 10/-	39/6	39/-	6 8 2
15 a	"Shell" Sld. 1/-	81/3	83/9	4 6 10
12½ c	S&L Lloyds 1/-	56/3	56/-	4 9 3
12½ a	Tube Invest. 1/-	61	62	3 15 6
8 c	Union Castle 1/-	39/-	39/6	4 1 0
12½ c	U.S. Beta 10/-	56/-	60/7½	5 15 9
3½ a	T. & Newall 1/-	88/9	90/-	4 8 11
4½ b	Vickers 1/-	37/6	40/-	3 7 6
15 a	Woolworth 5/-	45/6½	45/9½	4 12 1½

(a) Interim. (b) Final. (c) Whole year. 1 Free of tax.

EXCHEQUER RETURNS

For the week ended February 3, 1951, total ordinary revenue was £180,346,000, against ordinary expenditure of £55,683,000 and issues to sinking funds £340,000. Thus, including sinking fund allocations of £14,243,000 the surplus accrued since April 1st is £546,820,000 compared with £504,170,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	April 1, 1949 to Feb. 3, 1950	April 1, 1950 to Feb. 3, 1951	Week ended Feb. 3, 1951	Week ended Feb. 3, 1950
ORD. REVENUE	£'000	£'000	£'000	£'000	£'000
Income Tax	138,800	105,305	101,178	98,620	95,568
Sur. tax	120,000	80,900	85,700	7,400	6,800
Estate, etc., Duties	195,000	161,100	154,450	3,400	3,900
Stamps	50,000	43,970	44,960	1,270	1,500
Profits Tax	270,000	229,160	228,820	5,200	4,300
E.P.T.	500	33,400	9,350	400	...
Other Inland Rev.	4,500	398	390	40	50
Special Contributions	4,500	18,300	4,280	200	80
Total Inland Rev.	202,800	162,075	153,974	116,530	112,198
Customs	870,650	682,933	746,243	9,181	15,623
Excise	713,150	627,800	624,769	50,386	45,198
Total Customs and Excise	1,583,800	1,310,733	1,371,012	59,567	60,821
Motor Duties	56,000	53,768	58,432	3,476	4,311
Surplus War Stores	35,000	77,794	35,958	...	9
Surplus from Trade	85,000	47,541	41,905	...	600
P.O. (Net Receipts)	...	...	2,000	...	...
Wireless Licences	13,000	10,390	10,650	...	2,000
Sundry Loans	27,000	16,616	22,876	...	...
Miscellaneous Receipts (in Crown Land)	70,000	80,197	66,562	1,641	411
Total Ord. Rev.	3,897,800	3,207,313	3,149,129	181,223	180,346
SELF-BALANCING					
Post Office	172,150	136,600	141,700	4,500	2,400
Income Tax in E.P.T. Refunds	5,700	10,340	7,213	209	180
Total	4,075,650	3,354,253	3,298,042	185,932	182,926

Expenditure	Estimate, 1950-51	April 1, 1949 to Feb. 3, 1950	April 1, 1950 to Feb. 3, 1951	Week ended Feb. 3, 1951	Week ended Feb. 3, 1950
ORD. EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Int. & Man. of Nat. Debt	490,000	382,631	384,533	22,116	17,522
Payments to N. Ireland	36,000	31,172	29,596	1,730	...
Other Cons. Funds	11,000	9,747	8,871	56	69
Total	537,000	423,550	423,000	23,902	17,591
Supply Services	291,809	226,543	216,506	40,400	38,092
Total Ord. Expd.	3,455,069	2,688,983	2,588,066	64,302	55,683
Sinking Funds	...	14,160	14,243	660	340
Total (excl. Self-Bal. Expd.)	3,455,069	2,703,143	2,602,309	64,962	56,013
Total (incl. Self-Bal. Expd.)	3,532,919	2,850,083	2,751,222	69,671	58,593

After increasing Exchequer balances by £804,707 to £4,566,271, the other operations for the week decreased the gross National Debt by £116,639,961 to £25,971 million.

NET RECEIPTS (£ thousand)		
War Risks Insurance Act, 1939	400	
Title Act, 1936, s. 26	125	
	525	
NET ISSUES (£ thousand)		
P.O. and Telegraph (Money) Acts, 1948 and 1950	300	
E.P.T. Refunds	219	
Export Guarantees Act, 1949, s. 3(2)	35	
Housing (Scotland) Act, 1944, Housing (Financial Provisions) (Scotland) Act, 1946, and Housing (Scotland) Act, 1950	438	
Local Authorities Loans Act, 1945, s. 3(1)	5,700	
Overseas Resources Development Act, 1948, s. 17(1)	400	
Overseas Loans	320	
Finance Acts, 1946 and 1947: Postwar Credits	7,404	

Statistical Summary

CHANGES IN DEBT (£ thousand)	
RECEIPTS	PAYMENTS
Treasury Bills ... 30,428	Nat. Savings Certs. 100
	2½% Def. Bonds... 190
	3½% Def. Bonds... 315
	2½% Nat. War Bds. 114,568
	1949-51 ... 9,250
	Tax Reserve Certs. 9,250
	Other Debt:—
	Internal ... 505
	External ... 100
	Ways and Means Advances ... 22,240
30,428	147,068

FLOATING DEBT (£ million)	
Date	Treasury Bills
Tender	Tap
Public Depts.	Bk. of England
Treas. Deposits by Banks	Total Floating Debt
1950	
Feb. 4	2960-0 1905-2 332-7 ... 545-0 5743-0
Oct. 28	3170-0 2041-1 471-3 ... 585-5 6268-0
Nov. 4	3180-0 1885-7 353-3 ... 573-0 5992-0
" 11	3180-0 1897-3 374-3 ... 543-0 5995-1
" 18	3190-0 1968-7 372-5 ... 555-5 6086-7
" 25	3200-0 1950-0 390-9 ... 564-0 6104-9
Dec. 2	3230-0 1956-3 369-1 ... 525-0 6080-4
" 9	3240-0 1951-6 375-1 ... 545-0 6111-7
" 16	3260-0 1939-8 410-8 ... 530-0 6152-1
" 31	3168-5 384-0 ... 525-0 6077-5
1951	
Jan. 6	3270-0 1861-8 394-7 ... 500-0 6026-5
" 13	3250-0 1823-3 406-3 ... 470-0 5952-1
" 20	3220-0 1844-6 396-8 ... 445-0 5906-4
" 27	3200-0 1801-9 407-8 ... 420-0 5829-7
Feb. 3	3190-0 1842-4 385-6 ... 420-0 5837-9

TREASURY BILLS (£ million)	
Date of Tender	Amount
Offered	Applied for
Allotted	Avg. Rate of Allotment %
at Min. Rate	
1950	
Feb. 3	210-0 304-0 210-0 10 5-44 56
Nov 3	250-0 347-7 250-0 10 2-70 60
" 10	250-0 318-4 250-0 10 3-17 72
" 17	250-0 325-6 250-0 10 3-13 69
" 24	260-0 310-6 260-0 10 3-36 79

COMPANY MEETINGS

JONAS WOODHEAD AND SONS, LIMITED

OUTPUT AND SALES RECORDS

CAPTAIN ALLAN KYLE'S REVIEW

The thirty-first annual general meeting of Jonas Woodhead and Sons, Limited, was held on February 8th, at Leeds.

Captain Allan Kyle, the chairman, in the course of his speech, said:—The group's accounts are again presented to you in booklet form. It gives you your company's balance sheet, a consolidated balance sheet and the consolidated profit and loss account. Every endeavour has been made to simplify them within the requirements of the Act. With your permission I will take them as read.

I have often wondered whether the constructive and sincere efforts of the Cohen Committee have in fact achieved all that they attempted to do. The requirements of their recommendations certainly take up a great deal of time which could be more profitably employed in the running of your business. This would be of no moment if you could read and understand more easily the annual accounts as now drawn, but I understand from many that this is not so. If you lean on the reviews of the Press experts, you will find many draw different conclusions to a bewildering degree. Furthermore, I see a greater load of responsibility and detail thrown on to the shoulders of the auditors—surely they could be relieved of some of it without prejudicing the main essentials? Maybe the time has come for the results of this Committee's work to be reviewed in the light of experience.

I spoke to you at some length last year on the losses that had been incurred by a subsidiary that was not wholly owned by your company. These losses have had an abnormal effect on the results, but I pointed out that if this subsidiary became wholly owned, then with good weather, we should reap a better crop. The subsidiary has become wholly owned and the weather has at long last shown signs of real improvement, though not without some residual growing pains.

Coming now to Woodheads, your parent company, it is my privilege to report to you that once again we have broken all past records in both tonnage output and sales value. In fact our output is well over three times that of ten years ago. It is an achievement of which all may well be proud, and which can be attributed to the grand efforts of my colleagues, to the hard-working staff and to the magnificent team spirit of our workpeople. There are many within our works who are sufficiently old-fashioned to be proud of their product and of their efforts. May this simple background of this country's tradition be maintained.

AN INDUSTRIAL BOOM

This country is, in one sense, in the throes of the greatest industrial boom of all time. Even the periods of the great industrial uplift of the Victorian era become puny in comparison, not only in volume of demand, but in period of time. This boom of today had its birth some 15 years ago; so long ago in fact that many people, many who should know better, have forgotten that "the law of supply and demand" is a law unto itself, not subservient to any government, nor to any planned control. You can hold it or smother it for a time but eventually it will assert itself.

I am bringing this point of view forward so that you may be aware of some of the unknown problems which face your board of directors. There is hardly a member of your group whose order book is not full to the

brim for many months to come. This is not due to any sudden surge. In fact it has become normal since it has been going on for a long time. How therefore can one train the younger executives of, say, our sales staff to what is really required of them in ordinary or in slump times? It is like explaining to any young man or woman of 30 years or less what this country was really like before the advent of rationing and control; they just cannot believe you.

TWO PROBLEMS

Alongside this, there is a problem rearing an ugly head—steel supplies, whether in billet or in a more basic form. It is not really the fault of our suppliers. Here again, they have been and indeed are still experiencing a period of industrial demand which it is impossible to satisfy. They are doing their utmost (may they be forgiven for the quality sometimes supplied) but from our vantage point as a customer, we have recently felt that lack of vitality; that incentive to satisfy the customer; that spirit of private enterprise. May it not be that coming events cast their shadows before?

These are two phases of our problems, but there is another which to me is alarming and desperately serious. It is something outside of our scope but it concerns our workpeople, in fact everyone. They are delighted with their greater pay-packets, with all the promised joys of Utopia and its beautiful future, but is it fair to them not to point out that this boom has become a sham prosperity of a superficial character? With inflation round the corner, the future is grim and unknown.

These problems, together with those of an international character, make it difficult to deal with future prospects. Current prospects are good and we are all of good heart. If the problems and the unknown difficulties of the future are within our power to solve, then the future of your company and its subsidiaries is, to say the least, bright. I might add here that the requirements of the rearmament programme itself as it affects the Woodhead group of companies will be taken in our stride, although, of course, our output for civilian needs will have to be curtailed.

EXPORT TRADE

Your company is playing a very important role in the export trade. Of the total output of your group of companies some 60 per cent. is exported either directly or indirectly through the manufacturers of railway locomotives and carriages, buses, lorries and motor-cars. The volume of our direct export trade has increased to an encouraging degree following the appointment of agents in various countries in which we have not previously traded. We are now finding it increasingly difficult to secure shipping space and export stocks are piling up.

I paid a tribute last year to our three Sheffield companies on the trading results that they had achieved. They, in common with your parent company, have had many difficulties with which to contend, but they have done and are still doing well.

Our associated company, Woodhead-Kemp Springs, Limited, in South Africa, is now working at a greatly improved output which is only controlled by steel supplies. This very up-to-date plant has become a real industrial asset to that country, and they are now known as "the leading spring manufacturers of South Africa."

Coming now to the accounts, I think you will agree with the view that the finances of the group are on the whole satisfactory. With the ever-increasing cost of raw materials, wages, fuel, transport, together with the substantially increased production of the group, your company has become progressively short of working capital. Your directors are in course of arranging further finance by means of the issue of £200,000 redeemable ten-year unsecured loan stock to deal with this problem.

DIVIDEND POLICY

Finally, I come to the question of our dividend policy. This year we are proposing to pay out about £12,000 more than we have done in each of the past 10 years. When I compare this with an increase of £206,000 per annum in productive wages only during the same period, it makes me wonder where the shareholders come in. Some critics may say that this £12,000 has not been earned; this is quite untrue, as we have in fact during the year accumulated for the future £28,794 after nourishing our growing but as yet not fully productive children, and after paying this increased dividend.

The report and accounts and the proposed dividend of 10 per cent. and a bonus of 5 per cent., both less income tax, were unanimously approved, and the proceedings terminated with a vote of thanks to the management, staff and workpeople.

F. W. WOOLWORTH AND COMPANY, LIMITED

INIQUITOUS PURCHASE TAX

The forty-second annual general meeting of F. W. Woolworth & Company, Limited, will be held in London on March 2nd.

The following is an extract from the statement of the chairman, Mr B. E. Uffindell, circulated with the report and accounts for the year 1950:—

Your company for 1950 has paid, or is due to pay, a total sum of £12,718,703 in respect of Purchase Tax. What is so iniquitous about this Purchase Tax is that as the cost of goods increases, the sterling amount of Purchase Tax also increases and, in my view, it is high time that the percentages of tax applicable on all essential and semi-essential goods were reduced, or if this is not possible, steps should at least be taken to prevent the spiral of Purchase Tax rising as the prices of goods increase with the advancing cost of raw materials. To be specific—freeze Purchase Tax to be paid on such goods to the sterling amount at, say, January, 1950.

If this suggestion were adopted the vicious spiral of Purchase Tax rising with the increased cost of goods would not increase the prices to the consumer public still further, as it does at present. The Purchase Tax increase is almost as much as the manufacturers' cost increase, but whereas the manufacturer has justification, by reason of the increase in the cost of raw materials, there is absolutely no justification why the consumer public should have to pay increased Purchase Tax.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

*The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1*

BARCLAYS BANK LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The fifty-sixth Ordinary General Meeting (being the Annual General Meeting for the year 1951) was held on February 8th at the Head Office of the Bank, 54, Lombard Street, London, E.C.3.

In the absence, owing to illness, of the Chairman of the Bank, Sir William Goodenough, Bart. LL.D., the Deputy Chairman, Mr Anthony Tuke, presided.

Mr H. G. Tickle (the Secretary) read the formal Notice convening the Meeting and the Report of the Auditors.

With the concurrence of the Stockholders present, the Report and Accounts were taken as read.

The Chairman moved:—

"That the Report of the Directors of the Company now produced, together with the Accounts annexed as at December 31, 1950, duly audited, be received, approved and adopted, and that a Final Dividend of 5 per cent., making 10 per cent. for the year, on the "A" Stock, and a Final Dividend of 7 per cent., making 14 per cent. for the year, on the "B" and "C" stock respectively, less Income Tax in each case, be declared, payable on the 23rd instant to the Stockholders registered in the Books of the Company on the 15th January last."

Mr Cuthbert Fitzherbert (a Vice-Chairman) seconded the Motion, which was carried.

The retiring Directors were re-elected, and other ordinary business was transacted.

A Special Resolution adopting new Articles of Association was carried.

A Vote of Thanks to the Staff and a Vote of Thanks to Mr Tuke for presiding at the Meeting were unanimously accorded and the proceedings terminated.

RADIO RENTALS LIMITED

CONTINUED PROGRESS

The fourteenth annual general meeting of Radio Rentals Limited was held on February 5th in London.

Mr H. F. Hunt, the chairman, in the course of his speech, said: The new record net profit of £153,256 emerges after providing for all expenditure, and compares with £138,654 for the previous year. The consolidated profit shows an increase over the previous year of £21,790. I must stress that the increase in profit comes from growth of trading, and not from larger profit margins. Up to the present, television is not materially responsible for increased profit.

On the balance sheet I shall make but few comments, because the figures speak for themselves, and its soundness needs no emphasis. The total reserves now amount to some £390,000, which is £85,000 more than the issued capital.

We are faced with considerable additional outlay on such items as new office machinery, more motor vehicles, and additional works for television, and additional service works. To assist in financing these commitments,

NOTICES

TWO BURROUGHS BILLING MACHINES FOR SALE. Calculate cost and selling prices and type invoices in one operation. Specially adapted for Woollen Trade, calculating in eighths. Both good condition, one unused. For further details and appointment to view in London.—Apply Box F 5122, A.K. Advtg., 212a, Shaftesbury Avenue, W.C.2.

PSYCHOLOGIST (female) required for Personnel Department of engineering organisation at London Headquarters. A degree including Psychology and Statistics is essential and some industrial experience desirable. Age 24-31. Write details training, experience and salary expected to Box 573.

we propose to make another share issue to our ordinary shareholders, of one share for every seven held, at a price of 10s. per share.

On dividends, year by year your directors have given serious thought to recommending an increase, and it is now felt that a small increase of 5 per cent. is fully warranted. The total dividends of the company represent approximately 7½ per cent. on the total capital and reserves of the group attributable to the parent company.

Since the end of the financial year our volume of new business, both radio and television, has been highly satisfactory, rising to a record peak in the pre-Christmas period. The report and accounts were adopted.

LIEBIG'S EXTRACT OF MEAT COMPANY, LIMITED

LARGER PROFITS

The eighty-sixth annual general meeting of Liebig's Extract of Meat Company, Limited, will be held on March 1st in London.

The following is an extract from the statement of the chairman and managing director, Mr. Kenneth M. Carlisle, circulated with the report and accounts:—

The consolidated profit and loss account opens with a large increase of £311,000 in profits less losses on trading. The parent company's results in the River Plate show a welcome improvement as compared with last year, largely in consequence of the realisation of Argentine manufactured products from 1949 production at the higher prices introduced by I.A.P.I. with effect from January 1, 1950. Our Belgian and Italian subsidiaries have made great strides during the year and their contribution is a major one. The profits of the Argentine subsidiaries expressed in sterling were down, owing mainly to the fall in value of the Argentine peso, and I have to record a considerable drop in the profits earned at home by Oxo Limited.

FEATURES OF YEAR'S WORKING

Broadly speaking, it may be said that results recorded by our factories in the Argentine and Paraguay show, in terms of local currencies, a great improvement over last year, but have been almost wiped out in terms of sterling by currency devaluations which affected not only the year's profits, but also the values of net current assets held in those countries at the close of last year's trading.

Profits realised by our Argentine subsidiaries were slightly higher than a year ago, but their sterling value has been adversely affected by the fall in value of the Argentine peso.

The profits of our Uruguayan subsidiary, which are remittable have been brought into account at a lower figure than in recent years.

Better results were obtained from Africa, although our new factories in Tanganyika and the Sudan had not yet reached the revenue-earning stage. Continental trading profits show a welcome increase, which has

been assisted by movements of exchange rates in our favour, but these companies have conserved a large proportion of their profits in order to strengthen their resources for the future. Home trading results were disappointing and a considerable decrease in profits was recorded.

OXO SALES

Sales of Oxo Cubes continued on the high war-time and post-war level until April, at which date they showed an increase over the previous year. However, with the approach of the summer months, sales to the trade decreased compared with previous years in line with a general tendency for traders to reduce stocks to a minimum, when manufacturers were at last equipped to supply promptly on demand. There was also some evidence of a decrease in consumer demand during the summer months, due probably to the greater variety of goods available in the shops. We are pleased to say, however, that for the period September-December, 1950, trade sales have been well above the previous year, an indication that the public maintain their confidence in the merits of this our principal proprietary product as a valuable warming beverage in the winter months and as an economical supplement to a great variety of meat and vegetable dishes.

LUMUT RUBBER ESTATES

SIR ERIC MACFADYEN'S ADDRESS

The annual general meeting of Lumut Rubber Estates, Limited, will be held on March 2, 1951, in London. The following is an abstract from the circulated address of the chairman, Sir Eric Macfadyen:—

Work progressed steadily on the estates, and both divisions—Lumut and Dusun Durian—are in an improved condition of upkeep. The replanting programme on Dusun Durian was pushed on, and we now have 386 acres of oil palms planted there. In addition, the company has 8,312 acres planted with rubber.

On the liabilities side of the balance sheet issued capital is unchanged at £485,482. We are proposing that the authorised capital, now £494,000, be increased to £750,000. As the replacement of planted areas reserve, after charging up expenditure during the period in connection with replanting, would have been exhausted, it has been replenished by an allocation from profit which raises it to £20,000.

In the profit and loss account you will see we have harvested a somewhat reduced crop—3,188,747 lb. against 3,302,000 lb. last time. The shortfall was seasonal. There was a large rise in costs due to wage increases, but the higher prices realised—an average of 1s. 9.93d against 11.92d.—gave us a surplus, before taxation, over three times as large as last year's—£138,722 against £43,967. Taxation brings that down to £68,069 as compared with £21,759. The directors propose the payment of a final dividend of 10 per cent., less income tax, making, with the interim of 5 per cent. paid on October 31, 1950, 15 per cent. for the year, and if this is approved the amount to go forward will be £26,286 against £24,357 brought in.

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The Foreign Secretary

THE debate on foreign affairs in the House of Commons on Monday elicited from the Prime Minister one of the best statements of British foreign policy that have been made for some time past. It was strong; it was clear; and it was sensible. All through the winter the fear had been growing that the Government, under pressure from its own restless left wing, was slithering away from the spirit, if not yet from the letter, of the engagements it had taken with its allies and was entering once again, in Europe as well as in Asia, on the slippery path that leads from temporising through appeasement to surrender. Mr Attlee has set such fears at rest, at least for the present. Both in the European and in the Far Eastern passages of his speech he said things that badly needed saying. He spoke of "sham peace propaganda" and set against it the "real fact" of Soviet armaments. This, he told his own left wing, was the major cause, though they did not mention it, of the "international tension, fear and suspicion" with which their motion was concerned. He recalled how the Korean war had started; "it is no good accepting principles, acting on those principles, and then running away from the results." He paid tribute to American efforts and said, quite flatly, "there is no doubt that China has committed aggression." On German rearmament he was equally sensible and equally deflating to the hysteria among his own followers.

It is good to have so reassuring a speech. But some of the reflections to which it gives rise are less comforting. If it is possible for the Prime Minister to give so much comfort with a clear statement of his policy, why on earth was it not done months ago? The reason, of course, is that for many months the country has had no Foreign Secretary. It is not enough for the departmental duties to be attended to, and for a ministerial body to occupy the chair marked "United Kingdom" at international conferences. The making of just such speeches as Monday's, to guide and enlighten public opinion, is one of the major duties of the Foreign Secretary; indeed, it is his prime duty, for it is the only thing that nobody else can do for him (save, of course, the Prime Minister acting as Foreign Secretary). Mr Bevin has never performed this duty well; for many months past he has not been able to perform it at all, and nobody else has performed it for him. The Prime Minister's own statements, until this week, have been infrequent, ill considered and off-hand—patently the drafts of his subordinates. It is almost as if, amid his many other preoccupations, he has only just been able to get around to the Foreign Office and think out for himself what its policy ought to be.

This interpretation is supported by the fact that Monday's speech, good as it was, was almost entirely backward looking. Its strong points related to the past; what he had to say of the future could hardly have been more vague. In the Far East, the Chinese would be wise to negotiate, and there would have to be some thought about the 38th parallel. In Europe, there might be a conference, but the agenda

would have to be thought out. Mr Attlee has found time to catch up with events; but he has not managed to get ahead of them; and Heaven only knows what will happen in the interval while he goes off to look after defence, or coal, or food, and before the Foreign Office's turn comes round again.

In short, the very excellences of the Prime Minister's intervention show up clearly how badly the country needs a Foreign Secretary. For the gallantry of Mr. Bevin's fight against ill health, there is nothing but admiration. But the fact remains that he has not been performing the duties of his vital office for a long time, and that he is obviously now going to be less, rather than more, capable of carrying the full burden. There must now be a new appointment. Yet who can it be? It is said that Mr. Herbert Morrison wants the post, and his seniority in the party is such as to give him an almost indefeasible claim to it. Mr Morrison, as has freely and frequently been acknowledged in these columns, is one of the most capable members of the present government. But a Foreign Secretary, and most particularly a Labour Foreign Secretary, needs to be a man who is very clear in his own mind about the principles of his policy, and who has the character and the authority in his party to stand like a rock against the waves of sentiment and fright that may rage against him from his own party followers. This is not a description of Mr Morrison. There is no evidence that he has settled views on foreign policy, and there is no ear in either

party quite so keenly attuned to the faintest rumour of dissent within his party. It is to be hoped, if only for the sake of his own reputation, that Mr Morrison will not go to the Foreign Office. If a successor to Mr Bevin has to be found within the Parliamentary Labour Party, the best choice, though not a very inspiring one, would be Mr Chuter Ede.

This week's debate, however, has shown what an absurdity it is if a Foreign Secretary has to be sought within that narrow constituency alone. The Prime Minister's quarrel was exclusively with his own followers; the Opposition gave him no trouble—indeed, Mr Eden's admirable speech was a perfect complement to Mr Attlee's. Much the same thing was repeated later in the week on defence; here again there is weak ministerial leadership, and deep dissension in the Labour party, and though the Opposition decided in the event to divide the House on Thursday night, there is clearly more agreement on the principles of defence between the Government and the Opposition than between the Government and many of its supporters. The Labour Government is without a majority in the country; it is desperately short of competent ministers; on the two vitally important topics it is subject to constant sniping from its own followers; on the principals of these same two topics it is in agreement with the Opposition; and yet it is only within its own narrow ranks that a Foreign Secretary can be looked for. If this is the logic of party politics, give us the logic of Bedlam.

A Policy for Germany

IT looks as if the policy of the western powers on Germany is coming slowly and reluctantly towards a time of decision. It is not simply a question of whether or not the Germans should rearm; the form of that question has entirely changed in the last three months, and it will obviously be decided sooner or later by the Germans themselves. Nor is it simply a matter of doing or not doing certain things for fear that the Russians may find some respectable pretext for what is called a "preventive" war. It is rather a question of knowing and deciding now what kind of Germany it is in the western interest to have, say, ten years hence; and then to see what steps can be taken in that direction within the limits set by the present situation. Nobody will pretend that this is the ideal moment for such decisions; indeed, the Foreign Office, the State Department and the Quai d'Orsay face a stern exercise in the art of the possible. For something more is involved than a further stage in four-power exchanges—west *versus* east; in any conference on Germany henceforth the voice of Germany itself will be powerful. And it is part of the function of policy to win and tune that voice.

What are the dominant facts in the situation, in the German question as it now is? Five can be picked out as particularly relevant to western policy. First is the reluctance of the western Germans to rearm; which means that they will make no contribution that matters to western defence for at least a year, probably two years. Second, they can be persuaded to help only if the western powers take military measures for their defence, and make political concessions to their government, which would demand not only more time but

more effort than there is to spare. Third, the Russians want, and will almost certainly get before the spring, a four-power conference mainly about Germany; their purposes in that meeting will be to stop German rearmament and to press on the three western governments a programme for bringing together the two parts of Germany into what they call "unity." Fourth, Dr Adenauer, speaking for the Western Germans, rejects utterly the Russian proposal for a "reunited" and neutralised Germany from which all occupation troops would be withdrawn, because he knows that it would quickly become a Communist police state. But finally, very large numbers of Germans are being frightened away from Dr Adenauer and the west by the propaganda barrage from the east, which says quite plainly that German unity on Russian terms is the only alternative to war. Unified Germany means peace, they say, divided Germany means war.

Here, then, is a situation in which everybody expects something to happen, in which a sense of crisis is being worked up among the Germans by methods described in an article on page 378. To put off much longer, or to refuse, a conference with the Russians on Germany would be unwise, for it would be taken to mean that the western governments can find no long-term policy, are more interested in military strategy than in diplomacy, and are refusing to take notice of Russian anxieties about German rearmament. If reasonable unity of parties and public opinion is to be maintained in the western countries such objections cannot be ignored. Before the present plans of the western powers for Germany, with all their dangers, go ahead there should be one more search for

an alternative. And whether it is to be the present plans or an alternative, in either case the western governments need what they have never yet had, a clear and realistic long-term policy for Germany.

In drawing up such a policy the first obstacle to be removed is the idea, attractive to many people, that any scheme for the neutralisation of Germany could be worth the paper it was written on. For a great industrial nation in the centre of the European plain between Russia and the Atlantic cannot remain neutral. Either, if weak, it will be dominated by one side or the other or, if strong, it will make its own terms for taking sides. If Germany cannot be neutral, then either it goes completely one way or the other—into the Communist world or into the free world—or it remains divided. The first alternative means a major political reverse either for Moscow or for the western powers, and must therefore be ruled out for the immediate future in any circumstances short of war.

*

Logic thus leads inexorably to the conclusion that Germany will have to remain divided for some time to come. There is really no escape from this. But for the western powers simply to stand pat upon this negative position, however compulsory it may be, is to give the Russians the great propaganda advantage of posing as the sole champions of German unity. It would be very unwise to underrate the appeal to the Germans of the ideal of national unity; it is only the more sophisticated among them who can be expected to look such an attractive gift horse in the mouth. And when the western powers not only appear to oppose unity but can also be represented as forcing upon the reluctant Germans remilitarisation leading to war, then the Russians can reap a harvest of all the longing for peace as well as for unity. The western powers' position is logically unassailable, but it is in danger of being psychologically outflanked. Is there nothing they can do to attract the legitimate aspirations of the German people and to escape from the purely negative and almost reactionary position into which circumstances and Russian propaganda have pushed them?

The answer may lie along lines that have already been sketched in these columns. When one says that Germany must for the time being remain divided, the meaning is that it must remain militarily divided and occupied. Austria is militarily divided and occupied and yet has one government and parliament, freely elected by the whole nation. Why should not the western

powers propose an Austrian solution for Germany? There would, of course, have to be a clear understanding of the necessary conditions. In an Austrianised Germany there would have to be real individual freedom under the rule of law. The conditions in which elections would be held for a constituent assembly and a government would have to be precisely defined and enforced. There would have to be four-power supervision of the elections—not simply, of course, each occupying power supervising the poll in its own zone. The voter would have to be guaranteed not only the secrecy of his vote but his personal safety. There would have to be agreement that all German police and armed forces should be under the control of the new German government (free elections would ensure that there was not a Communist Minister of the Interior). Complete freedom of movement across Germany for people, goods and ideas would have to be established by stages.

The main virtue of an Austrian plan is that it would make some progress towards the re-unification of Germany in conditions which the western Germans would feel to be safe. With the three western armies still in Germany and building up their strength, with a new agreement between the Russians and the other three governments, a single German government sitting in Berlin could feel some sense of security and power. It could at least begin the most difficult and delicate task of bringing into contact the completely divergent political and economic systems of the two Germanies. It could likewise begin the even more vital task of making parliamentary government and democratic institutions work in a situation where Communism would still be active but the occupying powers would see fair play. In the long run the superior political and industrial strength of the western zones must be expected to assert itself; and that strength would grow as Western Europe grew in strength. In short, the Austrian solution—it is a makeshift rather than a solution—would provide those features of the Russian programme that are most attractive to the Germans—namely, the beginning of the end of division and the return of a central government to Berlin—without those that are most frightening—namely, the withdrawal of the protection that the western troops of occupation provide against Communist revenge.

All this, however, assumes that the Russians would accept an Austrian solution, and it is almost certain that they would refuse. Their own proposals for "unity" are based on an equality of representation between their own zone on the one side and the three western zones

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together on the other; they could hardly afford to have their own zone forced into a minority. Still less could they afford to have free elections in the Soviet zone or to disband their "People's Police." They could hardly, in short, run the risk of letting freedom advance (even under Russian occupation) to the Polish border. But the fact that the Russians would almost certainly turn down an Austrian proposal is not an argument against making it; quite on the contrary, for to make it and have it rejected would effectively turn the propaganda tables. It would then be the west that was advocating German unity and the Russians who were turning it down. If thereafter it was necessary to come back to the policies of division and rearmament, the record would at least be clear.

Nevertheless, western governments, with their uncontrolled public opinions, cannot put forward such a proposal simply as a bluff. They must be sincere about it, and they must therefore be clear in their minds that they would be content with an Austrian solution if, by chance, the Russians should accept it. And there is just one chance that it might be accepted, for clearly an Austrian solution would involve a postponement of the rearming of Western Germany. It need not involve any retreat from the principle accepted at Brussels in December; there is no reason why the new Germany, like other enemies, should not have an army; but the whole matter would have to be discussed with the all-German govern-

ment that would emerge from the free elections. If the Russians really attach as much importance as they say they do to preventing or postponing the re-emergence of a German army under any but Communist control, they might conceivably be willing to pay all the heavy prices that an Austrian solution would imply to gain this one point.

Before they could propose an Austrian solution, the western powers would have to weigh very carefully this one military disadvantage it would have for them, if *per mirabile* it were accepted, against the many political advantages it would bring them in the struggle for the soul of Germany. That would involve them in making an estimate of how realistic their present plans for recruiting German armed contingents are. It is not as if the prospect of a German army for General Eisenhower were either certain or immediate; it might be that, under the Austrian plan, the prospect would not be significantly less clear or more remote than it is now.

One thing, however, is reasonably sure. If the western powers—or it would be better to say the Americans and the British, since the French are uncertain starters in all German concerns—go into a conference with the Russians without prior agreement among themselves on a positive programme that seems to the Germans to be leading them forwards, they will be asking for trouble. The Austrian plan has its defects; it is very much better than nothing at all.

Housing Figures

A RECENT political broadcast gave Mr Bevan the opportunity to take a backward look at housing achievements under his care, with which he did not appear to be dissatisfied. Recalling that the Conservative Government in 1945 estimated immediate needs at some 750,000 dwellings in order to give every family in Britain a separate home (without mentioning the further 500,000 stipulated as necessary to clear the worst of the slums) he pointed out that over 1½ million homes had by now been provided since the war. Claiming that there were today more houses per head of population than before the war (throughout this article the word house is taken to mean "dwelling unit"), Mr Bevan asserted that the still prevalent demand for houses was evidence of the higher standard of living of the workers.

Curious though it may seem at first sight, not even Mr Bevan can say with any surety just how many houses exist today. No count has been made since the 1931 census and although it is possible to make additions and subtractions from that starting-point, certain links in the chains are missing. The publication of the 1950 housing statistics seems a suitable time to see in broad terms how much of the general housing picture can be pieced together.

Of the homes provided since the end of the war, about 800,000 are newly built permanent houses, including those houses, completely destroyed in the war, which have been rebuilt. Table I shows how the level of postwar building compares with that between the two wars. Naturally enough, the usual yardstick for measuring present-day housing progress is the level of activity just before the last war. This is reasonable, provided it is remembered that the British building industry had

never been busier than it was then. The output of about 350,000 houses a year in the late 1930s was not only high in relation to previous years but also in comparison with other countries. Indeed, among countries for which comparable records are available, none showed a higher building output in 1938 for its size of population than Britain. Today Britain is well down the list, but there is still no recorded figure of houses completed per thousand population which exceeds that of 7.77 in Britain in 1938. Completions in 1949 and 1950 were little more than one-half the high prewar level. The output of local authorities was double the prewar level, but private builders were producing only one-tenth as many houses as in 1938. (These figures, it should be added, are for Great Britain as a whole and there is some incongruity in adding figures for Scotland to those for England and Wales. Scotland, for special reasons—of which the differences in rating law were among the most important—never had in the 1930s a building boom comparable to England's. One result of this was that the proportion of overcrowded houses in Scotland in 1938 was nearly six times that of England. Another consequence was that the number of houses built in Scotland in 1949 and 1950 exceeded the prewar figures.)

In addition to these 800,000 new permanent houses built, the total of rather more than 1½ million homes provided since the end of the war is completed by temporary houses, conversions and adaptations of existing houses, those repaired after being unoccupied through war damage, and a small amount of special accommodation built by Government departments. Statistics about all these are virtually complete and there is also an official estimate of losses through war damage. There

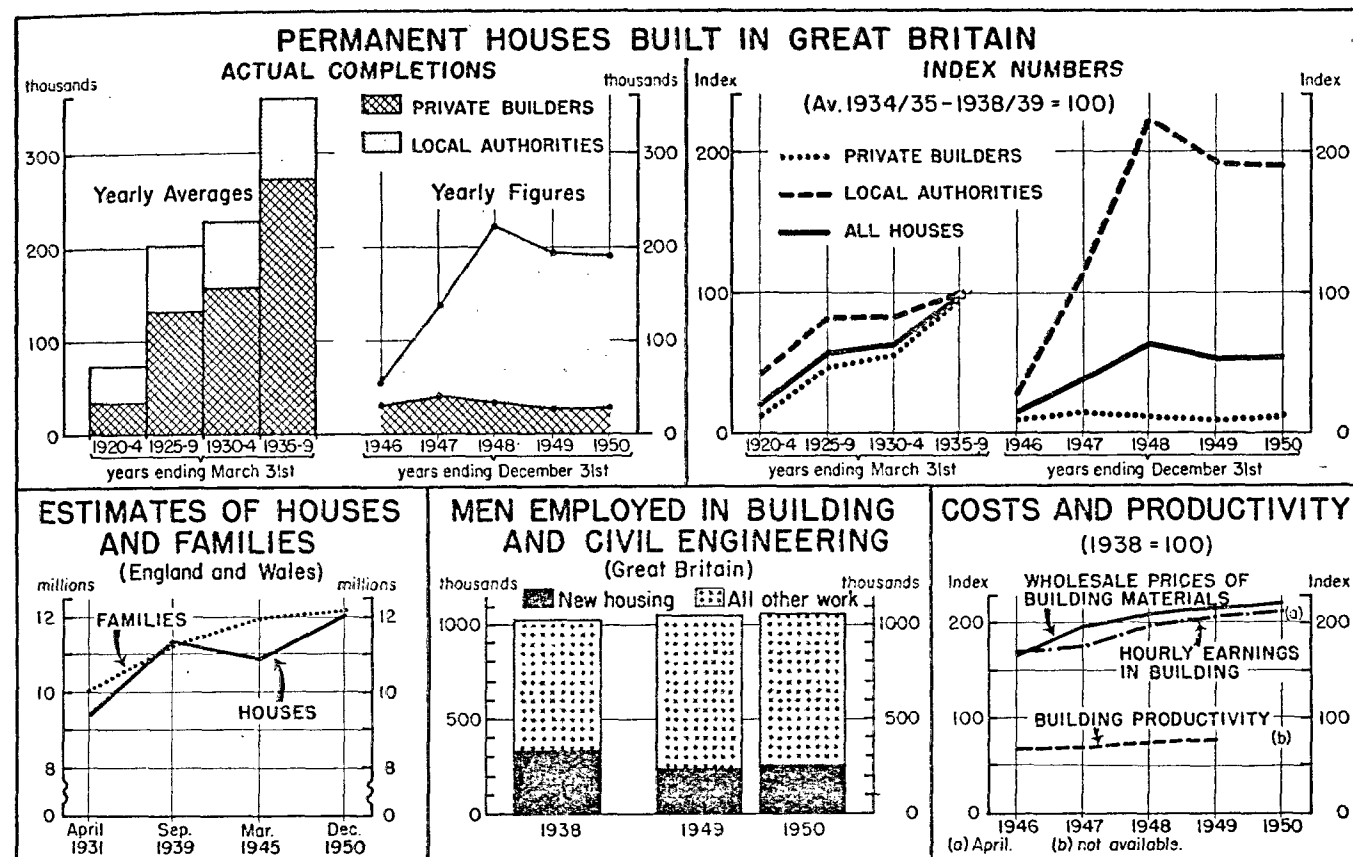


TABLE I—PERMANENT HOUSES BUILT IN GREAT BRITAIN

Period of Completion	England & Wales		Scotland		Great Britain	
	Number in Thousands	% Built by Private Builders	Number in Thousands	% Built by Private Builders	Number in Thousands	% Built by Private Builders
Years Ending March 31st						
1920-24 average	67.6	50.1	6.2	29.8	73.8	48.4
1925-29	187.3	63.1	15.3	36.1	202.6	65.7
1930-34	210.8	71.7	18.1	35.0	228.9	68.8
1935-39	334.0	79.3	23.9	30.2	357.9	76.0
Years Ending December 31st						
1945	1.4	64.8	1.6	9.0	3.0	35.8
1946	51.0	58.4	4.3	11.6	55.3	54.8
1947	127.1	31.9	12.1	11.3	139.2	30.1
1948	203.8	16.2	21.1	7.4	225.0	15.4
1949	167.8	15.5	25.4	4.6	193.1	14.1
1950	167.5	16.8	25.2	3.5	192.7	15.0

Flats are included throughout as single dwelling units and also war-damaged houses rebuilt after the Second World War. Houses built by Government departments (for police, prison staffs, etc.) are excluded, as also are temporary houses of which altogether 156,611 were built in Great Britain by local authorities between April, 1945, and March, 1949, when the programme was completed.

TABLE III—COSTS AND PRODUCTIVITY IN BUILDING (Index Numbers)

	Wholesale Prices of Building Materials	Average Hourly Earnings	Average Hours Worked	House-building Costs in England and Wales per sq. ft.	Building Productivity
Prewar Comparison	1938 = 100	Sept., 1938 = 100	Sept., 1938 = 100	1938-39 = 100	1938 = 100
1946	167	163	96	...	67
1947	196	173	99	240	67
1948	210	196	100	...	71
1949	216	206	100	260	75
1950 (April)	215	211	101	...	...

All the material in this table is taken from official sources. The wholesale price index is the one published by the Board of Trade; the earnings and hours are derived from the twice-yearly surveys made by the Ministry of Labour; the house-building costs are those published by the Girdwood Committee and the productivity figures are those estimated by the Ministry of Works for the building and civil engineering industry as a whole. The productivity figure for 1949 is a provisional one and there is likely to be a small revision upwards.

TABLE II—ESTIMATES OF HOUSING PROGRESS IN ENGLAND AND WALES (All Figures in Thousands)

	Additions to Housing	Reductions to Housing	Total Number of Houses in Existence	Number of "Families"
1931 Census	...	...	9,400	10,154
April, 1931 to Sept., 1939:-				
New houses built	2,447	...	...	...
Slum clearances	...	260	...	...
Other wastage (net)	...	(250)	...	...
Sept., 1939, estimate	...	...	11,337	11,284
Oct., 1939 to March, 1945:-				
New houses built	160	...	...	...
War damage	...	460	...	...
Requisition	...	40	...	...
Other wastage	...	(20)	...	...
Mar., 1945, estimate	...	...	10,977	11,954
April, 1945 to Dec., 1950:-				
New and rebuilt houses	731	...	...	...
Conversions and repairs to unoccupied houses	274	...	...	...
Temporary houses	125	...	...	...
De-requisition	36	...	...	...
Wastage	...	(50)	...	...
Dec., 1950, estimate	...	...	12,093	12,115

The number of "families" is measured by the total of all married women, all widows below age 65 and 20 per cent of single women between 20 and 45. The calculations are those published by the Economics Committee advising the Royal Commission on Population with some small adjustments made to fit the particular dates.

TABLE IV—EMPLOYMENT IN BUILDING AND CIVIL ENGINEERING IN GREAT BRITAIN (Male Operatives aged 16 and over)

	1938*		1950	
	No. ('000)	%	No. ('000)	%
New housing	330	32	255	24.1
Other new work	375	36	276	26.1
All repair and maintenance	325	32	525	49.8
Total	1,030	100	1,056	100.0

* Approximate official estimates.

are, however, two main gaps in the figures which create a difficulty in estimating the number of houses in existence today. First, there are no records for the years between 1931 and the outbreak of war for conversions of single houses into two or more dwellings. And, secondly, on the other side of the picture, there is a lack of information about houses which have been pulled down or have been abandoned as uninhabitable and about transfers of houses to non-residential purposes. Between 1921 and 1931 it is known that the total net wastage—that is, demolitions and transfers less conversions—was 200,000 houses. But there appears to be no sensible way of adapting this information to the differing conditions of later years.

Any estimate of the number of houses in Britain today must therefore be approximate. But it is possible to make what is hoped are not unreasonable guesses at the missing figures. In doing this and setting out the various stages of the arithmetic in Table II (for England and Wales only) the figures which are pure surmise have been put in brackets; it is unlikely that any changes in them would invalidate the conclusion that, on the bare count of houses and families (as defined in the footnote to the table), the housing situation is nearly the same today as it was in 1939. (The apparent excess of houses in 1939 is accounted for by the 2.9 per cent of vacancies that then existed.)

*

If, then, the housing situation is restored, or nearly so, to that of before the war, why the long waiting lists? There are, of course, obvious qualifications to be made to any general statistics such as have just been put forward. Houses must be where they are wanted and of a suitable size. Nevertheless the demand is much too widespread to be dismissed in those terms. It must be accepted as a fact that the demand for houses per head or per family in this country is larger than it was.

Mr Bevan gave for this phenomenon the single explanation that the standard of living of the working class is now higher than it was. Undoubtedly this is true; but it is not the only explanation, and it is important to make clear in what sense it is true. There is a great deal of evidence from past experience that expenditure on housing is one of the most elastic marginal elements in the expenditure of the British people. When their total real income increases, their willingness to spend money on housing increases more than in proportion. (It can, for example, be demonstrated that the increase in real income presented to the British people by the great fall in world food prices in the early 1930s stimulated the British building boom of subsequent years.) The rationing of food and the large subsidies given to keep food prices down have had the combined effect of considerably reducing the proportion of the average working class family's net income that has to be spent on food—possibly by as much as 10 per cent. The money thus spared is being spent, or is trying to spend itself, on housing.

At the same time, the cost of working class housing is being kept down by rent controls and subsidies. The average income per family, after tax, was about 80 per cent higher in 1949 than in 1938, and for working class families alone the figure would be considerably higher. But rents, rates and water charges had risen only 13 per cent. This figure for the price level of housing is certainly not borne out by the experience of

a large number of people and, according to the Government statisticians who compile it, it does not take "adequate account of rents in excess of Schedule A income tax valuations." It is, however, a fair enough measure of the increase in average working class rents for prewar houses. As for houses built since the war, the local authority three-bedroomed house completed in 1949 had increased in area over its 1938 counterpart from 800 square feet to 1,050 square feet and was better equipped. The actual cost of building was more than three times as great for, as Table III shows, a lowering of productivity has put house-building costs well in excess of the increase in the prices of labour and materials. But as a result of subsidies from the Exchequer and from local authorities (who are unwilling to see the rents of new houses rise too far above those of "comparable"—that is, prewar rent-controlled—houses), the average rent charged for new houses has risen only from 7s. 7d. a week in 1939 to 16s. 5d. in 1949. In short, the representative family, with more of its income to spend on housing, can get a prewar house (if it can find one) for a much lower rent (relatively to income) and a much better and larger new house for about the same rent (relatively to income) as before the war. To record these things is not to imply that there is necessarily anything very reprehensible about them. But it should be enough fully to explain the apparent shortage of houses. It is really not very surprising that the law of supply and demand still operates in housing. Part of the increase in demand is the fruit of the real increase in the general productivity of the British people, leading to a raising of the real national standard of living. But it is considerably intensified by rent controls, housing subsidies and food subsidies—the last probably being, indirectly, the most potent influence of all.

House-building in Britain is now about to enter a new phase. Instead of being concerned in the main with meeting the demands of an increasing number of families, this source of demand is now rapidly dwindling. Indeed, according to the estimates of the Economic Committee of the Royal Commission on Population, the number of families in England and Wales will start to decline from the middle of this decade and by 1984 will have fallen by about 500,000 from the present level. It is not possible to compare exactly the total housing labour force now with that before the war, but the most comparable figures, which are given in Table IV, show that employment in the whole of the building and civil engineering industry has risen to a higher level than in 1938; about half of this labour force is engaged on some type of housing work. In spite of the present demand, the long-term problem is likely to be that of keeping this labour force employed. There is an obvious need for replacement of many unfit houses and for the improvement of housing standards. Something of the order of 4,500,000 houses are believed to be more than 60 years old, though it does not, of course, follow that they are all unfit for habitation. But the economic problems of replacing old houses, which still have a value, by new houses that must inevitably cost, in rent and subsidies, many times what the old houses can be let for, have hardly begun to be thought out. If replacement is to proceed rapidly, heavy new subsidies will have to be paid, and housing subsidies already totalled £75 million in 1949 compared with £23 million in 1938. It is apparent that the results of the 1951 Housing Census will have to be put to careful scrutiny and that some clear thinking will have to be done on the subject of housing subsidies and rent controls.

Facts about Fiction

THE free public libraries last year celebrated their centenary, and this excellent but unobtrusive social service has been basking in an unaccustomed limelight of popular interest. But what about all the other libraries that not only lend books but do so at a profit? Little is known or written about commercial libraries: their total membership or turnover of books cannot even be guessed, but it is obvious that from the social point of view their influence is substantial. They are second only to the public libraries themselves as a source of supply to the book-reading public as a whole, and in their own particular sphere, that of contemporary fiction and light literature, they are very likely more important.

The circulating libraries are in some ways peculiar to Britain. In the United States, for instance, they have never enjoyed the same popularity as the book clubs which sell books on special terms instead of hiring them out. The effect of widespread book-club membership is seen in the much larger circulations attained by best sellers in the United States, and their shorter subsequent life. No doubt unflattering conclusions about the others' literary tastes could be drawn by the champions of either the library or the book-club habit, but probably the effect on the members is much the same in both countries: that is, they become accustomed to a systematic dosage of the latest fiction, whose vintage varies from a few days to a few months according to their pocket. As a result the new is confused with the good, and the natural desire to get value for money prevents all but the most voracious readers from exploring the broader fields of literature.

There are three kinds of circulating library: the high class subscription library which carries a larger percentage of non-fiction books than the others and concentrates on prompt service; the popular subscription library; and the non-subscription library. Of all these Mudie's library was the prototype. It developed an enormous stock over nearly a century of growth and became nearly all things to all readers, but it failed to specialise and consequently tried to give greater service than the balance sheet would permit. Among thousands of ordinary readers, the discerning handful who requested new publications before their popular success was assured could at one time be accommodated without serious difficulty. When this habit became general, however, the attempt to meet it ruined the business. Using Mudie's experience, other libraries grew up to serve the same taste for new books and have made it pay.

There are perhaps half a dozen high class subscription libraries today, of which the Times Book Club is a good example. Probably none is as big as the old Mudie's and they specialise almost entirely in providing up-to-the-minute reading for students of the weekend book reviews. Subscriptions alone do not cover the cost of doing this. For about three guineas a year—less than the cost of reading *The Times*—a member can demand a new one guinea book every few days. What is more, any number of members can be moved by a merely transitory interest—a mention on the wireless or a squabble in the press—to demand the same book simultaneously and the library must supply copies to all its subscribers who pay the "guaranteed rate," even when it knows that in a few weeks' time no one will want to borrow that particular book. Such libraries depend,

therefore, on selling the stock successfully. No library may sell a new book at less than its full published price until it is at least six months old, by which time the general demand may have slackened considerably. For these high class libraries, therefore, a good network of salesmen and customers in the background is as necessary as a long list of subscribers in the shop.

The popular subscription libraries form a much larger group. Boot's and Smith's have about a thousand branches between them and carry many millions of books, but there are other sizeable chains, and many single libraries of perhaps five to ten thousand books. Here, too, new fiction predominates; but except for the handful of members who pay special rates for the privilege of ordering books on publication, the members choose books from the shelves, while waiting their turn for best sellers. This gives the management more control over the choice of stock and enables it to please most of the people most of the time.

Stocks have to be renewed about once in twelve months, but most books are either well-thumbed or a failure after a year on a subscription library's shelf and sell for an old song to ships, prisons or hard-up institutions. These libraries depend on a wise forecast of demand, which minimises special requests and keeps the maximum number of readers satisfied with what is provided.

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It is often alleged that the leading subscription libraries wield a big stick to publishers and dictate fashions in literature by their enormous purchases of new books. In fact, their role is very much more passive than is usually realised. The books their readers want are determined, not by the libraries' recommendation, but by advertisements and reviews and the subtler processes of publicity: the subscription library that fails to meet the demand will soon be out of business. Before the war, one London publisher used to advertise its books with the slogan "Demand this book from your library tomorrow" and, indeed, all advertising carries the implication. Once books are published the subscribers call the tune. But the influence of subscription libraries in determining what shall be published is still considerable. By their mere existence they enable far more titles to be produced than would ever see the light of day if they depended on retail demand. If some masterpieces are overlooked among the fifteen thousand odd indifferent books that appear every year, at least the arbitrament is that of the public rather than of the publisher, while there is no proof that the modern appetite for entertaining books has diminished the taste for more serious literature.

The third kind of commercial library, the pay-as-you-read variety, is by far the biggest as well as the most interesting. The twopenny libraries that started in the late twenties were regarded as something of a stunt. The entrusting of new books in bright dustjackets to complete strangers for twopenny and no deposit was a curiosity, but experience soon showed that public morality could stand the strain and that people brought back their books and their tuppences like clockwork. The idea prospered. Cheap reprints, with a leavening of new novels by well-known authors, averaged two

shillings each to the trade, and usually each one earned well over £1, or even several pounds, before being abandoned. (Recently a publisher's competition for the most-borrowed library copy revealed a book, bought for 1s. 8d., which had been issued 740 times, while the average of all the entries was 165 issues.) Even allowing for a heavy labour cost, the return on such small capital was very good. Small independent libraries of, say, 5,000 books, or sidelines of about 500 books in news-agents' or tobacconists' shops, represented one of the few paying businesses that required no special training, and they sprang up everywhere in the 'thirties until the market was overcrowded. Love and adventure stories were their mainstay: Ethel M. Dell and Edgar Wallace with a sprinkling of "serious" novels by famous names like J. B. Priestley or Ethel Mannin.

Gradually even these readers have become more sophisticated. Nowadays second-hand best sellers published at 8s. 6d. and 10s. 6d. are demanded and with a widening of tastes goes a greater difficulty in choosing the stock well. Now, therefore, the independent shops tend either to rely upon books hired in bulk from wholesale libraries whose experts know the ropes or to yield the business to the chain libraries with their bigger resources. Average rates of issue are now 3d. for old and 6d. for new books, but profits are not so big as before the war. One reason is increased overheads. Another is the steady recession from the high point of book reading reached during the war years; books are at a premium in years of depression and austerity, but come to be less appreciated when other forms of entertainment become available or the cost of living begins to absorb the bulk of the household budget.

The increase in reading between the two wars jolted the public libraries out of their cast-iron system of

supplying books from a printed catalogue into allowing the borrowers to browse about among the shelves. So long as numerous copies of a printed catalogue and an elaborate numerical indicator of books "In" and "Out" had been in use, the stock could only be altered at considerable expense, and, therefore, all the books were bound in the toughest of bindings and intended to last for a lifetime. "Open access," however, made it easy to refresh the stock of books as often as funds would allow and, in the fiction section, the minor novelists of the last century were rapidly withdrawn in favour of contemporary authors. Where the study of George Gissing or Mrs Humphry Ward had passed unnoticed, the sight of people emerging from a public library with a murder mystery in a gay dustjacket soon moved ratepayers to complain about the provision of "harmful trash" to the public at the ratepayer's expense. But the case against light reading in public libraries is largely based on a distorted notion of what these institutions are like. In even the biggest and most liberally provided public library the addict of one class of novel—be it "typist-marries-boss" or "riding-the-range"—can only find enough of them to whet his appetite. The selection is too wide and the turnover too slow to provide a full feast of any one style and the reader must soon either broaden his tastes or indulge his passion in a circulating library.

But although those who would confine public expenditure on books to serious works often sound like mere killjoys exaggerating their case, it is possible that they feel a quite reasonable concern for the effect of all the conventionalised nonsense that is published and consumed in such quantities. Is it possible, too, that the news has got about that the dignified users of the British Museum Reading Room can, if they wish, borrow "The Lamp in the Desert" by Ethel M. Dell?

NOTES OF THE WEEK

Defence and Tory Tactics

The Conservative decision to press the debate on defence to a division on a vote of confidence should have taken no one by surprise. It is on defence that the Conservatives feel quite sure of the country's confidence in them. The usually clumsy machinery of a vote of confidence or censure in this case happens to fit their intentions exactly, for what they are trying to establish is not opposition to rearmament but lack of confidence in Labour's ability to carry it out effectively. But it is nevertheless a very grave step, for it means that defence will join housing and meat as subjects to be bandied about on the hustings. If Mr Churchill and his colleagues do not keep the debate on a serious and sober level they will do far more harm than good to national security.

This decision of the Conservatives has coincided with the end of a period of intense debate within the Labour party about rearmament and foreign policy. This has found its expression in the confusion over the views of the Labour candidate at West Bristol and in three successive weekly meetings held by the Parliamentary Labour Party to discuss rearmament. In the end, the critics have been quietened, partly by the realisation that open opposition to rearmament would bring down the Government, and partly by Mr Attlee's hint that Britain will follow the American lead in soft pedalling the question of German rearmament.

But, what is more important, no one on the Labour back benches has been able to produce a realistic alternative to the present policy of rearmament. The fellow travellers

inside the Labour party dare not state their case openly. Even neutralism has few serious exponents at Westminster. Instead, the waves of anxiety about the dangers of another war have found expression inside the Labour party in the call for the immediate and specific objectives of no war with China, no rearmament of Germany, and a cry to "Restrain America." This amounts merely to a criticism of method: there is no figure on the back benches clever enough or strong enough to resolve it into a positive policy. Something more important will have to be put forward than what Mr Attlee described as "the little legal points" made by Mr Sidney Silverman from his seat below the gangway.

Mr Shinwell's opening speech in the defence debate seemed to reflect the Government's nervousness of criticism both from the Opposition and its own back benches. To the Opposition he was concerned to make out that the general rearmament plan, both for equipment and for manpower, is an immense stride forward and is accomplishing all that could be done in peacetime. Unluckily for him, the defence debate had been postponed for so long after the revised programme had been settled that all the important new measures which he announced—such as the decision to put a fourth division into Germany in the spring—have already been foreshadowed in the press. Where he was not giving stale news he was vague in the extreme. On the other hand, to his own supporters he was concerned to

minimise the hardship of the new programme—in particular the impact of the Class Z call up. The number may be scaled down, and no reservist mobilised this year will be called up again in subsequent years; this nullifies the whole point of refresher training. Neither he nor Mr Strachey was able to carry much conviction in defending the fifteen day period as adequate for effective training. Undoubtedly Mr Shinwell is an energetic Minister of Defence, but he will never be anything more if he goes on trying to please everyone.

Uneasy Lull in the Docks

Although all dockers in London and most in Manchester have returned to work, trouble in the docks is not yet at an end. The seven men who were charged at Bow Street last week for inciting the men to strike are due to appear again before the court on Tuesday, and unofficial port workers' committees have promised at least a token strike on that day. It was, indeed, only to be expected that the arrest of the seven men would stir up the dockers far more than the Communists had succeeded in doing, but it was also high time that a line was drawn between legal and illegal agitation. The present case is as good as any on which to test the law.

The only real cause for uneasiness about the case is that it places the dockers' trade unions in an awkward position. The official leaders of the dockers have been exceptionally successful in combating Communist influence, particularly in London, and there is a widespread—and possibly justified—feeling among them that, since they are now in a position to do so, it is far better to enforce discipline by persuasion and leadership than by the more sensational process of invoking the law. Anti-strike legislation has always been regarded by the unions as at best an unfortunate necessity only to be used in emergencies. The official leaders of the dockers will now be obliged to state their opinion about the present case; if they support the law—as they should—they may lose much of the ground they won during their bitter struggle with the Communists last year.

An unusual feature of the strikes has been the split between the Liverpool strikers and the rest. In Liverpool, where some 6,000 dockers are still on strike, the issue is solely concerned with the demand for higher wages; in London, the sudden stoppage during the week-end was merely a protest strike and there is little, if any, sympathy with the Liverpool strikers. Such a rift in the traditional loyalty of the dockers is a hopeful sign that in future disputes will be considered on their merits before sympathetic action is taken. In the past, the dockers have been far too prone to follow agitators blindly without thinking the cases out for themselves.

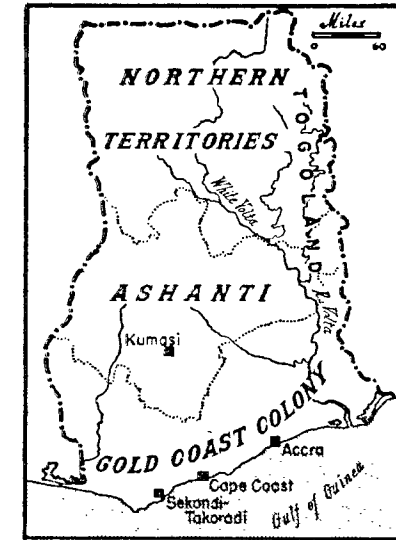
The Gold Coast's Election

The Governor of the Gold Coast was wise to release from prison Mr Kwame Nkrumah, leader of the Convention People's Party, after his party's success in last week's elections. Mr Nkrumah was serving a sentence for sedition; and he and his party have proclaimed that the Gold Coast's new constitution does not go far enough towards self-government. But the Governor's act of clemency will at least prevent relations between himself and the Convention People's Party from being vitiated from the start, while in the colony as a whole it appears to have promoted unusually friendly feelings towards Britain.

The Gold Coast's new Legislative Assembly will have 84 members, of whom three are ex-officio and six special members chosen to represent the Chambers of Commerce and the Chamber of Mines. (Only two of these special

members will be entitled to vote). Of the 75 other seats, five (two for Accra and one for each of the other big towns—Cape Coast, Sekondi-Takoradi and Kumasi) were filled by direct election. The Convention People's Party won all of these. Thirty-three rural seats in the "Colony" and Ashanti were filled by indirect election through an electoral college. Of these, the CPP won 29, and the United Gold Coast Convention (the more moderate party from which Mr Nkrumah

broke away) 3; there was one Independent. Thus Mr Nkrumah can count for certain on 34 members of the Assembly. It remains to be seen how much support he will find among the 37 seats filled by election in the territorial councils of the chiefs and their counsellors. (The nineteen members representing the Northern Territories were all chosen in this way.)



Mr Nkrumah already asserts that he has enough support among these traditionally elected members to give his party a clear

majority in the Assembly. He is therefore likely to press the Governor to give his party most of the eight seats in the Executive Council allotted to elected members of the Legislative Assembly. This would probably be the best course for the Governor to take. Responsibility for government would then be firmly fixed on the Convention People's Party. It would provide an incentive to Mr Nkrumah and his party to act responsibly and would also encourage the growth of an opposition party.

In a leading article last week on "Colonial Responsibility," the following sentence occurred:—

It will be interesting to see the results of the compromise reached in the Gold Coast, where the executive council is to be appointed by, and responsible to, the Governor, but will also require the approval of the Legislative Assembly appointed by the Governor.

The words in italics were inserted by a printing error. It should have been clear from the context that the Legislative Assembly is elected, not appointed.

France and Italy at Santa Margherita

This week's meeting at Santa Margherita on the Italian Riviera between the French and Italian Prime Ministers, accompanied by their Foreign Ministers, was one of those encounters which clear the air even if they do not accomplish any world-shaking agreement. A peculiar feature of the meeting has been that neither Paris nor Rome has been anxious to claim the credit for initiating it. Both M. Pleven and Signor de Gasperi have had many minor issues to raise with each other, but neither has produced any serious point of dispute between France and Italy. These two countries, indeed, containing nearly 90 million people, represent an increasingly coherent and influential unit in European affairs. Their rapprochement has gathered momentum with their respective recoveries from the war, till today the temptation is strong to try to pursue together a third force policy—built up, perhaps, in due course within a triangle of which the third corner would be Bonn. Fortunately, as Thursday's communiqué amply emphasises, both Signor de Gasperi

and M. Pleven are realistic and experienced enough to resist this insidious pull. They know that Western Europe's danger is too great, and each sees his country's salvation in the deep commitment to the Atlantic Pact which they themselves promoted.

Among the subjects discussed at Santa Margherita have been the part to be played in European defence by Germany—to which Rome attaches a good deal more importance than does Paris—Italy's position in the Schuman plan, and Rome's favourable attitude to M. Pleven's plan for a European army—both prime ministers agreed to press on hard with the lengthy technical discussions beginning in Paris this week. M. Pleven also agreed that the French should represent Italian views in the three-power steering group for discussing raw materials in Washington; he also gave assurances that Italy would have access to Algerian iron-ore supplies. Other topics have included the flow of Italian immigrant labour into French rearmament industries and the now almost defunct project for a customs union between the two countries. This has partly died as a result of industrialists' objections on both sides and because of the wider agreements made in OEEC. But it may be that, as Marshall aid tails off and the work of OEEC is partly superseded by that of Nato, the customs union project will one day be revived.

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It is safe to assume that the meeting at Santa Margherita will produce no change in French and Italian foreign policies. This does not mean that Europe will feel no impact from it. The Italians suffer nowadays from the understandable feeling that their voice is insufficiently heard in other chancelleries; they know they have dropped from the ranks of the world powers but they still occupy a leading place in Europe. The French, too, have sometimes found it an uphill struggle to secure an adequate hearing in Washington and London. Accordingly, although M. Pleven has just returned from a triumphant personal visit to Washington, and Paris has now achieved an almost complete victory in its month-long struggle to bring reality into the decisions about German rearmament, the French are by no means unwilling to look to Rome for the diplomatic support which the Italians are more than ready to offer.

This was the fourth important Franco-Italian meeting since the war; the first three were between Bidault and de Gasperi in Piedmont in 1947, between Schuman and Sforza at Turin in 1948 and again at Cannes in 1949. Both countries now feel much stronger than on any of these previous occasions. They will now be determined jointly to restore to Western Europe more of the say in its own destiny that it was accustomed to possess before the second world war.

* * *

Propelling the Colombo Plan

It is now ten weeks since the Colombo Plan for Co-operative Economic Development in South and South-East Asia was published, following the Commonwealth Conference in London during the autumn. This week another meeting has taken place in Colombo. This is designed to review the developments since the publication of the Plan and to discuss future action to implement it. The meeting is also notable for being attended both by some of the South-East Asian countries which took no positive part in drawing up the original plan and by a representative from the United States. It is certainly to be hoped, as a result, that enough progress will now have been made to start operations under the six-year development plans of the individual nations by July, the date originally proposed.

Nothing could be more important at this stage than to begin translating paper ideas into practical work. Quite as vital as the conception of the Plan itself are the twin aspects of impetus and publicity. The modern world is full

of plans and planners and, even among the relatively under-developed communities of southern Asia, there is a latent scepticism about grandiose schemes for bringing the millennium down to earth. Already the man in the street in both the east and the west may be excused if he asks what has become of the Colombo Plan. There appears to have been little continuing publicity since its original launching, and, even though the present meeting in Colombo has been arranged as soon as was reasonably practicable, there is a danger that the whole scheme may lose impetus. It is not enough that this Plan, however well inspired, should constitute the free world's attempt to pull southern Asia up by its bootstraps. People must know and see that the Plan is succeeding. One of the first tasks of the secretary-general, who is expected to be appointed after the present Colombo meeting, should therefore be to ensure that the whole world knows what he and his colleagues are doing.

* * *

Failure of a Mission

The meat shortage has rattled the Ministry of Food but it has not changed its buying tactics. An unofficial feeler has found that Argentina was prepared to agree to a British request to resume negotiations on imports of Argentine beef. Meanwhile the Ministry sent two of its negotiators to Paris to try to save the British Government's face by buying pork for immediate delivery and arranging for supplies of bacon and frozen pork to be sent later in the year. The mission proved abortive and the discussion broke down on Wednesday evening because Britain offered France only £210 a ton for bacon and less for frozen pork. The French were annoyed because Britain had already agreed to pay Denmark £229 a ton for bacon. In any case, the French demanded £330 a ton for frozen pork and considerably more for bacon. Thus the prospect of a larger meat ration has again proved to be a mirage, for the simple reason that Mr Webb continues to think that he alone knows how much the British public is willing to pay for its meat.

* * *

Nigeria's Meat Industry

For a reason which is not apparent the report of the Nigerian Livestock Mission has only just been published (Colonial No. 266), although it was completed and signed in October, 1949. Its belated appearance today may, therefore, give the impression that it is concerned with finding another source of non-Argentinian meat for Britain. The mission was not, however, appointed to consider anything of the sort. Its terms of reference were to investigate the livestock industry which already exists in Nigeria, and in particular the production of meat—for domestic consumption, not for export.

The mission's findings and recommendations form, in fact, a colonial development and welfare project of a comprehensive kind. Setting out to investigate the condition of Nigeria's cattle, the means of improving it and the methods by which it is marketed, the mission soon found itself face to face with such formidable, and thorny, questions as the ownership of land, settlement and enclosure, the cattle tax, and so on. The two salient facts that emerge from its report are, first, that 90 per cent of the people of Nigeria obtain their living from the soil and, secondly, that 95 per cent of the cattle population is divorced from the soil because it is in the hands of the nomadic Fulani, who practise selective grazing which is endangering the herbage and soil of wide areas. The mission consequently recommends that the Fulani should be settled in the savannah country of the north, a large-scale experimental settlement being started immediately. A possible deterrent to settlement is the tax on cattle. For some reason the mission's views on the effect of this tax, and its recommendations, are not given in the report, but have been communicated privately to the

Secretary of State. One can only conclude that it found the tax a deterrent to settlement and livestock improvement, but that it was inhibited from saying so publicly because the tax is an important source of revenue for the Native Administration.

Some of the mission's other recommendations are likely to run into similar trouble. But the report gives the impression that, at comparatively small cost, a considerable addition to Nigeria's wealth could be made and the country's soil safeguarded and improved. It is not as though the cattle were not there—the report estimates the total cattle population at 7,000,000 to 8,000,000—and the export trade in hides and skins could be much more profitable than it is at present. But it will need considerable energy and determination on the part of the Nigerian Department of Agriculture if the recommendations are to be carried out, and the Department is very short of trained agricultural officers.

* * *

Farm Incomes

Much new information about economic changes in agriculture is provided by *Farm Incomes in England and Wales, 1944-48* (HMSO. 10s. 6d.), the first of a new series of publications. Its material is derived from the Farm Management Survey, which is carried out annually by the provincial agricultural economists and provides part of the data used in price-fixing negotiations.

At first sight, the appreciable fall in net farm income (which represents the return to the farmer, plus interest on his working capital) is surprising. The four-year average of net farm income of all farms covered by the survey, which was £986 for the wartime period 1940-44, was only £652 for the postwar period, 1944-48. These figures, however, include changes in the valuation of the farmers' livestock and machinery, which increased every year (except in 1944-45), but rose with especial rapidity during the war. Farmers' actual receipts were rather lower than the figures indicate and varied less from year to year.

The figures also help to bring out the important changes that have taken place in agricultural policy over the last decade. The first four years were the wartime period of high crop production and inflated prices. During the next four years, policy was based to some extent on the assumption that agriculture should return to its normal peacetime pattern. There was a fall in crop production and prices rose less than did farmers' expenditure (which went up by at least 25 per cent). This period culminated in the bad winter of 1946-47, which depressed farm incomes further. Later in 1947, the third major change in agricultural policy took place in the form of the four-year programme of expansion. The financial incentives then introduced have led without doubt to a higher level of farm incomes—changes which are not shown in the period covered by this document. This is now the last year of the expansion programme, and a further change in agricultural policy is due.

* * *

Europe's Economic Health

Europe's external economy is enjoying good health, but will need it, if it is to survive the epidemics of the coming month. This, briefly, is the theme of the Economic Commission for Europe's quarterly bulletin published on Wednesday. The report, which is careful and clear, was concerned with the third quarter of last year. Its comments have inevitably lost the first bloom of novelty, but they are a useful summary of known trends.

The bulletin concentrates on the improvement in the foreign exchange position of European countries with the dollar area. For the ten west European countries, exports to the United States during the quarter rose by \$90 million from

the second quarter's level to a total of \$284 million, despite seasonal factors. During the year September, 1949 to 1950, European countries as a whole added, as a result of transactions with the United States alone, almost \$1½ billion to their gold and dollar reserves, compared with a loss in the preceding year of \$300 million—and this, with Marshall Aid reduced by \$1.65 billion. Thus, in the year following devaluation, there was a total improvement on the previous year's performance of \$3.4 billion—not, the ECE hastens to add, wholly or even mainly as a direct consequence of devaluation.

On the other side, the Commission sounds two tentative notes of warning. First, the solution of the dollar problem is creating others in its wake, particularly in European payments to the outer sterling area. Secondly, it suggests that the increased dollar saving and dollar earning during the period may prove a not entirely unmitigated blessing in view of the scramble for raw materials. It points out that of an increase of \$54 million in United States third quarter imports from Britain, France, Benelux and Germany, no less than \$32 million was for increased purchases of raw materials, chemicals, iron and steel. It also finds that even in September, when raw materials had not yet become a bottleneck in European production, coal exporting countries were already setting a precedent for a ruthless home-market-first export policy as the shortage in that commodity developed.

In this connection, the last ECA quarterly report to Congress, and recent statements by Mr Foster in Paris show that the United States, too, is anxious about this problem. Both call for a closer integration of the European economy to reduce the ill-effects of rearmament. Britain might prefer to describe the need as one for closer co-operation; but, whatever the name and whatever the form, the necessity of a co-ordinated policy in the use of European scarce resources is certain, if the gains of Marshall Aid are not to become the victims of the Atlantic Pact.

* * *

Switzerland Makes a Stir

At the OEEC meeting on February 8th, quite a large stir was caused from an unexpected quarter. The discussion was about the provision of the European Payments Union that after a certain date all members should adopt a non-discriminatory policy towards imports which were still subject to quotas and controls. The quarter was Switzerland, represented by the imperturbable M. Bauer, who insisted that, with the shortage of raw materials, it could not possibly surrender this last bargaining counter in its trade negotiations until and unless the United States would specify what raw materials would be available for European countries.

Just before this outbreak, the Swiss Government had finally decided to grant Belgium a credit of 150 million Swiss francs at only two per cent interest, repayable through the EPU. In return, Belgium was to undertake to increase deliveries of Congo raw materials essential to Swiss industry.

The OEEC meeting broke up in slightly shocked confusion. All the other countries had promised in principle to comply with the EPU provision and are now busily assuring themselves that all will be sorted out in time. So it probably will be. But the incident is illustrative of the new currency which is emerging in the post-Korean world, more precious than dollars or even than gold—the currency of raw materials. It

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is significant that the first to bring it out into the open was a country whose needs are purely commercial, and which is relatively remote from rearmament production and strategic stockpiles.

The Pflimlin Plan

On the continent, the plan for integrating European agriculture has recently put up some new shoots. The latest project would create a single market for selected agricultural products in much the same way that the Schuman Plan aims to pool west European coal and steel. French experts have been the prime movers in the scheme, which has accordingly been named after the French Minister of Agriculture and will henceforth be known as the Pflimlin Plan.

The idea of an agricultural pool first cropped up as a purely Franco-German affair at the Stockholm Agricultural Conference last July and got no further than an expanded trade agreement between the two countries, with France exchanging vegetables and fruit for German tractors and fertilisers. A few months later the Dutch and the Danes came forward with a sweeping proposal to integrate European agriculture through a network of long-term contracts; these would be uniform and negotiated jointly by member countries with the object of getting European importers and exporters to agree to buy and sell certain minimum quantities of food. Now the Pflimlin Plan suggests the establishment of a common market limited to three commodities—wheat, sugar and dairy products. It is argued for the project that since Western Europe has a deficit in the first two products, agreement should be reasonably easy to reach.

Negotiations over the Pflimlin scheme are not expected to begin until the Schuman Plan is concluded. When they do start, French planners will find themselves faced with a puzzled if not sceptical circle of delegates. Big producer-exporters like Holland and Denmark, while only too ready to discuss agricultural pools realistically, will be struck with the contradiction between France's ideals for integration and its practice which has been particularly restrictionist in the case of agriculture. They will be bound to put such penetrating questions as, "Does the Pflimlin Plan mean that the French market will be open to Dutch cheese and Danish butter?"

Another handicap with which the French initiators will probably start is an unresponsive Britain. Apart from Western Germany, Britain is the only large importer of food in Europe. But the British Government is likely to be even more chary of agricultural than of industrial pools because the intention of such schemes is often to undermine its bargaining power.

The Irish Banks and Mr Costello

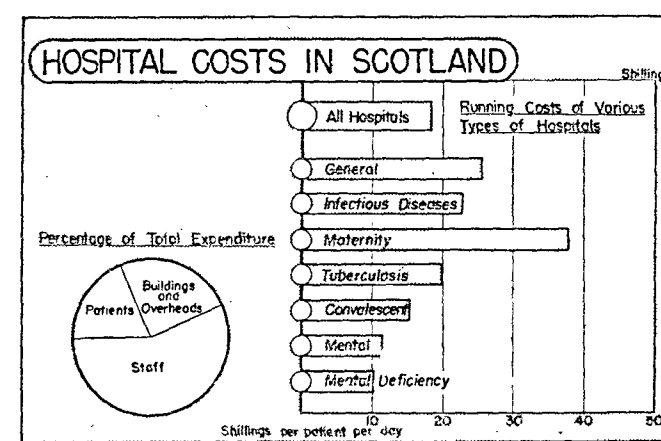
After seven weeks the Irish bank strike has ended (writes our Dublin correspondent) and the officials have returned to work. A prolonged meeting of representatives of both sides, called as a result of the intervention of the Prime Minister, Mr Costello, agreed to arbitration; and the arbitrators unanimously awarded a slightly bigger increase than was last offered by the banks, but very much less than was claimed by the officials. On a vote, the award was accepted by, it is said, about 2,450 in favour to 1,550 against.

There is thus a substantial minority unreconciled to the settlement. But the bank officials have not gained much from the strike and both their action and their claims have provided examples that may be dangerous. The stoppage has given a golden opportunity for cranks and critics of the present banking system—classifications that overlap to some extent—to voice criticisms that are often extraordinarily wrong-headed and ill-informed. Both the banks and their staffs may suffer from the indirect effects of the strike.

The settlement of the bank strike and the collapse of the transport strike have enabled Mr Costello's Government to meet the Dail with a better front than appeared possible some weeks ago. It will have need of all its strength as the Social Security Bill will be the chief business of the session. Mr de Valera has announced his opposition, though his precise grounds have not been defined (and are not likely to be). As the Government's majority rests on independents, of whom some have already announced their dislike of the measure, it seems certain that Mr Costello's margin of safety will be very narrow indeed. On the other hand, few deputies relish the prospect of dissolution; and the coming weeks may see some nicely calculated nuances of outright opposition, abstention, and absence. It seems a pity that the influenza epidemic, which would have provided so admirable an excuse, has inopportunately abated.

Hospital Costs in Scotland

The Department of Health for Scotland is to be congratulated on its detailed analysis of hospital costs, which was issued recently. Two of the chief findings are set out in the accompanying charts. First, it is shown that every pound of running costs is made up of 3s. 10d., which is directly attributable to the patients (their food, laundry, drugs and dressings, etc.); 4s. 4d., which is attributable to buildings and overheads; and 11s. 10d., which is attributable to the salaries and wages of the staff and their keep. It should be pointed out that this high figure for the cost of staff does not include the cost of the salaries of the senior medical staff, which is met directly by the regional boards.



The second chart shows the comparison between the cost of running different types of hospital. But what is also brought out in the analysis is the big variation in the costs of different hospitals of the same type. Thus, whereas the average daily cost of running a mental hospital is 11s. 6d. per patient, the highest figure for this type of hospital is 16s. 9½d. and the lowest 7s. 5½d. As the department points out, the very low figure is as much a matter of concern as the very high, for it may well indicate a very poor standard of treatment.

Rumanian Oil Troubles

The Rumanian oil fields are among the most important economic assets acquired by the Soviet Union in its satellite empire. But recent reports make it clear that their output is unsatisfactory, and is likely to remain so for some time. It is openly admitted that the 1950 plan was only fulfilled by 97.4 per cent for extraction and 93.9 per cent for drilling. And it is indirectly admitted that oil production is still below the prewar level which, in 1936, reached a peak of 8,700,000

metric tons, for it was recently stated that by 1955 oil production would reach 10 million tons or 180 per cent of the 1950 output. This means that the figure for 1950 was only about 5,500,000.

At the beginning of this month the Rumanian Cabinet issued a statement on the reasons for the oil industry's failure to reach its targets and the remedies to be applied. The main reason was the failure of the Ministry of Mines and Petrol to exercise close and continuous control over every aspect of the oil industry. It had failed, among other things, to issue directives on the handling of equipment and the technological details of drilling, or to organise adequate repair and maintenance facilities; hence the large number of breakdowns and accidents. Local Party leaders, trade union committees and senior technicians are also severely blamed. They have done little to explain to the workers the seriousness of absenteeism or the causes of accidents and breakdowns. Nor have they made much effort to improve the admittedly low technical qualifications of most of the workers. The trade union committees have dealt feebly with poor labour discipline and have not helped managements to deal with "the anarchic and undisciplined elements who were contributing to the disorganisation of the labour teams."

But the Rumanian Cabinet, very naturally, says nothing about the biggest culprits of all—the Rumanian Communists themselves and their Russian masters. The poor technical skill of the present oil workers is due to the drastic purges of all "politically unreliable" workers. The poor state of the present equipment is due partly to the Russian action in carrying off large quantities in 1944; and partly to the Rumanian Communists' policy towards the foreign oil companies which, while it succeeded in its object of driving them out of business, led to a catastrophic deterioration of wells, refineries and equipment.

Ability or Seniority?

The Acton Society Trust has done well to raise, in the third of its pamphlets on the nationalised industries, the thorny question of promotion policy.* In theory, ability should be the only governing factor, but in framing a practicable policy account has to be taken of the traditional trades union insistence on promotion by seniority. Promotion by ability is uncomfortable and inequitable since it rewards the gifted and the energetic man: promotion by seniority places the value of general security—in the short term—above the value of individual effort. The newly nationalised industries hardly seem aware that conflict is important, although in the Post Office they can see a painful object lesson of the result of yielding to the trade union demands for promotion by seniority. It would be disastrous if the staff policy of all the new corporations were to become equally rigid.

The report is at pains to emphasise the fears and suspicions which underlie the unions' pressure for a rigid method of promotion—suspicions of favouritism, of nepotism and of back door entry. Nationalisation was hailed as breaking the stranglehold of the boss class and the beginning of equal opportunity. The strength of this idea makes it peculiarly difficult to introduce a sensible promotion policy. Ability is not a standardised article, and the problem of who shall size up and select ability is no nearer solution. There are indeed two distinct strands to unravel. The one is concerned with political control: the struggle between worker and boss (and with it the attempt to protect the worker by seniority rules) has changed to a struggle to secure workers' participation in nationalised industry. In the sphere of promotion this means participation on promotion boards. The second strand concerns the motives which underlie the individual's desire for promotion. To promote the wrong

* Problems of Promotion Policy. 2s.

man may mean a serious loss of efficiency. Can the advantages of higher pay or prestige be secured by other means than promotion—by increments or proficiency allowances or stripes as in the army? If honour and a modest increase in income can be secured for the rank and file as a reward for solid work, genuine promotion can more easily be reserved for ability.

Higher Pay and Recruiting

The latest quarterly statement, issued by the Ministry of Defence, on Recruiting for the Armed Forces which gives the figures for the period October-December, 1950, is interesting, since it shows the effect upon recruiting of the pay increases which came into force in September. The figures for October were considerably above those of previous months for all three services, but in the case of the Navy the effect was short-lived, and for the whole quarter naval recruiting was lower than either of the first two quarters of 1950. The effect on the Army was more noticeable: in the last quarter it attracted 8,303 recruits as against 5,065 in the third and 3,584 in the second quarter. But the effect on RAF recruiting was very considerable; in the last quarter the RAF took in 10,513 men, nearly double the figure for the third quarter and five times the figure for the last quarter of 1949. By the same token, the WRAF alone of the women's services showed any significant rise in recruiting after the increases in pay.

Regulars or Conscripts?

Government is placed between two fires. On the one hand Mr Cobden, Mr Hume, and the Financial Reformers abuse them for the extravagance of their army expenditure, and loudly demand a reduction in our naval and military force; while Sir Francis Head and the *Quarterly Review*, backed, as they affirm, by all the great authorities in both professions, declare that our standing army is wholly inadequate for our defence, and ought to be immediately augmented. The subject has of late occupied a large share of public attention, and now that Parliament has met, probably demands still more. . . . The regular standing army of Great Britain at present consists, with the ordnance force, but without the East India Company's troops and the native West India regiments, of 135,000 men. Of these 30,500 are in the employment and in the pay of the East India Company, and may therefore be thrown out of our estimate; 23,500 more are serving in our American, African, and Australian colonies; and 8,000 in outlying military stations in Europe. Including our colonies, therefore, we have an effective force of 104,500; excluding them, we have available for home service and the defence of Great Britain only 73,000 men. . . . While we are far from giving in our adhesion to those who advocate an augmentation of our standing army, as necessary for the defence of the country; we object in the strongest terms to the proposal of providing for that defence by the embodying of the militia, or by any other of the suggested substitutes for a regular military force. . . . In the military art, as in every other, division of labour is necessary to perfection. A man who is half a soldier, half a peasant, half an artisan, will be a poor soldier, a clumsy labourer, an unfinished artisan. To be good in any calling, a man must devote himself to it altogether. More especially is this the case in the military art, where the value of the man depends upon the perfection of his discipline. A few weeks' drill in the year, though it may enable men to go through common manoeuvres without blundering, can do no more; and this is only a part and the smallest of the education requisite to make an available soldier.

The Economist
February 15, 1851

Letters to the Editor

Eight Pennyworth of Planning

Sir,—In your issue of February 3rd, you state: "To begin with, contrary to the general belief, it is not rising prices that cause inflation, but inflation that causes rising prices . . . inflation should be tackled at its source; which is an excess of demand in general over supply in general." Your intention is to deny the dominant part played by rising import prices in increasing living costs today. But surely it is the rise in import prices which, at any rate up till now, has caused the rise in internal prices? Are you suggesting that disinflation at home would have helped this?—Yours faithfully,

MARGARET HALL

Somerville College, Oxford

[Mrs Hall has fairly completely missed the point. We were not attempting any such difficult task as to prove that rising prices played no part in increasing living costs—which would indeed require the talents of a master of paradox. Nor were we trying to assert that domestic disinflation was a cure for rising import prices (though it would help to prevent such things as rises in freight rates and coal prices, which are surely at least as important in pushing up the cost of living). We were simply trying to say that if Mr Webb refuses to put up the price of meat because that would be "inflationary," he is mistaking the nature of inflation. Indeed a rise in the price of an imported necessary, *taken by itself*, is an anti-inflationary factor, since it helps to absorb purchasing power in this country without adding to the flow of incomes.—EDITOR.]

The Gold Coast's Election

Sir,—The article on the Gold Coast in your issue of February 3rd makes interesting reading. Nevertheless, it leaves out many recent developments and fails to bring to light the real sources of strength of the Convention People's Party. Unless the African viewpoint is first studied, notwithstanding its disapproval by critics here, any criticisms will be of no avail.

As a son of a Gold Coast chief I assure your correspondent that the chiefs do not see anything wrong in the British withdrawal from India. "Abandonment" is indeed a wrong word to use, for it was well known that the British would be true to their word and leave India one day. Truly, the chiefs look to the British for support, but only do so with the consent of their people and when it is needed.

Those of us who do not belong to the CPP respect their leaders for their honesty, modesty and devotion to their cause. There is apathy in the villages because the inhabitants are not sure whether "all the pother" will put an end to the dictates of the District Commissioners. Certainly if they see any improvement in the government they will no doubt co-operate.

Your correspondent may be interested to learn that the CPP has changed its slogan from "Self-government NOW"

to "Dominion Status now" and has declared that it would support any motion put forward to increase taxation, provided that the money would be used in the best interest of the people.—Yours faithfully,

KOBINA EBO

Edinburgh 10

Fiddling With Federation

Sir,—I cannot see why, in your issue of February 3rd, you described the Strasbourg Protocol as "Fiddling with Federation," unless it was that you were set on finding an alliterative title for your comment. It is not like *The Economist* to condemn an honest attempt at a compromise merely because it does not give the advocates of the extreme views all that they want.

You praise the protocol as being skilful, as carrying out the mandate which was given to the Committee of Seven, and as going some way towards the British position. But then you add that it will not do, but that "it may be difficult and embarrassing to explain why not." Why "difficult," and why "embarrassing"? And why is the damage done once the Council becomes a legislative body? Britain has often been accused of using her veto in the Committee of Ministers because the Assembly was going beyond the powers which it was given under the statute. Once the powers of the Council of Europe are enlarged to the degree suggested by the protocol, this question, at any rate, will not arise. The European Payments Union creates a precedent for this proposition. While the British at first were not very favourable to that idea, they were quite willing to take part in discussing a document to secure such a purpose; and as a result of the discussion, agreement was reached.

Why should not the same thing happen in the future when the Committee of Ministers receives Bills sent to it from the Assembly? The British representative may differ from some of his colleagues on many of the clauses in these Bills, but if his objections are well founded he ought to have no difficulty in convincing his colleagues to that effect. Why should this be embarrassing or even difficult? Does not the embarrassment arise because the protocol, based as it is on the public utterances of the Foreign Secretary and other senior members of the Cabinet, is entirely in keeping with the policy of His Majesty's Government, and that now the Government is quite unable to justify any real objection to the amendments proposed by it?—Yours faithfully,

IAN MIKARDO

House of Commons

Profits and Replacement

Sir,—The inflation of recent years has affected us all, for the most part harmfully. For many commercial concerns the harm has been mitigated for a time by adventitious profits; but the idea, suggested in *The Economist* of January

27th, that such profits should be put in inverted commas, and thought of rather as a fund for use in meeting higher working costs and not taxable in the same way as other profits, seems to involve an assumption that such concerns have a right to be relieved of their share of the harmful effects of the general inflation. Why should they? And how can they, except at the expense of the rest of the community?

An inevitable consequence of inflation is that the capital previously used by each undertaking has shrunk and has to be replenished to make it adequate once more. If the undertaking has accumulated reserves it can divert them to this purpose and avoid increasing its issued capital: otherwise, the new capital required to replace the shrinkage requires to be obtained from outside.—Yours faithfully,

London, N.6

J. O'MAY

The Sardines Return

Sir,—You will perhaps allow me to answer the points raised in the letter you published in your issue of February 3rd. "Clupea Stratus" should, of course, have read "Clupea Sprattus," the Norwegian brisling being indeed the same fish as our sprat, or the French "esprot."

As regards the sardine being either a baby herring, a pilchard or a sprat before it has been canned, I may perhaps refer your correspondent to "Everyman's Encyclopaedia" (1913 edition), which states quite definitely that the term "sardine," though used especially in connection with canned fish of the pilchard species, and by extension even with young sprats thus processed, applies in point of fact to a baby pilchard alone. And why should one necessarily bring in the ultimate fate of the young pilchards? After all, large numbers of them are daily fried and consumed in all producing countries, and always as "sardines."

It is quite possible that law, or custom should have at one time laid it down that only sardines processed in olive oil should be known as such in England, but the fact is that, for the last ten years at least, nearly all the sardines shipped to Britain from Portugal were canned in peanut oil. This may have been due in the first place to the shortage in olive oil which prevailed during the war, but also to the fact that in those days and the hard times that followed—and under the system of Government bulk buying—no European nation could afford to pay the higher prices of the olive oil variety. Incidentally, as is often the case, tastes changed accordingly, with the result that the pattern of consumption, even in relatively well-off countries like Belgium, has moved considerably away from sardines canned in olive oil, the latter tending more and more to be considered as a comparatively expensive luxury product. Only in the United States is olive oil still sacrosanct.—Yours faithfully,

DANIEL SEPULCHRE

Brussels

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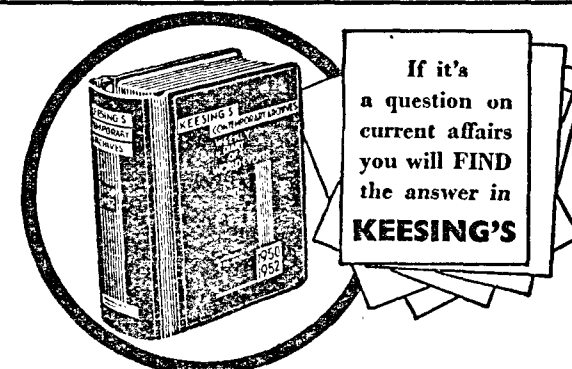


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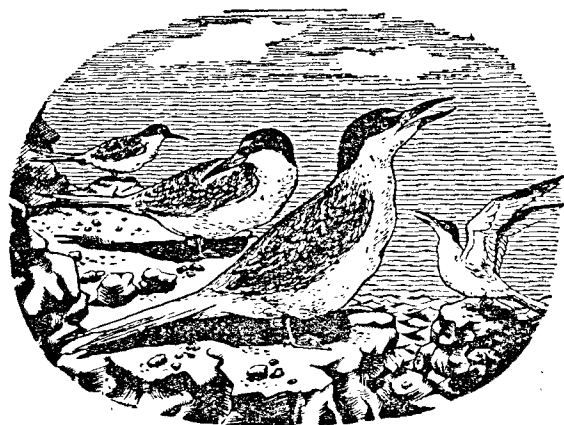
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Books and Publications

Behind the Curtain

I Believed. The Autobiography of a Former British Communist. By Douglas Hyde. Heinemann. 303 pages. 10s. 6d.

This book might well have as its subtitle "How it is done." As an autobiography of Mr Douglas Hyde and an account of his soul's pilgrimage through Leninism to Catholicism it is indeed full of interest, and the flair of the former news editor of the *Daily Worker* ensures that it abounds in good stories entertainingly told. But the importance of the book—and for anyone concerned with contemporary politics, whether as an "activist" or an ordinary citizen, it is very important indeed—lies in the account it provides of the state of mind, methods and devices of the British Communist party. There have been a number of reminiscences by ex-Communists in various countries which have provided material for knowledge of that strange and secret world, as mysterious and inaccessible for outsiders as was Tibet in the days of our grandfathers, but no revelation of the workings of the British party has yet come from anyone so well qualified to tell of them. Here we have the whole bag of tricks exposed to view, like a conjurer's outfit. The difference is that, whereas the spectators at a conjuring performance know that they are being deceived even though they cannot quite see how, there are still great numbers of British people who, without being at all converted to Marxist-Leninist doctrine, invariably fall for the ingenious "fronts" carefully devised in King Street for harnessing their enthusiasms and their loyalties, even their devotion to principles of fair play, to the Russo-Communist chariot.

Mr Hyde describes in detail the methods of organising "crypto-Communists" and of infiltration into trade unions, local trades councils, constituency organisations of the Labour Party and Government departments. The Communist attitude to espionage is explained at length and illustrated by numerous examples. In the author's own words:

It was taken for granted that any Party member coming into possession of information useful to the cause of communism or the Soviet Union (which meant the same thing) would pass it on. It would be treachery not to do so. . . . A civil servant working in a Government department in which internal memoranda circulated freely would keep an eye open for anything which affected Party policy or the interests of the USSR.

Yet there are still intelligent people who speak of efforts to remove Communists from key positions in the state as "witch-hunting" and persecution of political opinion. Incidentally, if Mr Hyde's picture of British counter-espionage incompetence is not greatly exaggerated, it affords no grounds for confidence that even now the task of weeding out Communists in the civil

service has been well done. The failure to cope with the Communist spy which was revealed in the cases of Dr Nunn May and Dr Fuchs seems to have been general, and the story of how the *Daily Worker*, when banned during the period of Communist opposition to the war against Hitler, successfully carried on in Fleet Street itself as a news agency under the title of Industrial and General Information does not make pleasant reading. At this time also (early in 1941) Mr Hyde relates that a Communist shop steward in an aircraft factory boasted that he "could get a strike over a cup of tea" and proved it by working up an agitation over the quality of tea in the canteen.

Perhaps most interesting of all is the story of how the Cominform was founded without the British Party being told anything about it, so that the *Daily Worker* for some days did not know what to say about it; how the new "line" was gradually disclosed and the faithful were instructed that "the solution of production problems would no longer be our concern," because the aim must now be to frustrate economic revival in Western Europe. If it is asked how it is possible, even with doctrinal conviction, for the great majority of Communists to accept without question these total reversals of policy, the key to the answer seems to be contained in the statement, abundantly exemplified in these pages, that "the Party is so organised as to make Communism the whole life of its members."

Dissatisfied Keynesian

A Reconstruction of Economics. By Kenneth E. Boulding. Chapman and Hall. 311 pages. 36s.

Professor Boulding is well known for his widely used textbook on "Economic Analysis." The present book is the outcome of his growing dissatisfaction with contemporary economic theory, and represents an attempt to reformulate that theory in a more useful and self-consistent way. While the sources of his dissatisfaction are several, his "reconstruction" largely takes the form of a reworking of the major topics of economic theory in terms of the balance sheet and its identity of assets and liabilities. The results, while not completely satisfactory, are often fruitful and always stimulating.

The first part of the book is concerned with the theory of the market, the firm and the household. Dissatisfied with the exclusive concentration on the income account in the traditional treatment of these matters, Professor Bould-

ing develops an alternative analysis in terms of the capital account and preferred asset ratios. So far as the market and the firm are concerned, this analysis, while interesting and useful, produces nothing unexpected; but for the household it leads to the rather surprising "principle of minimising consumption" as the goal of rational behaviour. The surprise, however, is the result of Professor Boulding's unorthodox definition of consumption as the destruction rather than the enjoyment of assets: the "principle" merely restates the desirability of conserving resources.

In the second part of the book Professor Boulding proclaims himself a Keynesian—a description partly redeemed by some penetrating remarks on the dangers of aggregates and the problem of index-numbers—but he is dissatisfied with the Keynesian theory on two counts. The first is its failure to distinguish between the circulation of assets in the payments process and the circulation of goods in production and consumption: Professor Boulding outlines a theory of the payments process in terms of velocities, but fails to link this process adequately to the circulation of goods. The second is the absence of a general theory of distribution: Professor Boulding makes an ingenious effort to fill the gap with balance sheet identities, but does not take sufficient care to ensure that the items in his identities can be treated as independently determined. Hot in the pursuit of "macroeconomic paradoxes," he trips over his own tautologies.

The second section of the book is therefore not up to the analytical standard of the first, although it is equally stimulating. Indeed, this is one of the most provocative theoretical books to appear in recent years, not merely because the balance sheet approach is an important theoretical advance towards realism, but also because the author sprinkles his text with many challenging suggestions not related to his main themes.

Security and Annexation

Germany's Drive to the West. By Hans W. Gatzke. The Johns Hopkins Press, Baltimore. London: Geoffrey Cumberlege. 316 pages. 40s.

The subtitle of this solid, intelligent book, "A Study of Germany's Western War Aims during the First World War," is better than the title, for it does not tell the story of an expansion, but of a sustained debate about the aims of such an expansion. This struggle over war aims was closely connected with domestic political issues; the rise of parliamentary government, the temporary dictatorship of Ludendorff, and last, not least, William II's abdication. The author has thoroughly mastered the intricacies of German political life, even though he

sometimes goes astray. He does not put enough emphasis on the debate over the "Fourteen points" before the great Spring offensive of 1917, or stress sufficiently Tirpitz's sinister influence, Kühlmann's equivocations, Ludendorff's desperate efforts to deceive public opinion about the actual conditions and later on to rehabilitate himself by launching the "stab in the back" legend. Nor does he fully recognise the difficulties of making public peace proposals; they must not discourage one's own people and not repel the adversary. Bethmann's position was never quite as strong as the author imagines, for the Kaiser could not be depended upon.

The mainspring of German annexationism (apart from Pan-German rantings and industrial concupiscence) was a craving for security. The army had counted on a short war and was quite unprepared for the strain of a long one. The blockade, which the Navy, having challenged Great Britain, could not break, would have strangled Germany rapidly if it had not been for her territorial conquests. The effect was to transform claims for strategic frontiers into demands for more ruling and living space. The services stood in the way of a "peace without victors," and a *status quo* which would, in another war, expose Germany to the same dangers and hardships she was undergoing. It was easy to make people believe that, without adequate annexations, no amount of heroism could in a future war save them from starvation. Military annexationists never realised that complete security for Germany would imply complete insecurity for her neighbours, and that only a "peace without victors" could make her safe. Colonel von Haefen, Ludendorff's representative in Berlin, saw this; he was even of the opinion that Ludendorff would have accepted such a peace, giving up Belgium, had the civil government compelled him to do so. He could then say that the pen had lost what the sword had won. But after he and Hindenburg had forced William II to dismiss Bethmann under threat of their resignation, no civil government could have done this. By giving in, William II had practically abdicated. Mr Gatzke has written a very stimulating book, which deserves the serious attention of every student of modern Germany.

Middle East Oil

Wells of Power. By Olaf Caroe. *Macmillan*, 240 pages. 15s.

It is said that the archives of the Foreign Office, on the subject of Persian Gulf affairs, contain more than one reference to the former British Government of India as "the enemy." The story may be apochryphal, but it illustrates an important fact. It shows that British officials based on India looked at the Gulf's affairs with different eyes from British officials based on London. "It is necessary," pleads Sir Olaf Caroe, "that this habit of mind should endure." He argues that, now that six years of staggering oil developments have turned the Gulf into a key point of the Old World, it is

foolish to think that it can be defended from Suez.

Possibly the truest conception of the Middle East is one which sees it as the lands between Indus and Euphrates, leaving the Levant coast to look towards Europe, and peninsular India to the ocean which washes it.

Seen in this light, the continuance of the Kashmir dispute—with its absorption of Pakistan's thought and manpower—is the gravest of handicaps to defence of the Middle East's oil.

So far so good. The basic theme of the book is important and well conceived. Most unfortunately, little more can be said in its praise. For a combination of out-of-date statements, of strange omissions and of an imperfect grasp of the workings of the world's oil trade render the book as a whole a sad disappointment to the expert, and misleading to the common reader.

Every writer on current affairs must face the drawback that if his book takes a year to publish, some of his work may be outpaced by events. But some correction in proof is always possible. Sir Olaf gives the impression that—a year ago—he posted off his manuscript with a thankful sigh, and thereafter brought it up to date only on one or two points that caught his interest. Thus he inserts an unimportant Islamic Economic Conference that happened in October, 1950, but omits all the principal oil events of the same year, including the Anglo Iranian Oil Company's negotiations with the Persian government for a supplemental oil agreement, which began in 1949 and were common property by May, 1950. The chapters on oil fail to grasp the fact that sterling oil has a dollar content or that dollar oil can be sold for sterling; they also fail to understand the significance of the Marshall Plan, and the part played by the Economic Co-operation Administration in producing oil for Europe from sources outside the United States.

Of many omissions, the worst is the failure to cite the terms of any of the Middle Eastern oil concessions. Negotiation between concessionaire and landlord on the subject of these was a major feature of 1950 and will be so for some time to come. Satisfactory terms and good public relations between the one and the other are a major factor in the stability of the area; so are the royalties paid. Yet Sir Olaf slides over both with the airy statement that "the pitch of the producers' obligations, or of the States takings is a standard too ephemeral with which to measure the bearing of the industry or regional stability."

Many other facts given are plainly wrong. For instance, Sir Olaf dubs Turkey a dictatorship, which is to ignore the elections of May, 1950. He states that Russia, when Israel won the Palestine war, dropped the Arabs and took up with the Israelis, whereas the fact is the other way about.

Mr Lionel Curtis contributes an affectionate preface, in which he justifiably commends the angle of vision—from east as well as from west—from which Sir Olaf surveys the strategic problem of defending the Gulf area. But Mr Curtis

goes too far when he compares the book with Lord Hailey's monumental *African Survey*. To make so extravagant a claim for so slight a book is to let heart run away with head.

Rationalising Wages

Wage Determination Under Trade Unions. By John T. Dunlop. *Blackwell*, 230 pages. 20s.

This second edition of Professor Dunlop's unique and suggestive theoretical study will be welcomed by students of labour economics, for whom the book has already become a classic. It also makes stimulating reading for anyone interested in the practical application of economic theory.

The central thesis to which most of the book is devoted is that collective bargaining is essentially a process of economic maximisation. Professor Dunlop recognises, and discusses with insight and examples, the practical limitations of this conception; but he believes that for analytical purposes the union is best described as seeking to maximise the wage bill for its total membership. On this theoretical plane, his major contribution—the contention that the traditional view of the union as an institution primarily concerned with raising wages by restricting the supply of labour—is unhelpfully narrow. The ability of unions to influence wages depends on conditions in the whole "cluster" of product, labour, and raw material markets, over all of which the union can and in practice often does exercise influence. This contention is supported by a brilliant (though difficult and not technically impeccable) theoretical analysis of the influence of various product-market and labour-market constellations on the "bargaining power" of the union—defined as its ability to get more than it would under perfect competition—and by a chapter of illustrative cases.

The remainder of the book is devoted to a detailed statistical analysis of the behaviour of wage rates and labour's share of the national income over the trade cycle. These chapters should be of considerable interest to trade cycle theorists, since they cast doubt on many assumptions of accepted theory in that field.

In the new preface to this edition, Professor Dunlop defends his thesis that collective bargaining is essentially economic against a recent American tendency to interpret it entirely as a political process. In America, "political" refers to internal union politics, and Professor Dunlop's judgment is probably correct; for this country, however, political factors in the broader sense would have to be assigned considerably more weight, perhaps enough to call Professor Dunlop's economic emphasis into serious question. Nevertheless, the economic factors are important, and his analysis of them is a masterly combination of theory with fact.

AMERICAN SURVEY

Headaches at Home

Washington, D.C.

FOR a modern President of the United States, the fashionable affliction, the disorder likeliest to excite public interest and sympathy, is the critical international headache. The common domestic variety, though it once compelled respectful attention, has come to be placed on a different and lower plane. There is a tendency now to regard it with as little patience as a busy psychiatrist could be expected to give to a client who was complaining that his feet hurt. Columnists and leader-writers, who would once have rolled up their sleeves and applied themselves to analysing what was wrong, now show a disposition to advise Mr Truman irritably to take an aspirin and get on with the important things. Yet the President himself may well feel that he is personally suffering a good deal more from his unfashionable home-produced headaches than from the more momentous throbs of world crisis.

Since the beginning of this month, Mr Truman's domestic headaches have been recurring at uncomfortably short intervals. Sharp attacks have been brought on by the railway strikers, the Reconstruction Finance Corporation, the Federal Reserve Board and, continuously, by Congress. There would be more sympathy for the sufferer in the White House if it were not for the suspicion that some of these afflictions might have been avoided by taking proper precautions and the certainty that Mr Truman's hasty retorts to his tormentors, however understandable they may be, have made matters worse.

The present malaise began with the onset of the railway switchmen's strike on January 30th. The switchmen, enginemen, firemen, conductors and trainmen—the 300,000 workers on whom America's 130 railroads very largely depend—long ago put in a claim for reduction of their working week from 48 to 40 hours without loss of wages. The non-operating unions had already won such a concession. The Railway Labour Act is designed to prevent the swift paralysis of the United States which railroad stoppages bring, and its machinery used to work; but it has lately been so loaded with White House interventions, layers of overlapping "emergency" boards and unskilled political peacemaking that it has lost respect and authority.

The seizure of the railroads last August (which made the railwaymen technically employees of the government and subject to court injunctions if they tried to strike) has produced two epidemics of "sickness," the first in December. Appeals to the men's patriotism, effective then, were beginning to bring them back once more, when Mr Truman, in one of his famous spur-of-the-moment asides at a press conference, observed that the railwaymen's leaders, in repudiating the agreement reached in December, had behaved like a bunch of Russians. The Army then gave the remaining strikers the choice of returning within two days or being dismissed, with the loss of pension and promotion rights. Having sent that shot echoing down the trade union corridors, the President turned his bazooka upon a duly-constituted subcommittee of the Congress. He said that a report it had just produced on the Reconstruction Finance Corpora-

tion was asinine. Then, before the smoke had cleared away, Mr Truman sent to the Senate, for confirmation as directors of the RFC the names of the same five men the Senate had declined to accept during the last session.

Congress itself was in a rebellious mood. The House Appropriations Committee had just dealt the Administration a smart blow. After only one trial, it had scrapped the new system of dealing with all appropriations in a single Bill (which showed up pork-barrel funds for this state or that district) and restored the old method of dealing with appropriations piecemeal, in a dozen different Bills (in which a little federal fat that would do a Senator or a Representative a lot of good back home tended to slip past with much less fuss). While arranging this joyful return to normalcy, Congress was making its customary righteous threats to cut the "non-defence" items in Mr Truman's budget and showing no signs of quickly screwing its courage to the point of voting the extra tax money which everyone knew to be necessary. It was, however, busily producing reasons why it should not sanction the sort of compulsory military service the Administration was urgently requesting.

*

There were also indications that a new hunt for Communists within the Administration might be stimulated by the conviction on perjury charges of Mr William D. Remington, a former economist in the Commerce Department. Mr Remington had earlier been cleared by the President's Loyalty Board, under the chairmanship of Mr Seth Richardson, whom Mr Truman has nominated to head the new Subversive Activities Control Board. And Congress was plainly getting ready to echo the public cat-calls that were already ringing about the ears of Mr Truman's price freezers and wage stabilisers. In these circumstances the critical report on the RFC by a subcommittee headed by Senator Fulbright, a critical Democrat, plainly struck Mr Truman as a personal affront. The report concluded:

There has been improper use of the Corporation's vast authority in response to the influence which persons outside the RFC have over individual members of the board. . . . Only a drastic action can restore the integrity of the RFC.

Space is lacking here for details of the charges the subcommittee brought, or the names it named, or the curious chart it issued showing which secretaries, aides, expeditors, lawyers, businessmen and former employees of the RFC were somebody's father or daughter or husband or wife or close personal friend and had, or might have had, direct or indirect access to RFC directors. There were fewer complications, however, in the President's comments. He said it was an asinine report, and he accused Senator Fulbright

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

(unjustly, according to the Senator) of leaving Washington rather than face Presidential interrogation.

The account of Mr Truman's domestic headaches is not yet complete. For there require to be taken into consideration also the rifts and stresses within the Administration itself. One of them—the struggle between Mr Tobin, the Secretary of Labour, and Mr Wilson, the Director of Defence Mobilisation, for control of the defence manpower programme—was resolved last week by the President in Mr Wilson's favour. Another looked, for about twenty-four hours, as though it had been settled—until Mr Marriner Eccles, a member and lately chairman of the Federal Reserve Board, made public on his own authority a memorandum of a White House meeting which seemed to show that Mr Truman had reached the wrong conclusion about what had been decided there.

Mr Truman thought that the officials of the Board had agreed, at this meeting, as he said in a subsequent letter to Mr McCabe, the Chairman, that the Board would fully support the Treasury's defence financing programme, so that "the market on government securities would be stabilised and maintained at present levels." Such an undertaking would have signalled the end of a long-standing difference of opinion between the Board and the Treasury. The question, which may soon receive serious Congressional attention, is whether Mr Snyder, the Secretary of the Treasury, is right to require Federal Reserve purchases to support the market price of government securities, or whether Mr Eccles and his supporters on the Board are right to argue that these securities should find their own level on the market, freeing the Reserve Board's hands to regulate the supply of credit. In fact the published memorandum shows that Mr McCabe had agreed only to consult frequently with Mr Snyder and to appeal to the President if they cannot reach an agreement. That headache has thus returned; and it could grow a good deal worse.

The Gulf's Man-made Ports

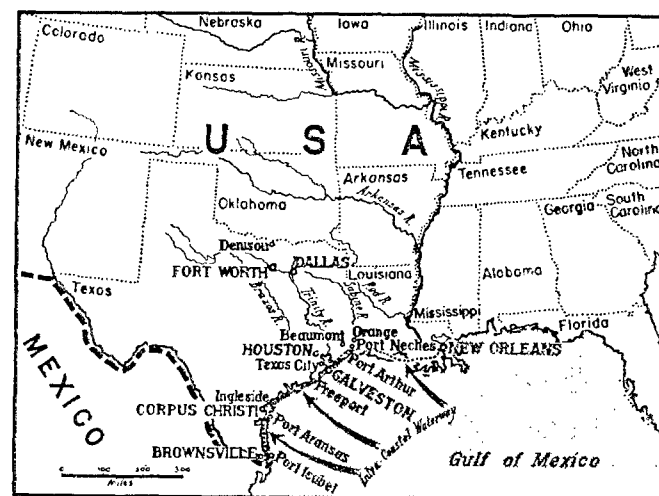
[FROM A CORRESPONDENT IN TEXAS]

ONE of the phenomena of world commerce during the past thirty-five years has been the rise of the ports along the Texas coast of the Gulf of Mexico. There are thirteen that may be classed as deepwater ports, that is, with controlling depths of 25 to 35 feet. They lie along 370 miles of seaboard between the mouths of the Sabine and Rio Grande rivers. Between 120 and 130 million tons of commerce have moved through the ports of this relatively short section of tidewater during each of the past three years. Only one other group of ports in the United States exceeds it in tonnage—the Middle Atlantic Coast group—which includes such cities as New York, Philadelphia and Baltimore. Houston, the leading port of Texas, ranked second to New York in tonnage in 1949, and unofficial figures for 1950 indicate that it will hold that place.

All of these ports are man-made, even the four that lie on the open coast of the Gulf—Galveston, Freeport, Port Aransas and Port Isabel. On a map, the deeply indented coastline of Texas has the appearance of affording excellent natural harbours. But its bays are silt-laden, with only about five feet of water on an average. Very costly excavation has been necessary in the case of all of the thirteen ports. Nine of them are at the ends of channels which cut across the shallow bays and, in several instances, through the level coastal plain. Houston and Beaumont each lies

more than fifty miles from deep water in the Gulf. An observer a short distance from one of these channels cannot detect its presence on the coastal prairie, and travellers on the highways are often startled at the apparition of an ocean-going vessel steaming through a sea of grass.

There is no great navigable river flowing down from the interior to bring commerce to the Texas coast. Long ago New Orleans was picked for the leading role in Gulf trade because of its position at the mouth of the Mississippi, and a huge port still stands there. But today the greatest shipping activity anywhere on the circle of the Gulf is along the Texas shore. A main source of this activity is the productiveness of the southwest region in raw materials. The hinterland of the Texas Gulf ports, including Texas, Oklahoma and portions of Louisiana, Arkansas, Kansas, Colorado and New Mexico, probably produces a greater tonnage of raw materials, over and above what it can consume itself, than any other comparable area in the world. The



earliest argument for the development of Texas ports was based on the need of an outlet for cotton exports. With domestic mills consuming most of the cotton grown in the eastern half of the cotton belt, which runs right across the southern states, the western end became the logical exporting area for cotton. Galveston, the oldest Texas port, attained its early prominence in cotton commerce. But petroleum and petroleum products have supplied more than two-thirds of the tonnage on which Texas ports have been built. In 1950, 44 per cent of the oil produced in the United States came from Texas, and within the natural hinterland of the Texas ports is 55 per cent of United States production, and 60 per cent of the known reserves, of petroleum.

Natural gas, Texas's second-ranking mineral in value, has indirectly had much to do with the area's economic growth, by encouraging the building of the great chemical and other industries that ring the coast. It is the ideal fuel for modern chemical processes and the plentiful supply has kept the price below that of coal, on an equivalent BTU basis. The technique of movement by high-pressure pipeline had to be perfected before this gas could be made available to other regions. Recently, pipeline building has gone forward rapidly, but gas at about 4 cents a thousand cubic feet over a long period contributed inestimably to developing the industry of Texas and building its ports.

A geographical cause of the growth of ports in the western Gulf has been the absence of a navigable tributary to the Mississippi river in the lower half of the Western Plains. Neither the Arkansas nor the Red rivers—the principal

west-east tributaries south of the Missouri river—have added much to Mississippi-borne trade. Had nature given them a more bountiful water supply, the history of port development, as between New Orleans and the Texas harbours, might have been different. People interested in the future of New Orleans are now encouraging westward extension of navigation on the Red river, whose waters have been increased by impounding Lake Texoma near Denison, Texas. The completion of such a project would throw trade toward the Mississippi. A counter-project is the canalisation of the Trinity river, which would connect the Houston-Galveston-Texas City group of ports by barge line with the two principal cities of North Texas, Dallas and Fort Worth. In the absence of a navigable stream in the Gulf southwest area, the gentle, downward gradient of its surface toward the Gulf coast has encouraged shipment by rail and petroleum pipeline to the Texas ports.

With the notable exception of Galveston, most of this port development has taken place during the past thirty-five years and work on practically all of them has continued steadily. Its primary purpose has been to increase the depth and width of the channels and to improve dock facilities. The cost of most of this work has been borne by federal and local governments, with indirect state aid through tax exemption. Some of the wharf development has been with public funds, though largely by private enterprise. At Houston alone more than \$100 million of public and private money will have been put into channel and port improvement when present projects are completed.

★

By the time that Port Brownsville was opened in 1937, total foreign and domestic cargoes moving through the Texas ports, inbound and outbound, had increased steadily to 60 million tons annually. In 1939-1941, immediately before America entered the second world war, it reached an average of 100 million tons a year. With submarine warfare and the need for diverting coastwise tankers to transatlantic trade, the tonnage fell, but after 1943 increased steadily to a peak of 134 million in 1948. It declined in 1949, chiefly because of restrictions on oil production in the Texas fields, but official figures for 1950 are expected to show an increased tonnage. Houston dealt with nearly 37 million tons in 1949. Next, but far behind, came Port Arthur, Beaumont, Texas City, Corpus Christi and Port Aransas, in that order. The older port of Galveston ranked only seventh with 7,000,000 tons, though the value of its total cargo was relatively much greater, because of the high proportion of cotton, wheat, flour and diversified products that went across its wharves. The trade of the Texas ports is more impressive on the basis of tonnage than on the basis of value. However, the total value of the port's commerce at Houston in 1949 was over \$1 billion, and that of the traffic through all Texas ports was estimated at more than \$3 billion.

Of the tonnage going through all Texas ports during the three years 1947-1949, 65 per cent was ocean-going coastal trade, 15 per cent was foreign trade, 15 per cent was Intra-coastal Waterway and interstate trade, and 5 per cent was local traffic. The coastal trade is principally with the upper Atlantic ports, though there is an appreciable exchange with the Pacific ports through the Panama Canal. The outbound movement consists chiefly of petroleum and petroleum products, sulphur, scrap metal, cotton, wheat and miscellaneous crop and livestock products, fertilisers and chemicals. The incoming cargoes are made up of machinery and various iron and steel products, a diversity of heavy and light manu-

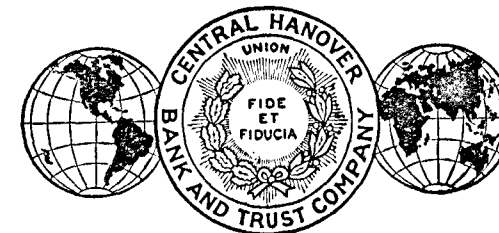
factured goods, coffee, tropical fruits, molasses, newsprint and miscellaneous consumers' goods.

The greatest growth recently has been in traffic through the Intra-coastal Waterway of Louisiana and Texas, a 12-foot-deep canal which extends from the Mississippi river westward along the coast to Brownsville, giving all the Texas and Louisiana ports barge-line connection with St. Louis, Chicago, Cincinnati, Pittsburgh and other points on the Mississippi Waterway system. In 1936, the tonnage carried on it was under 800,000 tons, but by 1949 it had increased to over 18 million. The Intra-coastal Waterway trade is fairly well balanced, with inbound somewhat exceeding outbound commerce, but in the foreign and coastal trade the outbound exceeds the inbound tonnage by more than ten to one. The remedy for this serious economic weakness lies largely in the development of industry, which will have the stabilising effect of balancing outbound and inbound, foreign and coastal trade. The future of the Texas ports depends to a great extent on this.

American Notes

Putting the Question

The six weeks' debate on the sending of American troops to Europe is almost over, though Senator Taft and Mr Hoover, who returned to the attack last week, still refuse to concede defeat, and a group of Republicans in the House of Representatives has collected their proposals into a six-point programme for American foreign policy. The lifting of the shadow of a Korean Dunkirk, under which Mr Hoover's "Gibraltar" theory was launched, has made the defence of Europe seem a burden which can be hopefully shouldered. Mr James Reston, the acute observer of the *New York Times*, concludes that the storm has cleared the atmosphere and, despite all the thunder and lightning, has



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shown how great the area of fundamental agreement on foreign policy really is.

The question is now being put to the Foreign Relations and Armed Services Committees, which opened joint hearings on Thursday. Technically, these are on the Wherry Resolution, which would forbid the President to despatch more troops to Europe until Congress had considered the issue. Senator Connally has high hopes of substituting for it a simple affirmation of the desirability of stationing more troops in Europe, which would in no way compromise the President's powers to act alone if necessary.

Noting the way that General Eisenhower swept everyone before him—except Senator Taft, who insisted that his report was “hazy” and too full of generalities—Senator Connally is bringing up his big guns to wind up the debate: General Marshall and General Bradley will be among the first to testify, and General Eisenhower himself may be recalled. On an issue of this kind, there is no doubt that the American people, who have never had a profound respect for politicians, put more faith in the balanced judgment and integrity of a General Marshall than in anyone who may, like Senator Taft, be keeping one eye on potential rivals in 1952. A contention which may find an authoritative answer in these final hearings is Mr Hoover's obstinate insistence that the United States should put its main reliance on sea and air power, and refrain from sending land armies to be lost in the “quicksands of Asia and Europe.” Mr Dewey, the titular head of the Republican Party, ridiculed such a notion last week, pointing out that overwhelming air and sea power, by themselves, failed to decide the battle in Korea.

Another contention is Senator Taft's proposal that Congress should limit the number of men to be sent. He suggested that the United States should not contribute more than one division to every nine supplied by the European nations and that not more than 20 per cent of its ground strength and 10 per cent of its air strength should be committed in Europe. Every American, of course, wants to be assured that Europe is pulling its weight, but General Eisenhower made it clear that he did not want to have his hands tied in advance, and General Bradley and General Marshall should be able to convince the committees of the dangers of imposing a rigid ceiling. In any event, while the United States has so few soldiers to send, such an amendment would be meaningless.

Freezing Labour Out ?

The trade unions, which since 1933 have usually found welcome on the mat when they go to Washington, are convinced that they are being frozen out of the mobilisation effort. During the last war they had a hand, through Sidney Hillman, in directing production and a spokesman who could always be sure of the President's ear and the attention of the press. But Mr Charles Wilson, the former president of the General Electric Company, to whom Mr Truman has delegated control of mobilisation, has steadfastly refused to appoint a labour representative to his own top policy staff, apparently on the ground that no top administrator should have a continuing stake in any group whose interests might be affected by his decisions. This is a refreshing change from the usual level of political morals in Washington; but such high-mindedness—and high-handedness—may cost the Administration the co-operation of the unions in the defence effort and stabilisation policy.

What the United Labour Policy Committee would like—and it represents all the big unions except the coal miners—is the appointment of a labour man to a post level with those held in Mr Wilson's office by his two assistants, General Clay and Mr Sidney Weinberg, both of whom have business connections. The unions are, in their eagerness for repre-

sensation, said to have sunk their own rivalries and agreed on Mr Walter Reuther, the automobile workers' leader, for the job. Another door was slammed in the unions' faces last week when Mr Wilson appointed, as chairman of the Manpower Policy Committee, Dr Arthur Flemming, the president of Ohio Wesleyan University and an acknowledged non-partisan expert. The unions had appealed in vain to Mr Truman to retain manpower authority in the hands of the friendly, if less expert, Mr Tobin, Secretary of Labour.

Mr Eric Johnston, the Economic Stabiliser, opened the door a crack when he appointed as his assistant Mr George Harrison, of the American Federation of Labour. This will not satisfy labour's demand to sit down at the policy table, but it may help to enlist labour's co-operation in stabilisation measures. At present both the AFL and the Congress of Industrial Organisations are busy denouncing them; in their view, wages are to be stabilised while prices—already at their highest point in history—are allowed to advance. The Wage Board is having such difficulty in agreeing on a formula which will permit laggards to catch up with the procession that in the end, like the wage freeze, it may have to be issued at a higher level. Some speedy decision is necessary, for wage negotiations all over the country are being held up. But a formula imposed from above would add to labour's sense of grievance and set the stage for a series of costly strikes and slow-downs.

DiSalle Goes to Market

Mr DiSalle, head of the Office of Price Stabilisation, has taken meat by the horns: he is setting up quotas for livestock slaughterers, and requiring them to register and to mark the carcasses they deliver. By this means and by strict enforcement of the regulations, Mr DiSalle hopes to prevent the black market in meat that defeated the price controllers in the last war. But he is showing a tendency to side-step some of his other agricultural problems, and may thus perhaps avoid being trampled to death by the Congressional farm bloc. In spite of earlier indications to the contrary, he now seems disinclined to ask Congress to authorise effective control of food prices, and resigned to the inevitable rise in the cost of living.

Mr DiSalle admits that, in spite of his price freeze, the general price level will go up at least five per cent during the next few months, although he hopes it will be checked by midsummer. One of the chief reasons for this is that the law forbids price ceilings on agricultural commodities, or on products made from them, at levels below parity, the price that is supposed to give the farmer a fair return in terms of the things he buys. Farm prices are going up, but few of them have yet reached parity, and parity levels are themselves rising, as a result of the flexible formula for calculating them that was introduced in the Agricultural Acts of 1948 and 1949.

Meat can be controlled because most livestock prices are above parity. So are raw cotton prices and it is here, where his predecessors suffered another defeat, that Mr DiSalle will probably have to make his first great effort to sell himself to Congress. No attempt has been made to control any agricultural prices at the farm; ceilings are put on them only at the first processing; in the case of cotton, this is when it is ginned and baled, according to price control officials. According to the cotton growers, whose Congressional representatives have already carried their case to the President, output of cotton, now in short supply, will be discouraged if prices are controlled before it reaches the mill. It is admitted, however, that, if baled cotton were unfrozen, prices would rise by 20 or 30 per cent in the next few months. Such a rise would inevitably bring an increase in prices of cotton textiles.

This dispute has delayed the fixing of specific ceilings for the various grades of baled cotton, without which it is impossible to resume trading on the cotton exchanges, closed since the price freeze began on January 26th. That order fixed prices at prevailing levels for each individual trader, which meant such wide variations that the commodity exchanges found it impossible to carry on. Although trading in rubber, pepper and hides, as well as cotton, is still suspended, most of the other commodity exchanges have been enabled to reopen by amendments to the price regulations. Specific ceilings were fixed early this week for coffee, cocoa and vegetable oils, and all price controls were removed for exchanges dealing in farm products, such as wheat, maize and butter, which are selling below parity.

Trade Pacts in Peril

The first important test vote in the new Congress has given the Administration an unexpected jolt. The House last week passed the Bill extending the Reciprocal Trade Agreements Act for another three years until June, 1954. But the Republican minority, with the assistance of more than 40 Democrats from districts where competition from imports has been keenly felt, wrote in four protectionist amendments. The blow is the sharper because trouble was anticipated, not in the House, but in the Senate, where the Democrats have a majority of only two. The trade agreements programme, begun in 1934, permits the Administration to reduce tariffs by 50 per cent, and in some cases by 75 per cent, from the 1930 level. Before it was adopted, Congress wrote the tariff under pressure from interested industries and regions; the President might only accept or reject it as a whole.

One of the amendments revives the "peril-point" provision adopted by the Republican Eightieth Congress and removed by the Democrats after their victory in 1948. This provides that before any concessions are made the Tariff Commission must tell the President how far they may go without endangering home industries. The President may disregard such a warning, but only on pain of explaining his reasons to Congress. Now, in addition, the House has written an escape clause into the basic law itself, instead of leaving it to the State Department to embody one in each individual agreement, as it has done since 1943. Under a third amendment, there would be no tariff cuts on farm commodities whose price is supported in the United States unless the imports would still sell above the American support price. (This was prompted by memories of Canadian potatoes crossing the border when American potatoes were being destroyed to keep the price up.) The Administration will attempt to defeat these three proposals in the Senate. It has reluctantly accepted a fourth, excluding Russia and her satellites from any concession in future trade pacts, whether granted directly or through the operation of the most-favoured-nation clause.

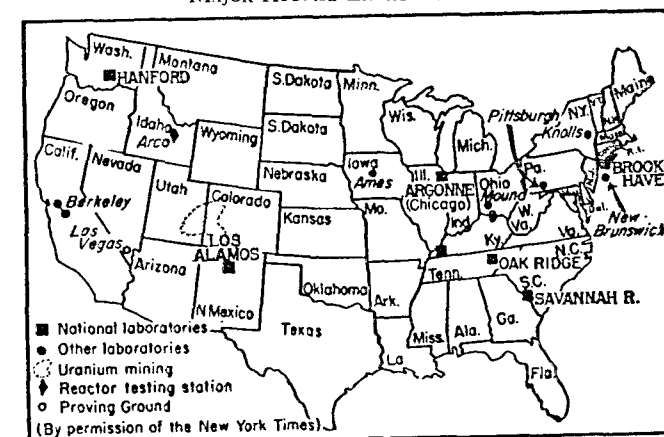
This revival of protectionist sentiment is the not unexpected consequence of the growth in imports, which in 1950 were 33 per cent higher than in 1949 (at \$8.8 billion, compared with \$6.6 billion). Manufacturers of watches, pottery, glassware, shoes and gloves protest they can hardly keep their heads above the flood. The Senate, hearing these cries of distress, is very likely to join the rescue party. The State Department itself has decided it would be wise to go slow; Mr Acheson recently stated that the next three years would be devoted to consolidation and adjustment; there would be no big tariff-cutting conferences such as those at Geneva and Annecy. The danger in adopting new restrictions is not so much that it would imperil present trade pacts or prevent the immediate lowering of further barriers, but rather that, by arousing suspicions of America's long-term attachment to freer trade, it would encourage a revival of protection everywhere, and prejudice what has already been accomplished.

Atomic Explosions

The Atomic Energy Commission lost ~~the~~ time in using the permission, given to it in January, to share the Air Force's bombing range, 5,000 square miles of desert near Las Vegas, Nevada. A series of five early-morning detonations about a fortnight ago brought the number of atomic explosions for which the United States has been responsible up to thirteen. Las Vegas's all-night gambling does not seem to have been interfered with, although some of the larger blasts were seen and felt in west-coast towns several hundred miles away, and radioactive snow fell on the east coast. Eniwetok, the Pacific atoll earlier set aside for experiments with atomic bombs, will probably still be used, but in present circumstances the naval escort needed to protect such an operation would be difficult to provide.

It is also thought that a small island, while a suitable target for bombs dropped from aircraft, would hardly have been adequate for the recent trials, which, according to the chairman of the AEC, were "authentic nuclear detonations," but were not caused by bombs. The general belief is that these tests were concerned with the evolution of smaller, simpler and more effective atomic bombs, and the adaptation of atomic charges to other weapons, such as artillery shells and guided missiles. As General Lawton Collins, the Army's Chief of Staff, pointed out in an interview, such

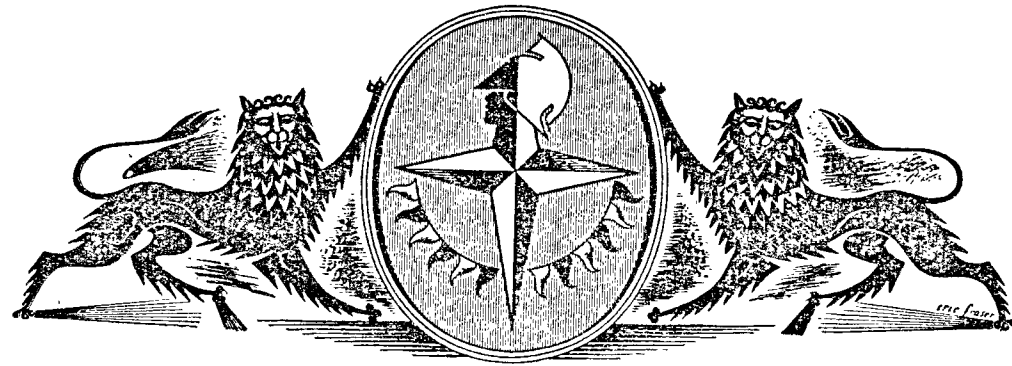
MAJOR ATOMIC ENERGY CENTRES



All information taken from public documents of the US Atomic Energy Commission.

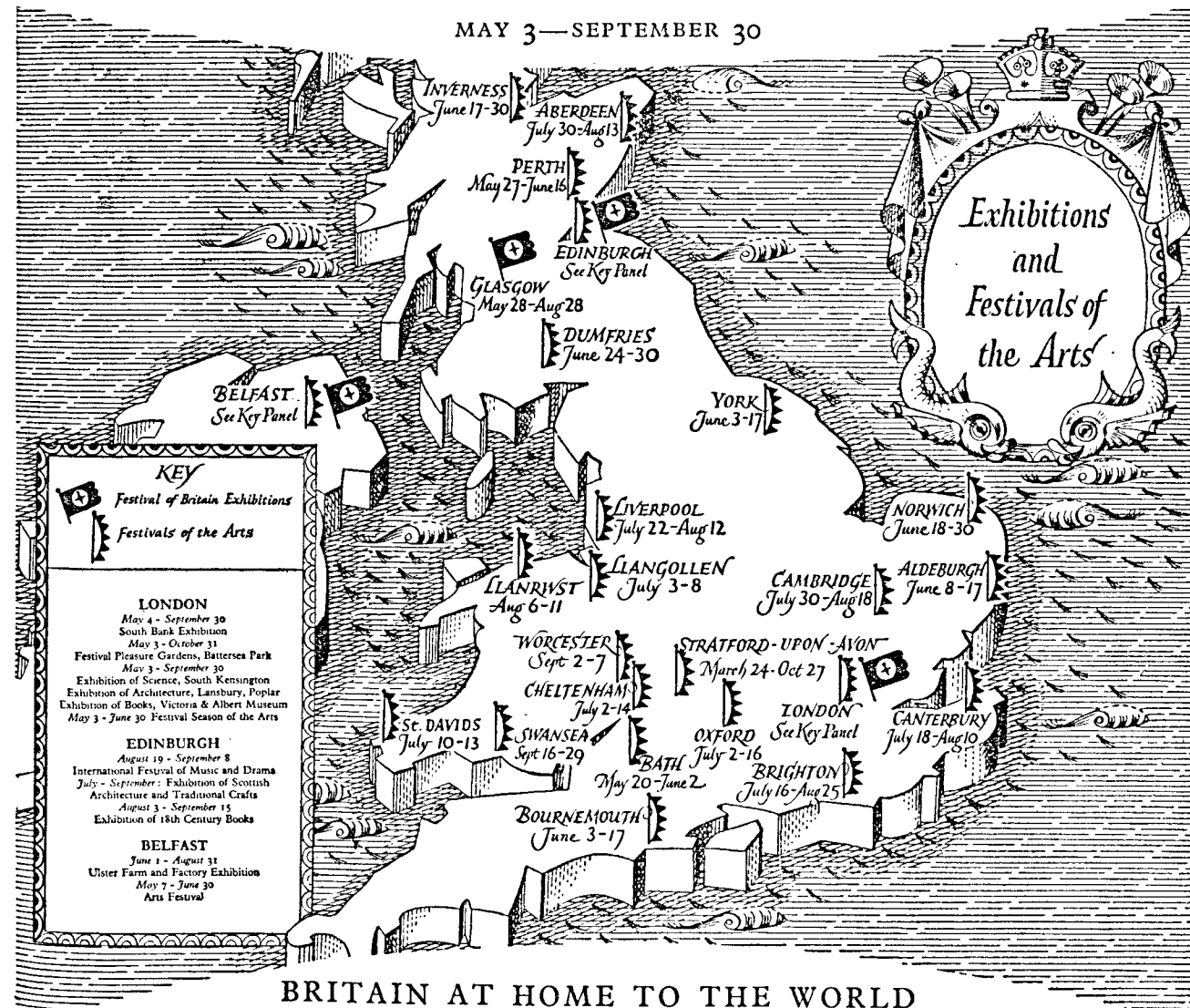
developments may enable atomic explosives to be used tactically, in close support of troops, instead of only for indiscriminate mass bombing. This has encouraging implications for the defence of Europe against aggression, especially since it is generally believed that America is still ahead of the Soviet Union in atomic knowledge. The recent explosions, even if they were not timed with that in mind, can hardly have failed to draw Russian attention to this point.

The AEC presumably also wanted a testing ground nearer home than Eniwetok, now that it is concentrating on the development of atomic weapons. Most of its greatly increased appropriations will be spent on the defence aspects of its work; industrial and medical research, while still continuing, are now playing a comparatively minor part. At the end of last year, plans for two important new installations were announced: one, at Paducah, Kentucky, will provide for an expansion in output of uranium 235; the other, on the Savannah River, in South Carolina, will make tritium, from which it has been guessed that the hydrogen bomb is coming along well. Progress is being made with the construction of an experimental breeder reactor at Arco and activity is being stepped up at the major atomic centres already in operation. New subsidiary installations are also being planned, to supplement the many existing ones.



FESTIVAL OF BRITAIN 1951

MAY 3—SEPTEMBER 30



This map shows the official Festival centres in England, Scotland, Wales and Northern Ireland. In each of these 25 famous places, on the dates shown, an important chapter in the story of Britain's contribution to civilisation will be unfolded. But besides the Exhibitions and Festivals of the

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THE WORLD OVERSEAS

Canada's Contribution in Strategic Raw Materials

(From Our Ottawa Correspondent)

AT the end of the last war most people would have thought that food was Canada's main material contribution to the alliance. Today it is non-ferrous metals. Nearly all the free world's nickel comes from Canada; its copper output follows that of the United States, Chile and Northern Rhodesia; it is high up on the list of zinc and lead producers; its reserves of power and its relative proximity to Central American bauxite resources make it a natural supplier of aluminium. Potentially it could become one of the chief suppliers of iron ore to both the United States and the United Kingdom. Its petroleum reserves are already supplying a proportion of domestic needs, and might eventually become an important factor in total world oil supplies. In the present shortage of strategic metals the main pressure is on nickel, zinc, copper and aluminium.

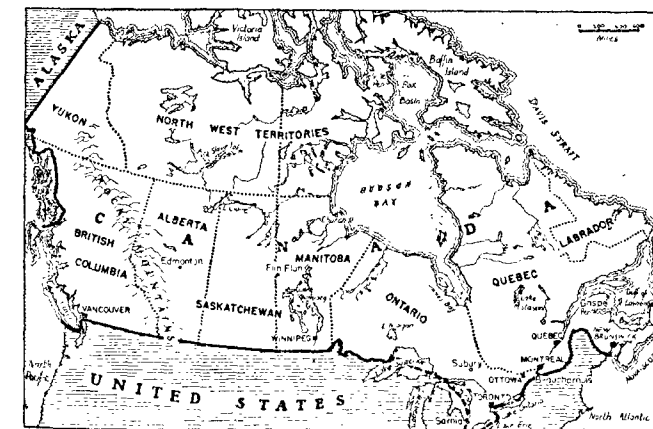
Nickel comes from the huge ore bodies at Sudbury, Ontario, owned largely, but not exclusively, by the Inter-

The same is true of Canadian copper production. This year's output will be down by about 10,000 tons from last year's level because of the closing of the Sherridon mine. The biggest new deposit in sight is on a property of Noranda mines in the Gaspé peninsula of Quebec. There are known to be at least 50 million tons of ore there, with an average of 1.2 per cent of copper, which is enough to permit economic operation. But again development has not yet started.

The high price of zinc has stimulated some small British Columbia properties into production. A new smelter is coming into operation at Flin Flon in northern Manitoba, and Consolidated Smelters are building one at their fabulous Sullivan mine, which by next year will be treating ores from other properties. Canadian output may be up to 210,000 tons this year and to 225,000 or 230,000 in 1952.

Aluminium production, also, may be pushed substantially above the 400,000 tons estimated for 1950. This depends on increased power in northern Quebec. The British Government has recently entered into a contract to increase 1951 purchases above the contract level of 150,000 metric tons, and it is promising to buy 220,000 tons in 1952 and 1953. The Aluminium Company of Canada is reopening its wartime smelter at Beauharnois with assurance of 100,000 additional horsepower from the Quebec Hydro Commission. Other plans will provide power for up to 60,000 tons a year more within two and a half to three years. But the really big aluminium development is the British Columbia project, which is still in the air. The Aluminium Company has cleared the way by signing an agreement with the British Columbia Government which would enable it to exploit water-power resources in a huge area in the northern part of the state. After spending more than \$1,000,000 on surveys and studies the company has a two-stage plan for damming the upper lakes of the coastal range, which now drain inland into the Fraser River. The waters would be diverted and tunnelled through the Coast Range so as to provide a power site near tidewater. The first stage of the project would take three years to build, cost some \$200 million and provide an annual output of about 330 million lb. In another two years the second stage could be completed, costing another \$400 million, and providing more than 1.5 million horsepower. This is the equivalent of 500,000 metric tons a year, which would double Canadian production and equal nearly three-quarters of present American production. The United States Government may be interested in a deal with the Aluminium Company to get this project under way. Without some such assurance of a market the company might be chary of the scheme, particularly after seeing what protectionist feelings the American aluminium companies are capable of arousing.

Canada's biggest iron-ore projects have the same sort of timetable as this aluminium development. It will be 1954 before the huge deposits on the Labrador-Quebec border start flowing to market. This winter preliminary work is being done on the 360-mile railway from the centre of the ore zone down to the north shore of the St. Lawrence. The



national Nickel Company. The problem the company faces is that of treating large quantities of low-grade ore, and the small quantity of high-grade ore available has to be used as a sweetener. Production may be raised a little this year, but there is no way of obtaining any significant increase. That is what the company says, and Mr C. D. Howe, the Minister of Trade and Commerce, has confirmed this view. Some addition might be hoped for from the properties of Falconbridge Nickel mines, particularly if anything were to stop this company from shipping its matte to the Norwegian refineries. But the largest new development in sight is, like so many of the other Canadian possibilities, a longer-range prospect. It is a property at Lynn Lake in northern Manitoba, with a rated capacity of 9,000 tons annually, which looks relatively small beside the Sudbury output. But there are also deposits of copper and cobalt, which increase the attractiveness of the development. It can, however, only be opened up by building 160 miles of new railway and moving the company's mill from the Sherridon copper deposits which are nearly worked out. This means that new production could hardly be expected until well on into 1953.

necessary capital has all been raised from private sources, and the development is being undertaken by a new company in which some of the big American steel firms hold a large interest. They are among the people who will be most anxious to push the St. Lawrence Seaway plan through the present Congress, because the deepening of the canals between Montreal and Lake Ontario would enable the Labrador ore to move economically by water to the Lake Erie ports. In the meantime development is also going on at the more accessible iron deposits in Ontario. By 1953 Ontario's output may equal the 10 million tons planned from Labrador.

The world shortage of sulphur may tempt Canadian mines into production. Noranda has a reserve in northern Quebec, which it is estimated could produce 20,000 or 30,000 tons a year within two years. The nickel mines at Sudbury are installing a flash smelter which will come into operation this year, and could produce 30,000 tons of sulphur equivalent in the form of hydrogen sulphide. Better still is the prospect of extracting sulphur from Alberta's natural gas. As soon as the provincial and federal governments can make

CANADIAN PRODUCTION OF NON-FERROUS METALS
('000s of Short Tons)

	Production	Domestic Consumption	Exports to		
			US	UK	Others
Aluminium (primary) :—					
1948.....	367	65	78	160	89
1949.....	369	60	70	172	55
1950*.....	400	57	170	150	30
Nickel (all forms) :—					
1948.....	132	2	96	26	10†
1949.....	129	2	87	28	12†
1950*.....	130	3	96	21	10†
Copper (refined) :—					
1948.....	221	110	18	63	35
1949.....	226	101	50	59	18
1950*.....	235	98	52	68	20
Zinc (refined) :—					
1948.....	197	47	75	55	15
1949.....	206	42	108	53	7
1950*.....	206	47	118	42	4
Lead (refined) :—					
1948.....	160	60	53	47	4
1949.....	146	51	60	45	9
1950*.....	157	58	96	6	1

* All 1950 figures are rough projections based on first 10 months.

† Consisting chiefly of matter sent to Norway for refining.

Note.—Disparity between production and consumption-plus-exports is accounted for by changes in stocks.

up their minds to permit gas to be piped to the Pacific coast, 100,000 tons of sulphur could be extracted a year at the ridiculously low cost of about \$2 a ton.

Alberta oil will be reaching the East soon after the opening of Great Lakes navigation this spring. The pipeline from Edmonton to Superior, Wisconsin, will be carrying about 95,000 barrels a day, of which 55,000 will be delivered to the Lakehead and shipped by water to Sarnia in southern Ontario. Over the whole year deliveries to Ontario will average about 35,000 barrels a day, which is only half the requirements of the region; and points further east will still be dependent on outside supplies. It is nonetheless reassuring to know that the Alberta reserves are available, and if there were better and cheaper transport facilities Canada could probably be raising as much as 200,000 barrels a day from its own resources without unduly depleting the fields.

The mineral resources of Canada are likely to be of increasing importance to the western powers. Many of the materials most urgently needed for rearmament are here awaiting development. The problem may be to decide how much manpower, money and material should be put into developments which will produce rich results only three or four years hence. It is obviously a problem which Canada cannot solve alone.

The Soviet German Offer

ONCE again the Western German political leaders have to decide whether to meet representatives of the Eastern Democratic Republic for talks prior to a four-power conference. After all party leaders had jointly rejected Herr Grotewohl's invitation of December 1, 1950, a new approach was made from Communist headquarters in Berlin. On January 30th the East German People's Chamber appealed over Dr Adenauer's head to the *Bundestag*, with a proposal that representatives of the two parliaments should contact one another. No answer has yet come from Bonn.

To describe such talks as a conference on the "unity" of Germany is misleading Soviet propaganda, since at no time has there been any suggestion from the Soviet German side that they would touch upon the territories east of the Oder-Neisse line. On the contrary, the frontier between Eastern Germany and Poland has just been formally ratified by the leaders of the two Russian satellite states; and Herr Grotewohl, the East German premier, categorically stated in his speech to the People's Chamber on January 30th: "Every German must realise that an attempt to reopen this frontier question would mean the beginning of another war."

Herr Grotewohl's letter of December 1st suggested conversations on the lines of the so-called Prague resolution. The two governments were to set up a Provisional All-German Council, in which equal numbers of representatives from East and West would sit, despite the fact that the Soviet zone has only 17 million inhabitants compared with 47½ million in the Federal Republic. This body would make preparations for free elections, and approach the Powers for the purpose of concluding a peace treaty, followed by the withdrawal of occupation troops. Dr Adenauer issued the Western reply in the form of a public statement to the Press supported by all parties. In the most forthright terms he went over to the attack. He denounced the traitorous Grotewohl Government and its infamous "peace law," which imposes penalties including death on anyone who opposes, or prepares to oppose, the Soviet policy for Germany. He rejected the proposal for a nominated Council on a basis of parity between the unequal parts of the country, and declared that elections must be held at the outset in order to establish a representative assembly.

Soviet Tactics Exposed

The Social-Democrat leader, Dr Schumacher, has also opposed the Soviet tactics. He has pointed out that before every four-power conference, the Russians have put up a German "National Front" spokesman to induce the Western Germans to confer with representatives of the Pieck Republic. In order to grasp the point of this manoeuvre, he said:

It is necessary to understand the aim of all policy which Russia has ever had with regard to Germany—which is that there can only be a united Germany if it is a Russian Germany, that is, a part of Russia inhabited by Germans. If the circumstances necessary for the achievement of this aim do not, or do not yet, exist, then Russian policy is and remains to hinder German unity.

The Social-Democrat leader warned his fellow-countrymen that they would in fact be negotiating with Russians,

Which would mean having a partner in the discussions with whom one was by no means equal in strength, and whose aims and methods very many German politicians do not even understand. Russia aims to be the only member of the four powers which is in touch with and influencing the whole of Germany. Everyone who takes the slightest step towards helping the Soviets... is sliding dangerously away from the only path to German external and internal freedom.

Both the main party leaders agree that the four Powers had better hold a conference and clarify their stands before the Western Germans step into the quagmire to which Herr

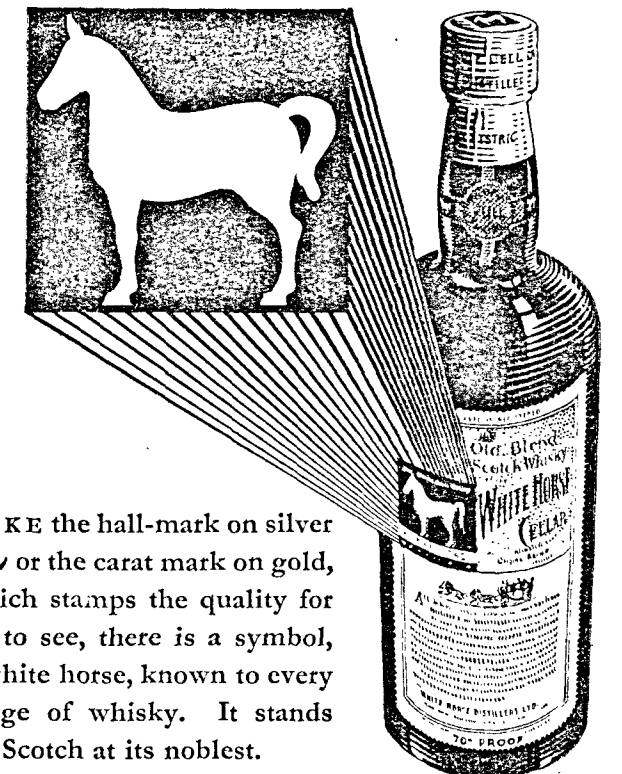
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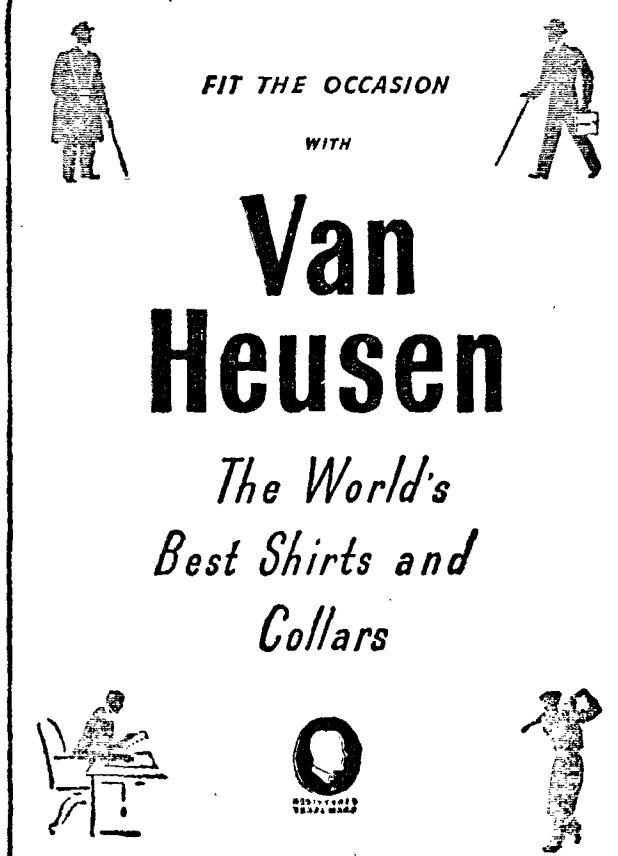
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Grotewohl invites them. They are not only uncertain about possible Russian concessions; they are confused about the attitude of the Western Powers on the question of German rearmament and neutrality, which appears to be uncoordinated and unstable. They are disappointed at the continued failure of the West to grant the Federal Republic full equality. Dr Adenauer fears that Britain and France, as well as the Germans, may be enticed by a Russian proposal for a demilitarised, neutralised Germany from which occupation troops would be withdrawn. At the same time, the bulk of the people have made it unmistakably clear to the West that they do not intend to lend themselves to what the Russians call "MacArthurism in Europe." They are by no means convinced that Dr Adenauer is right in declaring that a contribution of 10 to 15 divisions to Western defence means a safeguard against Russian attack. As long as Soviet propaganda continues to present the alternative as "unity and peace, or division and war," the Western Germans will lend their ears to it. Their attitude towards unity has been well expressed by Herr Jakob Kaiser, the Bonn Minister for All-German Affairs, who said that the Eastern Germans long for liberation, while the Western Germans long for an end to the constant threat from Russia. A strong body of Western German opinion would therefore support talks with Herr Grotewohl. Many feel that it is time Germany itself produced its own national policy. Even Dr Adenauer's Cabinet is divided on the subject.

An examination of the text of the proposals made by the People's Chamber to the *Bundestag* indicates that no real concessions have in fact been offered from Pankow, with the possible exception of Clause 3. The proposals are still based, like the Soviet Notes to the Western Powers, on the Prague resolution. They are that the East German representatives on an All-German Constituent Council—which is still to be established on a basis of parity—would be authorised to:

1. Conduct concrete negotiations concerning conditions leading to German reunification and the establishment of a constitutional order based on the rule of law.

2. Discuss amendments of the Peace Protection Law with a view to extending its scope to the whole of Germany.

3. Agree at an early stage on the establishment, armament and stationing of police throughout Germany, and if necessary even before reunification, reduce the establishment of the East German police in accordance with principles which would also apply to Western Germany.

4. Issue a joint declaration on behalf of the entire German people banning remilitarisation and simultaneously take steps designed to enforce this prohibition.

5. Consult on holding free, general, equal, secret and direct elections throughout Germany, taking into account the proposals of the two German Governments.

6. Consult on steps calculated to induce the occupying Powers to conclude a peace treaty and withdraw troops.

7. Discuss joint measures for the expansion of internal German trade and for ensuring free access for German goods to world markets—meanwhile Eastern Germany to try to gain free access for West German products to Eastern and South Eastern markets.

8. Discuss any other proposals calculated to further unity.

Even now, the Soviet Germans do no more than offer to discuss conditions for elections. It is well to recall that the nominated government of the Democratic Republic also "prepared" elections. It took a year to do so, and then held them on a single list, which included representatives of all the various Communist-controlled "democratic organisations," in addition to the well-purged parties. Seats were divided in advance, and the voting was only theoretically secret. Nevertheless, Communist propaganda termed the elections of October, 1950, the "most democratic that Germany has ever held." It may be noted that the Moscow journal *New Times* has declared in its latest issue that, to maintain peace in Europe, "it is essential to create a single

Germany on a democratic basis. This is precisely the import of the proposals submitted by the Government of the German Democratic Republic for the formation of an all-German Constituent Council." The world should know well enough by now what Communists mean by "democratic."

Socialist Planning in Sweden—II

[FROM OUR STOCKHOLM CORRESPONDENT]

AFTER the temporary breakdown of Swedish planning in the face of the serious foreign exchange crisis of 1946-47, much valuable time was wasted before a change in policy could be agreed on. Gradually, however, a strict control of imports was instituted. Investments were also controlled in various ways and the production of houses fell from about 58,000 in 1946 and 1947 to from 42,000 to 43,000 in 1949, which, however, was still a high figure. In the autumn of 1948 wages were "frozen" by agreement between employers and wage earners but that could not prevent a continuous, if slower, "gliding" upwards of wages. Under the combined influence of these restrictions and the bond purchases of the Riksbank a point was reached towards the end of 1948 where the Riksbank could largely discontinue purchases.

In 1949 there was an over-all surplus in the balance of payments. There was still a dollar gap but it was covered by Marshall aid, chiefly conditional aid. It has been estimated by the Swedish Business Institute that exports, which in 1947 were no more than about 80 per cent of the 1938 volume, had in 1949 risen to about the 1938 level. Imports had followed an opposite course, falling from not quite 120 per cent to less than 90 per cent. There was a recovery to, perhaps, 110 per cent in 1950, exports rising at the same time to something like 120 per cent.

In September, 1949, the Swedish krona was devalued to the same extent as the British pound. The government disregarded the advice that devaluation ought to be accompanied by some tightening of the internal restrictions. The official policy was based on the assumption of a fall in prices on the American market and restrictions were not tightened but eased. Investments increased to some extent and the balance of payments became a little less strong than in 1949 which was largely due to changes in the terms of trade.

Need for Restrictive Policy

Towards the end of the spring of last year it was quite evident, however, that the revival of business in the United States had acquired considerable strength and that prices were once more rising. The inflationary tendencies were greatly reinforced by the Korea crisis and everybody agreed that there had to be a far-reaching reconsideration of the economic policy of Sweden. An appreciation of the Swedish krona was advocated in some quarters but the idea has so far failed to gain much support. The gold and foreign exchange reserves of the Riksbank have no doubt increased from the low level of 1948, but they are still too weak to sustain any very considerable and prolonged pressure. This being so, an appreciation would presuppose a restrictive policy which would have to go far beyond what the Government seems ready to accept for the time being. Even if the present exchange rates are maintained, there is, however, great need for a restrictive policy. The more so as wage ceilings have been abolished and a number of price subsidies, which were introduced in 1949 to bridge over the period until the expected fall in American prices, have been discontinued. The wage negotiations now going on seem likely to bring average wage increases of 10 to 15 per cent. The government programme has so far included a tightening of credit conditions by an increase in reserve requirements in the commercial banks. The new Minister of Finance, Mr Sköld,

has also been willing to let the long-term interest rate rise from 3 to from 3½ to 3½ per cent although he has so far protested his adherence to the general principle of an easy money policy. But at the beginning of last December the discount rate of the Riksbank was raised from 2½ to 3 per cent.

The housing policy has long been ripe for reconsideration. But at present it seems likely that housing production will be controlled in general in the same way as in recent years. Industrial investments on the other hand will probably be restrained by new methods. They will in all probability be subject to special taxation. An attempt is also being made to "sterilise" a large part of the exceptional income which present conditions are bringing to the forest industries.

It is very doubtful if these measures will prove sufficient to bring conditions under satisfactory control. The budget situation also causes some apprehension. In addition to the large expenditure for social purposes decided upon during recent years, the Minister of Finance has also to find room for a very considerable increase in the defence appropriations. The aggregate expenditure for defence purposes in the year 1951-52 is at present estimated at about 1,400 million kronor, i.e., about twice as much as was considered a "normal" figure five years ago.

During the financial year 1949-50 the Treasury ran into a deficit on current account. For some time previously there had been a surplus on current account but it was not sufficient to cover other state expenditure, particularly investment outlay. During the present year the most that can be hoped for is that current expenditure will be balanced by current income. Mr Sköld is planning measures for creating a surplus in 1951-52 sufficient to pay for some of the outlay on capital account. It is very uncertain, however, if he is going to succeed. Any deficit will, of course, have to be financed by borrowing. Mr Sköld has strongly disavowed any intention to use the dangerous expedient of borrowing at the Riksbank but he has, so far, failed to give any detailed account of his financial and monetary programme and the means by which he intends to maintain the low interest rates.

Economic Troubles in Hungary

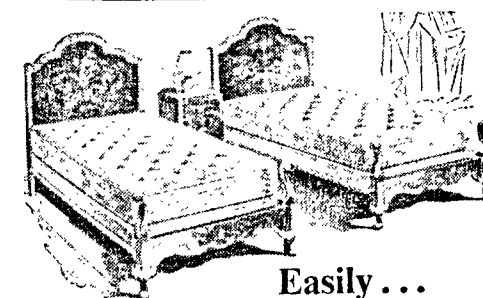
If the Hungarian people have paid anything like as much attention as they are supposed to do to the reproaches and exhortations of their leaders, they will have embarked upon the labours of 1951 in a chastened and sombre mood, which food shortages and the recent return to bread-rationing will have done nothing to alleviate. They have been bluntly told that their standard of living cannot go on "rising as precipitously as in the last few years"; that "instead of iron discipline, fortitude and readiness for sacrifices, laxity, love of comfort and exaggerated pretentiousness have appeared

in our ranks"; and that their tasks in this second year of the five-year plan will be more difficult than in the first. They must make every effort to overcome the shortcomings which prevented last year's plan—in spite of its alleged over-fulfilment—from being an unqualified success.

The planners themselves seem to have been far from efficient. They were late in completing the plan for 1950, and in many sectors of industry they set targets which were too low to make full use of the available resources. According to Mr Zoltan Vas, the President of the National Planning Office, many planners "have thought to do good work . . . by peacefully and meekly acquiescing in targets so low as not to require special exertion or to mobilise anybody." They have, in short, acted on the principle that the only good plan is the one that can certainly be overfulfilled. Mr Vas was no doubt quite justified in complaining that many planners had been inexperienced, irresponsible and, not infrequently, hostile. But part of the trouble is also due to the fact that the Hungarians have embarked on a rearmament effort for which they had not originally planned and which makes their original targets appear inadequate.

Lack of skilful and thorough planning has also led to extravagant and wasteful investment of funds in capital development and has been partly, at least, responsible for the disproportionate development of different branches of industry. Within heavy industry, the production of basic materials and electric power has not kept pace with the development of the processing industries. While the output of heavy machinery in 1950 went up by 46.5 per cent, coal output rose by only 12 per cent, iron and steel production by only 17.8 per cent, electric power by only 18.4 per cent and the crude oil industry did not manage to reach its targets at all. Moreover, within the processing industries themselves there have been great inequalities in production. Although the manufacture of machine tools, for instance, rose in 1950, the increase was not nearly as large as it should have been. The Hungarians have, in consequence, been anxious to remedy this deficiency by imports from western countries, such as Germany, for which—in spite of food shortages—they have been willing to pay with poultry and other foodstuffs.

It is clear that the inequalities in production have been due even more to shortages of raw materials than to the inadequacy of the planners. With the exception of bauxite and, to a lesser extent, coal, Hungary is not rich in essential raw materials. Most of its needs in non-ferrous metals, coke, cotton, etc., must be imported, and although they would never admit it, the Hungarians have been hard hit by the stoppage of all supplies from Yugoslavia. Their ability to import what they need from the West has been hampered by restrictions arising out of the cold war, as well as by the general rise in world prices. But, in spite of the urgent need for economy, it appears that materials have been carelessly squandered and no large-scale effort has been made to replace imported raw materials by synthetic products manufactured



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BRANCHES IN PRINCIPAL TOWNS

inside the country. According to an official statement, "the processing and utilisation of waste and residuary products is in a stage of infancy." The Cabinet has now decreed that a real effort must be made to develop synthetic manufactures and that investments on experiments to that end must be given priority. Elaborate measures have been instituted for the collection of scrap and other waste materials. It has also been decided to draw up and apply "raw material economy norms" on a large scale. The first were introduced on January 1st and three weeks later it was reported that these norms had been fixed for 400 articles which were principally made of materials imported from abroad.

In a decree issued at the end of December, the Hungarian Cabinet tried to secure the more economical use not only of raw materials but also of machines, manpower and money. Machines are wasted because the general unwillingness to introduce shift work means that they are not used all round the clock. A determined attempt to overcome this unwillingness must be made. Manpower is wasted because so much of it is used in superfluous administrative jobs. In future certain types of administrative work are only to be done by old and disabled people and the young and healthy are to be directed into more productive work. Lastly, money is wasted because of the failure to bring down investment and production costs and because of the apparent inability of administrative workers to keep their expense accounts down to reasonable proportions. Lavish receptions, the unnecessary use of office transport and "the light-hearted spending of State money in many other ways" have all assumed proportions which, according to the Hungarian Cabinet, are "intolerable in a country which is building socialism." In future, better financial discipline will be maintained and it is hoped that "the rules of orderly and economic finance" will be applied "without bias and free from unauthorised influences."

Norway's Defence Effort

NORWAY'S views on defence went straight to General Eisenhower's heart. They felt, so he told a relatively remote Congress, that "resistance to the point of destruction" was preferable to occupation. The Government's plans for building its defences show a remarkable determination to match their words with deeds.

At the end of September the Norwegian Storting approved the Government's proposals for accelerating defence preparations. They agreed that a rearmament programme involving additional expenditure of 250 million kroner by the middle of 1953 should be superimposed on normal military expenses, now running at about the rate of 300 million kroner per annum. Of this, they specified that at least 100 million kroner should go to increasing the 1950-51 defence budget (July to June) making a total of 378 million kroner for the year.

Measures to raise the additional finance were promptly passed. These included a defence tax equivalent to 10 per cent of existing taxes on income and capital; a 50 per cent increase in taxes on sweets and spirits; a reduction of 10 per cent in the rate of public and private investment, meaning, among other things, a cut in the State roads, schools, building and railway programmes; and limitations on bank loans for private investment.

As at present announced, the 1951-52 defence budget will include normal expenditure of 305 million kroner, and a further 100 million kroner extraordinary expenditure on rearmament, making a total of 405 million kroner. But the Government is not proposing to stop there; it has already prepared, though not formally introduced, new proposals which include raising the period of compulsory service from nine to twelve months, and which will involve expenditure in 1951-52 of another 100 million kroner (500 million

NOTE: 20 kroner approx. = £1.

in all). This would make the 1951-52 defence budget 20 per cent higher than the expenditure at present scheduled for the 1950-51 period.

In the new budget, whose shape is still highly flexible, retrenchment rather than new taxation will be the order of the day, though the Government has not apparently settled how it will find the extra 100 million kroner for its new proposals. The additional revenue for 1951-52 is at present planned to come from (a) the continuation of measures imposed last September, with a further 5 per cent slice out of State investment; (b) a reduction of price subsidies from 600 million kroner to 450 million kroner; (c) new export levies on certain goods which will in part replace the reduced subsidies; (d) increased rates for mail, telegrams and railway fares; and (e) pruning the administrative costs of some government departments. By these means it is hoped to balance the new budget at only 150 million kroner more than 1950-51, including a provision of nearly 300 million kroner for part-payment of the national debt. Thus, the Norwegian Government is proposing by strict retrenchment to ensure a strong fiscal basis to counteract the inflationary pressures of its rearmament effort.

Increased Military Training

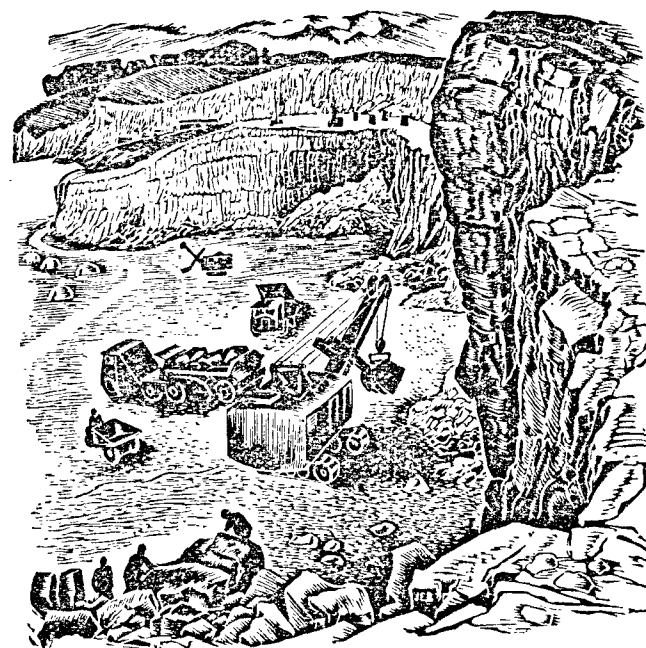
It is not yet clear what this financial effort will mean in terms of arms and men. Norway's total population is little more than 3,000,000 in all. By far the greatest share of the expenditure—well over half—will go to the army, whose present strength is already somewhere in the region of 45,000 men. In addition, local defence companies, standing at present at about 70,000 men, form reserves of trained and semi-trained soldiers, and an active home guard numbers about 100,000.

Nine months' military service between the ages of 18 and 55 is now compulsory. If the Government's new proposals are approved—there is little doubt that they will be—this will be raised to twelve months. Lack of equipment and officers make it difficult at this stage to increase the period of training any further. The immediate objective is thus to increase the officer cadres and the potential output of training establishments. In the meantime, the Storting has already agreed to the introduction of repeat service, for periods ranging from two months upwards, for men who have already done their training.

As for equipment, there is no immediate prospect that Norway will produce weapons for the common pool, though ultimately it hopes to have some surplus capacity for MTB production which it could offer to Nato countries. At the moment it is, and must remain, a large importer of military equipment, including ammunition. Its main material contribution will be in its export of strategic raw materials—aluminium, chemicals, iron ore and sulphur. Expansion schemes for nitrate and other electro-chemical industries are already under way, and the big iron ore deposits at Kirkenes should be exporting again by 1952 after total destruction by the Germans. These, together with power development and other export industries, are the notable exemptions from the investment cuts introduced in September.

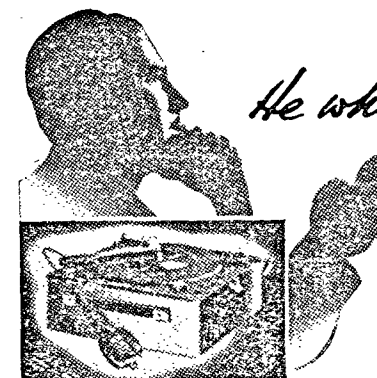
Despite its far-reaching powers of control and planning, which enable it to concentrate resources to the maximum, the demands of the defence programme face the Government with formidable economic problems. Externally, rearmament is bound to impose a severe strain on a balance of payments which is at best precarious. A favourable year was 1950; freight rates were high and the rising costs of imported materials had not made their full impact; the volume of imports was only five per cent higher than in 1949, and exports rose by 33 per cent. Yet Norway still ran a balance of payments deficit on current account of 140 million kroner. This was in fact covered by ERP and credits under the EPU (in the first six months Norway used \$51 million of an initial credit of \$60 million) and by raising credits on

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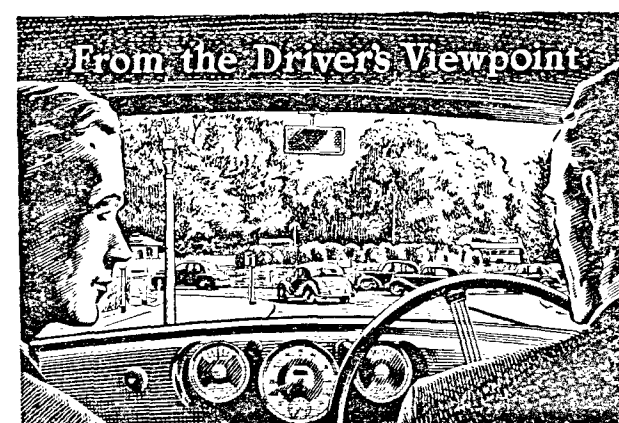
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ships built abroad. The annual economic survey just published, forecasts a slightly smaller deficit of 1,000 million kroner for 1951. It is hoped to cover this in the same way (ERP for the year is estimated at about \$100 million), but this will only be achieved by a rigorous import policy. The volume of imports is to be cut by 6 to 8 per cent, though their value is expected to rise by about 30 million kroner.

Internally, Norway is particularly vulnerable to the rising import prices, which, combined with the demands of rearmament on production, and the cut in imports, constitute a serious threat of rising prices and wages. Norway is dependent to a very large degree on imports for the manufactured goods, food and raw materials which it needs; in 1950 its import bill was rather more than 4 billion kroner. It is also already in a state of full, or over-full, employment; the number of unemployed last summer was only 2,800 out of a working population of over 1.5 million. Finally, 1950 saw the beginning of a steep rise in internal prices, following devaluation. From 1945 to September, 1949, prices and wages were kept comparatively stable; but between the end of 1949 and December, 1950, wholesale prices rose by 25.2 per cent and the cost of living index by 11.6 per cent. As a result, wage rates were increased last autumn by 8 per cent for adult workers, and if prices continue to rise they are bound, under the present agreement between employers and workers, to be increased again within the next few months. It is against this background that the importance of the government's anti-inflationary fiscal policy can be most clearly seen.

Can Australia Remain White?

[FROM OUR MELBOURNE CORRESPONDENT]

A SHORT Ministerial statement announced this month that in future the Federal Government will not use officially the term "White Australia." This statement passed almost unnoticed in the daily press, but it has more than usual significance coming as it does at a time when mass migration from Japan threatens to become more than an academic issue. It has been emphasised in Tokyo that Japanese migration will not form part of any peace treaty. There is, nevertheless, grave concern in Australia that some attempt may ultimately be made to allow the Japanese population overflow to spill into New Guinea or other Australian territory.

Officially, Australia is substituting the term "immigration restrictive policy" for the more provocative "White Australia policy," which has done so much to cause offence to eastern peoples over the last half century. But a change of name betokens no change of policy. Despite its new title Australian immigration policy is still designed, almost without exception, to keep Australia white. Australia's immigration policy is indeed one of the few issues on which all political parties (the Communists excepted) have been able to agree. Differences of opinion have arisen only about the administration of the policy and not about the policy itself.

It has always been realised that a discriminatory immigration policy, tacitly directed against the peoples of South-east Asia, could be provocative. In an attempt to soften the offence, the expedient of a "dictation test" was adopted by which people not acceptable to the Commonwealth could be refused admittance if they failed in a test in a remote foreign language. This dictation test was later used to exclude other individuals for reasons other than mere race or nationality (those politically unacceptable had to undergo it)—all of which tended to classify Orientals with "undesirables."

The basis of Australia's immigration policy has been clearly stated by the Prime Minister (Mr Menzies) when

speaking in the House of Representatives. Mr Menzies said:

Australian migration policy is to maintain the homogeneous character of the Australian population by limiting new migrants to people who are assimilable—those of European blood and descent.

This sets out succinctly the attitude of both Government and Opposition to the type of people which will be allowed to enter the Commonwealth as permanent residents. Negatively, the policy operates against Asiatics (and other coloured people) who are automatically refused admittance for permanent residence. The restrictions are so strict against Japan that even Japanese merchants and tourists cannot be admitted. Positively, the policy is translated into a vigorous drive since the war for new settlers of European origin. Italians and people from the Baltic States have been freely accepted and more recently the Government decided to admit 25,000 Germans a year, a move which has been strongly criticised.

Land-Hungry Asiatics

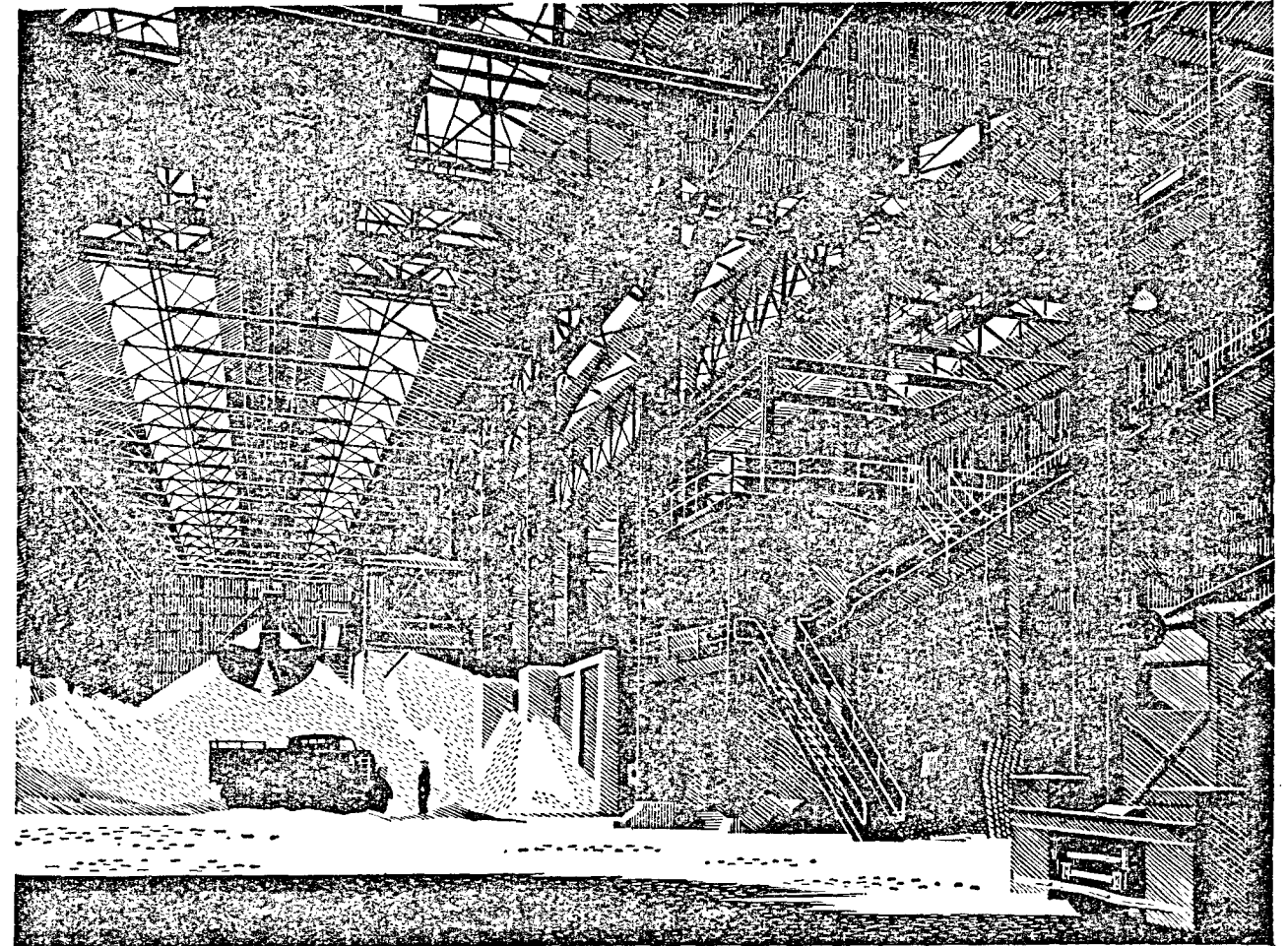
The policy of limiting immigrants to peoples of European origin was maintained without serious challenge during the period when Britain was in a position to resist any Asian nation which might have sought to reverse it. As Mr Menzies has said, if the policy is challenged by direct demand from Asiatic countries, accompanied by open or tacit threat of armed compulsion, Australia could then not successfully defend the policy without the active aid of powerful friends—the British Commonwealth and the United States.

Australia is taking no action to meet the challenge of the land-hungry peoples to its north-west other than by speeding up the immigration of new settlers from Britain and Europe to an extent which is already making excessive demands on the capital resources of the country. Because it is a strong contributory factor in aggravating inflationary pressures, there is already criticism that the Commonwealth is trying to do too much in too short a time. Nevertheless, Australia urgently needs more people to provide for its defence needs, to develop its unused resources, and to help solve the acute shortage of labour in industry.

It is for the military expert to decide if Australia will be more secure against attack with a population of 11 million (the 1960 target) compared with its present population of 8 million. But strength is only relative, and while Australia is building up its own population, other countries—particularly those from which attack is feared—will be building up theirs also. It is true that Australia will be stronger economically and militarily if the present expansion continues. It would be rash to assume, however, that Australia's position will necessarily be strengthened *vis-à-vis* other nations.

Australia's attitude toward the southward drift of eastern peoples is shown in its uncompromising opposition to Indonesian attempts to obtain sovereignty over Dutch New Guinea. Again, in this opposition, both the Government and Opposition parties are at one. This attitude represents in some ways an extension of the "White Australia policy." White occupation of contiguous territories tends to cause no qualms. Suggestions of sovereignty passing to an Asian people immediately raises questions of security, ethnology and economics.

The overwhelming consideration facing political parties is whether White Australia can be preserved. Everyone, except the Communists, is agreed that it *should* be preserved, but everyone has the gravest fears whether it *can* be preserved indefinitely. No Australian Government is likely to reverse the immigration policy which has been enforced with remarkable consistency for 50 years. But Australia may be forced to concede some compromise in the way of quotas on the American model as a gesture to those countries whose growth of national consciousness since the war has been accompanied by increasing sensitiveness to acts of racial discrimination.



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THE BUSINESS WORLD

State Steel

THE law has had its way, and public ownership of the major steel-making companies is now in being. For the securities of these companies, holders are to receive the appropriate amounts of steel stock imposed by the Act or since agreed after negotiation. The stock carries $3\frac{1}{2}$ per cent interest, and is of maximum thirty-year life, being finally redeemable in 1981 and optionally from 1979. It fits neatly and inevitably into its proper compartment, leaving no complaint about the Treasury's power of reason or taste for fairness. The days of the forcing tactics of a 3 per cent 40-year stock have long since passed. On this occasion there has been no preparation of the market at all; on the contrary, it has been allowed to slide to such an extent in recent weeks as to cut some twenty years off the life of the new stock.

By the time this article is read, dealings will have started in steel stock. There will be many investors, including the institutions, with stock to sell; as for buyers only the public bull is likely to enter an appearance, at least in the early stages. It is his responsibility to ensure a reasonable dealing basis for the new stock, for the Treasury's view that it has been issued in reasonable line with existing conditions in the gilt-edged market would be made to look very odd if the stock were to be cynically cast adrift and left to find its own discount. Some time will be needed before steel stock settles down. The recent disturbances to gilt-edged and equity prices caused by the steel take-over leave awkward questions still to be faced, such as the impact of defence expenditure on gilt-edged prices and the pressure of inflation on equities—with a Chancellor already casting his mind forward to the April budget. In these circumstances, the steel issue may not be an easy stock to float off. It was expected that the authorities would be willing to insert a peg at a two-point discount, but if there were plentiful sellers still to be accommodated after the lucky ones had been able to divest, the result might well be too great a volume for the authorities to absorb—for they are already well provided with their own wares.

But the issue of steel stock is almost a formality; it is the fourth compensation issue in just over three years, and it goes by precedent and brings into operation the same market reflexes. What distinguishes it from earlier issues is the doubt, which survives even after the hour has struck, whether the exchange of steel securities for the new stock may not be reversed by the overthrowing of the whole Act for nationalising steel. That would indeed set a pretty market problem, but the prospects of such an unscrambling operation depend upon the lease of life remaining to a weak but still undefeated Government. An early election might grant the steel industry a stay of execution followed by a firm decision to proceed or to go into reverse which both sides would be obliged to honour. But the Iron and Steel Corporation can proceed only upon the assumption that it is setting up a permanent regime (though it must ensure

that it does not disrupt the current activity of the industry in doing so). The public is entitled to examine the Corporation's acts and projects as they conduce towards what its chairman has described (using his own capitals) as "a Fundamental Change."

But little else in Mr Hardie's lengthy statement upon the eve of vesting day suggested that the Corporation has seriously begun to think about the reorganisation that his words—and his mien—imply. He provided an up-to-date estimate of the proportion of each division of the steel industry that will come under public ownership. He repeated the none too explicit description of the Corporation's relations with its dependent companies that had already been allowed to appear. His explanation of the interim and long-term relationships between the Cor-

TABLE I

Divisions of the Industry	Total (1949) Production	Companies to be publicly owned	Other Companies
<i>Scheduled Activities:</i>	<i>'000 tons</i>	<i>%</i>	<i>%</i>
Production of:			
1. Iron Ore	13,394.0	97.8	2.2
2. Pig Iron	9,498.5	97.0	3.0
3. Carbon Steel Ingots	14,433.5	99.6	0.4
4. Alloy Steel Ingots	690.8	92.6	7.4
Hot Rolled Products:			
Plate	2,038.7	97.5	2.5
Sheet	1,430.3	92.6	7.4
Strip	750.7	88.3	11.7
Other Hot Rolled Products	6,732.6	90.3	9.7
Total Hot Rolled Products	10,952.3	91.8	8.2
<i>Other Activities:</i>			
Production of:			
5. Cold Rolled Strip	273.3	73.4	26.6
6. Bright Steel Bars	307.8	26.7	83.3
7. Steel Castings	235.1	24.1	75.9
8. Tyres, Wheels and Axles	243.1	95.2	4.8
9. Steel Forgings	165.0	48.0	52.0
10. Steel Drop Forgings	311.1	11.7	88.3
11. Hot Finished Tubes, Pipes, Fittings, etc.	989.8	70.1	29.9
12. Steel Wire	783.1	44.0	56.0

Source: Iron and Steel Corporation of Great Britain.

poration and the British Iron and Steel Federation was not as obscure as Mr Strauss's "accurate, perfectly clear, and simple picture" last week; Mr Hardie talked of "our industry" and "our associations," which does not suggest that his intentions about control are any less ambitious than the Minister's. He disclosed that home and export sales organisations were among the "individualities" that the Corporation proposed to leave to its wholly owned subsidiaries, and that the Corporation had already arranged to pay £20 million for first instalments upon development schemes of constituent companies, which this year may amount to £100 million. Mr Hardie described the total capital commitments (perhaps £500 million by the time the financial provisions for the industry's second development scheme are approved) as "a large and onerous capital obligation"; other people would say that the Corporation has secured fixed assets and cash reserves at bargain prices. He hoped that the future "might bring prosperous years as well as lean years"—this of an industry that since the war has

successively been surpassing its output records. The Corporation's one entirely new item of policy was its declared intention—to which Mr Hardie evidently attaches great importance—to "have progressive long-term planning for 25-50 years ahead for the main raw material supplies upon which our steel industry is founded." It is difficult to know what is implied in a plan of this duration. The first question that obviously has to be asked is what level of steel output is contemplated in A.D. 2001, but this remains one of the many matters which "the Corporation has actively under consideration."

*

Such remote planning as far as the eye can see and "from a much wider national angle" can obviously have little meaning at present. Of the measures to be taken by the Corporation to discharge its responsibilities about development, supplies of materials, production and prices Mr Hardie had little to say. This may not be entirely the Corporation's fault. A few hours before the Corporation formally entered upon ownership of the major part of the industry now centrally administered by the Federation, no working arrangement, even of an interim character, had finally been agreed. There have been signs that the issue was developing into one of personalities between Mr Hardie and Sir Andrew Duncan, who are both industrial co-ordinators of great determination and experience. With the vesting date out of the way, the discussions become more complex and entangled in implication. The Corporation's member firms account for roughly 100 per cent of the tonnage produced by member firms in two of the Federation's eleven sectional "conferences," for more than 90 per cent of three others and for 65 to 90 per cent of four of the remainder; only in the conferences dealing with the production of crucible and high-speed steel (37 per cent) and bolts, nuts, screws and rivets (2 per cent) are they in a decided minority, according to a tonnage yardstick. Mr Hardie interprets this to mean that "the 80 firms we own (with more than 100 subsidiaries) practically are the Federation." In the same way, according to Mr Strauss, 30 of the 33 members of the Federation's executive—which is negotiating with Mr Hardie—are directors of publicly-owned companies (though they hold office as individuals and not as representatives of their companies). Sir Ellis Hunter, for example, who has been most prominent in these negotiations, now becomes the chief executive of a subsidiary company of the Iron and Steel Corporation—and he, like other leaders of the industry, is not disposed actively to support

the attempts of his holding company's chief executive to gain control of the Federation, of which such publicly-owned subsidiaries are the predominant members. In many ways, therefore, there is justification for the comment by Mr John Freeman, Parliamentary Secretary to the Ministry of Supply: "In the last analysis, if this comes to a fight, the Corporation hold the big guns, and the Corporation will win." In the present analysis, however, it appears that the Corporation, which is desperately bargaining for the services, if not as yet the good will, of the men who have run,

TABLE II

PROPORTION OF IRON AND STEEL WORKERS IN STATE-OWNED FIRMS*
(Based on Employment in October, 1950)

	Total Workers Employed	Proportion in Publicly Owned Companies
<i>Process Workers:</i>		
Iron Ore Mines and Quarries	4,639	95.8
Coke Ovens at Blast Furnaces	3,257	97.3
Blast Furnaces and Sintering Plants	10,736	97.3
Steel Melting Furnaces and Ancillary Processes (excluding melting for manufacture of steel castings)	21,147	95.1
Rolling Mills and Ancillary Processes (excluding wrought iron, sheet and tinplate rolling but including bright bars)	46,279	82.0
Sheet Making	17,703	85.8
Tinplate Manufacture	13,072	85.3
Forges and Ancillary Processes (other than drop forges)	6,455	39.7
Steel Foundries and Ancillary Processes (including melting for manufacture of steel castings)	18,976	31.3
Wire Drawing	13,239	24.5
Wrought Iron Manufacture	1,617	22.4
Steel and Wrought Iron Tubes and Fittings Manufacture	21,316	43.1
TOTAL PROCESS WORKERS	178,416	69.4
General and Maintenance Workers associated with above processes	87,838	80.8
Administrative, Technical and Clerical Workers associated with above processes	37,390	70.9
TOTAL	303,644	72.8
Ferro-Alloy Manufacture (other than blast-furnace ferro-alloys)	1,982	...
Iron Foundries	147,001	6.9
GRAND TOTAL	452,627	51.0

* Excluding drop forgings and bolts and nuts.

Source: British Iron and Steel Federation.

and can run, the industry, is not prepared to fire its big guns. Whether it can control the Federation through its predominant membership—exercised through the directors of individual companies, many of whose services it has retained at least partly because they hope eventually for its abolition—is not by any means certain. Its desire, even during an interim period, for special delegates on every conference and committee of the Federation, whether dominated by publicly owned firms' representatives or not, does not display real confidence. On the other hand, the Federation's view, in its latest *Statistical Bulletin*, that "the problem for the present



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would seem to be how the Corporation can best reconcile and fulfil its own powers and responsibilities within the general structure" would seem to be over-sanguine and may not completely take account of the calibre of Mr Hardie.

Such a temporary, dangerous impasse is not a happy opening for State ownership of the second of the country's two most important basic industries. It might in present circumstances be a good thing for the Corporation to remain ineffective through restraint; it would be ominous if it should remain ineffective through incapacity to assume its practical responsibilities. Some *modus vivendi* should have been worked out before now; and the issues concerned in working out a continuing organisation for the whole of the industry or for its public and private sectors should be disclosed more clearly than in one shadowy sentence from Mr Strauss.

State steel is no longer a theoretical issue; the Corporation's first job is to produce a clear blueprint for the developing organisation of the industry. The more closely this can be dovetailed into the existing structure that has served the industry so well during the last five years the better; but the vagueness of the Corporation's present barely-formed notions does not necessarily suggest that the changes it envisages will be moderate or well-conceived. Mr Hardie's earnest preoccupation with

securing iron ore supplies that later generations will make into steel should not conceal from him that the country already requires answers about the immediately important questions now facing the industry. How will the Corporation discharge the responsibilities it has assumed for securing iron ore and scrap in the coming year, when raw materials will be short? What measures will it take to give the private sector of the industry "special consideration" and "represent and protect its interests" in whatever organisation is ultimately set up? When it assumes power to fix prices (for the present left at its request with the Minister) will it undertake not to use these powers to discriminate against its customer-competitors in the steel finishing trades? When does it hope to recruit to its members, to its staff, or to any shadowy "Council" and "Executive" that it might set up, the reserve of steel-making experience it at present so painfully lacks? What financial policy will the Corporation, as a holding company, adopt regarding the operations of its 80 subsidiaries? What practical part will it and its staff undertake in the preparation, already begun, of the second stage of the industry's development plan? Until it has begun to answer such practical questions, the titular existence of the Corporation can only menace and hamper the current operations of the industry.

Gold Price under Pressure

THE attack on the official dollar price of gold has recently been gathering weight. For the time being, it has left the field of polemics, where until recently most of the conflict took place. On that front the South African attempt to induce the International Monetary Fund to sanction a general writing-up of the world price of gold—by a uniform and simultaneous change in currency parities—has been repelled at least twice and is not being pursued. When it was last defeated, Mr Havenga, the South African Minister of Finance, gave warning to the Fund and to the world that South Africa "reserved all rights to sell gold at premium prices, safeguarded to her by the Fund's Articles of Agreement." Mr Havenga has been as good as his word. The offensive against the official price of gold is no longer an academic debate conducted within the four walls of the International Monetary Fund; it is a much more practical affair, involving an increasing diversion of newly mined gold, and even of existing monetary stocks, from the world supply of monetary reserves into the free gold markets where gold is quoted at a premium on the official price.

The extent of this movement may be gauged by comparing changes in the world's monetary reserves of gold in recent years with corresponding figures of world gold production. The table opposite, which gives such a comparison, has been compiled from the comprehensive data published by the International Monetary Fund; for obvious reasons it excludes information relating to Russia. The difference between gold produced and the changes in holdings measures the gold that has gone into industrial uses, has disappeared into hoards, or has been added to the considerable amount of gold that circulates in the Middle East as a normal standard of currency. In 1948 and 1949, it will be seen, some \$744 million

of gold, or about 21 million ounces, disappeared into industry or hoards. The provisional figures suggest that this rate nearly doubled in 1950. Gold output last year amounted to about \$840 million, while monetary reserves rose by only \$120 million, leaving \$720 million, or about 20 million ounces, as the amount of gold diverted to industry or hoards. Thus, of the 1950 production of gold, only one-seventh fed the reserves held by central banks, exchange accounts and

GOLD PRODUCTION AND MOVEMENTS
IN MILLION DOLLARS AT \$35 PER OUNCE

	1948	1949	1950
Gold production†	790	824	840*
Changes in world monetary reserves†	+ 1,390	— 520	+ 120*
Gold absorbed by hoards, industry, etc.		744 (21 million ounces)	720* (20 million ounces)

* Estimated. † Excluding USSR.

treasuries, and six-sevenths took other and more devious paths. This is not to suggest that six-sevenths of the newly mined gold was directly canalised to the free markets; the proportion was certainly very much lower. But the figures indicate that the newly mined gold sold in the free market plus the gold withdrawn from official reserves and either hoarded or sold for industrial purposes amounted to the equivalent of six-sevenths of new production.

This diversion of gold from monetary reserves to the free markets increased steadily during 1950. It is likely to be further accentuated in the months to come. This is because more producing countries are obtaining permission from the International Monetary Fund to convert

newly mined gold into fabricated articles, which may be sold in the international markets at premium prices. The growth of this business is inextricably linked with the IMF doctrine on the subject of gold dealings at other than official prices.

The basic IMF articles of agreement set out the perfectly justifiable thesis that member banks should not be allowed to deal in gold except within comparatively narrow margins—analogueous to the "gold points" of gold standard days—on either side of the official parity price. Had any appreciably greater latitude been allowed by the agreement, it would have threatened a fundamental undermining of the structure of stable exchange rates that the IMF was intended to maintain. This doctrine soon came under pressure, however, because in the post-war years gold in the free markets commanded a substantial premium over the official price. The IMF eventually yielded to this pressure in two ways. First, it decided "not to object to domestic transactions in gold at prices above the official parities unless they have the effect of establishing new rates of exchange or undermining existing rates of other members or unless they result in a significant weakening of the international financial position of a member which might affect its utilisation of the Fund's resources." This concession, intended to be limited to dealings within each national economy, allowed the opening and legal functioning of "tolerated" free markets for gold, in Paris and other capitals of member countries. Secondly, and of greater importance, was the recognition by the Fund that member countries had a right to export gold at premium prices if this gold was needed for *bona fide* industrial purposes. This right has been generously used—some might say abused—by producing countries. All producing countries are allowed to sell gold at a premium against affidavits from the importing countries testifying that the gold in question is required for industrial purposes. Some of these affidavits are easier and cheaper to procure than others. In some countries they are issued with a due sense of responsibility; in others the standards have proved less exacting.

Gold has been exported from South Africa, Canada, the United States and Australia against affidavits of this kind. Some of the producing countries have gone further, and have allowed the setting up in their own territory of manufacturing firms that fabricate the gold in the desired way and then export it at premium prices. The outstanding example of this is South Africa, where two firms have been authorised to process newly mined gold into articles or into semi-manufactured form. After this process of conversion the gold can be exported and sold at premium prices. In South Africa about 40 per cent of the current output of about a million ounces a month is processed and exported in this way. For South African mines, therefore, the average current price of gold is appreciably above the official figure of 35 dollars or 248 shillings per ounce. Canada and Southern Rhodesia have recently asked for an extension of facilities for selling gold at a premium, and one may assume that before long the facilities given to certain producers will not be denied to any others, including Australia and West Africa.

The main gold producers all have access to the free market, and the evidence suggests that they have been using this selling route to an increasing extent in the past few months. Russia, the unknown factor in these

calculations and estimates, is bound by none of the IMF doctrines on this issue. There have been recent indications of appreciable sales of Russian gold both in the Zurich and Amsterdam markets. Naturally, when Russia has to export gold to supplement its foreign currency resources, it does so by sales in the open market at a premium and not by sales at official prices to other central banks or Treasuries.

The result of this increased diversion of newly mined gold from the normal channels feeding the monetary reserves of the world to those that irrigate the far-flung free markets must be increasingly to nullify the IMF policy on gold operations and to make increasingly artificial the existing structure of official gold prices. It is interesting to speculate how long the present trend can continue without seriously undermining that structure. This diversion of gold will be inevitable so long as there is any appreciable margin between official and free market prices. The pull of the free market has become irresistible when the price has risen above the equivalent of \$40 per ounce.

The demand for gold in the free markets is very largely a hoarding demand. The greater part of the metal that is sold ostensibly for industrial purposes is in fact remelted into a shape in which it can be conveniently dealt in on the free markets and sold for hoarding purposes. This hoarding demand for gold does not, of course, arise merely, or even mainly, from the proportion of current savings that seeks a resting place in this particular barren medium. It arises also from the flight from currencies, from the movement of existing savings. As inflation gets under way in the United States and elsewhere, a substantial amount of "funk capital" will be tempted to make its way out of currencies into gold. If, however, an increasing amount of newly mined gold finds its way to the free markets, the potential hoarding demand for the metal may be severely tested. Since the 1949 currency devaluations, the free market price has fluctuated between the extremes of \$50 and \$37 per ounce. The main break, which occurred in the early part of 1950, followed the Communist occupation of Canton and the disturbance of the normal distributive mechanism operated through Hong Kong, Macao and Canton by which gold used to reach the interior of China. In the past few weeks this particular mechanism has been functioning smoothly again, and this may have contributed to the substantial recovery in the free price of gold that occurred early in the New Year.

At around \$40 per ounce there appears to be a virtually unlimited demand for gold. In the Indian market, which is insulated from normal arbitrage traffic by prohibitions on the import of the metal, the present price for gold is about \$63 an ounce calculated at the official rate of exchange and at about \$70 if the prevailing sterling-dollar cross rate is used. Although the Indian market is nominally insulated from the rest of the world by the import-licensing system, a considerable amount of gold finds its way to that country—smuggled by aircraft, sailing vessels and through other devious channels. The Bombay market is estimated to handle a daily turnover of about 5,000 ounces. Most of this is incoming gold, as very little metal has recently come out of hoards. Once underground, it tends to stay there. The appreciable influx of new gold makes the present high price quoted in the Indian market all the more significant.

The emergent problems are readily discernible, though not readily soluble. It appears probable that the amount of gold flowing into the free market will increase further. The IMF discipline on this issue is breaking down. The concessions given in some directions will have to be extended to others. Either the free market price will, as a result, tend to return towards the official price and thus dam the flow of newly mined gold to the free markets, or else the IMF structure of official gold prices will come to appear more and more artificial and will be brought increasingly into disrepute. These are problems that merit close attention from the authorities in Washington, London and elsewhere. It may be assumed that the United States, in its present mood of anti-inflationary endeavour, will not gladly assent to any

Business Notes

No More Targets for Coal?

The National Coal Board is not at present prepared to make its usual yearly estimate of total output for the year — because it cannot be sure how many miners it can command during 1951. Lord Hyndley this week was less cheered than Mr Noel-Baker had recently been by the “great recruiting drive” which has brought in 10,000 men since mid-November; he commented, warily, “We do not know how long this improved trend will continue . . . for thirty years the manpower of the industry has been falling by something like 20,000 a year, so we are not dealing with a new development.” As to exports, Lord Hyndley said that the Board was doing its best to honour its obligations of arrears on last year's contracts; but arrears of certain classes of coal might not be completely cleared before the third quarter of this year. At present exports and bunker supplies are barely 150,000 tons a week; but Lord Hyndley was not prepared to say that even this rate—which is less than 8,000,000 tons of coal a year—could be maintained throughout 1951.

Clearly, the Board is not to be inveigled into any optimistic target practice for the year, and it will be interesting to learn how the planners of the *Economic Survey* work out this reticence in tons. The Board appears a little disillusioned with short-term verbal planning, though it is carrying out the first parts of the capital development programme contemplated in its long-term production plan, including the sinking of a new pit in the West Midlands division. This is reasonable enough: though the Minister has not yet approved the plan, some irreducible minimum of development must be carried on whatever plan is adopted, even to

COAL TRENDS, 1946 TO 1950

	Unit	1946	1947	1948	1949	1950
Production —						
Rises	ma tons	181	187	198	203	204
Deposits	—	9	10	12	12	12
Total consumption	—	186	185	194	196	202
Exports and bunkers	—	9	5	16	19	17
Manpower	thou. men	697	711	724	720	637
Output per man-year	tons	260	263	273	282	293
Absence	per cent	15	12½	11½	12½	12
Prices per ton	s. d.	39 4	40 3	s. d.	s. d.	s. d.
				47 2	47 11	47 11*

* Jan.-Sept. Source: National Coal Board.

maintain output; the long periods involved in coal development are illustrated by the fact that the new mine will not begin to raise coal until 1957 and will not reach its full output of 1,500,000 tons a year until 1963. No estimate was forthcoming of the Board's financial results for 1950, though it

adjustment of the official price of gold to the level indicated by free market quotations. Yet, if a situation emerges in which no appreciable amount of gold is flowing into central banks and Treasuries but in which the metal is draining down the ratholes of the world's free markets, something will have to be done to withdraw from an obviously untenable position. Meanwhile, those countries that are consciously aiding and abetting this undermining of the present structure of official gold prices should realise that they are destroying the basis on which rests such stability of exchanges as the world now possesses. The immediate advantage they may obtain from this growing anarchy in the world gold situation may ultimately prove to have been very dearly won.

seems to have entered 1951 with part of its remaining deficit (a legacy of 1947 losses) still outstanding. The increase of 4s. 2d. a ton on coal prices, Lord Hyndley emphasised, would probably do no more than allow the Board to break even in 1951; if materials rose in price at their present rate, he could not promise that this would be the year's only increase in coal prices. Already its consequences have been felt this week, in promises of higher prices for electricity and for steel (which Mr Strauss just managed to announce before vesting day); they will continue to spread outward throughout the economy.

Counselling the Chancellor

This year's stream of advice and pleas to the Chancellor about the shape of his budget has already started to flow—and will evidently comprise the usual mixture of the sound and unsound, the possible and the impossible. The letter addressed to Mr Gaitskell this week by the Associated Chambers of Commerce contains much that is sensible. Its appraisal of the broad economic problems of rearmament does, indeed, parallel the version given recently by Mr Attlee and other governmental spokesmen—that the productive resources required for defence must be provided mainly at the expense of civil production for the home market, but not at the expense of investment outlays that promise any early increase in productivity. The Association emphasises—and here, of course, its emphasis differs from the Government's—that the first candidate for the necessary retrenchment should be the expenditure of central and local Government. It instances, among “real” outlays, work on new towns and surveys for national parks; considers that housing should have priority (in the interests of labour mobility) over schools and hospitals; and advocates both a relaxation of housing specifications and an increase in the proportion of houses built for sale (this last point being made mainly in the hope of thereby stimulating savings by house-purchasers).

As for the Government's financial outlays, the Association advocates a progressive reduction in transfer payments and “all forms of State benefits, except education, which are given without passing through the wage structure”; and that this should be done before considering any increase in the tax load. It believes, too, that a drive for voluntary savings should come before tax increases—a much more questionable proposition in practice, given the public's fear of rising prices and shortages (which the Association itself acknowledges)—and that such extra taxation as is necessary should be aimed mainly at the general body of consumer spending. Taxation of the higher income brackets or of company reserves, it is pointed out, would be paid mainly

or wholly out of savings—a consideration that leads the Association into an astonishing flight of optimism, a proposal that Profits Tax should be completely repealed. More realistic politically, though probably not administratively, is the suggestion that the reduced rate “steps” for income tax should be increased to eight, to promote incentive by a smoother progression.

Most of this is sound counsel in principle. More is the pity, therefore, that the Association's comments on the budgetary problem as a whole should have been founded on a particularly confusing fallacy—the supposition that the pressure on the nation's savings could be relieved by a change in the mere methods of financing, or even of book-keeping. The need for taxation, it is implied, would be reduced if local authorities borrowed from the market instead of from the Government. Alternatively, an “overall” balance on the budget should be computed after excluding “all loans which are repayable.” The simple fact, unfortunately, is that a house requires bricks and mortar and labour however it is financed.

A Railway Strike?

The report of the Court of Inquiry into the dispute between the Railway Executive and the three railway unions has been rejected outright by two of the unions: the National Union of Railwaymen and the Associated Society of Locomotive Engineers and Firemen. The possibility of a national railway strike cannot be ruled out, and strike action has already been proposed at some of the larger depots.

The issue is perfectly clear. The Court have fully supported the contention of the Railway Executive that higher wages can only be paid if the railways are worked more efficiently, and the award of an increase of about five per cent in wages has been specifically linked with the abolition or modification of certain practices that have added greatly to the working cost of the railways. For their part the men refuse categorically to accept any conditions attached to the award—as they refused them when the Executive's offer was made last November—and they further contend that the award itself is far from sufficient to bring their wages into line with wages in other major industries.

As far as the public interest is concerned, the Court have expressed the only rational opinion that may be held. The railways continue to lose money. At least part of the loss is caused by the waste of labour involved in restrictive practices. It is therefore entirely reasonable to ask that the cost of increasing wages should in part be met by putting an end to restrictive practices and eliminating wasted labour. The only alternatives are either to accept a larger deficit—in the three years ending in December, 1950, the accumulated deficit was already £50.6 million—or to increase freight and passenger rates with a consequent further general rise in prices. As it is, the Court estimate that their award will cost the railways a further £7,000,000 a year; in addition, there are separate claims of 149,000 railway shopmen and the increased cost of coal to be met. But costs apart, it is high time that the principle that higher wages should go hand-in-hand with improved efficiency should be established. The railway industry is not the only one that suffers from restrictive practices. In view of the unyielding attitude of the men, however, there seems little hope of a quick or even a peaceful settlement. There seem to be only two possibilities: either a strike or wholesale surrender on the part of the Government. Either event would have disastrous repercussions on the industrial life of the country.

Railway Revenues and Charges

The report includes estimates submitted by Mr Victor Radford, the Chief Financial Officer of the Railway Execu-

tive, showing the course of railway revenues last year. These are summarised below:—

Railway results £mn.			
	1948	1949	1950
Gross receipts	344.8	334.1	348.1
Working expenses	322.5	325.1	325.0
Net traffic receipts	22.3	9.0	24.1
Share of British Transport Commission central charges	35.0	35.0	36.0
Approximate deficit	12.7	26.0	11.9

An adjusted estimate on the basis of 1950 working, but taking a full year's yield at the increased freight rates that began to operate from May 15th, would show a rise of £10 million in net traffic receipts, but would still leave a deficit, after provision for the railways' share of central charges of £2,000,000. To this will have to be added in the current year £3,000,000 for higher coal prices, £7,000,000 for higher wages (if the award is accepted, which seems distinctly doubtful) and extra costs for steel, power, materials and stores. And in this year, of all years, a start is to be made on the introduction of charges schemes to put the Commission's revenue account in balance. It may be wondered if, in present-day conditions of rising costs and prices, formal charges schemes can be expected to produce the net revenue that the Commission so urgently wants.

Washington Prepares for Action

The new commodity organisation in Washington is beginning to take shape. The Chancellor of the Exchequer announced this week that invitations have been sent by the United States Government, acting on behalf of Britain and France, to a number of the major producing and consuming countries to form the first standing commodity committees. One committee will examine copper, zinc and lead; another molybdenum and tungsten; and a third manganese, nickel and cobalt. Separate committees are also proposed for cotton, wool and sulphur. Tin and rubber are for the time being outside the scope of the Washington organisation. There is no immediate problem in tin because exports to potential enemy countries are negligible, though if its price continues to rise as it has done in the past few days, the matter might be reconsidered. Rubber is at present being dealt with at a special conference sitting in London. The intention is that the first committee (for copper, zinc and lead) will meet at the end of this month and that all will be functioning by the beginning of April.

The task of the standing committees is to consider and to recommend to governments specific action necessary “to expand production, increase and conserve supplies and assure their most effective distribution and use among consuming countries.” Each committee will be autonomous

Commercial History and Review of 1950

This week's issue of the *Records and Statistics Supplement* to *The Economist* includes the first part of the Commercial History and Review of 1950—the 88th of the series which began in 1863.

Part I provides a general review of British economic developments last year, and special articles on finance, investment, overseas trade and agriculture. Part II, to be published on March 3rd, will contain articles on all important British industries, and Part III, consisting of overseas economic reports, will appear on April 7th.

The *Records and Statistics* supplement is obtainable by subscription only, at £2 10s. a year; a combined subscription to *The Economist* and *Records and Statistics* costs £5 a year.

and will decide its own procedure. It will report direct to the governments concerned and not to the central group, though clearly the central secretariat will have to co-ordinate the work of the different committees. Countries that are not members of the standing committees will be allowed to put their points of view before them.

These arrangements are intended to enable swift action to be taken internationally. But it remains to be seen whether countries can settle their differences in a short space of time. The well intentioned principles of international commodity control embodied in the Havana charter of the International Trade Organisation are to be jettisoned. International study groups will become moribund and international commodity policy will tend to be decided in Washington. In present circumstances, that may be inevitable, but it is a step that may have important repercussions in the commodity markets in future years, if the world is not flung into total war.

It is a welcome fact that the first committee will be for non-ferrous metals. Last week the American Government informed copper and zinc producers that deliveries for the stockpile contracted for June 31st may be spread over the remainder of the year. This slackening in the tempo of stockpiling should enable Britain to buy some American zinc. The Ministry of Supply's hope that supplies would be made available by the United States seems to have succeeded. But it has also shown that the United States appreciates that the new committees will be effective only if member countries are prepared to make sacrifices.

* * *

Britain's Dwindling Stocks

Britain's raw material stocks are seriously depleted, and the Government is showing signs of anxiety. The volume of stocks fell by 15 per cent during 1950 although their total value increased by over 25 per cent owing to the sharp rise in prices. It will be a stupendous task to build up stocks during the current year—at a time when all countries will be trying to increase their reserves. The British Government has also decided to stockpile. The supplementary estimates submitted to Parliament this week showed that the Ministry of Food is to spend £3,000,000, the Board of Trade

RAW MATERIALS—IMPORTS AND STOCKS						
Commodity.	Units	Imports				
		1938	1947	1948	1949	1950
Iron ore	'000 tons	5,164	6,845	8,731	8,693	8,413
Copper	" "	355	362	357	311	318
Lead	" "	407	197	161	186	172
Zinc concentrates ..	" "	157	130	157	198	198
" metal	" "	165	149	168	143	142
Tin concentrates ..	" "	56	39	48	47	46
Aluminium	" cwt.	925	1,917	2,782	3,308	2,824
Bauxite	" tons	250	164	308	327	199
Raw cotton	Mn. lb.	1,207	714	829	1,029	1,011
Cotton linters	" "	45	111	80	67	97
Raw wool	" "	881	621	675	814	704
Flax	'000 tons	41	28	25	23	33
Softwood	'000 Stk.	1,793	1,358	999	1,072	796
Hardwood	Mn. cu. ft.	36	32	35	36	57
Sulphur	'000 tons	132	305	349	393	439
Crude petroleum	Mn. Galls	568	616	1,174	1,546	2,377
Motor spirit	" "	1,497	1,197	1,184	1,341	1,221

* Tin metal

£3,300,000 (of which £1,300,000 had already been voted) and the Ministry of Supply £7,700,000—a total of £14 million (£12,700,000 extra) for purchases for strategic reserves. These additional expenditures will not, however, appreciably raise the year's estimates for total expenditure;

the supplementaries were in fact requests to Parliament to authorise the use of money, previously voted for other purposes, to be devoted to creating a strategic reserve. But it will mean that the demand for strategic materials will increase by about £10 million.

The accompanying table shows imports of certain raw materials during the past four years and in 1938 and the changes in stocks that took place last year. These latter figures are provisional and for certain items are partially estimated. There was no general decline in raw material imports last year; much smaller quantities of certain goods were received and larger quantities of others. But although the volume of raw material imports may not have declined, it clearly did not keep pace with the higher level of consumption, and stocks were reduced quite alarmingly. Of the non-ferrous metals, lead was the only case in which stocks were larger at the end of the year than at the beginning. Copper declined by 26,000 tons, zinc by 22,000 tons (though stocks of zinc concentrates were 30,000 tons larger) and tin by about 5,000 tons. Stocks of raw cotton were 25 million lb. lower and of raw wool 90 million lb. lower. Stocks of softwood fell by about 190,000 standards and those of hardwood stocks by some 3,000,000 cubic feet. Sulphur stocks declined by 20,000 tons. It is clear from these figures that the level of activity in many industries in 1951 will be governed by the volume of imports.

* * *

Cost of Government Trading

The Government trading departments are at last trying to conform to best commercial practice, and this year the first batch of accounts and balance-sheets* has been published less than eleven months after the close of the financial year, 1949-50. But the commentary by the Comptroller and Auditor-General makes sorry reading, even though it is treated with the diplomatic restraint that is customary in such documents. In a number of instances, quite large expenditures were incurred through the miscalculations of the Ministry of Food, while, as usual, the techniques of Government price-fixing have the effect of supporting inefficient producers; the cost-variations in many cases are very wide.

Storage of meat in refrigerated ships during the winter of 1949-50 cost £609,000, an outlay that arose because the Ministry's system of distribution proved too inflexible to cope with the large deliveries of home-killed and imported meat (partly caused by the heavy slaughtering in the hot summer of 1949). Again, £202,000 was paid to Dutch suppliers of strawberry pulp to cancel a contract because the Ministry's forecast of manufacturers' demand was badly awry. Or, again, the bill for subsidies is inflated by £1,000,000 a year for food purchased by ocean-going British and foreign ships because "owing to administrative difficulties no straightforward method of recovery had proved practicable." In margarine and cooking-fat, although the industry was working well below capacity, orders were spread over inefficient firms—some with costs three times the level of the most efficient. The price paid is based on the weighted average costs per ton of all firms in the industry; the resultant "excess" profit made by the efficient producers is therefore large. The Ministry spent £7,500,000 in 1949-50 on processing oilseeds and oils and another £9,000,000 on the manufacture of its own fats and oils into margarine and compound cooking fat. The total net cost of the Ministry of Food in 1949-50 was £394½ million, or £59 million less than in 1948-49. This decline was largely due to a reduction in customs and excise duties—£22 million on sugar and £11 million on tea—that was not passed on to the consumer. The Ministry made some £26 million profit on certain items

* "Trading Accounts and Balance Sheets, 1949-50." Volume I. HMSO. 4s. (net)

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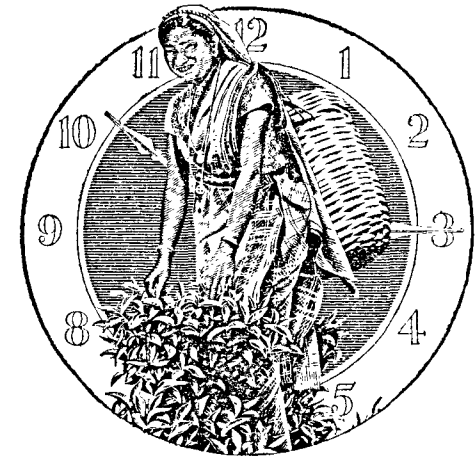
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—nearly £15 million on sugar, £5,000,000 on coffee and cocoa and £3,000,000 on fresh fruit and vegetables.

The Ministry of Supply figures less prominently, and more happily, in the C. & A.-G.'s report. The only questionable matter was the difference between the levies received by the Iron and Steel Federation from steel produced in Government "agency" factories and its contribution (£250,000) towards the loss of £882,000 incurred. On non-ferrous metals, surprisingly, the Ministry made a loss of £1,209,000, despite devaluation. Copper showed a profit of £1,761,000, and tin, £1,381,000; the loss on zinc amounted to £1,209,000 and on lead to £1,982,000. Aluminium yielded a surplus of £2,612,000 and chrome ore and magnesite £103,000. Imported finished steel involved the Ministry in a loss of £6,282,000—deliberately incurred as a matter of price-fixing policy. The Board of Trade showed profits on timber (£8,876,000), jute (£2,029,000) and leather (£1,086,000) and losses on paper (£2,010,000), molasses and industrial alcohol (£964,000) and flax (£571,000). The accounts of the Fertilisers Directorate are now available for 1948-49, but the board's examiners "are unable to satisfy themselves as to their accuracy."

Sulphuric Acid from Anhydrite

Talks have been going on for some weeks about a new project to produce sulphuric acid without reliance upon natural sulphur. Imperial Chemical Industries has a plant at Billingham, the biggest of its kind in the world, which derives sulphuric acid from anhydrite by a process yielding about one ton of acid and another ton of cement clinker for every 1½ tons of anhydrite. The present capacity of the plant is about 250,000 tons of sulphuric acid a year. The anhydrite comes from beds under the gypsum deposits worked at Billingham; there is no shortage of anhydrite resources in this country and there are several large deposits in the country, apart from those at Billingham, that could be worked. The capital cost of a plant to make sulphuric acid from pyrites, the other alternative to sulphur, is much lower than the cost of an anhydrite plant; a number of acid plants have always used pyrites and more are being converted to using pyrites.

Recent talks have surveyed the possibility of building anhydrite plants on the basis that the acid users would provide the finance and ICI the technical assistance. A capacity of about 150,000 tons of acid has been suggested for the first plant, which would cost about £3,500,000 to build. It would make a useful contribution to the country's sulphuric acid supplies, which are expected to fall from 1,800,000 tons a year to less than 1,500,000 tons as a consequence of the fall in imports of elemental sulphur from America.

The economics of the anhydrite process depend very much on the price obtained for the cement clinker. Since the acid produced from anhydrite is more costly than that produced from sulphur or pyrites, the possibility of recouping the difference in costs by the sale of clinker is of great importance. ICI grinds the cement clinker produced in its plant and markets its own cement, but it is less likely that the association of acid users who would own the new plant would want to do this. On the other hand there would be a limit to the price at which the cement industry might be prepared to take the odd 150,000 tons of clinker off their hands, even though the tonnage would form a very small fraction of the 10 million tons of cement produced in this country annually. If more than one anhydrite plant were built, this question of cement clinker prices could become distinctly important. Since the acid users will presumably seek to avoid the complications of embarking on the manufacture and marketing of a comparatively small tonnage of cement, a compromise with the cement industry ought not to be impossible.

Britain's Surplus with Europe

The January operations of the European Payments Union reveal that Britain was once again the major creditor. In that period the sterling surplus for Britain amounted to £17,595,714. Of this, £6,000,000 was covered by the use of existing resources, i.e., sterling balances held by other member countries at June 30, 1950. Of the balance one half, or £5,797,857, was taken in gold and the other half added to the United Kingdom's balance with EPU. At the end of January Britain was in surplus with EPU to the amount of £94,180,714. The gold receipt in January has brought the total gold influx to Britain from EPU to £18,466,071. Complete details of the January operation of EPU had not reached London at the time of writing, but preliminary indications from Paris suggest that France was the second largest creditor, coming after Britain, while on the debtor side Western Germany again dominates the scene.

World Bank's Dollars

The International Bank for Reconstruction and Development has now committed all but \$10 million of its available dollar resources. It has in hand some \$420 million of undisbursed cash, but virtually the whole of this is earmarked for loans already made. It is the rule of the Bank to make no loans unless uncommitted funds are available for them. It follows, therefore, that the Bank can make no further substantial dollar loans unless it can previously reinforce its dollar resources by an issue of bonds in the American market or by sales of its debtors' obligations—with or without its own guarantee—to institutional investors in the United States. Some such mobilisation of resources is likely in the near future, as the Bank is studying a number of projects calling for dollar loans. An important potential source of activity for the Bank lies within the whole range of capital development schemes envisaged under the Colombo Plan. The International Bank has an observer at the meeting now taking place in Colombo; this is discussed in a note on page 362.

The President of the Bank, Mr Eugene Black, has this week passed through London and seized the opportunity for talks with the Chancellor of the Exchequer. Among the perennial topics that may have been discussed by them was the possible lending by the Bank of the sterling represented by the 18 per cent of United Kingdom's capital quota paid up in sterling and temporarily left deposited in this country in the form of non-interest-bearing securities payable on demand. It is not only sterling that the International Bank would like to see added to the currencies made available by it. Plans are also afoot for selling its bonds in the Swiss and Canadian markets, to reinforce the Bank's holdings of these two currencies.

Agreements on Dollar Oil

New agreements announced this week between the British Government and two American oil companies, the Standard Oil of New Jersey and Socony-Vacuum, have given a degree of freedom to the international oil trade. In the words of Mr Howard Page of Jersey Standard, "sterling became convertible tomorrow, it would not necessarily make any difference in our operations." The two American companies have agreed to reduce the dollar content of their oil to the average gross dollar content of oil produced by companies. In return the Government has ended its "substitution" policy by which American companies were required to buy oil from British companies for

operations in the sterling area, and no restrictions are to be placed upon the trade of American oil companies in the sterling area that are not also applied to British undertakings.

The estimated gross dollar content of British oil is put at 30 per cent (though this can be only a rather rough and ready calculation of what is, in the operations of the British controlled companies, a shadowy—not to say metaphysical—concept.) The American firms have agreed to reduce their own dollar costs to that proportion by 1954. When the oil negotiations began in 1949, the average dollar content of American companies' oil was put at 75 to 80 per cent, but by now this is already down to some 40 per cent for Jersey Standard at least. The sterling area's net dollar outgoings on oil in 1950, which were originally forecast at \$625 million (\$350 million for American oil and \$275 million for British-controlled oil), appear in fact to have been less than \$500 million. The substitution policy and the agreements that partially replaced it saved \$45 million upon oil supplied in the sterling area by American companies; and substantial savings also resulted from the attempts of British oil concerns to economise in dollar expenditure and to increase their dollar earnings.

The new agreements follow and complement those made last year with the same two companies (concerning their share of Iraq oil), with Standard Vacuum, and with Caltex. They finally dispose of the unpopular and unworkable substitution policy, which as first planned meant a virtual ban on imports of American fuel oil and a 30 per cent cut in imports of dollar petrol, but had during the past year been gradually whittled down in importance. Nobody will regret the passing of this policy, which forced American oil companies to buy "sterling oil" if they wanted to keep a market in the sterling area; the British companies prefer a steady expansion of business upon commercial lines (such as the long-term contracts for supplying Middle East oil from British-controlled sources to the Fawley refinery now being completed by the Anglo-American company), to Government discrimination against their competitors. Practical steps by the American companies to bring down the "dollar content" of their oil include large purchases of oil for sterling, the building of tankers in Britain and the operation of others under the British flag, the acceleration of refinery building (the "second stage" at Fawley will follow directly upon the first from the end of this year), and enlarged purchase of materials and equipment for sterling. So-called "dollar savings" upon the oil supplied to the sterling area by American companies will progressively increase; by 1954 this saving, on the 1949 volume of purchases, would reach about \$250 million a year. In fact, however, these American companies are likely to share in the expanding consumption of oil in the sterling area; this, by 1954, may be a third higher than in 1949.

Shortage of Textile Fibres

The shortage of textile fibres is likely to become more serious later this year. Cotton, wool and rayon are equally affected, and though British manufacturers may be adept in the use of substitute materials, the substitutes themselves will be scarce. The President of the Board of Trade has set up a textile fibres advisory committee under the chairmanship of Mr Hervey Rhodes, the Parliamentary Secretary to the Board, to consider the competing demands from the textile industries for raw materials; the committee includes three members from the cotton industry, three from wool, three from rayon and two trade union representatives.

The shortages of wool, cotton and rayon are worldwide. Until 1949-50 the world output of all three showed a big expansion; indeed, as the recent survey of industrial fibres* prepared by the Commonwealth Economic Committee shows, the production of each was then larger than in 1938-39. But consumption was also well above the prewar level—for cotton and wool it was so high that it could be met only at the expense of stocks. In the latest season, world production

WORLD PRODUCTION OF FIBRES
(Million lb.)

	1938	1946	1947	1948	1949*	1950*
Cotton	13,711	10,229	12,184	13,651	14,462	12,582
Wool (clean basis)	2,149	2,146	2,118	2,157	2,257	2,268
Rayon	1,928	1,681	1,984	2,157	2,725	...
Yarn	997	1,104	1,287	1,543	1,641	...
Staple fibre	931	577	697	929	1,084	...
Flax	1,772	786	818	1,275	1,456	...
Silk †	119	27	28	32	35	...

* Preliminary. † Excluding production in India.
Note: Production of cotton and wool is for seasons commencing in years shown.
Source: "Industrial Fibres" (C.E.C.).

of cotton fell by 13 per cent because the American acreage was reduced, and although output may expand sharply in 1951-52, additional supplies will not be available to industry until 1952. Wool is likely to be short for a much longer period. Output this season is barely 1½ per cent up, and the wartime stocks of the Joint Organisation are exhausted; available supplies will be 10 per cent below last year's level of consumption of 2,650 million lb. (clean). It may take five years for world production to match last year's demand.

Rayon production, both as continuous filament and staple fibre, has expanded steadily each year since the war. Figures for 1950 are likely to be larger than for 1949. The limit to further expansion is set by shortage of sulphuric acid and of woodpulp and cotton linters. New rayon plants are being built or extended in various countries, but they will add, not to supplies, but to competition for basic raw materials. World production of rayon this year is not expected to rise much above last year's level. Production

* "Industrial Fibres." HMSO. 5s. (net).

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ef nylon, "ardil," "terylene," "orlon" and other so-called synthetic fibres is tiny compared with natural fibres or rayon and will not begin to mitigate the current shortages of wool, cotton and rayon.

* * *

Consequences for British Textiles

British textile outputs are bound to be affected by these shortages. Imports of American cotton this season will be very much smaller. Only 250,000 bales have been allocated to this country compared with an annual consumption of American-grown cotton of about 625,000 bales. There is no chance of making up this deficiency by increased imports of American-type cotton from other sources; to get another 350,000 bales would mean, say, more than doubling last year's imports from Brazil or increasing by 65 per cent the combined imports from Brazil and West Africa. Last year the cotton industry increased its consumption of rayon quite sharply. Some 20 per cent more yarn was used than in 1949 and over 33 per cent more staple fibre. Yet rayon used by the cotton industry represented only a fifth of the quantity of raw cotton consumed; the cut in American cotton is equivalent to over 15 per cent of Lancashire's home consumption of cotton last year, and the use of rayon would have to be nearly doubled to make good this quantity.

In the wool industry, too, the consumption of materials other than raw wool increased markedly in 1950. An article in the February issue of the Commonwealth Economic Committee's *Wool Intelligence* showed that whereas the consumption of raw wool by British woollen spinners fell by 1½ per cent in 1950, the consumption of other materials (chiefly shoddy, noils, cotton and rayon) increased by over 9 per cent; these other materials represent nearly 45 per cent of total consumption. In the worsted section the scope for substitution is more limited, but 27 per cent more hair and rayon tops were used in 1950 compared with 1949 whereas the consumption of wool tops increased by only 8 per cent. But taking the industry as a whole, the consumption of raw wool increased by 5 per cent—from 502 to 528 million lb.—and of other materials by 16 per cent, from 153 to 178 million lb. Of this latter quantity 133 million lb. consisted of by-products of the industry such as broken tops, noils, wastes, shoddy and mungo. Only 24 million lb. consisted of other fibres (cotton, rayon, ardil, etc.), though even that quantity was 50 per cent larger than in 1949. Retained imports of raw wool in Britain last year fell by 14 per cent and they were particularly small in the last quarter of the year. Stocks of raw wool at the end of the year were below 200 million lb.; Yorkshire must be working on a very narrow margin.

Output in both Lancashire and Yorkshire this year will thus depend on supplies of rayon and other artificial fibres. But the rayon industry has had to cut its production by nearly 15 per cent owing to the shortage of sulphuric acid and larger supplies of sulphur will be needed during the ensuing months if a further cut is to be averted. Rayon is used not only as an alternative material to natural fibres but also to cheapen the cost of the end-product. The price of raw wool is now twelve times its prewar level, cotton nearly eight times but rayon less than double. The prospect then is for a smaller output of textiles at a higher cost.

* * *

British Tankers' Big Programme

The largest single order for merchant ships ever placed with shipyards in this, or in any, country has recently been placed by the British Tanker Co., Ltd., shipping subsidiary of the Anglo-Iranian Oil Company. This order is for twenty-one tankers costing some £21 million to build; the new vessels will add some 426,000 tons deadweight to a

tanker fleet that already totals 159 vessels with a carrying capacity of about 2,000,000 tons. The orders have been distributed among the shipbuilding areas, and delivery is expected during 1953. The first keel will be laid in August; this will be for one of six 32,000-ton tankers included in the contract. These are the biggest tankers ever ordered by British owners, exceeding the previous giants by 4,000 tons. They will be driven by geared steam turbines, giving a loaded speed of 14½ knots in service. The other tankers will be motorships—12 of 16,000 tons with a speed of 13½ knots and three of 14,000 tons and 12 knots.

The British Tanker Company is at present taking delivery of its last big contract, which was for 29 ships totalling about 344,000 tons d.w.; since the end of the war, including the present contract, the company has ordered 95 tankers at a cost of about £64 million. Such ordering of "tankers in bulk" requires a considerably longer view of possible trends than when orders are placed individually, and shows confidence in the need for a much larger tanker fleet than exists at the moment, despite the already high proportion of tankers under construction. The size and speed specified also seem significant. This large order will ensure that the predominance of tanker construction in British shipyards will be continued for some time. The normal life of a tanker is only about twenty years, and nearly 700,000 tons gross (over 1,000,000 tons d.w.) of United Kingdom tankers are now of that age or exceed it. Tankers provide a certain amount of work for the finishing trades, but not as much as the two passenger liners of 28,000 tons gross each ordered by the P. & O. Line recently. Many shipyards not suitable for the building either of large tankers or passenger liners are at present able to accept orders for dry-cargo tonnage.

* * *

Revival in Furniture

The sale of furniture is seasonal and at the furniture exhibition now being held in London retailers are placing orders for goods to be sold next winter. Furniture manufacturers were encouraged by the rate at which they took orders on the first day to believe that the slump in their industry was over. At the end of 1949, rising stocks warned retailers that demand would soon settle to a normal peacetime level. It was then brought home to the manufacturers that most of them had exaggerated the size of this normal market and that they faced a serious problem of excess capacity. The Board of Trade index of production of utility furniture (1946=100) shows that the makers had to cut production from the high level of 184, reached in the last quarter of 1949, to 146 in the third quarter of 1950.

The respite may be temporary; utility upholstery prices go up by between 11 and 25 per cent next Monday, and rising raw material prices suggest that a general price increase is inevitable, for controlled prices have not changed for more

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than a year. By placing large orders now, retailers may be anticipating these increases; if so, the industry might face another—and perhaps more serious—sales recession when the present volume of orders has been met.

The exhibition itself has some curious features. The exhibits suggest that fashion has little place in the market for medium and low-priced furniture and the peculiar means by which the utility scheme is worked almost entirely prevents the manufacturer from making innovations on his own initiative. Barely five per cent of the industry's output is non-utility and since, to qualify as utility, furniture has to satisfy structural specifications as well as a ceiling price, an article which is new in conception of purpose or in design rarely fits into them. The Board of Trade does modify the utility regulations from time to time but the proceedings are discouragingly slow and as often as not unsuccessful.

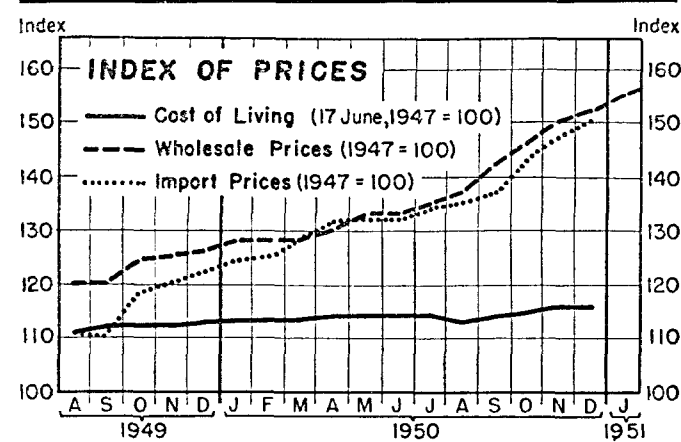
These factors add to the loss of flexibility introduced by mass production techniques and further stereotype the shapes and finishes for a particular article. Performance does not suffer, for the furniture shown is generally better constructed than before the war. But the industry sadly lacks the influence of the new ideas that used to be developed in high-priced furniture and found their way gradually into the cheaper grades. The incidence of purchase tax (which must give a negligible revenue because so little taxable furniture is made) has virtually killed the sale of best quality furniture in this country, with the result that the industry is sadly in want of experiment and aesthetic development. Some manufacturers of medium-priced furniture have tried to break away from traditional designs and finishes, but with no great success.

* * *

Prices and Cost of Living

The interim index of retail prices has had its full share of criticism. The index is suspect because it conforms

neither to the trend in prices experienced by the present-day consumer nor to the trends of wholesale or import prices. This lack of sympathy between the retail price index and the other indices is not due to any technical fault in the index of retail prices itself. It is a direct consequence of government policy. Food subsidies are paid on those foods that figure largely in the index, and there have been many years' experience of "adjusting" the subsidy paid on each food to minimise the impact of higher prices on the retail



price index. It has never purported to reflect the true increase in the cost of living. The question of carrying out a postwar survey of household budgets to replace the 1937-38 information now used in the index is being considered by the Cost of Living Advisory Committee.

The wholesale price index is also modified by the effect of the subsidies. The latter represent the difference between the Ministry of Food's purchase costs and its selling prices to the wholesale trade. Thus the wholesale prices of rationed

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Statement of Accounts—31st December, 1950

LIABILITIES			ASSETS		
	1950	1949		1950	1949
Paid-up Capital.....	£2,441,000	£2,441,000	Coin, Notes, and Balances with Bank of England.....	£16,961,084	£17,883,799
Reserve Fund.....	3,700,000	3,700,000	Balances with and Cheques on other Banks.....	21,283,670	24,289,851
Notes in Circulation.....	15,403,124	14,815,319	Money at Call and Short Notice.....	9,025,000	10,625,000
Current, Deposit and Other Accounts.....	159,189,793	158,126,722	Bills Discounted.....	493,296	385,987
Acceptances and Engagements.....	6,301,014	4,399,672	Treasury Deposit Receipts.....	4,000,000	5,500,000
			Investments.....	86,975,058	84,528,706
			Advances to Customers and other Accounts.....	41,353,664	35,197,119
			Liability of Customers for Acceptances and Engagements.....	6,301,014	4,399,672
			Bank Premises and other Properties.....	956,283	950,504

HEAD OFFICE ... 30 St. Vincent Place, Glasgow.
LONDON OFFICE... 30 Lombard Street, E.C.3.
ABERDEEN (Chief Office) ... 5 Castle Street, Aberdeen.
EDINBURGH (Chief Office) ... 29 George Street, Edinburgh.
FOREIGN BRANCHES ... 91 Buchanan Street, Glasgow.
... 65 St. Vincent Street, Glasgow.

foods are their prices as reduced by the subsidies. For that reason, when the Ministry reduced its surcharge to butchers last month, in order to keep them in business on the smaller quantity of meat sold, the wholesale price of meat, as reflected in the Board of Trade's index, fell by 6 per cent. Such a procedure may well seem peculiar, even if it is statistically correct. The import price index reflects the impact of rising world prices on British imports; the graph shows that import prices conform closely with wholesale prices, especially since devaluation.

* * *

Piecework Dispute Continues

In spite of what the employers' associations and trade unions in engineering ten days ago considered an agreement, the dispute over piecework and overtime in certain Midlands industrial centres has only subsided. The joint statement, which was vague and ambiguous, merely conceded that further negotiations concerning piecework rates could be resumed at the local level, if the operatives returned to "normal working." Even before it, some firms had made individual factory-by-factory agreements with their pieceworkers, but had incurred the disapproval of employers in general. Since then, however, local negotiations have not in all cases persuaded the operatives to abandon their reversion to time rates and ban on overtime, and on the other side certain Leeds engineering firms are reported to have followed the example of Craven Brothers of Stockport in giving some of their workers notice on the ground that their factories could not be operated efficiently in such conditions.

The dispute arose out of the application of the engineering wages agreement of last November. This had granted an increase for lower-paid workers in the industry—of 11s. a week for certain skilled and 8s. a week for unskilled

day workers with corresponding piecework adjustments which would bring the 27½ per cent above basic rate that "average" pieceworkers were expected to be able to earn up to 45 per cent. It gave nothing to the men on piecework who were already earning 45 per cent or more. On behalf of these higher-paid men, a claim was made for a flat 17½ per cent increase in all piecework rates to bring them into line and maintain the differential; most employers refused this, whereupon the workers imposed a ban on overtime and changed over in large numbers from piecework to day work. This change in working practice dislocated the efficient operation of many factories; the consequent closing of plants by Craven Brothers and by other firms is regarded by the trade unions as "a lockout." While certain employers, since the national "agreement," have reached satisfactory terms with their employers, the workers' restrictions upon output are being continued, and spreading, where individual firms are not willing to concede piecework increases.

There is no disputing the right of an employer to close down his works or part of it if he chooses to; on the other hand, the unions have blandly told the employers that they cannot regard overtime as implied in "normal working," and that operatives cannot be forced to accept one form of payment as against another. The present confusion stems from an agreement on lines which, reflecting the muddled "minimum wage" philosophy popular some months ago, benefits less efficient workers without a corresponding advance for higher-paid men, and thus militates against what employers and operatives would both consider work of higher productivity. The deliberately vague terms of last week's statement have hardly assisted local negotiation; it may be that what will eventually be needed is a revision of last November's national agreement.

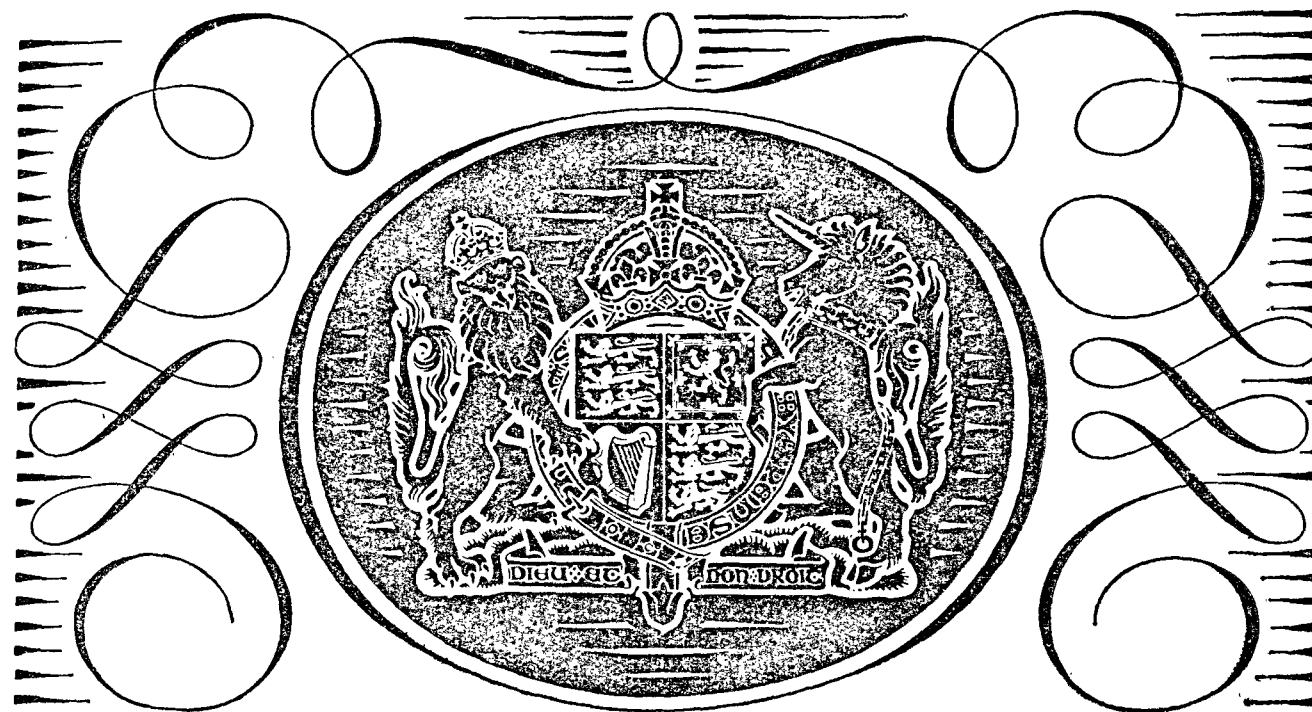
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Sisal Shortage

Sisal, like wool, has enjoyed a boom since the end of the war. Its price has risen steadily from £45 a ton in January, 1946, to £210 a ton in January, 1951, interrupted only by a temporary break in July and August, 1949. World production of hard hems (sisal and manila) in each of the postwar years was quite appreciably smaller than before the war, but output of sisal in Tanganyika, particularly in the past three years, has been very much larger. The shortage of jute and manila hemp has extended the uses of sisal, though it is still mainly used in binder twine. East Africa is the only important region in the sterling area where sisal is produced; of the total output of 160,000 tons in 1949, 123,000 tons came from Tanganyika and the remainder from Kenya.

There is no substitute for sisal at present, and output is not expanding very rapidly. Mr E. F. Hitchcock, chairman of Sisal Estates, Limited, has shown in his latest statement to shareholders that new projects for the long-term expansion of sisal output are extremely hazardous, because of the high capital that must be committed for a period of anything from two to seven years while the plantations establish themselves. Mr Hitchcock added that "the rapid rise in price since 1949 has had little direct relation to the intrinsic position of supply and demand" for sisal. It has been influenced partly by the bareness of stocks, but still more by general world conditions of credit expansion; in due course, the inflationary demand may subside.

Mr Hitchcock warned his shareholders that there is more hard fibre in the ground than will be required to meet effective demand in a few years' time, though rearmament and the need to build up stocks would help to cushion the effect of any surplus. But this is a distant prospect; at present sisal is short, output is unlikely to expand to meet the present level of demand until 1952, and rearmament may postpone that date. Only thereafter may world production increase gradually at a greater rate than consumption.



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NATIONAL DISCOUNT COMPANY, LIMITED.

(Incorporating the business of Messrs. Reeves Whitburn)

Statement of Accounts, 31st December, 1950.

LIABILITIES		
CAPITAL AUTHORISED AND ISSUED—		£
"A" Stock	423,345	
"B" Stock	2,276,655	
SHARE PREMIUM ACCOUNT		2,700,000
RESERVE		924,000
PROFIT AND LOSS ACCOUNT		1,476,000
		250,912
DEPOSITS, SUNDRY CREDITORS AND CONTINGENCY RESERVES		5,350,912
(Including Deposits of £191,593,838 against Bills and Securities.)		
FINAL DIVIDEND, less Income Tax		74,250
		£199,433,461
ASSETS		
CURRENT ASSETS—		£
Cash at Bankers and in Hand		1,601,865
Bills Discounted less Rebate		132,713,106
British Government and Corporation Short-dated Securities (quoted)		63,938,703
Loans on Security and Amounts Receivable		1,079,787
		199,333,461
FIXED ASSETS—		
Freehold Premises at approximate cost		100,000
SUBSIDIARY COMPANY—		
Shares at cost	100	
Less Loan	100	
		—
		£199,433,461

35, CORNHILL, LONDON, E.C.3.

Company Notes

Tate and Lyle.—Under the threat of nationalisation Tate and Lyle last year divested itself of its holdings in subsidiary companies. Trading profits rose by some £357,000 to £3,387,780, but much of the benefit that equity shareholders might have expected from this successful result has been absorbed in the company's fight, which the shareholders warmly supported, against nationalisation. To combat this threat, £198,660, compared with £42,183 in 1949, was spent on advertising, including the anti-nationalisation campaign, while other reconstruction and reorganisation expenses accounted for some £148,000, against £13,000. But the ordinary shareholders have not been forgotten for the dividend has been raised from 18 per cent to 20 per cent, a rate which seems well justified by the rise in distributable earnings, after allowing for exceptional credits and the incidence of taxation on the years' profits, from 24 per cent to 28 per cent.

The balance sheet reflects the considerable accounting changes arising from the reorganisation of the company's share capital and the hiving-off of subsidiary companies. Investments in subsidiaries now amount to only £3,300, against £1,781,000. The book value of fixed assets after depreciation has increased by some £570,000 to £8,429,000. The value of total current assets has remained

	Years ended	Oct. 1, 1949	Sept. 30, 1950
Earnings:—			
Total profit.....		3,354,118	3,408,226
Taxation.....		1,011,083	1,272,968
Depreciation.....		590,382	500,227
Replacement reserves.....		304,972	—
Earnings for ordinary.....		934,477	882,344
(24%*)		(28%*)	
Paid		519,750	577,500
(18%*)		(20%*)	
To general reserves and c/l.....		807,650	349,914
Balance sheet analysis:—			
Fixed assets, less depreciation.....		7,858,963	8,429,025
Net current assets.....		3,968,594	3,009,447
Cash.....		516,219	36,451
Stocks.....		5,215,497	4,920,716
Revenue reserves.....		3,724,324	4,030,328
Ordinary capital.....		7,000,000	5,250,000
15s. ordinary stock at 5s. 6d. per cent.		—	—
* On ordinary capital £5,250,000.			

practically unchanged at approximately £9,330,000, but the rise in current liabilities from £5,363,000 to £6,321,000 has led to a marked reduction in working capital of nearly £960,000. Bank and other short-term loans stand at £1,952,000 and cash holdings have fallen from £516,219 to £36,451. As outstanding contracts for capital expenditure are estimated at £446,000, a considerable strain has been imposed on liquid resources.

Once, however, the threat of nationalisation is finally lifted, this strain should prove to be of temporary duration and shareholders should have few qualms about the future. The company is not one to limit the return on venture capital and the capitalisation of reserves to restore the value of the ordinary stock units to £1 may not be too remote a possibility.

Imperial Tobacco.—The fall in Imperial Tobacco's net profits in the year ended October 31, 1950, from £9,085,433 to £8,252,032 proved something of a disappointment to the market and the price of the £1 ordinary share was marked down by ½ to 5½. Apart from the setback in trading profits, the preliminary statement records a windfall inventory profit of £6,209,000, of which £3,135,545 had to be paid in tax. This special profit, which has been rightly separated from the year's trading results, arose from devaluation; all tobacco cleared from bond into sterling at post-devaluation rates of £1 to stock at pre-devaluation rates of £1.15, after tax, of £3,073,455, represented appropriated to a leaf replacement reserve; £1,500,000 was so reserved in 1949 from net

trading profits. The ordinary dividend has been maintained for the third year at 32 per cent; if specific reserve allocations are excluded from calculation, it would appear that the ordinary earnings of the parent company have been distributed almost up to the hilt, but no account has been taken in the table of any profits retained by subsidiary companies.

	Years to October 31, 1949	1950
Earnings:—		
Profit before taxation.....	19,464,826	18,318,293
Taxation.....	10,379,393	10,066,261
Prof. divs.....	468,714	468,714
Special profit.....	—	6,209,000
Taxation.....	—	3,135,545
Leaf replacement reserve.....	1,500,000	3,073,455
Parent company's ordinary capital:—		
Earnings.....	6,933,501	6,678,532
Paid.....	6,611,097	6,611,097
General reserves.....	217,019	—
Added to carry forward.....	55,385	67,735
£1 ordinary stock at 5s. 6d. per cent.	—	—

Imperial Tobacco, in common with other tobacco manufacturers, has to face the risk of an increase in the tobacco duty and to swallow a further dose of rising prices both of leaf and other materials. This will not make the heavy financial burden of carrying stocks any easier, but the still impressive financial strength of the company, and its wealth of business experience, are a source of consolation at a time when the cover for the ordinary dividend is too narrow for comfort. Rising costs may squeeze existing profit margins, and the growing habit of non-smoking—or more careful smoking—is likely to affect the total volume of sales. And there is the Budget in April. Is Imperial Tobacco now past its best years as a tax collector for the Exchequer and as an expanding equity?

Cable and Wireless (Holding).—The £100 ordinary stock units of Cable and Wireless (Holding) were changing hands at 99, in anticipation of a dividend of 5 per cent; the gratification of the market when a dividend of 6 per cent (against 4 per cent) was announced was measured by the jump in the stock of £10 to £10.9. The dividend is paid on £5,000,000 ordinary capital while the previous year's dividend was paid on £6,883,103 capital; the capital reconstruction scheme was completed in the early summer of 1950 by the repayment and conversion of £16,766,591 5½ per cent preference stock. Last spring, Sir Edward Wilshaw estimated the future rate of earnings at not more than 8½ per cent, before tax, in the early future and not less than 6 per cent later on when the 3½ per cent unsecured loan stock had been paid off. Sir Edward added that for an investment trust he did not see the need to plough back profits into the business to the extent that would be desirable for a trading company, and therefore it would be reasonable to distribute as much as possible of the annual earnings to stockholders. Until the full accounts are available it is not possible to calculate earnings, but if the company is to pay a dividend of 6 per cent at this stage, the directors are presumably confident that they will be able at least to maintain this rate in future years. But it might be well to await the full accounts and chairman's speech before this presumption is taken as a reasonable certainty.

Roan Antelope and Mufulira.—A series of errors crept into last week's note on Roan Antelope and Mufulira and must be put right. The estimated operating surplus for Roan Antelope for the six months to December 31, 1949, was £1,181,000 and not £1,811,000 as printed. Secondly, the estimated operating surplus of Mufulira for the six months to December 31, 1950, was £4,188,000 and not £4,118,000. Thirdly, Roan Antelope's production of blister copper in the second half of 1950 was 18,553 tons and not 18,533 tons.

SECURITY PRICES AND YIELDS

British Funds:	Price, Feb. 7, 1951	Price, Feb. 14, 1951	Net Yield, Feb. 14, 1951 (a)	Gross Yield, Feb. 14, 1951
War Bonds 2½%... 101½	101½	101½	£ s. d.	£ s. d.
Mar. 1, 1951 53...			0 16 8	1 13 7
War Bonds 2½%... 101½	101½	101½	0 16 11	1 13 10
Mar. 1, 1952 54...			0 13 11	1 14 0
Exchequer Stk. 2½%... 102½	102½	102½	0 13 9	1 16 0
Feb. 15, 1955...			0 13 8	1 15 11
War Bonds 2½%... 102½	102½	102½	0 13 8	1 15 11
Aug. 15, 1954 56...			1 15 7	2 0 11
Funding 2½%... 102½	102½	102½	1 15 7	2 0 11
June 15, 1957...			1 15 7	2 0 11
Nat. Defence 3½%... 103½	103½	103½	1 15 7	2 0 11
July 15, 1954 58...			1 15 7	2 0 11
War Loan 3½%... 104½	104½	104½	1 15 7	2 0 11
Oct. 15, 1955 59...			1 15 7	2 0 11
Savings Bonds 3½%... 99½	99½	99½	1 15 7	2 0 11
Aug. 15, 1955 65...			1 15 7	2 0 11
Funding 2½%... 99½	99½	99½	1 15 7	2 0 11
April 15, 1956 61...			1 15 7	2 0 11
Funding 3½%... 97½	97½	97½	1 15 7	2 0 11
April 15, 1959 69...			1 15 7	2 0 11
Funding 4½%... 98½	98½	98½	1 15 7	2 0 11
Aug. 1, 1956 68...			1 15 7	2 0 11
Savings Bonds 3½%... 106½	106½	106½	1 15 7	2 0 11
Sept. 1, 1960 70...			1 15 7	2 0 11
Savings Bonds 2½%... 96½	96½	96½	1 15 7	2 0 11
May 1, 1964 67...			1 15 7	2 0 11
Victory Bonds 4½%... 93½	93½	93½	1 15 7	2 0 11
Sept. 1, 1920 66...			1 15 7	2 0 11
Savings Bonds 3½%... 106½	106½	106½	1 15 7	2 0 11
Aug. 15, 1955 75...			1 15 7	2 0 11
Consols 4½%... 94½	94½	94½	1 15 7	2 0 11
(after Feb. 1, 1957) 94½			1 15 7	2 0 11
Conversion 3½%... 101½	101½	101½	1 15 7	2 0 11
(after Apr. 1, 1961) 101½			1 15 7	2 0 11
Treasury Stk. 2½%... 94½	94½	94½	1 15 7	2 0 11
(after Apr. 1, 1975) 94½			1 15 7	2 0 11
Treasury Stk. 3½%... 82½	82½	82½	1 15 7	2 0 11
(after Apr. 5, 1966) 82½			1 15 7	2 0 11
Treasury Stk. 3½%... 100½	100½	100½	1 15 7	2 0 11
June 15, 1977 80...			1 15 7	2 0 11
Redempt. Stk. 3½%... 90	89½	89½	1 15 7	2 0 11
Oct. 1986 96...			1 15 7	2 0 11
War Loan 3½%... 92½	92½	92½	1 15 7	2 0 11
(after Dec. 1, 1952) 92½			1 15 7	2 0 11
Consols 2½%... 95½	95½	95½	1 15 7	2 0 11
Brit. Elect. 3½ Gtd. 93½	93½	93½	1 15 7	2 0 11
April 1, 1958 73...			1 15 7	2 0 11
Brit. Elect. 3½ Gtd. 100½	100½	100½	1 15 7	2 0 11
Mar. 15, 1974 77...			1 15 7	2 0 11
Brit. Elect. 3½ Gtd. 89½	89½	89½	1 15 7	2 0 11
Nov. 15, 1976 79...			1 15 7	2 0 11
Brit. Tpt. 3½ Gtd. 95½	95½	95½	1 15 7	2 0 11
July 1, 1978 88...			1 15 7	2 0 11
Brit. Tpt. 3½ Gtd. 89½	89½	89½	1 15 7	2 0 11
April 1, 1968 73...			1 15 7	2 0 11
Brit. Gas Gtd. 3½%... 89½	89½	89½	1 15 7	2 0 11
May 1, 1990 95...			1 15 7	2 0 11

(a) To earliest date. (b) Flat yield. (c) Assuming redemption in 1957. (d) Flat yield given above. If redeemed, in 1952 net redemption yield 6 10 6, gross 8 7 10. (e) To latest date. (f) Net yields are calculated after allowing for tax at 9s in £. * Assumed average life 15 years 9 months.

Last Two Dividends	Ordinary Stocks	Price, Feb. 7, 1951	Price, Feb. 14, 1951	Yield, Feb. 14, 1951
(a) (b) (c)				
6% 20	Anglo-Am. 10/-	8½	8½	£ s. d.
25 5	Anglo-Iran. £1	5½	6½	4 13 0
10 6	Assoc. Elec. £1	87/6	87/6	3 8 7
7½ 20	Assoc. P. Cem. £1	90/-	90/7½	6 1 4
40 35	Austin 5/-	27/3	28/-	6 5 0
15 20	Bass £1	150/-	150/7½	6 0 8
40 10	Boots 5/-	48/6	48/6	4 2 6
8 10	Br. Celanese 10/-	25/7½	25/6	3 13 5
12 8	Br. Oxygen £1	97/-	96/6	4 2 11
5 7½	Coats £1	59/-	59/-	4 1 9
5 2	Courtauld £1	39/6	39/6	3 15 11
20 6½	Distillers 4/-	21/-	21/3	3 15 4
8 8	Dorman Long £1	32/-	32/3	4 13 3
20 10	Ford £1	48/11	48/11	5 2 7
15 15	Dunlop £1	58/-	58/6	4 3 2
17½ 17½	Gen. Elect. £1	83/9	83/9	4 3 7
11 21	Guinness £1	134/4	134/4	4 15 3
15 17½	Hawker Sid. 5/-	34/11	34/11	4 15 3
7 3	Imp. Chem. £1	45/6	44/6	4 9 11
13½ 13½	Imp. Tobacco £1	110/-	105/6	5 11 11
5 7½	Lancs. Cotton £1	44/-	43/6	4 8 11
10 10	Lever £1	44/4	44/4	5 0 0
15 15	Lon. Brick £1	57/6	57/6	3 10 2
45 15	Mar. & Sp. A. 5/-	86/-	85/6	4 2 1
4 8	P. & O. Def. £1	58/-	58/6	4 2 1
17½ 17½	P. Johnson 10/-	39/-	40/-	6 5 0
15 15	"Shell" Stk. £1	83/9	85/-	4 5 7
12½ 12½	St. & Lloyds £1	56/9	56/-	4 9 2
12½ 12½	Tube Invest. £1	61/-	61/-	3 15 2
8 8	Union Castle £1	39/6	39/6	5 15 9
12½ 12½	U. S. B. £1	60/7½	60/7½	4 7 1
3½ 16½	T. & Newall £1	90/-	91/10	5 7 6
4½ 2½	Vickers £1	40/-	40/-	4 11 5
15 2½	Woolworth 5/-	45/9	45/6	4 11 5

(a) Interim. (b) Final. (c) Whole year. † Free of tax.

EXCHEQUER RETURNS

For the week ended February 10, 1951, total ordinary revenue was £142,392,000, against ordinary expenditure of £59,651,000 and issues to sinking funds £690,000. Thus, including sinking fund allocations of £14,933,000 the surplus accrued since April 1st is £628,871,000 compared with £601,573,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	April 1, 1949 to Feb. 10, 1950	April 1, 1950 to Feb. 10, 1951	Week ended Feb. 10, 1950	Week ended Feb. 10, 1951
ORD. REVENUE	£'000	£'000	£'000	£'000	£'000
Income Tax.....	138,800,000	113,387,900	108,620,200	80,824	74,418
Gr. tax.....	120,000,000	86,800,000	92,000,000	5,900	6,300
State, etc., Duties.....	195,000,000	164,500,000	158,450,000	3,400	4,000
Stamp duties.....	50,000,000	44,570,000	45,460,000	600	500
Profits Tax.....	270,000,000	232,360,000	232,720,000	3,200	3,900
E.P.T. (Net Receipts).....	500,000	33,700,000	9,350,000	300	40
Other Inland Rev.....	4,500,000	18,500,000	4,350,000	200	70
Total Inland Rev.....	202,800,000	171,474,900	162,896,200	94,474	89,228
Customs.....	870,650	702,788	771,557	19,855	25,314
Excise.....	713,150	645,200	649,800	17,400	25,031
Total Customs and Excise.....	1,583,800	1,347,988	1,421,357	37,255	50,345
Motor Duties.....	56,000	54,087	59,799	319	1,367
Surplus War Stores.....	35,000	77,822	36,015	29	57
Surpl. from Trade.....	85,000	47,941	41,905	—	—
P.O. (Net Receipts).....	13,000	10,390	10,650	—	1,200
Wireless Licences.....	27,000	17,559	22,936	943	60
Sundry Loans.....	70,000	70,491	66,697	294	135
Miscell. Receipts (in Crown Lands).....	38,780,000	33,406,271	32,915,221	13,334	14,239
Total Ord. Rev.....	172,150	141,600	146,000	5,000	4,300
SELF-BALANCING	5,700	10,449	7,393	109	180
Post Office.....	—	—	—	—	—
Income Tax on E.P.T. Refunds.....	—	—	—	—	—
Total.....	407,560	349,256	344,491	11,384	14,682

Expenditure	Estimate, 1950-51	April 1, 1949 to Feb. 10, 1950	April 1, 1950 to Feb. 10, 1951	Week ended Feb. 10, 1950	Week ended Feb. 10, 1951
ORD. EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Int. & Man. of Nat. Debt.....	490,000	382,631	387,762	—	3,229
Payments to N. Ireland.....	36,000	31,172	31,518	—	1,922
Other Cons. Funds.....	11,000	9,748	8,871	—	—
Total.....	537,000	423,551	428,151	—	5,151
Supply Services.....	291,806,900	230,833,221	221,956,600	35,400	54,500
Total Ord. Expend.....	345,506,900	272,438,474	264,771,751	35,401	59,651
Sinking Funds.....	—	14,670	14,933	510	690
Total (excl. Self-Bal. Expend).....	345,506,900	273,905,474	266,265,500	35,911	60,341
Total (incl. Self-Bal. Expend).....	363,291,900	289,110,325	281,604,325	41,020	64,821

After decreasing Exchequer balances by £768,100 to £3,798,171, the other operations for the week decreased the gross National Debt by £74,523,256 to £25,897 million.

NET RECEIPTS (£ thousand)	Week Ended Feb. 4, 1950	Feb. 3, 1951	Total, Apr. 1 to Feb. 3, 1951
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COMPANY MEETINGS

CLYDESDALE AND NORTH OF SCOTLAND BANK LIMITED

AMALGAMATION WELL JUSTIFIED

MARKED CHANGE IN HOME TRADING CONDITIONS

SIR HAROLD E. YARROW'S ADDRESS

The one hundred and thirteenth general meeting of shareholders of Clydesdale and North of Scotland Bank Limited was held in the Head Office, St. Vincent Place, Glasgow, on February 14th, Sir Harold E. Yarrow, Bt., C.B.E., the chairman presiding.

The chairman in the course of his speech said:—

At this time last year, I gave an outline of the history of the Clydesdale Bank and of the North of Scotland Bank, and I expressed the view that the amalgamation of the two banks, which became effective on January 1, 1950, would result in improved service to the public. I am glad to report that the experience of the past year has justified my confidence.

You will see from the profit and loss account that our profit at £403,317 shows a reduction, as compared with the previous year, of £19,500, which can be attributed mainly to expenses arising from the amalgamation.

CHANGED PATTERN OF TRADING CONDITIONS

It was apparent by the early months of 1950 that a marked change had taken place in trading conditions at home. The new plant which had been installed under industry's postwar capital investment programme had resulted in greater production; the flow of raw materials and components was much smoother; quotation of fixed prices was returning; the knowledge that supplies of finished products were more plentiful caused the placing of orders to ease, and demand became more restricted as buyers exercised the greater choice available. Suddenly, the whole pattern changed as a result of the outbreak of war in the Far East and the announcement of the rearmament programme. Trading conditions of the earlier postwar years were soon evident. The fortunes of Scottish shipbuilders were in strong contrast with those of a year earlier, when the dearth of new orders for ships was causing anxiety. Not only did the volume of new contracts increase substantially, but a slightly better balance was restored in the industry as a result of the improved demand for dry-cargo vessels and the wider distribution of new orders throughout the yards. As a result of the recent spurt in ordering, the short-term prospects for the industry are much brighter.

FEATURES OF SCOTTISH INDUSTRY

An outstanding feature in Scottish industry during 1950 was the record level of output achieved by steelmakers. This industry has earned a high reputation for efficient management, and has been singularly free from labour troubles. Surely it is unwise, especially at such a critical time, to incur the risk of disrupting production by proceeding with nationalisation.

Heavy engineering firms were actively engaged and held substantial order books, but the outlook in the lighter section has become less clear as a result of the prohibition of the use of certain non-ferrous metals. Disappointment and anxiety continue to be expressed at the low level of coal production and the continued failure to achieve the target of 25 million tons, at a time when industry is so heavily engaged in maintaining exports and meeting the initial requirements of the expanded defence programme.

Our bank has a particular interest in the fortunes of agriculture and fishing, and in providing facilities for them we are contributing to the welfare of two vital industries which are essential to a healthy national economy, particularly in view of the contribution made by them in import saving.

THE WORLD SITUATION

The uncertain international situation has resulted in an intense world-wide demand for raw materials, and this development, together with the effects of devaluation, has led to a steep rise in prices of many raw materials which we have to import and to a deterioration in the terms of our international trade. By contrast, the inflated prices paid for sterling area raw materials have contributed to the improvement in gold and dollar reserves, but it would be unwise for us to ignore the implications of the contra entry of mounting sterling balances. Moreover, while acknowledging the determined and successful efforts of industrialists to increase direct dollar-earning exports, it is well to remember the contribution made to our improved gold and dollar reserves by the cut of 25 per cent. in the dollar imports of sterling area countries agreed in July, 1949. It is still too early to assess the effect of the suspension of Marshall Aid on January 1, 1951, but any curtailment of dollar-earning exports as a result of our rearmament programme will present new difficulties in the balance of payments problem.

Many difficulties will have to be surmounted as the defence programme is stepped up. If, as is now indicated from official quarters, exports in certain industries are to be restricted to meet the more pressing needs of rearmament, then a greater quantity of consumer goods will have to be sent overseas to make up the balance, with consequent scarcity at home. We also have with us the fear of continued inflationary pressure, the control of which is primarily the responsibility of the Government. Heavy taxation already plays its part in curtailing private spending, and the success of further anti-inflationary measures must come mainly from a substantial reduction in the level of public expenditure. Last month, when discussing the economic developments of 1950, the Chancellor of the Exchequer indicated that, despite the progress achieved, the prospect for our standard of living was gloomy. If our standard is to be maintained, increased productivity is essential at all levels. Despite the need for greater output, it is not generally realised that, with a five-day week in operation in a number of our industries and allowing for holidays, many factories are at a standstill for about 120 days in the year. Shortage of operatives is another limiting factor, and if increased production is not to come from more man-hours, greater mechanisation in industry to raise output from available manpower becomes a matter of first class importance. This calls for additional capital expenditure, which in turn demands that Government policy in regard to taxation should be designed to enable the ploughing back of a greater proportion of industrial profits, so that adequate funds may be available for the modernisation of equipment.

The report was adopted.

MARTINS BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and twentieth annual general meeting of Martins Bank Limited was held, on February 13th, at the head office, Liverpool. Mr A. Harold Bibby, D.S.O., D.L., chairman, presided.

The notice convening the meeting and the auditors' report were read.

Mr Bibby said that since the report and accounts for 1950 were issued the proposed absorption of British Mutual Bank Limited had become an accomplished fact and was advantageous to all concerned.

The report and accounts for 1950 were adopted and resolutions were passed re-electing the retiring directors and fixing the auditors' remuneration.

A vote of thanks to Mr Bibby for presiding was unanimously accorded.

The chief general manager, Mr C. J. Verity, expressed thanks for the tribute to the general management and staff.

PATERSON, LAING AND BRUCE, LIMITED

CONSIDERABLY INCREASED SALES

The forty-ninth annual general meeting of Paterson, Laing and Bruce, Limited, was held on February 13th, in London.

Mr A. K. Graham (vice-chairman), in the course of his speech, said: The profit for the year, before provision for taxation, amounted to £188,838 as compared with £179,998 in the previous year, an increase of £8,840. This relatively small increase in net profit has been earned as a result of considerably increased sales during the year which have, however, been offset to a large extent by an increase in overhead expenses. Provision for Australian and United Kingdom taxation on the profits of the year absorbs the sum of £103,120, leaving a net profit for the year, after providing for taxation, of £85,718.

We are confident that the management which has built up your company's trade in such a remarkable way, will benefit to the full by the prosperity which is prevailing all over Australia, thanks to the high prices that her primary products, especially wool, are fetching in the world's markets.

The results for the year must depend on the demand at the enhanced prices, but, providing there are no setbacks on this score and that goods are available, I think we can look forward with calm confidence. Our chief anxieties will be financing stocks at the present high level of prices, the uncertainty of trade at these levels, and the cash required.

The report and accounts were adopted. At a subsequent meeting of deferred shareholders and at an extraordinary general meeting the Board's proposal to capitalise and appropriate £106,250 of the general reserve by increasing the existing 1s. deferred shares to 6s. 8d. shares was approved.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

*The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1*

SISAL ESTATES LIMITED

HIGHER NET PROFIT

BURDEN OF INCREASING STATUTORY OBLIGATIONS

CUSHION AGAINST PRICE FALL—MOST IMPORTANT ISSUE

CONFIDENCE IN IMMEDIATE FUTURE

TRANSFER OF CONTROL AND TAXATION

MR E. F. HITCHCOCK'S REVIEW

The fourteenth annual general meeting of Sisal Estates, Limited, will be held on March 7th in Tanga, Tanganyika, East Africa.

The following is the statement by Mr E. F. Hitchcock, C.B.E., which has been circulated with the report and accounts for the year ended June 30, 1950:—

This is the fourteenth annual general meeting of the shareholders of this company, and the first to be held in Tanga, Tanganyika, East Africa, following the resolutions for transfer of the control of the company passed at the extraordinary general meeting held in London on January 31, 1951. This is also the first time on which I have exercised the office of chairman following my appointment by the reconstituted board of directors in East Africa. I would refer to the distinguished and able services as chairman of this company over the last 14 years of Colonel C. E. Ponsonby, T.D., D.L. His experience, you will be glad to know, will not be lost to the company, of which he remains a director.

ACCOUNTS

The audited consolidated accounts for the year ended June 30, 1950, have been circulated, and show in some detail the accounting particulars concerning your company and its wholly owned subsidiary, Bird and Company (Africa), Limited. The final net profit for the year was £301,318 compared with £232,095 for the year to June, 1949, after providing for all replanting and maintenance of immature areas, depreciation, directors' and auditors' fees, administrative expenses, and taxation, including the sisal export tax.

Apart from the depreciation, etc., allowed for the purpose of arriving at assessable profits on which taxation is based, the plantation industry in East Africa is under an increasing statutory obligation to provide on a considerable scale facilities for the housing, health and welfare of its staff and labour which, certainly in the United Kingdom, is no part of the financial responsibility of the employer, especially in respect of the capital expenditure involved. In principle we support this extension of the functions of the employer under African conditions, but contend that adequate means to do so should be recognised on a more realistic basis under the taxation provisions. East African taxation is largely based on the United Kingdom model, and in my view inadequately takes East African conditions into account. Out of our so-called profits this abnormal provision has to be met, while from the taxation which we pay we derive few services or benefits. Instead, we ourselves carry out many of the functions which it is usual in more settled communities for Government to finance or undertake.

A good deal has been said about the risks and costs which the British Government discovered to be inherent in large-scale tropical agriculture under the ground-nut scheme. The sisal industry has had to meet

precisely similar conditions, the only difference being that they have built up gradually but surely over a period relying mainly on local personnel of all races, and have thus successfully surmounted these difficulties and achieved a sound and prosperous industry.

POLICY OF PRUDENCE

We have to recognise that costs of replacement of our assets today greatly exceed the past provision which we have been able to make by way of depreciation based on original capital values, and, moreover, that these costs continue to rise. It is true that under the Tanganyika Taxation Ordinance we have the option of setting off against current revenue the full expenditure incurred in the year in replacing and maintaining our planted areas, and of this we have taken full advantage, instead, as was the practice in the past, of placing such expenditure to a capital account to be written off at an agreed figure per ton against production costs in the future as the areas come into production. That, of course, will reflect advantageously on our future costs, although I am increasingly dubious of the advantages of large-scale heavy mechanisation in tropical agriculture in Africa. It is necessary, however, in respect of buildings, plant and equipment, to make a replacement provision in excess of that allowed under taxation, and this is an increasing burden on what is, I think fallaciously, termed the profit. In other words, the profit which we make is not all available for purposes of dividend but a part has to be retained in the business and applied in the manner which I have described. We also have to make some reserve against the future. Such expenditure goes to build up the strength of our position and our assets, but is a present burden and to that extent affects the return to shareholders. I have been an ordinary shareholder in this undertaking since it first started in 1920, and have experienced more than most of the present shareholders the long bleak dividendless years. I hope that the prudent provision that we are now making will assist in our establishing a more reasonable and consistent dividend policy than was possible in the past, and I also consider that, as far as we can, we should make as adequate a return to shareholders as possible to bring up the average return on their past investment and to sustain and augment the capital value of their holdings. Only by this means can financial confidence be created in sisal enterprise, and more reasonable access be obtained to the capital market. As the leading sisal group we have a responsibility in this matter.

You will see from the accounts that out of the profits for the year of £301,318, after taxation, £232,908 is retained in the accounts of Bird and Company (Africa), Limited; £68,410 is shown as profits of Sisal Estates, Limited, and, after adding the amount brought forward from the previous year and deducting dividends paid amounting, less

tax, to £68,475, a sum of £897 is carried forward in their accounts. Of the amount retained by Bird and Company (Africa), Limited, £156,895 has been appropriated to reserves, leaving £76,013, to which is added the amount brought forward from the previous year of £293,144 and £9,761 for adjustment of taxation in respect of previous years, thus increasing the carry-forward to £378,918. The general reserve is increased by £75,000, and the special development and cultivation reserve by £71,895, bringing the respective totals to £125,000 and £150,000. £10,000 has also been added to the staff fund.

PRODUCTION

The year 1949-50 coincided with one of the worst droughts experienced for the last 26 years, and this retarded sisal leaf growth, resulting in a 12 per cent. reduction on the estimated line fibre yield for the year, the production being 9,611 tons. The recent development of our flume tow fibre, however, added during the year a further 1,109 tons, making a total fibre output for the year, including line fibre and tows, of 10,720 tons, compared with the previous year's total of 10,350 tons.

The production estimate for 1950-51 is 12,000 tons, and the proportionate output to date has somewhat exceeded this rate, production for the seven months to the end of January, 1951, being 7,697 tons. Comparative monthly outputs will in future be published in the Press.

PRICE

As mentioned in last year's statement, Bird and Company (Africa), Limited, had sold the greater part of the year's production forward and did not derive any immediate full benefit from the rise in fibre prices resulting from devaluation of sterling. The average price received by us for line fibre in the year under review was £91 5s. per ton, f.o.b., after deducting freight, insurance, selling charges, overheads, and sisal export tax. Since then prices have advanced considerably—from £117 per ton for No. 1 grade, f.o.b., in March, 1950, to over £200 per ton at the end of January, 1951.

It is impossible to forecast the future of prices. I can only say that the Tanganyika Sisal Marketing Association Limited—Tasma—of which I am chairman, has sold our sisal well ahead of our next financial year ending June 30, 1951, at a very substantially higher level of price than in the year under review. Prices on the present level are apt not only to have some effect on consumption, but to increase world production of hard fibres, although the setting up of new long-term agricultural enterprise on the high capitalisation required for sisal production at present capital costs is an extremely hazardous undertaking, especially as the period of immaturity of areas is anything from two to seven years. Moreover, the rise in the world price of all primary commodities still leaves the hard fibre group in the more moderate priced group of textiles. East Africa is the only hard fibres producing area of any appreciable importance within the Commonwealth, or, indeed, within the sterling area. I know of no adequate substitute for sisal procurable at the required price and in the required quantities. For many years before the war two tons of sisal were consumed for one ton of manila. Manila production is unlikely to reach its prewar production for some years. The attempt of the Colonial Development Corporation to develop the manila plantations in North Borneo, where it was given the monopoly of the ex-Japanese plantations on specially favourable terms, appears to have met with little success. Obviously, the rapid rise in the price since 1949 has had little direct relation to the intrinsic position of

supply and demand of the commodity, but has been influenced partly by bareness of stocks, but still more by general world conditions of credit expansion. In due course it will also be influenced by world credit contraction. There is, in my estimation, more hard fibre in the ground than will be needed to meet effective demand in a few years' time, although rearmament and the need for building up stocks normally required for the proper functioning of industry will partly cushion that effect. Sisal supplies are, however, still tight, and world stocks have still to be replenished, apart from the moderate amount of stockpiling of the United States Government. It appears to me, therefore, that the gap between supply and demand, though not as serious as that of a variety of other strategic commodities in short supply, is unlikely to be closed at the earliest till some time in 1952, and rearmament may postpone that date. After that, world production is likely gradually to increase at a greater rate than consumption. World inflationary influences may still sustain the abnormal price level, but the finance required will become an increasing burden on all parties to transactions. The ability of both sellers and buyers to devise arrangements to cushion the price fall is probably the most important issue before the future of the industry. Meanwhile, we can regard with some confidence our more immediate future.

ASSETS

The properties of Bird and Company (Africa), Limited, at June 30, 1950, excluding the leased estate of Hale (referred to below) comprised 21,629 hectares (54,072 acres). This was made up as follows:—

	Hectares
Mature areas being cut	7,294
Immature areas	4,539
Cleared or in preparation for planting	2,616
Balance, forest or villages, buildings, etc.	7,180
	21,629

In 1948-49 the mature areas were just over 5,000 hectares and the immature just over 4,000 hectares.

The estate of Hale leased from the Custodian of Enemy Property throughout the war totals about 3,650 hectares (9,124 acres), of which about 1,176 hectares are planted and mature.

As announced in January, Bird and Company had the opportunity of taking a 99 years' lease of this property from the Tanganyika Government. As it is adjacent to the other properties and has been operated by the company throughout the war, and fits conveniently into the picture from the point of view of labour and control, it was considered advisable to take the lease.

With this acreage, the total area owned by the company will be 25,279 hectares (or 63,196 acres), or nearly 100 square miles. On our estates we operate 10 factories and 150 miles of railroad, besides stores, villages, hospitals, shops, etc.

With the object of reducing future costs by increasing production, which should now rise progressively, Bird and Company have increased their assets (1) by the purchase of the Kerenge-Mulemua Estate at a total cost of £315,000. This has been financed by a bank loan repayable out of the net proceeds of the sale of sisal produced on the estate. This loan stood at the end of December, 1950, at £170,000; (2) by substantially completing the development of the Lwengera Estate, which includes a modern factory, estate buildings, staff and labour housing, water supplies, roads and 12 miles of graded railway; (3) by opening up an extension of the Geiglitz Estate, which will be called the Furaha Estate; (4) by the purchase from

Government on a 99 years' lease for £218,000, of which £67,000 is payable in royalty on the assessed production, of Hale Estate. This is being financed on the same basis as for the Kerenge-Mulemua Estate; (5) by the completion of the carding factory referred to below. It is estimated that these extensions will ultimately yield 7,000 tons.

During the year the value of our assets according to book values increased by £530,000, and at June 30, 1950, stood in the books at £1,390,000. Present replacement costs would probably be double this figure if it were indeed possible to replace them. But I would venture to point out that the true test of value in such a case is net earning capacity, and that depends on future production, which in our case is certainly rising, and on the level of future prices and costs. The bulk of our capital extension programme has now been achieved, and we can look with some confidence to a gradual increase in our output, and with it a lowering of our costs.

CARDING FACTORY

During 1948-49 Bird and Company (Africa), Limited, bought this small factory for £15,000. About £6,000 was spent in new machinery and the capacity is being doubled. The profits for 1949-50 were £23,700. This in itself is satisfactory, but it is equally satisfactory to be able to convert into a graded carded production of guaranteed cleanliness and quality the sisal waste (short, dirty and tangled fibre) which in previous years had gone down the flume and been left to decompose. The tow produced has a good market for padding for motor-cars and other upholstery, especially in America. The factory is the only one of its kind in Tanganyika.

CONTROL TRANSFER AND TAXATION

In accordance with the special resolution passed at the extraordinary general meeting of the company held on January 31, 1951, the control of the company, as I have stated, was transferred to Tanga, Tanganyika, as from that date.

Prior to the transfer the company was liable to United Kingdom income tax and profits tax in respect of the dividends which it received from its wholly owned subsidiary company, Bird and Company (Africa), Limited.

Since January 31, 1951, it is no longer liable to United Kingdom taxation, except on income arising in the United Kingdom, which is negligible. Dividends payable by the company to shareholders resident in the United Kingdom are, however, subject to deduction of United Kingdom income tax, as mentioned later.

On the basis of existing rates of tax in Tanganyika and in the United Kingdom the transfer of control will result in an annual saving of tax. Assuming that the company were to pay gross dividends of £100,000, which is somewhat less than the dividends payable in respect of the year ended June 30, 1950, the net saving would amount to about £26,000, and such saving will vary in direct proportion to the actual dividends paid by the company. It is intended that dividends should in future be paid through a paying agent in London, who would deduct United Kingdom income tax at the appropriate rate.

So far as those preference and ordinary shareholders are concerned who are liable to profits tax, the dividends received from the company have hitherto been treated as having already borne profits tax. In the future, however, such shareholders will be liable to bring such dividends into account for profits tax purposes.

Taxation is an extremely technical and too complicated subject. What is important is not only the rate of tax, but the basis on which it is assessed, and in this connection I have already referred to the inadequate Tanganyika rates of allowance in respect of

welfare expenditure and to meet the rising costs of replacements. Further, those private companies or partnerships or individuals who come under section 21 of the Tanganyika taxation ordinance pay taxation in Tanganyika up to 14s. in the £, or 70 per cent., a rate of tax devised to restrict consumer income and, in my view, not appropriate in respect of producer income, especially in a pioneering country with the hazards of tropical agriculture. However, public companies in Tanganyika such as you own, pay instead a company rate of 4s. in the £. Both of the above rates are more favourable than they are in Kenya, where the company rate is 5s. and the personal taxation maximum 16s. in the £, or 80 per cent.

I am afraid that, owing to the operations of the fated ground-nut scheme, Tanganyika has a bad Press among investors. In my view, it is the coming country in East Africa, so long as productive enterprise is not only well managed, but is gradually built up, and no attempt is made to accelerate development beyond the scale and tempo of conditions of sun, water and soil of "tropical Africa." There are few more promising countries today than Tanganyika for the prudent investment of long-term capital, so long as good management and knowledge of local conditions are secured.

At present there is no Dominion share register in Tanganyika, but I understand that an application has been made for an Order-in-Council that one shall be established.

EXPORT TAX

In March, 1950, a sisal export tax was imposed of 5 per cent. on the f.o.b. price of sisal, and this has been continued during 1951. While the amount paid by us on shipment for the last few months of 1949-50 was just over £12,000, during the full year 1950-51 it is likely to exceed £100,000. This tax is strongly objected to in principle by the industry, and the grounds of our objection have been clearly stated to Government, including the discrimination between Tanganyika and Kenya exercised by the Colonial Office in this matter. We must, however, I think, recognise that the extra revenue obtained by Government, having regard to the present level of prices, is not unreasonable to the industry, especially as I understand some proportion may benefit economic development in the industry itself. The Tanganyika Government has in this matter adopted a more reasonable attitude than has the Malayan Government in the case of rubber, and, although basically and in principle the two taxes are the same, the incidence of their application is entirely different.

DIRECTORS

From February 1, 1951, this company has been located in Tanganyika. I should like to take the opportunity of saying goodbye to those directors, Major R. D. K. Curling, M.C., Mr H. G. Judd, C.B.E., and Mr S. I. E. Crouch, who retire from the board, and to thank them most heartily for their past services. May I at the same time welcome our new East African directors, Major F. H. de V. Joyce, M.C., and Mr Humphrey Slade. I have already referred to our former chairman, Colonel C. E. Ponsonby, T.D., D.L., and I would like to make particular reference to the specialist knowledge on finance and accountancy of Mr A. A. Lough, F.C.A., which will be a source of strength in the future.

AUDITORS

Bird and Company (Africa), Limited, have been fortunate in the help and guidance they have consistently received from their auditors, W. Bain and Company, of Tanga, recognised as the foremost accountants in the East

African sisal industry. I wish particularly to thank Mr Wm. Bain and his staff for the indefatigable manner in which they have watched and checked the accounting of Bird and Company (Africa), Limited, not only at the end of the financial year, but every month on the estates as well as at central office. Binder Hamlyn and Company have similarly watched over the Sisal Estates, Limited, accounts, and although they have now resigned as auditors owing to the transfer, and are succeeded in East Africa by Deloitte Plender Gill and Johnson, they will in future act in London in connection with share transfers.

SECRETARIES

For 14 years John K. Gilliat and Company, Limited, have most efficiently carried out their duties as secretaries to Sisal Estates, Limited. Although they now relinquish their function in this capacity, I am glad that Bird and Company (Africa), Limited, will still have the benefit of their experience and organisation on the buying side. I would like specially to thank Mr John Prideaux, O.B.E., for his unfailing help on any matter referred for his advice.

STAFF

I should like to put on record my sincere thanks to my colleague, Mr C. A. Bartlett, C.B.E., deputy managing director of Bird and Company, the estate managers and office staff in Africa, and also pay a tribute to the loyalty of over 10,000 African employees who, under able managers, have materially assisted the satisfactory results. Many of the latter have been with Bird and Company (Africa), Limited, for many years, and in our staff bonus payments we have been able to include some hundreds of our African workers, many of whom were born on our estates.

RATANUI RUBBER, LIMITED

DIVIDEND OF 10 PER CENT.

The sixteenth annual general meeting of Ratanui Rubber, Limited, was held in London on February 13th. The following is an extract from the circulated statement of the chairman, Mr Jack Addinsell:

For the third successive year I must place on record our sincere admiration for the way the members of our estate organisation have continued their arduous and dangerous duties, with the improved results shown.

You may have noticed that the crop for the year under review fell short of the quantity harvested for the previous year by some 109,000 lbs. Nevertheless, the year's working resulted in a profit of £17,928 as compared with £5,623 last year. The increase in the price of rubber was mainly responsible although the rise to the high values of the past two or three months did not really commence until towards the close of our last financial year.

Expenditure on rehabilitation required £434 only, making a total of £13,664 since the reoccupation. The War Damage Commission is at last showing signs of getting to grips with the situation and there are prospects that by the date of our next meeting I may be able to report the receipt of at least part settlement of our claim, but how this will compare with the total we have spent is quite impossible to forecast at this stage.

The heavy incidence of taxation can be seen in the necessity for providing £8,572 under this head or nearly four times the sum required in respect of the previous year's working. Your directors are pleased to recommend a dividend of 10 per cent.

The report and accounts were adopted.

RALEIGH INDUSTRIES LIMITED

A RECORD YEAR

The seventeenth ordinary meeting of Raleigh Industries Limited was held on February 13th at the company's offices, Sir Harold Bowden, Bt., G.B.E. (the chairman), presiding.

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

This time last year I had the happy privilege of informing you that the Raleigh Group had achieved another record in its history, the increase in turnover then being 17½ per cent. This year we have gone one better, the new high level representing an increase of approximately 20 per cent. over last year.

We have made a record profit this year of £1,452,805, as against £1,206,966 last year, and this in spite of the fact that we have continually been absorbing increased costs. I feel, however, that unless a halt is called to these rising costs, it will be impossible to maintain our existing prices, and this in turn may jeopardise our large and competitive export markets.

This achievement can be attributed largely to our record turnover, and reflects the greatest possible credit on those who control our organisation, which I am satisfied is maintained at a level of efficiency surpassed by few other companies. It is of interest to record that, of this profit, income tax and profits tax absorb no less a sum than £764,041, leaving £688,764 for reserves and dividends.

Production of bicycles and tricycles is now in excess of the rate of one million machines per annum and the output of Stumey-Archer gears, Dynohub lighting sets, gear-cases, etc., has increased proportionately, the company taking its full share in the export drive. If we are able to obtain over the next year adequate supplies of raw materials necessary for our cycle and gear production and the maintenance of the standard of quality for which our products are famous, the outlook for our trade for the next 12 months, and for a further period, should be bright indeed. Never have we had more orders on our books than at present.

NEW FACTORY EXTENSION

The new factory is now in full production and is being devoted solely to the manufacture of our patent Dynohub. Considerable progress has already been made in the major factory extension covering an additional 10 acres, which it is hoped will enable the company to meet the increasing demands from its overseas markets which up to now we have been unable to satisfy.

Because of severe import restrictions, Mr Wilson, in company with Mr Clarkson, our works director, visited South Africa, where arrangements were completed to open a cycle factory at Vereeniging, near Johannesburg. Work on this factory has already started, and production will commence in the spring of this year.

Severe import restrictions have also been imposed in India, and so, in conjunction with our Indian agents, a company has been formed under the title of Sen-Raleigh Industries of India Limited. A factory at Asansol, near Calcutta, is accordingly being erected, and it is hoped that production will commence before the end of 1951.

I would like to place on record my appreciation of the hard work, enthusiasm, team spirit and devotion to the company's interests, of all our staff and workpeople, both in the factory and on the commercial side of our business, without which these most excellent results could never have been achieved.

The report and accounts were adopted.

NEWCASTLE BREWERIES LIMITED

SUCCESSFUL RESULTS

MR ALEX. McCONNELL'S REVIEW

The sixty-second annual general meeting of The Newcastle Breweries Limited was held on February 15th, at the registered offices, Haymarket, Newcastle-upon-Tyne, 1.

Mr Alex. McConnell, chairman of directors, presided.

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

As far as trading results are concerned, I am glad to report that we have had a satisfactory year. The brewery, the beer bottling factory, and wines and spirits, and the maltings, all increased their gross profits. The managed houses whilst having an increase in turnover, show a slight decline. In this case, the Catering Wages Act still influences the figures, particularly in establishments where the provision of food forms part of the trade.

Expenditure of every description was much heavier during the year under review, and I am afraid that with the present inflationary conditions, must still increase. Raw materials, including malt, the principal ingredient of our mash tuns, are all dearer. The barley harvest was greatly affected by the miserable conditions under which it was got, and we have had to pay much higher prices for it, which will no doubt increase the cost of beer by several shillings per barrel.

The profit for the year after providing for income tax and profits tax on the profits to date, debenture interest and directors' fees, and provision for equalisation of taxation, amounts to £184,231. To this figure must be added the carry forward from last year of £270,327 (less provision for equalisation of taxation, £22,500) £247,827, making in all, £432,058. Interim dividends paid, account for £8,800, so we are left with £423,258.

DIVIDENDS AND ALLOCATIONS

It is proposed to make the following allocations.

1. To pay a final dividend of 3 per cent., less tax, on the preference stock ... £3,300
2. To pay a final dividend of 12½ per cent. and bonus of 3 per cent., less tax, on the ordinary stock ... £34,100
3. To add to reserve for contingencies ... £80,000
4. To place to reserve for depreciation off special expenditure on buildings ... £30,000
5. To carry forward to next year a balance of ... £275,858

An analysis of the disposal of the total revenue of the company works out, as follows:—

Duties, taxes, and licences	61.2 per cent.
Materials and services	23.2 per cent.
Wages, salaries and pensions	10.2 per cent.
Reserves	2.8 per cent.
Debiture holders and shareholders (gross)	2.6 per cent.

After dealing extensively with the proposals for the redistribution and reduction of licensed premises in the two Licensing Planning Areas, Sunderland and South Shields, and after reporting on trade conditions during the first three months of the current year, the chairman continued:

It has been the object of the board, while looking ahead and keeping abreast of the times, to place the concern on sound economic foundations. Making allowances for circumstances as they exist today, we look forward to the future with a certain amount of confidence.

LILY MILLS LIMITED

MR S. S. HAMMERSLEY ON INCREASED EFFICIENCY

The annual ordinary general meeting of shareholders of Lily Mills Limited will be held on Thursday, March 1, 1951, at the registered office of the company, The Mill, Shaw.

The following is an extract from the statement by the chairman, Mr S. S. Hammersley, which was circulated with the report and accounts for the year to December 30, 1950.

The trading profit of the Lily Mills Group for the year ending December 30, 1950, is £336,963 18s.

The net profit is £133,565 3s. 7d. which compares with a net profit of £86,267 15s. 8d. for the year ended December 31, 1949.

Your directors recommend a final dividend of 17½ per cent. less tax, which, with the interim dividend of 12½ per cent. paid on July 22, 1950, will absorb £42,191 11s. 5d. net.

MODERNISATION

During the year under review, the modernisation of Lily Mill No. 1 has been completed. 122 ring frames of the latest type are at work; the cardroom machinery has been respaced; certain surplus machines eliminated and additional preparations introduced; the new mixing and blowing room plant has been installed and is running at full capacity. We believe that the equipment and layout of this mill is second to none in the trade, and the increased production, with decreased labour loads now obtainable, constitute effective evidence in support of this contention.

The planned re-equipment of Devon Mill is now completed. 48 ring frames are spinning Fibro.

The group has purchased new machinery at an approximate cost of £385,000. Of this £365,000 is expected to rank for subsidy. £31,790 was received from the Board of Trade in 1949, and in 1950, £21,914 was received in respect to the Lily Mills and £18,155 in respect to the Devon Mill.

TRADE UNION CO-OPERATION

The results of our re-equipment up to date show a definite increase in mechanical efficiency and a substantial lightening of the labour load. We feel convinced that the increased production thus far obtained by no means exhausts the potentialities of our new equipment. With the co-operation of the Trade Union leaders, and a less conservative

attitude towards outmoded rules and regulations, it is possible to obtain a greater production per man employed to the material benefit of all concerned.

As a country we cannot afford to obtain other than the utmost from our industrial equipment. The disparity of incomes between wage earners in the United States and wage earners in other countries is due more to the greater application of science and technology than to greater natural resources.

NEW SYNTHETIC FIBRES

Shareholders may feel satisfied that we are by no means unmindful of the impact of new synthetic fibres on the textile industry. We keep in close and practical touch with current developments, though the number of synthetic textile fibres additional to rayon staple that are available in this country for commercial processing is small in comparison with those available to United States textile producers.

It has been a year of steady progress in which we have succeeded in combining the requirements of increased production with the necessity to install modern machinery. It is greatly to the credit of the management that these divergent considerations have been so harmoniously reconciled.

I have again to record the excellent working spirit which exists at all the mills, and to thank most warmly the management, staff and employees for their services.

CARRERAS, LIMITED

HIGH REPUTATION OF PRODUCTS

The forty-seventh annual general meeting of Carreras, Limited, was held on February 12th in London, Sir Edward Baron, chairman and managing director, presiding.

In the course of his speech, the chairman said: When I addressed you at the last meeting I referred to the careful control, improved manufacturing methods and our good relations with labour by which, together with the strictest economy, we had offset rising costs to a considerable degree. During the twelve months under review these have had their maximum effect and our net earnings have been expanded in consequence. However, we have almost reached the limit of any major economies we can effect.

We have had an extremely difficult year. Costs have risen consistently and once again shortages are being experienced in many

essential materials required for the proper packaging of our products. The allocation of dollars for the purchase of leaf tobacco during 1950, while less than that of 1949, was based on the assumption that manufacturers would be able to purchase at a certain average price level and so secure a definite, though reduced, quantity.

As it turned out, the supplies available were bid for so strongly that prices rose beyond all expectations and representations had to be made to the authorities concerned for further allocations of dollars to enable the anticipated purchases to be made. Fortunately these representations were successful.

Even so the total allocation did not enable purchases to be made in accordance with our actual usage, with the result that we shall be drawing on our stocks which in my view are already too low for safety and practical working purposes. We were fortunate in being able to obtain increased supplies of leaf tobacco of Empire origin of excellent quality. These will, to some extent, reduce the deficiency with which we are confronted.

EXPORT TRADE

Our export trade was again restricted by the limitations imposed on the allocation of dollars for purchases of leaf for that purpose, nevertheless our profits increased for the reasons I have already mentioned.

In September I visited our Canadian company and was greatly impressed by the improvements they are continually making in their manufacturing methods, as well as by the development that is taking place in their sales, which have surpassed all previous achievements.

Taxation has again taken a severe toll, the amounts provided this year being some 55 per cent. of the parent company's earnings and some 53 per cent. of the consolidated earnings. If this state of affairs is allowed to continue, still more if its exactions are increased, industry is bound to suffer from the lack of funds so badly needed to maintain it in a state of competitive efficiency.

I devoutly hope that there will be no upward change in the duty on tobacco, already at a figure which has retarded consumption. Any increase would, in my opinion, be disastrous from all points of view, especially to the national revenue which would suffer not only directly through a drop in sales but also from the reduction in taxation on profits.

We lay great stress on the maintenance of the high quality of our products for which our reputation is second to none.

The report and accounts were adopted.

NOTICES

HIS MAJESTY'S COLONIAL SERVICE NIGERIA

A vacancy exists for a statistician in the Department of Agriculture on the staff of the Oil Palm Research Station at Benin, Nigeria. Duties will be to assist in planning and interpreting field experiment and progeny trials in connection with the Oil Palm Research programme and to organise the recording and treatment of routine statistical data.

The appointment will be on three years' probation for permanent and pensionable employment. Salary Scale, including pensionable gratuity pay, is £660 per annum to £1,300 with an efficiency bar at £860 and a promotion step at £1,140. War service and professional experience will determine the point of entry into the scale. In addition, a temporary cost-of-living allowance is payable. Where Government quarters are provided a sum varying from £60 to £90 a year is deducted for rent. Free passages are provided for the officer, his wife and up to two young children on first appointment and on leave. Income tax is at local rates, which are very much lower than those in the United Kingdom. The tour of service is 18-24 months. Leave on full salary is granted at the rate of seven days for each completed calendar month of resident service.

Candidate must be under 40 and must possess a good Honours degree in an appropriate subject, preferably statistics, or mathematics with statistics. Practical experience in design of experiment work is desirable. Forms of application can be obtained from the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1, to whom completed applications should be submitted within two weeks of the appearance of this advertisement.

HIS MAJESTY'S COLONIAL SERVICE MAURITIUS

Woman Nutrition Officer required to investigate and advise on nutrition problems and to instruct local personnel. Selected candidate will be engaged on agreement for three years. Salary scale £375 to £660, point of entry according to age, qualifications, and experience. Appropriate cost of living allowances. Free passage. Income tax at low local rates.

Candidates should hold the Diploma in Dietetics. Experience in scientific or educational work and in dietary problems of a large hospital or educational institution is desirable.

Further particulars and application forms available by writing to Director of Recruitment (Colonial Service), Sanctuary Buildings, Great Smith Street, London, S.W.1, quoting reference 3/2321/2/50.

GOVERNMENT OF IRAQ

Statistician required to take charge of the Principal Department of Statistics for one year in the first instance. Salary is 225 Iraqi Dinars a month, plus high cost-of-living allowance between I.D. 10 and I.D. 14 a month, according to dependants. (1 Iraqi Dinar—£1 sterling.) Free passages. Candidates should hold a degree in economics or statistics, possess a wide knowledge of official statistics and have had extensive experience in the administration of statistical work. Experience of working abroad an advantage. Apply at once by letter, stating age, full names in block letters, and full particulars of qualifications and experience, and mentioning this paper, to the Crown Agents, 4, Millbank, London, S.W.1, quoting M.27389.E on both letter and envelope. The Crown Agents cannot undertake to acknowledge all applications and will communicate only with applicants selected for further consideration.

I.L.O. INVITES APPLICATIONS from men and women of British nationality, aged from 23 to 35 years, for a post of Member of Section in the Legal Division of the International Labour Office, Geneva, Switzerland. Qualifications required: (1) good general legal training; (2) good knowledge of international law and a knowledge of constitutional law; (3) mother tongue English; (4) sufficient knowledge of French to read and compare texts; (5) knowledge of other languages will be taken into consideration. Closing date for applications is March 31, 1951.

Further particulars and candidature forms may be obtained from the International Labour Office, 38-39, Parliament Street, London, S.W.1.

LEADING IRON ORE MINING GROUP with Foreign and Colonial Interests has opening in London Head Office for ambitious young man, age about 25, who is proficient shorthand typist, as personal assistant to Director. Appointment offers considerable scope for advancement to right man. Salary according to experience and qualifications. Pension scheme. Write, with full particulars, to Box "T.J.O.", c/o 95, Bishopsgate, E.C.2.

COST REDUCTION.—Production and Business Executive offers his services for developing and controlling industrial undertakings for increased productivity at reduced cost. Experienced. Standard Costs and Budgetary Control; Wages Systems and Incentives; Time and Motion Study; Methods and Factory Layout; Design; Sales and general commercial work. Appointment at or near Board Room level, or would consider acting as Consultant. London area or South preferred.—Write Box 580.

PURCHASING.—SENIOR EXECUTIVE as Deputy to General Purchase Manager at large light engineering factories in Midlands. Essential qualifications are a high standard of education, sound industrial purchasing background with considerable experience at executive level, extensive knowledge of light engineering materials, processes and supply sources, proved commercial and administrative ability, preferably some technical training or practical experience in engineering. Age 36 to 45 years. The appointment will carry a minimum of £1,000 per annum, and there is a profit-sharing scheme and good pension scheme. Applicants should write in strict confidence and must, if they wish to be considered for a short list, give full particulars of education and training, experience and positions held, with all relevant details.—Box 581.

RESEARCH MANAGER required by leading international food manufacturing company. An experienced executive is needed to develop and control the work of existing department in collating and analysing sales and supply statistics and market trends, as a basis for planning future operations. The post will require familiarity with relevant statistical sources and knowledge of modern market research techniques; ability to present findings and recommendations to a board of directors is essential. Salary commensurate with responsibilities.—Applicants, who should not be over 40, should write in the first instance to Box 582.

UNIVERSITY OF CAMBRIDGE

UNIVERSITY APPOINTMENT OF ASSISTANT DIRECTOR OF RESEARCH IN ECONOMICS

The Appointments Committee of the Faculty of Economics and Politics give notice that they hope to appoint an Assistant Director of Research in Economics to take office from October 1, 1951. The appointment will be subject to the Statutes and Ordinances of the University. Further particulars can be obtained from the Secretary of the Faculty, The Marshall Library, Downing Street, Cambridge, to whom applications should be sent so as to reach her not later than March 14th.

Eight copies of the application should be sent and, if so desired, at least one copy of any published work or unpublished writings. Testimonials are not required, but a candidate should give the names of two persons to whom reference can be made.

THE UNIVERSITY OF MANCHESTER

RESEARCH FELLOWSHIP IN ECONOMIC STATISTICS

Applications are invited for the above Fellowship, normally of the value of £1,000 per annum and tenable for two years. Regulations governing the award of the Fellowship may be obtained from the Registrar, the University, Manchester, 13, to whom all applications should be sent, not later than April 1, 1951.

UNIVERSITY COLLEGE, SOUTHAMPTON

JOINT COMMITTEE FOR ADULT EDUCATION

Applications are invited for the post of Resident Tutor for work in Hampshire and the Isle of Wight. Candidates should have a good degree in Economics and be able to take classes of good standard in economic and social problems. Salary: £450—£800, according to qualifications and experience (plus F.S.S.U. benefits). Applications (six copies), containing copies of three recent testimonials and the names of two referees, should be sent not later than March 3rd to the Secretary, University College, Southampton, from whom further particulars of the post can be obtained.

RHODES UNIVERSITY COLLEGE, GRAHAMSTOWN, SOUTH AFRICA

(To become Rhodes University on March 10, 1951)

Applications are invited for the posts of:—

SENIOR LECTURER IN HISTORY

LECTURER IN ECONOMIC HISTORY

from July, 1951.

Salary Scales:—

Senior Lecturer (Men): £600 x £25—£850 p.a.

(Women): £550 x £25—£700 p.a.

Lecturer (Men): £550 x £25—£700 p.a.

(Women): £425 x £25—£575 p.a.

plus a variable cost-of-living allowance, at present about £82 p.a. for single persons and £200 p.a. for married persons. Previous experience and academic qualifications may be taken into account in fixing the initial salary.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is April 15, 1951.

THE CIVIL SERVICE COMMISSIONERS invite applications for permanent appointments as Senior Scientific Officer and Scientific Officer to be filled by competitive interview during 1951. Interviews began in January and will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1951, may eventually be announced. Successful candidates may be appointed immediately. The posts are in various Government Departments and cover a wide range of scientific research and development in most of the major fields of fundamental and applied science. Candidates must have obtained a university degree with first or second-class honours in a scientific subject (including engineering) or in Mathematics, or an equivalent qualification, or possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer posts taking their degrees in 1951 may be admitted to compete before the result of their degree examination is known. Age Limits: For Senior Scientific Officers, at least 26 and under 31 on August 1, 1951; for Scientific Officers, at least 21 and under 28 (or under 31 for established civil servants of the Experimental Officer class) on August 1, 1951. Salary Scales for men in London: Senior Scientific Officers, £700 x £25—£900; Scientific Officers, £400 x £25—£650. Rates for women are somewhat lower.

Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. 3399.

APPLICATIONS ARE INVITED for a senior position in a well-known company engaged in the manufacture of proprietary and bulk chemicals, detergents, sterilising agents, etc. This is a new position being created to relieve the Managing Director, who is also responsible for the control of other companies in the Group. The position calls for a man of personality and initiative, able to work with existing senior staff, some of whom have had long service with the company. The qualifications required include comprehensive experience of production, distribution, marketing and general control at management level. The position will provide outstanding opportunities for increased responsibility and remuneration. Commencing salary £1,500. Age 38-45.—Apply, with full details of experience and qualifications, to Box 579.

EX-REGULAR ARMY OFFICER, with 16 years' mercantile experience in U.K., U.S.A., and business/Government connections in India/Pakistan, now located in Karachi, is open for engagement by leading commercial or industrial enterprise operating in Far East.—Box 578.

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NOTICES

STAFFORDSHIRE COUNTY COUNCIL COUNTY PLANNING DEPARTMENT

Applications are invited for the appointment of a Junior Planning Assistant (Research), A.P.T. Grades I-IV. Salary £390 to £525, on the established staff of the County Planning Department.

Applicants should have a degree in Geography or Economics and should have had research experience.

Canvassing directly or indirectly will be deemed a disqualification and relationship to any Member or Senior Officer of the Council must be disclosed.

Particulars and conditions of the appointment (including lodging allowance) may be obtained from D. W. Riley, County Planning Officer, 41a, Eastgate Street, Stafford, to whom applications should be submitted not later than March 7, 1951.

T. H. EVANS, Clerk of the County Council.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 16, George Street, Mansion House, E.C.4.

"STATE AND SOCIETY IN JUDAISM."—Two Lectures by E. I. J. Rosenthal, M.A., D.Phil. (Lecturer in Hebrew, Univ. of Cambridge). Sundays, February 25th and March 11th, at 3.30 p.m., at the Liberal Jewish Synagogue, 28, St. John's Wood Road, N.W.8 (opposite Lord's Cricket Ground). All welcome.

ANGLO-IRANIAN OIL COMPANY require one mathematician, one mathematical physicist and one physicist with some mathematical ability, with First- or Second-Class Honours Degree, for posts at a new research and development centre on the Nottinghamshire Oilfield. The work will involve theoretical investigation of movement of fluids in oil reservoirs and problems connected with recovery of oil. Methods and equipment will be developed for electrical recording at surface of a wide range of physical observations on oil and gas-bearing formations penetrated in deep wells. The observations include resistivity of formations, radio activity, temperature, pressure, fluid velocity, well diameter, etc. The equipment will also be used for actuating sample devices and special bottom hole instruments. The mathematician will be concerned with oil reservoir future production performance and the mathematical physicist with the allied survey research and development work. The physicist will be responsible for interpretation of records and laboratory experiments, both electrical and physical, bearing on interpretation. Men with some years' practical experience of electronics preferred for the two latter posts.

Applicants, aged from 27-35 years, should be prepared to go abroad for periods extending to six months.

Write, giving full details and quoting Department M.1415, to Box 6125, at 191, Gresham House, E.C.2.

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A YOUNG Chartered Accountant to be trained for an appointment with outstanding prospects is required by a leading Industrial Company. The successful applicant will be expected to undergo a period obtaining the experience which will enable him to undertake duties of a responsible advisory nature. Applicants should be 25 to 28 years of age. In addition to professional qualifications a University Degree would be considered an advantage. The salary will rise to £1,800 per annum within four years of being confirmed in the appointment. Thereafter further salary advances may be expected as increased responsibility is assumed.—Send detailed particulars of career to date to Box 571.

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The London University B.Sc. Econ. Degree is a valuable qualification for statistical, research, and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the three examinations at home under the experienced guidance of Wolsey Hall (est. 1894): fees are reasonable, and may be paid by instalments.

Prospectus from the Director of Studies, Department P17. **WOLSEY HALL, OXFORD**

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as at 28th february, 1950	...	...	...	£97,496,902

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UNIVERSITY OF GLASGOW

Applications are invited for a Lectureship in Agricultural Economics in the Department of Political Economy. Salary Scale: £500 to £1,100. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (5 copies) should be lodged not later than February 23, 1951, with the undersigned, from whom further particulars can be obtained.

ROBT. T. HUTCHESON,
Secretary of University Court.

AN International Company of pharmaceutical manufacturers with offices in London, wish to appoint an executive to act as financial adviser and office manager. The position will call for ability to handle, in close co-operation with other executives, the financial and office administration problems facing a rapidly expanding business. Qualifications deemed necessary are:—First-class general education with an honours degree in possibly mathematics or economics, knowledge, though not necessarily a qualification, in accounting, some years' experience in a commercial office, and a delight for problems, people and hard work. A four-figure salary will be paid to the successful candidate who should be in his early thirties.—Write in complete confidence to Box 570.

FOR SALE, Economists, Sept., '48, to Dec., '50, complete with indexes, one missing.—Offers to Box 572.

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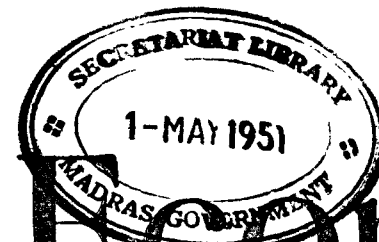
NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable March 15, 1951, to shareholders of record at the close of business February 15, 1951.

Toronto, By Order of the Board,
February 8, 1951. J. R. BRADFIELD, Secretary.

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The Economist

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One Shilling

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Wages and Work

AS *The Economist* went to press the decision between settlement or strike on the railways was still in doubt. While railwaymen in several areas were hampering traffic by working "to rule," and some thousands had already gone on strike, the Government was trying to find a basis for agreement after direct negotiations between the Railway Executive and the three unions had broken down. The Executive had offered the workers more than the Court of Inquiry recommended, and the unions had retreated some way from their previous demands, but a gap of £2,750,000 between offer and demand remained.

It is possible that by the time these words are read the country will be facing the calamity of a national railway strike. As in issues of peace and war, there can sometimes be a worse calamity than that. If the dispute is settled peacefully, it will not be possible to sigh with relief and forget. The two points of principle involved in this dispute are of major importance for industrial relations in general and for the nationalised industries in particular. The first is that the discussion of wages and of working methods cannot be divorced. The unions have now offered, as a compromise from their original position, that in return for pay increases they will undertake to speed up separate negotiations about changes in working conditions. This will not do: it has proved difficult enough to get such changes carried out in practice even when they have been agreed on with the unions (as in the case of the redundant employment of van guards), and a mere undertaking to negotiate quickly does not even begin to face the problems. The basic point is simply that improvements in working methods are the one source from which the railways can pay higher wages. They cannot put up their charges without driving yet more traffic from rail to road and thereby reducing still further the real efficiency of an already bankrupt railway system.

That there is plenty of scope for organising work on the railways more efficiently is not open to dispute. It is not a matter of finding the present practices wanting by some ideal standard. The comparison with prewar operations is clear enough. The Railway Executive estimates that in themselves increases in wage-rates and changes in working conditions would have increased the total cost of wages for footplate and engine shed staff to 205 per cent of the cost in 1938; but the actual bill is 216 per cent of that in 1938. It is a pity that the Court of Inquiry did not point out the implication of these figures more clearly. What they mean is that the real services performed by this section of railway workers are—quite apart from the reduction in the length of their working week—5 per cent smaller per hour than those rendered before the war. This is the consequence, chiefly, of the inflexibility now insisted on in the arrangement of turns of duty. It is an inflexibility quite inconsistent with the standard of living that the railway workers very properly expect from their employment and that everyone wants them to have—if only they will themselves permit it. The improvements in working methods for which the Railway

Executive is pressing are modest. The wonder must be simply that the Executive has been so timid as to operate without them for so long, and there ought to be no question of compromise now that the issue has been brought to this stage.

An increase in wages and an improvement in efficiency must go together. This is the principle to be insisted on. It cannot mean in practice that the two are precisely related—that the increase in wages can be no bigger than the savings in railway costs achieved by changing methods of work. Realistically, it has to be expected that the net result will be to raise costs. The second principle is that if this happens the solution must not in any circumstances be found by any sort of state subsidy for the railways. It is now being suggested that the Transport Commission should be freed for a limited period—say, five years—from the obligation to pay its way. It would have so long to set its house in order.

Such schemes always have a certain specious reasonableness and their real effect is almost invariable; it is to ensure that the house never will be put in order. No doubt occasional exceptions to this rule—cases where a subsidy serves its purpose and is afterwards abandoned—can be found. No one can seriously suppose that the railways would be such an exception. The psychological resistances to the improvement of efficiency on the railways are too strong for even the most courageous management (which the Railway Executive is not in a position to be) to tackle them firmly unless it must. Any subsidy would quite certainly reduce correspondingly the effort put into attempts to lower railway costs. It would be a direct bolstering-

up of inefficiency at the expense of the taxpayer. To permit it in one case would be to open the door wide to the entirely indefensible principle that the workers in a nationalised industry are entitled to establish as a prior charge on the community their claim to a standard of living in line with that of comparable groups of workers in other, but more efficient, industries. A Government retaining some faith in nationalisation is the last that should be prepared to consider so disruptive and discrediting a principle. A further rise in railway charges would have ill-effects, both for the railways themselves and for the economy as a whole, too obvious to require emphasis. But if it is the only alternative it is far preferable to a subsidy.

No settlement of the railway dispute will be satisfactory unless it is based firmly on these two principles. An increase in wages must be directly tied to an improvement in working methods on the railways, and there must be no subsidy. No one who reflects for a minute will take lightly the prospect of a railway stoppage at the present moment. But to surrender either or both of these principles would in the long run (and not the very long run either) do very much more damage to the country. To say a final goodbye to efficiency in transport would do more than any other single thing could to make Britain an inefficient country—and that means a poor country for all its inhabitants. To make the basic industries pensioners of the state would corrupt the whole economy. Whatever happens in the next few days this is the test by which it should be judged—not by whether or not a stoppage on the railways is averted, but by the degree to which these cardinal principles are upheld.

Towards a Japanese Peace Treaty

AFTER a long period of vague discussion and speculation about a Japanese peace treaty, the journey of Mr John Foster Dulles, as Mr Truman's personal representative, first to Japan and then to Australia and New Zealand has brought the matter close to the stage of actual negotiation. Mr Dulles appears to have made good progress, both in his talks with Mr Yoshida, the Japanese Prime Minister, and in his conversations in Canberra, which were directed to achieving a closer co-ordination between the policies of the United States and of the two Dominions towards Japan than has existed hitherto. A statement issued after the Canberra discussions declared that the three nations were agreed on the desirability of bringing Japan into the United Nations, the importance of not allowing Japan to become a vacuum, which "might be filled by unfriendly forces," and the need for preventing any resurgence of Japanese militarism.

There are, however, certain difficulties ahead on the way to a peace treaty with Japan. The problem of Japan differs from that of Germany above all in the fact that what is being proposed for Japan is a peace treaty and not an arrangement of the kind which the western powers have in view for conclusion with the West German Government. Because of the division of Germany and the non-existence of a single government representing the whole of the nation, there is at present no question of a formal peace treaty with Germany. Japan, on the other hand, has a unified state administration, and it is claimed by the Japanese and admitted in

Washington and London, that the time is now ripe for a formal peace treaty. This at once raises the question whether to go ahead with the negotiation of peace treaties between Tokyo and the non-Communist ex-allies of the Pacific war or whether to strive to bring Russia and China into a joint treaty at the cost of major concessions on vital matters.

To some extent, indeed, the absence of zonal occupation divisions has simplified the problem. As Russia has never occupied any part of Japan, there is no Pieck-Ulbricht-Grotewohl puppet regime on Japanese soil claiming to be the one legitimate government of the country, no opportunity for Communist sponsorship of nationalist propaganda against "partition," and no threat of civil war from Communist armed forces already organised as state police. With the monarchy surviving and still sustained by a strong popular loyalty, and with a parliament and cabinet which have emerged from free democratic elections, Japan has a political order which may be reckoned fairly stable unless confronted either with an acute economic crisis or with aggressive interference from outside. It is with these possibilities rather than any prospect of civil war in Japan that the western powers have to reckon in framing their policies for a peace treaty.

Strategically also, Japan confronts the west with a far less formidable defence problem than Germany. Being entirely insular, it cannot be directly invaded overland by the military forces of the Soviet bloc, as West Germany can. In Japan it would not be necessary to

provide against an initial rush of armoured divisions across a land frontier. Naval and air forces to defeat an attempt at invasion can be more easily provided by the western powers than large land armies. On the other hand, the defending naval and air forces would have to possess suitable bases defended by ground troops against sudden seizure, and there would have to be substantial military forces for dealing with enemy units which might get through the sea-air screen and be reinforced by fifth-column guerilla elements within Japan itself. For the United States to provide all the forces required for the defence of Japan in future would be to impose a severe strain on American military capacity at a time when priority has to be given to the strengthening of Atlantic Pact forces in Europe, and the burden on America would be all the heavier in that there are no partners close at hand to share it. Inevitably, therefore, the American military authorities want some contribution to the defence of Japan from the Japanese themselves.

*

Already a beginning has been made, without directly raising the question of Japanese rearmament, by the enlistment of a National Police Reserve, 75,000 strong, armed with light weapons. In authorising the creation of this force General MacArthur took a leaf out of the Soviet book, for it corresponds, not to the proposed West German army, but to the East German *Bereitschaften*, and is not formally classified as military. Regular military or naval forces are forbidden by Japan's own postwar constitution, which was adopted under pressure from General MacArthur's Headquarters at a time when it had not yet occurred to anyone that Japanese soldiers might be needed. But the defence units required could probably be obtained simply by expanding the Police Reserve and providing it with heavier weapons.

In the publicity given to Mr Dulles and his proposals in Japan it is noticeable that the emphasis has been laid not on Japanese rearmament, but on the protection which America is prepared to give Japan if it is willing to co-operate politically. There can be little doubt that this emphasis is primarily for the benefit of Japanese public opinion and reflects the rather disconcerting experience which American policy has had over German rearmament. It was too easily assumed in Washington that West Germany would be eager to have an army of its own if permitted to do so, and it was something of a shock to find that the Germans appeared to regard it as a favour on their part for which America and Britain must be prepared to pay a stiff price. Learning from this experience, Mr Dulles seems to have been anxious to avoid giving the impression in Tokyo that America is in desperate need of a Japanese army; he has rather taken the line that he is offering the Japanese an excellent bargain of American protection at trifling cost.

This is certainly good tactics, for there appears to be even less enthusiasm for rearmament in Japan than there is in Germany. Financial and business circles generally take the view that serious rearmament would impose an intolerable burden on Japan's slowly reviving economy, unless it were to be wholly financed by America—which would involve a greater degree of dependence than patriotic Japanese wish to see after a peace treaty is concluded. Further, Japanese democrats are very nervous lest any revival of the Japanese army may bring back the old militarist interference in politics and, per-

haps, lead to a dictatorship. Finally, there is a wide vogue of "neutrality" in Japan, which takes the form of a belief that Japan should remain as passive and detached as possible in the present world conflict and avoid definite commitment to one side. The Socialists, who are now in parliamentary opposition, reject both the rearmament of Japan and the retention of American bases in the country; they are apparently prepared to leave Japan absolutely defenceless. This attitude may be partly due to the influence of fellow-travellers in the Socialist party, and partly to the expectation that the party is not in any case likely in the near future to be in a position to carry out the principles it professes; in the main, however, it reflects a mood of pure pacifism which the American occupation authorities only three years ago were doing their best to encourage.

*

The care which Mr Dulles has been taking to walk softly in Tokyo has had the additional advantage that he has avoided stimulating the alarm which is caused in Australia by any talk of Japanese rearmament. His visit to Canberra was, no doubt, largely for the purpose of allaying suspicions that policy-makers in Washington may be planning to let loose the djinn of Japanese aggression from the bottle in which four years of war in the Pacific so recently confined it. Australia in relation to Japanese rearmament plays much the same role as France in relation to Germany, and in return for any scheme for giving Japan a capacity for self-defence is likely to press for concrete American commitments for Australian security.

Australia and New Zealand have, however, agreed that Japan must not become a power vacuum. They are also reported to have agreed that some form of Japanese rearmament may become necessary in addition to the retention of American bases in or near Japan. As these questions now come to a head, there are three things which must be assured before the proposed treaty can be made a reality. First, it would now be wrong to stick rigidly to the principle that Japan must not in any way rearm; before the last war the Japanese had to stockpile both steel and oil, and there is at present no possibility either of their doing this again without being clearly observed, or indeed of their being able to recreate armed forces of any menacing size—particularly a navy—for several years. In other words, rearmament can be controlled if there is the will to do so. Secondly, it would be dangerous to hold up a treaty any longer because Russian and Chinese agreement cannot be obtained to its terms; the Russians will certainly be given a chance to adhere, and so should the Chinese, but the British would make a serious mistake to press for more than this. Events must move forward without the participation of either of these Communist powers should that be their own choice. Thirdly—but perhaps most important of all—the time has come for Washington to give Australia and New Zealand publicly some form of definite security guarantee. The integrity of both territories is a vital American interest, and indeed is well recognised to be. But nothing has ever been said in public to this effect—as, for instance, it has about the security of the Philippines. Without this Washington can hardly expect to secure the necessary support and unhesitating co-operation of Australia and New Zealand for the vital steps now proposed in regard to Japan.

The Measure of the Burden

THE expanded defence programme of £4,700 million has now been discussed for almost a month. It has commanded an encouraging, and perhaps surprising, measure of support. The bill has this time been presented with some bluntness: the Government has at last emphasised that adequate rearmament will cut into present living standards. And the opponents of rearmament are no more numerous as a result. They are still confined to the same narrow fringe of the extreme Left that has been criticising defence policy for longer than the British Government has been discharging its commitments with the United Nations in Korea. Everyone else is prepared to accept the heavy burden of the new programme as about the right thing for this country to undertake. The proper scale of the defence effort is agreed. This is a fact of first political importance. It provides the psychological basis from which a government possessing no more than normal powers of political leadership can go forward with a realistic economic policy for defence.

Whether the Government in fact possesses even such powers of leadership is still open to doubt. The Budget will show. In last week's debate the Chancellor of the Exchequer sketched the economic problem of defence competently, clearly and sensibly. He reached with conviction the orthodox conclusion that there must be "a strict fiscal and monetary policy to restrain civilian expenditure." This is common ground. The practical question is how Mr Gaitskell—carrying the Cabinet with him—will interpret the necessities of restraint. By how much must consumption be cut? This is the crucial act of "planning" for 1951: the writers of the Economic Survey will be able to do little more than assemble some of the data on which the decision has to be based. Though the practical complications and uncertainties are baffling, what is involved is essentially a very simple sum about real resources. It has two elements. On the one hand, there is the rate at which defence can be expected to make increased calls on the country's resources of men, machines and materials; on the other hand, there is the increase, if any, that can be expected in the resources available for use at home. The difference between the two measures the real burden that rearmament will impose on the British people.

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The arithmetic of the various adjustments that rearmament will impose on the statistics of the national income is worked out in some detail in an article on page 444. For the layman in these matters it is the result that is of concern, and that can be summarised by saying that, in the financial year that begins on April 1st next, defence will absorb a total of real resources amounting, at the present level of prices, to £500 to £550 million more than in the current year. By the year 1953-54 the increase will be as much again above the datum line, even on the surprisingly moderate estimates of the growth of the programme that are now put forward. The economic problem of defence is to provide an extra £500 million or more of real resources—men, materials and machinery—for defence in the coming year and an extra £1,000 to £1,200 million in 1953-54. These two figures,

in the roughest proportions, represent about 5 per cent and 10 per cent of the present output of the country.

There are only two ways in which a larger slice of the cake of national output can be provided for defence. The first is by producing a larger cake. The second is by reducing the other slices. As an introduction to the problem of the next few years, it may be instructive to recall how the very much larger problem of the war years was solved in this country. The cost of the war—that is, the excess of defence expenditure in the six years 1939-45 over the pre-war level—was met in roughly the following proportions * :—

By larger output	40	per cent
By foreign trade (i.e., by not paying currently for imports) ...	18½	„
By reduced Government non-war expenditure	1½	„
By reduced domestic capital expenditure	20	„
By reduced consumption	20	„
	100	„

Virtually the whole of economic policy in the next few years consists of the two questions, first, at what distribution between these elements is it right and possible to aim, and, secondly, by what methods shall the object be pursued.

Under the head of larger cake, the Chancellor of the Exchequer last week estimated that there would be an increase in industrial productivity of 4 per cent next year. This would provide about £250 million of resources, or nearly half the total needed. This is an optimistic figure. It is true that industrial productivity has been increasing even more rapidly than this in recent years. But these large increases have been due, more than to anything else, to the much more normal flow of materials and of work in progress. If now many key materials are going to be scarce and the pattern of production is to be disturbed—without the war-time willingness to work long hours and endure unfavourable conditions of work—then there must be a slowing down in productivity. Mr Gaitskell's 4 per cent is an optimistic figure for next year, and it is out of the question that there should be a 12 per cent increase by 1954. If we say that half of what is required, either in the next twelve months or throughout the whole three years of the programme, can come by way of a larger national cake, that goes fully as far as, and perhaps much further than, reasonable optimism ought to allow itself.

It was possible during the war to add considerably to the size of the British war effort by foreign trade—either by running down existing capital or by running up new debts. In the next few years, very little of either will be possible—and none at all of either will be desirable. The Chancellor's realistic expectation is that foreign trade will, on balance, neither help to meet the burden of defence nor add to it. This judgment applies to the next twelve months. But it can stand for the whole three years. Certainly it would take either incredibly good fortune (in the form of a sharp favourable turn in the terms of trade) or incredibly improvident

* See *The Economist*, April 13, 1946.

policy for foreign trade to provide any substantial help; that it should impose an additional burden is perhaps more likely.

Fully half, and perhaps more, of the addition to the defence slice will therefore have to be cut off the other three slices—the resources absorbed in the non-defence activities of the Government, the civil capital expenditure of the community and the consumption of the people. The amount of resources involved is £250 to £300 million this next year, rising to £500 or £600 million or even more in 1953-54.

There is no sign that the Government proposes to reduce its own claims upon the national resources, even apart from defence. There is, indeed, little enough sign of any serious attempt to cut financial expenditure, and if there were, the axe would fall on such items as subsidies, which are transfer payments. The rule-of-thumb test is whether the Government or the local authorities propose to dismiss any of their employees, and any politician can supply the answer.

Nor is there to be a frontal attack on investment. There will be some tightening up of controls and it is expected that some investment projects will be delayed, postponed or frustrated by shortage of materials and difficulties in getting delivery of machinery. The resulting economy in the use of resources might be between £100 and £150 million. If a larger contribution is to be found from this source in 1953-54 it can only be at the expense of housing—and that, again, is a question to which all politicians would at the moment give the same answer.

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The rest will have to come out of the consumption of the people. The magnitude of the required cut in the resources consumed is of the order of £150 million in the next year and might be double—or perhaps much more, depending in the main on productivity and on the fate of the housing programme—in two years' time. (Of the flow of resources now going into consumption, £150 million represents about 2 per cent.) The cut will have to be imposed either by reducing money incomes (which is politically impossible) or by a great increase in

voluntary savings (which seems unlikely) or by rising prices (that is, prices rising faster than incomes) or by higher taxation. But there is a complication here. The reduction needed is a reduction below the present level, and if the total national output is to go up, then the people will have larger incomes than they have now, part of which they will, in the absence of counter-measures, try to spend. If Mr Gaitskell wanted to reduce consumption by £150 million worth of resources, and if he wanted to do the job entirely by taxation, he might have to take something like £275 million a year more out of the pockets of the people than the present level of taxation would do.

To mention such a figure is to suggest how little chance there is of such drastic assault upon the problem in April's Budget. Mr Gaitskell sounds as if he means to be courageous—but not as courageous as all that. There are, in fact, a number of expedients ready to his hand that would enable him to balance the books with a much smaller total of taxation this year. But ever looming up on the horizon is the problem of 1953-54. There are no expedients strong enough to shrink that problem to manageable proportions. If the rearmament programme does not cost more than is now estimated, if investment can be cut without permanent damage to the national efficiency, if the abnormally rapid increase of productivity of the last four years can be kept up—even if all these favourable assumptions come true, there is still a very direct and considerable cut in the standard of living of the people to be made before 1954.

It is as well that minds should be clear about the magnitude of the burdens. But there is another aspect of the matter to which minds are only just beginning to turn. The burden is smaller than in wartime; but it may well be more permanent. It is not two but three permanent prior charges that the community is imposing upon its annual resources: a formidable apparatus of government, a comprehensive programme of welfare, and a panoply of arms. It is doing this, not for a few years' emergency, in which all manner of means can be excused by the end they serve, but for a generation. How, in such circumstances, can society best ensure that it remains both efficient and free? That will take much thought; and a long time, to answer.

Recognising Italy

LAST week's meeting at Santa Margherita between the French and Italian Prime Ministers directs fresh attention to the importance of Italy. How great this is can perhaps best be appreciated by examining the opposite to the truth rather than by looking straight at the facts. If, for instance, the Italian Communist party were now in power in Rome, if Signor Togliatti and his flinty henchmen, Secchia and Longo, now occupied the Viminale instead of Signor De Gasperi and his Christian Democrat, Socialist and Republican Ministers, the Atlantic Pact powers would have a very serious strategic and political problem on their hands in the Mediterranean.

Happily, history has not in fact taken such an ugly twist, and there is every hope that the crucial verdict of the Italian elections of April, 1948, will never now be reversed. The Communists of France and Italy were defeated in their bids for power during 1947 and 1948,

and neither country has so far looked back from the sharp improvement in its political stability and economic strength which began in that period. But it should never be forgotten that, in Italy at any rate, the price of security is constant and vigorous leadership. And while Italians already owe a great deal to the political skill of their Prime Minister, Signor De Gasperi, so does the rest of the western world. As a corollary, both inside and outside Italy, the defenders of freedom still need to do all in their power to support and sustain the present democratic government in Rome.

The success which Signor De Gasperi has achieved in reconstructing his country from the ashes of the war begins to bear some comparison with the achievements of the founders of modern Italy. Signor De Gasperi is a different stamp of man from Count Cavour, but, as with Cavour a century ago, an understanding of the part De Gasperi has played is essential to assessing the develop-

ment of the present strengths and weaknesses of the Italian republic. In 1851 Cavour began the last and most important decade of his life in which, as Prime Minister of Piedmont except for two short periods, he so manoeuvred events both at home and abroad that the union of Italy gradually became inevitable. In 1951 Signor De Gasperi finds himself in his sixth continuous year as Prime Minister of a united Italy and leading the sixth government over which he has presided since he first came to power in December, 1945. During this time Italy's relative progress has been, as the head of the ECA Mission to Rome said last month, "beyond the dreams of even the most optimistic of its planners."

On the other hand, it is true that the Prime Minister remains no more than a symbol of the continuity of this recovery rather than its actual architect in every joint and outline. He himself is a politician rather than an economist, and his government's achievements have been negative rather than positive. He has certainly held the fort, given Italy internal security and a stable administration, and at least made a start in tackling some of the desperately needed reforms. But no one could pretend that Rome has more than scratched the surface of what needs doing to bring social justice and even a modest degree of economic equality into the lives of the Italian people. From the point of view of long-term economic policy, Signor De Gasperi's contribution—dictated admittedly by the uneasy balance of political forces in the government—has been no more than to evade the ultimate choice between individualism and collectivism. The Prime Minister has played, in fact, the role of an admirable chairman, and if he had failed to do so Italy would almost certainly be in a more difficult position than it is today. This is not statesmanship so much as an admirable example of the politician's art.

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Perhaps Signor De Gasperi's main claim to a place in history is that his qualities have enabled the Italian governmental system to survive in its present form. It has often been he alone who has kept the unwieldy Christian Democrat party together and effectively resisted political pressures from both left and right. On the left, one of Signor De Gasperi's greatest successes was to manoeuvre the Communists into resigning from his coalition government in 1947, so that they were out of the administration when the 1948 elections came along. On the right, the small reactionary Liberal party resigned from his government last year rather than accept its measures for land reform, and the Prime Minister, along with Signor Scelba, in charge of home affairs, has lately taken up a resolute stand against the unfortunately growing swing towards such neo-Fascist groups as the MSI (*Movimento Sociale Italiano*). How long these pressures can be resisted, however, depends in part on the success which the government can achieve in its almost desperate struggle with the many-headed hydra of Italy's permanent long-term economic problems, in its efforts to bring home to the electorate the real political issues of the present day, and in its attempt gradually to regain something of Italy's pre-war international standing.

For behind the imposing brickwork of the new Italian democratic structure lie several serious political weaknesses. One, of course, is the deep split right through the country created by the very size of the Communist

party—two and a half million members and a voting strength considerably above that—and by the Communist hold even now on the bigger trade unions. Others are the fact that the unity of the multi-coloured Christian Democrat party is severely strained and that clericalism is still so strong. In the long run, anti-Communism will not be enough to hold together indefinitely men of such varying opinions as those to be found among the Christian Democrats today. Signor De Gasperi's occasional hints of resignation have so far always brought his pack to heel. But he is 69 and one day must be succeeded by someone who, even if as competent, energetic and courageous as a man like Signor Scelba or Signor Gonella, does not have and cannot at once have the kind of following and personal prestige which now belong to the Prime Minister.

On the economic front, a remarkable feature of Italy's present position is that the country's gold and dollar reserves, standing—so far as the latest figure shows—at \$567 million, are higher than at any previous time. In fact, leaving aside the appalling and ever-present dilemma of over-population with limited natural resources, the short-term trends of the Italian economy have not been unfavourable. During the past year the foreign trade deficit was considerably reduced, inflation was held broadly in check, industrial production rose to 16 per cent above that of 1938, budget revenue and expenditure ran very nearly in balance for the first time since the war, and the gross national income continued to show an increase. On the other hand, immediate and serious economic problems are never far below the surface in Italy, and the present time is no exception. Nowhere do politics depend more on economic success than in Italy. Today, the De Gasperi government is threatened with a renewal of the inflationary spiral, owing to the prices of raw material imports and the needs of rearmament. There is also a risk that Italian exports, a good many of which are classified abroad as inessentials, will fail to keep pace with the earnings required to maintain the present volume of imports as world prices rise. The government has a bill up its sleeve granting new powers to control profits, prices, supplies and wages, but this is only sidestepping the basic requirement which is, in the long run, to keep prices down by gearing the economy to higher scales of production.

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This, then, is the Italy with which the Atlantic powers have to deal. It is a country that has very largely recovered from the physical and moral ravages of war: that, at least for the moment, has attained a fair degree of political stability under a system which, in spite of the obvious cracks in the structure, is thoroughly democratic in character: and that—partly as a result of the gift of \$2,000 million from the United States during the past five years—has made considerable economic progress against immense temporary as well as permanent disadvantages. It is, in fact, an Italy which deserves to have its problems more generally and publicly appreciated in the western capitals.

These problems are certainly great. On the home front, Signor De Gasperi's task is to develop and keep moving a progressive policy which will tackle Italy's long-standing social and economic ills. This is a profoundly difficult assignment when his administration is based—as it is bound to be based at present—on so much support from right wing elements in the Christian

Democrat party. But Italy is still a long way behind most other Western European countries in narrowing the extreme differences between rich and poor, in removing class and sectional differences, and in dissolving its hard core of nearly two million permanently unemployed. The problems of foreign policy are less acute, though they certainly look serious enough in Rome. For the Italians, occupying an important position in the ranks of the medium powers, feel that they lie on the exposed frontiers of the western bloc and that they have run genuine risks in joining the North Atlantic Treaty Organisation.

They thus stand committed to all that the western powers may do, although they themselves occupy no place in the inner hierarchy of the Atlantic Pact. It should be remembered that the Italians have no direct say, for instance, on the three-power Chiefs of Staff Committee in Washington and, unlike the French, no special position in the discussions on raw material allocation. At the same time, their influence in Europe is considerable and likely to grow, they have a predominant strategic and political position in the Mediterranean,

On the Beat

TRADITIONALLY, a constable patrols his beat at two-and-a-half miles an hour. It is a leisurely, almost an awe-inspiring pace. He remains on his beat for eight hours a day, six days a week, making his "points" and reporting back to his police station by telephone about once an hour. His visible presence is a comfort to the law-abiding citizen and a deterrent to the criminal; little should escape his notice during his slow and steady progress. For very many years, therefore, it has been held that there is no adequate substitute for the constable patrolling a beat on foot.

During the last few years, however, a number of drawbacks to the traditional beat system have emerged. First, the shortage of policemen since the war has meant that in most police districts beats have had to be made much larger and they are no longer patrolled as thoroughly as before. Secondly, the rapid development of police specialists has made the constable in urban areas little more than a reporting agency; the monotony of his work has increased and as a result his efficiency has tended to decline. Thirdly, the larger beats and the long intervals between the constable's reports to his station have meant that he is seldom available for emergency calls which have had to be handled more and more by police cars in wireless touch with headquarters. Finally, the boundaries of the beats themselves have tended to remain fixed for months on end, regardless of the fact that the amount of police work that has to be done in any particular area varies during different periods of the day and different days of the week.

All these factors together have certainly contributed to the increase in crime since the war. Persons and property have not been adequately protected, and, in spite of the shortage of policemen, manpower has been wasted. During the past two or three years, therefore, a number of chief constables have broken with tradition and have tried out new methods of policing their boroughs or counties. The most revolutionary experiments—and the most successful—have been carried out by the chief

and it is important that their relations with the Jugoslavs across the Adriatic should continue to improve. For all these reasons, the interest of the western alliance is that positive thought should be given to making Italy's passage in it as smooth as possible. For the first time for a long while, units of the British Mediterranean Fleet have just been visiting Genoa—second only to Emilia as a Communist stronghold. It may be that flag-showing naval cruises nowadays make little serious difference to the relationships between nations; but the idea was a good one. The people of Italy need to know better and to understand the growing strength of that west to which their destiny is now bound. Equally, their own position and problems need to be known and understood and appreciated in the rest of the western world, both for the contribution which they themselves can be encouraged to make to the common security, and in order that Signor De Gasperi's government may receive the proper credit for his positive foreign policy. This is not only his due but will strengthen his hand in the ceaseless internal fight against those who take their orders from Moscow.

constables of Aberdeen and Salford. The Salford system, which is a development of that used in Aberdeen, is being tried out this year in London. It promises to become widespread throughout the police forces in Britain, and it is undoubtedly the most important innovation in police methods in recent years.

The Aberdeen experiment was to abolish fixed beats worked by single constables and to substitute much larger patrol areas worked by a team of constables under a sergeant. Each team was given a police car which the sergeant used to move his men from one part of the patrol area to another. Patrolling was still carried out on foot, but the time which would normally have been wasted moving between vulnerable points was much reduced and it was much easier to know where individual constables were. The car, fitted with wireless, was available for emergency calls, and the constables were encouraged to follow up any incidents themselves without calling on specialist help except in cases of real difficulty. The main features of the system were its mobility and the fact that constables acted as a team rather than as individuals. The results were good; there was a substantial saving in manpower and the efficiency of the force, measured by the number of criminals who were caught, greatly improved.

In Salford, the idea of a team of constables operating from a police car was retained, but it was linked with a novel conception of the beat system. The city was split into divisions in the usual manner, but the patrol areas in each division were kept flexible. Rough boundaries were laid down for beats during each of the three general phases of the city's activity—working hours, entertainment hours, and sleeping hours—so that there were enough constables where they were most likely to be needed. In effect, the boundaries of beats are changed three times a day, but the inspector in charge of each division is also given wide powers to change the beats even more often if circumstances make it necessary. A beat covering dockside streets, for example, would be

made much smaller during a dock strike, with its abnormal possibilities of trouble, than during normal working conditions.

Each police team in Salford consists of nine constables with a sergeant in charge and one police car fitted with wireless. No special driver is carried, the constables themselves taking it in turn to carry out this duty. Before each team starts its tour of duty, which lasts for eight hours, the inspector and the sergeant review the work that is likely to arise. They take into account the recent incidence and locality of crimes and street accidents, complaints from the public of general nuisances, property which needs special protection, and other matters which might require police work. The sergeant then draws up a list of "operations" for each man. Two or three will be detailed for point duty, others will be given particular streets to patrol, and one man will probably be kept with the sergeant and the driver in the car, which will also be used for patrol duties. The whole team is told what to look out for and what sort of incidents are likely to occur. The car serves the dual purpose of a mobile police station and a quick means of moving the constables about from one beat to another. The sergeant knows within narrow limits where his men are, and he is able to pick them up and take them to an emergency call, say, in a matter of minutes. As in Aberdeen, the constables are encouraged to handle as much of the work as they can without calling for help, and from time to time, for training purposes, a constable is put in charge of the team and directs the operations of his colleagues.

The importance of this method of working the system is that, as in the traditional beat system, the constable remains individually responsible for a definite area or duty. The responsibility does not fall on the team as such and the police do not operate in squads. The chief difference from former beat systems is that the beat can be changed immediately to fit in with any situation.

The advantages of the Salford system are that it retains the benefits of orthodox systems while at the same time it meets most of the needs of a modern industrial community. The public gets much more rapid attention to its calls for police help, and criminals are kept guessing

where the constable's beat is likely to be. Areas and premises which in the past could only be cursorily examined are now properly supervised. There is far more contact with the public whose confidence is being won by the more efficient service it now receives. It is true that the advantages of speed and mobility are also obtained by superimposing mobile patrols on orthodox beats, but where that is done, the constable on the beat tends to be excluded from the more interesting incidents in his area. The constable's local knowledge is not used, sometimes to the detriment of the people concerned, and there is, moreover, a waste of manpower which few forces can afford. Under the Salford system, the interest and keenness of the policemen are greatly increased. There is no longer the monotony of patrolling the same area week after week, waiting for something to turn up. The constable gains more experience in a shorter time than is possible under orthodox systems, and in Salford the improvement in morale has been outstanding.

The measurable success of the system has also been remarkable. In spite of the fact that in Salford the police force is 25 per cent under establishment and that crime has increased during the postwar years as much as it has in other parts of the country, in 1950 more than 60 per cent of all indictable offences were cleared up. This figure compares with an average of 44 per cent for the whole of England and Wales for 1949. The uniform branch made nearly twice as many arrests as it did in 1947, before the system was introduced, and the work done—that is, according to the number of reports of incidents—has increased by nearly 50 per cent.

There can be little doubt that the general principles of the Salford system are better suited for policing urban districts under modern conditions than the traditional beats. Obviously, the system will have to be modified to fit in with the needs of much larger areas such as London. The greater density of traffic, the different character and habits of the population, and the special duties which are imposed on the Metropolitan Police will all have to be taken into account. There must be a period of experimenting first. But of all recent suggestions for improving the police service, none holds out better hopes of success.

tion is of some importance; if there is to be—as the Russians wish—a meeting of the council, they will be legally correct in insisting that discussion be restricted to matters concerned with the peace settlement and not stretched to include, for instance, complaints about Soviet—or American—policy in general. If it is to be a coming together of the ministers for more general purposes, then the discussion could, in theory, range far wider; but there is no sign that the Russians want this.

When the deputies meet to discuss the agenda next month this is one of the first matters with which they will come to grips. Whatever the prospects of their agreeing, it is of vital importance that the western deputies should have at the back of their minds a clear-cut, firmly agreed policy for Germany. For there are signs that Moscow is made uncomfortable by all evidence that the initiative is being taken out of its hands.

Stalin Gives the Line

This discomfiture over western complaints of heavy Communist armaments shows itself strongly in Stalin's interview with *Pravda*, which made the headlines of

the Soviet press last week-end. In answer to the first question put to him, Stalin argues at great length that the social and economic policy of his government is entirely incompatible with the picture of Soviet rearmament drawn by Mr Attlee in the House of Commons. The argument amounts to saying that a nation cannot simultaneously have guns, shoes and hydro-electric stations. In fact it is not difficult to understand how the Soviet Union gets all three when it is recalled that the pick of its army—twice the size of General Eisenhower's present force—has lived largely on the East German economy, and that standards of pay and amenity are much lower than in western forces.

There has been much fussy speculation about the timing and significance of this interview. It seems clear that it was intended mainly to give the line for two important occasions: the elections to the Supreme Soviet of the Russian Republics and the meeting of the World Peace Council in Berlin. Hence the statement that world war "at least at the present time . . . cannot be regarded as inevitable," and the great emphasis on the need for "the peoples to take into their own hands the cause of the preservation of peace and defend it to the end." With his strategy of all mischief short of war, Stalin naturally regards the Party's subversive peace campaign as "of paramount significance."

Two other points were noteworthy. First, the suggestion that the United Nations' troops must be defeated in Korea, because their men have no faith in the cause for which they are fighting. This way of committing the Chinese ally to victory is hardly balm for the sore wounds that Peking must be feeling. Second, there was a much more detailed and angry attack on the United Nations than is usual in Soviet statements, without the usual assurance that the Russians will go on trying to make it work. Indeed, Uno was said to be "taking to the inglorious path of the League of Nations" and "thereby dooms itself to disintegration." As Moscow has always rejected proposals for revising the Charter, it may be considering the idea of boycotting Lake Success and using the World Peace Council as its platform instead.

Tory Diversions

The series of Conservative challenges to the Government in the House of Commons has ended for the moment. Although there was some criticism of Mr Churchill's decision to make defence policy a party issue, most of the Conservative back benchers feel that boldness and aggressiveness are the best tactics for the moment. Although some of the longer headed Conservatives would as soon delay their arrival in power until the present wave of industrial unrest has passed, the majority are baying for power—or, in other words, conforming to the central meaning of politics.

Various groupings are discernible within the Conservative party, but they are much less clearly defined than those in the Labour party—or, for that matter, in the Conservative party when it was in power—simply because the Tories are in opposition. Back benchers become much more vocal and active in the party councils when there is a chance of influencing government policy or securing office. In the wartime Parliament, for instance, there was not only the Tory Reform Committee, with its liberal tendencies, but also the Progress Trust to oppose it by standing firm as the "hope of the stern unbending Tories." Both these groups have fallen into obscurity, but their counterparts would spring up again if the Tories secured power with a substantial majority.

Under the relatively unruffled surface—for the Conservatives are a highly disciplined and very "secure" party—one can detect at least three main groupings of opinion. Setting aside such individual diehards as Sir Waldron Smithers and Sir William Darling, there is a distinct right wing group.

Sir Herbert Williams, Sir John Mellor, Major Guy Lloyd, Mr Kenneth Pickthorn might well emerge as leaders of this Old Guard, to whom Mr R. A. Butler and his views are anathema. Against them one can set the progressives—young men most of whom were trained in the Conservative Central Office during the postwar years—Mr Alport, Mr Maudling, Mr Orr Ewing, Mr Fort, Mr Ian Mcleod. They are the Tory counterpart of the Fabian Society intellectuals, though not necessarily of the Labour dons. The true opposite numbers of the dons are the young executives who would almost certainly go straight into junior Ministerial posts, and some into senior posts—Brigadier Head, Brigadier Low, Mr David Eccles and Mr Birch. They are more interested in administration than in the manipulation of men's wills which is so large a part of the day to day work of politics. The businessmen on the back benches are themselves worth study. The hard-faced man who got into politics as the spokesman of big business between the wars is no longer a distinctive figure on the Tory benches. Many of the more vigorous back benchers who are in business are self-made men with relatively small interests—Mr Harris the food manufacturer from Croydon, or Mr Marples the builder. They are unlikely to gain high office in a Tory Government, but would occupy the same kind of positions as the less important trade union officials in the present Government.

There are genuine divisions of emphasis and outlook among the Conservative back benchers, but the ground that is common to almost all of them is a poor opinion of their own front bench, on which only four or five men command real respect and confidence. A Tory Government which did not draw heavily on the services of new men would find its own rank and file extremely critical and restless.

Writing Off Groundnuts

The Government had its narrowest majority for some time in Tuesday's division on the second reading of the Overseas Resources Development Bill. The Bill gives effect to the decision to write off the £36 million advanced to the Overseas Food Corporation for the East African groundnut scheme, and transfers responsibility for the corporation from the Minister of Food to the Secretary of State for the Colonies. (The Minister of Food will, however, have direct responsibility for the Government's interest in the Queensland-British Food Corporation, which was set up by Queensland legislation, as a subsidiary of the Overseas Food Corporation, to grow sorghum and raise pigs and cattle in Queensland.)

The Opposition's amendment to the Bill was to the effect that good money should not be thrown after bad in Tanganyika until there has been an impartial inquiry and reliable estimates have been obtained. The Government's reply was, first, that to abandon the scheme altogether now would cost as much as it is planned to spend in the coming seven-year experimental period. This argument by no means answers the Opposition's case, since if the scheme has eventually to be abandoned, it would be cheaper to do it at once than after another £6,000,000 has been spent. There is much more substance in the Government's second point—that a fresh inquiry could hardly elicit any more reliable estimates than those already put forward on the basis of the reports of the two working parties, composed partly of independent experts, which visited the groundnut areas. Whether crops can be grown profitably in the areas that have been cleared at such cost can only be found out by experience, and it is this experience which the corporation is now buying for a relatively modest £6,000,000. Moreover, the fact that the money will in future be provided by annual votes will give regular opportunities for calling a halt.

The purpose that an independent inquiry would usefully serve is to reconsider the whole question of colonial develop-

NOTES OF THE WEEK

When Foreign Ministers Meet

Looking back over the stubborn diplomatic exchanges between Moscow and the western capitals of the last four months, a significant pattern emerges. At one moment in November the Russians had the initiative with their insistence that the proposed rearmament of Western Germany must be discussed in the Council of Foreign Ministers. At another the West regained it by insisting that there were wider causes of international tension than disagreement over Germany, which could not be properly discussed within the limits usually observed in the council's agenda. When Moscow tried to shy away from the proposal of a more comprehensive discussion, the West came back with its declaration that the high level of armaments in the Soviet Union and satellite countries was at the root of most current fears. In short, as the discussion by note has shifted away from the limited point of Germany to the broader one of relative strength in armaments, so the Russians have become less eager for an early meeting.

The question now to be asked is whether we shall see this spring a meeting of the Council of Foreign Ministers or just a conference of four foreign ministers. The distinc-

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the civil estimates of £193 million, compared with 1950-51, bringing their total to £2,383 million. In fact, however, almost the whole of this increase is accounted for by what is really defence expenditure. Expenditure on strategic reserves by the Ministry of Food, the Ministry of Supply and the Board of Trade will amount to £143 million, compared with under £13 million in the present year. Nearly £17 million of the increase of £52 million in the Ministry of Supply's general estimate is also attributable to the defence programme.

If these amounts, and the increase in the estimate for civil defence, are subtracted from the total, the increase in the civil estimates proper is only some £40 million, of which £11 million is accounted for by a higher vote for Foreign Office grants and services. Of much more interest is the comparative stability in the estimates for the social services. For some of these, notably education and the Exchequer's grants to the national insurance fund, annual increases are at present inevitable. The health service has, however, apparently achieved financial stability—a matter which is discussed more fully in the following note. The increase in the Assistance Board's vote reflects a full year's payment of assistance grants at the higher scales approved last May. It is not possible to obtain an exact estimate of the food subsidies from the vote on account, but the Ministry of Food's vote rises from £398 million to nearly £405 million, while the food production services of the Ministry of Agriculture and the Department of Agriculture for Scotland show an estimated fall of nearly £18 million.

The following table gives some idea of the cost of that part of the social services which falls on the Exchequer, although it should be remembered that in the vote on account this cannot always be distinguished from the general departmental estimates.

	1950-51	1951-52
Ministry of Food (incl. food production services)	443.3	432.3
National Health Service	392.9	398.0
Education (incl. Grants to Universities and for Science and the Arts)	246.8	255.8
Ministry of National Insurance (incl. family allowances)	214.6	219.4
National Assistance Board	91.3	97.1
Housing	60.7	60.3
Child Care (incl. approved schools)	7.8	8.0
	1457.4	1470.9

The general policy for 1951-52 seems to be one not of retrenchment but of stability in non-defence expenditure.

Wot, No Supplementaries?

A year ago, the country was presented with an additional bill, amounting to nearly £100 million, for the cost of the national health service. This year, Sir Stafford Cripps's ceiling on social service expenditure has proved to be more firmly fixed. The supplementary estimates issued last week, amounting to £13,836,000, are almost entirely accounted for by an increase in the Assistance Board's vote of £7,305,000, and by the Treasury's purchases of the silver recovered from the withdrawn silver coinage, which accounts for an extra £2,000,000. Additional sums are, it is true, needed to pay dentists and chemists in Scotland, but these have been offset by savings in other branches of the Scottish health service, with the result that the supplementary estimate for the health service as a whole is the modest sum of £10, instead of £100 million.

Yet the stability that has been achieved in the cost of the health service this year—and apparently for next year as well—should not be taken to mean that its finances are now in a healthy state. Apart from the fact that it is impossible to estimate accurately the cost of a service for which

the public demand is so unpredictable, the most unsatisfactory feature of the present system of financing is that a straitjacket is being placed on a service that must be flexible to be successful. It is impossible to see how full advantage can be taken of the progress in medical science with the existing rigid control of hospital budgets and the strict limits to expenditure on other branches of the health service. The only way in which relief for the taxpayer can be reconciled with the need to improve medical care is by making people pay as they use the service. Otherwise, the Government may find itself in the ridiculous position it has got into over meat—and drugs like cortisone will have to go unused because they would add too much to health service costs.

Pre-Crisis in France

With its debate on electoral reform, which has been given priority over infinitely wider economic issues, the French parliament has entered a period of what the newspapers call "pre-crisis." The situation is as usual ticklish and the outcome obscure. Apart from the Communists, who cling ferociously to the proportional system, all parties desire electoral reform. The crucial rift is between the MRP, which wants a departmental majority system with one ballot, and the other parties which want the same system, but with two ballots. If under either system there is no absolute majority in a department for a party or association of parties, the seats are, as in 1946, to be allotted proportionately to the votes cast.

The burning question is: Will M. Pleven insist on a vote of confidence on the two-ballot system? If he does, he will fall, for on this issue and this issue alone, the Prime Minister will find an absolute majority of MRP and Communists against him. In that event, M. Pleven is entitled to ask for a dissolution, but may not do so (a dissolution before the end of the Assembly's life would entail the advent of a caretaker government with Communist Ministers, which would scarcely be palatable to France's allies). If M. Pleven calls for a simple vote the two-ballot system may prevail; for the Council of the Republic will certainly amend the bill, and upon its return to the Assembly in several weeks' time there will be an opportunity for a final compromise between the two factions in the coalition.

But what seems most improbable is that France can afford to wait six weeks for decisions regarding its economic future. This stubborn fact may well indeed dissuade M. Pleven from staking his government on a vote of confidence. Here again the parties, excepting of course the Communists, are broadly agreed with M. Buron, Minister for Economic Affairs, that the prices of key products (coal, steel, gas, electricity) must be pegged in order to avoid repercussions throughout the whole economy. Disagreement ranges over the amount of inflation permissible on account of the rise in world commodity prices. One optimistic estimate is that the increase in the price of coal could be limited to 5 or 6 per cent by subsidies to the nationalised industries—coal mines and gas and electricity. This measure would entail, it is believed, a transfusion from the Exchequer of 60 billion francs. These funds might be found half by loans floated by the public utilities themselves, and half from consumer taxes on cars, petrol, tobacco and other luxuries. M. Faure, Radical Minister of the Budget, while declaring himself against subsidies that would increase the existing deficit for 1951, has proposed the creation of a price stabilisation fund to be applied to the key products.

The sole alternative to this policy of controlled inflation via key subsidies is, it seems, to allow prices and wages to find their level, perhaps 25 per cent higher than the present

ones. To go to the polls after such a policy would be tantamount to mortgaging the governing power of the next parliament. In any event some decision must be taken without delay. Already steel and iron manufacturers are holding back their stocks in anticipation of the government's raising their price. If this goes on production will fall and unemployment soon follow.

Rock of Contention

It is high time that the Foreign Office began to take the question of Heligoland seriously—before there is a tragedy or an incident that will have a quite disproportionate effect on German relations with the British. Those who insist that the RAF cannot practise its bombing anywhere else, or that it is unwise to give way to the Germans in angry mood, do not seem to realise that they are up against a highly organised campaign to squeeze every drop of propaganda value out of public feeling over the devastated rock. Now the conspirators have publicly declared their intention to repeat some time in the next fortnight the *Aktion*, or foray, on to the island that provided a lead story for the German press on New Year's Day.

A motley group of resisters has gathered under the leadership of Prince Hubertus zu Loewenstein, including representatives of Moral Rearmament, the "Group to Fight Inhumanity," the European Movement, and the powerful organisation of those who were driven westward across the Oder-Neisse line in 1945 and after. Their arguments in favour of allowing fishermen, excursionists from Hamburg, tourists and inhabitants to have access to the island are of less importance than the fact that this group's agitation is weaving together the nationalism of the eastern refugees, the sentimental sympathies of many western Germans and a peculiarly German version of the feeling for a united Europe. The prince's slogan is "a free island, in the free Germany that is to be, in a united Europe." In other words the harmless are being shepherd into alliance with the harmful in an agitation against British authority. It is hardly fair to expect these people to understand that there is some connection between the security of free Europe and the precision of British bombing; and there is now a real risk that somebody will be killed and become a martyr overnight.

Difficult Mood in Madrid

Although the question of the ambassadors has now been settled between Spain and the leading western powers there is no lack of difficulties in the way of a genuine rapprochement. A great deal of water has still to flow down the Manzanares before Madrid will regard either London or Paris in a benevolent light. In a speech at the turn of the year General Franco gave it as his view that 1951 is the decisive period in civilisation's struggle with Soviet imperialism. In that he certainly stands in good company. But the Spaniards' reactions to tentative suggestions that they should enter into closer and more friendly relations with the North Atlantic Treaty powers are apt to be deliberately unhelpful, indeed provocative.

Even in his appointment of an ambassador to London General Franco appears to have done his best to twist the lion's tail. After British rejection of Señor Castiella, a man with a notable Falangist record, and after the distinct possibility that General Franco might have nominated his brother Nicolas, he has now sent—in Duke Miguel Primo de Rivera, the second son of the famous general who ruled Spain in the nineteen twenties—someone whose sound and uncompromising Falangist background will not smooth his path in London. In Madrid, too, it is questionable how much the new British ambassador, Sir John Balfour, will be able to contribute to the improvement of relations if—as is rather

expected at present—General Franco will receive him when he arrives and then not again except on very special occasions. This would not be the way to repair broken links.

In replying at some length to a recent leading article in *The Economist* the Madrid newspaper, *Ya*, which usually reflects Catholic political opinion, made these two points—amongst others. First, the western powers now owe Spain reparations for the long period of their hostility; until these are made Spain cannot offer them any help or alliance. Second, disapproval of the Spanish regime is unwarranted interference in other people's business; who is asking liberals to support a "totalitarian situation" anyway? Neither point shows a sense of realism. If progress is to be made in the rapprochement, which is now in the interests both of Spain and of the western powers, two things must be clearly understood: first, that the west has no need or intention to buy Spanish favours; secondly, that in the democracies Spain's experiences during the last fifteen years have come to stand for something which cannot be forgotten overnight. If the new relationship is to prosper each side must contribute.

Rabbi and Immigrant

Whether President Weizmann and the outgoing Prime Minister of Israel, Mr Ben Gurion, succeed in their efforts to reform the Government or are forced to a general election, the basic issue which faces them remains. The present crisis concerning religious education is symptomatic of a clash of wills which has been occurring for some time (the last cabinet crisis turned on the same issue). The trouble is the pull between the young worker who wants a bus to go on his Friday evening hike and the Rabbi who doesn't.

The religious bloc is becoming increasingly defensive and strict in face of the opposition of Jews from Western Europe who have been brought up with a more liberal attitude towards the observances of their faith. In fact, the Israel politicians are discovering that to administer a modern state which is half-way to being a theocracy is a wellnigh impossible task. King Ibn Saud nearby still maintains a theocracy because his government is entirely autocratic, and it has not yet suggested to the Beduin that there is any reason why their hands or feet should not be severed as the punishment for theft dictated by the Koran. Other more enlightened Moslem states have over a period of years gradually dropped the more outmoded customs of their faith and adopted liberal laws to govern their citizens' behaviour. But they all still have many legal reforms to undertake. Israel may have to follow suit and attempt to solve this issue before it has absorbed too much of the time and energy needed for constructive work.

The Liability of Hospitals

It is hard to credit that for forty years the Courts have been in doubt whether the governing authority of a hospital is responsible for the negligence of its staff, and, if so, of which sections of the staff. In other fields of activity the employer is responsible without question for the acts of his servants done in carrying out their duties. Just as the London Transport Executive is liable for the results of carelessness on the part of a bus driver, so an accountant is liable for the professional carelessness of his clerk. But in 1909 the Court of Appeal decided that St. Bartholomew's Hospital, while it was responsible for choosing its professional staff with care, was not responsible for the way in which the staff discharged its duties. In 1942 the Court of Appeal found itself unable to follow that line of thought through to its logical end; it held the Essex County Hospital liable for the negligence of a nurse on a hospital staff, but one member of the Court would not extend that ruling to a surgeon or an anaesthetist on the hospital's staff.

Last week the Court of Appeal went one step further. It held the Ministry of Health, as the authority now responsible for all hospitals, liable for negligence in a Liverpool hospital. If a patient engages his own surgeon, a hospital authority is not responsible for the negligence of that surgeon, although the patient may be in a ward of the hospital and receiving nursing care from the authority's own staff. But, as Lord Justice Denning said, where the doctor or surgeon, consultant or not, was employed and paid by the hospital authorities those authorities were liable for his negligence in treating the patient.

The decision is of considerable practical importance. It is often difficult, and sometimes it is impossible, to identify what is the particular negligent act which has produced the injury or who is the person individually responsible for that act. In this last case before the Court of Appeal, the patient had an operation to relieve stiffness in two fingers of his left hand. When the bandages were removed fourteen days later, the whole hand was stiff. Something had gone wrong, but what? The cause may be one doctor will argue over interminably, but it is hardly satisfactory for a patient to be told by his legal adviser: "If we can prove the cause of the damage was something done by a ward sister, the hospital will pay; if it was something done by a theatre sister, we cannot succeed." The common-sense view is that a patient entrusts himself to the combined resources of the hospital team. If the teamwork is not adequate, then their employers should be liable for that failure. That, in short, is the view now taken by the Court of Appeal.

* * *

The £1,000 House

The architectural competition recently organised by *The Builder* may have an important influence on current thought about the cost and size of council houses. The competition was for the design of a terrace house to accommodate a family of five at a ceiling cost of £1,000 based on prices ruling at January 1, 1951. The winning design was for a house of traditional materials costing £950 with a superficial floor area of 781 square feet.

The price is more than 25 per cent below that of the average three-bedroomed council house. The floor area is also some 25 per cent smaller, but a mere reduction in size would not have reduced costs proportionately. A good part of the economy is due to the omission of elaborate fittings, the second lavatory, the outhouse and other less necessary amenities. The price is very attractive: the reduction in size is likely to raise a storm of protests. Yet here is a solidly built and constructionally sound house, providing the essentials for a good home at a price that the working-class family can afford. The total cost of the house with proper allowance for land and site preparations is £1,144, which gives an economic rent of 19s. 8d. a week, or 11s. 3d. a week if the full £22 subsidy is allowed. With rates this would mean a gross charge of, say, 25s. a week unsubsidised or 16s. 6d. a week subsidised. What is more, this is in no sense a freak house. Of the 322 entrants to the competition, almost all kept within the £1,000 limit and a fair proportion produced designs as practicable, cheap and serviceable as the winning design.

This result is a direct challenge to government housing policy. Dr Dalton should certainly be willing to try the winning house in bricks and mortar. There is already a contractor ready to build fifty at £950 apiece. Four houses for the price of three should be tempting—and it would be interesting to see the response if they were offered at an economic rent of 19s. 8d. without subsidy. If, as is very probable, there are families—ordinary wage-earning families—who would be delighted to rent, at this figure, as many of these houses as can be built, what is the justification for the subsidy?

Shorter Notes

The Bill providing for the call-up of Class Z and other reservists—the Reserve and Auxiliary Forces (Training) Bill—was published on Wednesday. It follows the lines foreshadowed in Government statements but contains two additional provisions of some importance. The procedure to be used this year may be repeated in each of the three following years by Order in Council, without fresh legislation. Secondly, considerable penalties (up to 2 years' imprisonment and a fine of £500) may be imposed on anyone who incites reservists to evade or fail in their duties; to possess documents having this effect is itself an offence, and rights of search by warrant are provided. The provisions are similar to those of the Incitement to Disaffection Act, 1934, but the penalties are stiffer.

*

The text has now been published of the Government's Bill to extend its powers under the Supplies and Services Acts. It consists of two clauses: one adds a further string of generalities to the already wide array of objects for which defence regulations may be kept alive; the other, more sober and definite, extends the powers of the Minister of Transport to close or divert highways for defence purposes. (The second clause contains provisions for public inquiries and for compensation.) But it is satisfactory to be able to record that the Bill does not seek to change the present situation under which these emergency Acts are now renewable on an annual basis only.

Prosperity and Honour

Such, then, is now the flourishing state of the empire. People everywhere fully employed, poor rates decreasing, revenue increasing, taxation in progress of reduction, military and naval forces to be diminished, and tranquillity in every part of the country, particularly in those large towns the growth of which has alarmed even some of the advocates of Free Trade, are the distinguishing features of the times. We have, as the result of Free Trade, prosperity at home and honour abroad. England is, as formerly, "teaching the nations how to live," and they have no higher ambition, though they mistake the source of her greatness, than to follow in her footsteps and be prosperous like her. . . . Now we may perhaps realise to our imagination what would have been the condition of England at present had free trade in grain been refused. Marriages, those signs of a people prosperous at present, and full of hope for the future, calmly pursuing domestic happiness, there would have been comparatively few. . . . The number of paupers and the amount of poor rates would have increased, and having no richer England to help us, they would have swallowed up the rent of the landowner and the profit of the capitalist. Trade would have been paralysed and shipbuilding suspended. As it can scarcely be expected that the people of England would have patiently suffered starvation, the probability is that our great towns would have been foci of sedition and insurrection, and many of those whom famine spared would have been cut down by the sword. . . . For a timely rescue from impending disasters, almost unexampled in history, the nation has not yet learned to be sufficiently grateful to the Great Disposer of all events, and to the statesman whom He inspired with wisdom to do, and to that portion of the people to whom He gave skill and courage to demand the performance of, the right thing at the right time. The Corn Law was appropriately abolished in an hour of need and peril, and the abolition has saved the nation from unspeakable calamities.

The Economist

February 22, 1851

Whenever Export figures are quoted there comes the accustomed reference to 'expert British Craftsmanship.' But . . . have you stopped to ask yourself . . .

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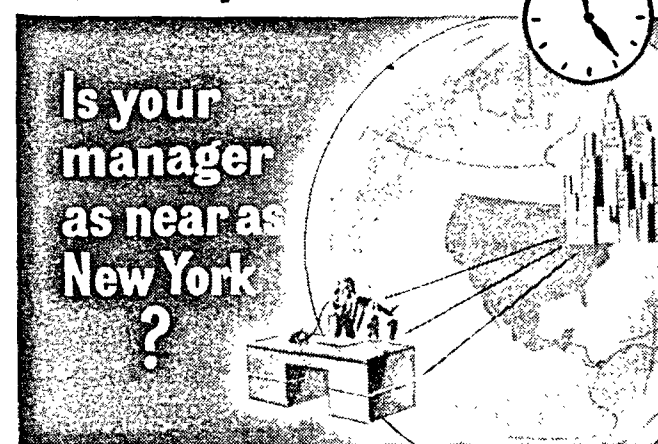
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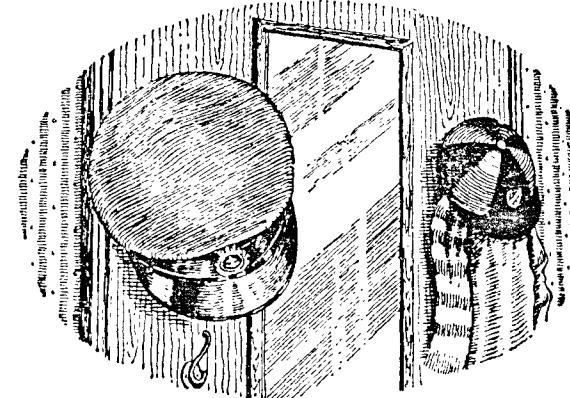
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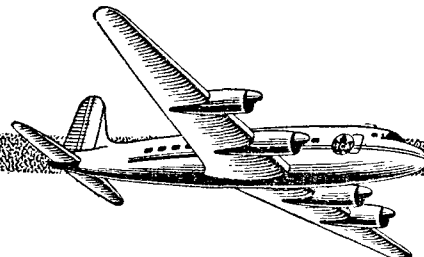
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Letters to the Editor

Fiddling with Federation

Sir,—On August 3rd, 1949, the Committee of Ministers, by letter, asked the Assembly

to consider any necessary change in the political structure of Europe to achieve greater unity between members, and to make effective European co-operation.

The Assembly responded by adopting unanimously the resolution that "the aim of the Council of Europe was a political authority with limited functions but real powers." It then proceeded to define what the resolution meant, and the protocol is the result. Thus, the protocol stems from the request made by the Committee of Ministers to the Assembly to consider necessary changes in the political structure of Europe.

You suggest that the specialised authorities "have received little more than passing mention." The protocol embodies all the resolutions passed by the Assembly on that subject, and, moreover, by enlarging the competence of the Council by giving it rule-making powers and creating a joint executive, the protocol provides the only adequate and necessary machinery for the proper creation, co-ordination and development of the specialised authorities.

You say that in its essentials the protocol is federalism not functionalism. The former presupposes the creation of a political authority; the latter leads to it. I think we might bury both phrases. The Council of Europe exists. The question we have to consider is whether it fully serves the needs of the peoples of Europe, or whether it fails to serve those needs. And whether its competence and its organisation can be improved. As constituted, the Committee of Ministers has really nothing to do, except curb the excesses of the Assembly. So long as all political and economic matters of any importance are under the control of other European or Atlantic organisations the Council of Europe is impotent, and it is doubtful whether the Assembly can even serve as a sounding-board for Europe.

The commonsense of the protocol is that it does create a political authority; makes sense of the Council of Europe; and meets the different points of view of all its members. The British want unity to proceed by co-operation at Government level; most of the Europeans want a parliament. Under the protocol the council becomes a parliament; its competence is very wide, but before it has any legislative or executive powers a Bill must be approved by the Assembly and the Committee of Ministers, the latter voting unanimously. All European organisations are merged with it; an Executive Council for the Assembly and a Joint Executive for the Council as a whole are created, so that the foundations are laid for the development by agreement of an effective European political authority.—

Yours faithfully, R. W. G. MACKAY
House of Commons

Greeks at Peace

Sir,—An article in *The Economist* of February 3rd says that "the high prison figure of 25,000 is explained by prolonged detentions for political reasons." The total number of persons now in prison in Greece serving sentences after trial and conviction does not exceed 21,000; most of these are cases of ordinary crimes of common law.

As regards internees, the civilian internment and re-education camp at Makronissos was closed some time ago. Since the commencement of the guerilla war, 23,471 civilians against whom the authorities had very strong evidence that they were supporting the rebels, were deported to Makronissos; of these 20,180 were subsequently released after a review of their cases. The remaining 2,800 men and 485 women have been adjudged by successive tribunals as irreconcilable Communists and as a threat to national security. The men have been transferred to Aghios Efstratios and the women to Trikkeri. The only internees still at Makronissos are 200 irreconcilable officers and other ranks, and 610 persons awaiting trial or appeal.

Suggestions that consumptives are living in the same conditions as healthy prisoners are quite untrue. Such allegations regarding the prison at Yioura, for example, were investigated by the Research Institute of Chest Diseases, which found that the proportion of persons with tuberculosis symptoms was less than 1 per cent. Full medical facilities are of course available in all internment camps and cases requiring clinical attention are transferred to the Soteria Sanatorium in Athens.—Yours faithfully,

A. A. PALLIS
Minister Plenipotentiary
London, W.2

A Railway Strike?

Sir,—In your Business Notes of February 17th, in reference to the findings of the Court of Inquiry into the railway dispute, you conclude that the issue is perfectly clear—that higher wages can only be paid if the railways are worked more efficiently.

Broadly speaking, I do not disagree, but when you go on to argue that it is reasonable to ask that the cost of increasing wages should be met by putting an end to restrictive practices, it is prudent to ask what are the restrictive practices of which the Railway Executive complains.

An extension of lodging turns of duty would effect a further use of manpower, but at an increased cost on account of the mileage rate and lodging allowance. Other changes proposed include extended rosters of 9 hours or more—usually more. Why talk about extended rosters when men are already working 9, 10, 11 and 12 hours per day, when traffic conditions warrant? When men object to

an extended roster it is usually because they have performed an effective 8 hours' work and need a hot meal and a rest. It is often on these full and exhausting duties that the railway official wants to tack a bit more, because the man is already on the road and relief means sending men—usually available—out from the depot. Another proposal, the reduction of rest time between duties to 9 hours instead of 12, would again effect a greater availability of manpower.

You will see that the emphasis is all the time on the greater availability of manpower and has very little to do with efficiency. There is, without question, considerable waste of manpower on the railways through sheer bad organisation. What in fact the Railway Executive is asking is that the improvements of recent years, which have at last given us engine-men a minimum of leisure for home life and recreation, should be nullified. I use the term "minimum of leisure" to compare with the large mass of workers who have every week-end free and who have the opportunity of following connected social and recreational activities.

The proposal to abolish "knockers-up"—a custom by no means universal and which could be settled by local agreement—gives one the impression of a desire to "hit the headlines" and suggests that the whole batch of the Railway Executive proposals is nothing more than a counter-attack to the men's claims, and a defence of an outworn system of management that is unable to adjust itself to modern needs. What is perfectly clear is that a worsening of conditions will accelerate the already considerable flow of first-class drivers and firemen from the job, for better pay and conditions easily available outside the railway service.—Yours faithfully,
Surrey ENGINE DRIVER

Housing Figures

Sir,—I agree with your correspondent that national statistics on housing are hard to come by. I have, however, made some investigations in Northampton that may be of interest.

Population, approximately 100,000; almost exactly one house to every three people, including the latest born baby; over 1,250 houses built since the war, and no significant increase in population; 4,700 on the waiting list; 2,700 families without a separate home; 5,800 houses that do not adequately house their inhabitants. Each of these last three figures is worse than in 1945. In spite of 1,250 new houses the housing situation is worse.

The cause of the trouble is that maldistribution of population amongst existing houses is going on faster than the building programme. More rooms are being emptied and wasted than are being built. I believe that there are a number of causes. As Mr Bevan observed, people can now afford more. Social insurance—and in particular national

assistance, which pays rent—has enabled old people to stay in houses where they could not previously have stayed, and there are more old people.

The main cause, however, in my opinion, is rent restriction. Occupation has become a vested interest which nobody will part with if they can help it. The price mechanism for distributing houses has been removed, and nothing has been put in its place. Tenure has become rigid. The cost of repairs has trebled and the landlord can get virtually no income profit from his houses. His sole interest is to obtain vacant possession and take a capital profit. He therefore does his best to get his house emptied. Sub-tenancies and lodgers are discouraged, and alterations to make the house available for more people forbidden. The privately owned houses are, therefore, becoming progressively more thinly populated. Of 12,500 houses of this type in Northampton, 2,000 are overcrowded and 9,000 occupied by two people or less.

I myself believe that the only cure for this problem is to give the local housing authority management of the rent restricted houses in its area. You would then get a proper organisation for repairs and you could get alterations

done. You would substitute a management which desired to get houses filled for one which wanted to get them emptied. This, I think, is the vital point. For instance, in Northampton, on the council housing estates, each house accommodates an average of nearly five people; whereas the privately owned houses accommodate an average of considerably less than three people.

I do not think any compulsion would be necessary. Many people are uncomfortable because they are over-housed, and would be only too willing to move if one could get away from the present rigidity.—Yours faithfully,

House of Commons R. T. PAGET

Russia's Agro-Towns

Sir,—I have seldom read a gloomier report than the very interesting article of your correspondent on Russia's agro-towns. It seems obvious that the technical and labour-saving aspects of the amalgamation should bring considerably smaller advantage to the Soviet Government than it advertises, because reorganisation and the building of the new agro-towns will need much additional manpower, and the net gain will be only the somewhat reduced number of

bureaucrats. The redundant farmer will be far from a satisfactory asset to the industry, especially in Russia, where technical skill is not one of the best points of labour. The true reason for this ghastly idea of depleting the countryside and the transfer of the peasant population to agro-towns with "beautiful houses and asphalted streets" seems to be that the Russian farmer is still in some sort of clandestine opposition. The only way to deal with him is to eradicate all remains of individualism, to sever all ties that bind him to his native land, and to create in this way a new addition to the cruelly artificial society of the Marxist state.

As the free world is unable to fight this menace, it should at least retain the lesson that the hard core of free mankind is the peasant. Everything should be done, therefore, to help these true pillars of free society. To create by land reform as many individual farming units as possible is not enough; their economic success is just as important. Economic, technical and financial aid as well as thoughtful agricultural policy should be the first aim of all countries, but especially of the so-called backward ones.—Yours faithfully,

C. DE FELLNER
London, W.2

Books and Publications

The Planned Miasma

Planning in Practice. By Ely Devons. Cambridge University Press. 231 pages. 15s.

This is an important book. It is true that the general lessons learned by academic economists from their wartime experience in government departments have by now been pretty fully absorbed into current thinking. But what has appeared in print has been much less the direct analysis of this experience than its distillation. The aim—as in Professor Robbins's *The Economic Problem in Peace and War*—has been to restate broad principles of economic policy in the light of wartime experience. Professor Devons himself made a useful contribution to this distilling, in a paper on planning in general, as long ago as 1947. It seems probable, however, that the academics would have enforced more of the attention that their generalisations deserve, particularly from the government departments themselves, if they had not tended to neglect the intervening stage in the argument—the study of wartime planning and controls in specific cases. Mr Devons has written a book sufficiently good to be partial compensation for the lack of the many parallel studies that ought to have appeared by now. It is concerned solely with aircraft planning by the Ministry of Aircraft Production, of which Mr Devons had four years' experience, but his sharply drawn analysis of one case should help to clarify understanding of the way in which planning worked in practice for other kinds of production.

Mr Devons wisely has not tried to write a formal study—still less, a history—of MAP. His book is a personal analysis of the Ministry's planning activi-

ties as they appeared to an economist engaged in them and intellectually anxious to fit them together as a system. It is hard to decide how far the unorthodox form of the book is a success: in effect, its chapters are nine essays (the appendix deserves the dignity of that title with the other eight) on various aspects of aircraft planning. The result is certainly to emphasise conclusions that are reached twice or more from different approaches. On the other hand, the defect of the method is that it involves some compulsory repetition of fact and argument; and Mr Devons's defect as a writer is that, in the search for clarity, he sometimes runs into voluntary repetitiveness. But this is a small weakness; no one should allow himself to be deterred by it, or to be misled into thinking that he can get what is important without reading all the "essays."

Many of Mr Devons's conclusions deserve long discussion. What stands out, however, is the impression that wartime planning was much more inexact than is even now realised. Generally the planners' facts were wrong, their estimates of cause and effect were crude guesses, and their programmes were out of date and out of joint even when they had been anything but impossible "targets" from the start. All this has, of course, been demonstrated before. But it is still not only in local Labour party resolutions that the existence of any shortage or waste in a free market is taken automatically to be something that more planning would put right. Mr Devons's great service is to show with

unusual detail and force what misallocation and waste of resources is likely to occur under planning; and that is when total war makes the overriding priorities few and obvious. The implication is not, of course, that planning much like that practised by MAP could be avoided in another war; it is most definitely that such planning is not to be thought of as a main instrument of rearmament policy in a situation well short of war.

The Impossible Shaw

Thirty Years with G. B. S. By Blanche Patch. Victor Gollancz. 256 pages. 12s. 6d.

In "Thirty Years with G.B.S." Miss Blanche Patch has drawn upon half a lifetime spent with one of the liveliest personalities of the century to write one of the stuffiest books of the year. It would not be a just criticism to state that the book simply supports the axiom that no man is a hero to his secretary. Miss Patch seems to bear no malice against Shaw; in fact, she seems to have formed no real opinion of him at all. Her book clacks on like an office typewriter, while she waggles her head in amazement at goings-on which would never have been tolerated in her father's rectory at Winchelsea.

One of Miss Patch's most irritating gambits is her confession on one hand that she took no real interest in Shaw or his work, and her simultaneous persistence in passing every sort of imaginable judgment on him, including the depth of his affection for his wife. Although the bulk of Shaw's work had been written before 1920, she "knew nothing of his writings" when he hired her, and her

interest quickened only slightly over the years; for example, she never listened to a complete broadcast of a Shaw play. This does not stop her from the smug pronouncement that she read "Jitta's Atonement" in manuscript and correctly predicted that it would be a failure. Again, she placidly admits a complete disinterest in political affairs; this does not deter her from curling her lip at the old man's panic when he saw his income eaten up by the Socialist Government which he had helped to bring to power.

Viewed through the small end of Miss Patch's telescope, Shaw seldom emerges as much more than a bearded bundle of eccentricities. She may well have respected and admired her late employer, but "Thirty Years with G.B.S.", as she has written it, is a mean book about a mean man.

The American Solution

The World in Crisis. By J. Salwyn Schapiro. McGraw-Hill. 429 pages. \$4.50.

This book is an evaluation of the political and social movements of the first half of this century of the "common man"—who is no longer distrusted as the upholder of revolution, but cherished as a safeguard against it. The author examines the reasons for the passing of liberal capitalism, and finds them in the application of science to industry; the introduction of mass production methods to colonial peoples, which converted suppliers of raw materials into competitors for finished goods; and the creation of national cartels, which nullified free enterprise. Abuses of economic despotism resulted in the rise of socialism, and the planned economy of the depression and world wars was carried over into the welfare state of today.

Professor Schapiro stresses the anomaly of an international economy in a world of national politics, and poses questions which are crucial to the Western way of life. Are democracy and liberal capitalism indivisible? Can democracy secrete its own antidote to ills arising in the body politic? Will the wider distribution of wealth resulting from the abandonment of *laissez faire* mean greater production? Greater production, obtained by American economic hegemony and "know-how" is the panacea. He is convinced that if

all the world enjoyed a standard of living comparable to that of the United States, our welfare would be accomplished and our iniquity pardoned.

This useful summary of contemporary affairs suffers from repetition and an over-simplification which sometimes distorts the author's conclusions. For him, the granting of dominion status to India is "the debacle of colonial imperialism" due to the economic exhaustion of India's "enemy." No account is taken of the Simon Report, the Round Table Conferences, the Government of India Act, and other landmarks in the evolution of British-Indian relations. Nor has he any qualm lest the Atlantic Pact, instead of being "novel in the history of diplomacy" should prove a new guise for the balance of power of the bad old European days, when "because of the military might of the Great Powers it became the practice for all the other European powers to dance to whatever tune the Concert played."

Professor Schapiro is unhesitatingly censorious in pointing out the faults of Europe, and lyrically unashamed when glorifying the American role in world affairs: "The daughter who, in 1776, left her mother's house, slamming the door, now returned a friend, rich, powerful and generous" . . . "the dramatic entry of America as champion of democracy" . . . "the immense prestige of the greatest power in the world." Phrases like these recur with almost mechanical regularity, and one feels a nostalgia for the quiet and powerful dignity of Lincoln's Gettysburg speech, or Roosevelt's sober statement of the Four Freedoms.

The strongest part of the book is the summing up of the struggle between two rival revolutions; one in support of world organization based on an international bill of rights, and the other on totalitarian hegemony over satellite states. The conclusion would make a good text for the New Year:

An old world is dying, and a new world is struggling to be born. . . . It is, therefore, of the greatest importance for the present generation not to expend any effort in defending what is already dying. It should, however, exert all possible effort to maintain intact those values bequeathed by the past that continue the "chain of being" of Western civilization.

The Root of Evil

The Industrial Development of South Wales. By A. H. John, Ph.D. University of Wales Press. 201 pages. 12s. 6d.

Detailed regional studies in the history of industrialisation are an invaluable means of testing the generalisations of the economic historians. How important were the local banks in providing industry with capital in the early nineteenth century? How far was the movement to the new industrial areas a drift by short stages from parish to parish and how far was it a more purposeful long-distance migration? Dr John applies these and many other questions to the period 1750-1850, the era of the dominance of iron in South Wales, dealing particularly with problems in the financing of industry, the development of a labour force, the markets of the coalfield, and the techniques of production. His analysis is no rehash of accepted views and facts but is based on extensive documentary material hitherto untapped, notably on estate records and the papers of such magnates as the Crawshays.

The South Wales coalfield, lacking an industrial tradition and a large merchant class, was characterised by the immigration of enterprise and capital, and the merchants of Bristol, "the Welsh metropolis," and London, attracted by the appetite for iron of the wars of the late eighteenth century, were the first to come. The author emphasises that this "foreign" enterprise remained largely dependent on Welsh labour, even skilled workmen being only rarely imported. The gap between master and man, accentuated by the linguistic difference, was thus exceptionally wide, the more so as a substantial middle class failed later to develop. The essay illuminates particularly the methods of countering capital shortage on the coalfield, demonstrating the degree of importance of loan capital, frequently raised on the security of a mineral lease.

We are continually reminded here of the dangers of a too easy exploitation of mineral resources; economical, even reasonably safe, mining techniques were introduced only slowly, while lighter industries were stillborn. The reader sees developing before his eyes the ground of the region's later economic vulnerability. This study in industrial

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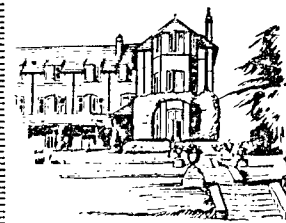
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expansion, though marred by careless proof-reading, is one which no student of the period should miss.

Mass Produced Man

Enter Citizens. By Alexander Clifford. Evans Brothers. 280 pages. 12s. 6d.

In this book, Mr Clifford takes a quick tour around postwar Europe. He himself knows Europe extremely well, having lived and worked all over it as a foreign correspondent since the nineteen thirties—except when he was a successful war correspondent. Mr Clifford is a master at his own trade. But it is doubtful whether he brings any new message. He summarises ably and points a moral in a number of pithy passages. But his book manages to leave the impression that, while it provides an entertaining and valuable introduction for those who know relatively little or indeed nothing about postwar Europe at first hand, it does not have a great deal to offer the more experienced observer.

Part One, the first fifty pages, is the best of the book. It is the personal story of how Mr Clifford and his wife, Jenny Nicholson, arrived and established themselves in the Rue de Combray—an excellent description of the mood and atmosphere of Paris immediately after the war. The author calls this section an overture. His opera goes on to describe the mass-produced man of the present day, a distasteful creature who has emerged from the war as the new sovereign in contemporary European politics. This man is self-satisfied and smug, always blames others for his misfortunes, has a distaste for work, tends to resort readily to violence, pursues ordinariness as a cult because he is himself of such poor quality, seeks a good life in this world rather than the next, and has "a passionate interest in the products of the civilisation he is taking over, but little or none in the principles or mechanics of it." Severe though he is, Mr Clifford undoubtedly hits a good many nails on the head. He goes on to describe the influence of democracy, fascism, communism, and religion in the world which the mass-produced man now inhabits. It also includes a round-up of Europe's economy on the lines of a Marshall plan report, and descriptions of places such as Albania, Italy and Germany, on which Mr Clifford has been reporting these last few years.

History of the Motor

Horseless Carriage. By L. T. C. Rolt. Constable & Co., Ltd. 204 pages. 20s.

The author truly says in his introduction that any book which aimed to give a complete and detailed history of the road revolution occasioned by the coming of the horseless carriage would necessarily be a weighty tome. It must be admitted that Mr Rolt has done his best to provide a broad outline of the evolution in Britain of the private motor car within a brief compass; as such it may appeal to a number of people who wish to acquaint themselves with the general history and progress of the self-propelled vehicle. The reader who hopes to find any serious contribution to his knowledge of the origin and development of the motor car will, however, be disappointed at the superficial manner in which various important events in the history of motoring are treated.

The author covers a very wide field, starting off with a lengthy description of the steam carriages which were the rather fruitless subject of much experimentation in the late 18th and early 19th centuries. He then proceeds to trace, more briefly, the introduction of the internal combustion principle on which all present-day motor cars operate. The book recounts a good deal of already published information about the development of the motor car through the Edwardian era, and also details models of the 1920s, of which many have vanished from the market. A chapter dealing with "The age of mass production and monopoly" shows how the methods of Henry Ford profoundly affected the British automobile industry, but the author's strictures on quantity produced cars are a little alarming. He is evidently a believer in the hand craftsmanship type of car building, which, of course, has produced some excellent results: it is difficult, however, to give whole-hearted support to his statement, that "with the recent death of Ettore Bugatti, quality lost its last champion."

Racing has a chapter to itself, with, naturally, emphasis on the Continental car. The author mentions that England has been predominant in land speed records, but no modern figures are given. The absence of accents in the printing of the book makes familiar words such as "Mercedes" look strange, while an

"e" which has been missed out of Henry Sturmeys name has found its way into "Roots" as applied to superchargers.

Perverse Yesterday

Contemporary Jewry. By Israel Cohen. Methuen. 410 pages. 25s.

This book is a painstaking work of scissors and paste. Most of the information which it gives is easily accessible—the tale of Jewish cultural development, of Zionism and the Palestine mandate, of the dreadful era of Hitler's persecution, and of Jewish services to the allies in the war. On the other hand, it omits two topics about which all interested Gentiles, and many Jews, would like to know more. One is the effect of unlimited immigration upon the living standard of Israel. The other is the machinery whereby the immense Jewish community of the United States annually collects and disburses its wonderfully generous charity, and the extent to which the donors think they should have a voice inside Israel. The United Jewish Appeal (annually feeding millions of dollars into the United Palestine Appeal, the United Service for New Americans and the Joint Distribution Committee) is not even mentioned. Only the last named gets a passing tribute. Mr. Cohen signed his introduction in April, 1950, by which time much information on all these topics was available. Since he fails to impart it, he misleads when he calls his book "contemporary."

He gives some revealing diagrams and statistics which show how the world's Jewish population has waxed and waned in our century and how greatly it has shifted in our generation. Over 51 per cent now lives in the Americas, and eighty-five per cent of American Jewry lives in the United States. He also gives some little known facts about the "Jewish autonomous territory" of Birobidjan in Soviet Asia. His account of the activities of Jewish organisations at the 1946 peace conference, where they were "careful not to concentrate upon" either the Slav bloc or the Western bloc is also new and interesting. But the book as a whole is disappointing. It strikes the note of a perverse yesterday, and scarcely conveys a breath of the zest that inspires contemporary Israel.



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AMERICAN SURVEY

Clearing Military Skies

Washington, D.C.

THE present preoccupation of the American amateur, who has, over the last few decades, taken up, and dropped, water-colour painting, psycho-analysis and the Popular Front, is with geopolitics. Hardly a day goes by without the publication of one or two ponderous articles accompanied by large maps on which swirling lines define the extremities of the Eurasian land-mass or the defence perimeter of the Western Hemisphere. It is essentially amateur geopolitics—and its application to military strategy—on which Mr Hoover and Senator Taft have been engaged during the past six weeks. Both have been addicts for some years and both remain unmoved by past failures.

"We would need five million to eight million American boys, in addition to the British," Mr Hoover announced portentously on November 19, 1941, "to invade Hitler's Europe. . . . No military expert believes we could land such an army in Europe." Undaunted by the collapse of this assertion, he affirmed, nearly ten years later, with equal certainty that "Communist armies can no more get to Washington than any allied armies can get to Moscow. . . . No responsible military man denies these two conclusions." As far as the first of them is concerned, it is to be hoped that, for once, Mr Hoover is right; as for the second, he is certainly irrelevant.

Nobody has suggested the raising of allied armies for such a purpose, but he made it necessary for Senator Lodge to get an assurance from General Marshall that "no vast American land army," such as would be needed for an offensive, was contemplated. And Mr Taft, who thought in March, 1941, that "war is even worse than a German victory," told General Eisenhower recently that he "somewhat exaggerates the danger of an unsuccessful war in Europe," since it does not follow that "because of a Russian success on the continent we should be cut off from any raw materials, either in the Belgian Congo or in Indonesia."

The inability of these two once more to spread their qualms all over the country, as they did six weeks ago, can probably be traced largely to the achievements of General Ridgway in Korea. He has done more than stabilise the line and seriously hurt the enemy; he has got the campaign back into the pattern of pre-Korean wars and made it comprehensible—and, therefore, less frightening—to the public. As long as General MacArthur was uttering his alternating cries of triumph and anguish, as long as the communiqués were being written by advertising copy-writers ("fighters roared into the air to resume destructive attacks on Com-

munist targets" was a typical example quoted in the *Christian Science Monitor* by Mr Joseph Harsch), there was a general feeling of unreality, a sense that, in some unexplained way, supernatural powers were aiding and abetting those "Chinese hordes" to which Tokyo referred with such relish.

All that has been changed. General Ridgway's tactics (which have been described as "homicidal rather than geographic") are understandable and deeply satisfying to a people who have suffered 50,000 casualties in a "police action" which they undertook from a profound belief in the value of collective security. European opinion may have grown testy and apprehensive under the unending stream of blunders which emerge from Mr Truman's press conferences or the more lasting political errors into which the opposition has led the State Department since June 25th. But Europe should not allow itself to forget the idealism from which sprang the national support for the President's action, even though some of its manifestations may have been inconvenient at times at Lake Success. The heavy casualties inflicted on the Chinese are some consolation for the unexpected failure of right to win a clear-cut decision over night.

More credence has been given to the news from the battlefield since the 8th Army took over the writing of communiqués, returning them to the realm of cold, factual statement, and since the Air Force gave up counting its efforts to the nearest Chinaman killed. The method adopted for arriving at these figures—that of counting bodies against the snow from reconnaissance planes—seemed to be one which was unlikely to provide an over-estimate. And so it proved. Where the retaking of ground has allowed them to be checked, they have been shown to be under-estimates—sometimes, indeed, no more than 10 per cent of the real total. But it is now realised that "more than 300 . . ." makes a better air force communique than "306 . . ." and these claims are now being accepted without derision. It is sober men in the Pentagon, not the publicists in Tokyo, who are now confident that the ratio of Chinese to United Nations casualties is in the region of 18 to 1.

There are still plenty of worries about the Korean campaign, one of the main ones being exactly how and when it can be finished. But the attitude towards it in Washington is now more relaxed and attention has been turned to the problem of building up American—and Atlantic—armed strength in other parts of the world. General Marshall told the Senate committees last week that it is not a question today of having large bodies of troops ready to march down

"Who Does This Eisenhower Think He Is?"



Herblock in the Washington Post

to the docks and embark for Europe. Our problem is the creation of troops. The limiting factor today, by far the most critical factor, is the long time yet required to do this.

By the beginning of 1953, he confirmed to Senator Lodge, the United States would have 18 divisions and 18 combat teams—roughly equivalent to 24 divisions in all—which will be no more than existed on the day of Pearl Harbour. When he was Secretary of State a little more than two years ago, he said grimly, there were only 1½ divisions in the whole continental United States. But he gave the impression that he intended the new divisions to be far better trained and more battleworthy than those he had available in December, 1941.

It has never been the intention of the Defence Department to produce and maintain, let alone send to Europe, a "vast land army." (In attacking such a conception Mr Hoover was barking up an imaginary tree.) Not even the American economy could support permanently such an army; armies in the United States invariably are expensive—the cost was recently stated to be \$10,000 a year for each man. But a vast air force is a different matter. In a war against Russia, the American army would not be, certainly during the early stages, more than a small component of the total Atlantic forces. But the air force which is planned—one of 96 groups—is imposing by any standards. Without help, it should be enough to outfight anything the Soviet Union could put into the sky. And it has been the strategic concept that Atlantic air power would be able so to harry and confound Russian armies advancing across Europe and so to smash their lines of communication that fifty or sixty divisions on the ground would be able to contain any offensive which could be mounted after the ordeal by air.

*

One of the most disturbing lessons of the Chinese attack at the end of November appeared at first to be that one man with a rifle, and with twelve pounds of rice and three days' supply of ammunition on his back, was a match for one fully trained and expensively equipped Western soldier. If this had proved to be true, the whole of the planning of the Defence Department would have had to be changed. Again General Ridgway came to the rescue. He showed that the reliance on fire-power on which the Pentagon planners had counted was not misplaced. (General Ridgway himself was one of the most influential of those planners until he was hastily sent to Korea on the death of General Walker.) That is not to say that some weaknesses in western methods have not been shown up. American technology is producing weapons which are too complicated. An American weapon has been found to need eight men to operate it while the Russian equivalent, undoubtedly inferior but not so inferior that it is less than 25 per cent as efficient, only needs two. But General Ridgway has demonstrated that there is nothing wrong with the basis of the planning of the last few years and there have been, as a result, some sighs of relief. Korea is now providing information which is valuable without being too disheartening.

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

Giant Money

[FROM A SPECIAL CORRESPONDENT]

AMERICANS in general regard their giant industries with pride even when they break them apart under the hammer of the anti-trust law. They recognise that their financial institutions are useful, but they are not so likely to admire them. Long before the Communists discovered the uses of Wall Street as a whipping boy, certain popular newspapers had found it profitable to exploit the fear, suspicion and plain dislike with which that symbol of the financial community was, and is, regarded throughout the country. These national attitudes, being deep-seated and complex, do not change easily. They have by no means caught up with the shift which, during the last decades, has taken place in the comparative size of American industry and finance.

When, in 1930, Mr Gardiner Means and Mr Adolf Berle made their important study of the American corporation,

COMPANIES HAVING GROSS ASSETS OF \$2 BILLION OR MORE

On or about January 1, 1930 :—	\$ Million
American Telephone and Telegraph Co.....	4,228
Metropolitan Life Insurance Co.....	3,011
Chase National Bank of New York.....	2,649
Pennsylvania Railroad Co.	2,600*
United States Steel Corp.....	2,286
Prudential Insurance Co. of America.....	2,267
New York Central Railroad Co.....	2,250
Southern Pacific Railroad Co.....	2,157
National City Bank of New York.....	2,206
Guaranty Trust Co. of New York.....	2,017
On or about January 1, 1950 :—	
American Telephone and Telegraph Co.....	10,775
Metropolitan Life Insurance Co.....	9,708
Prudential Insurance Co. of America.....	8,325
Bank of America National Trust and Savings Association (San Francisco).....	6,250
Equitable Life Assurance Society	5,269
National City Bank of New York.....	5,052
Chase National Bank of New York.....	4,780
New York Life Insurance Co.....	4,675
Standard Oil Co. of New Jersey.....	3,816
General Motors Corp.	2,824
Guaranty Trust Co. of New York.....	2,730
John Hancock Mutual Life Insurance Co.....	2,696
United States Steel Corp.....	2,556
Continental Illinois National Bank and Trust Co. (Chicago).....	2,553
First National Bank of Chicago	2,461
Manufacturers Trust Co. (New York)	2,452
Northwestern Mutual Life Insurance Co.....	2,443
Pennsylvania Railroad Co.	2,279
Mutual Life Insurance Co. of New York.....	2,075

* Estimated.

their list of non-financial companies with gross assets exceeding \$2 billion contained five names—the telephone company, three railroads and a steel firm. To these may be added three banks and two insurance companies with equivalent assets, making ten in all, five of them industrial and five financial. By 1950 the list of \$2 billion companies had almost doubled in size, and shifted notably in balance. Given the productive surge which accompanied and followed the war of 1941-45, it is not surprising to find nineteen companies where in 1930 there were ten. But the great growth is reflected not only in the productive industries but also in finance.

The telephone system has more than doubled in size, and still heads the list. The Standard Oil Company of New Jersey is now included in the first ten and the General Motors Corporation has also been added. In these twenty years the US Steel Corporation has dropped from fifth place

to thirteenth and all railways have slipped from among the first ten; only one of them—the Pennsylvania Railroad—is among the nineteen giants. Industry's score, which was five out of ten in 1930, is in 1950 five out of nineteen. The other fourteen are financial institutions, handlers of private capital. Seven of them are banks (with total gross assets of \$26 billion) and the other seven are insurance companies (with total gross assets worth \$35 billion). Accepting gross assets as a measure of size and power, it must now be recognised that 73 per cent of America's giant private enterprises are engaged, not in the making of goods, but in the handling of money.

So concerned has the country been with the increase in public capital investment that the implications of this other change in private capital have yet to be analysed and understood. In the light of it, two current developments take on added significance. The first is the government's suit, under the anti-trust laws, against the investment bankers. The second is the plea of life insurance companies incorporated in New York State to be allowed to invest their funds in a wider variety of securities.

*

The suit against the investment bankers which began to be tried last November, three years after it was filed, marks the first time that the government has attempted to bring this financial "industry" under the censure of the Sherman Act. The defendants are the seventeen leading investment banking houses and their trade organisation, the Investment Bankers' Association. Because ten of these houses are co-partnerships, all their 132 partners are named in the complaint. The list reads like a "Who's Who" of American finance. The government is charging both conspiracy in restraint of trade and monopoly. The ground of the complaint goes back as far as the handling of the Anglo-French loan of 1915 by a syndicate of banking houses, but the syndicate method is only one of many points of attack. In general, the plaint is that the defending companies conspired to monopolise the handling of security issues, to assign them to various firms by agreement instead of through competition and to prevent the issuer from selling his stock in a free market and the investor from purchasing in one; furthermore, it is alleged that they do actually monopolise the management of underwritings. The suit, similar to a British suit in Chancery, asks not for punishment but for the mending of practices alleged to be illegal.

Students of economic phenomena and development in the United States owe a large debt to the device of public hearings—before committees of Congress, state legislative

groups, judges on the bench—and this case promises to add a long and important chapter to the volumes collected earlier. The government may use testimony presented before the Pujo Committee of 1912, the Pecora inquiry of 1932, and the hearings of the Temporary National Economic Committee in 1939. With this as background, the Anti-Trust Division of the Department of Justice has, since 1944, been making its own inquiry into the business practices of the leading investment bankers.

For the defence, the case provides a chance to reply to the long series of earlier charges made without benefit of court procedure. Here, if ever, investment bankers can be presented as heroes, and the complex fabric of their business can be shown to play a vital part in the building of the country. In making the opening statement for Kuhn Loeb and Company, one of the seventeen defending firms, its counsel traced the transplanting to New York of mid-nineteenth century German banking traditions by the founding partners, the enlisting of funds from London, Paris and Berlin, the underwriting of rail and industrial ventures which, at great risk, were opening up a raw and empty land for future profits. He sought admiration for his clients as men of courage and determination who played a decisive part in creating modern America. The judge queried his use of the word "courage," the government counsel smiled. The presenting of evidence has not yet begun. The case promises to be a long one, and there is every reason to assume that it will be carried to the Supreme Court.

*

It is a provocative coincidence that the life insurance companies of New York should at the same moment be asking a state legislative committee for the right to purchase more kinds of the security issues that investment bankers deal in. Contrary to British practice, American insurance companies have been (since the airing of scandals in 1906) closely controlled in their investment programmes by the various States in which they make their homes. In New York, regulations now in force date from 1940, when permissible types of investment were newly defined and the percentages of funds which could be invested therein were fixed. The companies are now asking for more leeway. Specifically, they want to be allowed to invest in ordinary shares (a form of investment permitted to trustees since 1947, for 35 per cent of their funds) and to make loans to small business.

In both instances a troublesome factor is the size to which modern financial institutions have grown. The seventeen investment houses are charged with absorbing the management of more than half of all securities issued on a negotiated

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basis during a fifteen-year period. The insurance companies, individually and as a group, have outgrown the garment of investment within which they do business, and seek to add new material. The question with which both groups are faced is that of how big America will allow its new giants to become. For years the Supreme Court refused to consider mere bigness an offence unless it was demonstrably accompanied by dirty work. Then in 1945 came the decision in the anti-trust suit against the Aluminium Company of America, in which a lower court, acting with the delegated authority and subsequent approval of the Supreme Court, decided that in certain instances size itself might hold danger for the nation. The Aluminium Company was judged to be too big for the public good, and was ordered to break itself into pieces. That precedent, set in regard to an industry, hangs like a threat over the giants of finance.

American Notes

Senator Lodge Presents the Bill

General Marshall led the Defence Department's team of witnesses into the Senate hearings on the dispatch of ground troops to Europe and took the opposition's most promising wicket with his first ball. He announced that present plans call for only four divisions, about 100,000 men, to be sent to Europe to join the two divisions already there. This figure, well within Senator Taft's limit, disposed of the rumours of an expeditionary force of perhaps one million men so effectively that it seems a pity it was not published long ago. The Administration was, however, reluctant to give it, not only for security reasons, but also for fear that Congress, if given an inch of information, would try to take an ell and entangle the Administration in commitments for a still uncertain future. The questions later asked of General Bradley and other Defence Department witnesses showed that these fears were not groundless.

Senator Wherry and Mr Hoover are now trying to rally their side by suggesting that the White House is "gagging" military leaders who disapprove of sending American troops to Europe. Mr Hoover wants the committees holding the joint hearings—the Armed Services and Foreign Relations Committees—to carry out their own investigations in Europe and to hear "experienced and independent" witnesses; after that, he will himself be glad to "reappraise the whole question" for the benefit of the committees. Defeat may perhaps be postponed by this manoeuvre, but it remains inevitable.

The attack on the Republican "retreatists" is being led by the Republican internationalists, but they do not have enough confidence in the Administration's judgment and good faith to give it the free hand for which it asks. Senator Lodge has now presented their bill, in the form of a compromise resolution. He would permit the sending of a limited, but unspecified, number of troops to Europe, provided that the Joint Chiefs of Staff certify that this is essential to the security of the United States and that its allies have definitely undertaken to develop their capacity to resist aggression. Furthermore, a joint committee from the Senate and the House would be created to supervise the carrying-out of American commitments under the Atlantic Pact. Not only does this resolution contain the germ of further Congressional attempts to restrict the President's constitutional powers as Commander-in-Chief, but it also brings the House of Representatives into a picture that until now has contained only the Senate. Senator Connally, presumably speaking for the Administration, objects to the delays which this would inevitably cause. His own draft resolution calls only for Senate approval of the sending of troops abroad; it sets no limit to the number, but asks the President to

consult the relevant committees of both the House and the Senate, as well as his military advisers, before sending men to Europe.

* * *

Labour Walks Out

The three labour members of the Wage Stabilisation Board walked out last week. This was not only a protest against the wage formula adopted by the majority, but an attempt to dramatise the other grievances of the trade unions and bring pressure upon the Administration to remedy them. For the first time in history, officials of the American Federation of Labour, of the Congress of Industrial Organizations, and of the independent railway workers' and machinists' unions are working together to ensure that labour speaks with a single voice on wages, prices, controls and taxes, and that it is listened to with respect. Their bitterest complaint is that in the Office of Defence Mobilisation it has been drowned out by a businessmen's chorus.

The wage formula adopted by the public and industry members of the Wage Board permits increases of 10 per cent above the levels prevailing on January 15, 1950. This, it is believed, more than compensates for increases in the cost of living since then, and is adequate to allow those left behind in the wage procession to catch up. The Board promises to review the position in May, when the next index of consumers' prices is published. The unions had pressed for a 12 per cent ceiling, but their real objection is to the requirement that cost-of-living and productivity bonuses (the so-called "escalator" clauses), as well as the value of pensions and other non-wage gains won after January 25, 1951, must be reckoned in the 10 per cent. The automobile workers have already announced that if their escalator contracts are not honoured, they will no longer regard their contracts as binding.

The hesitation of Mr Eric Johnston, the Economic Stabiliser, to approve the formula, as he must before it becomes effective, is understandable. The packing-house workers of the CIO, who were granted a rise in the autumn, have just won another which the application of the formula would deny. The textile workers of Mr Emil Rieve, one of the labour members of the Wage Board, have already gone on strike for increases, both in wages and other benefits, which would not be allowable. Mr John L. Lewis, himself frozen out of the labour policy committee, has made it hard for the other union leaders to be conciliatory, even if they wished to, by rubbing it in that his miners have won increases totalling 20 per cent in the past year.

The walk-out of labour's representatives paralyses the Wage Board; the threatened withdrawal of its agents from other defence bodies would weaken seriously the whole-heartedness of the defence effort. Mr Truman is also aware that to alienate his labour supporters would mean the Democrats entering the next election races under a heavy handicap. Mr Charles Wilson, the Defence Mobiliser, has consequently decided to capitulate on at least one front. He has offered to grant the demand of the unions that he should appoint a labour man to his policy staff, if he will serve virtually full time. The letter conveying this offer was, however, an olive branch with thorns, for it insisted that the offer had been made previously—something the unions hotly deny. The question now is whether the unions will be satisfied with this victory or hold out for further concessions.

* * *

Wheat upon the Waters

The suggestion that the United States might allow the people of India to starve to punish Mr Nehru for his friendliness to the Chinese Communists has been indignantly repudiated. Among the sponsors of the Bill to authorise the shipment of the 75 million bushels India needs to maintain

its meagre grain ration are not only members of both parties, but even Senator Knowland and Representative Judd, both champions of the Chinese Nationalists and hence Mr Nehru's sharpest critics. Senator Taft himself climbed aboard at the last moment, after the President had enlisted the aid and political influence of Mr Herbert Hoover.

No political strings are attached to the wheat thus cast on Asian waters. But the Administration proposes that although the whole amount should be authorised, Congress should only appropriate funds for the first million tons, and that a mission should be sent to India to supervise the distribution of the grain and investigate the need and other sources of supplies. India will be required to establish a counterpart fund in rupees, to the value of the wheat (about \$190,000) to be used to increase its productivity. These provisions, similar to those accepted by the Marshall countries, should do much to meet Congressional criticism. This is rooted not only in resentment of the Indian role at Lake Success, but in suspicions that India has cut off some of its own food supplies to spite Pakistan, both by refusing to buy Pakistani wheat and by growing jute and cotton on food lands in order to avoid buying these crops from Pakistan. Another point which troubles Congress is that though India offered to accept a long-term credit, the Administration prefers that the wheat should be a gift. This is because, even if India could repay the loan, repayment would delay India's programme of development.

The wheat itself can be spared from the American reserve of about 375 million bushels, much of which is held by the Department of Agriculture. There has been a run on the cheap wheat subsidised under the International Wheat Agreement, and the Department has withdrawn the subsidy, temporarily, to make certain that what remains of the year's quota is fairly distributed. But wheat is available at American market prices, if only the box-cars can be found to bring it to the ports and ships are taken out of the reserve to carry it to India in time.

It would be quite wrong, however, to attribute any part of America's generosity to a desire to be relieved of surpluses. The burdensome stocks held by the Department of Agriculture before the Korean war have run down rapidly; most of what remains is sanctified as an emergency reserve; and Mr Brannan has appealed to farmers to grow all the wheat, maize and cotton they can, at the expense of crops not essential to defence. Production controls imposed, but fortunately not everywhere observed last year, have been lifted from all commodities except peanuts and tobacco. Maize producers in particular are being urged to increase their harvest to 3,500 million bushels from 3,130 million last year, to compensate for the large consumption by livestock.

* * *

No "Miracle" for New York

The State Board of Regents, the highest educational authority in New York, has revoked the licence for the showing of the Italian film "The Miracle" which, grouped with two others under the title "Ways of Love," was judged the best foreign offering of 1950 by the New York film critics. The step was taken unanimously, on the ground that the film was sacrilegious. Earlier it had been denounced as blasphemous by authorities of the Roman Catholic Church, Cardinal Spellman had asked all Catholics to boycott it, and the theatre had been picketed. In January the Commissioner of Licences in New York, Mr McCaffrey, tried to ban "The Miracle," but was prevented from doing so by the courts. Two other films have suffered recently from Catholic action: a showing of the prize-winning "Bicycle Thieves" was withdrawn after a march of protest by the Knights of Columbus, and in Albany the police closed "Bitter Rice" after complaints from the Legion of Decency.

In New York, the licencing of films is the province of the Motion Picture Division of the Department of Education;

appeals, when a licence is denied, are addressed to the Regents. The "Miracle" case is, however, the first time the Board has been asked to revoke a licence already issued; the power to do so is not specifically granted in the law, and is to be disputed in the courts. In the meantime New Yorkers will not see "The Miracle."

Licences are withheld from films which are immoral, obscene, inhuman, or sacrilegious. The last standard is the difficult and dangerous one to apply, for what is offensive to one faith is not necessarily so to another. A group of Jewish rabbis and Protestant ministers have defended the right of non-Catholics to form their own judgment of "The Miracle" and even the judicious *New York Times* has concluded that where such doubts exist, it is essential to "lean away from censorship."

Two years ago when Mr Paul Blanshard published his book on "American Freedom and Catholic Power," arguing that the second was endangering the first, fear of Catholic resentment and reprisals led to its going almost unreviewed in many newspapers and magazines; those which touched it wore gloves. Yet despite what the *Nation* called the "silent treatment"—or perhaps because of rumours of the boycott—the book stayed on the best-seller lists for many weeks. The surest way to feed the religious intolerance which is always a danger in the United States and which Catholic writers claimed to find in Mr Blanshard's book, is for the Roman Catholic authorities to attempt to use the state to impose censorship on Americans not of their own faith. Even the Vatican's attempt to discourage American Catholic laymen from joining Rotary and other clubs caused such criticism that the order had to be modified as it applied to the United States.

Shorter Notes

The Export-Import Bank has granted the first credits to Spain out of the \$62.5 million included in the last Marshall Plan appropriation. Three of the four credits, which add up to \$12.2 million, are to help Spain build up its agriculture, but the fourth and largest, for \$5,000,000, is to buy cotton. Spain used to be an important buyer of American cotton, but has not had the dollars recently; it was Congressional representatives of cotton-growing states who were primarily responsible for the passage of the loan authorisation over the Administration's protests.

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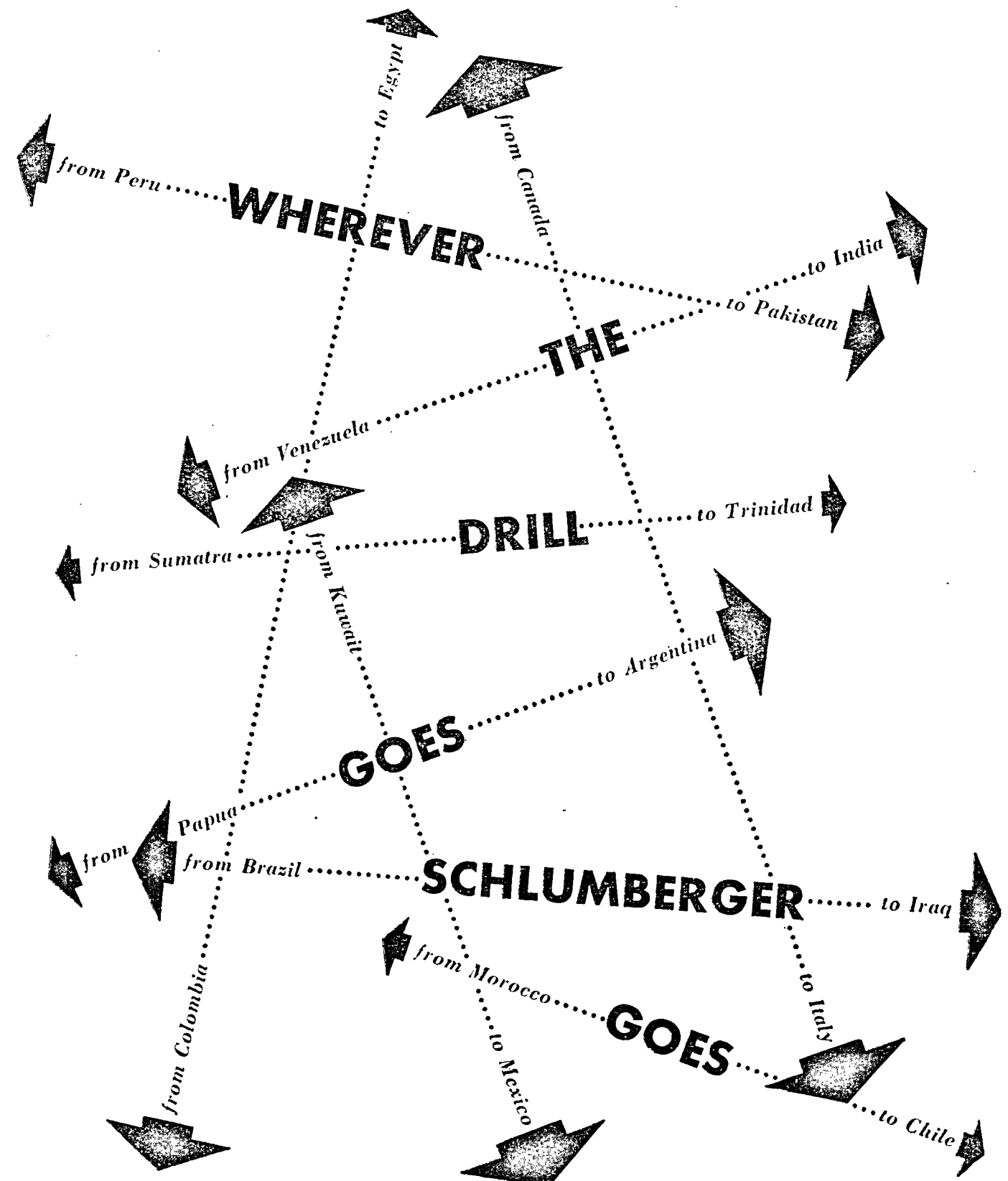
The Air Force, expressing its regret, has dropped its charges of disloyalty against a Negro officer in its reserve, Captain Charles Hill, who has an outstanding war record. The allegations, which carried "guilt by association" to new depths, were that he had been seen reading the *Daily Worker* and that his sister and father had Communist connections. Captain Hill insisted that an enquiry be held before he would resign his commission; he argued that even if the charges were true, which he denied, they would hardly constitute evidence of disloyalty.

*

The State of Maryland has just completed a check of the famous Mason-Dixon line, named after the surveyors who, in the seventeen-sixties, marked it with sandstone monuments at intervals of a mile. The line is the boundary between Maryland, the most northerly of the "southern" states, and Pennsylvania and Delaware. Many of the monuments are still there, although so weathered and overgrown that they are difficult to identify.

*

The National Association of Coloured Graduate Nurses has disbanded, because it feels there is no longer any point in a separate group to look after the interests of Negro nurses. Nowadays, these nurses are welcomed by the white nurses' associations in all but four states—and, of course, the national capital, where racial discrimination is almost as bad as anywhere in the country.



THE WORLD OVERSEAS

Soviet Economic Progress—I

Production under the Postwar Plan

(By a Correspondent)

THE statistical office of the Soviet Government has published its report on economic development in 1950, without insisting on the fact that this was the last year of the first postwar Five-Year Plan. Thus the Plan has reached its end without the Soviet authorities having drawn up a general account for the period. This is the more surprising because the Plan has been, on the whole, successful. It may be that the overall balance will still be officially announced with the appropriate publicity and ado. In the meantime, a fairly clear picture emerges from a comparison of the five annual reports published between 1947 and 1951.

The first two years of the Plan were taken up by painful efforts at rehabilitation accompanied by bad harvests. In the third year the prewar levels of output were reached and slightly exceeded. At the end of 1949 the targets set for the end of 1950 were nearly reached. But it was not decided to proclaim the fulfilment of the Five-Year Plan in four years: instead, the final objectives of the Five-Year Plan were

the Soviet Union has not gone back to the five-day week and seven-hour day which were in force before the war.

The rise in employment and the lengthening of hours have resulted in an increase of man-hours worked by about 45 per cent. A rise in efficiency by 10 per cent over the last ten years would account for the claimed increase in the national income. On the other hand, Soviet sources claim an increase in productivity of labour by 40 per cent. Whatever "productivity of labour" may mean, it certainly does not mean sheer efficiency; for if it did, the rise in the national income should have been much steeper, in view of the higher employment. Incidentally, although Soviet statistics lump together workers and employees, Soviet economic theory considers only the former to be productive.

Industrial production was rising pretty steeply during the five-year period, particularly in its second half; according to the index in the accompanying table gross industrial output in 1950 was higher by nearly three-quarters than before the war.

This index also shows the rising tempo of development, and it indicates that 1948 was the year in which the prewar level was reached and exceeded. Yet, while for the whole of Russia that year's output was 18 per cent higher than before the war, output in the territories formerly occupied by the Germans was only three-quarters of the prewar volume. This shift from west to east, accelerated by the war, continued. Its strategic implications are clear.

For the first time it is now possible to compute a table showing in *absolute* figures, and not as has been customary in enigmatic percentages, the production of basic materials since the war. Here, too, the increase was relatively slow up to 1948 and was gaining in tempo from then onwards. In iron and steel the rate of increase approximately doubled in 1948.

Generally speaking, the output reached by 1950 does not differ considerably from the targets set before the war for the end of 1942 which was to be the last year of the third Five-Year Plan. In other words Soviet industrial output has reached only now the level it should have reached by 1942, if the war had not intervened. Even so, the USSR has now an output of basic materials superior to the German production of 1938. Obviously output a head of population is incomparably lower; and this affects the Soviet standards of living. From the power-political angle, however, aggregate output, rather than output a head, is decisive.

Basic Industry Moves East

Another glance at the table shows that, while coal output has risen by roughly three-quarters during the Plan and oil and electricity have nearly doubled, pig iron and ingot steel have more than doubled, while rolled steel has risen by nearly one and a half. The latter point indicates the great emphasis placed on the production of machinery.

The extent of the shift to the east is reflected in the following figures: Before the war the "West," i.e., the Donbass and the Moscow basin, produced nearly 100 million tons of coal out of a national total of 166 million, thus accounting for roughly 64 per cent of the total. In 1950 total output

rose by nearly 100 million tons and the East (the Kuzbas, Kazakhstan, the Urals and Siberian basins) was responsible for most of this increase. In fact, eastern output rose twofold from 70 to 140 million tons and now accounts for more than half of the total.

The same is true of steel. The Ukraine (the Donbass) produced before the war more than 8½ million tons of steel, while total output was slightly over 18 million tons. For 1950 the Plan foresaw a rise of some 7 million tons over that figure (this was in fact exceeded), but output in the Ukraine was to increase only by 200,000 tons.

The output of oil in the strategically vulnerable Caucasus has declined both relatively and absolutely. Before the war the Caucasus produced 27.5 million tons, nearly 90 per cent of the total. At the end of 1950 the Caucasian output was 6,000,000 tons less. Oil extraction in the east, on the other hand, rose to some 16 million tons. These came from the so-called "Second Baku" (the region between the Volga and the Urals), Central Asia (Turkmenia and Uzbekistan) and from the Far East (Sakhalin, which is, of course, highly vulnerable).

In spite of this substantial increase in oil extraction the Soviet Union still has less oil than it was planned to extract by 1942 according to prewar targets. An ever-growing number of tractors needs fuel; "save oil" is the order of the day and the shortage is one of the major motives behind the present electrification drive. By the end of 1950 one-third of the Soviet collective farms were to be electrified. Plans also exist for the introduction of electrically, instead of petrol-driven, agricultural machinery. The output of electrical current was nearly doubled during the five years, but 90 billion kWh fall far short of requirements; and the Soviet authorities plan to press electrification with the utmost vigour.

For cement and timber no absolute figures of production are to be found. For cement a very steep rise is claimed: between 1945 and 1950, according to Soviet sources, output has increased five and a half times. To this rise the transfer of East German cement works to Russia as reparations may have contributed. The timber target of 280 million cubic metres, on the other hand, has not been reached, since the Ministry of Timber and Paper Industry was almost every year censured for not fulfilling its plan. Timber output was slightly more than doubled during the five years, but development is hindered by shortage of manpower in the far north, by insufficient mechanisation and by transport difficulties.

(To be continued)

Fight for a Free Press in Argentina

[FROM A CORRESPONDENT IN BUENOS AIRES]

PRESIDENT PERÓN appears to have achieved a success recently in his efforts to control what is left of an independent press in Argentina. *La Prensa* has at last been compelled to suspend publication—not by direct action but by the subtle expedient of the politically-inspired strike. This success comes after an apparent setback in the middle of last year, when the pressure of public opinion—foreign and especially American, as much as domestic—induced Perón to shelve the "Anti-Argentine Activities Committee." Its chairman, Visca, and his immediate associates had made themselves notorious in the political witchhunt throughout the republic which brought about the suppression or suspension of some 150 newspapers—most of which, if not all, have since been allowed to resume publication.

After the opening of the 1950 congress last May Visca and his committee were replaced by another, which adopted an attitude of masterly and innocuous inactivity.

But the replacement of Visca's committee did not entail any curtailment of the holocaust of calumny and execration in the Perónista press, supplemented from time to time by the Government-controlled radio. Since Perónista interests acquired ownership or control of nearly all Argentina's newspapers, this campaign has centred on the three dailies led by *La Prensa* of Buenos Aires (the others being *La Nación*, also of Buenos Aires, and the provincial organ *La Capital* of Rosario, which has several times had to suspend publication for short periods due to restriction of newsprint supplies). All have been, and still are, the targets of the Perónista shafts but the brunt of the attack is usually borne by *La Prensa*.

La Prensa's premises, indeed, have time and again been the object of the fury of the Perónista mob; bombs—it is true, of the squib-like kind known in Argentina as petards—have on various occasions been surreptitiously placed in its offices; and on at least one occasion, after a demonstration in Plaza de Mayo, its staff were called on to "repel boarders" with the office fire-fighting equipment. The paper, which had large stocks, suffered more than other journals through the Government's expropriation of newsprint, however necessary and expedient this may have been in view of Argentina's short supplies; and payment for the stocks impounded, based on arbitrary and unrealistic valuations, involved it in considerable financial loss. But *La Prensa*, like Talleyrand in the Terror but by no means through resort to similar expedients, obstinately continued to live: more than that, it thrived. Reduced to twelve pages (enviable by present-day British standards but a mere fraction of its former size), forced through its policy of clinging to traditional standards of layout and reporting to print many columns in almost microscopic type and to adopt a weird-looking system of abbreviations in its classified advertisements, the great Buenos Aires daily, under the able and forceful direction of Dr Gainza Paz, greatly increased its circulation.

Boycott By Newsvendors

But, in December and January the paper, in common with its independent colleagues, exasperated the regime by allowing objective reporting of the railway strikes, which had been branded by the Government as the work of extremists and denounced in the Perónista press. The newspaper-sellers' trade union, which had, or was alleged to have, grounds for dissatisfaction with *La Prensa's* system of distribution, was persuaded to declare a boycott, after presenting demands which no self-respecting journal could consider even as a basis for negotiation. The boycott, although hampering the machinery of distribution, would not necessarily have forced the paper to close down, as it has its own chain of distributing centres—this being ostensibly one of the newsvendors' grievances. The boycott, however, was reinforced by a "sympathetic" strike of printing-house employees and truck drivers, decreed by the CGT (*Confederación General del Trabajo*), a body which is closely identified with the Peronista party and the Government. The paper's premises were picketed, its staff intimidated and appeals for police intervention proved fruitless.

The end of this latest phase of *La Prensa's* troubles is not yet in sight. At least a majority of its employees are not in sympathy with the strike decreed by the CGT, and offered to stay on their jobs even without police protection, an offer which the management declined on the grounds that it did not wish to expose its staff to the risk of injury. A deputation of the staff tried to interview the President, but failed.

The interests of the remaining independent papers in Argentina are, needless to say, bound up with those of *La Prensa*, for if that paper is forced out of existence, the others' turn will come sooner or later. *La Nación* has already been threatened, in a violently-worded manifesto signed by the secretary of the newspaper-sellers' union, with reprisals for

COMPARISONS OF PRODUCTION

		Index of Industrial Pro- duction	(In Million Long Tons)				Electricity (billion kWh.)
			Pig Iron	Raw Steel	Coal	Oil	
		1940=100					
1940	USSR	...	15.0	18.3	166.0	31.0	46.0
	USA	...	41.9	59.8	457.4	178.0	141.8
	UK	...	8.2	13.0	224.3	...	28.8
1945	USSR	...	8.8	12.4	150.0	19.5	45.0
	USA	...	48.4	71.2	509.4	227.9	225.5
	UK	...	7.1	11.8	206.3	...	37.3
1948	USSR	118.0	13.8	18.9	210.0	29.2	65.5
	USA	153.2	54.3	79.1	610.1	272.4	282.7
	UK	116.0*	9.3	14.9	209.4	...	46.5
1949	USSR	141.5	16.4	23.6	238.0	33.3	77.5
	USA	140.5	48.4	69.6	429.1	248.1	291.1
	UK	123.4*	9.5	15.6	215.1	...	49.1
1950	USSR	174.0	19.2	27.6	264.0	37.6	86.7
	USA†	148.0	19.5	25.4	250.0	35.4	82.0
	UK	159.3	58.2	86.3	491.3	263.9	328.9
	UK	134.5*	9.6	16.3	216.3	...	55.0

* 1938=100.

† Planned target.

raised but no details were made public. A comparison between the considerable overfulfilment of the original targets and the modest claims made for 1950—which were obviously related to the new targets—suggests that the raising of the sights was of the order of 10 per cent, at least in the output of basic materials.

The general progress is shown in the increase in the national income, which is claimed to be 60 per cent higher than in 1940, compared with a planned increase of 38 per cent. This is a startling claim; but it appears less so when it is compared with the huge rise in employment since the war. Total employment is said to exceed now 39 million, which is some 8½ million more than in 1940, although another computation shows the increase as amounting to only 6.7 million. The number of workers and employees has certainly grown by about 25 per cent, which may be partly explained by the continued employment of great masses of women. To this must be added the lengthening of working hours; for

allowing reproduction in its columns of foreign press comment on the *La Prensa* affair. But the matter does not end there. *La Prensa* is widely read and respected beyond the confines of Argentina; and Perón, always sensitive to criticism and peculiarly sensitive just now to criticism from abroad, is said to be unenthusiastic about—or to have had his hand forced by—the CGT activities. And the fact that the CGT is very much in Señora Perón's pocket has aroused speculation in Argentina.

Reforms in Yugoslavia

[BY A CORRESPONDENT]

THE abolition three weeks ago by the Yugoslav government of the State Control Commission is an important step towards a more efficient and less rigid administration. The commission, introduced in April 1946, was modelled on the Ministry of State Control in the Soviet Union, itself the offspring of the Workers' and Peasants' Inspection, an organisation which played its part in the rise of Stalin to supreme power in the 1920's. It not only audited public accounts, but supervised the working of government departments. It was entitled to see all official archives, and to send its members to watch the efficiency of bureaucrats at work. It was also entitled to examine complaints and denunciations by individuals or groups. It was highly centralised. The Yugoslav government has evidently decided, after five years' experience, that the commission did not serve a useful purpose, that it duplicated other work, maintained an excessive number of employees at a time when every able-bodied person was needed in production, that it unsettled rather than encouraged civil servants, and that its excessive centralisation prevented it from taking local conditions into account.

The years of Cominform hostility have taught the Yugoslav Communists a great deal about the bad features of the Soviet regime. Their leaders now freely admit that they copied too quickly and too enthusiastically its institutions. They are now especially keen to avoid undue centralisation and to humanise the bureaucracy, to give local people greater initiative and to recruit local talent. It is of course true that in the Soviet Union itself verbal attacks on bureaucracy have been a feature of the regime ever since Lenin's day. But in practice all that has usually resulted from such attacks has been the replacement of individuals. The system itself has remained inhuman, rigid and overcentralised. The Yugoslav leaders seem much more sincere and much more earnest than the "self-critics" of the Soviet Union. Moreover they have a great deal of practical experience of enlisting local ability and giving able persons their chance. During the war of liberation of 1941-5 the "People's Committees" on liberated territory were led by men who were not afraid to take responsibility or to make decisions, and who knew how to win popular support in their areas. After the war the best traditions of the liberation movement were often forgotten in the fervour of imitation of all things Muscovite. Now the evidence suggests that they are being revived.

The abolition of the State Control Commission will almost certainly be followed by further reforms. Another institution which is being reconsidered by Yugoslav experts on legislation is the procurator's department, also a highly centralised body based on the Soviet model, which greatly limits the freedom of the law courts. Every action of the Yugoslav government which makes the administration more efficient and more human, and which shows that the Communist leaders are willing to trust the people and to seek their genuine co-operation, will of course be welcomed by Yugoslavia's friends in the West.

More Electric Power for France

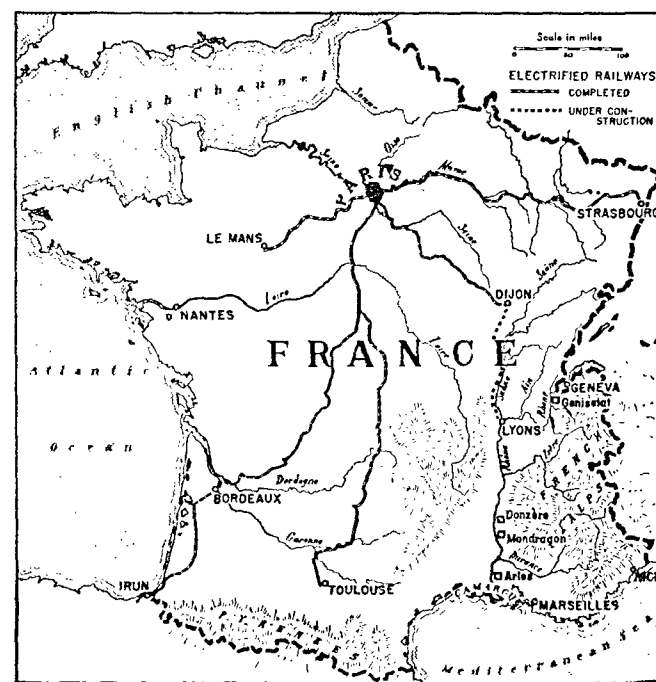
[FROM OUR PARIS CORRESPONDENT]

IN 1938 France's consumption of electricity stood at 20 billion kWh, in 1945 at 19 billion kWh and in 1950 at 33 billion kWh. This development is perhaps the most remarkable feature of French industrial expansion since the war. When the Monnet Plan was drawn up in 1946, a total production of 40 billion kWh was aimed at for 1951-1952. Owing to certain reductions in credits for 1951 resulting from the rearmament programme, this target will not be attained. Nevertheless, the coming years will certainly see a steady increase in production, which is made necessary by the ceaselessly rising demand. France's coal shortage (which increases relatively as its heavy industry develops) has prompted not only an expansion of electrical production but also, within that policy, a partial switch from thermic to hydraulic power.

METROPOLITAN FRANCE

	Millions of kWh	1949	1950
Hydraulic production.....	11,076	16,170	
Thermic production.....	18,950	16,900	
Imports.....	774	230	
Consumption plus losses.....	30,800	33,300	

A switch to hydraulic production demands, however, a guaranteed production well above the highest known con-



sumption if a country is to be safe from droughts and other disturbances to the electricity supply. In France, the last ten years have seen no less than eight years in which the flow of water to the hydro-electric installations was less than the average calculated over the last thirty years. Given also the desirability of turning the present small deficit in international exchange into a fairly large surplus, it is clear that many new barrages must be put into operation.

The three main regions in which hydro-electricity is produced are the Alps (60 per cent), the Massif Central (21 per cent) and the Pyrenees (19 per cent). 55 per cent of the power-stations are driven by running water and the rest by lake water and lockage water.

Although hydro-electricity is being expanded more rapidly than thermo-electricity, the latter's importance is very great in regard to maximum production at peak hours. Thus, while the total production in kWh of the thermic stations fell between 1949 and 1950, the maximum thermic power obtainable during the daily 15-hour peak period rose from 3,800,000 kW in 1949 to 4,100,000 kW in 1950. French thermic production is divided about equally between *Electricité de France*, whose power stations are in the heavy-consuming Paris region and in the west where there is no hydro-electricity, and the mines and ironworks of the north, east and south centre. In the production of French thermo-electricity there was consumed in 1950: 490,000 tons of oil, 710,000 tons of brown coal lignite, 11,630,000 tons of coal (in French "*charbon marchand et bas produits*") and 8,400 million cubic metres of gas.

The most interesting of French hydro-electrical projects are those undertaken by the *Compagnie Nationale du Rhône*. As early as 1921 the Chamber of Deputies passed a law authorising the regulation of the river Rhône for its better navigation, for the harnessing of its potential water-power and for the irrigation of its arid valley. Nothing much happened until 1933 when the *Compagnie Nationale* was formed. Two years later Génissiat, 31 miles below Geneva, was chosen as the site of the first of the operations to be carried out in the Rhône valley. Preliminary works were put in hand in 1937, and in 1939 the river was diverted from its natural course into two prepared concrete tunnels and its bed cleared for the construction of the permanent dam and the power plant. The first erections were swept away in June, 1940, when the command was given to flood the area in order to impede the German advance. Yet during the occupation the French managed to proceed with the work on the dam, building a huge concrete factory to feed the workshop and arguing the Germans out of thousands of tons of scrap-iron and many tons of copper. Génissiat began to generate current in 1950 with an annual production of 1,600 million kWh. Driven by four Francis turbines, each of a 100,000 h.p., the power station is one of the largest in the world. It has been calculated that 150,000 tons of coal went into the making of all the steel and concrete of which the dam and power station is composed. On the assumption that a kWh=a kilogram of coal, this amount of fuel is recovered in four months' electrical production by only one of Génissiat's six alternators.

Rhône Navigation Improved

If Génissiat is monumental, Donzère-Mondragon is gargantuan. The purpose of the Donzère project is to divert the Rhône from its natural course over a length of 30 km.; to canalise the river in concrete and, with a world-record head of water of 26 metres, drive six huge turbines. The annual average production of this power-station is to be 2 billion kWh. Donzère will begin to produce current in 1952. The canal will greatly facilitate the upstream navigation of Rhône shipping which has hitherto had to struggle violently with eddies in the narrows where the riverbed shelves steeply. The *Compagnie Nationale du Rhône* has already embarked upon a systematic irrigation of the Camargue, the wild and romantic area which lies between Arles and the Mediterranean. Oversalted from its contact with the sea and from lack of fresh water, the region has for the last century been almost lost to agriculture. Now it is fast becoming a major source of rice—a welcome substitute for war-ravaged Indochina. By the use of bulldozers, many rice fields have been cleared in the Camargue, the project having received some 100 million francs of government funds. What with this rice-farming, the cultivation of reeds for paper manufacture and prospecting for petrol the Camargue is fast ceasing to be merely a bird sanctuary and bull-breeding province.

The development of French electrical power has, of course, been enormously aided by ECA counterpart funds,

of which over 170 billion francs had been allotted to *Electricité de France* and the *Compagnie Nationale du Rhône* by January, 1951. Marshall Aid and French investments proper are in this respect transforming the country's industrial complexion. The electrification of the railways continues. The main lines already completed are Paris-Le Mans, Paris-Bordeaux-Irun, Paris-Toulouse. The line Paris-Lyons, is at present under construction of which the stretch Paris-Dijon was finished last year. (On this line the SNCF are running one of their admirable "sports" trains with a top speed of 125 mph. By all accounts this novelty is well up to the standard of the Paris-Strasbourg express on tyres or the *ultra-rapide* Paris-Bordeaux.)

If the Third Force can achieve Electrification Without Communism it will have taken a feather out of Lenin's cap.

How Strong is Formosa?

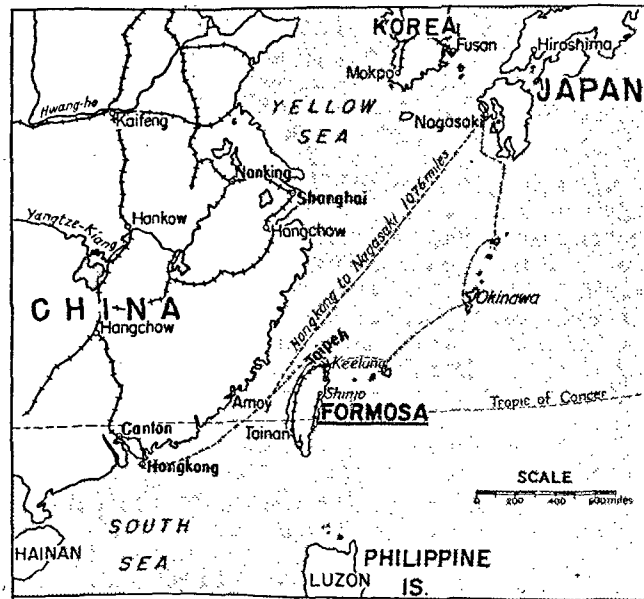
[BY OUR HONGKONG CORRESPONDENT]

THE question of how great is Formosa's ability to resist attack by the Chinese Communists cannot be answered in terms of material strength alone. The morale of the Formosans must also be considered; and this depends, not only on the effect of Kuomintang rule, but also on the history and traditions of the islanders. The Japanese regime was oppressive, politically and socially, and resistance to it continued to a varying extent throughout the fifty years of its existence. But the Japanese did promote industrial and commercial development and public and social services, and they did leave behind them a full framework of law and order, common security and efficient administration. In none of these respects have the Chinese Nationalists maintained the standards necessary to avoid acute disillusionment. The economic resources of the island are strictly limited, and the long and involved traditions of local unrest, separatism and spiritual independence (only partly offset by adherence to Chinese Nationalism) as well as the Formosans' readiness—unlike other Chinese—to call in foreign help, makes it unlikely that the present regime will endure without close supervision and heavy material aid from the Americans.

The troops of the first Kuomintang Governor, Ch'en Yi, created a bad impression as soon as they landed in 1945; eyewitness accounts describe them as heading straight for the shops ashore, looting stocks and bullying the civilian population. Corruption, indiscipline and uncertainty spread rapidly, in startling contrast to the orderly, though totalitarian, exploitation under the Japanese. It is reported that currency manipulation began at once over the question of withdrawal of the Japanese yen and its replacement by Chinese notes; official statements merely note that there was "prolonged uncertainty" about this. The note issue doubled in the first six months, and increased sixfold in the first 18 months, according to official returns. Confiscated Japanese assets were sold off at the latter date to influential interests, at prices fixed when the inflation was just beginning. Under the avowedly single-party system of the Kuomintang, there was widespread nepotism. The Formosan budget under the Japanese had divided expenses between "salaries and office costs" and "running expenses of public undertakings" in the ratio of 30 per cent and 70 per cent respectively; the official figures under Ch'en Yi's governorship show a reversal of these proportions, and on the revenue side a vast increase in direct taxation. A vast swarm of speculators and "carpet-baggers" descended on the island; smuggling and lucrative intrigue, running all through the political and administrative machinery, were major activities. There was a vast influx of civilians from the mainland, with no significant investment in productive activities, or even adequate maintenance of the existing facilities. Governor Ch'en Yi was removed from his post in May, 1947; he was recently reported executed for treason.

in June, 1950, having allegedly surrendered the Shanghai area to the Communists in return for his own safety and fortune.

The next Governor, Wei Tao-ming, succeeded Ch'en Yi in May, 1947. Some effort was made to counteract the hostile feeling remaining from his predecessor's time, which had ended in a period of violence—described by opponents of the government as an armed rebellion after a massacre of oppositionists, and by official sources as widespread rioting (February 28, 1947). Minor offices appear to have been "purged" by Wei, but there was no sweeping change in the senior ranks. The continuing influx both of troops and civilians put a heavy strain on the economy of the island; many new offices were created, and existing offices enlarged. The Railway Bureau, for example, increased its staff by 25 per cent at this time. Bank loans increased enormously, more than in proportion to the cantering inflation, and activity was predominantly speculative. Not only was there no new investment in fixed capital, but existing installations were rapidly deteriorating; the serious floods of 1947, for example, were at least partly due to the total neglect of the irrigation system. Food production was



unsatisfactory, for these general reasons, and also because of a shortage of fertiliser. Governor Wei left at the end of 1948, showing some signs of disappointment, but none of impoverishment.

The succeeding Governor, Ch'en Ch'eng, announced plans to build up Formosa as a powerful base for the reconquest of China. In contrast to the "Japanese collectivism" and "American liberalism" of his two predecessors, his own approach was declared to be that of "Fabian Socialism" [sic]. At this point ECA having ceased operations in China proper, Formosa became the main heir to the allocations for the "general area of China." The quip was therefore made that the first achievement of Fabian Socialism was to enable leading officials to acquire American automobiles of the new year's model; but distinct improvements were shortly to come. The fertiliser situation began to improve. ECA also stimulated a degree of industrial re-equipment, and provided technical supervision. Agrarian reforms also began, in which American aid and technical advice played a notable part; rents were restricted, and procedures improved.

The Fabian Governor was succeeded, at the end of 1949, by K. C. Wu, a man of high reputation, well known as a progressive former Mayor of Shanghai. Under his governorship the improvements, with American co-operation, appear to have continued. But the strain on the island is great.

The civilian population, which was just over 6,000,000 in July, 1946, was 7,450,000 in March, 1950, and 7,620,000 in October, 1950. As much as half of this may be natural increase (in which Formosa has one of the highest rates in the world), but these figures mean that one in eight or ten of the present population are recent political immigrants, few of whom are direct producers. After the fall of Shanghai (May 25, 1949) 300,000 Nationalist troops are said to have reached Formosa. This sudden increase in the garrison (apparently by as much as 200 per cent), which continued—the authorities now claim 600,000—thus comes on top of a 20 per cent postwar increase in the civilian population of the island. It is pointed out that Formosa is maintaining one soldier and one "non-productive" official per ten of the population, whereas Communist China (so far, though the present war situation may change this) has had only one soldier and one official per hundred of the whole population. A currency reform was effected in June, 1949; inflation has since resumed, but at a milder pace. The new yuan has recently appeared fairly stable at about 10.25 to the US dollar, compared to the rate of 5 fixed in June, 1949.

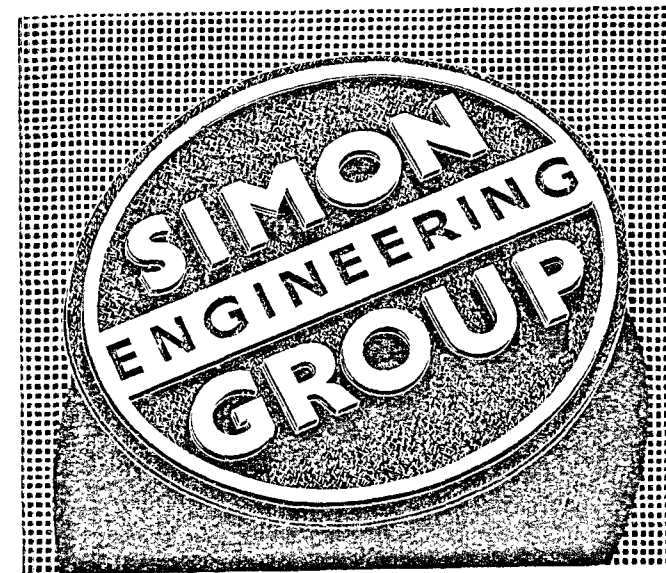
In spite of some signs of improvement many observers feel that the previous record of speculation, depredation, delapidation and uncertainty has done irreparable harm. The age-old unrest in Formosa is ineradicable by force, and can be soothed only by spectacular social and economic reforms, which may be unattainable at the present time; the possible effect of fifth-column activities is incalculable. A popular Formosan saying is that "we have (since the war) exchanged the rule of the dogs (the Japanese) for that of the pigs." Lately the participation of the Americans (unkindly described, in continuation of the saying just quoted, as "the swineherds") has effected considerable improvements. The "rule of the bear" does not yet appear to local people as a desirable alternative, but there is, all the same, deep disillusionment and some apathy.

Soviet Economic Interests in Austria

[FROM OUR VIENNA CORRESPONDENT]

FIVE years of occupation have given the Soviet Union quite a considerable stake in Austria's economy. Although a substantial part of it will remain in Russian hands after the peace treaty comes into force, the Soviet Union certainly stands to lose financially when this oft-deferred event takes place. Most of the Soviet Government's economic assets in Austria spring from the confiscation of property which belonged either to the German Government or to individual Germans when the German occupation ended and the Allied occupation began in 1945. By this time, of course, the process of aryanisation had placed all former Jewish property in German hands. In the Soviet zone it requires the approval of the Soviet High Commissioner before even an aryanised property can be returned to the original Jewish owner or his heirs. The great majority of such properties, therefore, are still in Soviet hands. Altogether, through arbitrary and unilateral interpretation of the phrase "German property," the Soviet Union has taken possession of over 1,200 concerns, some big, some small; some essential to the Austrian economy, some making luxury articles; some lucrative, some the reverse. In the other three zones these properties have been returned to Austrian control though the question of ownership remains technically in abeyance till the peace treaty comes into operation.

In addition to seizing these undertakings the Soviet authorities concerned who are known as USIA—the Administration of Soviet Properties in Austria—have arrogated to themselves the right, in spite of Austrian protests, to open new businesses in competition with existing Austrian ones. In some respects



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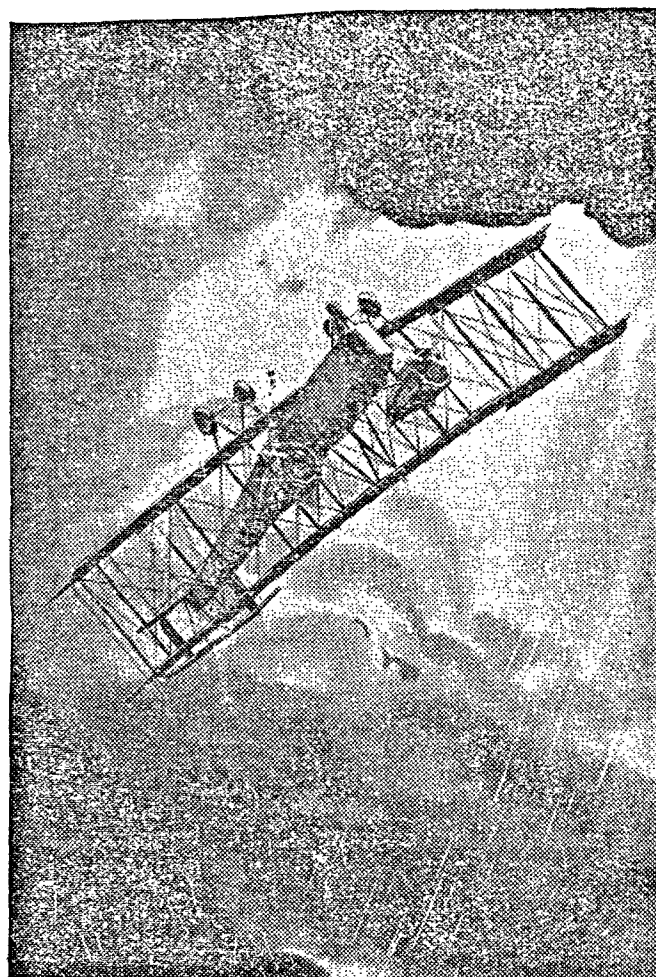
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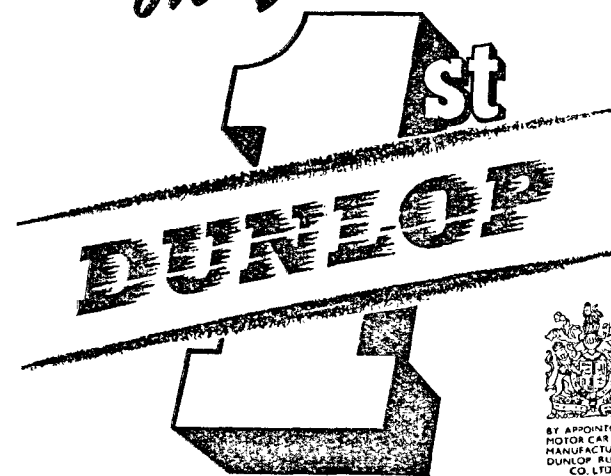
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these concerns, of which there are about 200, most of them retail shops, are the most galling of all the USIA properties and their number is growing. Thanks to the fact that no USIA concern feels obliged to pay taxes or social insurance contributions unless it wishes, and thanks also to the happy practice of avoiding payment of customs duties by importing their wares as though they were the property of the Soviet Government, the USIA shops are able to undersell their private enterprise competitors who have no such opportunities of straying from the path of financial and administrative rectitude. Austrian purses being extremely empty, it is hard for the Austrian consumer to resist the temptation to patronize these establishments in spite of appeals from the Federal Chancellor, Dr Figl, and others, not to do so. Some of the USIA shops are scarcely recognisable as such and whether in such circumstances they have converted many of their patrons to Communism is hard to say, but they could be used for this purpose if the Soviet Government wished. Meanwhile they represent a still small, but potentially serious, menace to the private shops in their vicinity.

Oilfields and Danube Shipping

When the peace treaty comes into force most of the ex-German USIA concerns will go back to Austrian ownership on payment of \$150 million in quarterly instalments of \$6,250,000. The oil wells and refineries, however, remain in Soviet ownership unless the Soviet Government is prepared to sell. So do the assets of the Danube Shipping Company in the Soviet zone of Austria, Hungary, Roumania and Bulgaria. Owing partly to the Cominform-Tito quarrel, partly to Soviet interference with Austrian river traffic (especially to Germany) and partly to incompetent management, the Danube Shipping Company is at present more or less moribund. In prewar days it had considerable assets in land, buildings, etc., outside Austria—in Budapest, Belgrade and elsewhere. The loss of the extraterritorial assets was to be expected. But the Soviet Government will continue to retain the company's wharves and property in the Soviet zone of Austria in spite of the fact that it is making practically no use of them. From the Austrian point of view this means that either the property will have to be bought back or rented from the Soviet Government—probably at an inflated price—or that new wharves, warehouses and shipyards will have to be built for the use of Austrian-owned river vessels.

The Soviet-controlled oil wells, unlike the river Danube, are being ruthlessly exploited. Though production at Zistersdorf is believed to have declined from 3,500 tons a day in 1944 to 2,000 tons a day this year, a considerable number of new wells have been opened up. Approximately 6,000 tons a month of this oil are released for Austrian use against payment of schillings. But to cover the whole requirements of the country, Austria has to import a further 3,000-4,000 tons and pay in hard currency.

Nobody outside USIA really knows what oil is now being produced in Lower Austria. But there is no doubt that a good deal is exported to Czechoslovakia, Poland and elsewhere—again to the sole profit of the Soviet Government. When the treaty comes into force, the Soviet oil organisation will become a commercial concern subject to Austrian law—a very different status from the one it enjoys at present. These rights lapse after 30 years except in regard to certain refineries which remain Soviet property in perpetuity. Apart from the developed and developing oil areas, the Soviet Government also has the right of exploration in the present fields under its control for a period of 8 years after the peace treaty comes into force and to exploitation for a further 25 years if oil is found. Thus, for a good many years to come, Austria sees itself far too closely tied to the Soviet Union in the matter of oil and does not relish the prospect. No doubt the Soviet Government on its side does not relish the prospect of having its oil dealings put under the control of Austrian law.

The other USIA industries include steel works, forests

and many kinds of factories producing copper wire, sulphuric acid, electric equipment, railway engines and other indispensable articles. It can be assumed that a considerable part but by no means the whole of their output is sold inside Austria especially if there is no hard currency demand for it. Alternatively these products can be exchanged in Austria for goods which the Soviet Government needs either for the Soviet Union itself or to re-sell to other countries. But the quantity produced and what happens to the output is a secret. So is the state of the equipment. This is a fact which arouses a good deal of understandable indignation among Austrians who already know exactly how much they have been charged for the USIA concerns in the peace treaty and do not see why they should not be allowed to inspect the goods they are buying before they have to pay. There is, for example, no doubt that a good deal of the equipment that was there in 1945 is there no longer, that a good deal of "cannibalisation" has been carried on among USIA factories in the Soviet zone and that equipment which the Soviet authorities ruled was of German or satellite origin has been requisitioned from non-USIA firms without payment and installed in USIA ones. Factories now in the British zone which were in Russian hands until the present zones of occupation agreed in Potsdam actually came into being in July, 1945, also suffered in this way. The new blooming mill installed recently in Donawitz and paid for out of ERP funds replaced one which had been dismantled by the Russians in 1945 and carried off—in this case to the Soviet Union. Many other Austrian concerns have an equally unhappy recollection of the acumen of Soviet technicians in judging the value of western machinery.

Possibilities of Trouble-Making

It is thus impossible to make a reliable estimate of the value of the economic assets acquired by the Soviet Government. But they are certainly worth tens of millions of pounds and they represent a considerable proportion of Austria's capital equipment. They are also a means by which Communist propaganda can be disseminated among workers and they were deliberately used to provide strike fodder during the Communist-inspired demonstrations in September and October last year. Their use in this way, however, was spasmodic and some USIA managers apparently withheld pay for the days during which their works were closed on account of the strike.

There is also reason to believe that some of the USIA factories have armed factory guards of the kind that were used to over-awe Prague during the Communist Revolution of February, 1948. But the number of such guards in Austria does not appear to be great and there is no reason to think they would represent a serious menace to the regime if the Russians signed the treaty and went home. A much more real danger is the present fact that so much of Austria's economy is in the hands of a Government which regards economics as its chief weapon for bringing about social and political revolution. USIA is big enough and strong enough not only to cause Austria extreme economic discomfort but to dislocate the political life of the country by egging on the workers under its control to take direct action against the Government. The fact that USIA has not used its strength for this purpose should not be allowed to distract attention from its ability to do so. The only reason it has not done so is that the Soviet Government thinks the disadvantages outweigh the advantages. The possibility that it will change its mind exists and will continue to menace the Austrian horizon until the peace treaty has come into force.

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Correction.—In the article on Norway's Defence Effort on page 382 of *The Economist* of last week, Norway's balance of payments deficit on current account in 1950 should have been 1,130 million kroner, not 140 million.

THE BUSINESS WORLD

Wherewithal for Defence

Mr Gaitskell's carefully reasoned speech in the defence debate last week revealed in quite unexpected detail much of the Government's planning in the economics of defence. Precisely because his exposition and arguments were so well supported by figures, it is perhaps desirable to emphasise at the outset that most of the quantities involved have as yet no great solidity; they are statistical patterns worked out by the back-room boys, and, even so, the result is something less than a completed blue-print. But it is heartening that in the short time since the enlargement of the whole programme was announced by Mr Attlee such progress has been made in breaking it down into its main components, in relating them to industrial capacities, and in estimating the broad readjustments that must take place in industry and in the export trade. This information, incomplete though it still is, will be of great value to industry and to the public in estimating the part they have to play; at this stage rough indications given promptly are much more important than precise estimates disclosed only after long delay.

I—The Burden and the Budget

BEFORE scrutinising this detailed material, it is well to glance at the general picture that is taking shape and at the main lines of policy that seem to be in contemplation. On these matters, which are surveyed broadly in an earlier article in this issue, the Chancellor added little to what was already known or deducible from Mr Attlee's statement a fortnight earlier. But it is now possible to make a fair estimate of the extent of sacrifices that the defence programme will involve, at all events in its first year. The estimated outlay of £4,700 million for the three years, it is now confirmed, is based on present prices, and is spread over the period in amounts of roughly £1,300 million in 1951-52, £1,600 million or less in 1952-53 and £1,800 million or more in 1953-54. The estimate for the coming year represents an increase of fully £450 million on the actual expenditure for 1950-51, and in addition £140 million is to be provided for stockpiling (which, in so far as it comprises imported supplies, the Government is prepared to finance by running down gold reserves or by borrowing abroad). It also excludes expenditures on new plant incurred "with substantial Government assistance" by private industry. If these capital expenditures, plus defence work in progress financed by private industry, are put at £50 to £100 million, the total new burden to be shouldered by the national economy in this coming year would be between £500 and £550 million.

Towards meeting this, the Government hopes to be able to count upon a further increment of industrial productivity—although it fully recognises that any notable intensification of shortages of key materials could cause "a dislocation or slowing down of the entire production machine." If productivity improved by a further 4 per cent, as the Government hopes, aggregate industrial production would rise by about £250 million; it is thought that not much additional output could be secured from the effort to expand the total effective labour force—by tapping the tiny pool of unemployed, by recruiting women or by extending overtime.

Despite the high rate of surplus achieved on Britain's external balance of payments during 1950 (and especially in the second half of the year), there is no scope for

easing the pressures on the domestic economy by deliberately curtailing the volume of exports or by increasing the volume of imports. The prospective further rise in import prices this year (which the Chancellor estimated some weeks ago at £400 million) will extinguish most of that surplus automatically—even though there will be some offset from rising export prices and, probably, from a continued expansion of invisible income. The Chancellor now guesses the net deterioration at £300 million, and confirms the suggestion made in these columns recently that the Government will not aim at making this good by expanding the volume of exports. For the duration of the defence programme, the target will be mere equilibrium on the external account as a whole—except to the extent of any stockpiling, which might force the account into corresponding deficit. According to present plans, it is clear that the external balance is expected neither to ease nor to aggravate the domestic problem.

Nor, apparently, is there any intention to make any large deliberate cuts in the programme of capital outlay for civil purposes. Apart from the possibility of minor prunings—the nature of which Mr Gaitskell did not specify—any contraction of investment will apparently be allowed to occur either "involuntarily," through sheer inability to get supplies, or through a specific holding-back of individual building projects that are in direct competition with particular defence works. The greater the area of industrial dislocation, the greater will be the "savings" under this head. It is easy to envisage a decline in fixed investment for civil purposes by, say, £100 to £150 million on this account. Given the severe depletion that has occurred in stocks of raw materials and food, ought any allowance to be made in this reckoning for an increase in floating capital? This is a difficult question, because the answer depends not upon what is desirable but what is possible. Given the certainty that stocks of non-essentials will be further run down, the chances are that it will not be possible to raise total stocks by more than the £140 million allowed for stockpiling plus the amount (noted above) for defence goods financed by private industry.

On these several assumptions, the £250 million incre-

ment of productivity plus the £100 to £150 million reduction in civil fixed investment would provide £350 to £400 million of the real resources needed to meet the total additional defence demand of £500 to £550 million. There would thus be a "real" gap of £100 to £200 million. If the defence outlays are in fact to take place as planned, this gap has to be filled, willy-nilly, by a curtailment in the Government's own current absorption of goods and services for civil purposes and/or by a cut in personal consumption. Mr Gaitskell, like Mr Attlee before him, gave no hint that any notable Government retrenchment is in contemplation, and the Civil Estimates now confirm this; but in any case retrenchment, even if it were really courageous, would be most unlikely to reduce perceptibly the Government's expenditures on real resources—other than those that are merely State-provided consumption, such as the health service. Apart from such services as these, the scope for cutting is virtually confined to the so-called transfer payments, which are personal consumption at one remove. In any event, therefore, the consumer must be the real victim.

*

The financial sacrifices to be imposed upon consumers as a whole must, moreover, be appreciably larger than the amount of "real" goods and services they have to forgo—because, while the goods available to them are less, their spending power will be increased by the additional incomes earned in producing a bigger total output. If half of the £250 million paid in incomes for the officially assumed increment of production is reckoned to be either taken by the State in taxation or immediately saved (notably in additional undistributed profits) then the other half will represent new expenditure on consumption for which no new goods will be available. This would raise the "real" gap of between £100 and £200 million to a "financial" gap of £225 to £325 million. And this figure would be raised still further if it were considered necessary to allow for an inflationary gap already existing—a gap filled either by the savings enforced by rising prices or temporarily bridged by drafts on stocks.

Mr Gaitskell, anxious not to anticipate his Budget, did not make his own estimate of the financial gap. But

II—Industry's Changing Tasks

The Chancellor's estimates of the changing configuration of industry that the defence programme now demands leave many gaps in what is essentially a tentative pattern. They are most precise—and then only within fairly wide margins—for the coming year. The broad assumption that productivity will make its contribution of a 4 per cent increase over the results of last year rests on two further conditions: first, that there will be sufficient raw materials to avoid the risk of industrial dislocation and, secondly, that the change-over of production lines can be made with the minimum of confusion and delay. Neither of these points was minimised by the Chancellor; indeed, his warnings about raw materials, and particularly about sulphur, were dramatic in their seriousness. This shortage, and others ranging from non-ferrous metals to clothing and industrial fibres, have for several weeks been a major preoccupation of wide sectors of industry. They call in

he did indicate quite plainly that he intends to try to close it. He is under no illusions that the task of extracting the requisite goods and services could be left to a spreading apparatus of physical controls working without the aid of financial measures aimed at extinguishing the surplus of spendable incomes. On the contrary, in his brief survey of ways and means, he gave pride of place to "fiscal, monetary and credit policy." This does not mean, however, that this year most of the job of imposing financial retrenchment upon consumers will have to be done by the budget. If the Chancellor sticks to the principle laid down by Sir Stafford Cripps after devaluation, that the cost of living subsidies must not be increased beyond their present ceiling of £410 million, and that any increase in prices of the underlying goods must therefore be passed on to the consumer, he has already available a very powerful weapon of restraint that will work automatically. This weapon is the fast rising cost of imports. If the whole addition of £400 million to the import bill is allowed to fall on domestic purchasers of imported goods (whether directly or at one remove), a very drastic cut could be imposed upon their ability to purchase other things, so that total consumption, in real terms, would fall. Beyond doubt, there will inevitably be some cutting, and probably substantial cutting, by this means—though its extent will depend less upon official policy than upon the rapidity with which wages follow the new pressure on the cost of living and upon the size of the cushion that is afforded to consumers by existing stocks of goods offered at the lower prices.

Each of these elements in the equation presents wide limits of uncertainty. At one extreme, it might be assumed that this price weapon will do nearly all the cutting that is required at this stage, leaving much less need for cutting by tax increases; at the opposite extreme, it might be felt that the degree of present inflation on the one hand and the prospective delays in the operation of the price weapon on the other are such as to put the main responsibility on the budget. It is too soon yet to guess where the official mind will come to rest. But perhaps the best guess, in terms of additional taxation, of the mid point between these extremes would be about £100 million.

question the possibility of maintaining industrial output as a whole at the average level of the end of last year—which is what an increase in productivity of 4 per cent in 1951 in fact implies. Last year's stride in productivity by industry as a whole would not have been possible but for the truly spectacular progress in the motor, cycles and aircraft industries, and in certain other metal-using trades. The towering increase in output achieved in these sectors showed how higher productivity can be gained by continuous output, by a smooth flow of raw materials and components and by a relatively modest increase in manpower. Given the present outlook for raw materials and the competition of defence orders for capacity that has been intensively used for civil output and exports, these conditions must now be regarded as distinctly qualified. Mr Gaitskell put this increase of 4 per cent as the maximum expectation; no one would deny the possibility that the actual results may be less

favourable. The spectacular performers in increasing productivity have been those industries that are likely to be most directly affected by the switch to defence production and by difficulties in obtaining sufficient raw materials and components.

The Chancellor's outline of the arrangements that have to be made between the Government and various branches of industry in order, first, to ensure that defence is given first choice in any conflict of demands and, secondly, to secure increased exports from industries other than engineering and metal-working is clearly not the last word on a task that bristles with administrative difficulties. Arrangements for guidance and consultation can be expected to work at their best where the decision concerns a clearly defined end-product for which the defence departments, export buyers and home customers are all clamouring. But only a little way down the industrial scale from the final assembly of an identifiable product there is a richness and diversity of intermediate products and components that will make for delay, and also confusion, in reaching the right decisions about the part that each concern should be playing in the defence programme. There can be no dispute that the decision

not to promulgate any overriding priority for defence is right. But perhaps the most urgent of all the complex tasks in making the changeover of these vital sectors of industry as smooth and as waste-free as possible is the creation of an effective service of regional information and guidance. To the individual industrialist the defence effort does not present itself as a global problem—the replacement of £x million of civil business by defence orders or a switch of £y million of output from the home market to the export trade; it involves existing contracts, long-standing trade connections, continuing responsibilities for technical services and spare parts, and an increasing element of discrimination between one customer and another. The issues have to be judged according to their importance in the defence programme or in the supply of essential raw materials, and the average manufacturer cannot be expected to have complete knowledge of these complex matters.

Engineering.—Nearly 60 per cent of the expenditure upon "production, research, and works" in the Chancellor's estimate (a classification which shows some differences from the Defence Minister's figures for "production, research, and development") will be spent upon output by the engineering and metal-using industries. Any definition of this group is bound to be arbitrary, and there is no information about the value of current output for many of its sections; this makes even a provisional estimate of the impact of the defence programme upon its present activity extremely difficult. But Mr. Gaitskell, who in this context defined the group as

including also the vehicles, shipbuilding and aircraft industries, did provide the basis for rough calculations. He said that the £1,700 million to be spent upon production by the engineering industries in the three-year programme would "represent a load on the average of only some 20 per cent of the engineering industry's output, compared with at least 80 per cent in the middle of the last war." This implies an output over the three years of roughly £8,500 million, or £2,800 million a year without allowing for any increase of production. The first year's spending of £350 million would on this basis represent roughly 12½ per cent of the industries' total output; and whatever guesses may be made about the "rising curve" in the two following years, it is apparent that at the end of the programme defence production may account for 25 per cent or more of their total output. It is not clear whether Mr Gaitskell's "percentage average load" estimate allowed for any yearly increase in productivity (which in these industries has risen much more since the war than in all industries); but the adjustment would make little significant difference to these rough approximations. The numbers employed in the metal-using and engineering industries are just under

THE DEFENCE PROGRAMME (£ Million)				
	1951-52	1952-53	1953-54	Total 3 Years
Total Budget	1,300	1,600	1,800	4,700
Production research & works of which :—	?	...	...	2,850
Engineering & vehicle industries	350	...	...	1,700
of which :—				
Aircraft	120	...	...	...
Vehicles	60	...	...	...
Shipbuilding & marine engineering	60	...	...	...
Radio	25	...	...	...
Building	120	...	...	500
Textiles	50	...	...	200
Machine tools :—				
For retooling	50	...	...	...
For new plants	65	...	...	...

towards ordnance, vehicle, and radio production that was already apparent last year, and reversing the decline during the first three-quarters of 1950 in the aircraft industry's manpower. The scarce skills will presumably be those of which engineering has been short since the war: high-grade fitters and draughtsmen. These are not to be found in the general consumer goods and service industries, as Mr. Gaitskell recognised; a proportion may be drawn from those sections of engineering making metal consumer goods that are not able to switch over to defence production, but both involve absolute shortages of technical ability.

Aircraft.—Comparisons of defence expenditures with total current output cannot be made for the aircraft industry. But this is a special case—an industry maintained in peace primarily for its defence potential, at only secondarily for its civil production. Roughly £y million will be spent on military aircraft in 1951-52; it will enable current production, in Mr Shinwell's words to be "nearly doubled." By the end of the three-year programme, the Prime Minister indicated earlier, milds aircraft output may be "more than four times the current rate." The industry's only problem of capacity is—

aircraft gas turbines, for which new production lines are to be laid down; insufficient output of power plant might thus delay the delivery of aircraft ordered under the defence programme. Apart from this, the main difficulty will be in gathering the necessary skilled labour—last year its labour force was hardly a tenth of the total it commanded at the height of wartime output. The effect of defence upon civil aircraft output and development work may be seen mainly in this transfer of skilled men, at any rate for some considerable time; the general aim will presumably be to enlarge the industry, taking in some of the large reserve of spare capacity that has been maintained since the war. Exports of military aircraft, and to some extent of civil, are thus likely to be curtailed, except of course to satisfy any special military production arrangements that may be made between the Atlantic powers. Materials will presumably be assured for military aircraft production that may thus divert from civil aircraft production supplies of components and of special alloy steels.

Shipbuilding.—Of expenditure upon equipment for the Navy, which Mr Shinwell indicated might be about £140 million in 1951-52, some £60 million will be spent in the shipbuilding and marine engineering industries. Current output of merchant shipping last year was in the region of £120 million. The increased naval building and refitting programme may be expected merely to lengthen the deliveries of ships upon the industry's order-book (which is perhaps worth £285 million at present) and to give extra work to certain yards that specialise in reconditioning work (the Royal dockyards are already full to capacity); but the industry expects that the already considerable difficulties in the supply of materials will further delay production this year.

Radio and Television.—The consumer goods industry most directly affected by defence orders during the first year of the programme will be the radio and television industry: the £25 million of such orders mentioned by Mr Gaitskell amounts to about a third of the value of its current total production. The industry has never been entirely free of defence commitments since the war, as is shown by Mr Shinwell's disclosure that stocks of radar equipment have already been increased by 45 per cent. But the coming year's defence work must inevitably make inroads into the current output of domestic radio and television receivers—to what extent will depend upon the measure of pre-emption of components commonly used in both civil and defence equipment.

Vehicles.—The Chancellor's indication that some £60 million would be spent upon "vehicles" in the coming year presumably includes both armoured and "soft" military vehicles. Tanks are built mainly by the Royal Ordnance Factories, apart from one private manufacturer, and two new production lines for them are to be laid down. For tank production there is not the spare capacity in the ROFs that exists for other branches of defence production. It is impossible to estimate from the disclosed figures what share of the motor industry's current output (nearly £350 million in 1950) will need to be diverted to defence production; but the magnitude of the expenditure does not at first sight suggest that defence orders will themselves seriously deplete the output of cars for civilian purposes—which means largely export. But output is in any case already being curbed by shortages of sheet steel and non-ferrous metals.

Building.—Total output of the building industry was valued at about £1,300 million in 1950, so that the £120

million to be spent in 1951-52 upon building for defence (including civil defence) will take roughly ten per cent of the industry's total output. This will involve reduction or postponement of expenditure upon "works services" already projected, and the full use of existing space. The Government's intention is that the present house-building programme of 200,000 a year will be maintained, though there will be unavoidable local interference with housing programmes in certain areas where building for defence purposes imposes particular strains on local resources.

Machine Tools.—In only one section of industry would defence requirements, as such, overwhelm the whole of existing capacity, in the absence of special measures. This is the machine tools industry. The establishment of new factories for aircraft engines and tanks, and the re-tooling of other Government and private engineering factories, will require £115 million worth of machine tools in the next two years; the capacity of the existing British machine tool industry allowed of an output of roughly £40 million last year, when it was fully engaged. Orders for metal working tools have been placed abroad in Germany, Switzerland, France, Italy and Belgium, as well as very large orders in the United States; for the present, British machine tool companies have not been diverted to any considerable extent from their work upon export and home contracts. The American authorities, having taken considerable powers of control over the machine tool industry, are giving formal priority to British orders for those tools that can only be obtained in the United States; the application of this definition is probably a matter of national interpretation, but the Chancellor "very much hopes" that the remainder will be obtained "in good time." Machine tools are of an immense variety, and in many cases it may be simpler and quicker to obtain special-purpose tools from foreign firms that specialise on them than to switch (in time) to their production in Britain.

The foregoing summary gives only the barest outline of the potential effects of a defence programme that itself may be subject to considerable changes of timing and content. Only the broadest indications emerge of the necessary industrial changes that must be made and of their true extent. One cannot yet venture into speculation about the further steps that may be necessary, apart from industry's own contrivance and co-operative adaptation, to secure the ends of the programme. It is a first indent upon industry, but it leaves no doubt of the big demands that will be made on particular sectors of industry. Since these are narrowly based and supplies of the critical raw materials they need are narrowly poised, the defence effort will involve a strain upon them bigger than anything they have ever known in any period short of actual war.

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Food Stocktaking

LAST year, the British people consumed more food than in any year since the war, though still appreciably less than they consumed immediately before the war. The cost of food, as measured by the official index of retail prices, rose by only 4 per cent while the prices of primary commodities (food and raw materials) traded on the American markets rose by 50 per cent. The former index is heavily influenced by subsidised food prices, while the latter calculation (based on Moody's index) gives an impression of the trend of prices on world markets. The British consumer escaped—last year at any rate—the major burdens inflicted on the rest of the world by inflation. He ate more, but in doing so he seems to have cost the Exchequer no more in subsidies than the stated limit of £410 million. This result is not a defiance of all economic laws; it has been brought about by the simplest of economic dodges since the days of Cain and Abel—by living on stocks.

The background to last year's rationing policy is worth study in some detail. Last April, the Chancellor of the Exchequer put a limit to the total cost of food subsidies of £410 million a year; any variation in the Ministry's purchase prices on which the subsidy bill was based was to be passed on to the consumer. After the Budget, butter was raised from 1s. 6d. to 1s. 10d. a lb. and bacon from 2s. 3d. to 2s. 5d. a lb.; later last year butter was raised by a further 2d. to 2s. a lb. and bacon by 2d. to 2s. 7d. a lb. These prices reflected increases in the prices that the Ministry had to pay. But, on the other hand, there was great pressure to prevent retail prices from rising in order to maintain the partial effectiveness of the wage freeze. If stability of retail prices of food was all that was required, this prescription should certainly have worked. But such stability was possible only because the Ministry could afford to take a firm line with suppliers that were asking for higher prices; instead of importing at higher cost, it used up stocks at old cost. The Ministry seemed so simple-minded as to suppose that a Canute-like attitude towards the tide of world inflation would induce suppliers to sell more cheaply; and it was mortally afraid that the offer of a higher price to one supplier would mean higher prices to all suppliers and for all foods.

Apart from this fear and its inhibiting effect on buying

policy, it is also true that the long-term contract—whatever advantages may be claimed for it—puts very great restraints upon a buyer who is anxious to avoid charging higher retail prices for food. A large part of the Ministry's purchases are still obtained under long-term contracts. At each price review last year, the Ministry fought hard against paying producers appreciably more than in 1949—despite devaluation, despite the American inflation and despite the boom in commodities that followed Korea. For a time, it even attempted, unsuccessfully, to secure lower prices. Most of the long-term contracts stipulate a maximum price variation of 7½ per cent in either direction in any one year. If the Ministry had realised after the invasion of Korea, if not before,

that the turn of prices was not downward as it had vainly hoped but upwards, it could have obtained more food by paying 7½ per cent more for supplies under these contracts. But the Ministry's maximum offer was an increase of 5½ per cent, and having fixed that limit it could make no greater offer to one country unless it made the same offer to all other producers.

The result of this policy was not marked by a drastic decline in food imports last year, but certainly they did not increase commensurately with the scale of rations. Imports of wheat and flour last year fell by as much as a third, not because purchases were reduced but because of delays in shipments from Canada. Despite the stoppage of supplies from Argentina, imports of carcase meat

were only 6,000 tons lower than in 1949 while arrivals of bacon and ham were up by 60 per cent. Butter imports increased by 5 per cent, but there was a fall of more than 25 per cent in cheese and shell eggs. Imports of tea also fell by nearly 25 per cent, while imports of sugar were only slightly reduced. In contrast, consumption of most of these foods last year was appreciably larger than in 1949. Twenty per cent more carcase meat was consumed, 80 per cent more bacon, 25 per cent more butter, 3 per cent more cheese, 10 per cent more shell eggs and 4 per cent more tea. All these were record postwar figures.

This high rate of consumption could not have been achieved except at the expense of stocks. Twelve months ago, the cold stores were bulging and fifteen refrigerated ships were held in port to increase the avail-

able storage space. Today, the larder is seriously depleted and there is no hope of repeating last year's relatively high level of food consumption. The measure of the depletion is shown in Table I. Any figures that purport to show the movement of food stocks must be treated with caution; the Ministry of Food never discloses its stocks in the belief that it thereby protects its bargaining power. The estimates given in Table II for food stocks for the past four years have been calculated from official statistics. Stocks of all commodities except sugar fell last year. Wheat stocks were reduced by 228,000 tons and flour by 111,000 tons. But at the beginning of this year there was 12 weeks' supply in store and large quantities had been bought forward which had not arrived. Meat stocks fell by 90,000 tons and amounted at the end of 1950 to 4 weeks' supply. Butter stocks were 22,000 tons smaller at the end of the year, though it should be noted that the bulk of New Zealand and Australian shipments is due in the first quarter of the year; these two countries supplied nearly 60 per cent of British imports of butter in 1950. Stocks of cheese fell by 18,000 tons, though at the beginning of this year the emergency purchase of 10,000 tons of American cheese was beginning to arrive in this country. Stocks of tea fell by 33,000 tons—a poor prospect for the reopening of the London tea market in April, though mitigated, perhaps, by the welcome increase of imports in January. Stocks of sugar, exceptionally, increased by 32,000 tons. Consumption of shell eggs, margarine and cooking fat in each case exceeded available supplies.

These figures pose the question whether the offer of the disputed 2 per cent under the long term contracts would have been an act of wisdom. It is easy to be too wise after the event, but at the very moment when the Ministry was making its stand, there were indications that its only result would be lower imports, even of commodities under long term contracts. The Ministry of Food has a long term contract with the Netherlands for shell eggs, but because the price offered last year to the Dutch was not acceptable, none came to Britain at all. Again, Australia, New Zealand and Denmark were dissatisfied with the price of butter under their long term contracts. All these countries have abolished the rationing of butter with the result that more is now being consumed at home and less is available for export to Britain. The Netherlands fulfilled only the minimum quantity (20,000 tons) of their long term bacon contract; the extra 15,000 tons under contingent contract that might have come to Britain went instead to Germany. The high price of wool has encouraged New Zealand

farmers to keep their sheep to clip rather than slaughter them for meat; in this calculation, they weighed Britain's refusal last July to pay more for New Zealand lamb, though recently a retrospective increase of 5½ per cent has been agreed to. No contracts have been signed for Canadian bacon and cheese; Canada asked for higher prices and the margin in dispute, though small, caused the breakdown. The story of Argentine meat is well known, but again it illustrates the point that if this country wants larger quantities of meat or other foods it must match with its offers the rise in world food prices and compete also with high prices offered by domestic consumers.

*

The Ministry's efforts to heave the terms of trade in its own favour have failed—and the terms of trade are still worsening. This fact greatly adds to its difficulties this year in increasing its scale of imports to replenish stocks—or at least to prevent further depletion—and in maintaining last year's level of food consumption. In addition, it has been authorised to spend £3,000,000 towards accumulating a strategic reserve of food in the current financial year and it will have £72½ million to spend on stockpiling next year. The figures sound impressive, but the prospects of finding supplies are not bright. Messrs Lovell and Christmas have estimated that butter supplies this year will total 340,000 tons against 350,000 tons in 1950; this would be sufficient for a four-ounce ration, whereas last year the ration was kept at six ounces for 4½ months. Cheese supplies (excluding unrationed varieties) are unlikely to reach 200,000 tons unless large quantities are purchased from the United States or Canada; a two-ounce ration would require almost 220,000 tons, but the ration was raised temporarily to three ounces a week from the end of January to offset the reduction in meat. Even if agreement is quickly reached with Argentina, imports of carcase meat are unlikely to reach 750,000 tons, which would give a total supply of barely 1,700,000 tons. Without assistance from Canadian supplies, Britain cannot expect to have more than 400,000 tons of bacon this year. Two bright spots are wheat and sugar. The United States is hoping for a bumper wheat crop this year if the weather is kind and much is expected of the Canadian harvest. If these crops materialise, it should be possible to buy more wheat, though more than the maximum price fixed under the international agreement would have to be paid. The world sugar crop is the largest on record and for the past six weeks prices have been falling steadily. Here at least the Ministry of Food should have scope to show some buying finesse.

	Imports	Home Production	Available Supply	Total Consumption	Changes in Stocks during year
Wheat	3,262	1,596	4,858	5,086	—228
Flour	429	4,196	4,625	4,736	—111
Carcase Meat	810	946	1,756	1,846	—90
Bacon & Ham	243	195	438	451	—13
Butter	335	16	351	373	—22
Cheese	154	55	209	227	—18
Tea	159	...	159	192	—33
Sugar	2,002*	562	2,564	2,532	+ 32
Shell Eggs...	116	350	466	498	...
Margarine...	...	374	374	385	...
Cooking Fat.	2	229	231	250	...

* Converted to refined value at 94.5 per cent.

TABLE II.—ESTIMATED STOCKS HELD BY MINISTRY OF FOOD.

	Jan. 1, 1948	Jan. 1, 1949	Jan. 1, 1950	Jan. 1, 1951	
				Quantity	Weeks' Supply
Wheat	870	900	1,400	1,170	12
Flour	395	470	425	310	3
Carcase meat...	210	170	240	150	4
Bacon and ham...	10	15	40	30	3
Butter	(a)	10	30	10	2
Cheese	20	15	40	20	4
Tea	40	45	70	40	10
Sugar	735	570	500	530	11

(a) Less than 5,000 tons.

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Business Notes

Steel Stock Makes its Bow

The opening performance of the new steel compensation stock—its formal title is British Iron and Steel 3½ per cent Guaranteed Stock, 1979-81—has conformed pretty closely to the forecasts current in the City on the eve of the issue. Like other nationalisation stocks—with the notable exception of Gas stock—it opened in the market at a discount. The opening price last Friday week was 98, and there was a momentary slide to 97½, but by the end of the first day's business the price had been brought back to 98½. This recovery, however, was mainly due to private institutional buying. A notable feature of this whole operation has been the virtual inactivity of the departments. They made no attempt to resist the decline in the gilt edged market in the weeks preceding the issue (and thereby allowed the prospective life of the new stock to be shortened by some 20 years); and when the stock made its bow they merely gave it modest support until the wider audience began to show interest. The volume of selling by former holders of steel shares has been larger, in the first few days, than had been generally expected some weeks ago; the protracted switching proved to have discounted only a moderate part of the whole pressure to be expected. In consequence, the volume of business in the early dealings was very large; and although there has been a big demand from the institutions, the pressure against the stock has persisted. The discount early this week was 2 points, and not until Wednesday did the stock succeed in showing a net gain—to 98½.

Since the stock had to be warranted to be worth par at the moment of issue, when judged by the general yield structure of the market, the persistence of a discount has made other stocks look dear. The most closely comparable stocks—the 3½ per cent Electricity issue, 1976-79, and the 3½ per cent Coal stock, 1977-80—were, indeed, marked down by ½ forthwith, but although they have since fallen by a further ¼ point, the disparities in the yield structure have still not been fully eliminated. Similar, though less substantial, adjustments have naturally been taking place throughout the gilt-edged list, notably, of course, in the longer-dated and irredeemable issues. Consols, at 68½, have lost a further ¼. By the middle of this week there was the first sign that the remaining adjustment required to restore equilibrium might be achieved rather by a lifting of the price of the Steel stock than by a further fall elsewhere. But there is undoubtedly still an appreciable volume of Steel stock that is likely to come on the market—notably the blocks held by industrial companies with former large interests in steel production. And it is possible that investors may be becoming less indifferent to the fundamental and longer-run pressures on the gilt-edged market than they seemed last year. On the other hand, the approach of the budget and the growing fears of industrial dislocation, have instilled the first doubts into an exuberant market in industrials. After advancing this week to 123.1—its highest level for three years—the *Financial Times* share index dropped by fully a point as investors took note of the threat of a rail strike. The pull-devil, pull-baker influences in both equities and gilt-edged will present an interesting spectacle in the next few months.

Steel Prices Follow Coal

The general increase in steel prices that took effect this week clearly illustrates how a rise in the price of coal ripples outward through the economy. Higher road transport charges and the cost of the recent engineering wage award also contributed to the steel price increase, but the most important factor was the recent rise in the prices of

coal and coke. Steel and electricity have thus already passed on their increase in fuel costs, and it is certain that the railways will also have to do so shortly; it is most unlikely that industries consuming these other basic materials and services, as well as dearer coal, will be content to absorb any large proportion of such increased costs.

The impact of this rise in steel prices upon other industries can be appreciated the more clearly since the British Iron and Steel Federation has just issued for the first time greatly improved statistics of steel consumption by industry. When official allocation of steel came to an end last May the Federation took the opportunity of putting

ESTIMATED DELIVERIES OF FINISHED STEEL TO U.K. INDUSTRIES (ANNUAL RATE BASED ON OCTOBER AND NOVEMBER, 1950)		
Consuming Industry	'000 Tons	Per cent of Total
Shipbuilding and marine engineering	946	8.8
Building and constructional engineering	1,430	13.3
Mechanical engineering	1,644	15.3
Electrical engineering	451	4.2
Motors, cycles and aircraft	1,161	10.8
Railways and rolling stock	871	8.1
Collieries	602	5.6
Hardware, hollow-ware, etc.	1,129	10.5
Rivets, bolts, nuts, springs, drop forgings, etc.	957	8.9
Other	1,559	14.5
TOTAL	10,750	100.0

delivery statistics upon a more useful basis. Former statistics of consumption by industry had to be based upon a classification of deliveries by Government departments; orders for steel are now required to bear a symbol representing the consuming industry to which the customer's main business belongs. The first figures available upon the new basis (which conforms to that suggested by the Iron and Steel Committee of the International Labour Office some years ago) are summarised in the table: they show that the largest consuming group is mechanical engineering, which is currently taking about 15 per cent of finished steel deliveries. Building and constructional engineering takes a slightly smaller share, while the "motors, cycles and aircraft" group and the hardware and hollow-ware industry each account for just over one-tenth of the total.

Responsibility without Power

No responsibility for this increase in price, obviously, can be attached to the Iron and Steel Corporation (though it will later, quite correctly, be counted as part of any aggregate change in prices since the nationalisation of steel). It is difficult to define, indeed, any practical responsibility that can at present justly be attached to the Corporation, except those concerning its financial relations with its subsidiary companies; and since the Steel Act places upon it wide and onerous responsibilities, its present inability to discharge them puts its chairman, Mr Hardie, in a patently difficult position. The impasse in negotiations concerning practical control of the industry foreshadowed before vesting day now appears complete; the Federation is refusing the Corporation the right to appoint members to its council, executive, and financial committees—which are, after all, the inner councils of the remaining privately-owned steel industry and of that sundered section whose leaders hope it may return. For the moment, the negotiations that had become almost weekly are at an end. The Corporation is obviously unlikely to accept formally the Federation's concession of seats upon the conferences handling sections of

the industry in which the Corporation has a major interest—and whether it will in practice appoint such members still seems uncertain.

The Corporation, it can be assumed, is now concentrating upon its own plans for long-term organisation of the industry; the arrangements, concerning which negotiations have broken down, were in any case intended to operate only for an interim period, possibly as short as three months. There seems nothing to prevent the present impasse from continuing throughout such an interim period or even longer. But it seems unlikely that the Corporation will long rest content with a situation in which its responsibility for fixing steel prices has by agreement been left with the Ministry of Supply and in which its practical responsibilities for securing supplies of iron and steel, for development, training and research, for labour relations, and for carbonisation development are left—in default of any agreement—in the hands of the Federation. It may be that the counsel that the Corporation cannot obtain from the industry's experts as members of the Federation could be sought from them as employees of its subsidiary companies. For a period Mr Hardie will presumably seek amicable arrangements; but in the long run he will no doubt be tempted to fire his "big guns"—unless political developments in the meantime produce a different kind of detonation.

Britain's Record Trade

The effect of world inflation is certainly to be traced in the British trade figures. Imports and exports both reached record values last month. Imports totalled £298 million compared with the previous peak of £239 million in December. They were, in fact, some 37 per cent larger than the monthly average for 1950, though their volume is estimated by the Board of Trade "very roughly" at no more than 12 per cent above last year's average; thus the cost of imports has already risen by over 20 per cent compared with 1950, most of the increase being due to dearer raw materials. Imports of raw materials (including non-ferrous metals and petroleum recorded in the trade returns as manufactures) rose by over £80 million compared with January, 1950. Raw cotton cost £15 million more and only 28 million lb more was received. Imports of raw wool and waste rose by £23 million in value but by only 15 million lb in quantity, while imports of rubber increased by 5,000 tons to 24,000 tons and their value by £8 million to £11 million. Among the non-ferrous metals much larger supplies of aluminium, manganese and tin were received, and more copper, zinc, nickel and molybdenum, but much less chrome ore, tungsten and lead. The rise in import prices is serious, though there is some comfort in the larger quantities of raw materials received last month.

Exports in January totalled £214½ million, some £2,500,000 more than the previous record reached in November. Their value was 19 per cent higher than the average for 1950 and their volume 12 per cent higher. But January was a long working month—27 days compared with the usual 26 days—and if allowance is made for the extra day, the rate of exports was lower than in November and the volume some 3 per cent below the average for the last quarter of 1950. Textile exports amounted to £48 million, a rise of 40 per cent above last year's average. Almost half of this increase was due to the very marked increase in shipments to South Africa, following the easing of import restrictions by the Union. Cotton goods totalled £18½ million, 18 per cent more than the high level in the last three months of 1950, while wool textiles amounted to £17 million, a rise of 20 per cent compared with the fourth quarter average. Vehicle exports rose by 11 per cent to nearly £40 million, though the value of new cars was about the same as in the fourth quarter of 1950. Machinery exports increased slightly to £29½ million, while iron and

steel manufactures declined slightly to £14 million. Exports of coal were greatly reduced and amounted to only £2,250,000 compared with £5,250,000 in January, 1950.

Shipments to the United States and Canada did not maintain the high level of the last quarter of last year. Exports of iron and steel, non-ferrous metals, wool and cotton goods to the United States, and of wool and cotton goods to Canada showed no reduction, but exports of all other products to these two countries were smaller. Only £1,250,000 worth of vehicles were sent to Canada, equal to one half the average for the last quarter of 1950; the number of new cars sent was only 2,547, compared with 6,039 a month in the last three months of 1950. The sharp rise in the total value of imports in January caused the adverse balance of trade (imports valued at c.i.f. and exports at f.o.b.) to increase from £43 million in December to £75 million, the largest deficit for any month since August, 1947.

Rubber Conference Adjourns

The special rubber conference that has been sitting in London for the past three weeks has adjourned, and expects to resume within a month. In the words of one delegate, the conference "agreeably decided not to agree"—and that is the perfect setting for a disagreement. The problem of re-directing rubber exports to increase supplies to the western powers does, indeed, bristle with difficulties. Export licensing and international allocation have both been rejected as politically impracticable. The only other possibility is a multilateral contract similar to the international wheat agreement—and, according to certain reports, the conference was adjourned to enable delegates to obtain their governments' views on this topic.

The rigidity of any long-term contract—particularly one between a series of countries—creates many pitfalls for producers and consumers. But the purpose of a long-term contract of this kind for rubber would not be so much to ensure stability of prices for producers or the assurance of specific supplies for particular consumers, but rather to encourage supplies to go to certain countries and to prevent them from going to others. The governments of the major consuming countries could, for example, contract to buy the entire output of certain large rubber estates for, say, three to five years hence. This would guarantee them a minimum supply for defence and civilian purposes. But it would not prevent supplies outside the contracts from going to Russia or China. A multilateral contract similar to the wheat agreement, guaranteeing a market for the entire rubber output of Malaya, Indonesia, Ceylon and Thailand at an agreed minimum price and at the same time guaranteeing supplies to the chief importing countries at an agreed maximum price could, indeed, reduce to a minimum the leakage of supplies to potential enemy countries.

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But such an agreement would not be easy to administer. There would still be the problem of ensuring that small-holder supplies would be sold within the agreement and not smuggled across the border. The agreed minimum price would clearly have to be attractive and it would have to be fixed for some years. The rubber markets would still be able to function in a limited capacity, as the price could fluctuate freely between the agreed maximum and minimum limits. It would be the responsibility of the governments of the producing countries to see that their export obligations were met. If the real purpose of such an agreement were to redirect supplies, then the question of price would be of secondary importance. If the consumption trends in 1950 both in the United States and Europe are any guide to future developments, world civilian consumption of rubber might exceed 2,000,000 tons in a few years' time. On this ground producers could bargain for a high price. Consumers, on the other hand, could claim that if the price of natural rubber rose much above 3s. a lb., synthetic production would be a very attractive proposition. But perhaps their more powerful argument is that a long-term contract would relieve producers of their fears of the effect of large strategic stock-piles that one day would have to be liquidated.

* * *

State Trading and Shipping

The disruptive effect of government trading on the shipping industry is one of the principal points dealt with in the annual report of the Chamber of Shipping of the United Kingdom. Normal commercial trading, the Chamber argues, is far more sensitive to market conditions than any Government department, and adjustments are made more rapidly by individual firms than is possible under the slow machinery of bulk buying. Furthermore, these adjustments are made without the disturbance of the tonnage markets that inevitably follows the discovery of a "short position" by a Government purchaser—the shipping industry finds it disconcerting that these "discoveries" are being made so often and with such mystifying suddenness. The diversion of tonnage *en masse* on long voyages in ballast to satisfy belated Government import requirements prevents tramp shipping from exercising its proper economic function, reduces its carrying capacity and forces freight rates up in an international market. The cessation of meat exports, too, has caused the diversion of costly refrigerated ships to carry general cargoes on routes for which they were not designed.

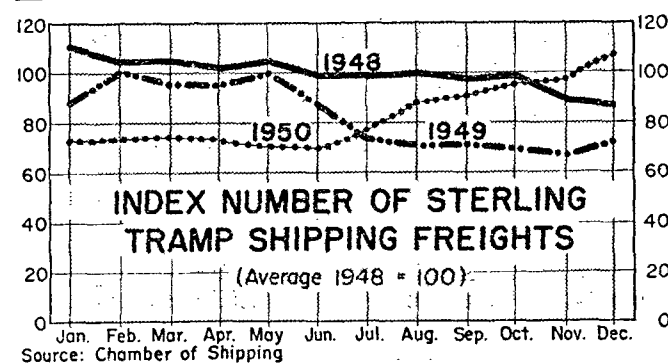
It would clearly be uneconomic for the shipping industry to build sufficient ships to meet peak demands, for this would lead to violent fluctuations in the amount of employment for ships and crews. Freight rates are bound to rise when there is a sudden pressure of demand, and for this the Government trading departments are too frequently to blame. The rise in freight rates, as the Chamber points out, is no more within the control of the British shipowner than of his foreign competitor; and no artificial restriction can be imposed on such an international industry except by international control.

Meanwhile, the restoration of the British merchant fleet to a more balanced condition by the replacement of older and obsolete vessels remains one of the more serious long-term problems of the industry. High rates of taxation, and the effects of the present basis of computation of profits are steadily diminishing the power of the industry to maintain the modern and efficient fleet by which alone it can meet competition and continue its services to the nation. On grounds of national security, the shipping industry argues, it deserves consideration as a special case, but apart from special treatment (which other industries might be able to claim with little less justice) there can be few industries that require such huge sums to maintain capital equipment that itself is subject to such rapid obsolescence.

Shipping and Exports

One of the many factors that helped to underline the shortage of dry-cargo tonnage towards the end of last year was the number of tramp ships taken up on time charter by liner companies to help carry the unprecedented volume of British exports of manufactured goods. The urgent demand for ships to bring American coal to Western Europe, and for the transport of grain to India and grain and timber from North America to the United Kingdom, revealed that the Government buying departments had failed to cover their commitments by forward chartering. The most urgent requirements were, in fact, covered only by releasing ships from charter to the liner companies and sending them on long ballast voyages to the North American continent to load coal, grain and timber. As a result, tonnage is now short for the export trade from the United Kingdom; as was expected, and export consignments, particularly of motor cars, are once more piling up in the docks to such an extent that some shipping conferences have been compelled to re-introduce registration systems for calling forward export consignments. Labour trouble at the docks is adding to the congestion in the flow of exports.

Meanwhile, owing to an unusually high demand for tramp tonnage for bulk shipments, time charter rates of hire have advanced so much that the liner companies are being forced to pass on some of the higher costs to the shippers. When charter rates were low last year, liner companies could employ tramp ships at a profit without altering their own freight rates; but the recent trend of tramp freight rates, illustrated in the accompanying chart, has now made this



impossible. At the request of the Ministry of Transport, the Chamber of Shipping has issued a circular to owners stressing the importance, in the national interest, of maintaining a steady flow not only of bulk imports to the United Kingdom but also of vital exports. Partly to offset increased operating costs, and partly to enable them to resume the chartering of tramp ships as they become available, the liner companies have already advanced their conference rates.

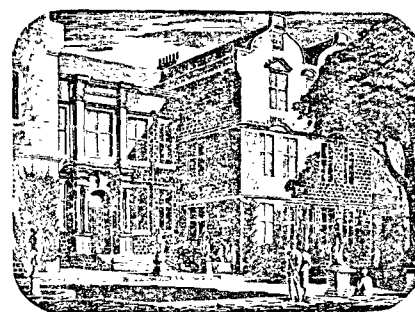
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Allocating Non-ferrous Metals

The Ministry of Supply is at present allocating only three non-ferrous metals, zinc, copper and lead. Supplies of virgin zinc to industry in March will be the same as in February—that is, 50 per cent of the average monthly consumption in the first nine months of 1950 of good ordinary brand for galvanising, brass and zinc oxide; 80 per cent of electrolytic zinc for brass and 70 per cent for rolled products and zinc oxide; and 80 per cent of high-purity zinc for die-casting alloy. The allocation of imported virgin copper during March and April will also remain at the February rate of 85 per cent of the monthly average consumption in the first six months of 1950. Consumers may now order for delivery in both March and April, subject to the usual premium where applicable.

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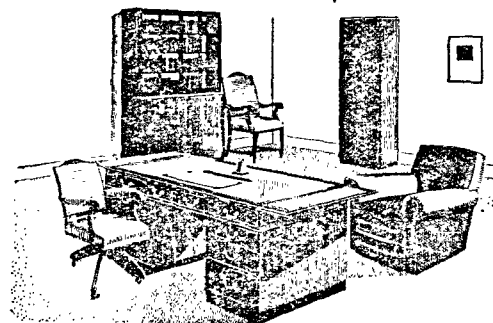
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Lead is the third metal to be restricted. The Ministry's stocks have declined because of delays in shipment from Australia, but consumers' stocks of lead have increased quite appreciably in recent months. For the time being, purchases of virgin lead from the Ministry will be limited to 90 per cent of the average monthly consumption for 1950. Through this system of allocation the Ministry should save 7,000 tons of zinc a month, 5,500 tons of copper and 1,350 tons of lead, compared with the average monthly consumption for the whole of last year.

Meanwhile, the Ministry has at length reached something approaching a final decision about the details of the prohibition of manufacture of non-essential goods from zinc, copper, and their alloys; orders will be made by next week by the Ministry and the Board of Trade (for articles for which it is the production department), and the ban will come into force from March 1st. The list of prohibited articles has been amended, with some deletions and a few additions. Until July 1st, however, manufacturers will be able to continue to make any stocks of fabricated and semi-processed metal into these banned goods; and the question of production of such articles for export is still "under consideration at a very high level."

No move has so far been made to restrict consumption of the alloy metals, though discussions on the prospective supplies of nickel, molybdenum and chrome are taking place. These three metals are sold privately and rationing is carried out by the suppliers. If it is found to be necessary to curtail nickel consumption (and since the Government intends to create a strategic stockpile, which must clearly include nickel, such a decision would seem to be inevitable) the Ministry of Supply would no doubt wish to control nickel supplies and also, no doubt, to prohibit its use in certain products.

Gatt for Ito

Mention was made in Parliament last week of the position that has arisen as the result of the now virtually unanimous decision to bury the Havana Charter of the International Trade Organisation and to substitute for it a somewhat reinforced version of the already existing General Agreement on Tariffs and Trade. The President of the Board of Trade re-emphasised the point that the General Agreement is at present subject to provisional application from which any member may withdraw on giving sixty days' notice. If, as is quite probable, there is any question of adhering to the General Agreement on any other than a provisional basis, Britain, at least, would have to arrange for the issue to be debated in the House of Commons. Mr Harold Wilson repeated an earlier assurance that, since the United States Administration had decided not to proceed with the ratification of the Ito Charter, the British Government would do likewise. The discussions on the General Agreement in Torquay ended before Christmas, and will not be resumed at the Torquay meeting. The question of reinforcing the General Agreement, embodying in it some of the chapters of the now moribund Ito Charter—notably those on development and employment—together with the possibility of giving the General Agreement a more permanent character than it possesses at the moment, will have to be deferred to the next meeting of the contracting parties.

Meanwhile, the tariff negotiations continue in Torquay. They are likely to be brought to a conclusion by the end of this month. It will take a few weeks to sort out the results. Their presentation in the form of the usual voluminous new schedules of tariffs should appear before the end of March. Mr Harold Wilson was questioned in the House about the concessions on tariffs and preferences that had been offered by representatives of the United

Kingdom at the Torquay Conference. He maintained discreet silence, pointing out that it was an established practice that, while such negotiations were taking place, there could be no disclosure of what offers were being made. It is strange that this very obvious fact should not have been evident to the questioner.

Coal without Miners

Experiments in underground gasification of coal at Newman Spinney, near Chesterfield, have produced sufficiently promising results for the Scientific Advisory Council to recommend their expansion and further research in coalfields with differing geological characteristics. The Ministry of Fuel and Power, which is responsible for the experiments, has spent £50,000 upon two methods that it believes will be preferable to the experiments in the United States, Belgium and French Morocco, and the practical work in Russia, all of which appear to involve the preparation of shafts and tunnels by miners working underground. The Ministry's aim has been to produce the gas by working from the surface.

Any system of underground gasification involves igniting the coal seam in a current of air and drawing off hot gas: it therefore needs downward and upward draught shafts, linked by some horizontal channel through which air and gas can flow across the coal surface. One method, used by the Ministry in the first experiment at Newman Spinney, involves drilling the two vertical shafts on the side of a slope and driving a horizontal adit at the level of the seam to join the shafts. This method, which is suitable only in hilly districts, has been producing gas since July, though the quality from the original borehole has now deteriorated; a second, larger borehole has now been prepared there in the same way. A second method, and potentially a more widely applicable one, is to make vertical drillings below the surface of the seam and connect them by pneumatic pressure slightly greater than the pressure exerted by the overburden, opening up natural fissures in the coal to allow the hot gas to escape. This system has been successfully operated between vertical drillings 33 feet apart and has been producing gas for four months.

The gas produced—so far in tiny quantities—has been of an average of about 75 BTU per cubic foot (from a wet seam of very dirty coal only 18 inches thick). This would not be of sufficient calorific value for town gas supplies; the Ministry hopes to burn it under boilers for steam-generating plant, or as a fuel for gas turbines. One square mile of coal 3 feet thick, it is estimated, could produce enough gas to generate at least 25,000 kW for at least ten years—equivalent to roughly one million tons of mined coal required at present. The system offers opportunities of utilising low-grade coal that is economically not worth mining—and possibly, in the long run, hopes of working coal seams several thousand feet below the surface, where temperatures would not permit ordinary mining. Its use in gas turbines is connected with another possibility of gaining fuel from the mines without raising coal—the use of methane ("firedamp") which even in the weak mixture found in the normal updraught from coal mines could be burned in a gas turbine if pre-heated. The complementary use of both sources of feeble gas might be combined in pithead turbines; colliery generation of power, which is at present not altogether acceptable to the electricity supply industry, might then be a far better economic proposition.

Europe's Next Coal Crisis?

With the worst of this winter perhaps over, anxiety about current coal shortages in Europe is now being partly

replaced by forebodings about another and perhaps worse coal crisis next winter. The National Coal Board's manpower problems find a melancholy parallel in most coal-producing nations on the Continent. Miners' wages throughout Western Europe have been increased in recent weeks, with the same accompaniment of promised priority in housing and better working conditions, but the shortage of labour continues. Production remains at about the 1950 level in France and Belgium; in Germany it is still rising, though at a lower rate than a year ago, but the Ruhr is getting near the technical capacity of its existing collieries, and their owners protest that they do not command the money to carry out considerable extensions. In these circumstances further orders are being placed for American coal for delivery later in the year; France may order much more (probably more than Britain's original 1.2 million tons), and Italy is placing large orders.

The current European coal account (which showed a deficit of 5 million tons of coal and a million tons of coke for the first quarter of 1951) is not likely to alter materially before the middle of the year. Britain will probably be able to maintain through 1951 the heavily reduced exports it is sending Europe in the first quarter (just over a million tons of coal and coke, compared with 2½ million tons in the same period last year). The Ruhr Authority has ordered the German industry to export 6.2 million tons of coal in the second quarter of the year, instead of the 4.9 million tons at most that the German Government considered possible. The Germans complain that even their suggested figure would have left them two million tons short of fulfilling home demand; it seems possible that, as in the present quarter, they will obtain some reduction of the export requirement during the next few months. Poland is continuing to supply Western countries, but at prices now well up to American levels. With the continued rise in freight rates, certain nations buying American coal are running short of free dollars, and it seems probable that ECA will allow some of the deliveries to be charged against dollar aid. The Coal Board is fulfilling arrears of 1950 orders at prices cheaper than those of any other country in Europe—except for Germany, where a rise in export coal prices is likely. It regards the prospect of Marshall Aid being used for American coal with some reserve; Britain will not qualify for any such assistance, and one of its effects may be to drive freight rates up even further.

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Canadian Wheat Price

The once esteemed Anglo-Canadian wheat contract, which expired last July, is a long time a-dying. When Mr Strachey was Minister of Food he declared in defence of government trading that this contract enabled Britain to buy wheat at prices well below those in world markets. Canadian farmers have not forgotten that remark. Nor have they forgotten that the contract contained a clause, thought at the time to be a form of words of no great consequence, that if the contract price was substantially below the world price—as it was—Britain would make good the difference. This has long been a sore point, and the soreness has broken out again. Mr J. G. Gardiner, the Canadian Minister of Agriculture, arrived in London last weekend to discuss this point, among others, with the British Government.

The official British contention is that for the two seasons 1948-50 it agreed to pay Canada \$2 a bushel even though the maximum price for wheat under the international agreement (which was operating in 1949-50) was only \$1.80 a bushel. But the real point does not concern dollars; it raises the whole nature of governmental trading and long-term contracts. When the international wheat agreement was negotiated in the early months of 1949, there was fair reason to believe that the agreed maximum of \$1.80 was high and indeed during the first season deals were concluded at prices below the maximum price. Only last September, the Canadian Wheat Board reduced its "free" price to the same level as the agreement maximum; now the "free" price again stands well above this \$1.80 maximum. In Chicago, wheat is selling for \$2.51 a bushel, and there are suggestions that the United States is dissatisfied with the maximum price as fixed by the agreement until July, 1953.

It is only by sheer chance that any price fixed for a period of time proves reasonably fair to both buyer and seller. The wheat agreement was intended to be an insurance policy providing cover for both wheat exporters and wheat importers. If the world price of wheat had fallen to \$1.20 a bushel importers would have paid the agreement minimum of \$1.45, which was still above exporters' costs of production. In fact, the importing countries are now getting the benefit of the agreement. But with the large expansion in American wheat production planned for the summer and the expectations of a bumper crop in Canada, who can guess the price of wheat in two years' time? It seems fairly certain that if countries are going to amass large strategic reserves of grain, importers might well keep the price of "free" wheat above the agreement maximum, since supplies guaranteed to them under the agreement provide only part of their total peacetime requirements. Britain has already bought wheat from Canada at market prices above the agreement maximum and it will no doubt do so again. But this fact—as the Canadians will no doubt argue—has no connection with the terms of the old wheat contract with Canada.

Potash Pay-out

Holders of Potash Syndicate bonds, Series A, B and C, are being invited to approve a distribution of £35 10s. per £100 bond. Although holders of these bonds in Switzerland, Holland and Sweden received interest payments up to various dates between 1944 and 1946, while holders in Britain and the United States received such payments only up to 1940-41, the proposed distribution will have to be made without discrimination, and on capital account; it will not be treated as discharging any particular percentage of the face value of the bonds, but will be taken into account at a later date when it becomes possible to determine its value in terms of the bondholders' rights to receive either sterling or dollars at the fixed exchange rate of \$4.86 to the £.

The distribution will be made out of the £2,477,778 now in the hands of the paying agent. This sum is the sterling

equivalent of a fairly large sum in Dutch guilders, and of smaller sums in Swiss francs and Swedish kroner, which became available as a result of German sales of potash to these currency areas during and immediately before the war. Under the terms of the original loan, it will be remembered, bondholders secured a first charge on the proceeds of German potash exports. Apart from the £2,477,778 now to be distributed, bondholders have claims on sums of US \$1,100,000 now in Holland, of Swiss francs 3,300,000 now in Switzerland and of \$5,700,000 now in the United States. Negotiations to secure the transfer of the first two of these sums are in train, but legal proceedings will be necessary if the \$5,700,000 now in New York is to be wrung out of the American Office of Alien Property. Apart from possible enforcement of their claims on these sums, the prospect of further disbursements to bondholders does not seem promising. The occupying powers have so far refused to allow any portion of the proceeds of postwar German exports of potash to be paid over to bondholders; the Potash Syndicate has been deprived of its monopoly in sales of German potash as a result of the anti-cartelisation laws; and most of the potash mines are in the Soviet zone, where they have been nationalised without compensation to the mortgagees.

* * *

Recovery in Wool

The wool market has recovered from its temporary setback of the past three weeks and once more looks set for a further rise. The London sales last week closed firm and on the last day of selling buyers were no longer hesitant. Prices for merino rose by 5 per cent and medium crossbreds by 10 per cent. This week prices have risen in both Australia and New Zealand. Merino prices are now virtually back to their high level of January, and medium crossbreds are even slightly above it. Fine crossbreds, however, which remained firm in recent weeks, when merino prices were declining, are beginning to drop.

The most important event in the wool market is, perhaps, the re-appearance of American buyers. It now seems to be taken for granted that the price-freeze in the United States will not be rigidly applied, so that American manufacturers are again willing to commit themselves at present high prices. Another development that is not without significance is the clear indication that the Australian clip will not be anything like as big as was expected. The official estimate has already been reduced from 1,190 million lb (greasy) to 1,175 million lb and the final figure is likely to be even smaller.

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No More Canadian Loan Drawings

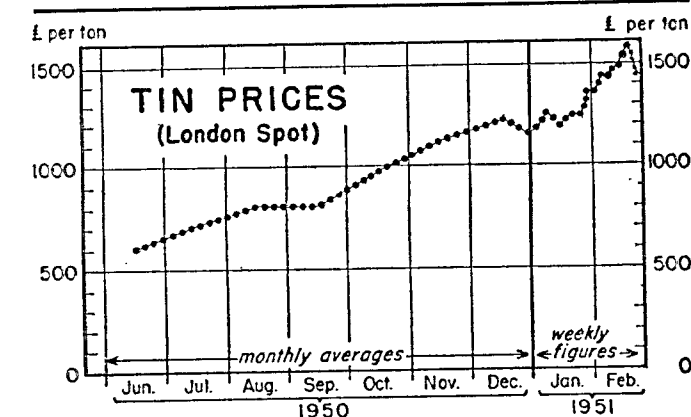
The Chancellor of the Exchequer announced in the House of Commons this week that there would be no further drawings on the Canadian line of credit of \$1,250 million that was put at Britain's disposal in March, 1946. There have, in fact, been no drawings since last June. The unutil-

ised balance amounts to \$65 million. Since the amount of the loan outstanding will be \$1,185 million, the first instalment due on it at the end of this year will amount to \$37,600,000. This annuity will have to be repeated 49 times before the liability is extinguished. The amount of the annuity would, however, be reduced if the waiver clause in the agreement were invoked by the British government. The waiver applies to interest payments only; they loom relatively large in the early years. The decision to make no further drawings on this credit reflects the recent and presumably continuing improvement in the gold and dollar reserves. There is no advantage to be gained in adding to the accumulation of this reserve by the fairly expensive process of getting further into debt. Mr Gaitskell rang down the curtain on this first and least-painful chapter of the operation with an appropriate tribute to "the spirit which prompted the Canadian Government and people to afford us this very generous measure of help in our time of need and so to speed our economic recovery in the last four years."

* * *

The Enigma of Tin

The tin market has often behaved contrary to expectations and its oddities in the past fortnight are quite in character. On Wednesday morning of last week the London spot price reached £1,615 a ton, having passed the £1,500 mark on the previous day; in the afternoon the price fell and closed at £1,550. But by the following Friday it was down to £1,437½ a ton, showing a net fall of £17½ on the week. This



week it rallied again and at one point reached £1,517½ a ton, but on Wednesday it closed at £1,477½. Backwardation narrowed appreciably last week but is now back to £70 a ton, which is even wider than a fortnight ago. Up to the invasion of Korea tin hovered around £600 a ton. A price of £1,500 must be well beyond the wildest expectations of producers; it certainly exceeds the worst fears of consumers.

The factors influencing the tin market have not altered

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materially in the past three weeks, which makes the swings in price all the more enigmatic. Output in Malaya declined last month because heavy rains interrupted loading and one smelter decided to take stock. But that fact alone could not explain the sudden rise in price to £1,600 a ton. In recent months China has become an importer instead of an exporter, though the quantity involved is very small. Russia and countries of Eastern Europe are buying no more than they have done in recent years—if as much. The American stockpiling requirements are met mainly by contract shipments from Belgium and the Netherlands. The ceiling price for tin in the United States is equivalent to £1,460 a ton. At current levels, no American merchant could afford to import tin.

The sudden squeezes in the market must be caused by either speculative dealings, which is unlikely, or by stockpile purchases, particularly by some of the smaller importing countries. Since British tin merchants have undertaken not to export any metal as soon as current contracts are liquidated, Malaya is virtually the only source of supply for the rest of the world. Much larger quantities were sent by Malaya last year (particularly in the second half) to South America, India, France, Germany, Italy and the Netherlands. Shipments to Italy increased, for example, from less than 1,000 tons in 1949 to 7,600 tons in 1950; Italy was in fact Malaya's second largest market after the United States and Britain came third with 7,200 tons. The fear of another world war clearly encouraged the smaller importers to stockpile, and now Britain appears on the scene, determined but a little late.

Abbey National's Expansion

The total assets of the Abbey National Building Society increased by £18.2 million to £122.2 million in 1950. Within this total the amount due to the Society on mortgages rose by £14.3 million to £104.5 million and the liquidity ratio (i.e., the ratio of trustee securities and cash to total assets) increased slightly, to 13.7 per cent. The Building Society movement is plainly still proving a popular savings medium with the general public. New share subscriptions to the Abbey National, at £23 million, exceeded withdrawals by £14.3 million in 1950, compared with an excess of £13.4 million in 1949; new deposits, at just under £4,800,000, exceeded withdrawals by £1,300,000. On the other side of the balance sheet, total new advances on mortgages by the Society amounted to £29.4 million in 1950, compared with £28.1 million in 1949; repayments of past mortgages, at £19.3 million, were some £1,500,000 higher than in the previous year.

It is difficult to say how far the continued expansion in all mortgage business in recent years is due to increased purchases of pre-1939 houses at increasing prices and how far it is due to the fact that many existing house-owners are cashing in on the rise in property values to raise mortgage loans as a fairly cheap medium of capital consumption. It is also difficult to say how much of the expansion in shares and deposits outstanding is the counterpart of genuine new saving and how much of it simply represents a switch, often by large investors, out of Stock Exchange securities and other accumulated savings. A year ago, when there were some signs that a moderate degree of deflation might set in, many building society leaders were apprehensive lest the increase in "sitting tenant" business and in the volume of relatively "hot money" among building society funds might prove a source of strain if money became perceptibly tighter. Those fears must seem a good deal less urgent now. Meanwhile, the financial strength of the movement is almost certainly increasing. After allowing for management expenses, depreciation of office premises, interest on deposits, income tax and profits tax, the Abbey National was able to carry £2,254,716 to appropriations account last year, compared with £1,843,838 in 1949.

Shorter Notes

The first full week of offerings of the new and higher-interest Savings Certificates and Defence Bonds—the week to February 10th—achieved sales of £7,000,000 of Certificates and £1,090,000 of Bonds. These figures compare with £1,700,000 and £290,000 respectively in the week before the new issues were announced. The increased sales, however, were achieved partly at the expense of increased withdrawals from existing savings—notably from savings deposits. Total withdrawals for the week amounted to £18,916,000, compared with £15,165,000 a fortnight earlier. The week's net savings amounted to £4,955,000.

Arrangements have recently been made with Iraq for meeting its scarce currency requirements in the year to September 30th next. Iraq's working balance of sterling is to be raised from £2,000,000 to £4,000,000 and from now until mid-July, 1952, sterling will be released up to a total of £6,000,000, whenever Iraq's number one account falls below £6,000,000.

The recent Anglo-Swiss commercial negotiations that made new arrangements for the year to end-February, 1952, were concerned mainly with quotas for goods not yet placed on the "open general licence" list. Quotas are relatively new devices in Swiss commercial policy, and it is a sad reflection on the times that in sheer self-defence the Swiss should have been compelled to apply them in their import trade. They have, however, been generously framed, so that their appearance will not be followed by a contraction of trade. The British Government, for its part, has substantially increased the quotas on such goods as watches, instruments and embroideries.

Special trade talks between Denmark and Britain are due to commence next week. They are not the usual annual negotiations, but are to be conducted at ministerial level and will cover all aspects of Anglo-Danish trade. The Danish delegation is to be led by M. Loe Bjorn Kraft, Minister of Foreign Affairs, and M. Thorkil Kristensen, Minister of Finance. The Chancellor of the Exchequer, the Minister of State, the President of the Board of Trade and the Minister of Food will represent Britain.

Gillett Brothers Discount Company made a gross profit of £198,400 in the year to January 31st compared with £167,389 in the previous accounting year. On the balance sheet date total current assets, at £77.5 million, were some £1,200,000 higher than a year before; a small fall in bills discounted was more than offset by a £2,000,000 rise in the bond portfolio.

Last month's wage increases, as shown in the Ministry of Labour Gazette, bring the aggregate increases since November to roughly £100 million a year, for nearly 5,700,000 workers. In January wage increases amounted to about £564,000 in the weekly wages of 1,849,000 workers. The largest change was the wage award to the miners, conceded under Cabinet "guidance"; wage rises in the cotton industry (10 per cent), the road transport industry (7s. to 12s. a week), iron and steel, and the Yorkshire wool textile industry also took place. About £334,000 a week of the wage increases resulted from direct negotiations between employers and operatives, and about £88,000 followed arrangements made by joint industrial councils. The month's increases put the index of wage rates (June, 1947 = 100) up by one point to 119.

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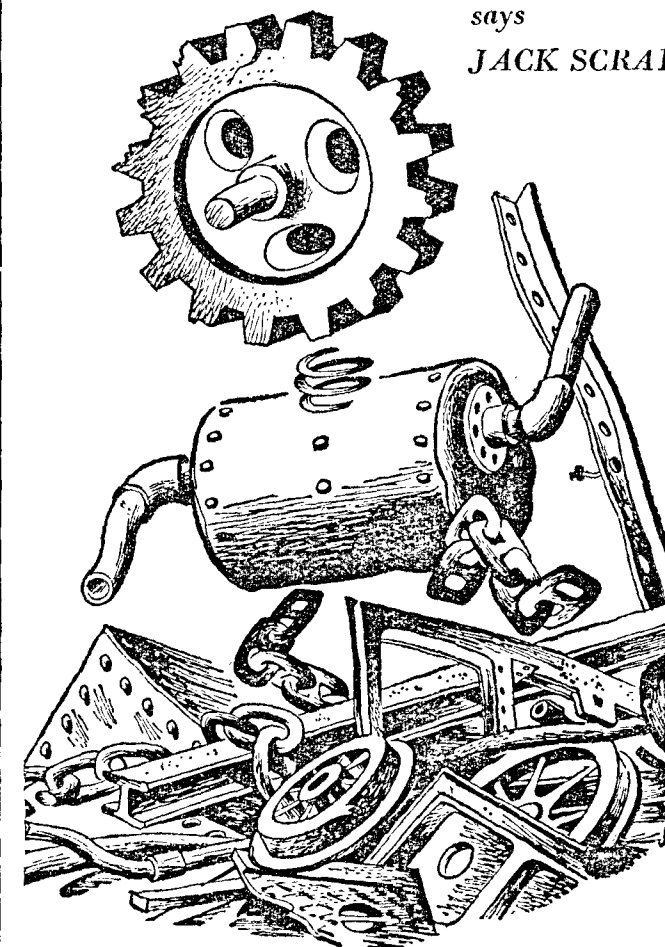


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Company Notes

Imperial Tobacco.—A preliminary view of the trading results of Imperial Tobacco was given on page 400 of last week's issue. The full accounts show that the problems that have beset the group in recent years—the high tobacco duty, the struggle to maintain its substance intact against the depredations of successive Chancellors, and the matching of rising costs against a turnover that is no longer increasing as fast as it did—all these factors are evidently of as great concern to the board as at any time in the past.

For example, last year (to October 31, 1950) witnessed another substantial rise in the value of stocks by no less than £16½ million to £106.4 million. It is to be doubted whether the directors altogether relish the achievement of a "century" for this figure. To the extent that the increase reflected an improvement in physical stocks, it may not have come amiss, for in earlier years the company had been working with stocks too close to the minimum for its comfort. But to the extent that the increase reflected a further increase in leaf prices it could clearly have been less welcome; before and since devaluation the group has been steadily increasing its purchases of non-dollar tobacco, and the prices of such leaf have responded vigorously to this switch in demand. It may be a fair guess, therefore, that the increase in stocks (valued of course at cost) owes more to the rise in prices of Empire growths of leaf tobacco and rather less to an increase of physical stocks.

Movements of this kind illustrate the continuing financial problem of the group—how to maintain at ever-rising prices and extremely high rates of duty the physical stuff and turnover of the business. Stocks and debtors (the latter being stock at only one remove) now exceed £152 million in the parent company's balance sheet, and of this total a large slice must consist of duty on stocks of leaf cut of bond or manufactured. For years past Imperial Tobacco has been struggling to make good this erosion of its substance. It is not alone in the struggle, but it was perhaps the first to experience the most acute form of it—the wartime combination of sharply increased tobacco duty and 100 per cent EPT.

	Years to October 31, 1949	1950
Consolidated earnings:		
Trading profit	19,571,199	18,411,679
Depreciation	21,282,750	21,701,623
Income tax	10,573,945	10,089,091
Depreciation	922,715	1,081,375
Profit after depreciation	1,500,000	3,073,455
Group earnings for ordinary shares	7,101,168	7,189,993
Ordinary dividends	6,511,096	6,511,096
Added to reserves and c/f	490,312	578,396

	Years to October 31, 1949	1950
Consolidated assets:		
Fixed assets, less depreciation	14,847,497	15,334,135
Stocks	95,022,540	111,061,963
Debtors	397,340	430,771
Revenue reserves	45,142,841	50,548,304
Ordinary capital	37,565,043	37,565,043

To-day's problems are the same in kind and only somewhat less dire in their result. The adventurous "profit" resulting from the use of dollar tobacco at the post-devaluation rate of exchange amounts to £6,209,000; in no sense is this a true profit, for in substance it represents the higher replacement value of tobacco that has been used during the year after devaluation. But, none the less, it attracts more than 50 per cent in tax as if it were a true profit, and the net amount that the directors have very properly transferred to leaf replacement reserve (which should have been fortified by the whole amount) barely exceeds £3 million.

So the group is forced to finance the con-

tinuance of its existing scale of operations by means of new capital, since the tax-gatherer defines "profits" in a way that admits a serious consumption of capital. Although at the date of the balance sheet there were still £15 million to be called on the issue of 4 per cent loan stock made last October, this can hardly be sufficient to quench the continuing need for external funds. Bank overdrafts which stood at £28.1 million at end-October will have to be further expanded or more permanent capital sought if the burden of stocks continues to increase—as it well may. And as between different forms of permanent capital the deterrent effects of profits tax on issues of share capital are evident. Evidently the effects of rising prices have not worked themselves out fully, but the directors record that the manufacturing economies achieved last year go a long way towards meeting the full increase in costs resulting from devaluation. That at least is a favourable sign in a year that has borne its full share of trading and financial difficulties.

Bowater Paper.—A year ago Sir Eric V. Bowater looked forward to a higher level of operations in Britain and to an ever-widening diversification of business, with the prospect of at least as good trading results in the year ending September 30, 1950, as in 1948-49. The remarkable jump in Bowater Paper's group profits from £3,693,202 to £5,395,488 clearly indicates that Sir Eric erred on the side of caution. A substantial part of this rise, as the accompanying table shows, can be attributed, as in past years, to the impressive earnings of subsidiaries, particularly those overseas, whose ordinary stock is wholly owned by the corporation. At home, paper mills have been operated substantially at full capacity for the first time since 1939; this has been added to output and the spread of overhead expenses has made an important contribution to earnings.

	Years to September 30, 1949	1950
Consolidated earnings:		
Group profits	3,693,202	5,395,488
Depreciation	9,067,919	14,444,888
Income tax	1,001,484	1,890,688
Retained by subsidiaries	934,396	1,084,644
Parent company's net profits	442,426	545,384

Profits have been absorbed by the rise in the provisions for depreciation from £920,679 to £1,444,888 and for taxation from £1,007,384 to £1,890,688. Computation of earnings is impossible, but a rough estimate of distributable earnings suggests a rise that provides impressive cover for the increased ordinary dividend of 15 per cent, compared with 12½ per cent for the previous year. The issue of £300,000 £1 shares in September, which increased the ordinary capital to £1,800,000, ranks *pari passu* with the old stock; subscribers to this issue at 37s. 6d. must feel well satisfied with a yield of some 5½ per cent at the current price of 54s. 6d. No ordinary dividend was paid before 1947 for more than a decade, and after the lean years the relative modest increase in the latest dividend should not be received amiss. If some shareholders may be impatient, they might bear in mind that a bumper Bowater dividend and four-page papers would make an odd contrast in Fleet Street.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Feb. 14, 1951	Price, Feb. 21, 1951	Net Yield, Feb. 21, 1951 (%)	Gross Yield, Feb. 21, 1951
War Bonds 2½%	101½	101½	0 16 5	0 18 6
Mar. 1, 1951-53	101½	101½	0 16 5	0 18 6
War Bonds 2½%	101½	101½	0 16 5	0 18 6
Mar. 1, 1952-54	101½	101½	0 16 5	0 18 6
Exchequer Stk. 2½%	102½	102½	0 14 1	0 14 5
Feb. 15, 1955				
War Bonds 2½%	102½	102½	0 14 3	0 16 7
Aug. 15, 1954-56			0 18 11	0 21 3
Funding 2½%	102½	102½	1 3 7	1 7 5
June 15, 1952-57			0 12 10	0 20 2
Nat. Defence 3½%	103½	103½	1 3 5	1 7 5
July 15, 1954-58			0 15 10	0 24 5
War Loan 3½%	104½	104½	1 3 6	1 11 14
Oct. 15, 1955-59			1 17 4	3 4 7
Savings Bonds 3½%	99½	99½	1 14 5	3 1 8
Aug. 15, 1955-65			1 13 1	2 17 6
Funding 2½%	97½	97½	1 10 5	2 14 0
April 15, 1956-61			2 2 8	3 11 8
Funding 3½%	97½	97½	1 17 8	3 6 0
April 15, 1959-69			1 16 4	3 3 1
Funding 3½%	106	105½	1 16 0	3 3 6
Aug. 1, 1966-68			2 0 4	3 15 9
Funding 4½%			2 0 4	3 15 9
May 1, 1960-99	95½xd	95½xd	2 4 6	3 12 2
Savings Bonds 3½%	95½xd	95½xd	1 19 1	3 6 10
Sept. 1, 1960-70	93	92½	2 1 0	3 5 3
Savings Bonds 2½%			1 18 8	3 2 10
May 1, 1964-67			1 13 11	3 8 4
Victory Bonds 4½%	106½xd	106½xd	2 4 5	3 12 8
Sept. 1, 1920-76			2 0 4	3 8 7
Savings Bonds 3½%	93½	93	2 0 4	3 8 7
Aug. 15, 1965-75			2 0 0	3 16 3
Consols 4½%	101½	101½	2 0 0	3 16 3
(after Feb. 1, 1957)				
Conversion 3½%	94½	93½	2 1 6	3 15 11
(after Apr. 1, 1961)				
Treasury Stk. 3½%	69½	68½	2 0 6	3 14 1
(after Apr. 1, 1975)				
Treasury Stk. 3½%	81½	80½	2 1 4	3 15 7
(after Apr. 5, 1966)				
Treasury Stk. 3½%	100½	99½	1 19 4	3 11 5
June 15, 1977-80			1 19 3	3 11 4
Redemp. Stk. 3½%	89½	88½	2 2 7	3 12 6
Oct. 1986-95			2 1 1	3 11 1
War Loan 3½%	92½	92	2 2 1	3 16 9
(after Dec. 1, 1952)				
Carols 2½%	69½	68½	2 0 3	3 13 4
Brit. Elect. 3½% Gtd.	95	94½	2 1 11	3 10 11
April 1, 1968-73			2 0 3	3 9 0
Brit. Elect. 3½% Gtd.	93½xd	92½xd	2 1 5	3 9 7
Mar. 15, 1974-77			2 0 7	3 8 10
Brit. Elect. 3½% Gtd.	100½	99½	1 19 3	3 11 4
Nov. 15, 1976-79			1 19 3	3 11 4
Brit. Tpt. 3½% Gtd.	89½	88½	2 4 9	3 14 3
July 1, 1978-81			2 2 4	3 11 11
Brit. Tpt. 3½% Gtd.	94½	94½	2 2 4	3 11 11
April 1, 1968-73			2 2 4	3 11 11
Brit. Tpt. 3½% Gtd.	89½	88½	2 2 5	3 12 4
May 1, 1990-95			2 1 8	3 11 8
Brit. Iron & Steel				
Feb. 15, 1979-81			2 0 4	3 12 4
			2 0 3	3 12 3

(a) To earliest date. (b) Flat yield. (c) Assuming redemption in 1957. (d) Flat yield given above. If redeemed in 1952 net redemption yield 17.17, gross 18.14. (e) To latest date. (f) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 15 years 7 months.

Last Two Dividend	Ordinary Stocks	Price, Feb. 14, 1951	Price, Feb. 21, 1951	Yield, Feb. 21, 1951
(a) (b) (c)				
10 1/2	Anglo-Am. 10	81	81	5 12 6
25 1/2	Anglo-Fran. 11	64	64	5 14 3
10 1/2	Assen. Elec. 11	87	87	5 8 7
71 1/2	Assen. P. Cem. 11	90 7/8xd	90 7/8xd	6 1 4
40 1/2	Austin 5	28	28	6 5 0
15 1/2	Bass 11	150 7/8	149 1/4	6 1 6
40 1/2	Boots 5	48 1/2	48 1/2	6 2 6
8 1/2	Br. Celanese 10	25 1/2	25 1/2	6 18 5
12 1/2	Br. Oxygen 11	96 1/2	96 1/2	4 3 9
5 1/2	Coats 11	59	60	4 3 4
5 1/2	Courtaulds 11	39 1/2	39 1/2	3 15 11
20 1/2	Distillers 11	21 1/2	21 1/2	5 3 5
15 1/2	Dunlop 11	48 1/2	48 1/2	4 3 2
17 1/2	Gen. Elec. 11	83 1/2	83 1/2	4 3 7
11 1/2	Guinness 11	134 1/4	134 1/4	4 15 3
15 1/2	Hawker Sid. 5	34 1/2	35 10/16	4 10 7
7 1/2	Imp. Chem. 11	44 1/2	44 1/2	4 9 11
13 1/2	Imp. Tobacco 11	105 1/2	102 6/8xd	6 4 11
5 1/2	Lanes Cotton 11	43 1/2	42 9	5 16 11
10 1/2	Lever 11	45	45	4 8 11
15 1/2	Lon. Brick 11	60	60	5 0 0
45 1/2	Mark & Sp. A.S. 85	6	6	5 10 9
4 1/2	P.A.O. Ind. 11	58 1/2	58 1/2	4 2 9
17 1/2	P. Johnson 10	40	41 1/2	6 1 11
15 1/2	"Shell" Stk. 11	85	84 1/4	4 6 2
12 1/2	Tube Invest. 11	64	64	3 17 9
31 1/2	T. & Newall 11	91 10/16	90 7/8	4 8 5
8 1/2	Union Castle 11	39 1/2	39 1/2	4 2 1
12 1/2	U. Sta. Betong 11	60 7/8	65	5 7 8
45 1/2	Vickers 11	40	40	5 7 8
14 1/2	Woodworth 11	46 1/2	46 1/2	4 10 11

(a) Interim. (b) Final. (c) Whole year. † Free of tax.

EXCHEQUER RETURNS

For the week ended February 17, 1951, total ordinary revenue was £137,033,000, against ordinary expenditure of £109,766,000, and issues to sinking funds £70,000. Thus, including sinking fund allocations of £15,003,000 the surplus accrued since April 1st is £656,068,000 compared with £600,951,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	April 1, 1950 to Feb. 17, 1951	Week ended Feb. 17, 1951
£'000	£'000	£'000	£'000
ORDINARY REVENUE			
Income Tax	139,800	120,022	116,571
Stamp Duty	120,000	91,700	96,800
Excise, etc., Duties	195,000	169,300	161,750
Stamps	50,000	45,870	47,000
Stamps Tax	270,000	34,100	9,350
Other Inland Rev.	500	488	460
Special Contributions	4,500	18,600	4,430
Total Inland Rev.	202,800	179,730	172,188
Customs	870,650	721,766	793,882
Excise	713,150	656,700	665,600
Total Customs and Excise	1,583,800	1,378,466	1,459,482
Motor Duties	56,000	54,087	60,178
Surplus War Stores	35,000	77,822	36,517
Post-Net Receipts	85,000	47,541	41,905
Wireless Licences	13,000	10,390	10,650
Sundry Loans	27,000	17,559	23,476
Miscell. Receipts (on Crown Lands)	70,000	70,494	68,558
Total Ord. Rev.	3,897,800	3,454,704	3,428,554
SELF-BALANCING			
Post-Office	172,150	144,700	148,200
Income Tax on E.P.T. Refunds	5,700	10,657	7,464
Total	4,075,650	3,610,061	3,584,218

Expenditure	Estimate, 1950-51	April 1, 1950 to Feb. 17, 1951	Week ended Feb. 17, 1951
£'000	£'000	£'000	£'000
EXPENDITURE			
Debt & Man. of Nat.	490,000	424,024	426,815
Payments to N. Ireland	56,000	31,172	31,518
Guar. Cons. Funds	11,000	9,803	9,184
Total	537,000	464,999	467,517
Suppl. Services	291,806	257,408	228,956
Total Ord. Expd.	3,455,069	3,283,908	3,275,488
Sinking Funds	...	14,670	15,000
Total level. Self-Bal. Expd.	3,455,069	2,853,752	2,772,486
Total (incl. Self-Bal. Expd.)	3,652,919	3,069,109	2,928,150

Issues out of the Exchequer to meet payments	Estimate, 1950-51	April 1, 1950 to Feb. 17, 1951	Week ended Feb. 17, 1951
£'000	£'000	£'000	£'000
Debt	490,000	424,024	426,815
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Total (incl. Self-Bal. Expd.)	3,652,919	3,069,109	2,928,150

Irish Man. of Nat. Debt	490,000	424,024	426,815	41,393	39,051
Payments to N. Ireland	56,000	31,172	31,518	...	...
Guar. Cons. Funds	11,000	9,803	9,184	...	...
Total	537,000	464,999	467,517	41,448	39,551
Suppl. Services	291,806	257,408	228,956	35,250	70,441
Total Ord. Expd.	3,455,069	3,283,908	2,757,488	1,146,98	1,097,856
Sinking Funds	...	14,670	15,000	...	...
Total level. Self-					

COMPANY MEETINGS

R. A. LISTER AND COMPANY, LIMITED

The annual general meeting of R. A. Lister and Company, Limited, was held at Dursley, on February 19th. In the absence of Sir Percy Lister, the Chairman, due to indisposition, his statement was read by Mr F. H. Lister.

Your directors' report and the audited accounts are submitted herewith, together with a consolidated balance sheet and a consolidated profit and loss statement, both of which reflect not only the steady progress, but the growing strength of your undertakings.

From the consolidated accounts it will be observed, when comparing the profits for the financial year under review with those for the previous year, that there was an abnormal exchange profit accruing in the previous year of some £66,000, which does not recur during the year under review.

You will also observe from the consolidated balance sheet that, despite a marked increase in the turnover, the stock figure is down by some £300,000, and this satisfactory accomplishment has been made possible by the greater volume of production flow going through your factories. I would like here to express on behalf of all concerned with the company our thanks for the valued co-operation of our many suppliers. Both your company and its suppliers will be faced with greater problems during 1951 under the changing conditions.

From the figures before you, you will observe that the fixed assets during the current year have increased by some £263,000, and net current assets have decreased by some £141,000, and that there is a capital commitment figure outstanding of approximately £390,000, all of which indicate the progress which has been made in connection with the new production facilities during the period under review, as forecast in my speech last year.

The demand for your company's products, both from the home and overseas markets, is greater than ever, and, despite the substantially increased output in our major lines, the demand still remains considerably in excess of production, and continues to grow.

DOLLAR MARKETS

We have endeavoured to play our part in the development of the dollar trade, and Mr Robert Lister, who is not with us today, is now on a business tour of Canada and the U.S.A.

It is pleasing to be able to state that our efforts have met with very encouraging results—not only has a very satisfactory percentage of the turnover in the year under review been secured from the dollar markets, but over 25 per cent. of our outstanding orders emanate from the Western Hemisphere.

I would like to add here that the need must be appreciated for ensuring that all those who have developed dollar trade shall continue to export their goods to the dollar markets and be afforded, if needs be, the requisite priority to do so—to lose these valued markets once more may well mean to lose them for ever.

The sales of your Marine Propulsion and Auxiliary Engines, distributed by your Marine Sales Company, are increasing the world over.

Your Australian subsidiary continues its expansion in a most encouraging manner, and during my recent world trip I was able to see at first hand the progress that has been made not only with the extensions to your Australian factory at Sydney, N.S.W., but also with the building and equipping of your new foundry there.

With wool at its present prices, the important part played by your company's sheep shearing machinery division, whose products are now shearing approximately half the world's sheep population, will be readily appreciated.

It is also encouraging to note that the latest product being manufactured in your Dursley works and sold by your associated company, Lister-Todd Engineering Corporation, Limited, namely "TIFA," that unique machine for producing fog, which is itself the newest vehicle for the conveying of insecticides, disinfectants and repellents, has been successfully applied and is being readily accepted for utilisation with flocks of sheep, as opposed to the more laborious and expensive methods of dipping and the like hitherto practised.

RECORD FIGURES

The turnover and profits figures for the year under review, the 84th year of your company's history, establish a new record—still further evidence of the steady and sound progress of your undertakings and the careful planning by your board.

GROWING COSTS

Looking to the future, one cannot over-emphasise the dangers of the growing costs of so many of our basic materials—I refer particularly to those non-competitive and uncontrolled prices which we in industry are obliged to pay for the products and services of our nationalised industries.

In this regard it is interesting to note the following increases since 1945:

Gas, per therm	40%
Smithy coal, per ton	47%
Foundry coke, per ton	48%
Railway transport, price per ton for an average journey of 150 miles	55%

In conclusion, you will appreciate that the wonderful progress and results to which I have referred have only been made possible by the loyal co-operation and support extended to the board by the executives, staff and employees in the service of the Lister group of companies in all parts of the world.

Over the years we have been able, not only to provide employment for increasing numbers of men, but also to give them continuity of employment. A large number of our employees have been with us for many years, and many are the sons and grandsons of former employees.

Relations between management and employees have continued contented and cordial in the year under review, as they have been for many years previously, and I hope will be for many years to come.

It gives me the greatest pleasure to express to them all—managements, staff and work-people—your sincere thanks.

The report and accounts were adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

*The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1*

BARROW HEPBURN AND GALE

RECORD TRADING RESULTS

PROBLEM OF RAW MATERIAL COSTS

The thirtieth ordinary annual general meeting of Barrow Hepburn and Gale Limited will be held on March 15th in London.

The following is an extract from the statement by the chairman and managing director, Mr George W. Odey, C.B.E., M.P., circulated with the report and accounts for the year, 1950:—

It is with very great pleasure that I am able to report to the shareholders a most successful year's trading, which represents a record for our group of companies. The trading profit for the year of £1,277,587, as against £635,862 for 1949, is an indication of the further expansion that has taken place in production and turnover. The effect of de-control has been to free our group of companies from the many restrictions on progress and expansion which are the result of control, accompanied as it inevitably is by a system of allocation of raw material based on performance over previous years.

We have set aside £575,140 for taxation, which leaves a balance of net profit for the year, after taxation, of £636,458. If we add £308,207 brought forward from the previous year, we are left with £944,665 for disposal.

After detailing the various appropriations, the statement continues: We are thus left in the excellent position of having capital reserves of £289,676 and revenue reserves of no less than £914,195. Having regard to the fact that the ordinary dividend was maintained at 6 per cent. throughout the war years, and has stood at 20 per cent. since 1946, your board felt that it would not in any way contravene the requirements of national policy to increase the ordinary dividend from 20 per cent. to 25 per cent.

It is your board's intention, if the rate of ploughing back profits can be maintained and subject to the necessary permission being granted by the Capital Issues Committee, to restore to the ordinary shareholders a further portion of the capital that was written off and so establish a proper balance between the preference and ordinary shareholders.

The board has recently increased the share capital of the company by a bonus issue of £50,000 of ordinary shares. An application recently submitted to the Capital Issues Committee for a further bonus issue of £100,000 ordinary shares has been refused. An application will be re-submitted at a later date, when conditions appear to be more favourable.

THE OUTLOOK

With regard to the immediate trading prospects of 1951, it is again quite impossible to make any reliable forecast. The recent steep advance in the cost of our raw material has created a very grave problem. The price of the hide is by far the most important factor in the price of leather. Tanners in this country view the position with the greatest concern, but a return to control with a resumption of Government bulk purchase of our raw material, and a re-allocation of supplies, would appear to be no solution to our problems unless, of course, the Government were prepared to re-introduce a substantial subsidy on leather prices, which is surely a most remote contingency. We have, therefore, no alternative but to continue to use our utmost efforts to reduce the cost of our raw material to more reasonable levels and at the same time to maintain leather supplies for both civilian and service requirements.

TEACHER (DISTILLERS) LIMITED

GRATIFYING TRADING RESULTS

MR R. M. TEACHER'S SPEECH

The second annual general meeting of Teacher (Distillers) Limited was held on February 20th in Glasgow, Mr R. M. Teacher (the chairman) presiding.

In the course of his speech the chairman said: The trading profits for the year ended September 30, 1950, amounted to £714,828. Taxation requires £372,000. There is "ploughed back" into the business £217,985, and the ordinary dividends take £68,750.

Fixed assets and investments are practically the same as at the end of the last accounting period, but our current assets show a considerable increase, stocks now standing at £1,552,009, and other current assets, including cash, at £408,584. The heavy direct and indirect taxation make it essential to maintain considerable cash assets. On the other side of the balance sheet, £150,000 has been placed to general reserve, and the carry forward increased by £67,985 to £148,171.

I believe that the shareholders will be very gratified with the result of our trading for the year. The achievement of the outstanding results for last year can principally be attributed to two factors, firstly, the continued expansion of sales in our export markets where, in line with our Government's wishes, we have done everything in our power to earn as much as possible in the hard currency markets, particularly in the United States of America and Canada; secondly, devaluation of the pound resulted in increased sterling prices to the United States and Canada with consequent increased profit margins.

As to the future, we anticipate a continued greater demand for Highland Cream than can be satisfied. I understand that it is fully anticipated that the United States of America can increase production to such an extent that it will be possible to provide for requirements and yet maintain the living standards of 1950. If that is true, the outlook for Scotch Whisky in America is quite encouraging.

Notwithstanding, I regret that the general outlook suggests that there is little hope of last year's high rate of profit being maintained unless some altogether unforeseeable favourable development occurs.

It is now proposed to increase the duty on whisky in the United States of America whereby the cost per bottle may be substantially increased. This increased charge will naturally restrict sales. Another important factor is the steady and substantial increase in all production costs. Labour and material have reached fantastic prices.

Since the start of the distilling season we have found it necessary to pay prices for barley which are much higher than ever before on our records. At Ardmore Distillery we have been enabled to maintain output on the highest possible level, and the results have been very satisfactory.

Owing to the great falling off in the spending power of the public in the home market, and the continued unjustifiably high rate of duty of £10 10s. 10d. per proof gallon, sales through our retail interests have been steadily declining, and we see little hope of an improvement until this extortionate rate of duty is reduced.

Notwithstanding these "dull spots," I am pleased to be able to assure our shareholders that your company is well placed to meet any difficulties which may arise, and that you may rely on the best efforts of your board of directors to maintain the highly successful history of the business.

The report was adopted.

SOUTH WESTERN INDUSTRIAL AND WATER CORPORATION

GREAT CHANGE IN ACTIVITIES

The adjourned sixteenth annual general meeting of the corporation was held on February 20th in London.

Mr C. G. Bowers presided. The following is an extract from his circulated address:—

The principal businesses now owned by your corporation through its shareholdings are the Midland Metal Spinning Company Limited, the National Pressure Cooker Company (England) Limited, Glow-Worm Boilers Limited, and the Keele Street Pottery Company Limited and its subsidiary companies.

MIDLAND METAL SPINNING COMPANY GROUP

This group of companies, specialising in domestic hollow-ware, is believed to be the largest producing unit in the industry, responsible for approximately 25 per cent. of the total trade of the country in their particular products and for 44 per cent. of the total export trade in such products. This company also owns and controls the National Pressure Cooker Company (England) Limited. Early in 1948 Mr Webster, the managing director of the Midland Metal Spinning Company, visited the U.S.A. for the purpose of seeking an opportunity of linking up with a pressure cooker manufacturer for the British and Dominion markets. He succeeded in obtaining the sole rights to manufacture in this country and to distribute in this country, the Dominions, and the Colonies, and also in a number of foreign markets, the famous "Presto" pressure cooker.

Here again the export side of the business is being given its rightful place and approximately 55 per cent. of the total production is diverted to the export markets. Although both Midland Metal Spinning Company Limited and National Pressure Cooker Company (England) Limited have a material shortage problem, the board confidently expect to overcome this by following plans carefully worked out for such an emergency.

GLOW-WORM BOILERS LIMITED

This company manufacture domestic cookers, oil fired and solid fuel ranges, domestic boilers, and are also large contractors to the Government. The company's factory, which is situated at Derby, is at present fully extended and the company has large orders on hand.

THE POTTERY GROUP OF COMPANIES

At the present time the demand for the products of this group heavily exceeds supply, and all indications would suggest a continuance of this state of affairs for some time to come. Our export sales are being steadily increased. Despite rising costs the profits of this group are being maintained, and I have every confidence that the pottery section of your corporation's investments will more than justify our high hopes.

SIX MONTHS' TRADING PROFIT

I am in a position to say that the aggregate net trading profits of the group for the six months to December 31, 1950, amount to not less than £160,000 after charging depreciation and working and administration expenses of the subsidiary companies, but before providing for any taxation (the incidence of which for the current year will, so far as can be seen at present, result in a charge in excess of what would normally be considered to be a fair charge for taxation for the year) or for the administration expenses of the parent company.

The report and accounts were adopted.

ATLAS STONE COMPANY

The twentieth ordinary general meeting of the Atlas Stone Company, Limited, was held in London on February 21st, Mr Bernard Davis, chairman and managing director, presiding. The following is an extract from his circulated statement:—

The accounts for the year under review show a trading profit of £69,924 as compared with £50,749 for the previous year. The results, which are the best so far achieved in the history of our company, will, I am sure, be considered satisfactory, in view of the difficult and uncertain conditions of trading that apply today.

We are fortunate in having been permitted to complete a year's trading in which there has been no drastic alteration in the Government's building policy, and we have played a useful part in connection with this all too inadequate programme.

We have during the year under review increased our deliveries, by comparison with the previous year, in all departments of the company with the single exception of asbestos cement products, where the shortage of suitable asbestos fibre continues to be a source of difficulty, and prices continue to rise. In addition to the manufacture of asbestos cement roofing materials, our products include concrete paving slabs and road kerbs, architectural stone masonry, pre-cast and pre-stressed concrete to varying specifications, precision-made light-weight building blocks and wall and bath panelling with decorative finishes. Further progress has been made this year in the manufacture of pre-stressed concrete.

What the future for our industry holds out it is impossible to say. That a large and increasing amount of constructional work remains to be done cannot be denied, and to which must now be added the requirements of Civil Defence.

The report was adopted.

LLOYDS BANK LIMITED

ANNUAL GENERAL MEETING

The ninety-third ordinary general meeting of Lloyds Bank Limited was held on February 16th at the Head Office, 71, Lombard Street, London, E.C. The Rt. Hon. Lord Balfour of Burleigh, D.C.L., D.L. (the chairman), presided.

With the concurrence of the members present, the report and accounts and the statement by the chairman, all of which had been previously circulated, were taken as read.

The report and accounts were adopted and the other ordinary business transacted, and tribute was paid to the past services of the retiring directors, Sir Peter Bennett, O.B.E., M.P., Sir Harold Bowden, Bt., G.B.E., Lt.-Col. R. K. Morcom, C.B.E., Sir William Verdon Smith, C.B.E., Lt.-Col. The Rt. Hon. Lord Teviot, D.S.O., M.C., Sir Henry E. S. Upcher and Sir Evan Williams, Bt., LL.D., D.L.

Votes of thanks were passed to the chairman and directors and to the staff.

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let this go on at a time of buoyant demand would be to accept transport's financial problem as insoluble. If it happens, the Commission will in practice be absolved from the statutory obligation to pay its way "taking one year with another." The only sense in which transport will not be subsidised is that the fact will not be acknowledged in advance. That this will be the actual effect of last week's settlement appears overwhelmingly probable.

It is no easier to take an optimistic view on the application of the second cardinal principle. The unions have by no means accepted the specific changes in working methods that the Railway Executive wished to write into the agreement on wages. They have promised their "fullest co-operation" in a joint committee to consider the Executive's proposals. To have so much in writing is an advance, and no doubt the railway workers will be sufficiently pleased with their higher pay to take more kindly to such proposals than they have done before. But it would be very rash to assume that any large economies in manpower, making an appreciable contribution to the finance of the wage advances, will soon follow without any more trouble.

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These arguments are not intended in themselves to condemn the railway settlement. They are to say that, while its positive merits are highly doubtful, the evil consequences of the method by which the settlement was achieved are inescapable. The main consequences can be discussed under two heads: they affect the working of nationalisation in general; and they affect the course of wages, inflation and financial policy. Under the first head, the railway settlement drives one more nail into the coffin of the public corporation; it is probably a nail stout enough to ensure that the lid will never be prised off again. The whole basis on which nationalisation in Britain has been advocated and accepted—the theory that by entrusting them to independent boards the affairs of the nationalised industries could be kept out of politics—has been seriously weakened if not destroyed. Ministers will say, of course, that the railway unions reached their wage settlement with the Executive, not with them; direct negotiations between employer and employed had broken down but were resumed after Mr Bevan had by talking to both sides miraculously restored good will. No one—least of all any trade union—is going to take this interpretation of what happened seriously. It is true only in the formal sense that the final details of the settlement were agreed between the unions and the Railway Executive. What chiefly concerns the unions is the general scale of the wage advances obtained for their members. And for all practical purposes it was the Government which decided that scale. It accepted responsibility for finding money to meet the unions' serious demands in full, after the Executive had insisted that it was unable to do so. In precisely the same spirit the Government two months ago decided that the miners' demands should be met by putting up coal prices after the National Coal Board had negotiated on the principle that the industry's ability to pay higher wages was limited by the existing prices.

The implications of these two cases are beyond any mistaking. No union in a nationalised industry will ever again accept as final either the "no" of a public corporation as employer or the recommendations of an arbitration tribunal or industrial court. The union will

always appeal over their heads to the Government. Harassed and overworked ministers have now brought upon themselves, on top of everything else, direct responsibility for the level of wages and for industrial peace in the nationalised industries. And if they are responsible for matters so cardinal as wages and prices their concern with every other aspect of management will necessarily become even closer than it is already. It is not even a matter of real power passing from the corporations to the responsible departmental ministers—for Fuel and Power, Transport, and so on. With wage questions occupying the crucial place that is inevitable in inflationary times, the Minister of Labour, of all people, may well become in practice a sort of grand co-ordinator for the affairs of the nationalised industries. It requires a sanguine temperament to rate the prospect as no worse than disturbing in its implications for the future efficiency of Britain's basic industries.

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The implications for wages and general economic policy are neither less important nor less unpleasant. And here the chickens will come home to roost more promptly. The 5 per cent rise in railway wages recommended by the Court of Inquiry could have been regarded as the completion of this winter's general round of wage advances. By yielding to the unions' demand for half as much again—for a 7½ per cent increase—the Government has made the railwaymen's advance much more significant. It is not only the end of the first round of wage increases since restraint broke down; it is also in itself the beginning of the second round. Workers who got proportionately smaller increases three or four months ago, before the recent rise in living costs, are most unlikely now to be content with them for long. Whether a new policy of restraint would be desirable if it were possible is now an almost entirely irrelevant question. The policy is not possible. The trade unions accepted restraint three years ago in the belief that real wages could be improved by a reduction in prices. They stuck to the policy for more than two years partly out of loyalty to the Government and partly from inertia, but chiefly because the disappointment to their hopes was not very sharp; though prices did not fall, their rise was fairly slow. This basis for restraint has now been completely destroyed. Prices have risen fast and everyone knows that this year they will go on rising. By appearing itself to endorse the justice of a 7½ per cent wage advance, at the cost of raising railway charges (and therefore of an additional increase in other prices), the Government has made it quite certain that there will be no long pause this summer in the spiral of rising costs and prices.

It is too late to argue about the wisdom or the morality of this. It is necessary realistically to measure the consequences. If a second round of wage advances had been delayed, the higher prices that Britain must pay for imports would have helped powerfully to restrict consumption and hold inflation in check; the extra £500 million of resources required for defence might have been found without taking away much more of private incomes in taxation. Now it has to be assumed that wages will lag little behind prices and the relief to the budgetary problem will therefore be small.

But the implications are wider than that. Since 1947 Government policy has rested on the possibility of a middle way between open inflation and the use of the

old-fashioned monetary compulsions to keep demand in check. Trade union restraint over wages, controls on prices and distribution, and moderation in dividend increases have together kept the economy from the extremities of inflation without the need for a financial discipline politically too harsh for the Labour Party. What the railway settlement has helped finally to destroy is this middle choice. Wage restraint is not going to be renewed and prices will not be kept down by controls. The Government is faced at last with two choices only. The resources for defence can be found by cutting consumption in one of two ways: savings can be enforced, with great social inequity and at heavy costs in economic

Affair of Admiralty

AFTER the fuller explanation of it that the Prime Minister gave at the second attempt (and which he should have given at the first), it is apparent that the appointment of an American Admiral to be Supreme Commander of the allied naval forces in the North Atlantic is appropriate to the circumstances and that it comports no insult to the traditions of the Royal Navy. But that is not by any means to say that the angry discussions in the House of Commons were a storm in a teacup. On the contrary, the first unofficial and incomplete report—coming from Copenhagen of all places—caused a sudden upsurge of anger and surprise in the House of Commons, which was fully echoed in the nation at large. It is true that Mr Churchill played on patriotic feelings with more guile than statesmanship: he put the worst possible construction on a matter that was still obscure by suggesting that the claims of British admirals to the command had been "brushed out of the way" and British policy allowed to fall far "into the walks of humility." And Mr Attlee made things worse with a casual, ill-informed answer to the effect that the twelve governments of the North Atlantic Treaty Organisation had discussed and approved the appointment—and that was that. But if Mr Churchill showed too keen a sense of party advantage in the way he pressed and phrased his questions, the Prime Minister showed too dull a sense of national dignity and tradition in his manner of parrying them. Between them they got the House boiling in a way that has left a sediment of anti-American feeling which only informed debate can disperse.

More important in the long run was the sudden realisation that six months can pass before a vital strategic decision is made known, and that the workings of Nato seem to elude the grasp and the eye of Parliament; for it is said that Mr Shinwell agreed in principle to this appointment last October and that Mr Bevin gave it his approval in December. Henceforth the House of Commons will want to be told—within the limits imposed by genuine military security, not by political caution—what is going on in Nato before, not after, it leaks out through the American or continental press. It will also want to be told clearly where the political authority for important joint decisions lies and how the interlocking hierarchy of committees scattered between Washington, London and Paris does its work. (Mr Shinwell says that criticism of the organisation, such as Lord Ismay expressed in the House of Lords last week, is ignorant; on the contrary, it is well informed and finds echoes among the officials and officers of Nato itself.) It will expect—and in this public opinion will support it—that

inefficiency, by open inflation; or competing demands on the national resources can be cut down at their source by retrenchment, taxation and monetary policy. Until now the compromise of a semi-controlled economy has worked after a fashion. It is now not merely undesirable, as it always has been; it is no longer possible. Wage restraint will no longer provide the basis for a middle way. If the Government will not recognise the necessity for deliberate and effective retrenchment in either private or public consumption, then rearmament will be financed only by frankly inflationary policies. Mr Figgins and Mr Bevan between them last week finally slammed the door against compromise.

personal merit and a fair balance of responsibilities, just as much as preponderant national power, should determine appointments within the alliance. It is fortunate that the outburst of feeling in this country has been provoked in an instance where Americans were fully prepared to admit that, on the surface appearance of things at least, there was cause for British resentment.

But there are other lessons to be learnt from the incident. There is the lesson that the essential must be distinguished from the inessential in criticising the policy of the allies in Nato. There is the lesson that the working of the Atlantic Pact must bring painful reminders of the restriction of national sovereignty that it imposes. And there is the lesson that too much time and paper are being spent on committee politics and too little on the mobilisation of forces and the production of their war material.

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The first lesson stands out clearly in the fuller statement that the Prime Minister made on Monday. The western approaches to the British Isles from the Atlantic Ocean, and the home waters around them, remain under British control with joint forces operating in slightly altered traditional commands. That is the vital fact, more important for the security and trade of this country than the nationality of the Supreme Commander. It is now clear that the latter is to be a land-based co-ordinator, controlling a vast area where the task in war would be to get American and Canadian forces and supplies across the sea to bases in Europe and elsewhere. There may be arguments against such co-ordination (although no one has stated what they are); but once it was agreed to create the job there were obvious practical and political reasons why it should be done by an American, and why the western half of the Atlantic should be under the command of an American and the eastern half under the command of a British admiral. For British and American interests in these areas are not—even in war—identical. Mr Churchill appeared to argue that the Supreme Commander will have excessive powers to dispose of non-American forces; in fact he will be responsible for the use of his powers to the Standing Group of American, British and French staff chiefs in Washington, to which the strategic direction of Nato has been entrusted. Moreover, Mr Churchill cannot seriously argue that the identical organisation which carried Americans and British through the last war is suitable for an alliance of twelve nations. It is certainly not acceptable to them in present

conditions, for the Dutch, French and Norwegians all have cherished naval traditions. Nato is something more than an Anglo-American alliance.

There is far more reason for legitimate complaint in the uncertainty about the Mediterranean command. There it is hardly possible to challenge the view that Britain's special responsibility for the Middle East and for the line of communication with the Commonwealth, and its chain of bases along the imperial route, constitute a claim that a supreme naval commander should be British. Indeed, the arguments that should make an American Supreme Commander in the Atlantic acceptable to the British and other allies should make a British Supreme Commander in the Mediterranean acceptable to the Americans and the other allies. Mr Attlee should press this view.

The second lesson of the week's controversy is that the main rubs of Nato membership have yet to be felt; and it is important that everyone should feel that they are shared equally. If the reported appointment of the French General Juin to command the land forces is to give him real powers, it should mean that he commands American and British troops in war. If there is to be an American supreme commander in the air, then he will wish to have a say in the disposition of Britain's fighter forces and the condition of bases in Italy, Belgium and Holland. If there is to be a beginning with the standardisation of weapons—for which a Nato committee exists—then some national industrial interests must be affected and prejudices overcome. There was friction and jealousy on many technical and operational matters in Lord Montgomery's Western Union headquarters; but little was heard about them. They will reappear on a larger scale in Nato, and Ministers in every country must be able to answer questions about them. The twelve allies have, after all, undertaken to produce balanced, integrated forces; and balance and integration cannot be achieved without effort and sacrifice.

The third lesson is that the streamlining of Nato is overdue. To the layman it seems obvious that it takes much too long to reach and execute a decision: the appointment of Admiral Fichteler is a case in point.

Aid for Asia

THERE is a tendency for the Colombo Plan to drop out of the news. When it was first launched last October it got off to a flying start. Good publicity put aid for Asia into the mind of the man in the street. He had heard of the Colombo Plan. Now, however, the position is very different, and it is scarcely surprising to find that the recent fourteen-nation conference in Colombo, from February 12th to 20th, has had a relatively poor press in this country; American papers certainly covered it better than the British. It is all wrong that this great idea for helping the East to raise its living standards should fail to receive adequate publicity, for not only is public support desirable in order to keep the Plan moving forward, but the whole conception is something of which the Commonwealth may well be proud.

The recent conference in Ceylon marked a definite step in the progress of operations designed to turn the Colombo blueprint into reality. It reviewed developments since October and made recommendations for future action—including the proposal that similar meet-

It also seems apparent that too many high level committees go over the same ground—defence ministers, finance ministers, production board members, chiefs of staff and so on. In the lower ranks of the hierarchy equality of representation between governments runs riot. The barriers that interpose themselves between decision and action must look to the staff officer like a steeplechase course. It is not clear whose fault this is; but there is reason to believe that the blame can be apportioned between the American fondness for large, overall blue-prints, the Continental preference for talking rather than acting, and the British eagerness to see at least five moves ahead. One is tempted to think that Nato needs not only a Supreme Commander but a Supreme Comptroller armed with a pruning knife.

There is a further point of vital importance for the British people. It is that the pressure of events and economics is forcing on them a changed emphasis and balance in defence policy. More and more is being demanded of them on land and in the air by the paramount need to defend Europe—at any rate in the immediate future. British policy is being forced into a position in which the assistance of American naval power must be taken for granted, in which there must be planned division of labour between the two fleets, in which the British naval estimates and building programme must be planned with an eye to what Washington is planning. The full implications of this change have not been perceived. But they will have one day to be studied and explained by a First Lord who has the vision and the intellect to look forward at least a decade. How little the House of Commons is aware of Britain's declining sea power—and the reasons for it—was shown last week. Mr Churchill would do a great service to the nation if, when the time comes to discuss the naval estimates, he would expound, regardless of party advantage and polemics, the limits within which British naval power must work now and in the predictable future. For he is the only man in the House of Commons who could explain the deeper significance of this unfortunate affair of admiralty, which was much more than an acrimonious chapter in Anglo-American relations.

ings should henceforth be held twice a year and that an annual report should be published about the Plan. The conference was between officials only, and decisions on their recommendations may now be taken either in the course of normal diplomatic interchange or possibly at a second conference, to be held quite soon between Ministers in either Colombo or New Delhi. What were the developments discussed and how in fact does the Colombo Plan really stand today? Broadly, the facts are by no means discouraging. The conference laid bare certain disputes and difficulties, it is true, but there can be no question of slackening effort at this stage. To let the Colombo Plan flag now would create a far worse effect on public opinion in South and South East Asia than if the idea of helping these countries had never been born at all.

On the assets side, it may be said that the passage of time has crystallised both the nature of the problems to be met in putting the Colombo Plan into operation and some of the facts about the available finance. On the

question of organisation, for instance, the conference discussed at some length whether there should be a central secretariat and, if so, what its size and functions should be. The British want a secretariat as soon as possible, based on Ceylon and headed by an able and energetic secretary-general who could put life and movement into the Plan. Other delegates, on the other hand, felt that it would be better to wait until the amount of external finance is fixed, since on this would depend much of the scope of the secretariat's work. Uncertainty then arose whether the bulk of external aid might in any case be negotiated bilaterally between the giving and receiving countries, thus by-passing the secretariat. In the event, a very small and provisional continuing organisation has been set up; final decisions have yet to be taken.

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A further problem discussed by the conference was that of membership. The meeting was held under the auspices of the Commonwealth Consultative Committee, but during the conference its name was changed to the International Consultative Committee. This was typical of the shift in emphasis from an external, Commonwealth sponsored idea to a scheme of self-help adopted by the area as a whole. Although some delegates attended the conference as observers only, all were encouraged to speak and act as full members if they had anything to say. The fourteen states attending consisted of the Commonwealth—except South Africa—Burma, Siam, Indonesia, Viet Nam, Cambodia, the Philippines, and, most notably, the United States. Unfortunately, several of these Asian states—the most important are Burma and Indonesia—still hesitate to join the Colombo Plan for fear of prejudicing their neutrality; but they will need to make up their minds soon if they are not to forgo the foreign assistance now on its way.

The crucial question about the Colombo Plan, as the conference found, is how to finance it. In this respect, three favourable factors have emerged during the past few months. First, Commonwealth countries have embarked on precise commitments; it is now known that, of the £1,000 million needed in foreign aid, £400 million will be found from Commonwealth sources. Secondly, the commodity boom resulting from the Korean war has very much improved the economic position of many parts of the area; India, Pakistan, Ceylon and Malaya, for instance, have all made significant gains, particularly Ceylon and Malaya. Ceylon, indeed, having estimated its original position on the basis of rubber exports at only 1s. 6d. a pound, could now itself finance much of the programme for which it has requested external aid. Thirdly, the World Bank has taken a favourable view of a number of the projects included in the Plan. It sent a representative to Colombo, Dr Basch, and his relations with the conference were particularly good. The World Bank has already made loans to India and Siam and is negotiating with Pakistan. If all goes well, it is not impossible that, in the course of the six years covered by the Colombo Plan, the Bank may account for some £200 million of the external finance required—making, with the Commonwealth contribution, £600 million out of the £1,000 that is needed.

It should not be forgotten that the biggest contributor to the Colombo Plan is still Britain. Of the Commonwealth's £400 million, Australia is producing £25 million

and Canada has suggested beginning with just over £8,000,000 for the first year. The balance is made up of Britain's agreed releases of £35 million a year to India from its sterling balances, £5,000,000 a year to Ceylon, a probably fairly similar figure to Pakistan and contributions to the colonial territories of Malaya and Borneo—for which, incidentally, the British have undertaken not to ask for any other foreign aid. It is also possible that a small British contribution may later be made to the non-Commonwealth countries as well, if they come in.

In addition to this, Britain has put up the biggest share in the Commonwealth's combined £8,000,000 fund at the disposal of the Council of Technical Co-operation. This body, which is part of the Colombo Plan and is already functioning, is charged with the supervision of a special scheme to get several hundred foreign technicians working and teaching in southern Asia. It is to be hoped that some of these experts will come from France and the Netherlands, both countries with special experience of Asian and tropical conditions and neither so far associated with the Plan—although they would probably like to be. The Germans and Japanese should also be drawn on for technical skill. It is a pity, in fact, that the Japanese have so far been left out of much of the thinking that has gone into the Plan. Japanese industry played an increasingly important part in the economic life of South East Asia before the war, and it is likely to do so again after a peace treaty has been signed with the western powers.

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So much for the asset side of the balance sheet. The debit side consists mainly of one big item—the lack of an American contribution, and, indeed, Mr Acheson's statement last week that the Americans do not at present intend to contribute directly to the Colombo Plan. It would be wrong, however, to take this too much to heart, discouraging though it undoubtedly is. For one thing, most of the money coming from the World Bank will be American in origin. The gap of £400 million, when spread over a six-year period, is not so very great in terms of the rest of the money already accounted for—and the Americans might yet come in at a later date. For another thing, they are already helping southern Asia in several ways—their contributions under Point Four and ECA come to some \$85 million—and there is a good chance that a further sum of \$250 million, to be used on an independent programme of American aid to the area, may be included in the Foreign Aid Bill due to be laid before Congress in a month's time. In addition, if the whole of the recent gift of 2,000,000 tons of wheat is shipped to India, that would be worth about £70 million—which is in itself roughly a sixth, or one year's share, of the £400 million gap in the Colombo Plan. Moreover, a rupee counterpart fund, set up in respect of this wheat, would help to meet one of India's primary difficulties in the Colombo Plan, that of internal finance.

Nevertheless, it cannot be denied that the final absence of any positive American contribution to the Colombo Plan would be very regrettable. The states of southern Asia have certainly done little enough to deserve American bounty, claiming, as indeed there may be arguable grounds for doing, that American policy in the Far East has not always shown great understanding of their present moods and aspirations. But if America is going to send aid to southern Asia for political or humani-

tarian reasons, or a mixture of both, it would be a great pity for it to do so entirely independently of the Colombo Plan. This Plan takes account of all the major projects already either started or about to be started in the countries concerned. It is not based on bridging gaps in balances of payments—as the Marshall Plan was. Its aim is to foster and to finance long-term investment. It would seem that any American financial aid devoted to a similar purpose should at least be very closely co-ordinated with the priorities drawn up in the Colombo Plan. As Washington has already recognised in the discussions which have led up to the present draft of the Plan, these priorities are based on the views of the most experienced technical experts in this part of the world.

After finance, the biggest problem is that of supply—indeed, this is likely to increase rapidly in importance as western rearmament gets under way. There is little direct similarity, however, between the methods proposed for raising the standards of living in Asia under the Colombo Plan and those adopted in Europe under ERP. Economic improvement in southern Asia does not depend on mutual trade within the area. Nor do the local industries exist which can provide the capital equipment required. There is, therefore, no reason to adopt in Asia the precise methods of the Marshall Plan, and the British have justifiably felt that there is a strong case for asking that if any new American aid is granted to southern Asia—either under the Colombo Plan or in

association with it—this money should consist of free dollars, expendable anywhere. For the big question will be that of obtaining the necessary capital goods not only in the cheapest market, but where delivery dates for the most important items are the shortest. This may mean buying in Britain or America or elsewhere. But it will certainly increase the desirability of not tying any strings to the available funds. And for Britain, at any rate, as one of the chief sponsors of the Colombo Plan, there is a clear duty to go on ensuring that goods destined for any of its projects retain a high and adequate export priority.

This, then, is the present background to the Colombo Plan. Officially the Plan starts operations in July. By the time it is, say, three years old and half completed, the world may either have moved into a quieter period of stalemate or have relapsed into war. In either event the teething troubles of this great undertaking will quite probably look small and far away. But none of these possibilities detracts from the obligation now resting on the statesmen of the Commonwealth and of the Asian countries themselves to do all in their power to bring the Colombo Plan to its full fruition. Least of all can they afford at this stage to let it drift into being regarded, either in the West or in the East, as a cross between a nine days' wonder and a rather humdrum failure. It will need all the idealism and drive that went into the Marshall Plan—and more.

The Town Planners' Dream

AMONG the schemes of social improvement which won approval in the aftermath of war, a high place was accorded to those connected with town and country planning. A series of outline plans for rebuilding the blitzed cities of Britain stirred the public imagination. Schemes for the creation of new towns and of national parks coloured the vision of a brighter future. It was agreed that the mistakes of earlier years—urban congestion, suburban sprawl, and rural spoliation—should not be repeated; and, much more important, that they should be set right as quickly as possible. A trio of famous reports—Barlow, Uthwatt, Scott—had made out the case for establishing a new central authority armed with extensive powers. Accordingly a new Ministry (now the Ministry of Local Government and Planning) was created, and Parliament conferred on the town planners all the powers for which they were asking.

In less than five short years the town planners' dream has faded—or would have done so, had they not been too busy making and remaking plans to notice their unreality. Schemes for individual towns have been followed by broad regional blueprints which will be in turn superseded by the development plans that it is the duty of every local planning authority to produce by this summer. This plenitude of plans has been matched by a multiplication of controls (the student of the use and abuse of delegated legislation will find town planning a fruitful field) and by the establishment of a hierarchy of officials having a vested interest in the planning process. But of concrete results, in the shape of an improvement in the living and working conditions of the people, there is little—pathetically little—to show. Popular enthusiasm for this brand of planning is turning rapidly to disillusionment, and it is time that the official

town planners took cognizance of the fact. What then has gone wrong with town and country planning?

First and foremost, it is a victim of economic stringency. Many planning schemes can produce great and tangible benefits in the long run, but almost all involve a high initial cost. The redevelopment of a city centre, for instance, requires a heavy outlay on site clearance, street improvement, and rebuilding and necessitates much disturbance of existing occupants. The eventual gains, unfortunately, must be paid for in advance; and it is just this which the nation, under present conditions, finds it so difficult to do. This is why the grandiose schemes of road and rail improvement have been “modified” almost out of existence; and why the attempt to shift industry out of congested areas (on which the success of so many plans depends) has been temporarily given up because of the costs of disturbance. Again, the planners' schemes for new housing are bound often to run counter to the political pressure to build houses quickly and to the financial pressure to build them cheaply—and the plans suffer accordingly.

But economic exigency is by no means the whole explanation. The strategy of the planning authorities has been such as to produce the minimum of results for the maximum of friction. Most bad development between the wars was the result of private enterprise. Accordingly, the planning administrators have bent all their energies towards clamping the tightest possible controls on all forms of private development—without, seemingly, observing that all major projects (and many minor ones, too) emanate no longer from private, but from public, sources. It is an almost classic case of belated stable-locking. Thus the citizen has been treated to the absurdity of seeing his own modest plans for a

hen-coop subjected to rigid scrutiny by planning experts, while Ministries and public corporations engross whole stretches of the countryside for their pet projects, cheerfully handing off the local planning authority with talk of national necessities. There is, of course, “prior consultation” over public projects in Whitehall, and now that the Minister of Local Government and Planning is in the Cabinet and has housing under his wing, this consultation will presumably be much less of a formality. Nevertheless the emphasis remains wrong. The growing impression that town planning is a process at once restrictive and ineffective will be hard to remove.

Finally, everyone agrees that the peculiar financial provisions concerning compensation and development charge contained in the Town and Country Planning Act of 1947 are working badly. The uncertainty and arbitrariness over both sides of the equation (the compensation to be paid and the charge to be levied) would be a serious deterrent to private enterprise, were enough enterprise to be allowed. The compensation proposals are widely considered unfair. Development charge acts primarily as a tax on enterprise rather than as a device for scooping off unearned increments in land values. It is not popular even in Labour circles, where it is thought to catch the wrong persons, and it must cause Henry George and the land taxers to turn in their graves. These financial arrangements were conceived by the Labour legislators as wholly secondary to the aim of establishing effective planning control over private development. Rarely have the means chosen been so utterly disproportionate to the end in view.

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The catalogue of faults and difficulties is long, and the beginning of wisdom must be to recognise the mistakes of the past and the limitations of the present. The 1947 Act—for reasons of which some could not be foreseen but others were foreseen very clearly—has turned out to be one of the worst legislative blunders of the century. There is much to be said for scrapping it root and branch, and approaching the subject with a fresh mind and a clean slate. At the very least, its financial provisions will have to be drastically amended. How this could best be done is a question outside the scope of this article. All that can be considered here is what policy the planning authorities (central and local) will have to follow in order to be saved.

The nursery lesson which they should take to heart is that it is better to do a few things well than a lot of things badly. Town planners have greatly over-emphasised their role as “co-ordinators” of all forms of land use. The very people who define their functions in these grandiose terms recognise the complexity of the social and economic factors which must be taken into account.* There is not the necessary knowledge nor ability in the country, certainly not in the present Ministry, to determine the “best” use of each piece of land by administrative action. In any case these questions are being settled in practice less by the pure light of planning reason than by the balance of power between different departments and interests. Thus, where a new town shall be built depends not a little on how effec-

* See for example a recent booklet by two planning officials, “Some Principles of Land Planning,” by F. B. Gillie and P. L. Hughes. (Liverpool University Press, 5s.)

tively the local farmers are organised. This very fact does in theory increase the need for impartial arbitration by a central department; but, at any rate until the Ministry is better equipped for the job, the best course would be to give a freer play to the economic factors which the 1947 Act has smothered.

The second lesson for the planners is to count the cost of their proposals in terms of the resources likely to be available, as was done in Mr Max Lock's plan for the Portsmouth area. They must make reasonable assumptions about the mobility of industry and local opportunities for employment, as was done in the outline plan for the north-east coast. Too many plans still ignore these first principles, pay little attention to costs, and assume that industry can be moved about to the planners' orders. Plans for the development areas, for instance, often fail to strike a proper balance between the social desirability of bringing work to the workers and the economic desirability of moving workers to towns which are convenient for industry.

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So far this article has been exclusively concerned with what town planners should not do. That is a reflection of the present situation. Half the trouble is that, frustrated in the pursuit of constructive objectives, the planners have increasingly fallen back on the wholly negative role of stopping other people from doing what they want to do. This explains their unpopularity. But it is no solution—or at any rate, one not likely to be entertained—to suggest that instead they should do nothing at all; that they should justify their Parliamentary vote only by such things as the preservation of Pope's oak and the improvement of rural footpaths.

The only alternative is for the town planners to rediscover their social function. They gained their present powers, not because they were thought suitable persons to co-ordinate all forms of land use (which they are not), but because they showed ways of securing better and healthier living conditions for the mass of the people. This initial aim has today got buried under a mass of regulatory and taxing powers which were originally secondary to it. The means has become the end. Town and country planning started modestly and has quickly acquired an overlay of functions far beyond the original conception. Planning authorities cannot hope to justify their powers and controls (even on a much smaller scale) unless they become the instruments of a policy at once more modest and more constructive.

It is time to face the fact that all major development schemes involve a high initial cost which can only be paid for by sacrifices in other directions. Is the nation prepared to have a rather slower rate of house-building in order to get the houses built in the right places? Will it forgo building in new communities in order to make a start on the redevelopment of city centres? Even if questions of this sort are answered affirmatively, there is a very strict limit to what planners can accomplish in the next decade; but if they are answered negatively, then the outlook for positive planning is very bleak. There is much to be said, even today, for accepting still more sacrifices in return for greater social benefits later. But unless the Government (and the nation) will take that view in practice—and not just in theory—the new planning machinery will lose its *raison d'être*.

NOTES OF THE WEEK

Stalinist Strategy

The oracle having spoken through the columns of *Pravda*, the Stalin line is now being plugged as hard as the Communist Party knows how. The troops of the United Nations cannot win in Korea—it is said—because they do not believe in their cause, because their morale is bad; therefore, said Stalin, they must lose. This is tantamount to saying to the masses of Asia and to the party everywhere that Russia expects this year every Asian to do his duty—which is to drive the Americans and their allies into the sea and demonstrate once for all that a people's army of peasants with faith in Stalin can everywhere sweep all before it. It might be thought that Mao Tse-tung and the now almost forgotten North Korean leader, Kim Il Sung, would feel they were being committed to endless fighting on their own, with Stalin emulating the Duke of Plaza Toro who

... led his regiment from behind
He found it less exciting.

To console them they are told by Moscow Radio that "people resolutely fighting a just war for freedom and independence and enjoying the immense moral support of the whole of progressive humanity cannot be conquered."

It is becoming increasingly clear that the purpose of Stalin's political strategy is to gain time: by stimulating "colonial liberation movements," by turning the desire for peace to subversive ends, by postponing the settlement of the problems arising out of Hitler's war, by seeing to it that every Communist action—whether in Malaya, or the Balkans, or the docks of Australia, or the streets of Paris—is carried on regardless of defeat or casualties.

Stalin's point about morale is none the less worth some thought. There is a persistent tendency, even in quarters sympathetic to the Uno cause, to forget that the issue in Korea is not precisely what it was last June. Chinese intervention was primarily intended to wipe out the impression made by the overwhelming defeat of the carefully trained and indoctrinated North Korean army. It was intended to show Asia that Communism must be victorious on the field of battle if it followed the strategy laid down by the party. What the United Nations troops are doing in Korea, therefore, is to fight a campaign demonstrating that aggression by proxy does not pay, that free men have their own sources of good morale, and that the service of Soviet imperialism is costly and unrewarding. Indeed, it is time that this last point was made quite clear by a Uno appeal to Kim Il Sung over the heads of his Chinese and Russian masters.

French Cabinet Crisis

M. Plevén's resignation on Wednesday evening marked the failure of a series of Byzantine manoeuvres in which two partners in the Third Force coalition tried to cajole the third into accepting their project of electoral reform. The government, which has been in office since last July, staked its life on three votes of confidence. On the second of these the Assembly rejected the opposition amendments proposing a single ballot system by 311 votes to 295. This vote, although technically a victory for the government, made quite certain the withdrawal of the MRP ministers from M. Plevén's team. The President of the Republic has initiated inter-party consultations which threaten to be extremely long and difficult.

A dissolution is now constitutionally eliminated since the government did not lose the vote of confidence. With the electoral law unchanged there is little advantage, moreover, to be gained for the majority parties by debating the alternative procedure of curtailing the parliament's life by a simple

vote of the House. The only possible solution seems to be a genuine compromise between the MRP and the Radicals on electoral reform. All serious political and economic issues have indeed been put on ice meanwhile on the assumption that such agreement was indispensable. The abandonment of electoral reform altogether risks, as the coalition well knows, the election next autumn of an Assembly in which Gaullists and Communists have an absolute majority. The coalition determination to prevent this happening will be measured by its willingness to compromise on electoral reform. In the present situation it will doubtless have occurred to French politicians that they have a duty to their allies, as well as to their people, to see that France has a government capable of fulfilling its international responsibilities.

Maliciously and Advisedly

Although the House of Commons has in recent years lost many of its functions as a law making body, it can on occasion most vigorously reassert its guardianship of civil liberties. On Monday, the Government not unnaturally expected an easy passage for the Reserve and Auxiliary Powers (Training) Bill, which provides the necessary legal sanctions for the recall of Class Z and Class G reservists; there had been no serious disagreement about the measure. But it was not the military arguments which provided the centre of the debate, although members in all parties were clearly uneasy about the effectiveness of the 15 day recall. The House was far more concerned with the drafting of Clause 6, which makes it an offence to incite people to evade the call-up. The question was first raised by a Conservative member, Mr Henry Strauss, who pointed out that although the clause was modelled on the Incitement to Disaffection Act of 1934, it had left out the words "maliciously and advisedly" from the description of the offence and had therefore made it too broad for satisfactory legal definition. Mr Grimond, for the Liberals, argued that the clause as drafted would make it possible to suppress not only Communist agitation but genuine pacifist movements, and that it gave powers of search even where an alleged offence had been committed three months before the laying of the information.

When transferred to the Labour benches, the attack took on a different aspect. Mingled with the dislike of such a badly-drafted clause were remnants of the old animosity against the 1934 Act itself, which had been bitterly opposed by the Labour Party at the time and against which Mr Attlee had once made an impassioned speech. In the end, the Secretary of State for Air promised that the Government would reconsider the clause in committee. The arguments against the clause were for the most part sound lawyers' arguments; but beneath the surface there was discernible the old current of Labour fear which breaks out from time to time. It is a group myth inherited from the revolutionary days of the Labour Party, a fear that the law is really a Tory instrument and that one day its powers may be turned against Labour. Any measure of restriction, even one aimed specifically against the Communist Party, produces this feeling of vague malaise among older members of the Labour Party, who are bitter opponents of Communism. It will presumably be extinguished with the passage of time, but meanwhile it unfortunately gives the Communist Party an opportunity to pose as the champion of civil liberty.

Writing Off Eggs

The failure of the Gambia poultry scheme, coming so soon after the decision to write off the £36 million

invested in the Overseas Food Corporation's groundnut scheme, will inevitably strengthen the misgiving already felt about the activities of the Colonial Development Corporation. The amount so far advanced was £825,000, and it is a tribute to the courage of the corporation's new chairman, Lord Reith, that once the scheme had proved a failure he should decide to abandon it forthwith rather than to wait until the loss was doubled. It is worth noting that the loss is, so far, only to the corporation, which remains liable to the Government for both the capital and interest on it.

But the failure illustrates once again the particular hazards of investment in the colonies through public corporations like the Overseas Food Corporation and the Colonial Development Corporation. Little purpose is served by saying that no normal commercial enterprise would undertake such a risk at such a cost. The whole point of the Colonial Development Corporation is that it should undertake enterprises outside the range of private investment. Some of them are bound to turn out failures; what the Overseas Resources Development Act requires is that, taking one year with another, the Corporation should show a profit over its activities as a whole. The root of the trouble is that when mistakes are made by a public corporation of this sort they are dragged into the political limelight. The scheme then becomes a matter of prestige; the truth tends to be hidden; and the inevitable decision to write off the loss is delayed longer than it should be. Doubts have been expressed about the wisdom of the Gambia poultry scheme for some time. But when the Corporation's report appeared last summer its account of it was permeated with optimism.

The undertaking has progressively overcome all its difficulties so far; the health and fertility of the flocks is [sic] excellent and the output is expected to work up within 18 months to its maximum of 20,000,000 eggs and 1,000,000 pounds of dressed poultry per annum.

Moreover, even when detailed questions were put in the debate on the Corporation last October Mr Dugdale, Minister of State for Colonial Affairs, still put forward the estimate that ten million eggs would be forthcoming in 1951. Lord Reith will have to show himself less sensitive to criticism than was his predecessor, and remain readier to admit mistakes, if public faith in the value of his Corporation—for, rightly handled, it has a value—is to be restored.

New Ministries for Old

The House of Commons debate last week on the transfer of functions from the Ministry of Health to the new Ministry of Local Government and Planning produced some interesting backbench criticisms of departmental organisation. Most members appreciated the logic of grouping housing, water supply, and sanitation with town and country planning instead of with health. Medical opinion in the House made rather heavy weather of the danger of separating the responsibility for environmental and personal health services. It was also suggested that the Ministry of Health, having less now to do, would extend its control over the local administration of the health service. In fact, however, general supervision of the health service together with responsibility for the developing welfare services is quite enough work for one Ministry.

There were also fears from another angle that the Minister of Local Government and Planning, now that he has housing under his wing, would cease to be an impartial arbiter on conflicting claims for land use. One answer is that he never did or could perform this role successfully—partly because of his own impotence to overrule other repartments, partly because of the inherent difficulties of the task. At least, he will now be able to integrate town planning with the main forms of physical development—which in fact is a sensible step backwards to an earlier position. Most of the objectors on this score represent rural constituencies, and seem to sup-

pose that nothing matters except maximum protection for good agricultural land.

These two sets of objections—the medical and the agricultural—can be largely dismissed. More interesting was the suggestion that loan sanctions for local government projects (and why not the district audit and other local financial matters?) should be transferred to the Treasury, thus recognising the power of that department and preventing a duplication of central controls. Besides such particular questions, there was a natural curiosity as to what wider ends the new dispensation is intended to serve. Mr Herbert Morrison managed by his flippant reply to dissipate the good reasons for the Government's action. He contended that the Ministry of Health was being dismembered because it was too big—thus ignoring the fact that another large Ministry was being created. If a reduction in departmental size is the Government's aim, it would do better to put housing into the Ministry of Works. Mr Morrison's facetiousness lent colour to those who see the arrangements as a device for shifting Mr Bevan and inflating Dr Dalton. He justified them as a matter of logic and departmental convenience, but held out no hope that they would assist local government, health, or housing. The administrative problems at issue are too important to be dealt with so casually.

Prague's Purge

The month-old mystery which has surrounded the whereabouts of the former Czechoslovak Foreign Minister, Dr Clementis, has at last been solved. He has been arrested as a spy and a traitor in the first major purge of "Titoists" that the Czechoslovak Communist party has undergone. He, and the most important of those who were arrested with him, must now expect to follow Rajk and Kostov to the gallows or prison.

From Moscow's point of view the Czech Communist party has always been unsatisfactory with its exceptionally large membership and its absence of "steel-hard cadres." The western outlook of the Czech people and the disgraceful tendency of the Czech worker to value bourgeois comfort have aggravated Moscow's suspicions. The conversion of the Czechoslovak economy to serve Soviet interests has not been proceeding smoothly. The proportion of trade that should go respectively to West and East is a subject of perpetual friction between Prague and Moscow; so are the scale and speed of agricultural collectivisation. Several of the Czech Communists now under arrest are accused of opposing a policy of "liquidation of the kulaks."

Dr Clementis and his colleagues on the former Slovak Board of Trustees, Drs Husek and Novomesky, who have been arrested with him, are also accused of "trying to separate Slovakia from the Republic." It was, indeed, primarily for their Slovak nationalism that these men got into trouble a year ago. Whatever their other differences, both Prague and Moscow will combine to crush the separatist aspirations of the Slovaks, who are growing more and more resentful of the strictness with which they are now controlled from Prague. A Czechoslovakia split into two weak and vulnerable halves would only be a liability to the eastern bloc.

The present purge may extend to more important people; so many of the present ministers committed the error of not spending the war years in Moscow. Even among those who did, there are some, like President Gottwald himself, who do not seem to be regarded as completely reliable. What does appear unlikely is that Zapotocky or any of the other "nationally-minded" Communist leaders will risk an open breach with Moscow. Their past record shows that they are much more likely to intrigue against each other, each hoping to get the support of "the inspired teacher of humanity" until in the end he picks them off one by one and destroys them.

Tension Inside China

One feature of the Chinese Communist victory over the Kuomintang which aroused strongly favourable comment abroad, and appeared to support the contention that the Chinese comrades were of a different species from the Russian, was the mildness of their behaviour in the newly "liberated" areas. The absence of proscriptions and terror was in marked contrast to the ruthless violence of the early days of the Chinese Communists and corresponded to the Popular Front tactics they adopted during the period of the Japanese invasion. By forming the widest possible combination of political forces against the Kuomintang, and by making suitable promises to all classes except landlords and "bureaucratic capitalists," the Communists created a temporary situation in which their victory was generally welcomed and they could afford to make a show of clemency and moderation. Yet the Communist determination to obtain and hold absolute power implies that terror must be employed as soon as initial popularity wanes, or steps are taken which forfeit the support of former political allies. This stage was bound to come soon in China, but it has now been precipitated by the Korean war, and particularly by the reverses which the Chinese army has recently suffered.

On February 19th the Central People's Government Council enacted a decree which prescribed penalties of death or life imprisonment for "those who work with imperialism against the fatherland," ringleaders of counter-revolutionary guerrilla units, spies and saboteurs, agents who try to "tempt and buy over" soldiers or civil servants, those who disseminate "counter-revolutionary propaganda and rumours," and persons stirring up disunity, disturbing financial markets or inciting "serious resistance to grain tax collection, labour service, army service and other administrative orders." All countries in time of war take measures to suppress enemy agents and subversive elements; but the extension of the death penalty to so wide a range of offences indicates either extreme ruthlessness or else an internal situation of a very alarming kind. An official statement issued to justify the decree does, indeed, paint a picture of widespread disturbance and resistance to the new regime. It was asserted that "in many places" railways and bridges had been wrecked, factories and mines damaged, and warehouses set on fire; members of local peasant associations had been murdered, groups of peasants transporting requisitioned grain for the army had been attacked, and in the province of Kwangsi alone 3,000 "cadres of the People's Government" had been killed. Such admissions seem to support the claims of widespread anti-Communist guerrilla activity put out by Chiang Kai-shek from Formosa. It may be that both sides, from different motives, are exaggerating the extent of the resistance; but there seems to be no doubt that the exacting demands of war against the United Nations have begun to produce cracks in China's national solidarity.

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India and Pakistan—Limited Optimism

The new trade agreement just signed between India and Pakistan after a week's negotiations in Karachi shows that even the darkest night gives place to dawn. At first sight the puzzling aspect of this agreement—the terms of which appear on page 509—is why it should suddenly have been possible for Delhi and Karachi to reach a settlement now, when for seven months already each side has clearly been willing to cut off its nose to spite its face. But the fact is that the economic reasons for breaking the deadlock have been growing stronger with time, and that India's economic plight had grown very serious. Yet so long as the two countries were politically so irreconcilable it seemed that the hopes for commonsense were slim. Now, however, that an alarming economic situation has produced a settlement, what are the chances for political agreement?

The answer probably depends on the course of events outside India and Pakistan as much as on a change of

political climate occurring in either capital. While the new agreement will naturally remove a grave source of friction, there is unfortunately no sign which points to a settlement of the crucial dispute over Kashmir arising out of the more friendly economic relations. India and Pakistan have settled profound differences before—the Bengal agreement a year ago came at a very critical moment—without managing to turn a local truce of this nature into a general peace. At present, the Kashmir deadlock is as complete as ever, and both sides have given a very frosty welcome to the British and American proposals now before the Security Council. Either Delhi or Karachi might suddenly again reverse its whole attitude, deciding this time that the Kashmir struggle is not only rather ridiculous but financially, militarily and morally intolerable; but it may yet take some external agent like the direct pressure of Soviet imperialism or a further Chinese advance into Tibet to turn India and Pakistan into real friends. The economic agreement at least shows that big changes, once in train, can take place very quickly, and that the day must come eventually when the Kashmir dispute becomes only a nightmare of the past.

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Order 1305

It is now almost certain that the wartime legislation against strikes will be abolished. On Wednesday the TUC strongly recommended Mr Bevan to repeal the order which prohibits strikes and lockouts unless 21 days' notice has been given to the Minister of Labour and no action to settle the dispute has been taken. (This is part II of the Conditions of Employment and National Arbitration Order, No. 1305 of 1940.) No decision will be taken until April, but there is widespread agreement with the TUC's proposal—as also with its recommendation that the National Arbitration Tribunal, which was set up by the Order, and the clause requiring the observance by all employers of "recognised terms and conditions" of labour should be retained.

To abolish the Order at this precise juncture is to run the risk of appearing to give still further encouragement to wage claims. But in fact the Order has never prevented strikes. Indeed, it is always very difficult, if not impossible, to enforce strike legislation universally; the choice of when to enforce it consequently depends on political rather than legal considerations. In any event it is hard to ensure that the real, as opposed to the apparent, instigators of illegal strikes are caught. There is, of course, a strong case for prohibiting strikes in a few essential services—the police, gas, electricity and water undertakings—but for these adequate legislation already exists.

The proposal to retain the National Arbitration Tribunal, although arbitration will no longer be compulsory, is also wise. There will always be a need for a competent, impartial authority to settle those disputes where the two parties genuinely disagree, without wishing to go to extreme lengths to get their way. It should be pointed out that the great majority of industrial disputes in Britain are in this category, and the tribunal has a long record of successful settlements in a mass of minor cases seldom reported in the press.

The main criticism of the proposal to abolish compulsory arbitration is that it was not made sooner. The relevant section of the Order might easily have been repealed three or four years ago. As it is, the recommendations follow hot on the heels of Communist agitation, and they will inevitably be represented as a triumph for the agitators.

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Patriotism by Proxy

Both the TUC and the FBI have now decided on their advice to the Chancellor about this year's Budget. The TUC offers an amiable set of expedients supposedly designed

to pay for defence and yet to make almost all wage-earners better off: the rest of the community will patriotically bear the burden. (It should be said that the FBI's proposals, which are discussed in detail on page 504, display something of the same spirit). The TUC's ideas are unusually ambiguous. It urges the Chancellor to increase the food subsidies, "as far as is practicable," in order to cushion the consumer from rising import costs. It can hardly be unaware that if expenditure on subsidies were in fact increased on any scale, offset only by some undefined "administrative" economies, the Budget problem would be very much bigger than its own suggestions for taxes can be supposed to meet.

No doubt it is politically inevitable that the trade unions should urge the Chancellor to increase the tax on distributed profits. But the economic education of the past few years has been remarkably unrewarding if they still naively suppose that the transfer of resources to defence will in any way be helped by a bigger extraction to the Treasury of the money that companies save through undistributed profits. The proposal to shift purchase tax from essentials to luxuries is even more obviously unrelated to the real tasks of rearmament. Such luxuries as are consumed on any scale are already taxed to or beyond the point of diminishing returns, and to lower the rate of purchase tax on the more necessary goods (which are just the things—household equipment, and the like—that rearmament will necessarily make scarce) can only ensure that queues are longer and the country's sacrifices more indiscriminately distributed.

On one point—an increase in the standard rate of income tax—the TUC's advice will command fairly wide agreement. But it converts even this necessity into an instrument of class war by proposing to combine the higher tax on the middle classes with relief for trade union members: the exemption limit for income tax would be raised. The suggestion that the reduced rates of tax should be more gently graduated is a sensible, if limited, recognition of the fact that it is high marginal taxation on additional income that deters effort; but again the practical effect would presumably be to reduce the amount of tax paid by most wage-earners—and so to offset the yield of the increased standard rate. All this amounts to a recipe for other people's patriotism that can only complicate both the country's and the Chancellor's tasks.

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Quiet Life for Monopolies

The Board of Trade published on Wednesday its appropriately brief report on the operation of the Monopolies and Restrictive Practices Act during 1950. It will be read not for what it reports but for what promise it holds out of more liveliness in 1951. The promise is in fact regrettably slight. Plainly Mr Wilson's reference of two more cases to the Monopolies Commission as early as last December was no more than a concession to the feeling that something ought to be happening by now. Although its staff increased in numbers from 37 to 61 last year, the Commission does not hope to do more by the end of this year than complete the six original inquiries (referred to it just two years ago) and "make a start" on two or three others.

The report does give a useful explanation of the principle on which future subjects for inquiry by the commission will be chosen. The aim is

to build up a programme of study which will enable the commission to bring under review, in the early years of their work, representative examples of all the common types of restrictive practice and monopolistic influence in British industry.

The impression of leisurely, academic research is no doubt accurate if unintentional. Though it is naturally not explicit, there could hardly be a more effective admission that Mr Wilson has no intention of taking any thoroughgoing action against monopoly practices. The choice of inquiries is being "directed chiefly to subjects which may be expected

to break new ground." The result will be, therefore, a series of isolated findings on separate cases. It would be quite wrong for the Government to legislate for these individual industries when they have been chosen merely as examples of what is known or suspected to exist elsewhere. It also seems unlikely to take the examples as a sufficient basis for general legislation against monopoly. The Board of Trade's report goes out of its way to emphasise that the establishment of the fact that there are monopolistic conditions or restrictive practices in any trade "cannot prejudice the further question whether these conditions or arrangements are contrary to the public interest." It could be supposed that Mr Wilson is deliberately seeking to make the Monopolies Act even more ineffective in administration than it was inadequate in conception.

The Board of Trade's decision that the commission should investigate isolated examples of different types of monopoly is the more surprising because one-third—10 out of 29—of the further studies suggested from outside are concerned with restrictive arrangements in distribution, which have already in part been officially examined by the Lloyd Jacob committee on resale price maintenance. If the Government really wanted to make what use it could of the Monopolies Act, the reasonable policy would surely be to concentrate on investigating a few more cases in this field as a basis for general legislation against restrictions on competition in the distributive trades.

* * *

The Strain in Malaya

Tuesday's debate on Malaya in the House of Commons drew a statement from the Secretary of State for the Colonies, Mr James Griffiths, that confidence is slowly and surely growing, although progress with the Briggs Plan has not been quite as good as had been hoped. On paper this is true enough. While the number of incidents sometimes ebbs and flows disconcertingly, the trend is now in favour of the security forces. On the other hand, there is still no prospect whatever of ending in the foreseeable future the well-nigh intolerable tension throughout Malaya. The emergency has now lasted two and three-quarter years, and—to consider for the moment only the European community—this long-drawn-out strain is having an increasing effect on Malaya's planters and civil servants.

It is very fortunate that the emergency now coincides with an economic boom in Malaya. For, if the bottom dropped out of the rubber and tin markets, it is hard to see either how the estates could continue to be manned by adequate white staffs, or how the administration could continue satisfactorily to finance its abnormal expenditure. Even as it is, companies are finding it harder and harder to get managers in the bad areas, more of the older planters are going into retirement, and the type of young man needed to keep the Malayan enterprises going is not coming forward from Britain. Nor is the civil service very much better off. The worst possible effect has been created, particularly among the senior and more hard pressed officials, by the indefinite and prolonged suspension of leave—a recent temporary measure designed

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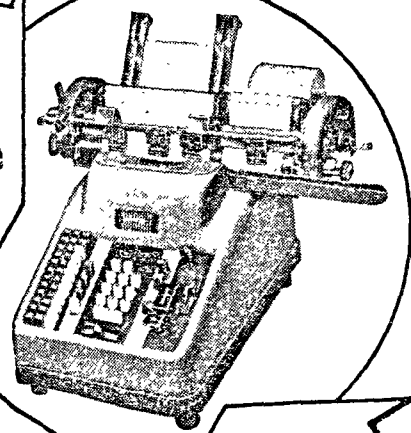
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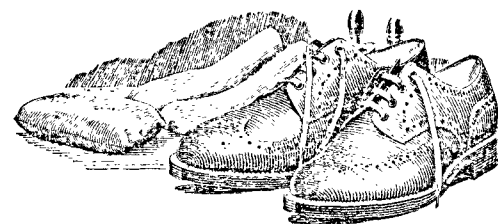
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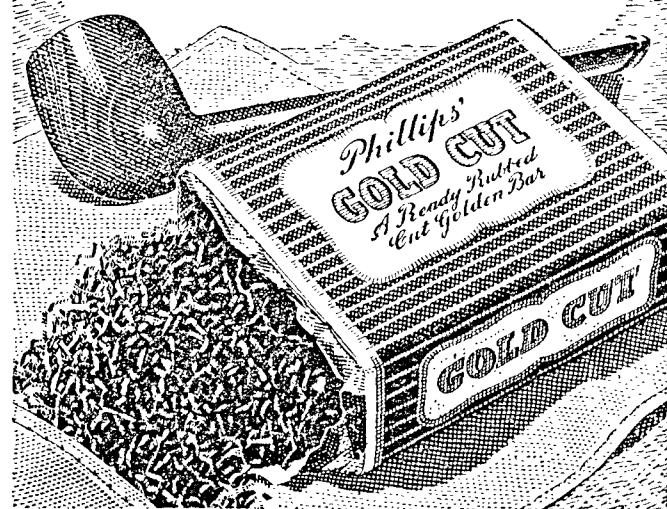
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to step up government efforts to deal with the emergency. And, from the point of view of encouraging young entrants, the probable compensation, if anything should happen to their jobs in the future, is still unsatisfactory. It is clear that, should the Malayan emergency be prolonged at its present intensity, both the government and private firms will have to consider making their terms more attractive if they are going to recruit the necessary staffs.

One of the considerations also to be taken into account by the British Government is the deterrent effect of the casual statements sometimes made by its members, about self-government for Malaya. Until the time is ripe for this move it does only harm to give the impression that British authority may be surrendered tomorrow.

* * *

Poulet Rideau de Fer

The plump Polish fowls and geese now lying alongside emaciated British hens on the poultrymongers' slabs tell a better tale than statistics. It is easy to see why the Warsaw authorities are anxious at the extent to which the peasants are feeding grain to livestock instead of delivering it to the state, and why they should wish to speed up the slow tempo of collectivisation.

In the last few days officials in Poland have sounded a new note of alarm. The people, it seems, are eating far ahead of schedule. The increase in meat consumption in Poland is said to be "really incredible." In Polish towns, meat consumption per head was 36.4 kilos (80.26 lb.) in 1949, and 51.3 kilos (113.12 lb.) in 1950. In Warsaw it was 48 kilos (105.8 lb.) before the war, and 61 kilos (134.5 lb.) in 1950. (In Britain, meat consumption, including bacon and ham, was 108.2 lb. in 1950.) Consumption of bread and flour is said to have risen in much the same way.

The Polish authorities are concerned because the Six-Year Plan did not provide for agriculture to produce so much or the people to eat so well, so soon. Consumption of meat and flour has reached the figure envisaged by the Six-Year Plan for 1953. Incomes were supposed to be kept down, and investments directed to heavy industry and the armed forces, not to ham and cakes. The Warsaw spokesmen complained that:—

It means hardship to build socialism. We have immense factories to erect and we have to show every concern for the security of our frontiers. All this must cost money. We cannot consume for 1953 or 1955 and produce for 1950.

Communist planners, it is evident, find it even more difficult than the British Government to guide their public back to austerity. They have to contend not only with ordinary human frailties but, as the Polish speaker pointed out, with "the hostility of the class enemy." This mysterious force was said to be responsible for rumours of rationing (well-founded in Prague) which sent the Poles and Czechs rushing to the shops. Temporary panics may be stopped by official threats; but it will be interesting to see how the Communist planners deal with the constant propensity of the public to make hay before the sun shines.

* * *

Health in Industry

It is possible to sympathise with the main object behind the report of the enquiry into the industrial health services (Cmd 8170) and yet deplore many of its recommendations and the Government's decision to accept them. The committee was appointed to examine the relationship between the health services provided for the general population and the industrial health service and to consider what measures should be taken to ensure the economical use of medical and nursing manpower. It is therefore well aware of the danger of overlapping and examines it—though by no means fully. But it is so convinced of the advantages, indeed the

necessity, of an industrial health service that it regards overlapping as of secondary importance. For instance,

The general burden of evidence is that where the doctor or nurse is fully occupied at the factory the overlap in these matters [medical treatment] is justified as benefiting productivity.

Again,

Within reasonable limits overlap [of medical examinations] may well be justified in the interests of the efficiency and welfare of the workers.

Everyone wants to improve the efficiency and welfare of factory workers. But it can seriously be questioned whether much of the paraphernalia of an industrial health service will necessarily improve industrial efficiency one jot. The factory doctors appointed under the Factory Acts, whose functions are mainly concerned with the examination of young persons and of other persons employed in unhealthy processes and with the investigation of some accidents, serve a limited and clearly defined purpose. There is also an obvious place for the specialist in purely industrial diseases. But doubts arise when the committee recommends the widespread appointment, by employers, of industrial medical officers, and nurses, whose functions would include such vague matters as "personal and group morale" and the promotion of "general and personal hygiene." Much of all this sounds like creating work to justify an appointment whose recognised, definite purpose is very limited.

The country is already spending over £400 million a year on the national health service. It is very questionable whether, above all this, there should be additional expenditure, even though from private funds, on a full industrial health service. It is even more questionable whether this should, as the committee hopes, eventually be extended to become a comprehensive occupational health service for establishments of all kinds, large and small.

* * *

Cheaper Nylons

The motives behind last week's official reduction in the price of nylon stockings are decidedly mysterious. One used to learn that price movements equated supply and demand; but not even the old price brought the supply and demand for nylons within shouting distance of each other. Outside the black or grey markets, nylons are obtained not by paying for them—that is an essentially irrelevant flourish on the transaction—but by inscribing one's name on a waiting list only less formidable than that for a new car, or by watching like a cat at a mousehole for the arrival of a local consignment, then knocking twice and asking for Joe. Doubling the price of nylons might be useful; the knocking off of a shilling can only be regarded as a symbolic gesture, relating to the almost entirely notional value of an almost entirely fictitious commodity, standing in the popular mind for Glamour, Achievement, the entry-pass to that magic world inhabited by the advertising artist's lovelies and their adorers; a revaluation of the £ in terms of the Unattainable. A new stratum of the feminine population can console itself, amid ever-increasing domestic perplexities, with the thought, "If I could find a pair of nylons, I could afford to buy them." A little consumer research would probably show the Board of Trade that their psychology is, on this occasion, as dotty as their economics.

* * *

Shorter Hours on the Rocks

Lighthouse keepers are by vocation solitary men and it must be seldom that they are driven to take corporate action. But the 210 principal, assistant and supernumerary keepers recently presented a demand for a 48-hour working week. It can be seldom that the dull proceedings of the industrial court are enlivened by such fascinating and

unusual evidence. The lighthouse keepers complain that they sometimes work a week of between 80 and 90 hours, and that their conditions of employment have not been altered since 1850. "It was submitted," said the evidence with masterly understatement, "that one hundred years was a long time between changes, and showed that the lighthouse keepers have stood still whilst all other workpeople's conditions have improved." The keepers complain that they are not only overworked but understaffed. At rock stations men spend two months on the rock and one month ashore, and the effect on their health is not good. At land light stations, mostly in remote places, "it is practically impossible for the men to have any cultural or recreational pursuits at all," which should dispose of any idea that lighthouse keepers are possessed of immense leisure to read Gibbon and Macaulay.

Their employers, that esoteric body of men, the Elder Brethren of Trinity House, oppose the claim for a fixed 48-hour week. (Does anyone remember a case of his elder brother conceding a point?) They admit in their evidence that lighthouse keeping is a hard life, that the incidence of hardship is greater in some stations than in others. They concede that fog and bad weather impose strains which make the job incapable of comparison with normal employment. "Furthermore, nights are longer in winter than in summer. In fact, lightkeepers' hours are beyond the control of the Elder Brethren, being dictated almost entirely by climatic conditions." The first phrase will be treasured by social historians as one of the finest platitudes in industrial history, while the second would make the hearts of Unitarians bound with joy.

In the end the Industrial Court, faced with such unusual evidence, found itself unable to give judgment, while inclining towards the lighthouse keepers' side. It ordered the two sides of the "industry" to resume negotiations, and if the spirit of elder brotherly love produced no results, to bring the case before it again. Perhaps the court will wait in pleased anticipation for a breakdown in negotiations, in order to be able to hear again evidence smelling of spray driving on granite rocks.

* * *

A Stone in the Wind

Scotland has lately had a sad and humiliating time. In the same week that the Scotch Whisky Association found it necessary to increase the cost of living by 1s. 8d. a bottle, the committee considering, under Lord Morrison, the Scots law of inheritance, made public its report, and grim reading it is. Primogeniture should, the committee recommends, be largely abolished; so, too, the preference given to males in the inheritance of all heritable estates save hereditary titles. Adopted children should be placed on the same footing as the lawful children of the adopter (even, apparently, when the adopted child may not be of Scots blood) and the surviving spouse, where there is no will, should be entitled to a cash payment from the estate free of duty. Such recommendations are not only proposals of a mercantile kind, likely to have originated in the smug suburbs of Glasgow and Dundee; they were anticipated south of the border as long ago as 1925.

As the committee says in its report, any such reforms can only be carried through by Act of Parliament. If the proud Highland race can bring itself to contemplate any such legislation through the alien machinery at Westminster, some humble advice may perhaps be offered. The committee suggests that the proposed new provision giving all children the right to share equally in the heritable property of a man or woman dying intestate should not apply where the deceased was the owner-occupier of his or her croft (or farm). In that case the eldest son should take the holding, providing he suitably compensates his juniors. For thirty years

now the courts at Westminster have been struggling to interpret the section in a 1920 Act which allows a statutory tenancy of a house to pass to a "member of the family" of a deceased tenant and the number of cases in which someone has put forward a plausible claim to be considered as a "member of the family" is by no means yet exhausted. If the definition of what is and what is not an owner-occupier of heritable property is not mulled over with the greatest possible care, any Act for the placing of the law of intestate succession in Scotland on the same footing as that prevailing in England and Wales may prove to have been passed for the principal benefit of the Writers of Edinburgh.

* * *

Responsibility on the Gold Coast

The Gold Coast's new Executive Council has now been appointed. The three *ex-officio* members are the Colonial Secretary, the Financial Secretary and the Attorney-General, who will be in charge of, respectively, defence and external affairs, finance and justice. Of the eight unofficial members, six will belong to the Convention People's Party and will be headed by Mr Kwame Nkrumah, who will be leader for government business and Minister without portfolio. Of the other two unofficial members, one will represent the Ashanti Council of Chiefs and be in charge of local government, and the other will represent the Northern Territories. Thus, the Convention People's Party will have a majority in the Council, and will consequently bear the responsibility for government.

The Need for Western Union

The triumph of despotism seems complete. The reaction in favour of tyranny of 1851 seems as irresistible and excessive as was the reaction of license in 1848. From every part of Italy and Germany we hear of nothing but a relapse into the old path of clumsy, brutal, and mediæval oppression. The old armour is burnished up. The old weapons useless from rust, and ridiculous from their antiquated fashion, are called forth from forgotten arsenals. All the obsolete and discredited expedients of kingcraft are again resorted to with no visible distrust of their efficiency. Constitutions are proscribed under any form or in any degree. The press is subjected to censorship, the admission of foreign works prohibited, and the sale of any unauthorised books visited with the severest penalties. The most respectable friends of freedom are visited with ignominious punishments. . . . The alarming disposition shown by Austria, Prussia, and Bavaria towards the utter extinction of constitutional freedom throughout Central Europe, seems to call for a still closer union between the only Representative Governments which remain, viz., France, England, and Sardinia; for Spain and Portugal, notwithstanding their forms, can scarcely be considered as genuinely such. If these Governments will steadily and honourably hold together, and refuse to permit any interference with the rights and independence of Switzerland, at the same time, discountenancing the practice of allowing it to be made a hotbed for the nourishing of plots against friendly powers—a barrier, effectual and immovable, will be opposed to the further advance of arbitrary designs, and a harbour of refuge and security provided where the oppressed may find a shelter, a welcome, and a home, and whence such freedom as alone is fit to be desired and capable of being maintained, may gradually spread as time and maturity may afford an opening.

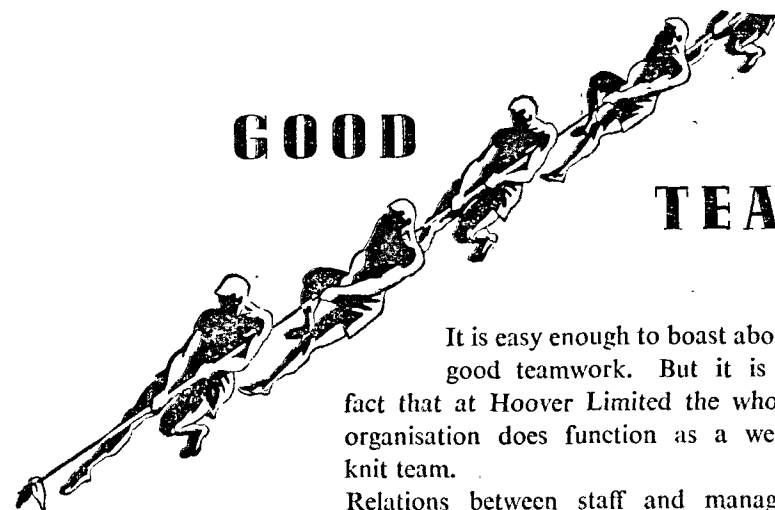
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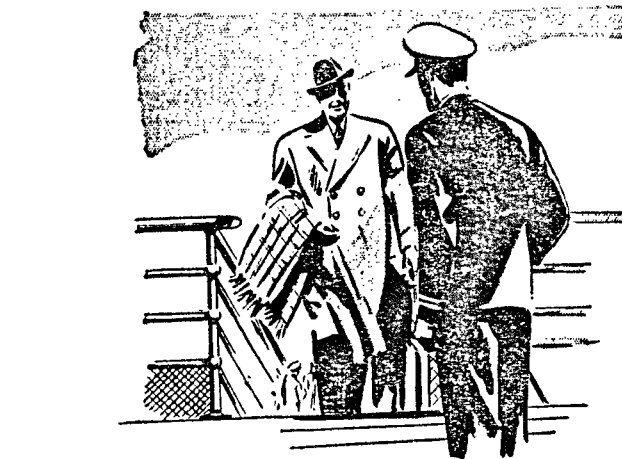
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Letters to the Editor

The Importance of Tito

Sir,—I have no quarrel with your article of February 3rd but I noted with especial interest the following:

Finally, there is the general obligation. The Charter of the United Nations is concerned with aggression by one state on another; it is not concerned with the internal politics of its members. An aggression on Yugoslavia would be a perfectly clear-cut case under the Charter, and failure to act would see the end of the United Nations.

Let us turn back a moment to Korea. Here was a case of clear-cut aggression by North Korea—and it was recognised as such by the United Nations. Then Red China came to the armed support of the North Koreans and attacked the United Nations forces. But the Commonwealth Governments were reluctant to call that action aggressive. True, the British government finally voted for it—but would have preferred to avoid the issue. And India took a positive position on the other side.

If failure to act in the event Yugoslavia is attacked would "see the end of the United Nations," how can it maintain any strength or standing by running from the issue raised in the Orient? And if Western Europe looks to America for forceful and quick action in case of aggression against Yugoslavia, do you think that the experience in regard to China has encouraged it?

I am not disputing your point of view on Yugoslavia. But if principle is worth fighting for anywhere it is just as important to uphold it in Korea as in Yugoslavia—especially when the South Korean government had been recognised by the United Nations and to a degree was under its protection.—Yours faithfully,

OLIVER J. KELLER
Illinois, USA

[We entirely agree.—EDITOR.]

Tory Diversions

Sir,—The assertion in your Note of last week with the above title that "Mr R. A. Butler and his views are anathema" to me is quite wrong.—Yours faithfully,

KENNETH PICKTHORN
House of Commons, S.W.1

[The statement that Mr Butler, as well as his views, was anathema to any of his colleagues was unjustified and is withdrawn.—EDITOR.]

Greeks at Peace

Sir,—Mr Pallis does his country an injustice. Members of the British Police Mission have long stressed the low rate of civil crime in Greece. The daily average population of the prisons and Borstals of England and Wales in April, 1950, was 20,420—and that was the highest for forty years. It is uncertain if any accurate figure can be obtained for the whole of Greece when gendarmerie commanders often admit to ignorance of the exact number of prisoners in their own areas. But whether the figure is 21,000 or 25,000, it is inordinately high

for a population less than one-fifth that of England and Wales, and cannot be explained by attributing it simply to an excess of civil crime.

Such a large proportion of prisoners is not and cannot be suitably housed in existing prison accommodation. Medical facilities are inevitably lacking for prisons in a country where often none exist for whole areas.

As the only democracy in south-east Europe Greece has much to offer by her example. But it is to play into the hands of her enemies to deny facts that are evident to anyone who troubles to investigate them. It also deprives the friends of Greece of the opportunity to speak on her behalf in this matter.—Yours faithfully,

GEOFFREY CHANDLER
Newdigate, Surrey

Overseas Lending Again

Sir,—To the familiar arguments against repayment of sterling balances you have recently added another which surpasses in novelty all others. In your article in your issue of December 30, 1950, you have assumed away the difference between lending abroad and liquidation of external debt and then proceeded to demonstrate how the latter is less remunerative because it "yields" an interest saving of only $\frac{1}{2}$ per cent. It follows that a higher rate of interest, say 5 per cent, would have been more acceptable to Britain, since it could have earned more by liquidating the balances. It should have been easy to get the creditor nations to agree to this rate, especially as the capital previously exported by them would have yielded a substantially higher return. Indeed, their development plans could have been financed out of the interest on the sterling balances and no drawings from the balances would have been necessary!

May I also point out a slight factual inaccuracy in the above article? Apropos of the rise in the sterling balances in 1950 you state, "part of the British export of capital has taken the form of release of sterling balances owned by countries such as India, Palestine and Pakistan." India had a balance of payments surplus and it did not draw on the sterling balances last year as some readers of your article might be led to believe.—Yours faithfully,

Bombay S. KUMARASUNDARAM

Nationalisation

Sir,—Green as I am, I have always swallowed the argument that nationalisation is necessary because the free operation of the profit motive in certain basic industries is incompatible with the best interests of the country as a whole. Now, however, I see our nationalised Coal Board buying dollar coal at fantastic prices mainly because they have tried to conform to the strict profit standards of business efficiency. I do not under-

estimate the importance of these standards, but they have their limits. In my own district we see the possibility of the nationalised steel industry going short of vital coke because the nationalised coal industry considers that the local pits, which produce some of the finest coking coal in the world, are uneconomic. When both industries were privately owned the Consett Iron Company did not consider those same pits uneconomic.

Perhaps this is rather a narrow and imperfect example, not quite fair to the Coal Board since it is true that these coal measures are gradually being worked out, but it provides a simple and convenient illustration of my point that one of the principal virtues of national ownership is lost if the national need is sacrificed to departmental bookkeeping. Is it not an attractive possibility to reduce the cost of living by subsidising such chronic "losing" industries as coal and railways (which appeared to require subsidies under private ownership) from the profits of those more fortunately placed?

True, some other measure of efficiency must be found, and perhaps this is an insoluble problem, but surely it is time that Socialists, at least, faced it and applied themselves to its solution.—Yours faithfully,

JAMES TINN,
Lodge Secretary, National Union
of Blastfurnacemen, Ore Miners,
Coke Workers and Kindred
Consett Trades

A Decimal Currency?

Sir,—Knowing how much those who do not live in England curse at the present time-wasting and cumbersome system of £ s. d. let us hope that the days are few before a change will be made not only in Britain but naturally also in those of her colonies and Dominions where the same process is in use.

The suggestion is very simple as only one change is essential, making ten pence instead of twelve to equal a shilling, the other figure being ten shillings to equal a half pound. Thus one has 10 pence equal 1 shilling and 10 shillings will become equal to 100 pennies.

The tremendous advantage of a decimal system in all money transactions is surely sufficient to overcome the very small disadvantage which may occur to a few of the older persons, but that will be for only a short time as the present £ will soon disappear; when the new ten shillings is accepted as the top coin the £ will become two ten shillings by whatever name it is known.

I would like to suggest that you advocate this proposal in *The Economist* and have the suggestion brought up during the coming Festival of Britain. This seems a very suitable time as it should make a very useful change, showing the British amenable to all sensible change.—Yours faithfully,

Montreal J. RAWSON GARDINER

Books and Publications

Encyclopædia of the Atom

Sourcebook on Atomic Energy. By Samuel Glasstone. Macmillan. 495 pages. 24s.

The somewhat contradictory descriptions of this book given in the foreword and on the cover are both misleading. The former describes it as a comprehensive sourcebook for the use of textbook authors and editors; this cannot be taken too seriously, for though names are given lavishly, there is hardly a single reference giving the location of the original source. At the other extreme, the sensational "blurb"—"The authentic story—all that can now be told"—also gives the wrong impression of the contents, which are solid, matter-of-fact and, for the most part, drawn from past history. What Dr Glasstone has produced, in fact, with the full benefit of authoritative backing, can best be described as an expanded version of a first-class encyclopædia article, comprehensive without being profound, and understandable by anyone who wishes to take sufficient trouble. It describes the present-day knowledge of the structure of atoms and of the characteristics and behaviour of atomic nuclei, as developed from its 18th-century beginnings; the main part of the story naturally lies in the present century, and the bulk of it is drawn from the learned journals of the twenties and thirties; there are no hitherto unrevealed disclosures.

The treatment is patient and lucid, and no reader with sufficient perseverance should find any difficulty. Dr Glasstone seems to avoid demanding of the reader any of the flights of imagination needed to grasp, without recourse to mathematics, some of the conceptions of modern physical theory. This is a pity, since he thereby excludes some of the legitimate glamour of the story. Few specialists will consult this book, save to refresh their memory of a sequence of investigations; but there is probably no better book for the serious layman old-fashioned enough to want a thorough grounding of knowledge rather than a "digest."

The chapter on the "Utilization of Nuclear Energy" will probably be

approached as the culmination of the book, but it will come as an anticlimax; Dr Glasstone is unenthusiastic. The difficulties are formidable, the costs discouraging, the raw materials scattered. But, if we could only forget the bomb, with its prodigious and sinister power, we should find our interest turned far more to the other new developments contemporary with, and arising out of, the harnessing of nuclear energy. After all, the process of uranium fission, which was an unexpected piece of luck for the physicists, releases only a crumb of nuclear energy, and it can only be turned to useful account in very clumsy ways. While uranium supplies last, it will be exploited, but science must do better if mechanical power is to persist as the basis of our economy. Perhaps uranium fission will only be remembered for the inspiration it gave in showing that the thing really could be done.

But apart from the energy it provides, the nuclear reactor, or "pile" creates clouds of rapidly moving nuclear particles in numbers far greater than any laboratory could produce—and does so night and day, as it runs under its own steam. It is a wonderful research tool, and has opened up vast new fields of investigation. And the by-products of the pile, the artificial radio-elements now so prolifically produced, are working a considerable revolution in chemistry, biology and medicine, as well as finding innumerable applications in industry, mining, agriculture, and indeed in some of the most unexpected of human activities. Fortunately, this book does not confine itself rigidly to the subject of its title, but has plenty of information to give on these exciting developments.

Among Aborigines

Brown Men and Red Sand. By Charles P. Mountford. Phoenix House. 192 pages. 18s.

This is not an anthropological study in any scientific sense, as the author himself admits. It is the story of his journey among the desert aborigines of Central Australia and the experiences he shared with them. But neither does it belong to the dismal category of popular anthropology, since it is quite free from the distressing flippancy and supercilious smartness which vitiates so much writing of the kind. The author does not intrude himself, and there is no dramatic overstatement of hardship or debonair debunking of it. Even the style of writing is neutral, an instrument only for presenting the aborigines with verisimilitude as a people of inherent dignity whose survival is a precious link with the past, never an odd discrepancy with the present.

One might reasonably suppose that the island of arid wilderness enclosed by the

Central Australian desert would be a drab and mournful land, and a journey through its scorching wastes a monotonous and unlovely experience. But Mr Mountford sees the prospect through the eyes of his brown friends, not as "the land that God forgot" but as the background to the lives of a resourceful, kindly, stoic and cheerful people, who do as they would be done by, accept the stranger within the gate, and act in accordance with the imperative necessity of maintaining supplies of water, fire and food. The logical simplicity of some of their customs reveals the level of social awareness to which this Stone Age people, with an equipment of five simple tools, has attained. For instance, when meat is shared, the one who has caught it is served last and with the poorest portion, lest, by bartering their game for privilege and power, the hunters should upset the authority of the old men and the social balance of the tribe. Children fare well; they are uninhibited but obedient, and everybody shares the responsibility of caring for them. This may be a result of the aboriginal belief in the pre-existence of child spirits who choose for themselves the body through which they shall be born.

Mr Mountford has a flair for colour, movement and grouping, which enables him to present his pilgrimage as a panorama of changing beauty wrought on the bare bones of the original scene by wind and light and the evocation of the strange mythological men and beasts through whom the natives explain their particular aspect of the universe and provide themselves with rules for existing in it. The 60 splendid photographs are an added charm to a book which is instinct with sincere but unsentimental affection and an urgent desire to capture the fugitive essence of aboriginal existence before—as one of them foretells—"the white man kills us with his white flour."

A Mixed Bag

British Government Since 1918. By Sir Gilbert Campion and others. Allen and Unwin. 232 pages. 16s.

There is an obvious need for a balanced and authoritative survey of recent developments in British public institutions. The Institute of Public Administration enlisted the services of six authors (three university teachers, the deputy chairman of a public corporation, the late Clerk to the House of Commons, and the general secretary of the National Association of Local Government Officers), each of whom is well-equipped to handle some aspect of this important theme. The result is an interesting symposium which, nevertheless, fails to satisfy the readers' expectations.

The book's basic weakness is a lack of balance between the various contributions and a general absence of unity and

perspective. It would have gained from effective editing. Such things as the repetition of Pope's aphorism about government are minor irritants. More serious is the fact that two of the contributors stray into the same field of central-local relations and make opposite assertions about the effect of the Exchequer "block grant" on the independence of local authorities. The lack of proportion is shown in the cursory way that the key themes of Parliament, the Cabinet, and central administration are dealt with: they occupy between them no more than the space which is absorbed by administrative law.

Each contributor has clearly written as the spirit moves him, and the result is that some subjects are given a careful and weighty analysis (notably administrative law by Professor Robson) while the main themes receive no more than a fitful illumination. All the same, even the slighter contributors have something novel and interesting to say. Sir Gilbert Campion, for instance, is able to assert that "the most remarkable change (in Parliament) during the last forty years is the fall in the temperature of the party conflict." He argues, too, that the inter-war years, marked by long spells of coalition government and divided opposition, were an unsatisfactory aberration in the life of Parliament which showed "how intolerant it is of more than two occupants of its procrustean double-bed." The return to an effective two-party system is therefore, in his view, a return to healthy normality.

There is also too much smugness about the conclusions of most of the contributors. Sir Gilbert seems blandly certain that the "Parliamentary spirit" is effective in curbing the selfishness and intolerance of party strife. Dr D. N. Chester ends up with the belief that Mr Attlee has probably struck the "happy mean" in the size and design of his Cabinet—despite its known anomalies and inadequacies. Professor Mackenzie, after trying to bury the ghost of the Haldane Committee, pleads that what Government departments now need is a breathing-space and not talk of reform. The late Sir Arthur Street, though much of what he said is sensible and balanced, wrote like a civil servant who feels bound to justify down to the last detail every public body that has even been enacted. Only Professor Robson, who wishes to rationalise the pattern of administrative law, and Mr Wam, who regrets the loss of powers by local government, strike a dissident note in the eulogistic chorus. The rest seem bent on assuring the world that British institutions have emerged from their crises in better shape than ever.

Sir John Anderson, in an introduction, asserts that "every aspect of the subject has been fully treated, so that no student or general reader need look elsewhere for any information he may require." This is the opposite of the truth—it is indeed expecting too much of any symposium. What is presented here is a mixed bag of interesting jottings and informative minutiae which will be of great help to any author who tackles the constitutional history of this period in all its greatness—and all its difficulty.

Another Economic Anthology

Readings in the Theory of Income Distribution. American Economic Association Series. (Blakiston.) Allen and Unwin. 718 pages. 30s.

This latest volume in the American Economic Association's series of "Readings" aims, like its predecessors, to bring together for the benefit of serious students the most significant contributions to the specialised periodical literature of its subject, together with an exhaustive bibliography for further research. Like its predecessors it maintains an exacting standard. Considered as a self-contained volume, "Readings in the Theory of Income Distribution" suffers, compared with them, from the accident that much of the periodical literature consists of criticism of books (this is particularly true of the "Interest" section, over which the unseen presence of Keynes's "General Theory" looms like a magnetic mountain) and also from an incoherence in modern thought on the subject which the editors, in their preface, note and deplore. It is comparatively rare to find in any section either interlocking and mutually supporting findings by different writers or straightforward controversy in which opposing theories are explicitly confronted. This is not, of course, the editors' fault; but they might with advantage to the reader have emerged a little further from their self-effacement and expanded, with more particular references, the illuminating but too brief introduction in which they survey the field and sum up the nature of controversy.

The book is divided into six sections; the first two are general, dealing respectively with the concept of national income, the methods of statistical calculation and the measurement of distribution between groups and persons, and with the general theme of marginal productivity. (This section includes, among others, Mr E. H. Chamberlin's explosive essay on "Monopolistic Competition and the Productivity Theory of Distribution" and Mr M. Kalecki's paper on the "Distribution of the National Income," lately cited by Mr E. M. D. Little as an outstanding example of the illegitimately emotive use of technical terms.) The remaining four sections deal with the traditional classes of wages, interest, profit and rent, the last-named being, for reasons explained by the editors, considerably thinner than the rest. These traditional divisions fit the substance of their subjects less closely than they used to do; wage theory has become entangled with the theory of production on the one hand and monetary theory on the other, interest and profit concepts blend in the "marginal efficiency of capital," while rent, once firmly associated with land, has become amalgamated with surplus yields in general. Altogether this volume must have presented a difficult problem to the editors. While readers may conceivably find it scrappy, it is hard to imagine the problem better solved between a single pair of covers.

Revolution in Process

Passing of the Mill Village. By Harriet L. Herring. University of North Carolina Press, London: Geoffrey Cumberlege. 137 pages. 24s.

Like share-cropping and racial discrimination, poll taxes and demagogic politicians, hot biscuits and fried chicken, the "mill village" has been accepted in America as one of the peculiar customs of the Southern States. But unlike some Southern customs, the mill village—a community built by a textile manufacturer for the rent-free use of his workers—is slowly disappearing. Beginning in the 1930s, mills began to sell their houses to the tenant-occupants, and by the end of 1948 about 16 per cent of the 800 American mill villages had been signed over to individual owners.

For an institution long damned for its evil ways, the mill village started out with the best of intentions. Nineteenth-century observers of the Southern industrial scene looked on the mill village and found it good: the owner served up a ready-made community, complete with churches and schools; he excluded "undesirables" and forbade saloons; he paid cash wages to a population of marginal farmers. But by the turn of the century, when reformers began to attack the long hours and low pay in the textile mills, they also assailed the mill village. The mill owner kept his worker tightly under thumb: if a worker were fired for union activity, he not only lost his job but he was also automatically expelled



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from the community. And life in the village was a monotonous pattern of look-alike houses filled with people of the same racial stock, working on the same products, subject to the same ups and downs of the same erratic market—"homogeneity run riot."

Against social criticism, the mill owner put up a stout front, but when the Depression transformed many villages from an asset into a nagging overhead cost, the houses began to go up for sale. Miss Herring presents a detailed and often amusing series of case histories on the new problems thus suddenly created: How to get a fair purchase price which a mill hand can afford? What to do about the neighbour's unruly children, formerly curbed by the mill's private police? Taken together, they serve as a composite picture of a social revolution in process, drawn while the facts are still fresh and the eye-witnesses still living.

Belgium's Finances

Histoire des Finances Publiques en Belgique. Tome 1. Recueil Sirey, Paris: Bruylant, Brussels. 663 pages. 750 French francs.

This first volume of a history of public finances in Belgium, which is expected to run to two or three volumes, is due to the collaboration of the best specialists in the field: civil service officials, university lecturers, economists and several former ministers of finance. It is intended to extend from the *ancien régime* to the present day, and to retrace the history of the budget, of public debt, war finance, local finance and the financial history of the national bank, the railways and public services.

This work is especially valuable since the literature on the subject was very scanty. The Belgian public finances raise some problems of special interest, such as the financial influence of railways, which, in Belgium, were built by the state and whose accounts were confused with the state budget till 1921. The book gives a good idea of the development of state intervention in recent decades, even in a free enterprise economy like Belgium. This first volume is mainly historical and technical in so far as it deals with official control of public expenses by the *Cour des Comptes* or changes in rates and fiscal legislation.

Although there is nothing comparable in Belgium to the annual "White Papers on National Income and Expenditure" it is to be hoped that one of the chapters to come will be devoted to a general analysis of the economic significance of changes in fiscal legislation and national accounts from the point of view of social and technical progress, distribution of income, etc. The problems of financing of social security, unemployment, Treasury operations would deserve a special study. In fact it seems that the chapters still to be published will be largely devoted to these more strictly economic problems.

The exposition is satisfactorily critical, even of recent events, although every specialist tends to stick to his own individual, and sometimes debatable, opinion.

Ambitious Sociology

The Foundations of Social Anthropology. By S. F. Nadel. London: Cohen and West, 1951. 426 pages. 25s.

This is a formidable book. The lay reader may well be stunned by its weight of learning and its encyclopædic scope. The professional social scientist, to whom the book appears to be primarily addressed, will be filled with respect for the feat of sustained and exhaustive argument it represents. Though ostensibly concerned with social anthropology it is in fact a critical discussion of the concepts, method and premises of sociology. Criticism is not, however, Professor Nadel's main object. It is used to make openings for expounding his own versions of these concepts and methods and to lead up to what he claims to be a systematic theory of social behaviour. Professor Nadel pays homage and makes frequent reference to Max Weber and Talcott Parsons; and a crude description of the book would be to call it Weber-Parsons rehashed with trimmings, and with the addition of an eclectic psychological theory of motivation. But Professor Nadel also draws inspiration from Dewey, Whitehead, Eddington, Wittgenstein and the leaders of Gestalt psychology for his methodological analysis. The anthropologists chiefly quoted with approval are Radcliffe-Brown and Malinowski. It is interesting that, though he constantly insists on the empirical nature of social study as he conceives it, Professor

Nadel's criticism is directed largely at terminology, and his statement of his own views is highly deductive.

The scientific study of society, in Professor Nadel's view, deals essentially with standardised patterns of behaviour, or action patterns, which fulfil "tasks." Action patterns in series constitute "institutions" which are always normative and purposive, and therefore must be present in the minds of the actors. This issue is fundamental to the author's thesis. Where the actor's purpose appears in behaviour that is empirically sound to the observer we have rational means-to-end connections; and this "explanatory category" is also elaborately considered. This is one "dimension" of society. The other is seen in the "groupings" or social relationships visible in institutionalised activity. But whichever dimension we start from, explanation of social facts in terms of "mechanical-causal requiredness," which is the most significant form of explanation we can seek, is only possible by shifting to a "lower level of analysis" in terms of psychology.

Professor Nadel proceeds boldly to propound a theory of the psychological processes which "explain" social action patterns. His theory, based on Janet and the Gestalt School, is obscure and singularly uninspiring. He postulates the existence of innate "action potentials" of an extremely general kind (for example pleasure-displeasure) which find a way out in congenial cultural expressions—or may be blocked by social repression. The outcome for any society depends on something he calls mental energy levels. But as his exposition develops we learn that the broad result is to produce two types of society, the serene and the excited. This brings Professor Nadel to current views on the concept of function, which he analyses with great penetration, and finally to the American "pattern" theories. He is critically sympathetic to them and concludes with positing cultural "configurations" in which social purposes are integrated in accordance with a terminology which reconciles his psychological theory with the pattern theories.

The chief value of this book is on its critical side. It is also a warning against premature and over-ambitious attempts at systematisation, though the author's intention is to prove the exact opposite.

AMERICAN SURVEY

Labour on Strike

Washington, D.C.

THE present conflict between the leaders of organised labour and the managers of the national defence programme is best understood in terms of a strike, a strike at the very highest level. Collective bargaining has broken down and labour has walked out. As in most strikes, the issues are wages and working conditions—in this case for the nation as a whole. The wage issue concerns an acceptable national policy on wages and economic stabilisation. The question of working conditions involves the participation of the trade unions in the making and administering of wage and manpower policy during the emergency.

The dispute cannot be allowed to end with labour aggrieved, if only because the resulting situation would be politically intolerable for President Truman. Equally important, there is no substitute in a democracy for labour acquiescence in defence policy. The Administration cannot force the unions, against their will, to accept its decisions on manpower allocation, wage stabilisation and the handling of labour disputes. To frustrate them the unions would not even have to adopt a plan of active opposition; a decision merely to give "minimum co-operation" would be enough. And that is the decision they have taken.

Part of the present crisis, which has caused the support and participation of organised labour to be withdrawn from the defence mobilisation programme, has its origins in the stabilisation legislation itself. This was drafted, as if deliberately, to make labour's co-operation inordinately difficult. Most foods, which are the major element in living costs, were exempted from effective price control, while impossible rigidity was commanded for the exercise of wage control.

But even more of the trouble was manufactured gratuitously by Mr Truman's Director of the Office of Defence Mobilisation, Mr Charles E. Wilson. The former president of the General Electric Company, like many a brook-no-interference businessman before him, came to Washington failing to understand that the government is not always best run by methods successful in industry, and that a bulldozer is not the ideal instrument for levelling psychological barriers. When Mr Wilson arrived on the scene the trade union leaders were already unhappy. With one notable exception, a committee on manpower in the Department of Labour, their advisory groups in the defence agencies were mere window-dressing and their representatives in various mobilisation offices were far down in the hierarchy.

In early discussions, Mr Wilson terrified labour officials with intimations of what sounded to them like a compulsory, universal civilian draft, that is, mandatory direction of labour. On the heels of that, he fought for and won the vesting of manpower control in his office, stripping the committee in the Labour Department of an effective voice in policy. Mr Wilson then gave the screw a final turn and rejected, with hostility, labour's plea that the director of his manpower programme be a high union figure. He appointed an estimable gentleman to the job, but one with no labour connections or background.

The climax finally came in the Wage Stabilisation Board. This was a nine-man, tripartite body charged with recommending methods of stabilising wages to the Economic Stabiliser, Mr Eric A. Johnston, who is subordinate to Mr Wilson in ODM. The WSB blew itself to pieces in the process. The crucial problem was to devise a formula to permit those workers who had not received substantial wage increases in the last year or so to bargain for them and thereby catch up with those who had obtained rises before all rates were frozen. Actually, the issues ran far deeper, for in framing the formula the WSB could not escape determining much of the final shape of wage stabilisation.

★

Failure to agree on the percentage by which wages should be allowed to rise above last year's levels was the immediate cause for the break-up of the wage board. The three labour representatives walked out, on instructions from the United Labour Policy Committee, a new organisation reflecting the *de facto* unity of the American Federation of Labour, the Congress of Industrial Organisations, the machinists and the railroad brotherhoods. The union position was that workers should have the right to bargain for wage increases up to 12 per cent above the rates existing just before the Korean war. The public and industry members of the WSB agreed on the figure of 10 per cent above the levels prevailing in January, 1950.

But three other issues were more important:

1. The trade unions argued that if basic wage rates must be frozen during the defence emergency, as large an area as possible must be left open on other issues for future collective bargaining; otherwise the escape valve would be tied down and a catastrophic explosion would be inevitable. They proposed that fairly free bargaining be allowed for "fringe" benefits, including days off, vacations and employer contributions to health, welfare and pension funds. The management members of the WSB, however, also acting on instructions from higher authority, had succeeded in obtaining a rigid formula narrowing the scope of future negotiations on fringe issues; that was their price for having accepted the 10 per cent catch-up allowance for basic wage rates.

2. The majority formula gave what labour considered utterly inadequate promise of future wage adjustments to offset the increases in the cost of living, especially in food, certain to come in the next few months. A further complication arose from the fact that about 1,000,000 workers enjoy contracts providing for automatic wage adjustments to match changes in the cost of living; the WSB majority formula would force the abrogation of most of them by the summer or next autumn.

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

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3. American industry has taken a strong stand against the creation of government machinery to handle labour disputes, and has apparently convinced Mr Wilson. The arguments are involved, but the heart of the matter is labour's realisation that during the defence emergency public opinion will effectively prohibit the exercise of labour's ultimate bargaining weapon, the strike. The unions feel they must have a substitute in the form of a government disputes tribunal.

Mr Johnston attempted to reach a solution, at least of the wage issue, by simply capitulating to labour. He ordered the 10 per cent catch-up formula put into effect, but at the same time "requested"—in short, instructed—the Wage Stabilisation Board to modify at once other elements in the plan to give the unions what they wanted in the way of an unlimited right to bargain for health, welfare, and pension fund benefits outside the 10 per cent limit. Existing contracts, which already provide for future wage increases to match the cost of living or give labour a share in increased productivity, also would remain in effect.

The union leaders were in no way mollified. One reason for this was that Mr Johnson requested the wage board to reconvene and draft the modifications, whereas the labour leaders had insisted Mr Johnston put them into effect himself. Moreover, on the same day that Mr Johnston acted, labour had been engaged in a roaring row with Mr Wilson. He not only rejected their demands for restoration to the unions of a major role in determining manpower policy, but also refused to give them any assurance that he would not press for legislation authorising compulsory direction of labour. Labour replied to Mr Johnston and Mr Wilson not only by refusing to allow its representatives to return to the wage board, but also by ordering all labour representatives with-

drawn from the advisory and administrative posts they occupied in the mobilisation agencies.

On Wednesday night, hostilities had reached such a pitch that only the White House could end them. Some of the elements of an eventual solution are apparent. Labour must be given a role in manpower decisions which it considers adequate; the President must also provide for the creation of a national labour disputes mechanism. And most important of all, Mr Truman must either secure a change in the attitude of his Director of Defence Mobilisation or find a new one.

Equal Representation

THE Bureau of the Census will take a long time yet to sort out the harvest of facts which it gathered from the American people last April. However, the President was given the first fruits in time for him to report to Congress in January, as he was obliged by law to do, on the number of members of the House of Representatives to which each state is now entitled on the basis of its latest population figures. The Constitution provides for a decennial census in order to ensure that every citizen is equally represented at Washington. It is the duty of Congress to see that the necessary reapportionment of seats takes place after each census, but the actual redrawing of district boundaries is left to state legislatures.

Until 1910 Congress did its job the easy way and simply increased the number of seats. But when the total reached 435, Congress decided that that was as large as a democratic legislative assembly ought to be. A halt was therefore called,

although if new states, such as Alaska and Hawaii, are added to the Union, additional Representatives will probably be allowed for them. In 1910 each member of the House represented 210,000 persons, compared with 33,000 in 1790. On the basis of the latest census, which found 150,697,361 people in the continental United States, each of the 435 Representatives should have about 346,500 constituents. The increase of 19 million in the population during the last decade was by far the greatest in the country's history, and this is being used in Congress as an argument for loosening the self-imposed bounds of 1910 and adding to the membership. But this argument appeals only to the nine states which will

California, with the largest increase—53 per cent and over 3,000,000 people—of any state, maintains its record for breaking records by getting seven new Congressmen. Three of them are at the expense of Pennsylvania, which must also now share its proud position of having the second largest Congressional delegation with California, which has come up from fifth place.

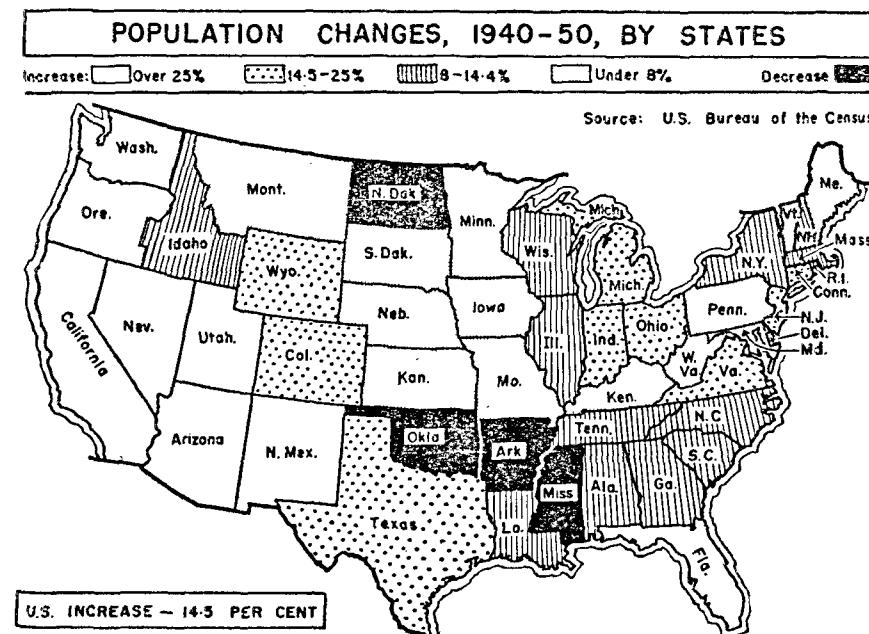
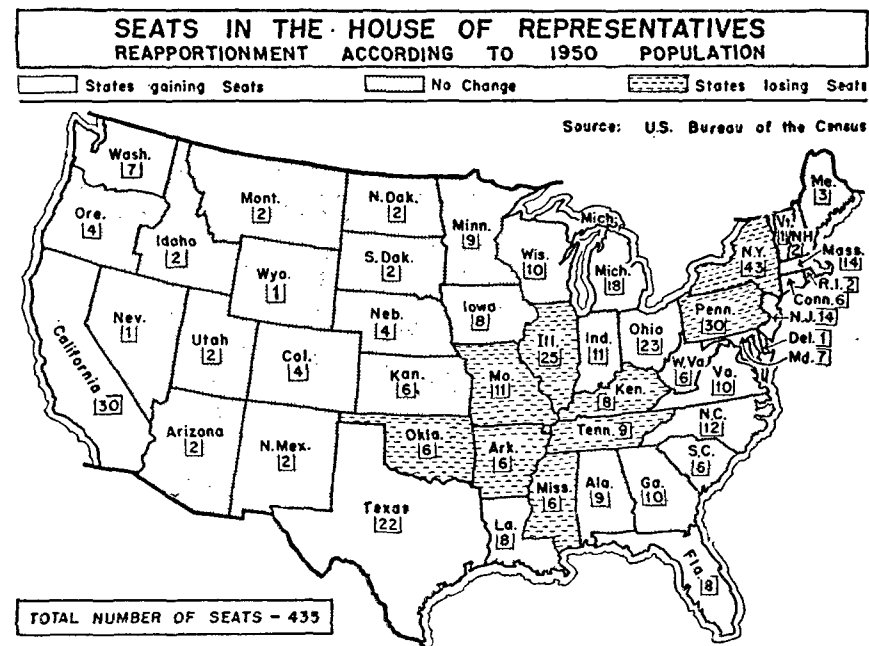
The point is of great importance in Presidential elections, for the number of votes each state has in the electoral college depends upon the size of its Congressional delegation. New York still has the largest, even though it loses two Congressmen. So do Missouri and Oklahoma, while Florida gains two. The other changes, whether losses or gains, involve only one seat in each case. Virginia and Maryland have the unrepresented District of Columbia to thank for their new seats, for their growth is largely the result of being the dormitory areas of the expanding capital. On balance the conservative south loses seats by the reapportionment. Its general effect, like the movements of population shown by the census, is to give the west a louder voice in national affairs. It is a progressive voice, whether it speaks with a Republican or a Democratic accent.

Since the Reapportionment Acts of 1929 and 1941, the redistribution of seats amongst the states is automatic and there is therefore now no need for the bitter struggles of the past, such as the prolonged deadlock after the 1920 census which prevented reapportionment taking effect at all. But the President threw a new apple of discord into the lap of Congress by proposing that it should do as it always did until 1911, and set up standards for the states to follow in redrawing their district boundaries. Furthermore, Mr Truman thinks that Congress should see that such standards are actually complied with, as it has power to do under the Constitution.

Certainly many existing boundaries are out of date and fail to provide for equal representation. The classic case is in Ohio, where there is one rural district with less than 175,000 residents and another, which contains the city of Cleveland, with over 900,000. Mr Truman recognises that exact equality is not feasible but considers that it should be possible to arrange for all districts to have between 300,000 and 400,000 inhabitants. Such a drastic redistribution would upset the political equilibrium of at least one hundred Congressmen, and probably many more; few, if any, of them would deny that it is

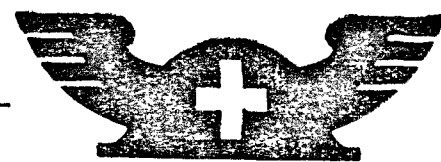
desirable in theory, but in practice most of them are quite ready to let sleeping districts lie.

The House Judiciary Committee is about to hold hearings on a Bill, introduced by Mr Celler, which would do what the President wants. But even if Congress can bring itself to take the plunge, there is no guarantee that the state legislatures will follow its lead, or that any satisfactory method of pushing them can be devised. Those that are required to



lose Representatives, so it is not expected that such a change will be made.

Each state must have at least one Representative (in addition, of course, to its two Senators), but after that the size of its Congressional delegation depends upon its share of the total population. Reapportionment does not therefore necessarily mean that the states which have gained or lost the most inhabitants will gain or lose seats in Congress. But



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make a change in their State's total representation at Washington will presumably do so, although even this is a controversial matter. In New York State, for example, the Republicans, who have a majority in the State Senate but not in the Assembly, would certainly like to take the seats the State must lose away from Democratic New York City; and in Michigan the Republican legislature will not want to give the State's new seat to growing but Democratic Detroit. If a State losing seats fails to redistrict itself before the next election, in 1952, all its Representatives must by law be elected "at large," that is, like Senators, by all the voters in the State voting in one constituency—and the whole delegation therefore following the majority, however small. If this were to be done in a populous and closely divided State like New York, it could mean a swing in Congress that bore no relation to the real opinions of the country's voters.

This is not likely to happen but, when it is a question of adding a Representative, legislatures have often been tempted to have the extra seat or seats filled by elections at large, instead of going to the trouble of carving out a new district. New Mexico and North Dakota both elect their two Representatives at large, and Ohio and Connecticut each choose one in this way at present. It is a practice to which Mr Truman especially objects; it certainly does not provide for equal representation, since the Congressman-at-large may have to speak for several million voters, and his election may give an unfair advantage to a party which has only a small majority in his State.

Political considerations would come even more to the centre of the picture if it were a case of remapping district boundaries. This inevitably offers opportunities for more of the "gerrymandering" which is responsible for the unsatisfactory shape and size of certain existing constituencies. The word commemorates Governor Gerry of Massachusetts and the notorious district, resembling a salamander, which he fabricated to suit his own convenience in the early nineteenth century. Instead of being composed of "contiguous and compact territory," which is Mr Truman's ideal, such constituencies stretch out tentacles to draw in areas supporting one party, and to isolate enclaves of voters of another. There are other similar but less obvious ways of making political hay out of a redistricting operation.

There are two more general considerations which complicate the redistribution of seats by existing State legislatures. Many of them are dominated by rural interests to a degree out of all proportion to the comparative numbers of town and country dwellers in the State. In 1900 65 per cent of the American people lived on farms; now fewer than 40 per cent do; yet even today only 25 per cent of the members of State legislatures are elected by urban voters. But the great increases in population have been in the cities, and these are where most of the new Congressional districts ought to be made. Furthermore, it is in the cities that most of the supporters of Mr Truman's Fair Deal are to be found; but State legislatures have, in the main, either Republican or conservative Democratic majorities. Any rearrangement of districts on the lines the President has recommended would almost certainly be to his political advantage and against that of the interests which rule in the State legislatures. It would be surprising if many of them preferred the idealistic shadow of equal representation to the practical substance which concerns them so immediately.

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American Notes

Two-Term Limit

When Nevada ratified the Twenty-second Amendment this week, the 36th State to do so, a tradition almost as old as the Republic became part of the Constitution. All future Presidents will be limited by law to two elective terms of office. The Republicans introduced the amendment in 1947, the very day that they assumed control of Congress. It was then a trial of strength between those who revered and those who detested the memory of Mr Roosevelt, the only man who had ever succeeded in defying the two-term tradition launched by George Washington in 1796.

If a man has become President through the death of his predecessor (a not unusual occurrence in this man-killing job), but has not occupied the White House for more than two years, he may still seek two further terms on his own account. Such a provision would not permit Mr Truman to run again in 1952, for he was President for most of Mr Roosevelt's fourth term. But in 1947 it was not imagined that Mr Truman could win one, let alone two elections, and the then occupant of the White House was courteously exempted from the application of the amendment. It was thought desirable to dissociate any living person from the debate; not to do so might have rallied Democratic opposition.

Instead, as the roll-call of ratifying States shows, the general ebb in Mr Truman's popularity, even among Democrats, and the cordial dislike his policy of racial equality has inspired in the South have played a substantial part in securing favourable votes. The amendment, the first to be adopted since Prohibition was repealed, has taken longer to ratify than any other, longer even than that authorising the income tax, though the period allowed for ratification would not have run out until 1954. But this winter, it being an odd year, most of the State legislatures are in session; ten of them have ratified in the past month. In many of these States Democrats control one or both houses; in Nevada they are a majority in the lower house, in New Mexico they have large majorities in both. Among the southern States approving are Missouri, Virginia, Arkansas, Louisiana, Georgia and Mississippi. This is a public opinion poll which has no legal standing, but it is a broad hint to Mr Truman. It would be a powerful weapon in Republican hands should he decide to run again.

The fear upon which the Republicans and Southern Democrats have played is the old one that a President becomes so entrenched in three terms as to constitute a danger to American liberties. In 1940 the Republicans freely prophesied that if Mr Roosevelt won a third term, Americans would never go to the polls again. Such fears may not be wholly imaginary, but it seems a pity that they should be allowed to introduce a new element of rigidity into an already rigid Constitution. To outside observers, Mr Roosevelt's third term, so far from illustrating the dangers of flouting tradition, proves the value of being able to overrule it in an emergency.

* * *

Taxes Postponed

There is now little doubt that this year Congress will run true to form on tax increases, and the Budget for 1951-1952 will not be balanced. The Ways and Means Committee of the House of Representatives decided in the middle of February that it would examine all possible ways of raising additional revenue, rather than confine its hearings to the Administration's proposals; in other words, it rejected President Truman's request for a quick first instalment of \$10 billion in new taxes. It now appears that the examination of tax proposals will be thorough and leisurely; there will be no first and second instalments; and no tax legislation at all is likely to emerge from Congress before the middle of

THE  TIMES

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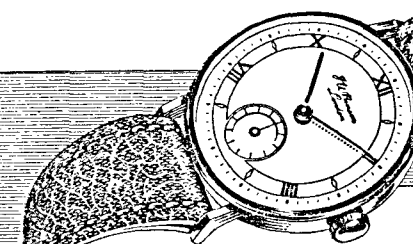
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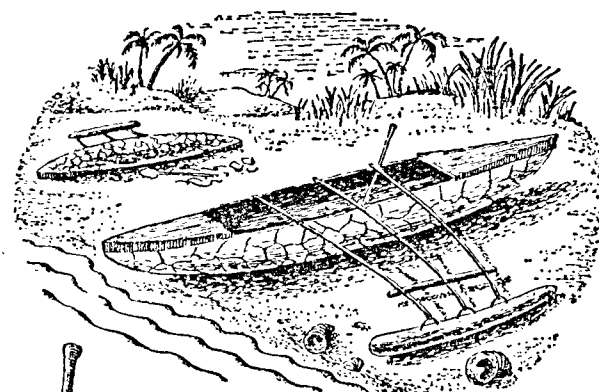
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the year—and probably later. This postponement is bound radically to affect the nature of the new taxes. Increases in personal income tax not passed until July can hardly be made retrospective to January 1st, as the President asked. And Congress will be very reluctant to treat corporations differently. This means, because corporation taxes are paid the year after the income is earned, that additional taxes will gather in 1951-52 appreciably less than their full yield in a normal year. Even if Congress raised tax rates as steeply as is implied in the President's request for a total of \$16.5 billion (in two instalments), it probably would not secure the revenue quickly enough to balance the budget for 1951-52. In fact this summer's tax Bill is unlikely to aim at raising so much even in the following year when its new rates are fully effective.

Congress can plead some good reasons for the refusal to rush through another "quickie" tax Bill. Its predecessor met the Administration's demands by imposing two sets of tax increases last year, and the instalment process has disadvantages. The American tax system has certainly developed its share of anomalies and weaknesses; in theory, at any rate, a pause to review the fiscal problem as a whole should make possible a rational choice of the taxes economically least damaging (and, it will be hoped, politically less unpopular).

The main hope of Congressmen, however, is the belief that Federal expenditure can be cut, so that they will never have to devise all the tax increases now threatening them. Some "Fair Deal" Democrats embrace this faith almost as heartily as conservatives, though it was the Republican Senator Bridges who declared the President's budget to be "as full of water as a field of melting snow." Figures of \$6 billion and more are still being suggested as possible economies, but there has been a significant shift of emphasis: it has been realised that non-defence expenditure totalling \$20 billion can hardly be slashed so severely as that, and Senators and Representatives are now casting their eyes towards "waste" in the defence programme. No doubt it is usual for such waste to exist—and just as usual for democratic assemblies to fail to find it among the complications and secrecy of military budgeting.

Congress, perhaps, has a better reason for going slow on taxes in the fact that the current year's defence expenditure seems to be running well below the estimates. It by no means follows, however, that this lag will continue when military production has got under way. The signs are that no really large cuts in next year's proposed expenditure will be found; but the admission of this will be put off long enough to make even a more stringent tax Bill than anything now contemplated by Congress inadequate to prevent a budget deficit in 1951-52.

* * *

Winding Up the Debate

The Senate Foreign Relations and Armed Services Committees have concluded hearings this week on the question of Congressional control of the American contribution to the "Eisenhower Army," and will take a vote next week. Mr Hoover has once more had his chance to warn Congress against "hopeless land war" in Europe and to urge it to pin its faith in the Navy and Air Force. Senator Taft has voiced his suspicions that the contribution of six divisions now proposed is only the thin end of the wedge and that the Administration secretly plans to send three times as many, thus requiring an intolerable increase in the size of the Army and a vast increase in taxes. Senator Wherry has done his best to resuscitate the Air Force's claim, now decently buried, that an overwhelming strategic bombing force was all that was necessary for American security. But the Chiefs of Staff, and most of the military witnesses, despite the temptation, were encouragingly unanimous in their belief that air power alone could not save

Europe from invasion and that Europe could and must be defended. The final obsequies over the Wherry Resolution, which would forbid the dispatch of any troops without Congressional assent, were delivered by two star performers of the Republican internationalist team, Mr Stassen and Governor Dewey. The Democratic role was hardly more than that of spectators of a Republican dispute.

The real question before the committees is whether they will recommend the Lodge or the Connally-Russell formula for associating Congress with the defence of Europe. One thing the debate has clearly shown is that any attempt to lead the Republican party back into isolation could succeed only at the cost of a disastrous split. The part Senator Taft has played guarantees that his path to the Presidential nomination in 1952 will be fought by half a dozen of the most influential leaders of his party.

* * *

Cuts for Cars

The automobile industry and other makers of durable consumers' goods, which together use about a quarter of the nation's steel, will have to curb their appetites after April 1st. The aim is to free about a million tons of steel a quarter for the defence programme and for small firms which have been left behind in the race for supplies. But Detroit is relieved that the National Production Authority, with one eye on trade union fears of unemployment, is wielding its shears with moderation. This first order restricting the use of steel, last of the major metals to be controlled, requires that consumption by each firm in the second quarter be held 20 per cent below the quarterly rate used in the first half of 1950. In the third quarter the cut will be 30 per cent; later, when the rise in defence needs and employment is sharper, it may reach 40 per cent.

The automobile producers were prepared for worse news. Priority demands for steel are so great that the amount which mills must reserve to satisfy them has been increased twice in two months. By the second quarter defence needs will be taking nearly half the supply in certain categories, such as steel plates; the supply can only be increased by reducing steel sheets, which are used in such quantities in cars. Even a 20 per cent cut in passenger car production from the first half of 1950 would allow a yearly production rate of nearly 5,000,000; a 30 per cent reduction, 4,300,000—more than in all but three previous years, 1929, 1949 (5,100,000) and 1950 (6,600,000). But ingenuity may devise ways of stretching the steel that is available. Detroit has already displayed a rather dismaying ingenuity in avoiding the cuts which the planners thought were inevitable when supplies of aluminium and copper were reduced. Indeed, in the months to come, supplies of copper, rather than steel, may be the limiting factor.

All that glitters is not chromium, but the new cars still shine, and so far this year they have been rolling off the assembly line almost as fast as they did last year. With shortages and heavier purchase taxes in the offing, they have been snatched up by eager buyers. Until the government stepped in last week, dealers have had no difficulty in disposing of new cars at hundreds of dollars above the controlled list prices, through the time-honoured device of running them a few miles and then offering them as "used."

If the automobile industry feels ill done by, some other observers criticise the cuts as too late and too little. They point not only to the flood of cars, but to the rise in the production index to a new peak in January (for which civilian goods must have been chiefly responsible) as evidence of a scandalous addiction to both guns and butter. But until the munitions factories are ready to go—and in Detroit most of the \$3.5 billion plans are still on paper—no purpose would be served and much harm might be done by creating premature pools of idle workers.

THE WORLD OVERSEAS

Bases and Treaties in the Middle East

(By a Correspondent)

THE Middle East was largely a British sphere of influence until the Americans entered the Second World War. Since then American interest has increased at a surprising pace so that, in less than a decade, thoughtful American politicians have grown to consider this "Bridge of Asia" as important to the United States as Disraeli thought it vital to Britain. The speed with which American policy developed was not only too fast for the understanding of the forty million odd Moslem inhabitants, but too revolutionary for the thousands of European officials, business men, and petroleum workers who reside in the area.

It is unfortunate that there has been little time to iron out the difficulties and misunderstandings that have arisen between Britons and Americans on the spot and the Arab Governments have enjoyed themselves in their attempts to play off one power against another. American political interest grew in direct ratio to the discovery and the acquisition by American companies of the rich oil deposits in the Persian Gulf. Its object now is to defend these valuable possessions and ensure that the maximum amount of petroleum from this corner of south-western Asia will be available to Atlantic Pact powers in case of hostilities.

During a recent meeting at Istanbul of American diplomats in the Middle East under the chairmanship of Mr George McGhee (US Assistant Secretary of State in charge of Middle East affairs) America's position in the area was reviewed. There is reason for concern. Of the three countries—Greece, Turkey and Persia—whose defence and administration have painstakingly been built up to form a protective roof over the region, Turkey only is likely to stand firm in an emergency. The fighting qualities of the Turkish soldier are well known. The difficulties here are that Turkey has until recently not wished to risk provoking Russia by allowing Britain or America facilities at air or naval bases on its territory. There have, in addition, been misunderstandings on the spot between the Americans, who have been training Turkish officers to use American equipment since 1947, and the officers of the British Military Mission who have been assisting the Turks to build strategic roads, bridges and landing grounds since 1942. These troubles have now been largely overcome.

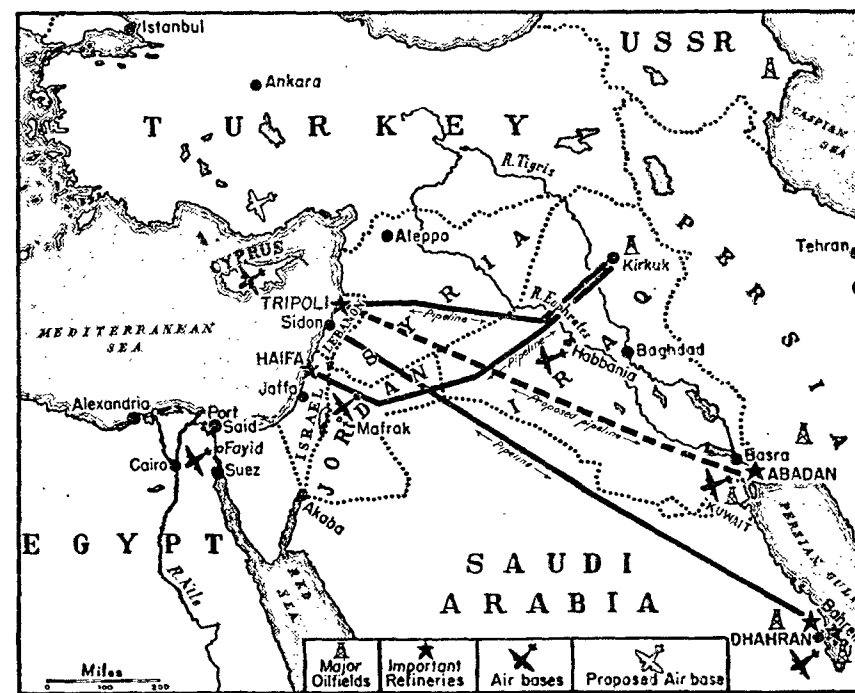
After the meeting of American diplomats from Middle Eastern countries in Istanbul presided over by Mr McGhee, the Turkish Foreign Minister, Mr Fouad Koprulu, issued an official statement saying that his country would "co-operate in the common and collective system of defence of the Eastern Mediterranean." It is now thought that Turkey will allow the Americans to equip and man an air base in Anatolia, grant facilities for British and American naval vessels in Turkish harbours, and, most important of all, dovetail the strategy of the Turkish forces with that of the Middle East Command. The full details and implications have been explained to the Turkish High Command by General Sir Brian Robertson, who concluded a tour of his command in Istanbul and Ankara this week.

Fortunately for Anglo-American plans Turkey is not hampered in its defence arrangements either by membership of the Arab League or by having recently been at war with Israel; in fact, although a Moslem state, Turkey has established relations with Israel which approach cordiality. Unhappily the aftermath of the Palestine war still troubles Anglo-American action in many parts of the region. Egypt's land communications are broken with the other countries of the Arab Middle East. Jordan's sea communications with the Mediterranean are cut and there is no intercourse of any kind between Israel and its

neighbours. Foreign governments find it difficult to be on terms of cordiality with both Israel and the Arab states. The Israeli Government might be willing to consider entering into a system for the collective defence of the area and granting American and British forces naval and air bases. But the project is unpopular with the Israeli army and, if put into effect, would certainly make future treaty negotiations with Egypt and Iraq more difficult if not quite impossible for Britain.

Attitude of Arabs

Member states of the Arab League led by Egypt, whilst having every reason to fear Soviet propaganda or Soviet imperialism, adopt a strangely neutral position, which has been well described as "haggling with the bazaar on fire." They claim that the League's own collective security pact is



all that is necessary for the defence of the region at the moment. This pact, which owes its existence solely to fear of Israeli expansionism, is of little military value, and Jordan, whose army, the Arab Legion, is quite the best in the Middle East, is not a participant.

The Americans could without doubt obtain concessions in Jordan to build or merely add modern installations to air bases, already established there by the RAF. But would giant air bases be of value in this land-locked country? All projects at the moment wait on new treaties with Egypt and Iraq. Thus the immediate plans are to establish bases or modernise those already built in a semi-circle outside Israel and the Arab states. Their main object will be to protect petroleum fields, pipe lines, refineries and docks. The American and Anglo-American bases will also be within easy bombing range of one of the Soviet's most vulnerable areas—the Caucasian underbelly—and they will be supported by the RAF in Iraq and the Canal Zone of Egypt.

Aftermath of Palestine War

To the north-west of the petroleum area the United States Army Air Corps has since 1946 operated an efficient air base near Athens. It has naval facilities accorded to it by the Greek Government in the harbour of Piræus and use of the port and landing ground at Salonika. In the central Mediterranean at Malta the Americans are soon expected to join the RAF, and on the North African coast the American air corps has for several years operated a large air base near Tripoli whilst the RAF has smaller bases at Castel Benito (near Tripoli), Benghazi and El Adem (near Tobruk). The British Navy has full facilities in such harbours as still exist along the North African coast and there is every reason to hope these facilities will be continued by agreement with the independent Libyan Government when it is formed in 1952.

It is most unfortunate that no new treaty has yet been concluded with the Egyptian and Iraqi Governments and the failure of British diplomacy is due in no small measure to bitter feelings resulting from the Palestine war and the recognition of Israel. All efforts even to establish a joint command with the Egyptians for the invaluable air, sea and land bases in the Suez Canal Zone have so far failed and it would not now be politic for a third power—the United States—to join these discussions. It is, however, hoped that joint Anglo-American-Egyptian bases may ultimately be organised in the Canal Zone and Anglo-American-Iraqi bases in Iraq.

Unstable Internal Conditions

Of all the member states of the Arab League, Saudi Arabia is the only one which contains a large and important American air base within a few miles of the petroleum fields. This is at Dharhan on the Persian Gulf. It is superbly equipped for bomber and fighter units. The area immediately to the south of the Turkish bastion, through which the pipe lines run in their course from Iraq and Saudi Arabia to the Mediterranean, will be covered by an air base in Cyprus which it is believed will shortly be modernised and perhaps shared by the Americans. But unstable internal conditions in these countries have been the cause of serious alarms. There have been more hopeful reports recently and the Americans are proposing to make considerable dollar grants to Syria for irrigation and settlement projects which will have a stabilising effect if the Prime Minister, Nazim Kudsî, can retain his ascendancy over the army.

If the Kashmir dispute is settled there is little doubt that Pakistan will co-operate in the defence of the Persian Gulf area, and the collective defence plans will then be spread more evenly over the region and not remain concentrated in the western sector.

Progress of the Schuman Plan

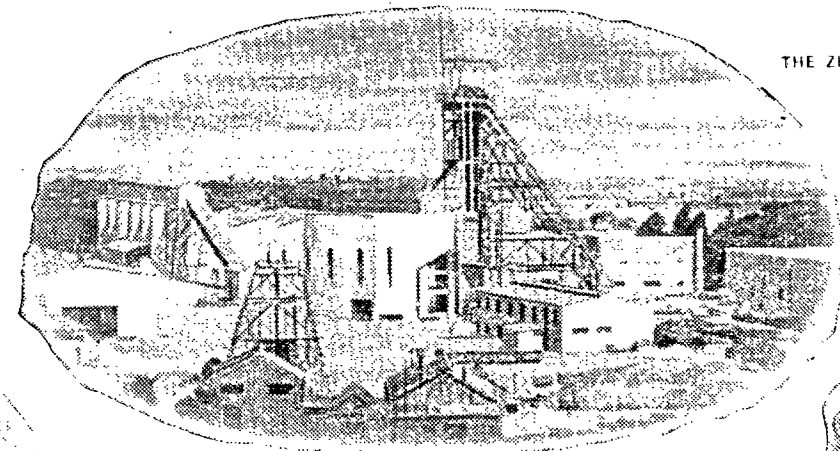
[FROM OUR PARIS CORRESPONDENT]

M. MONNET's office is still confident that the German Federal Government will sign the treaty establishing the coal-steel pool. During the last days Dr Adenauer, who is more firmly than ever behind the Schuman Plan, has spoken with leading Ruhr managers about the contentious dissolution of the coal selling agency (DKV) and the determination of the amount of coal which steel works may own. In the last weeks the debate has switched somewhat from the theoretical maximum percentage concentration on coal and steel to the remoter question: what coal will be available to other regions of the Schuman community when the Ruhr has had its fill? French officials and "integrationist" American enthusiasts have become increasingly aware that even if the DKV is abolished and decartelisation imposed the deconcentration proposed by the High Commission will still leave Ruhr steel works with a good deal too much private coke. For if, as the Ruhr intends, each steel works, albeit decartelised, maintains for itself enough coal to produce steel to meet the higher demand, the hungry brethren west of the Rhine will surely go without. Under this dispensation, indeed, German steel production—with all occupation ceilings and the Ruhr authority removed—could soar to the 18 million tons of 1938 while French production might sink miserably to 6 or 8,000,000 tons. For France depends on the availability of German metallurgical coke, without which no French steel master can begin to think of building up capacity. Should the Ruhr, therefore, once be allowed to enter the Schuman single market with an economically detachable nest-egg of coke, M. Monnet's high authority would subsequently have no power at all to allocate it to other needy areas. This awareness has prompted further examination of German production assistance.

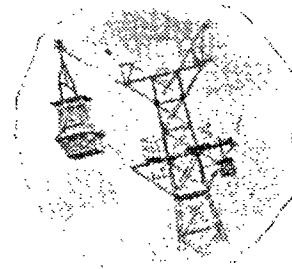
The Place of the Ruhr

Thus, after a very slow start, French, Belgian, Luxembourg steel masters, many of whom, as their recent memorandum has shown, dislike the Schuman Plan a good deal more than their Ruhr colleagues, are coming to see that if there must be a Schuman Plan instead of their own bureaucratic cartels it had better be a genuine one. For if the Ruhr is to gain relief from occupation restrictions and free access to the markets of Western Europe and its overseas dependencies (its pre-Korean objective) without sacrificing the monopolistic parts of *Verbundwirtschaft* (its post-Korean objective) it will be a very poor look-out for producers outside Germany. The French delegation, however, has no intention of signing any variant of the Schuman Plan whereby resources needed by all the participating nations remain—through price discrimination—the private raw materials of one of them. They do not admit the German contention that their control of iron ore resources places them in the same position as the Germans with their coke.

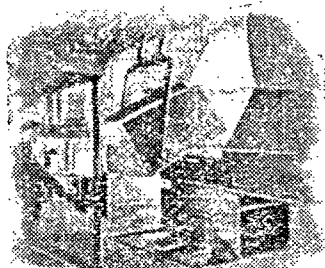
Apart from Dr Adenauer the German front against the Plan as it now stands seems firmer than ever. The Coal Control Board has again affirmed that the selling agency is absolutely essential for efficient marketing inside Germany, and has again been supported by the leader of the miners' trade union. Dr Schumacher has also reiterated the Socialists' opposition to the Plan if it involves changes which would harm the Ruhr and cause further unemployment. Finally, a new spanner has been thrown into the works by Mr Patterson, the former US Secretary for War. As a lawyer, Mr Patterson has been briefed by an association of German shareholders to oppose the deconcentration and decartelisation of the Ruhr and the IG Farben complex, and has appeared on the scene to plead



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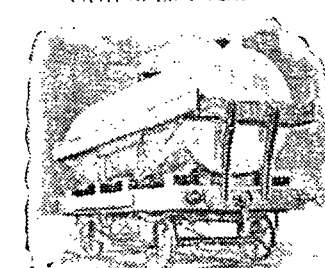
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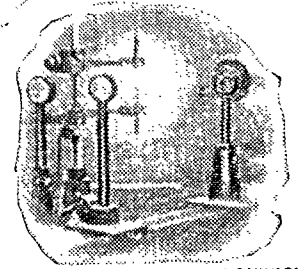
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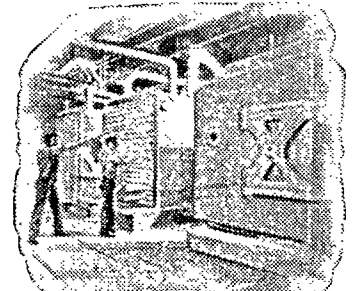
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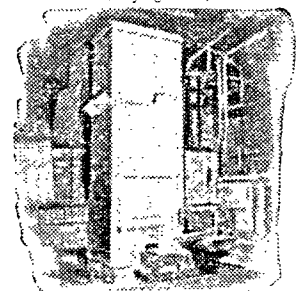
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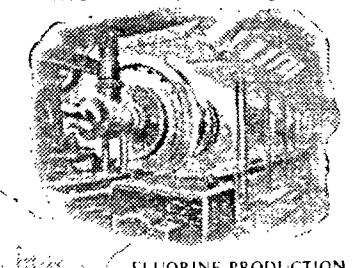
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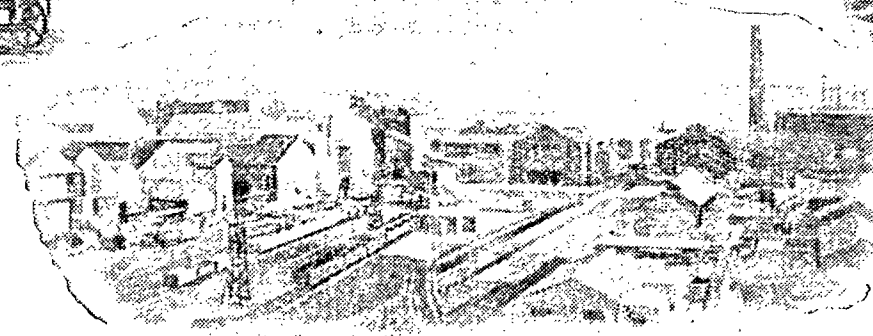
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GENERAL VIEW OF IMPERIAL SMELTING CORPORATION WORKS, AVONMOUTH

his clients' case with Mr McCloy. The extreme nature of the proposed anti-cartel measures which have been drawn up by American lawyers in the High Commission go beyond anything the Germans can be expected to accept. It remains to be seen whether Dr Adenauer's keen sense of the political importance of the Schuman Plan will overcome all the handicaps in its path.

Soviet Economic Progress—II

Capital versus Consumer Goods

[BY A CORRESPONDENT]

THE Soviet Government had promised an abundance of consumer goods for 1950. Yet from the figures now published on the Fourth Plan it is quite clear that during the last five years priority was once again given to capital goods; while from statements now made, it may be gathered that this emphasis on producer goods is to be continued in the years to come. Soviet citizens are still made to save for future benefits. The increase in the capacity of the industrial plants and the mechanisation of agriculture are still considered as more important objectives than the immediate satisfaction of the consumers' wants, and are granted first call on the existing resources. Soviet planners would certainly adhere to a slogan: "Machine tools, tractors and lorries before clothing."

This contrast may be partly seen in the following tables showing the growth over the last five years of the engineering and chemical industries on one side and the consumer goods industries on the other.

GROWTH OF SOVIET PRODUCTION, 1946-1950

	Index Numbers 1945=100					Planned (in '000s) for 1950
	1946	1947	1948	1949	1950	
Engineering & Chemicals						
Tractors	172	359	732	1,135	1,396	112
Lorries	138	160	257	334	435	428
Electrical motors						
Of less than 100 kw.	169	257	404	541	650	624
Of more than 100 kw.	138	192	292	400	480	9
Machine tools	134	174	245	292	327*	74
Artificial fertilisers	152	205	293	384	457	5-100 tons
Dye stuffs	129	186	251	281	306	43
Consumer Goods						
Cotton fabrics	117	156	192	219	236	4-686 metres
Woollen fabrics	130	173	220	262	270	159.4 "
Leather footwear	128	176	215	262	325	240,000 pairs
Paper	161	201	241	306	367	1.34 tons
Meat	118	138	173	183	247	1.3
Sugar	100	210	357	439	540	2.4
Animal fats	169	189	255	270	289	0.275 "
Vegetable fats	119	167	220	290	351	0.88 "
Soap	100	128	182	309	343	0.87 "
Retail sales	130	152	200	240	312	

*Production of Ministry of Machine Tools only.

For consumer goods, with the exception of sugar, 1950 indices range between 200 and 350. The real difference is probably even greater than it appears. Generally the high indices for 1950 are to be explained by the very low level of the base year (1945), when the switchover from war to peace had only begun and war damages were scarcely repaired. This, of course, applies also to engineering—e.g., the fourteenfold rise in the output of tractors can only be understood with this reservation in mind. But it is even truer for consumer goods. In wartime heavy industry is always more fully exploited. By 1945 the drop in the output of consumer goods was certainly much greater than for capital goods. For both producer and consumer goods Russian statistics are not lavish with absolute figures and the few data supplied are often contradictory. Soviet sources lead one to believe that for most branches the targets have not only been fulfilled but exceeded. Since the claims of

overfulfilment, however, are usually couched in ambiguous terms it is safer, in most cases, to assume that targets have simply been reached.

Among producer goods greatest stress is laid on machine tools. Outwardly the threefold rise in production since 1945 is small compared with other engineering indices. But the production of machine tools was very high even during the war. The Soviet press always emphasises any topic connected with these basic instruments of industrial development and it seems that it is in this sphere that greatest efforts are made "to reach and exceed America." In 1950 probably more than 74,000 tools were produced and, partly thanks to the lend-lease supplies, the Soviet Union may well have now 1,300,000 machine tools. This was the target set for 1950 by Mr Voznesensky, who claimed that with this number the USSR will have as many machine tools as American industry had in 1943. Of course, there may be very great variations in the size and the complexity of the tools. Still, in this sphere great progress has certainly been made.

Great efforts have also been made to build up the production of lorries. The Russians have drawn their conclusions from the bitter lesson of the war, when even in the army the shortage of lorries was painfully felt. Then the 400,000 lorries sent to Russia under the lend-lease agreement were invaluable. Now this year's output alone has probably exceeded that number. This is a good example of the advance made. Since 1945 output has risen more than fourfold. Since 1940 five new plants have been built, in Dnepropetrovsk, Minsk, Novosibirsk, Ulianovsk and Kutais. During the last Five-Year Plan diesel lorries have been produced for the first time in the USSR, as part of the general fuel-saving campaign.

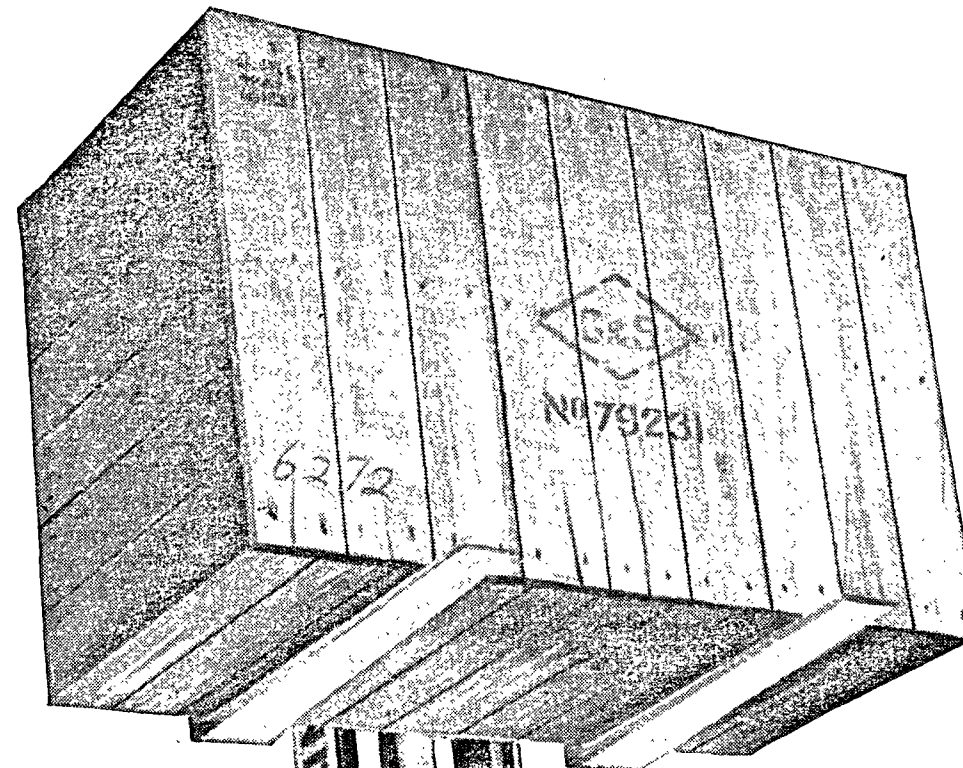
The tractor industry was another branch treated with special care, but in spite of that, production here seems to have lagged behind the targets. True these are not clear, since it is not always known whether the figure is translated into units of 15, 30 or other horse power. The target for 1950 was 112,000 units of unspecified power. At the same time it was planned to supply 720,000 tractors, translated into 15-hp units, during the five years of the plan. It is this latter figure which was not reached, as will be seen in the following table of tractor supply:

SOVIET TRACTOR PRODUCTION
('000 of 15-H.P. Units)

1945	1946	1947	1948	1949	1950
13.2	22.5	47.5	56.8	150	184

The number supplied over the five years of the plan was thus only slightly more than 500,000 15-hp units. This figure, though inferior to the planned target, is very high and nearly equals the total Soviet tractor park of 1940. The figure is even more impressive, since demand for tractors should be falling with the progressive introduction of larger collective farms.

Achievements in consumer goods are certainly not so spectacular. In fact, the targets for cotton and woollen fabrics set for 1950 were actually lower than the end-targets set (though not fulfilled) for all previous Five-Year Plans. The discrepancy between the promises of great abundance and the relatively low targets, particularly for textiles, may have been partly made up by imports. Considerable imports from the west are obviously ruled out. But immediately after the war it became clear that the Soviet authorities were going to rely in their computations on the output of the light industries of east European countries. Commercial treaties to that effect were signed. For instance, according to the agreement with Poland, Lodz, the Polish textile centre, was to receive raw cotton from Russia and send cotton fabrics in return. Part of the raw cotton was to be left behind as payment for the manufacture. The size of the



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imports of consumers' goods from the countries within the Soviet orbit is not known, but foreign observers in Moscow say that the Muscovite is now incomparably better clothed and shod. This is largely to the credit of the Czech shoe factories and the East German (Saxon), Polish and Czech textile mills.

According to the plan, Russian factories should now be producing annually more than one pair of shoes and somewhat less than three pairs of socks or stockings per inhabitant. This is very little by western standards. In Russia, on the other hand, where many peasants had only recently put on their first pair of shoes and where there is a large Asiatic population, this is quite an achievement. The share of sugar per person—over 2 lb. per month—would be quite considerable even by non-Russian standards. Another striking figure is that for soap. The average Russian should now be getting roughly 11.5 ounces of soap per month, i.e., not very much less than the recent British ration. Even if this figure has not been reached, but only approached, it certainly means a very notable rise in the level of Russian hygiene.

Generally speaking, Russia is certainly not yet a land of plenty and even the western standards are quite distant, whatever propagandists may say. On the other hand, over the five years of the Plan, and probably with the help of countries within the Soviet orbit, the supply of consumers' goods has been increased and the Russian consumer must have felt a real improvement after the very low postwar level.

(To be concluded)

Bonn's "Optical" Economics

A PICTURE of deplorable confusion has been presented by the Federal German Government and its economic experts in face of the latest crisis in the country's balance of payments. Though the *Bank Deutscher Laender* had pointed out three months ago that March would see a worse crisis than last autumn, nothing effective seems to have been done to forestall it. When the stark facts of imminent bankruptcy in the European Payments Union were publicly revealed a few days ago, the Government hastily announced that, with few exceptions, imports under liberalised trade lists would be suspended "for a few days" while the position was examined, but that existing commitments under treaties would be honoured. After the few days had passed, it declared that all imports from the countries in the European Payments Union would be suspended, whether they fell under current treaties or not. At the same time, the assurance was repeated that liberalised trade would not be abandoned, and that salvation would be sought in increased exports.

Similar confusion exists over the measures which have been announced to reform the Government's economic policy. The *Bank Deutscher Laender* broke up its meeting last week without having come to any conclusion about raising the discount rate again. The proposals put forward by the so-called *Niederbreisach* circle of economic advisers seem all to have been made last autumn. On Tuesday the Government announced that it was proposing to follow policies to please everybody; liberalisation together with the fostering of agricultural production at home, "no austerity" together with a cut in imports, no inflation together with higher rents for prewar dwellings, higher food prices as subsidies are gradually removed, and higher wages to meet the added cost. It might be asked, what happened to the recommendations which the OEEC made to Bonn at the time of the first balance of payments crisis last autumn?

The answers to these questions go to the root of some of the besetting troubles of postwar German life. One may begin with the faith in so-called "optical," or *optisch-*

politische, measures and declarations. Under the Nazi regime, Prussian integrity largely gave way to the Byzantine system of favourism, corruption and decrees designed to create illusions. This system has been continued as a means of dealing with the Occupation authorities as well as with the nervous German public. It has, in particular, been adopted to assure the Americans that the Bonn Government is prepared to impose controls, raise taxes, abolish subsidies and cut consumption in order that rearmament orders shall not result in inflation and the waste of American funds; and at the same time to prevent panic spending and a relapse into black market practices at home. To understand the Bonn Government's dilemma in face of the new world economic situation created by Korea, it must be borne in mind that the German public associates rationing with the disastrous hidden inflation that prevailed before the currency reform of June, 1948. Dr Erhard's policy of unrestricted trade at home and abroad has been abused by a people always inclined to exaggerations; but it was the best under the circumstances, and his effort to maintain an optical illusion that it still exists can be condoned.

Selfishness and Corruption

The second explanation of the present situation is to be found in the fact that official orders are almost always frustrated in the first instance by the individualistic *Land* Governments and thereafter by citizens who practise evasions varying from downright corruption to legal "wangles." The authority of Bonn and the central Bank—two bodies which are sometimes in opposition—is not fully accepted by the public. For this situation, the Allies are partly to blame; but the Government itself does little to assert its authority and is content to hide behind the screen offered by the High Commission. It is symptomatic of the situation that no German official body ever seems to prosecute a citizen for tax evasion. The regulation imposed last September to squeeze out the mushroom growth of importers was consistently evaded.

Draft bills tend to be long in emerging from the conferences of the coalition cabinet and to spend still longer in committee. The Finance Minister certainly proposed tax reforms last year, but nothing has yet come of them. The Chancellor is not convinced that it is necessary to curtail consumption in order to balance Germany's payments; the Minister of Finance is not convinced that he cannot raise a State loan carrying interest at only 5 per cent and opposes the men in the central Bank who wish to take drastic measures to restrict credit. Nevertheless, all are agreed on the need to prevent inflation by one means or another; and it is wrong to assume that the measures announced on Tuesday—if they are carried out—will inevitably prove inflationary. But the probability that Bonn will take really effective measures to meet its latest crisis seems still to be remote.

Uno Looks at Latin America

AMONG the most illuminating sections of the United Nations "World Economic Report" are those dealing with the so-called under-developed areas. The Report was specifically prepared for the current meeting of the Economic and Social Council at Santiago, Chile, where the topic of under-developed countries is expected to play an important part in the discussions. Very appropriately, the authors have chosen to give an especially full account of the economic position in Latin America—one of the most typical of these problem regions.

In general the nations of Latin America conform very closely to a familiar and disturbing pattern; the majority are producers and exporters of agricultural and mineral products and are often dependent for their prosperity on one product alone. For this reason their economies are painfully sensitive

both to harvest yields and to fluctuations in demand from the industrialised countries in Europe as well as North America. Therefore most of these nations are trying desperately to move in the direction of more balanced economies, a process that involves heavy programmes of investment.

During the period under review—1948 to 1950—Latin America ran practically the whole gamut of experiences which have become the normal lot of the under-developed countries. Throughout 1948 most of them continued to export on a large scale and to use the proceeds plus their war-accumulated balances to maintain a high level of imports. Then in the first half of 1949 exports began to fall. Brazil, which had had a favourable trade balance in 1948, ran a substantial adverse one. Chile's sizable balance of 1948 shrank in the first half of 1949, and in the same period Peru switched from a slight to an enormously unfavourable trade balance.

The reasons for this decline are to be found not so much in falling exports to the United States as in dwindling purchases by Western Europe. In fact, American imports from Latin America in 1949 were only a little smaller than in 1948. On the other hand, the export surplus of Latin America with Europe—over \$800 million in 1948—shrank to just over \$200 million in the following year; a reduction took place in both the volume and price of exports to Western Europe. What had happened was that production throughout the world had begun to catch up with postwar demand, home output was taking the place of imports, and larger exportable surpluses of food and raw materials also started to appear.

The decline extended to practically all of Latin America's leading exports—petroleum, grain, cotton, coffee, non-ferrous metals and nitrates, and sugar. However, the two nations whose exports fell most precipitously were Cuba (sugar) and, to an even greater degree, Argentina (wheat, maize and wool). Argentine exports—chiefly to Britain and Italy—dropped because of buyers' resistance to high prices, which in turn were the result of poor harvests and the short-sighted export policy followed by the Argentine Government. Chile's troubles, in contrast, were traceable almost entirely to the behaviour of the United States demand. Between 1948 and mid-1949 the volume of Chile's copper exports to the United States expanded by more than 10 per cent. But during the last six months of 1949 the volume fell by 30 per cent and prices by 25 per cent from 1948 levels.

Unfortunately the remedies adopted by the Latin-American countries—restriction of imports and increased public expenditure—were such as to lead to reduced living standards and to increased inflationary pressure. From mid-1949 onward, nearly all of the Latin-American economies were marked by growing budget deficits and a rising level of prices. Unemployment appeared for the first time since the war and in many cases production did no more than remain constant, sometimes actually decreasing.

Foreign investment, public and private, was of some,

though limited assistance. Of the two forms, private investment was often the least useful because it tended to fluctuate and to concentrate on a few products. The net outflow of American long-term capital to Latin America was \$275 million in 1948, \$450 million in 1949, and \$67 million in the first half of 1950; a substantial amount of this capital went solely to petroleum development in Venezuela. Such public institutions as the International Bank and the US Export-Import Bank advanced loans on a considerable scale and for more diversified purposes.

By the middle of 1950 the majority of Latin-American nations had eliminated the abnormal elements in their economic position—inflated demands from foreign countries and the spending of their own war profits—and had got back to their normal instability, namely, a precarious dependence on harvests and foreign trade. This achievement was due, in equal parts, to a recovery in exports and to a ruthless restriction of their imports, mainly from the United States.

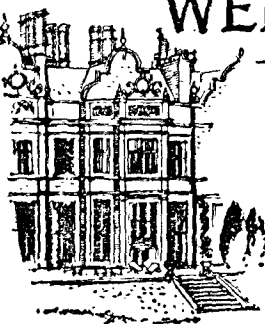
Can Europe Send Capital Goods?

As 1950 wore on it looked as if Latin America would again be subjected to a violent change of still another kind. The Korean war created an insatiable demand for their goods, with the result that reserves of dollars and other currencies mounted rapidly; but at the same time rearmament also threatened to cut down the volume of imports available to the Latin Americans. Here the Report comments:

Should the impact of the rearmament programme be so severe as to curtail the supply of such goods, the under-developed countries would be again confronted with problems similar to those that arose during the last war. In the absence of adequate imports their highly liquid international financial position would add to domestic inflationary pressure. At the same time, their development programmes would risk being deferred for lack of essential imports.

No single answer to the dilemma of the under-developed countries is in sight. So far as Latin America is concerned, the report suggests that one solution lies in the restoration, with modifications, of its prewar pattern of trade. It is a solution in which Western Europe would play a significant role. Before the war, much of Latin-America ran a trade surplus with both the United States and Western Europe which it used for settling payments on foreign (mostly European) investments. Since the war, many of these European investments have been liquidated and with them has disappeared Europe's ability to pay for Latin-American products.

In any balanced system of world trade Latin America would acquire US dollars by means of an export surplus northwards; imports from the United States could be kept at very low levels, provided that the Latin-American countries could obtain capital goods from Western Europe. If, in fact, Western Europe were able to provide exports of this nature in sufficient quantity, it could acquire from Latin America both badly needed supplies of foodstuffs and minerals and



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also dollars with which to balance its accounts with North America. Unfortunately the United Kingdom and Western Europe have traditionally concentrated mainly on the export of consumption goods to Latin America. Their ability to switch to exports of capital goods may largely determine the future economic health of both the Latin-American and European economies.

Denmark's Defence Effort

THE full measure of Danish efforts to rearm during the coming year cannot yet be gauged. On the financial issues, at any rate, much will depend on the future of their export markets for agricultural produce. This, at least, is the case which the Danish mission in London has come to present to the British Government.

Some decisions, however, have already been taken, and it is possible to present the minimum progress that Denmark plans to make by the end of April, 1952. Normal expenditure to maintain the existing armed forces runs at approximately 350 million kroner a year (April-March). In October of last year it was agreed to increase this by 300 million kroner to be spent during the remainder of 1950-51 and the whole of 1951-52. The effect of this will probably be to bring expenditure in the current year to about 400 million kroner, and in 1951-52 to 600 million kroner. In relation to a total budget for 1951-52 of just over two billion kroner, military expenditure will on this basis be 27-28 per cent, and it will represent roughly 3.5 per cent of the total national income.

In terms of manpower, the picture is less precise. With a population of a little over four million, the present military establishment totals 21,000 men (16,000 in the army and 5,000 in the navy and airforce). It is hoped to raise this figure ultimately to some 50,000 men. But the practicable rate of increase will be restricted not only by the amount of money that can be found, but also by the shortage of non-commissioned officers and of equipment. Although national service for ten to twelve months is already compulsory, these two factors have meant that far less than the full complement of eligible men have in fact been called to the colours. (Since the war about 100,000 men, or six-seven divisions, have actually done their military training.) The Government may yet decide to extend the period to 18 months or even two years, but only if it sees some chance of being able to officer and equip a larger intake.

So far as officers go, the only solution lies in making the regular army more attractive; higher pay and better conditions are under consideration. On the equipment side, the sum of Denmark's war potential is one large machine-gun factory, and a shipbuilding industry which can produce light naval craft ranging from corvettes to submarines. For the rest, the Danes must import, either under mutual aid or paid for out of their straitened foreign exchange resources. Since May, they have in fact been receiving some equipment from the United States—how much is, for reasons best known to themselves, kept secret. They also have 60 jet aircraft on order in the United Kingdom, about half of which have been delivered, and some pilots are already training with British squadrons. There is, however, a great wilderness to be recovered from the ravages of the last war. The Germans sank the entire Danish fleet and destroyed every piece of equipment that the army possessed, even down to the barracks and parade grounds.

So much for the immediate prospects and present plans, which are certainly not to be taken as the Government's final, or even penultimate, word on the subject. Further measures are now being discussed in the Government's defence committee. Any new plans, however, have got to be designed against an exceptionally difficult economic background. So far as internal finance is concerned, the position at the moment is not too unhealthy. The 1950-51 budget has been

more or less balanced, and present estimates for the 1951-52 budget aim at a slight surplus of about 100 million kroner on a total expenditure of 2.15 billion kroner. Until the beginning of this year, internal inflationary pressures were fairly well in hand, and there was a small margin of just over 7 per cent (50,000) unemployed. But the crux of the economic problems lies in Denmark's external position, which is already extremely serious.

Danish visible trade represents a high proportion of its total production and consumption. On 1949 figures, imports were 21 per cent and exports 20 per cent of the national income. At the same time, the terms of trade have been turning radically in Denmark's disfavour. Since devaluation in September, 1949, the cost of its imports (which include nearly all the raw materials consumed in Denmark) has risen by 100 points, or about 35 per cent, while the price of its exports has only risen three points or not more than one per cent. Largely as a reflection of this, the index of internal prices rose from 216 in September, 1949, to 234 in January, 1950. There it remained fairly stable until the start of the Korean boom in August, when it rose steeply to 275 in December. As wages and salaries are automatically linked to the price level, this presents the Government with a threatened inflationary spiral. It will almost certainly have to impose general wage, price and profit freezes in the near future. It is also planning to impose a system of raw materials allocations on the basis of (1) defence, (2) export industries, (3) investment.

Apart from the direct effect on internal prices, the Danish trading position has other unfavourable aspects. First, there is their overall deficit with the west European sterling and dollar areas. By the end of January they had a deficit with the European Payments Union of \$29.2 million as against no initial credit granted. For 1950 their visible trade deficit with the United States was \$427 million, \$40 million more than their Marshall Aid receipts. Secondly, there is the particular problem of Denmark's commercial relations with Great Britain (discussed in greater detail on page 505). Agricultural produce represents about 60 per cent of Denmark's total exports, including shipbuilding. Of its two main agricultural products, Denmark is contracted under a long-term agreement with the United Kingdom until 1952 for 90 per cent of its exportable surplus of butter and until 1954 for 75 per cent of its exportable surplus of bacon. Its foreign exchange position and the future of its main export industries are thus very largely in British hands—and so far have received rough treatment. Its sterling problem is made the more acute by the fact that it relies on the sterling area for a large proportion of its raw material imports, particularly fertilisers.

If these predicaments continue, they are bound to prejudice not only Denmark's capacity to purchase equipment and materials, but the Government's capacity to raise the necessary internal finance.

These are the material factors that must be taken into account in assessing the Government's admittedly cautious attitude to the needs of defence. To them should be added the psychological background. The Danes as a people are naturally non-militaristic; and geographically they feel that they are the last and least defensible outpost of the Atlantic Pact area. It was, indeed, something of an achievement that Denmark, unlike Sweden, joined the Pact at all. When it comes to the point, the Danes will be prepared to face the necessary economic sacrifices, but it would be a mistake for their western colleagues to ignore the growing pessimism in the country.

Correction.—On page 439 of *The Economist* of last week it was stated that the maximum speed of the "sports" train on the Paris-Dijon line was 125 mph. This should have read 112.5 mph. In practice the speed of this train does not exceed 90 mph on the Paris-Dijon track.

FLUORINE



FROM the famous Blue John mines in Derbyshire comes a mineral called fluorspar. For generations this has been mined in the North of England for use as a flux in metallurgical processes and for making enamels and glass. Today fluorspar has assumed a new importance. It is the chief source of hydrofluoric acid, the compound from which the element fluorine is obtained. Fluorine is chemically so active that it combines with glass and other materials normally used in chemical apparatus. Moissan, the famous French scientist who in 1886 first isolated it, used platinum apparatus which, though attacked, reacted sufficiently slowly to allow him to isolate some free fluorine gas. For over fifty years this elusive element remained a chemical curiosity, but during the war it was needed in large quantities for the manufacture of certain uranium compounds used for the atomic energy projects. The result was so to intensify the research on fluorine chemistry (a great deal of it in I.C.I.'s laboratories) that fluorine is now produced on an industrial scale. Certain fluorine compounds are astonishingly resistant to corrosion and decomposition, a property which is of great value commercially.

I.C.I. uses some of these in the manufacture of 'Arcton' refrigerants, which are non-toxic and non-inflammable, and 'Fluon', a new plastic material.



An Industry Poised for Productivity

IF the key British industries that brace themselves for the great double effort which armament imposes upon reconstruction, the aircraft industry, so recently at war, is well placed to expand. It is one of the free industries which have made strides in their manufacturing method and are ready to introduce the further improvements only justifiable by bigger batch ordering.

The pressure for machine tools, factory extensions and extra labour is now being applied. In particular the engine of the aircraft calls for much tooling, which cannot be finalised until the design of the product is well established. On this side de Havilland benefits from the momentum of an expansion that has been proceeding actively since the war ended. We enter upon a great new project of multiplying output from a period of practical training in just this task, for our turnover in turbine and piston engines and propellers has been mounting continuously since 1946 to fulfil orders secured overseas. Moreover the powerful Ghost jet engine has reached a stage of development ripe for large-scale manufacture, and has qualities of robustness and simplicity that appeal to the armed forces.

Perhaps the most vital need is for early delivery of necessary machine tools, a matter that is best expedited by the direct contact with suppliers which is not easy to ensure in times of national emergency and governmental negotiation.

Given practical aid in regard to these essentials of production it will be possible to maintain the export deliveries—almost equally important to overall security—as well as meeting the rearmament needs at home.

Those who harbour the sinister hope that the extra burden of rearmament will soften up our resistance to subversive doctrines misjudge the character of the British people and the ethical standards of competitive commercial industry as we practise it in this country.

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THE BUSINESS WORLD

Can Transport Pay?

IN reaching last week's settlement of the railway unions' wage claims, the Railway Executive travelled by a route and reached a terminus that were by no means unfettered choices. The Executive has the misfortune of being compelled to play a protean role—the agent of its parent Commission, the “creature” in time of crisis of the Government, an employer burdened with problems of labour relations that it has yet to solve, and a trading concern operating one of the biggest industries in the country. Peace has had its price, and it is now time to measure the cost of the shotgun settlement for the Executive's customers—that is, for the community as a whole.

The agreement itself is in two parts, one precise and the other contingent. The three unions, having consolidated their claims into a single demand for a pay increase of 7½ per cent, got what they asked for, to be paid from January 1st. Thus the Court of Enquiry that began to examine the claims on January 4th and reported on February 8th might have been spared its labours. This settlement will cost the Executive (or, more accurately, the Transport Commission) some £12 million in a full year. The contingent part of the settlement depends on the co-operation that the unions will offer in future towards the improvement of efficiency on the railways. Their representatives “acknowledged the imperative need of the fullest co-operation” with the Executive for eliminating waste of manpower and for improving productivity. They have undertaken “to examine forthwith in that spirit any proposals which the Executive put forward” and there will in future be a joint committee of both sides for this purpose. The principle of co-operation is admitted, but even the union representatives have done no more than give a promise “to examine,” and it remains to be seen in practice how this works and how far the men are willing to be bound by what their representatives concede.

In the short run, co-operation towards greater efficiency can make only a small contribution—even if it is extended with the utmost goodwill. To dispense with the services of 2,700 vanguards in the London area and 600 “knockers-up” would provide useful rather than major economies, if the unions now agree to them. As for lodging turns, in 1939 some 4½ per cent of the total duty turns were worked as lodging turns; in January only 0.6 per cent were so worked. The Railway Executive has already proposed an extension of lodging turns (not to the prewar level) on conditions that sound reasonable. This would be a significant though far from decisive source of economy, because it would mean that locomotive crews would spend less time out of their average working day travelling home (at full pay) as passengers and more time on actual footplate duties.

But these advances towards greater productive efficiency, even if they are realisable at all, will not be gained in a hurry. Perhaps the way in which last week's

settlement was reached may itself weaken their chances of realisation. This leaves the Executive in a serious financial predicament. In addition to the £12 million promised last week, there is a claim from the railway shopmen that could easily add another £2,000,000 to it. The recent increase in coal prices will cost the railways £3,000,000 a year, and there are increases in steel and in every item of materials and stores on which it is difficult to put a precise figure. Already the Executive was failing to meet its full economic charges. Estimates furnished to the Court of Enquiry showed that a full year's gross receipts allowing for the increase in freight charges that came into effect from May 15th last year would be of the order of £359 million; working expenses were put at £325 million, leaving net traffic receipts of £34 million. But although this result for a notional year shows an improvement of £10 million over the estimated outturn for 1950, it would still fail by £2,000,000 to meet the railways' share of the capital charges and other items of central expenditure that have to be met by the Transport Commission. It omits, moreover, the increase in pay to lower-

RAILWAY EXECUTIVE RESULTS (£million)				
	1943	1949	Estimate, 1950	1950 Estimate Adjusted for Full Increase in Charges
Gross receipts	344.8	334.1	349.1	359.1
Working expenses	322.5	325.1	325.0	325.0
Net traffic receipts	22.3	9.0	24.1	34.1
Railways' share of Commission's central charges	35.0	35.0	36.0	36.0
Approximate railways' deficit....	12.7	26.0	11.9	1.9
Transport Commission's deficit...	4.7	20.8	15.1	2.4*

* Estimate for a future year.

paid workers made last September (£3,000,000) and other increases in costs that had already made themselves felt before the end of last year. It would probably not be far out to say that the Executive needs at least £30 million more revenue (or that amount discounted by such economies as might be realisable) to meet all the expenditures to which it is now committed and to cover its bare capital responsibilities—this quite apart from making any provision for the future.

This is a frightening sum. It is equivalent to 10 per cent of the railways' gross receipts last year, and there are those who assume that it cannot be found. Such assumptions can be safely dismissed; the demand for railway transport is not so highly elastic that to increase charges and fares would produce less revenue. The fact that they are being made at all is connected with the seductive attractions of a subsidy. The argument that transport is a basic national service that should properly be state owned is now being extended;

the state, it is said, should not merely cover the overhead, but also absorb the current loss. In other words, what the transport user cannot or will not pay should be paid by the taxpayer. It is on record that the Minister, the chairman of the Commission and spokesmen for the Executive have opposed this argument, and for this they deserve credit and support. Any subsidy payment, however small, would put the railways outside any calculus of making ends meet. They would then know that a deficit would be automatically made good, just as the unions are now entitled to assume that a wages claim that is not utterly outrageous has only to be pressed with determination to succeed. The compulsion of efficiency, such as it is, would be removed for ever.

But if the money can be raised, what is the least damaging way of getting it? The effective increase in passenger fares compared with 1938 is of the order of 75 per cent, while freight rates are just over 80 per cent higher than before the war. At these rates, the railways have been losing traffic; it is significant that the only increases recorded in the first eleven months of last year were for reduced rate passenger journeys (at excursion, cheap day or weekend fares) and in coal and coke traffic (which is virtually fastened to the railways). Last year's receipts are higher solely because of the increase in freight charges last May:—

RAILWAY TRAFFICS AND RECEIPTS				
	Originating Traffic Eleven Months to November 30th, 1950 and Change on 1949		Aggregate Receipts 52 Weeks (£ m.n.)	
	Million Journeys	Million Tons	1949	1950
Passengers	507	-8.0	113.7	106.5
Parcels	...	...	29.0	30.8
Merchandise	53	-0.9	79.6	86.1
Minerals	60	-0.2	29.6	32.5
Coal and coke	167	+2.7	67.9	77.7
Livestock	1	...	1.5	1.8
TOTAL RECEIPTS			321.2	335.6

An increase of one-sixth in freight rates would again be required to produce the amount of revenue that the Executive needs. The sum might be found by putting rather less on freight charges and undertaking the risk of frightening away passengers by an increase in certain fares. The Act requires the Minister to consult with and consider the advice of the Transport Tribunal, and it was as such a consultative committee that the permanent members of the Tribunal sat to consider the application for increased freight charges early last year and advised the Minister about it. Since the magnitudes that are at stake are roughly the same, and since the circumstances that have brought the need for increased receipts are of such peculiar public importance, a public inquiry is in every respect desirable. This will no doubt be an embarrassment for the Commission, for that body hoped to present the first of its charges schemes for the Tribunal's consideration later this year. The creation of a logical pattern of railway and road charges has been frustrated at each stage by the discovery that costs have increased faster than have revenues. It is on charges policy that the whole doctrine of integration of transport really turns; now, presumably, an attempt at a coherent charges policy will again have to be put aside in order to secure an expedient increase in receipts.

The settlement thus raises in acute form the question whether “integration of transport” now has any meaning. The purpose of the Transport Act (though the

Act was careful not to say so) was to reduce the excessive amount of capital invested in railway and road transport as a whole, and to run the two branches as a single transport service, using each to the best advantage to move each consignment. To do this, it was necessary to know far more about the comparative costs of road and rail transport, and some preliminary work has been done on these problems. It was also necessary to explain to transport staffs and transport users the changes that would be necessary; here also general statements of policy have been made and assurances given to the staffs. But after the fiasco at St. Pancras, where an attempt was recently made to transfer certain trunk road traffic to the railway, it must be concluded either that the Railway Executive failed completely to explain to the men what the changes involved, or that the men are determined to make up their own minds about what changes they will accept, irrespective of what their union leaders agree are reasonable. Integration means much more than the shutting down of branch lines that do not pay; it means changes in ways of handling traffic and in working practices and conditions. If there remains in future resistance to lodging turns and to handling by rail traffic that has “always gone by road,” the outlook for the fundamental changes in operation that are needed to produce an integrated transport system will be poor.

There might be better hopes of progress towards integration if the prospects favoured reasonably stable cost conditions during the next year or two. A charges scheme that sought to encourage integration between rail and road might then have some meaning. But it is quite clear that the Executive cannot hope for any respite in the increases that have dogged it for the past three years. Its labour costs are determined for it; it is caught, like the rest of the economy, in the wave of rising prices for coal, steel, and materials; its attempts at securing increased productivity rest mainly (though not wholly) on the goodwill that the unions and the men are prepared to offer. Thus the country now has exactly the same resources committed to transport as in the days before nationalisation, and they are not being so efficiently run. It is useless to talk of scrapping the Transport Act—if only because the railways and almost certainly the bulk of long-distance road haulage would remain in public ownership for want of outside bidders. There are certain changes of organisation that could with advantage be made, particularly in the relations between Executive and Commission. But when this is said, it is still true that the only hope of more efficient and cheaper transport lies along the path of integration. The alternative is to accept and maintain the various branches of transport as they are—sprawling, far less efficient than they should be, and oversized for the country's needs. It is important not to lose sight of these principles. They may be unattainable. It may be that the Government, casting its eye around the world, will conclude that the natural state of railway accounts is to be in the red, and that a subsidy amounts to nothing more than an entry to put the books straight. But this would be a monstrous abandonment of the purposes of the Transport Act. It would then be quite certain that public transport would never be made to pay. There is still a chance that the compulsions of economy and technical efficiency can at least limit the rise in transport costs.

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Buying for Stock

AFTER allowing Britain's stocks of most foods and raw materials to reach a very low ebb, the Government is belatedly joining the search for supplies to build a strategic reserve. The first sign of this was given three weeks ago, when supplementary estimates for £13 million were presented for the current financial year for emergency purchases of food and raw materials. Ten days ago the Chancellor of the Exchequer announced during the defence debate that for the full year 1951-52 £140 million would be provided for this purpose. This is a substantial programme even by present standards of values. It is appreciably larger than the annual amount spent on stockpiling by the United States authorities in the financial years 1947 to 1949 and only slightly less than the \$425 million appropriated for 1950. Admittedly, current American expenditure on stockpiling has been raised to \$600 million, and no less than \$1,800 million has been requested for 1952. But when prices are rising fast, the amount of money spent gives little indication of the quantity of goods actually procured; still less does an appropriation indicate the quantities that may be procurable. Much more important than the figures in a programme, or even than the level of prices, are the sheer physical availabilities of supplies.

No indication has been given of the hoped-for composition of the British stockpile, and the form it will actually take is probably not predictable even by the Government itself. All that is known at present is that, of the total provision of £143 million, £72½ million is for the Ministry of Food, £22½ million for the Ministry of Supply and £48 million for the Board of Trade. And that is probably all that will be disclosed; the quantities purchased will, quite properly, be a well-guarded secret. The American authorities, by contrast, have always made known the commodities, though never the quantities, they are accumulating; the list covers 83 items ranging alphabetically from agar to zircon. The British departments are most unlikely to go even so far as that. The inquisitive outside investigator will be left to glean such information as can be deduced from market reports.

For him, as for the Government, the first imponderable is the likely availability of supplies. In the eight months since the invasion of Korea, all commodities have become scarce. A few would have been scarce even without Korea. In the first half of 1950, world output

of many products was only just keeping pace with the rising tempo of world consumption under the stimulus of renewed pressure of economic activity in the United States. In the second half of the year the attempt by governments and industry to build up stocks forced commodity prices up at a fantastic rate. Britain, as a belated stockpiler, will now have to pay these dizzy prices in any case; but its readiness to pay them will not, even so, assure it of more than limited quantities—or, indeed, of any quantities at all. Some goods will be available for stockpiling only if consumption in Britain is curtailed more or less correspondingly; others will be available only if the United States agrees to reduce its own stockpiling or to relax certain export restrictions.

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It is at first sight surprising that the sum allotted to provide emergency stocks of food—£72½ million—should account for no less than half the total provision. Such a food reserve, if obtainable, would however represent only a small proportion of Britain's annual requirements. In 1949-50, when food prices were materially lower than at present, the Ministry of Food's total purchases for the year amounted to £1,450 million. Thus the provision for stockpiling represents only 5 per cent of that money total, and at current prices the physical volume of the emergency stocks would be no more than 4 per cent of the actual quantity of food bought by the Ministry in 1949-50. To put the comparison in another way, if the whole sum of £72½ million were spent on imported grain, it would buy less than half as much as Britain imported last year (when the imports were in any case small); alternatively, it would not even cover a year's purchases of sugar.

Small as this money provision is in terms of physical quantities, it may still be difficult to turn it into food. Only three of the staple foodstuffs are likely to be available in larger quantities this year. They are cocoa, sugar and possibly wheat, if the larger harvests expected in North America materialise. American purchases of cocoa beans recently have not been so large as was expected and Britain could, if it wished, buy quite substantial tonnages at anything over £310 a ton. If it bought four months' supply—50,000 tons—the cost would be over £15 million. This year's world sugar crop is an all-time record; an extra million tons would

be procurable without much difficulty, though the steadying of the sugar market in the past week or so suggests that producers might not be too eager to sell. Such a purchase would represent six months' supply at last year's ration level and would cost nearly £32½ million. Wheat will not be available until next September or later, but with luck the Ministry might be able to get an additional million tons, or about a quarter of last year's low consumption; the cost would be £30 million or more, as Britain would have to pay substantially more than the maximum price of \$1.80 a bushel fixed by the international wheat agreement.

Canned meat and dried eggs are two obvious foods for the stockpile. Supplies of both may be restricted—first, because of the high level of food consumption in the United States (a major source of supply for dried eggs and now an important alternative market for Argentine corned beef) and, secondly, because of the shortage of tinsplate. But if Britain were able to stockpile 150,000 tons of tinned meat (it would have to be withdrawn from the meat ration) the cost would be £30 million for the equivalent of only two months' consumption of carcase meat in 1950. An import of 10,000 tons of dried eggs (a third of Britain's import last year) would cost £2 million, and would provide a little over a month's supply of equivalent shell eggs.

Of the other main staple foods (carcase meat, bacon, ham, butter, cheese), supplies this year will be barely sufficient to maintain even a reasonable scale of rations. But if the British public would submit to further cuts, a small stockpile of these foods could be accumulated by the Ministry—by raising the average stock to, say, ten weeks' consumption. But present stocks are already below the "normal" average of six weeks. The Ministry may find in the end that its stockpiling in this range is limited to dried fruit and canned peaches.

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The responsibility of stockpiling raw materials is shared by the Ministry of Supply, which will look after metals, and the Board of Trade. The Ministry of Supply was allotted £3 million in the supplementary vote for the current financial year and £22½ million for 1951-52. This latter sum represents 15 per cent of the Ministry's purchases of non-ferrous metals, including aluminium and chrome, in 1949-50; these purchases amounted to £150 million. If the Ministry spent all the money on copper, it could obtain not much more than 100,000 tons, or less than a third of Britain's annual requirement. Similarly, its provision might command 160,000 tons of zinc (two-thirds of last year's consumption) or 225,000 tons of lead (nearly a year and a half's supply) or 15,000 tons of tin (nine months' supply). But in addition to these metals, the Ministry ought to store aluminium, chrome, nickel, tungsten, molybdenum, cobalt and other alloy metals. What are the chances of getting reasonable quantities of such vital armament supplies?

World output of tin last year expanded by 12,000 tons to 173,000 tons and could expand this year to 180,000 tons. An additional purchase of 15,000 tons—at a cost of perhaps £22½ million—might be possible if the authorities were to outbid Italy, Germany, India, and Argentina. Lead supplies are not very short and world output this year is expected to rise by 60,000 tons to 1,600,000 tons. Consumption rose last year both in the United States and in Britain, but it was still well

below its 1948 level. Britain could possibly acquire an additional 40,000 tons (£4,500,000) without having to curtail home consumption. By contrast, copper is scarce and zinc almost desperately so. World output of both these metals reached record levels last year, and a further increase of, say, 30-40,000 tons might be possible this year. But defence requirements in the United States will exceed both this amount and the prospective saving from curtailment of its own civilian consumption. Hence the chances of stockpiling copper or zinc are slender—unless British consumption is cut back still more (which would not be easy to achieve) or unless American stockpiling is reduced (which now seems probable). On the most optimistic assumptions, Britain is unlikely to get more than 50,000 tons—if as much—of each metal for its stock; such a quantity would represent only two months' supply of copper and about two and a half months' supply of zinc. The cost would be about £17 million.

Some increase in stocks of aluminium should be possible if consumption this year is kept down to the present level of 15,000 tons a month. But the chances of getting nickel, tungsten, chrome, molybdenum or some of the other alloy metals are far from bright. The extreme scarcity of tungsten is revealed by its dramatic rise in price in the past eight months. It is now five times the level of last June, and has risen by nearly 70 per cent since the beginning of this year. Here the special influence has been a sharp reduction in the physical supply—because of the loss of the important exports from China. The markets for the other alloy metals have been influenced rather by the increase in demand than by decline in output; if the commodity negotiations now taking place in Washington are able to limit purchases by the smaller importing countries, Britain may be able to secure stocks.

Strategic reserves of the other raw materials will presumably be accumulated by the Board of Trade. Its £48 million allotted for 1951-52 represents about 20 per cent of its raw material purchases in 1949-50, but this comparison may be misleading, because the Board will clearly have to stock many goods that are at present in the hands of private trade. This total provision is equivalent, at present prices, to about a third of Britain's annual consumption of natural rubber, or about half the present restricted consumption of softwood, or 30 per cent of last year's imports of raw wool. In practice, the expenditure is likely to be extended to a variety of minor goods ranging from graphite to pyrethrum—if only because these will be more readily available than the basic commodities.

Among the more important raw materials, world production of natural rubber is expected to increase still further this year; if Britain is willing to pay more than 6s. a lb., it could perhaps stockpile some 50,000 tons (barely three months' supply) by bidding supplies away from China. But purchases of that size would cost nearly £35 million. Wool, like rubber, can also be bought at a price. But here the problem is to bid away supplies from the United States and Western Europe—and that would be very costly and very impolitic. If Britain managed to stockpile 50 million lb. (clean), equivalent to only five weeks' supply, it would have to pay at least £50 million. Increased supplies of cotton depend at the moment on the willingness of the United States to grant Britain a larger export quota. If a bumper American crop is harvested this summer, and

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if output in other producing areas continues to increase, Britain might be able to stockpile towards the end of this year, but working stocks would first have to be replenished. In timber, the immediate problem is to secure an adequate supply to maintain even the present restricted level of consumption and to build up trade stocks; stockpiling will clearly have to take second place. Sulphur is also inadequate to meet current essential requirements, while the jute shortage may be intensified by the new trade agreement between India and Pakistan. Sisal, however, might be stockpiled, and so, too, might asbestos, hides and skins, and possibly molasses.

Procurement is not the only problem of stockpiling. Storage space, transport facilities and the turning over of stocks at regular periods all present their difficulties. The British economy has traditionally been based on the premise that overseas supplies would arrive with reasonable regularity; hence storage space has never been too plentiful. Additional capacity was built during the war; at the same time there was destruction of warehouses and cold stores. It would not be surprising if Britain had now no more total storage accommodation than in 1939; and few commodities can be stored in the open without deterioration. One mitigating factor is that commercial stocks are low, so that an acute shortage of space may not occur for some time.

Transport will be a less difficult problem to meet, if only because the actual quantities of goods secured for

the stockpile are likely to be small, and will be partly achieved at the expense of domestic consumption. In the initial period, supplies could always be held in producing countries. The third problem, that of turning-over stock, presents little difficulty for goods of a type already in government hands—cotton, jute and the non-ferrous metals. The appropriate department would merely have to hold a larger working stock. But for rubber and wool, where the trade is in private hands, the department responsible for the stockpile will presumably have to sell on the open market at various times. Fortunately, that is still some time off.

To embark upon stockpiling is no easy matter in the middle of the most startling commodity boom in history. Commercial stocks in Britain are low and would in many cases have to be built up before stockpiling can begin. In most commodities, supplies are simply not available; nor can they be made available by limiting exports to Russia or China—except in a few isolated instances, such as rubber. The British Government may find that this year it can do no more than buy for delivery in 1952-53. Much, of course, depends on the outcome of the international materials conference now taking place in Washington. It may be that supplies will be made available for the British stockpile, but that would be a very optimistic assumption. Failing that, a sizeable stockpile can be acquired only by curtailing consumption of food and raw materials at home or by bidding up prices to even more fantastic heights.

Business Notes

FBI and the Budget

Two more broadsheets about budgetary policy have this week been launched at the Chancellor. Since they come from opposite sides—from the TUC and the FBI—it is perhaps not surprising, given the habits of these bodies in such matters, that many of the arguments of the one set of proposals are neatly cancelled by those of the other. The TUC, whose views are discussed in an earlier Note (p. 474), is sure that steeply increased taxation is inevitable, whereas the FBI thinks that it might be wholly avoidable—even over the whole three-year span of the arms programme. The TUC plumps for increased direct taxation of income and profits, whereas the FBI (if its hope proves vain) would put the burden on indirect taxation.

It is a pity that the weight of such documents as these is so constantly diminished by weakness of argument and political colouring. The FBI memorandum, like that of the Associated Chambers of Commerce issued a fortnight ago, contains a great deal of carefully reasoned and sound advice on specific matters, of a quality not to be compared with some of its general arguments. Its hope that tax increases might be avoided assumes that much could be done by economy in existing civil expenditure. To this extent it voices what is now fast becoming a general view—accepted even by the TUC. But the FBI, having reckoned that £300 million a year could be secured in this way, then lends support to the spreading fallacy that an equal further “saving” could be got merely by switching the capital financing of local authorities from the central Government to the private capital market. Undoubtedly, as the FBI points out, such a change would tend towards economy in local government expenditure; but, apart from this, the need for a disinflationary policy would not be abated at all. In the circumstances, the FBI's plea for a complete withdrawal of profits tax—for all its objectionable features—is even more

unrealistic than its hope that taxation as a whole need not be raised.

It is to be hoped that the Chancellor will seriously ponder the remaining proposals. The FBI speaks for industry, but in effect it also endorses a great body of responsible opinion in the City and among economists, when it contends that, if the tax burden must grow still further, it is more than ever imperative that its impact upon industrial capital should be cushioned. On this aspect it makes two main proposals; first, that for the purpose of profits tax, fixed preference dividends should be treated, like debenture interest, as a charge against profits; and, secondly, that depreciation allowances for income tax should, in effect, be based upon replacement costs. Indeed, in this second matter it goes even further, by suggesting that a tax-free accumulation of reserves should be permitted to the extent of any increase in the replacement costs of stocks. This is important advice and it deserves a sympathetic hearing—equally with the many detailed proposals that the memorandum makes for minor adjustments and improvements in the tax mechanism.

Mission to Buenos Aires

Yet another stage in protracted negotiations for Argentine meat has been reached this week; a new British mission led by Mr John Edwards, Economic Secretary to the Treasury, has left for Buenos Aires. The mission includes the Deputy Secretary of the Ministry of Food, and is composed entirely of representatives of that Ministry and the Treasury. Its members can certainly be under no delusion about public feelings on the cut in the meat ration. In government to government negotiations, the problem is not only to discover a mutually acceptable agreement, but also

to save the face of both parties. In the new round of the meat talks, the question of remittances is to be discussed, and this topic could perhaps be used as a face-saving device. But the Argentine Government has already made it known that its price for chilled beef has risen from £140 to £150 a ton and that it wants guaranteed supplies of coal, petroleum and tinsplate—even in the event of a war. Britain's answer has been to cut exports of tinsplate to Argentina in the three months April to June from 7,500 tons to 4,500 tons.

This cut is entirely justified by the facts of the meat dispute and of Britain's tinsplate supplies; it might well have been made before. Two-thirds of the 19,500 tons of tinsplate sent to Argentina since July 1st last year was specifically exported to pack British imports of canned corned beef, which has not been sent here since September. It has taken until this month for the Government to decide on “a provocative act like breaking the agreement” in retaliation. Private contracts are involved here, and the canning plants concerned are owned in part by British and American companies; nevertheless, British food-canning companies in this country have had their tinsplate supplies cut, while production was increasing, to allow these and other increased exports. Apart from that part of tinsplate exports sent to “clothe” food shipped from the recipient countries to Britain, “free” tinsplate exports are a valuable bargaining factor in negotiating trade agreements; and it may be that a part of the price of resumed meat shipments would be the despatch of tinsplate exports to Argentina at the old rate. Such a condition would be highly unpopular with Britain's food-canning industry, which until the new mill at Trostre comes into production (and possibly even for some time after) will still be short of tinsplate.

Tinsplate Supplies

Tinsplate supplies for British canners in the rest of 1951, however, appear likely to be a little easier than in the last two or three months. Despite the additional cut in supplies imposed for the first quarter of the year, the Minister of Food was able to promise this week that they would receive as much in the whole of 1951 as they received in 1950—i.e., 270,000 tons. Total production should be slightly higher; exports to Argentina, Russia, and the Scandinavian countries are being cut very slightly; and the margin thus obtained will presumably be used for supplies to the armed forces (three times as high as in 1950) and for stockpiling.

The key factors in tinsplate supply are capacity and the supply of labour in the South Wales mills. In the coming year the continuous strip mill at Ebbw Vale will be producing at its full capacity of 200,000 tons; the hand mills in the area will probably turn out 520,000 tons and the new continuous mill at Trostre, coming into operation in the late summer, may produce about 40,000 tons, making a total of 760,000 tons, against 742,000 tons last year. For 1952 these output figures are estimated at 200,000 tons, 500,000 tons, and 250,000 tons respectively—a total of 950,000 tons. Even now the stated demand is about a million tons—400,000 tons for home food canning, 200,000 tons for other home requirements, and 400,000 tons for export; and if tinsplate were freely available demand would probably increase. In South Wales today the tinsplate industry employs about 17,500 workers, among whom just over 13,000 are engaged in production; it could use another 1,500 men immediately—and turn out another 100,000 tons of tinsplate—if they were available. The new mill at Trostre is likely to take some men from the hand mills—an official estimate puts this transfer at roughly 200 workers. The problem will be to attain this mill's full rated output without reducing the labour force in the hand mills. Trostre was originally designed as a replacement, but full output from the old mills—which offer hard and unattractive work

—will continue to be required to meet the expanding demand, whether or not it should in the future be decided to put down another continuous tinsplate mill in the country.

Winning Gamble?

Mr Noel-Baker was justified last week in describing a number of factors in deep-mined coal output since the beginning of this year as “encouraging.” In the first eight weeks of this year output from the mines reached 33.5 million tons, an increase of more than 900,000 tons compared with the corresponding period of 1950. Moreover, the increase over last year has been greater from week to week since early January. Last week 6,900 fewer miners than in the corresponding week of 1950 produced 276,000 tons more coal. There are today 699,100 men in the mines (286,900 at the coalface), an increase of 10,500 in the first seven weeks of 1951. Output per manshift (overall) this year has averaged 1.23 tons, compared with 1.20 tons in January and February last year (output was 1.00 for 1945 and 1.14 for 1938).

Mr Noel-Baker's reference to Saturday work was a useful encouragement to miners at the very large number of pits now working on Saturday; the actual value of Saturday working is a little less easy to discover. It is partly offset by increased absenteeism during the week; the number of shifts worked per wage-earner at present is not higher than it was during November, before the Saturday shift appeal was made. It is also too early as yet to forecast whether the recent signs of improvement—particularly in manpower—will be maintained, though the release of miners from the forces, and such recruitment of Italian miners as proves possible, are still to come. As for production, aggregate total output of coal (though not deep-mined) a year ago was showing as large an increase over 1949 as does this year's output over that recorded in the early weeks of 1950; and in the first two months of 1950 the industry was losing miners, not gaining them.

The welcome improvement in manpower and production, therefore, does not prove that the problem of coal supplies is on the way to solution. If the result should be only such an increase in total production in 1951 as was achieved last year, it will still be inadequate to meet a larger increase in inland consumption; in no week this year has inland consumption dropped below that in 1950, despite emergency cuts; in the first seven weeks consumption was higher by nearly 900,000 tons, compared with an increase of 600,000 tons in the same period of 1950 over 1949. There seems a good chance, however, that the drastic shortage of coal that was feared for this time may be averted; stocks are being drawn upon much less than in January, though they remain considerably lower than in 1950. It may well be that if exports are kept to a trickle, home stocks can be sufficiently built up for next winter: financially, however, that would be a costly prospect for the National Coal Board.

Trade Talks with Denmark

The trade discussions now taking place with the Danish Ministers in London are intended to cover all problems affecting trade between the two countries, but they pose one outstanding problem—the question of relative prices. The Danish economy is under strain. Last year Denmark had a large deficit on its external payments, and this, the Danish Government claims, arose from the sharp deterioration in the terms of trade. Before devaluation, the prices of leading Danish exports (butter, bacon and eggs) were higher compared with 1935 than the prices paid for imports (mainly coal and steel). Between September, 1949, and January this year, import prices had risen by 124 points to 414 (1935 = 100), while the export price index actually fell by one point to 307.

Denmark devalued its currency with sterling. But the bulk of the feedingstuffs imported by Denmark have to be purchased from dollar countries, and their cost in Danish currency has increased by fully 44 per cent; at the same time, the prices of British coal and steel have risen, though less sharply. In contrast, prices of Danish exports have remained almost steady, since most of them are governed by long-term contracts with Britain. The six-year contract for Danish butter dating from October 1, 1949, fixed the basic price at 27s. 6d. a cwt. This represented a sharp reduction from the previous price of 32s. 6d. a cwt. before devaluation, a reduction that Denmark presumably regarded as being worth while in order to obtain the security of a long-term contract. The contract allows for a maximum price variation of 7½ per cent each year, but last October the Minister of Food refused to pay any more than the original price. Under the terms of the contract Denmark has bound itself to send 75 per cent of its exports to this country; thus it cannot divert any large part of its exports to customers who would be quite prepared to pay more, such as Germany. Instead, Denmark has abolished its domestic butter ration and the Danish people are eating the butter that would otherwise have come to Britain. The four-year bacon contract dates from October 1, 1948, and this year after much haggling the Ministry of Food finally brought itself to concede a 5½ per cent increase in price. The egg contract might be better described as a long-term understanding by which prices and quantities are negotiated each year, but Danish egg prices have not risen since 1949.

Denmark's trade problems have a direct connection with the government's attempt to stabilise a notional cost-of-living index. The British public is enjoying relatively cheap butter, bacon and eggs (in smaller quantities) at the expense of Denmark's foreign exchange reserves. Other matters will also come up for discussion in the talks—among them the prices and supplies of British exports. Denmark is dependent on British coal, of which exports are to be reduced this year. It also requires British steel, of which supplies will also be short. The balancing of decision between what this country, with its present preoccupations of defence, can supply and the prices of food that would give Denmark a fair return will not be easy. But the discussions, it will be hoped, will not be marked by the kind of high-handedness that Denmark has been forced to accept in the past.

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Commodity Groups at Work

The new international machinery to mitigate raw material shortages came into operation this week in Washington. The International Materials Conference, as it will be known, will consist initially of a central group representing the United States, Britain and France and six commodity committees. The committees are entirely independent; they

will determine their own procedure and will make their recommendations directly to the governments represented. The composition of five of these committees, all of which start work within the next fortnight, is shown in the accompanying diagram. Britain, the United States and France are represented on all five of the committees, Belgium and Germany on four and Italy on three. Spain, incidentally, is represented on the tungsten and molybdenum committee. Each committee has representatives of the main producers or exporters and importers, outside the iron curtain countries, of its particular commodity. Membership of the com-

	Copper, Lead, Zinc	Sulphur	Cotton and Cotton Linters	Tungsten and Molybdenum	Manganese
Date of meeting	Feb. 26	Mar. 1	Mar. 5	Mar. 8	Mar. 12
Australia	R	R	...	R	...
Belgium	R	R	...	R	...
Bolivia	...	...	...	...	...
Brazil	...	R	...	...	R
Canada	R	R	...	...	...
Chile	R	...	...	R	...
Cuba	...	...	...	R	R
France	R	R	...	R	R
Germany	R	...	R	R	R
India	...	...	R	R	...
Italy	R	R	...	...	...
Mexico	R	...	R	...	...
New Zealand	...	R	...	...	R
Norway	R	...	...	...	...
Peru	R	...	R	R	...
Portugal	...	R	...	...	R
South Africa	...	...	...	R	...
Spain	...	...	...	R	...
Sweden	...	...	...	R	...
United Kingdom	R	R	R	R	R
United States	R	R	R	R	R

R—Indicates representation of that country on that committee.

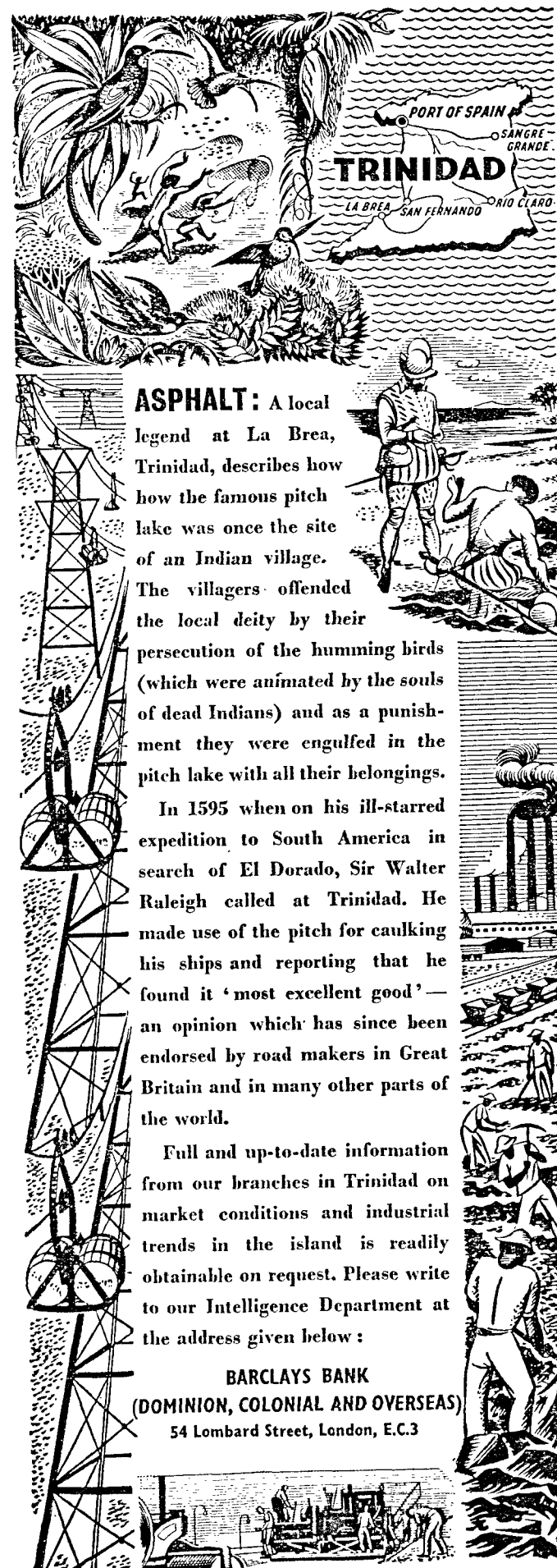
mittees varies from eight for manganese to twelve for the two metal groups; in all, twenty-one countries are represented. The sixth committee, that dealing with wool, will meet on April 2nd; the member countries have not yet been announced, but, besides the three convening powers, it is likely to embrace Australia, New Zealand, South Africa, Argentina, Uruguay, Belgium, Germany, Italy and possibly Canada.

This new organisation has been set up with commendable speed. It now remains to produce results. In the first three committees, the United States is likely to take a leading part. Stockpiling, defence requirements and civilian consumption are to be discussed and the assistance that the United States finds itself able to give will have crucial consequences for the work of the conference. The other members would be greatly relieved, for example, if the United States would agree to slacken its stockpiling purchases of zinc and copper and to increase its export quotas for sulphur and cotton. But any such action would probably be coupled with undertakings by the receiving countries to limit or reduce their civilian consumption of these materials and to ensure that the supplies would be used for defence production or stockpiling. The British argument that the economic stability of a country should not be impaired by rearmament is sound, but not determinate. It would be difficult to gauge the level at which civilian production must be maintained to ensure that stability—and almost impossible to persuade American industry and people to accept it. There may be a certain amount of bitterness (particularly about British exports) before these complex issues of civilian and defence priorities are resolved.

* * *

More Sulphur?

Mr Harold Wilson's rumoured visit to the United States in search of sulphur is apparently not to take place, and the hint of a statement this week suggests confidence that more adequate supplies may be allotted to Britain without his personal intervention. It is to be hoped that this will happen, either by the increase of Britain's allocation of American



ASPHALT: A local legend at La Brea, Trinidad, describes how the famous pitch lake was once the site of an Indian village. The villagers offended the local deity by their persecution of the humming birds (which were animated by the souls of dead Indians) and as a punishment they were engulfed in the pitch lake with all their belongings.

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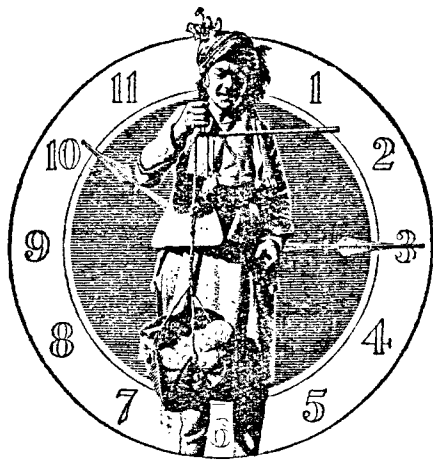
Commercial History and Review of 1950

This week's issue of the *Records and Statistics* supplement to *The Economist* includes the second part of the Commercial History and Review for 1950—the 38th of the series which began in 1863.

Part II provides a detailed survey of British industrial development last year, with special articles on manpower, coal and steel, textiles, transport, and the motor industry. Other sections are devoted to articles on primary raw materials and retail trade.

Part III of the Commercial History, containing overseas economic reports, will be published on April 7th.

The *Records and Statistics* supplement is obtainable by subscription only, at £2 10s. a year; a combined subscription to *The Economist* and *Records and Statistics* costs £5 a year.



Time for Eastern trade

Ten-fifteen in England and the London, Manchester and Liverpool offices of The Chartered Bank of India, Australia and China have already opened to the public. At New York the day's work has not yet begun. In the East at Colombo it is tea-time and in Hong Kong business is finished for another day. But, wherever business men engaged in the Eastern trade may be, they will find at the nearest branch of The Chartered Bank up-to-the-minute information, skilled assistance and efficient banking services.

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sulphur during the second quarter of 1951 or by the release of emergency shipments outside the allocation; the effects of the sulphuric acid shortage upon many sections of industry are already serious, but they have yet to be felt to their full extent, while the present quota system may be replaced by a more detailed allocation scheme.

This immediate shortage—which offers acid supplies of perhaps 1,500,000 tons this year, compared with 1,800,000 tons last year—can be met only by the provision of emergency supplies from the United States. The one other important sulphur producer, Italy, has higher costs (its sulphur is deep-mined, whereas extraction by steam solution is used in Louisiana), and its sulphur industry is in a severely disorganised condition; output is far below the prewar level and would take some years to recover. It is beginning to be accepted among British sulphuric acid producers that the use of crude sulphur to make acid in this country must progressively decline; and the available alternatives are being more carefully studied.

If pyrites from Spain and possibly North Africa is to become the most important source of sulphuric acid, as it was before the war, much more plant will require to be converted to its use than is yet being contemplated. Last year British acid producers used just over 200,000 tons of pyrites (to make 16.2 per cent of the total output of acid); if their requirements alone rise by 10 per cent or more this year, by 100 per cent in 1952, and by 150 per cent in 1953, pyrites mining output will need to be increased. Difficulties with mining equipment and manpower in Spain may make this a slow process, even though the pyrites reserves themselves are ample. Plant for production of acid from pyrites is more costly than plant that uses elemental sulphur in terms of capital equipment per ton of capacity; and it needs more room, which may make existing plants using elemental sulphur difficult to convert. Production from spent oxide (a by-product of the purification of town gas) costs roughly the same in capital outlay, though the oxide is obtained cheaply; stocks of oxide have recently accumulated, since output was greater than the acid industry could absorb, but a new plant nearing completion may take up this margin of supply. Sulphur from coke-oven gas is at present largely wasted, and a greater proportion could be recovered from town gas if the complete gasification of coal were to become practicable; and slightly more sulphur may be recovered from zinc concentrates as zinc smelting plant is modernised. Production from anhydrite (discussed in a note in *The Economist* dated February 17th) at present accounts for less than six per cent of acid production. Plant to produce acid from this form of calcium sulphate costs five to six times as much as acid plant using sulphur, though cement is produced as a by-product. Nevertheless, anhydrite is an indigenous raw material for sulphuric acid available in large deposits, and new plant to use it may eventually become strategically, as well as commercially, advisable.

* * *

Control of State Steel

In the fortnight or so since the Iron and Steel Corporation assumed title to the nationalised sector of the steel industry, public attention has been directed more to its "external relations"—with the British Iron and Steel Federation—than to its internal relations with its new subsidiary companies. Relations with the federation, however, are now uneasily in abeyance, while the corporation's liaison with the publicly-owned companies is more or less active. Mr E. H. Lever, chairman of one such company, the Steel Company of Wales, last week gave voice to misgivings concerning this internal liaison which are shared by the boards of many others. He felt that the corporation's expressed policy of reserving the right to approve appointment of publicly-owned companies' senior executives would "cut right across the avowed intention of letting the companies run their own

affairs, and if carried into effect could quickly create an intolerable position."

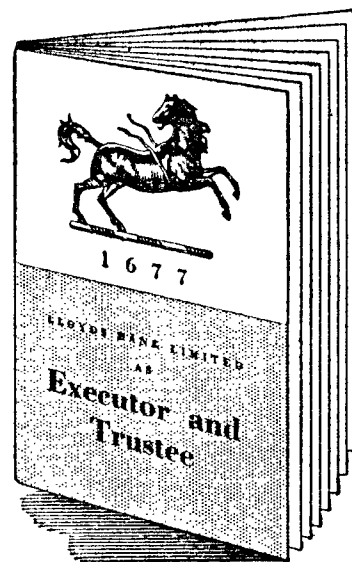
This reservation of power, made in the corporation's first statement of policy, certainly does appear to conflict with the statutory duty laid upon the corporation of "securing the largest degree of decentralisation consistent with the proper discharge of their duties . . . under the Act." Approving senior executive appointments in 80 large steel companies, and perhaps even in their more than 200 subsidiaries, would be as thankless a task as it was useless; it is difficult to imagine how a central board in London, even when clothed with the expert counsel it now lacks, could hope to make any contribution to the selection of such specialised staff. The consequence, apart from the delay to effective decision, might be to submit outstanding individuals to further "screening" of a kind that they would rightly resent.

Mr Hardie did indeed speak of "special" senior executives only, and this phrase opens up questions of interpretation and possibilities of misunderstanding. It is probable that the corporation would consider exercising its powers of approval only in the case of exceptional appointments of managers comparable in power with, or indeed likely to become, directors of the steel companies; and even so it may not find it necessary to act in more than a limited number of cases. This whittled-down interpretation, given the circumstances in which the corporation has taken over its duties, is more understandable, though the whole chain of responsibility will need to be clarified in any long-term organisation for nationalised steel. If this is so should it not be publicly stated?

* * *

Indo-Pakistan Agreement

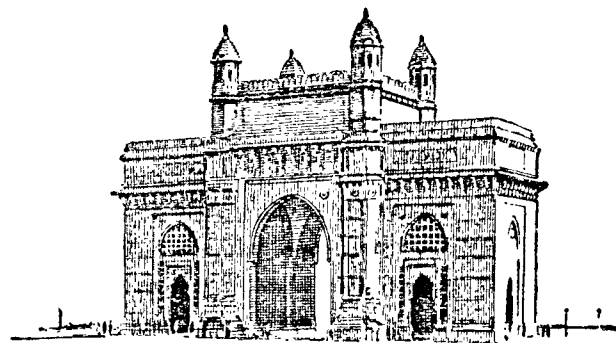
After seventeen months of weary deadlock, India and Pakistan have had the good sense to come to terms for a resumption of mutual trade. Ever since September, 1949, when the Indian rupee was devalued in line with sterling but the Pakistan rupee was not changed, trade relations between the two Dominions have been aloof and bitter. The Indian authorities regarded Pakistan's decision not to devalue as an attempt to turn the terms of trade against India. They also believed, quite correctly, that if trade were to cease, it would hurt Pakistan even more than it would hurt their own people. It has taken seventeen months to rub in the obvious lesson that the prices of the principal commodities that are traded between the two Dominions depend primarily on the level of world demand and not on the ratios at which foreign exchange receipts are translated into local currency. India has now accepted this fact, which had become quite unnecessarily obscured by considerations of political prestige; the Reserve Bank of India will now deal in Pakistan rupees at the official cross rate of just under Indian Rs. 69½ to Pakistan Rs. 100.



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The new trade agreement is to operate until June, 1952 and covers in detail only the main commodities. Pakistan has agreed to send to India 1,000,000 bales of raw jute in the next four months; the Pakistan Jute Board will sell its entire stock of 350,000 bales so as to ensure that supplies will move quickly. Next year India is to receive 2,500,000 bales or approximately half the quantity imported before trade was brought to a standstill, and Pakistan has agreed to limit its exports to other countries. Britain, it would seem, will have a lean time as far as raw jute supplies are concerned. India will also buy as much raw cotton from Pakistan as is available; only 100,000 bales are left of this season's crop, but next year the minimum quantity will be 400,000 bales, and presumably Britain and the other markets for Pakistan cotton will go short. Pakistan is also to send 1,500,000 tons of food grains, of which 120,000 tons is to be sent before the end of June. Among the other Pakistan exports listed are cowhides and sheepskins.

India is to sell in return 2,100,000 tons of coal and 25,000 tons of soft coke, 26,400 tons of pig iron and 100,000 tons of cement. The balance is to be made up of timber, cotton and jute goods, metal goods and rubber manufactures. An important feature of the new agreement is that many of the goods, particularly those traded between the two countries, will be placed on open general licence for both imports and exports and for both countries. This, indeed, is a step towards freer trade between the two dominions and it is likely to encourage an expansion that will be to their eventual benefit.

* * *

Germany's Mounting Deficit

Germany's current deficit with the European Payments Union has recently been going from bad to worse. Its deficit in January, equivalent to \$42.1 million, was covered by further drafts from the special credit of \$120 million granted by EPU. By the end of January, therefore, Germany had completely exhausted its EPU quota of \$320 million and had used up \$78.8 million of the special credit. Unofficial reports from Paris suggest that during February the German deficit was running at the rate of about \$3,000,000 a day. If these reports are true, the special credit will by now have been exhausted and Germany will have to meet any future deficit with the EPU entirely in gold; it is likely, indeed, to have to make another substantial gold payment to EPU at the February settlement itself.

This situation calls for drastic measures. It is getting them. Germany has already announced that it must temporarily go back on all trade liberalisation measures agreed under the OEEC programme—and the granting of any licences for imports from EPU countries has been stopped for the time being. Licences already granted may be used only if payments are due after May 1st. Exception will obviously have to be made for essential imports, but the hard facts of the situation must compel the German authorities to keep the exceptions to a minimum.

It has also been reported that a representative of the Bonn government is going to Washington to plead the case for immediate and substantial United States help by way of further credits. This assistance might take the form of a liberation of the substantial dollar balances held in Germany's so-called No. 2 account. This account, which comprises the dollar counterpart of the private expenditure of American soldiers in Germany, must now run into some hundreds of millions of dollars. It has hitherto been earmarked by the United States authorities against any postwar debts due by the Reich to the Western Occupying Powers. American insistence that these debts for postwar assistance and relief should exercise a prior claim on available German funds was originally a device for protecting Germany against reparations claims by other countries, notably by Russia. It is possible, therefore, that the dollars in the No. 2 account,

which do after all represent the proceeds of expenditure in Germany and therefore past drafts on German resources, may be freed in order to allow Germany to extricate itself from its critical difficulties on its balance of payments. Even this nest egg may, however, be rapidly dissipated unless the root causes of Germany's disequilibrium are remedied. The process of finding those remedies may be very painful for some of Germany's neighbours in EPU, who have for some months been propping up their balances of payments mainly by heavy exports to the Federal Republic.

* * *

Freight Rates and Taxation

The index of tramp freight rates for January rose to 151.9, compared with 115.7 for December last, 78.8 for July last, and an average of 100 for the whole of 1948. This sudden rise of 36 points in one month, which was announced at the annual meeting of the Chamber of Shipping, brings home most effectively the fact underlined in Mr C. E. Wurtzburg's presidential address—that there are at the moment "insufficient ships to meet abnormal demands suddenly and simultaneously thrust upon the merchant fleets of the world." The index for February is, in fact, likely to show a further rise, although the volume of chartering has not been quite so steady; tonnage is still urgently needed by Government charterers for American coal, timber and grain, while the needs of India for grain from the United States are also insistent. It is significant that a rate equivalent to 140s. per ton has been paid for grain from the Gulf of Mexico to the United Kingdom; this same rate has been accepted for grain from West Australia to this country, entailing a voyage twice as long. The Australian charterers can afford to wait; the North Atlantic charterers cannot.

Despite the upward surge of freight rates in recent months, the average level of the index for the whole of 1950 was no higher than 84, compared with 82.3 in 1949 and 100 in 1948. Operating costs, on the other hand, have risen considerably above the 1948 level, and ships are still subject to costly and unnecessary delays in ports all over the world. Shipping companies are finding it difficult to set aside the sums required for replacement of tonnage; yet without the adequate replacement of obsolescent ships the industry cannot be expected to satisfy the demands made on it for tonnage, particularly in the present abnormal circumstances or in the event of war. Thus it was not surprising that the Chamber of Shipping again devoted its attention to the serious problem of financing re-equipment. The industry's resources have been practically exhausted by postwar replacement at enormously increased prices, and by the very expensive repair and maintenance of elderly ships. Yet two-thirds of the tramp section of the industry, for example, now consists of ships built during the war, with an average expectation of life now of little more than 12 years. One-fifth of the tramp fleet is over 20 years old, and should be replaced immediately; the cumulative incidence of obsolescence remains a continual problem, with shipbuilding prices far above the original cost of building. The industry is preparing a case to put before the Royal Commission on Taxation; the resolution adopted by the Chamber expressed the warning that if British shipowners are prevented by taxation from setting aside the sums required for replacement, the industry must become steadily and inevitably less able to fulfil its vital role.

* * *

South Africa and Premium Gold

Mr Havenga, the South African Finance Minister, has recently shed a little light on South Africa's sales of gold at premium prices, a subject that has hitherto been largely cloaked by official reticence. He told the South African Parliament that the percentage of the Union's newly mined

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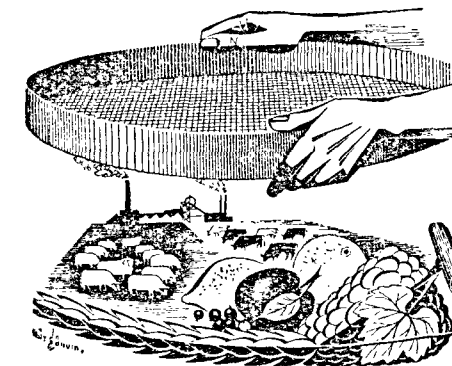
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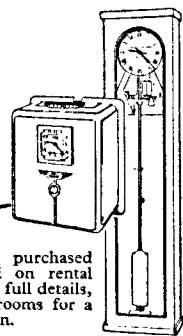
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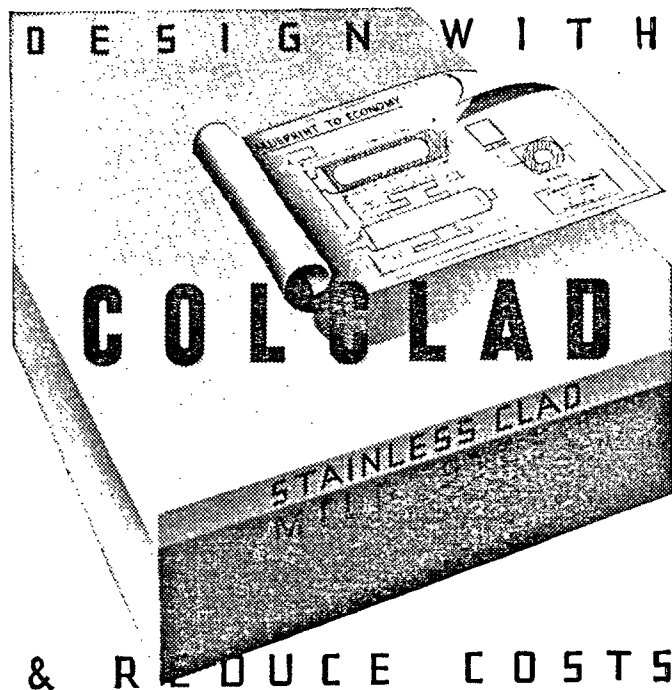
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gold that was sold in the open market varied from time to time, but "in recent months had been about 40 per cent." This confirms unofficial estimates that have been current for some time and brings out clearly the exceptional importance of premium gold sales to the South African gold industry. The December quarterlies published by the producing mines showed that profits from premium sales had become a main source of revenue for certain mines. The March quarterlies are expected to show a marked further move in this direction.

Mr Havenga is still battling determinedly for the interests of gold producers. He announced recently that "he would make no apology for the action he had taken in trying to obtain a better gold price for South Africa." He had no intention of giving up the concessions he had obtained. Meanwhile, he still hoped that "the time would come when justice would be done to gold producing countries"—presumably by an upward adjustment in the world currency price of gold. Mr Havenga said that when he raised this question originally with the International Monetary Fund, South Africa stood alone. "It no longer stands alone; it now has friends."

* * *

Delays to Car Exports

The motor industry has known for some months that shortage of shipping space threatened to interfere with deliveries of cars to Australia. About 6,500 cars and 4,500 chassis were actually shipped to Australia in January, but several thousand cars are now held up at the docks and factories and no improvement in shipping facilities seems possible before April. At one time it was thought that manufacturers might take advantage of this temporary check to send a larger proportion of their reduced output to North America. But the decision to switch cars from one market to another has to be taken at the start and not at the finish of production. Many of the cars now held up could not be sold in North America; they have right-hand drive and in many of their details they would not satisfy local traffic regulations. About half of them are packed for assembly in the local markets and are likely to remain crated until shipping space can be found for them. To prevent deterioration of the fully assembled cars that constitute the remainder, most of them will be sold immediately on the home market on the understanding that they are part of the year's home quota and are not an addition to it. Meanwhile, some men in the body building sections of a number of firms, including Nuffield, Vauxhall, Singer, Rover, Rootes and Jaguar, are on short time, while others have been stood off.

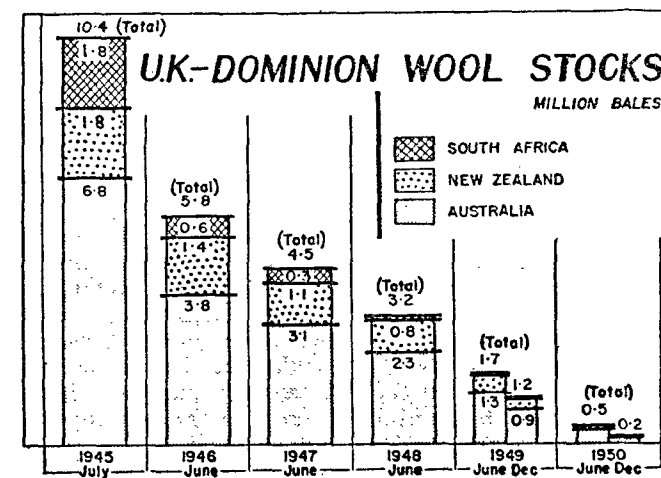
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Wool Stocks and Prices

The war-time stocks of wool held by the Joint Organisation had dwindled to 173,000 bales by the end of December, 1950. Most of this quantity consists of Australian wool; there were only 39,000 bales of New Zealand wool in stock and no South African wool. The rapid decline of this huge stockpile—at the end of the war it amounted to 10,407,000 bales—gives some indication of the world's almost insatiable demand for raw wool in the postwar years. In five and a half years 10,234,000 bales have been sold in addition to the annual world clips, and throughout this period wool prices have moved almost steadily upwards. The entire remaining stock of 173,000 bales is to be offered for sale in the six months, January-June, 1951; most of these wools are carbonising types and of inferior quality. In the first half of the 1950-51 season sales from the Joint Organisation's stocks amounted to 302,000 bales.

Wool prices have now fully recovered from their setback in February and are likely to rise to new record levels, but the rate of increase is much more modest than three months ago. But the difference in price between fine crossbred and

merino wools has narrowed appreciably and is now only a few pence a lb. Britain, the United States and European countries have been prominent buyers. Japan is reported to have bought a sizeable quantity this week but Russian



* * *

Rise in Trade Bill Rates

The biggest of the London discount companies last week raised its quoted range of rates for fine trade bills by a $\frac{1}{4}$ per cent all round. Its range of rates for three months' paper has risen from $1\frac{1}{4}$ - $1\frac{1}{2}$ per cent to $1\frac{1}{2}$ - $1\frac{3}{4}$ per cent, for four months' discounts from $1\frac{1}{4}$ - $1\frac{1}{2}$ to $1\frac{1}{2}$ - $1\frac{3}{4}$, and for six months' from $1\frac{1}{4}$ - $1\frac{1}{2}$ to 2-3. These rates, of course, do not apply to bank acceptances; the latter remain unchanged at $11/16$ per cent for three months' bills and $\frac{3}{8}$ per cent for six months' bills.

It would be wrong to suppose that this rise represents any sudden change in market policy. Many discount houses have for some time had more applications for bills than they can comfortably handle; they have accordingly discriminated more finely in their purchases and rates have generally drifted upwards towards the top of the published spread. The increase now announced may be little more than a recognition of this tendency. The increased demand for finance by trade bills springs partly from the rise in world prices and partly from the return of trading in certain commodities to private hands; the market is expecting, for example, a sudden flood of softwood bills at the end of this month. In addition, of course, the runaway increase in commodity prices has necessarily led to an increase in the risks run in financing the carrying of stocks; some people in the City believe that these increased risks will eventually have to be reflected in other rates besides those on trade bills.

Shorter Notes

Lloyd's underwriters and the marine insurance companies are to increase marine hull insurance premium rates by 10 per cent on the next renewal. Present renewal rates are themselves subject to a sliding scale increase dependent upon the claims experience during the preceding three years. The general increase in the cost of marine insurance is the first since the war. Hull rates were reduced in the autumn of 1945 in the expectation of decreased casualties, but in fact

the experience worsened, although there has been some slight improvement since the end of 1948. The devaluation of sterling itself put up the cost of repairs in hard currency countries by more than 40 per cent. Repair costs both at home and abroad have increased through rises in the cost of labour and materials: at home the ever-increasing demands on the shipyards have meant a further increase in the charges for repair work. Profits of hull underwriters have no doubt become too fine to make the business attractive at existing rates. A substantial part of marine premium income is for overseas account: to the extent that increased premiums are not absorbed by higher overseas repair costs, therefore, the country's invisible income will be increased.

Price restrictions on imported softwood were removed this week. Since the partial reversion to private trading in timber, buying prices necessarily vary from consignment to consignment, and in such conditions price control becomes unworkable. In future, timber traders will be able to sell privately imported softwood and softwood purchased from Timber Control at prices based on their purchase prices. The Board of Trade stated that it was fully aware that world timber prices had risen since last April, when the Control's selling prices were fixed, and that some rise in timber prices in this country was inevitable. The timber trade, however, has agreed to the suggestion of the President of the Board of Trade to set up a committee, including consumers' representatives, to deal with price and distribution problems. It has also assured the President that softwood would be sold at prices that would allow only a reasonable margin of profit.

The first insurance office to publish its 1950 accounts, the Scottish Widows' Fund, reports record net new sums assured of £12,043,097 and new annuities under staff pension

schemes of £716,340 per annum. The net yield on the life and annuity funds rose to £3 18s. 1d. per cent. Investments in ordinary shares jumped by over £4,500,000 to £16,297,444; this represents as much as 30.2 per cent. of the total assets (22.8 per cent. in 1949) compared with an average in 1949 of 10.3 per cent. for the leading offices. In his speech the chairman, Sir Ian Bolton, stated that in the past few years the Society has thought it wise to increase the proportion of the assets held in ordinary shares both in this country and in the United States.

A further list of steel compensation values includes the £1 ordinary shares of Steel Company of Wales, for which 25s is to be paid in Steel Stock, and of John Lysaght's Scunthorpe works £1 shares which are to be taken over at par. Compensation terms for some 114 securities have now been agreed, involving total compensation of £221 million.

The directors of United Molasses have been allowed by the Capital Issues Committee to make a capital bonus of one 6s. 8d. share for each such share held. They sought to make a 200 per cent. issue—in other words, to restore the cut that was made in the capital in 1934. This proposal was not acceptable to the Treasury. It would be interesting to know what scholastic arguments, based on the absurd directives under which the CIC is supposed to work, could be held to justify the half measure and to reject the full proposals.

On page 336 of *The Economist* for February 10th, the average monthly output of cotton yarn was given as 20 million pounds. This was actually the weekly production figure; monthly output is probably averaging 80 million pounds compared with 47 million for wool yarns and 34 million for rayon.

Company Notes

Leyland Motors.—Leyland Motors are to be congratulated not only on an excellent trading result, but also on the rich detail of their accounts. The advance in group trading profits from £1,993,929 to £2,187,686 has been achieved against the unhelpful background of the doubling of the fuel tax, the incidence of purchase tax on the selling price of vehicles, the revision of the permitted length and width of public service vehicles and the difficulties of road hauliers operating under "A" and "B" licences. Despite a progressive rise in costs—the wage bill of the parent company, for example, has risen from £2,975,517 to £3,112,731 while the number of employees has fallen—the company have reduced the burden of overhead costs, expanded total deliveries from 6,291 to 6,386 vehicles, and have increased turnover from £15,435,817 to a record figure of £15,721,213.

	Years to Sept. 30, 1949	1950
Consolidated earnings:—		
Total profit	1,993,929	2,187,686
Taxation	893,819	1,008,477
Depreciation	263,658	299,596
Replacement reserves	200,000	500,000
Group earnings for ordinary stock	336,104	192,681
(62%)	(61%)	
Ordinary dividends	148,500	185,625
(29%)	(25%)	
Added to carry forward	187,604	8,056
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation	2,239,920	2,449,883
Net current assets	6,404,967	6,793,081
Stocks	6,951,668	7,121,825
Cash	1,113,616	1,155,088
Reserves	5,737,844	6,220,137
Ordinary capital	1,350,000	1,350,000
£1 ordinary stock at £5 yields £5 per cent.		

The chairman points out that today's replacement values are estimated at three or four times the book value of assets and expresses serious concern that the Inland Revenue cannot allow adequate provision for replacement before arriving at taxable profits.

The company have, therefore, been forced to appropriate £500,000, against £200,000, from net profits to make provision for replacement and to transfer £1 million from a stock depreciation reserve to replacement reserves which now total £1.9 million. In these circumstances, equity shareholders should feel well satisfied with the increase in the ordinary dividend from 20 to 25 per cent; this is coupled with the tax free bonus of 2½ per cent from the surplus on the sale of fixed assets, against a similar bonus of 5 per cent in the two previous years. A table in the report shows that the gross ordinary dividend represents no more than 4.5 per cent of the employed equity capital against 3.8 per cent for 1949.

Shortages of certain materials for civilian production will become increasingly serious in the future, but the chairman expects that the company will secure its fair quota of available supplies to meet the needs of home consumers and to maintain "in the national interest" the export programme. Orders received in the first three months of the current financial year are substantially higher than in the same period last year. The company, moreover, are prepared to accept—and, in fact, have already accepted—heavy responsibilities for rearmament work "at profit rates sufficient only to maintain intact the legitimate financial interests of stockholders."

English Electric.—After the preliminary results of English Electric were announced, the £1 ordinary stock units, which had previously changed hands around 53s., were bid at 65s. This jump is a fair reflection not only of record profits and of the substantial rise in the ordinary dividend but also of the directors' statement that output and earnings

are sufficient to support the new rate of 15 per cent in the likely trading conditions of the future. Group trading profits in the year ended December 30, 1950, have risen by more than £1.4 million to £4,153,553 and the directors, by raising the ordinary dividend from 10 to 15 per cent, have not disappointed equity shareholders in passing on some of the benefits of a remarkable year.

This is, in fact, the first change in the dividend rate since 1937; in the past shareholders have waited patiently while the company has augmented its reserves and now this policy has borne fruit. The dividend is paid on the enlarged capital of £4,128,520 and is handsomely covered more than three times by group earnings. The short fall of

	Years to Dec. 31, 1949	1950
Consolidated earnings:—		
Trading profit	2,725,480	4,153,553
Total profit	2,760,291	4,192,849
Taxation	1,045,625	1,896,323
Depreciation	678,241	848,818
Group earnings for ordinary stock	637,650	978,318
(62%)	(18%)	
Ordinary dividends	191,653	340,602
(10%)	(15%)	
To general res. and carry forward	445,920	637,745
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation	6,341,496	7,664,947
Net current assets	6,197,428	11,479,569
Stocks	12,050,323	15,203,351
Cash	416,964	621,054
Revenue reserves	3,591,382	4,881,032
Ordinary capital	3,538,731	4,124,520
£1 ordinary stock at 62s. 6d. yields £4 10s. per cent.		

depreciation allowances based on historical costs to meet actual replacement costs can be measured by the appropriation of £55,000 to a depreciation equalisation reserve over and above the normal provision of £848,818; in 1949 there was a supplement of £93,325 to the normal provision of £678,241.

English Electric's expansion is reflected in last year's expenditure on fixed assets of £702,048 and in the steady increase in turnover which has resulted in a rise in the group's stocks and work in progress by £4.2 million to more than £25 million and in debtors by £2.9 million to £12,678,342. Nor has the pace slackened for the £4 million of new money raised last year on the ordinary and debenture issues is still supplemented by bank overdrafts to the parent and its subsidiaries of £5.1 million, against £5.6 million in 1949. The financial burden of stocks is eased somewhat by the credit of £10,176,705, against £9,172,725, for payments received on account. Working capital has kept in step with this expansion and now stands at £11.5 million, while cash is also up from £416,964 to £924,058.

English Electric, as the record flight of the Canberra bomber shows, has an important role in the nation's defence programme. This may mean some changes of production, though perhaps fewer for a supplier of basic equipment—as English Electric largely is—than for the general run of engineering concerns.

Bowater Paper.—Although newsprint represented more than two-thirds of the paper produced by the Bowater organisation in Britain, profits at home were largely derived from other sources, particularly from businesses engaged in the conversion and processing of paper and boards. Overseas subsidiaries, especially Bowater's Newfoundland Pulp and Paper Mills, which found a ready market for its products in the United States, made an important contribution to the substantial rise in group trading profits from £3,693,202 to £5,395,488. The trading results of the Scandinavian pulp mills were not, however, so favourable, but their output, the whole of which is absorbed by the British paper mills, was of the utmost value in maintaining the production of these latter mills in the prevailing conditions of scarcity.

In view of the sustained improvement in the earnings, principally in dollars, of overseas subsidiaries, the dividend of 15 per cent on the enlarged ordinary capital, against 12½ per cent in 1948-9, was felt to be justified. As the dividend is covered more than seven times by distributable earnings, the increase may look modest, but the directors, who express considerable anxiety over the growing scarcity and rapidly rising prices of raw materials, have further strengthened the reserves to provide against price fluctuations. The strength of this buttress can be gauged by the rise in the book value of revenue reserves from £4,351,965 to £5,188,701.

The proceeds of the issue of 300,000 £1 ordinary shares at 37s. 6d. and 300,000 £1 preference shares at 30s. are reflected in the addition of more than £2,170,000 to group cash balances which now total nearly £4,208,000. Net current assets now amount to £12,757,000, against £8,710,000, but the financing of the growing volume of raw materials at rising prices calls for the employment of increasing amounts of working capital. In addition, the capital development programme makes a large claim on working capital; outstanding commitments are estimated at £1,215,000. The resort to acceptance credits, which with bills payable now total £2,128,746, underlines the persistent problem of financing stocks, which now stand at £9,930,299 against £9,199,156.

As for the future, the demand for newsprint is much in excess of available supplies. In the United States, annual consumption exceeds the 3,458,000 tons consumed in 1938 by more than two million tons. In Britain, despite the reduction in size, newspapers consume as much as two-thirds of prewar

consumption. The inadequacy of present supplies is due in part to the switching of mills and machines to the production of other more profitable grades of pulp and paper. To meet this difficulty Bowaters are speeding up and modernising existing machinery and installing new plant. It is probably, however, on the success of the corporation's policy of diversification that equity shareholders should pin their hopes of satisfactory dividends in the years to come.

Decca Record.—The accounts of Decca Record for the year ended March 31, 1950, reflect "the recession in profits foreshadowed in the chairman's speech," but references to the progress of the development programme in the directors' report suggest that the company is beginning to pull clear of the trading troubles of recent years. The active American buying of the ls. Ordinary shares early this year lends some support to this possibility. Comparison of trading results over the last two years may well prove to be misleading as the development accounts of London Gramophone and Decca Navigator were closed on March 31, 1949, and the results of the first year's trading have now been included in the group accounts. It must be recorded, however, that while group trading profits have risen from £301,204 to £349,707, trading profits in the parent company's accounts have fallen from £305,210 to £189,347. Whatever may be inferred from these results, the company have been able to maintain the Ordinary dividend at 112½ per cent.

The Decca group have concentrated on the development of several new ventures, including marine radar devices, navigational aids and long-playing microgroove records and on the cultivation of overseas, particularly American, markets. This programme has meant capitalising heavy development expenditure totalling £710,000 in addition to a goodwill and patents account of £340,000. These entries constitute a considerable proportion of group assets and entail important claims on future earnings. Finance for this expansion has come largely from secured bank accommodation, which now totals £1,131,763, against £854,477.

What then does the future hold? The hiring of Decca Navigator equipment showed "an increase in the year" and rental income from this source was more than 50 per cent above that of the previous year; the Navigator company, in fact, showed a net profit of £31,047 after capitalising £50,372 of development expenditure, as against £215,260 so capitalised in the year to March, 1949. In the current year contracts for hire of navigators have expanded to more than a thousand installations and the company's licensees, Telefunken, have received a contract to construct a chain of installations in West Germany as a navigational aid to civil aircraft. Since June, 1950, substantial contracts for Decca radar equipment have been placed by the Royal Navy, Swedish and other naval authorities and merchant shipping companies; up to date, orders to equip 750 ships have been received. Since August, 1949, large numbers of long-playing records have been exported to the United States and Canada and in the current year these records have been sold on the British and export markets. As a result, turnover in all sections of the business for the current year "shows a marked increase in comparison with that of the same period of the previous year" and "present indications point to a satisfactory outcome of the year's trading." The yield at the current price of 17s. 6d. of £6 12s. per cent reflects something of the risks that have inevitably accompanied this bold policy, but investors may regard the issue of one ls. share for every ten held at 5s. a share as an acceptable bonus.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Feb. 21, 1951	Price, Feb. 28, 1951	Yield, Feb. 28, 1951 (a)	Gross Yield, Feb. 28, 1951
War Bonds 2½% Mar. 1, 1951-53	101½	101½	£ s. d. 0 16 1	£ s. d. 0 18 6
War Bonds 2½% Mar. 1, 1952-54	101½	101½	0 16 8	0 17 10
Exchequer Stk. 2½% Feb. 15, 1955	102½	102	0 14 3	1 14 6
War Bonds 2½% Aug. 15, 1954-56	102½	102½	0 13 11	1 16 5
Funding 2½% June 15, 1952-57	102½	102½	0 18 9	2 1 2
Nat. Defence 3½% July 15, 1954-58	103½	103½	1 3 8	2 9 0
War Loan 3½% Oct. 15, 1955-59	104½	104½	0 12 11	2 0 5
Savings Bonds 3½% Aug. 15, 1955-65	99½	99½	1 3 6	2 10 6
Funding 2½% April 15, 1956-61	99½	99½	0 15 11	2 4 7
Funding 3½% April 15, 1959-69	97½	97½	1 16 3	3 3 8
Funding 4½% Aug. 1, 1966-68	97½	98½	1 12 5	3 1 4
Funding 4½% May 1, 1960-90	105½	105½	1 10 1	3 5 5
Savings Bonds 3½% Sept. 1, 1960-70	96½xd	95½	1 15 10	3 3 4
Savings Bonds 2½% May 1, 1964-67	92½	93	1 15 6	3 3 0
Victory Bonds 4½% Sept. 1, 1920-76	106½xd	106½	2 0 5	3 15 9
Savings Bonds 3½% Aug. 15, 1965-75	93	93½	2 3 8	3 11 5
Consols 4½% (after Feb. 1, 1957)	101½	101½	2 0 0	3 16 6
Conversion 3½% (after Apr. 1, 1961)	93½	92½xd	2 0 2	3 15 8
Treasury Stk. 2½% (after Apr. 1, 1975)	68½	67½xd	2 0 7	3 13 9
Treasury Stk. 3½% (after Apr. 5, 1966)	60½	79½xd	2 1 4	3 15 1
Treasury Stk. 3½% June 15, 1977-80	99½	99½	1 19 0	3 11 0
Redemp. Stk. 3½% Oct. 1986-96	88½	88½xd	1 19 0	3 11 0
War Loan 3½% (after Dec. 1, 1952)	92	92	2 2 5	3 10 3
Consols 2½% (after Dec. 1, 1952)	68½	68½xd	2 2 1	3 16 10
Brit. Elect. 3½% Gtd. April 1, 1968-73	94½	93½xd	2 0 3	3 13 0
Brit. Elect. 3½% Gtd. Mar. 15, 1974-77	92½xd	92½xd	2 0 3	3 9 4
Brit. Elect. 3½% Gtd. Nov. 15, 1976-79	99½	100½	2 0 5	3 8 8
Brit. Tpt. 3½% Gtd. July 1, 1978-88	88½	88½	1 18 11	3 11 1
Brit. Tpt. 3½% Gtd. April 1, 1968-73	94½	93½xd	1 18 11	3 11 0
Brit. Gas Gtd. 3½% May 1, 1990-95	88½	88½	2 4 6	3 14 0
Brit. Iron & Steel 3½% Feb. 15, 1979-81	98½	98½	2 2 2	3 10 8
			2 1 5	3 12 1
			2 0 0	3 11 5
			1 19 11	3 11 10

(a) To earliest date. (f) Flat yield. (g) Assuming redemption in 1957. (h) Flat yield given above. If redeemed in 1952 net redemption yield £7 3 2, gross £9 1 8. (i) To latest date. (j) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 13 years 7 months.

Last Two Dividends			Ordinary Stocks	Price, Feb. 21, 1951	Price, Feb. 28, 1951	Yield, Feb. 28, 1951
(a)	(b)	(c)				
%	%	%				£ s. d.
60 c	25 a	Anglo Am. 10/-	8½	8½	8 7 3	
25 b	5 a	Anglo-Iran. £1	50/-	6½	4 18 0	
10 b	5 a	Assoc. Elec. £1	87/6	90/-	3 6 8	
7½ a	20 b	Assoc. P. Cem. £1	90/7½xd	91/10½	5 19 9	
40 c	35 c	Austin 5/-	28/-	27/6	6 7 3	
15 a	120 b	Bass £1	149/4½	150/7½	6 0 6	
40 c	10 a	Boots 5/-	48/6	48/6	4 2 6	
8 c	10 c	Br. Celanese 10/-	25/6	27/-	3 14 1	
12 b	8 a	Br. Oxygen £1	95/6	95/-	4 4 3	
5 a	7½ b	Coats £1	60/-	60/4½	4 2 10	
5 a	24 c	Courtaulds £1	59/6	41/6	3 12 3	
20 c	6½ a	Distillers 4/-	21/-	21/-	16 2	
15 c	15 c	Dunlop £1	58/-	58/6	5 2 7	
10 c	10 c	Ford £1	48/11	48/11	4 3 2	
17½ c	17½ c	Gen. Elect. £1	83/9	86/3	4 1 2	
11 a	21 b	Guinness £1	134/4½	134/4½	4 15 3	
15 a	17½ b	Hawker Sid. 5/-	35/10½	35/11	4 12 6	
7 b	3 a	Imp. Chem. £1	44/6	44/6	4 9 11	
13½ a	18½ b	Imp. Tobacco £1	102/6xd	100/-	6 8 0	
5 a	7½ b	Lanes. Cotton £1	42/9	43/6	5 14 11	
10 c	10 c	Lever £1	45/-	45/-	4 8 11	
15 c	15 c	Lon. Brick £1	60/-	58/9xd	5 2 2	
45 b	15 a	Marks & Sp. A/S	84/9	83/6	3 11 10	
4 b	8 a	P & O Def. £1	38/-	38/-	4 2 9	
17½ b	7½ a	P. Johnson 10/-	41/-	39/-	6 8 2	
15 b	15 a	"Shell" Stk. £1	84/4½	85/7½	4 4 11	
12½ a	12½ b	Tube Inst. £1	6½	6½	3 18 5	
32 a	16½ b	T. & Newall £1	90/7½	88/9	4 10 2	
8 c	8 c	Union Castle £1	39/-	39/-	4 2 1	
12½ c	17½ c	U. Sna Betong £1	65/-	65/-	5 7 8	
4½ b	2½ a	Vickers £1	40/-	39/10½	3 7 9	
15 a	27½ b	Woolworth 5/-	46/9	45/9	4 13 1	

(a) Interim (b) Final (c) Whole year. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended February 24, 1951, total ordinary revenue was £138,210,000, against ordinary expenditure of £44,502,000 and issues to sinking funds £100,000. Thus, including sinking fund allocations of £15,103,000, the surplus accrued since April 1st is £749,677,000 compared with £631,725,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	April 1, 1950 to Feb. 25, 1950	April 1, 1950 to Feb. 24, 1951	Week ended Feb. 24, 1951	Week ended Feb. 24, 1950
Ord. Revenue	138,210	125,982	122,066	52,160	54,949
Income Tax	120,000	95,700	102,000	4,000	5,200
Sur-tax	195,000	172,700	165,650	3,400	3,900
Estate, etc., Duties	50,000	46,370	47,760	500	700
Stamps	270,000	240,650	239,920	4,200	3,500
E.P.T.	34,100	518	9,350	...	...
Other Inland Rev.	500	518	500	30	40
Special Contributions	4,500	18,800	4,480	200	50
Total Inland Rev.	202,800	186,180	179,032	64,490	68,339
Customs	870,650	733,779	810,619	12,013	16,937
Excise	713,150	667,505	677,800	10,805	12,200
Total Customs and Excise	1,583,800	1,401,284	1,488,419	22,818	29,137
Motor Duties	56,000	54,695	60,178	609	...
Surplus War Stores	35,000	77,828	37,234	6	717
Surplus from Trade	85,000	47,541	80,905	...	39,000
P.O. (Net Receipts)	13,000	800	7,000	Dr 500	1,000
Wireless Licences	13,000	11,590	10,650	1,200	...
Sundry Loans	27,000	17,559	23,476	...	...
Miscell. Receipts (in Crown Lands)	70,000	70,990	68,574	491	17
Total Ord. Rev.	3,897,800	3,544,118	3,566,764	89,414	138,210
Self-Balancing Post Office	172,150	148,200	151,700	3,500	3,500
Income Tax on E.P.T. Refunds	5,700	10,840	7,554	183	90
Total	4,075,650	3,703,158	3,726,018	93,097	141,800
Expenditure	Estimate, 1950-51	April 1, 1950 to Feb. 25, 1950	April 1, 1950 to Feb. 24, 1951	Week ended Feb. 24, 1951	Week ended Feb. 24, 1950
Ord. Expenditure	490,000	425,770	428,978	1,746	2,164
Int. & Man. of Nat. Debt	36,000	33,203	33,440	2,030	1,922
Payments to N. Ireland	11,000	9,803	9,184	...	...
Other Cons. Funds	537,000	468,776	471,602	3,776	4,086
Supply Services	291,806	242,897	233,082	54,865	40,416
Total	3,455,069	2,897,723	2,801,934	58,641	44,502
Sinking Funds	...	14,670	15,103	...	100
Total (excl. Self-Bal. Expd.)	3,455,069	2,912,393	2,817,037	58,641	44,602
Total (incl. Self-Bal. Expd.)	3,632,919	3,071,433	2,976,341	62,324	48,192

After decreasing Exchequer balances by £282,128 to £3,584,193, the other operations for the week decreased the gross National Debt by £84,957,826 to £25,790 million.

NET RECEIPTS (£ thousand)
Housing (Temporary Accommodation) Act, 1914... 61
Coal Industry Nationalisation Act, 1946, s. 23(2)... 2,106

NET ISSUES (£ thousand)
E.P.T. and Telegraph (Money) Acts, 1949 and 1950... 700
Export Guarantees Act, 1949, s. 3(2)... 110
Local Authorities Loans Act, 1945, s. 3(1)... 890
Cotton (Centralized Buying) Act, 1947, s. 2(1)(i)... 4,900
Overseas Resources Dev. Act, 1949, s. 17(1): Overseas Food... 170
Finance Acts, 1946 and 1947: Post-war Credits... 330
11,100

CHANGES IN DEBT (£ thousand)	
RECEIPTS	PAYMENTS
Nat. Savings Certs. 7,300	Treasury Bills 41,802
3% Def. Bonds 1,925	21% Def. Bonds 470
Other Debt 91	21% Nat. War Bds. 500
Internal 91	Tax Reserve Certs. 11,595
	Other Debt:—
	External 1
	Ways & Means Advances 19,995
	Treasury deposits 20,000
	9,316

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Deb.
	Tender	Tap	Public Depts.	Bk. of Eng-land		
1950						
Feb. 25	2920.0	1940.2	402.4	2.3	494.5	5759.3
Nov. 18	3190.0	1968.7	372.5	...	555.5	6086.7
" 25	3200.0	1950.0	390.9	...	564.0	6104.9
Dec. 2	3230.0	1956.3	369.1	...	525.0	6080.4
" 9	3240.0	1951.6	375.1	...	545.0	6111.7
" 16	3260.0	1939.8	410.8	11.5	530.0	6152.1
" 31	5168.5		384.0	...	525.0	6077.5
1951						
Jan. 6	3270.0	1861.8	394.7	...	500.0	6026.5
" 13	3250.0	1823.3	406.3	2.5	470.0	5952.1
" 20	3220.0	1844.6	395.8	...	445.0	5905.4
" 27	3200.0	1801.9	407.8	...	420.0	5829.7
Feb. 3	3190.0	1842.4	385.6	...	420.0	5837.9
" 10	3170.0	1808.1	402.7	...	395.0	5775.8
" 17	3170.0	1801.2	439.8	...	360.0	5771.0
" 24	3180.0	1749.4	419.8	...	340.0	5689.2

TREASURY BILLS (£ million)

Date of Tender	Amount			Average Rate of Allotment	Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1950				s.	d.	%
Feb. 24	220-0	274-4	220-0	10	6-44	18
Nov. 24	260-0	310-6	260-0	10	3-36	79
Dec. 1	250-0	347-5	250-0	10	2-74	60
" 8	260-0	328-8	260-0	10	3-09	72
" 15	260-0	314-6	260-0	10	4-55	49
" 22	230-0	301-7	230-0	10	2-93	67
" 29	250-0	302-4	250-0	10	3-50	82
1951						
Jan. 6	240-0	301-4	230-0	10	3-35	70
" 12	230-0	319-4	230-0	10	2-75	60
" 19	230-0	321-3	230-0	10	2-79	60
" 26	240-0	337-8	240-0	10	2-92	61
Feb. 2	230-0	336-4	230-0	10	2-52	54
" 9	250-0	334-5	250-0	10	4-51	22
" 16	260-0	337-7	260-0	10	3-00	69
" 23	250-0	331-4	250-0	10	3-04	67

On February 23rd applications for 91 day bills to be paid from February 26 to March 3, 1951, were accepted dated Monday to Saturday as to about 67 per cent at 199 17s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million are being offered for March 2nd. For the week ending March 3rd the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended	Total, Apr. 1 to Feb. 17, 1951
	Feb. 18, 1950	Feb. 17, 1951
Savings Certificates:—		
Receipts	2,000	10,000
Repayments	2,800	2,400
Net Savings	Dr 800	7,600
Defence Bonds:—		
Receipts	385	1,750
Repayments	1,176	805
Net Savings	Dr 791	945
P.O. and Trustee Savings Banks:—		
Receipts	12,058	12,902
Repayments	9,875	16,940
Net Savings	2,183	Dr 4,038
Total Net Savings	592	4,507
Interest on certificates repaid	594	564
Interest accrued	2,475	2,520
Change in total invested	2,473	6,463

BANK OF ENGLAND RETURNS

FEBRUARY 28, 1951

ISSUE DEPARTMENT

Notes Issued	£	Govt. Debt	£
In Circulation	1288,930,991	Other Govt.	11,015,100
In Bank, Department	61,375,832	Securities	1334,255,491
		Other Secs.	705,018
		Coin (other than gold)	4,012,333
		Issue	1350,000,000
		Gold Coin and Bullion (at 249s. per oz. fine)	356,823
			1350,356,823

BANKING DEPARTMENT

Capital	£	Govt. Secs.	£
14,553,000	3,905,483	Other Secs.	313,171,441
Rest	22,239,475	Discounts	48,703,433
Public Accts.	12,986,383	Advances	16,135,000
H.M. Treas.	9,259,087	Securities	32,572,833
Special Acct.	383,164,190		
Other Deps.	293,047,832	Notes	61,375,832
Bankers	90,116,358	Coin	606,442
Other Accts.	423,862,148		423,862,148

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

COMPARATIVE ANALYSIS (£ million)

	1950	1951
	Mar. 1	Feb. 21
Issue Dept.:—		
Notes in circulation	1250.8	1288.2
Notes in banking department	49.6	62.2
Government debt and securities	1299.3	1345.3
Other securities	0.7	0.7
Gold and Coin	0.4	4.4
Valued at s. per fine oz.	249/0	248/0
Banking Dept.:—		
Deposits	13.7	15.8
Public Accounts	136.0	9.3
Treasury Special Account	284.3	296.6
Bankers	116.4	83.2
Others	550.4	404.9
Total	457.8	315.4
Securities	22.7	15.4
Government	33.7	28.7
Discounts, etc.	514.2	360.5
Other	54.7	62.8
Total	9.9	15.5
Banking dept. res.	6.2	6.0
" Proportion "	9.9	15.5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,375 to £1,350 million on January 10, 1951.

COLD AND SILVER

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

	SILVER				GOLD	
1951	London per ounce	New York per ounce	Bombay per 100 tolas		Bombay per tola	
	d.	c.	Rs.	a.	Rs.	a.
Feb. 22..	78.5	Closed	191	3	114	4
" 23..	78.5	90-15	193	2	114	1
" 24..	Markets	Closed	192	11	113	11
" 25..	78.5	90-16	192	3	113	8
" 26..	78.5	90-16	191	12	113	6
" 28..	78.5	90-15	191	4	113	8

COMPANY MEETINGS

THE ZAMBESIA EXPLORING COMPANY TRIBUTE TO FORMER CHAIRMAN

The annual general meeting of The Zambesia Exploring Company, Limited, was held on February 23rd at 20, Aldermanbury, London, E.C.

Sir Ulick Alexander, G.C.V.O., K.C.B., C.M.G., O.B.E., the chairman, who presided, said:

This is the first occasion I have had the honour of presiding at your annual general meeting and as the composition of the board has changed so markedly since your meeting last year, owing to the resignation of your late chairman, I feel it is one of my first duties to explain how these changes came about.

I do not think, however, they can have taken you entirely by surprise, as you will remember Mr Hely-Hutchinson fore-shadowed some such possibility at the annual general meeting last May. He already foresaw that in any capital reorganisation of Tanganyika Concessions there would be some conflict of interests between the preference and ordinary stockholders. Your company being a large holder of the preference, Mr Hely-Hutchinson decided he could not continue to be chairman of both companies, and that some member of your board who was not on the board of the Tanganyika Company, and would therefore have a free hand in any negotiations, should succeed him. He therefore resigned the chairmanship, but to the satisfaction of all his colleagues he consented to continue to serve as a director. In this way your board much hoped that they would continue to have the advantage of Mr Hely-Hutchinson's valuable advice, and it was a loss which was keenly felt by all his colleagues when he decided a little later his work and responsibilities in other spheres had so greatly increased that he reluctantly felt obliged to resign from the board.

I should here like to record the valuable services Mr Hely-Hutchinson gave to the company during his leadership. If you look back, you will find that during the period of his chairmanship there has been steady and undisturbed progress in the company's business, culminating in the present results, which I feel stockholders will agree with me are not unsatisfactory.

By his resignation your board feel that they have lost a very valuable colleague, whose guidance and handling of the company's affairs were of the highest order in the interests of stockholders.

THE YEAR'S RESULTS

The following are extracts from the directors' report and chairman's review circulated with the report:—

The profit, after deduction of £3,500 for United Kingdom taxation, arrived at after allowing £179,787 in respect of sale of shares to Tanganyika Holdings, Limited, as a loss for taxation purposes, and including an amount of £86,475 written off in respect of such loss on sale, amounted to £78,533, to which has been added the balance of £65,269 brought forward from 1949. From the resulting total of £143,802 an interim dividend of 3 per cent, less tax, has been paid and provision made for the proposed payment of a final dividend of 5 per cent. and a bonus of 5 per cent., both less tax. After these appropriations there remains a balance to be carried forward of £81,931; 361,659 8 per cent. cumulative redeemable preference shares and 216,995 ordinary stock units of Tanganyika Concessions, Limited, received in exchange for old preference stock under that company's capital reorgani-

sation scheme, have been sold to a wholly owned subsidiary company, the Zambesia Investment Company, Limited, to be held as a fixed investment.

The company's interests in Geita Gold Mining Company, Limited, Kentan Gold Areas, Limited, Rhodesia-Katanga Company, Limited, and Uruwira Minerals, Limited, have been sold to Tanganyika Holdings, Limited, and a 50 per cent. interest in the share and loan capital of the latter company is now held.

TANGANYIKA CONCESSIONS, LIMITED

For the year ended July 31, 1950, results showed a profit of £589,022, after providing £186,563 for taxation. Dividends were paid on the preference stock and the ordinary stock at the rate of 10 per cent. and 12 per cent. respectively, less tax, in October last. Union Minière du Haut Katanga paid, during 1950, a dividend of 480f. net per share for the year 1949.

GEITA GOLD MINING COMPANY, LIMITED

Gold production for the year ended June 30, 1950, was 30,524 oz., as compared with 28,038 oz. for the year ended June 30, 1949. For the six months to December 31, 1950, the output was 16,334 oz. of gold. The estimated ore reserves at June 30, 1950, were 2,280,456 tons, at 3.8dwt. per ton, compared with 1,612,684 tons at 3.9dwt. per ton at June 30, 1949.

The report and accounts were unanimously adopted.

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

RECORD VOLUME OF BUSINESS

The one hundred and thirty-seventh stated annual meeting of the Scottish Widows' Fund and Life Assurance Society was held in the society's head office, Edinburgh, on February 27, 1951.

Sir Ian Bolton, Bt., O.B.E., C.A. (chairman of the ordinary court of directors), presiding. In moving the adoption of the report and accounts, which were taken as read, the chairman said:

I am able to report that we have again completed a larger amount of business than ever before. It is worthy of note that not only the total, exceeding £12 million for the first time, but also the ordinary assurances of over £9,250,000 and the assurances associated with group pension schemes amounting to over £2,750,000 are all record figures for the fifth successive year.

The unique facilities afforded by life assurance are being increasingly recognised by the public but not everyone is aware of the special uses to which it can be put. For example, there is no better way of providing for death duties, and to those who are interested in the question our skilled staff will be pleased to give the benefit of their advice. For whole-life policies to meet death duties and for temporary assurances to cover the period of liability after the granting of an *inter vivos* gift, the society can offer terms which are among the cheapest on the market. Within the past few months we have introduced new and considerably reduced rates of premium which I commend to your attention.

PENSION SCHEMES

The demand for pension schemes arranged by the society continues to grow. It is now widely appreciated that there are many advantages to be gained by employers and their staffs in establishing a formal pension plan, and the Society, with its experience of

hundreds of schemes, is always ready to discuss the question with those who may have a scheme in contemplation, and to advise them on the plan which will best meet their requirements. Not the least of the advantages of introducing a pension scheme are the income tax reliefs which can be obtained by both employer and staff and which are granted by the Inland Revenue to encourage this form of provision.

COMPLEX INVESTMENT PROBLEMS

The continued progress of our Society presents the directors with many complex problems, and perhaps the most important is the investment of our expanding funds. Last year the premium income, as you will see from the report, rose by more than £550,000 to £4,600,000, and the funds increased by £3,2

MANCHESTER SHIP CANAL COMPANY

INCREASED NET REVENUE

The ninety-third ordinary general meeting of this Company was held, on February 26th, in Manchester.

The chairman, Mr. Leslie Roberts, C.B.E., in the course of his speech, said:

The net revenue for 1950 was £887,141, an increase of £12,492 over the previous year. To the net revenue figure must be added £24,138 brought forward from the previous year. After setting aside £165,000 for income tax and deducting £345,556 for loan and debenture interest there remains £402,723 for dividends and reserve.

After appropriating £35,000 to the reserve for contingencies, your directors recommend that, out of the balance of £367,723 the following dividends, amounting to £349,692, should be paid:—

3½ per cent. on the Manchester Ship Canal Corporation 3½ per centum preference stock.

5 per cent. on the preference shares.

3 per cent. on the ordinary shares.

This leaves £18,031 to be carried forward to next year's account.

RECEIPTS AND EXPENDITURE

Receipts from tolls, ship dues, traffic rentals, towage and sundry receipts increased by £147,249.

Expenditure also increased—by £62,895. Of this amount dredging accounted for £33,000, maintenance for £17,000 and traffic expenses for £20,000. Towage, however, showed a decrease of £23,000, the tug reconditioning programme having been virtually completed in the previous year.

RENEWALS OF PLANT AND MACHINERY

The total amount set aside out of the year's revenue in 1950 to cover renewals of plant and machinery was £350,402. That is £82,000 more than in 1949.

Those of you who have copies of the complete accounts will see on page 11 an additional section headed "Analysis of Repairs and Renewal Accounts, etc."

As the analysis shows, the total standing to the credit of these accounts is £1,797,000, against £1,745,000 a year ago. The increase of £52,000 is, of course, the difference between the amounts credited in 1950 and the amounts charged in that year for repairs and renewals.

But for the shortage of labour and materials considerably greater expenditure would have been incurred and charged against these accounts. You will realise that the deferment of expenditure on essential works in a period of rising costs makes it necessary for our provision accounts to be maintained at the highest possible level.

SURVEY

To conclude, I would say this: It is a commonplace that we live in a world beset with uncertainties of almost every conceivable kind. They add enormously to our difficulties. They make it rash to attempt any kind of forecast of the future. The essential facts are that our undertaking is a great and a growing one: that it is now on a sounder basis than ever before; and that the port's place among the major ports of the country has never been more substantial. We have to do two things. One—and very important—we must, as best we can, attempt what has been called the "masterful administration of the unforeseen." Secondly—and this is still more important—we must rely upon the old-fashioned and fundamental virtues of loyalty, integrity and hard work.

THE LAW DEBENTURE CORPORATION

MR ROBERT R. J. TURNER'S SPEECH

The sixty-first annual general meeting of The Law Debenture Corporation, Limited, was held on February 23rd at Winchester House, Old Broad Street, London, E.C.

Mr Robert R. J. Turner, O.B.E., the chairman, in the course of his speech, said: Turning to the accounts for the year, I will now run through the principal items in the balance sheet.

On the debit side capital authorised and issued remains unchanged. General reserve has been brought up to £300,000 by the inclusion of £5,000 from the profits of the year. No reserve is required for income tax, and, in fact, there is a credit of £3,075 for tax recoverable, which is shown on the assets side of the balance-sheet. Similarly, the provision for profits tax is less by £1,573.

INCREASED VALUE OF SECURITIES

On the assets side the book value of our securities has increased by some £27,600. There has, however, been a decrease of nearly 3 per cent. in our holdings of British Government stocks, bonds, debentures and notes, and in this connection it must be borne in mind that through the incidence of profits tax we suffer taxation to the extent of 6½ per cent. on interest from all such securities. Our total holding of sound Ordinary stocks at £394,000 has risen 8 per cent. and Preference stocks at £377,000 have been decreased by 6 per cent. Fixed interest stocks still amount to 70 per cent. of our portfolio. The market value shows an appreciation equivalent to 19 per cent. on the figure at which the investments are shown.

PROFIT AND LOSS ACCOUNT

The total receipts for the year were £122,802, or £5,498 less than in 1949.

Income from interest and dividends is up by £2,160. Trustee fees show a drop of £870, but in 1949 we received a payment of £1,500 representing several years' arrears; thus there was, in fact, a small increase of £630 excluding this non-recurring item. I am glad to say that present indications are that our revenue from this source should show a further modest increase for the current year, which is satisfactory. Profit on realisation of securities at £9,295 is lower by £6,716.

Income-tax and profits tax, which may be considered together for the purposes of this review, are less in aggregate by £4,461, which is the only change of any magnitude, and results from the lower profit on realisation of securities and from increased receipts from dividends from companies which have already paid profits tax.

DIVIDEND RECOMMENDATIONS

With the addition of £7,513 brought forward from 1949, we have a net sum available of £54,138. After allocation of £5,000 to general reserve, paying the dividend for the year on the 5½ per cent. Cumulative Preference stock and the interim dividend of 6 per cent. on the Ordinary stock, the directors now recommend payment of a final dividend of 8 per cent., making a total of 14 per cent. gross on the Ordinary stock for the year 1950, which will leave £1,200 to increase the carry forward.

While the year under review has not been an unsatisfactory one, the outlook for 1951 is uncertain in view of the international situation and the efforts of the Government to tackle the rearmament programme at home. However, in the absence of any major calamity no serious diminution in revenue is anticipated.

The report was adopted.

LEEK AND MOORLANDS BUILDING SOCIETY

RECORD LEVEL OF ADVANCES

The annual general meeting of the Leek and Moorlands Building Society was held on February 26th at Leek, Staffordshire.

Sir Ernest Johnson, J.P., the president, in the course of his speech, said: The year 1950 has gone, but has left its mark on our economy.

The clamour for increased savings is heard by the man in the street whose avowed purpose is to preserve the rights and freedom of a democracy. The Government has rightly appealed to the people for more savings.

What is the reaction of savers who are thrifty people but who continue to read of high Government expenditure—of deficits on nationalised undertakings—of waste and extravagance in the administration of Government departments? I urge—may I ask the Government of the day to set the nation an example.

CHAIRMAN'S ADDRESS

In moving the adoption of the report and accounts, Councillor Gilbert Tatton, the chairman, said:

During the year your directors advanced a sum of £5,068,000 on 4,500 mortgages. This sum is the highest figure ever advanced in any single year in the history of the society. I wish to assure you, however, that extreme care has been exercised in the selection of the mortgaged securities, and at no time in the history of the society have your directors been better pleased with the state of the mortgage accounts.

The society has continued its policy of endeavouring to satisfy first of all the demand for mortgages on private residential properties. Your directors do not accept for mortgage purposes industrial risks of any kind, and the large majority of our 21,649 mortgages comprise advances on private residential property mainly for own occupation.

Shareholders have been credited with interest at 2½ per cent., income tax paid by the society, and the net result of our year's workings is that there is a surplus of £73,000 which it is proposed to put to the general reserve funds of the society. From the "carry-forward" it is proposed to allocate a sum of £2,000 to the contingency account, bringing the contingency reserve to £25,000, and the total reserves and "carry-forward" now exceed £825,000.

So we finish the year with a balance-sheet strength of £19,558,000.

VICE-CHAIRMAN'S REMARKS

Seconding the motion, the vice-chairman, Mr F. Leslie Davenport, J.P., said: I should like to make one observation, and that is to refer to the serious item of profits tax which building societies, including our own, are called upon to pay.

It could never be argued that building societies are profit-making institutions in the accepted sense. The most that any building society seeks to earn is the modest rate of interest it has pledged itself to pay its savings members, plus a prudent amount to set to reserve. As profits tax was really imposed to mop up the very high ratio of profits which some concerns were able to, and are able to earn as a result of present-day conditions, I do hope that the Chancellor will look again and see whether or not some relief can be afforded to building societies which, after all, are voluntary thrift organisations performing a useful economic task.

The report and accounts were adopted.

HAMPTON TIMBER COMPANY, LIMITED

MR C. J. F. SAVILL ON THE PROSPECTS

The twenty-second annual general meeting of the Hampton Timber Company, Limited, was held on February 28th in London, Mr C. J. F. Savill, J. P., M.Inst.B.E. (chairman and managing director), presiding.

The following is the chairman's review which had been circulated with the report and accounts for the year ended March 31, 1950:—

Ladies and Gentlemen, I regret the lateness of the balance sheet and accounts due to factors beyond the control of the directors which, I am glad to report, have now been overcome.

During the year under review your company traded under difficulties caused largely by the disorganisation in production ensuing from the serious fire which took place at the mills in 1948. I am now, however, in a position to tell you that the insurance claim which was outstanding at the last meeting in respect of this fire has now been settled entirely to the directors' satisfaction.

This delay in settlement of the insurance claim clearly hampered trading throughout the year under review. Processing is now in full production, so I am now able to say from the trend of trading in the year 1950-51 that the company is going forward to its original profit-earning basis.

Your subsidiary companies naturally felt the effect of the parent company's difficulties, and in the circumstances I consider their results are satisfactory. Your subsidiary company in South Africa is making good progress.

GOVERNMENT CONTROLS

Your company, like all other members of the timber trade, has suffered from Government controls, but for some time now our trade has been granted partial freedom in buying. Several sources of supply are now open for us to negotiate our own purchases; hard-currency countries and countries behind the Iron Curtain, of course, being forbidden.

This has meant some improvement to the trade, although it is well for the public to know that these foreign suppliers are in a position to demand their own prices, and their prices are very much higher now than they were a year ago. This position would have been the same, however, in these directions, even if Government buying had continued.

I feel that the public are liable to misinterpret that now the trade is partially allowed to carry on its own buying, selling

NOTICES

NATIONAL BANK OF INDIA LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the Bank will be closed from March 14th to March 27th, both days inclusive. By order of the Board.

T. T. K. ALLAN,
General Manager.

26 Bishopsgate, London, E.C.2.
February 27, 1951.

MARKET RESEARCH

An exceptional opportunity exists in the rapidly expanding Market Research Department of a nationally known manufacturer. An Assistant to the Manager is required with market research experience, capable of initiating and controlling consumer surveys, and all other forms of research, including the writing of comprehensive reports. Please write, stating details of past experience and any qualifications in statistics or economics. All replies will be treated in the strictest confidence.—Box 532.

INFORMATION Bulletins, Journals of Societies or Institutions: editing, design, layout and finalisation of text for printer. Moderate fees. Inquiries from embassies, literary, social and industrial bodies.—Box 533.

prices in the United Kingdom are very much higher. This is not so; it is merely the circumstances of demand being much greater than supply, a position of which the Government were and still are fully aware.

The demand for processed timbers is greatly increasing, and your company, with its extended connections where freedom of buying is allowed, is fortunately in a position to procure the necessary raw materials for its increased trading.

CAPITAL STRUCTURE PROPOSALS

The directors, as you know, have had under consideration the wishes of the shareholders as to the possible reorganisation of the capital structure of the company; in consequence they propose for your consideration a revision of the capital reserves to increase the ordinary share capital by the sum of £40,000 and the distribution of these additional shares to the shareholders. The recommendations and the necessary resolutions applicable will be laid before you for your approval today.

Preference shareholders will readily notice that the directors have given every consideration to them by the allocation of four fully paid ordinary shares for every two preference shares they hold. They will, therefore, enjoy the benefits of this distribution with the ordinary shareholders; in exchange for which your directors recommend the surrender by the preference shareholders of their participating rights as at present existing in the company's articles of association. I feel you will agree that the distribution of ordinary shares very reasonably compensates preference shareholders for the rights they surrender.

We are almost at the end of another year of the company's trading, and figures for the period of nine months, ending December, 1950, distinctly show the upward trend in the company's trading that I have already intimated to you. This also applies to the trading of the subsidiary companies, and I consider that the extreme difficulties under which the company has been trading in the past two years have now been almost surmounted, and the future years appear to be definitely more hopeful than the past two years. Your directors are aiming to lay before you the accounts for the year ending March, 1951, at an early date following this meeting, subject, of course, to any unforeseen circumstances arising.

CHAIRMAN'S REMARKS

Addressing the meeting the chairman said: Comments are often made in the press regarding amounts paid to directors: may I say that regarding your company the directors are full-time working directors. For many years it has been the policy of your board to encourage the staff to become direc-

tors of the company. This policy has provided you with a board of directors who possess a thorough practical knowledge of their trade in their respective categories and the misfortune that happened to your company through the disastrous fire was primarily overcome by this asset and the keenness and energy shown by them, and also by the staff and employees of the company. I am proud to refer to and thank them on your behalf. Your company having now reverted to its normal activities, I feel sure that the next accounts to be laid before you will be far more satisfactory than those before you today.

The report and accounts were adopted and at separate class meetings and a subsequent extraordinary general meeting resolutions were passed reorganising the capital structure and amending the rights of both classes of shareholders.

KILLINGHALL (RUBBER) DEVELOPMENT

DIVIDEND OF 40%

The forty-first annual general meeting of this company was held on February 21st in London, Mr. Jack Addinsell, the chairman, presiding.

The following is an extract from his circulated statement:

Profit for the year, before deduction of tax, amounted to £32,960, showing an increase of £12,284, mainly accounted for by additional revenue from tin tribute, amounting to £4,564, and increased profits from rubber of £6,276. An interim dividend of 10 per cent. was paid on August 31st last; £15,928 has to be paid in taxes, and the board recommend a final dividend of 30 per cent.

Subject to there being sufficient labour and to security conditions, the programme provides for replanting a further 90 acres in 1951. There has, however, been a serious shortage of field labour during the year, and while the position has been partially met by mechanical methods of upkeep, there are still arrears of clearing up to be completed, and the rate of progress over the next few months will determine what new replanting is undertaken during the current year.

The outlook is promising provided no misfortunes arise as a result of the emergency situation. Benefits should be derived from the higher prices for rubber, although there must be some reduction in crop as a result of areas cut out for replanting, and the increased rate of export duty has to be taken into consideration. The revenue from our tin interest should show increase, subject to the high prices for this commodity also continuing.

UNIVERSITY COLLEGE OF NORTH WALES, BANGOR

Applications are invited for the post of Assistant Lecturer or Lecturer in the Department of Economics. Preference will be given to candidates with some specialist knowledge of Economic Theory. The salary of an Assistant Lecturer is £450 x £50 — £500 p.a. and of a Lecturer is £550 x £50 — £1,100 p.a. In addition there will be F.S.S.U. benefits and family allowances. The appointment will date from October 1, 1951. Twelve copies of the application should reach the undersigned, from whom further particulars may be obtained, not later than March 24, 1951.

KENNETH LAWRENCE,
Secretary and Registrar.

FOR SALE.—Economist, bound volumes from January, 1939, to June, 1942; unbound copies from July, 1942, to December, 1948 (18 copies missing).—Offers to Box 587.

YOUNG MAN (26), B.Sc.(Econ.), I.I.A. student, five years' engineering shop floor experience, at present in rut as progress chaser, seeks post with possibilities, pref. near London.—Box 590.

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Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications is April 20, 1951.

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Three-Quarters Peace

THE right economic policy for Britain in 1951 turns on how quickly public opinion can be brought to see that a cold war is not simply a total war writ small, but requires policies of a sharply different kind. The last war is close in memory; the war economy of 1939-45 was successful—at least in the sense that its mistakes did not make military victory impossible. In these circumstances no one can avoid thinking of present issues in terms of, very largely, the extent to which it is necessary to go back. Such an approach is implicit in almost all current discussion. Mentally, the whole horrible apparatus of the war economy is reassembled and the politicians and economists look for the bits and pieces that ought to be picked out and used again. Superficially, this is reasonable as well as natural. The economic nature of rearmament is, after all, essentially the same as that of a fighting war. In both cases the economic problem is to shift resources of men and machines and materials away from work for civilian buyers to the production of war supplies.

There are, however, also two fundamental differences between the economics of war and the present economics of defence. They are differences in size and in timing. For war the required effort is sharp and relatively short. For defence in the cold war it is smaller but more prolonged. So much emphasis has rightly to be put on the need to make willing sacrifices for defence that it is easy to forget how big is the difference in size between what is being attempted now and what was done ten years ago. In quiet times, in the twenties and early thirties, the British people devoted to defence about 3 per cent of the national income. Rearmament and war raised that proportion to a peak, in 1943-44, of 51 per cent of net national income. What is now proposed in the Government's defence programme is to bring it back to about 15 per cent by 1953. If 3 per cent is taken as a standard for normal, if imperfect, peace, then the shift of resources from civilian to military purposes was equivalent to 48 per cent of the national income in the fight against Hitler and will be 12 per cent this time. What we are now engaged in is one quarter of the effort of total war. Cold war is, in economics, three-quarters peace.

This is a difference of degree, but it is large. The other difference is, indisputably, one of kind: defence demands less effort than war, and the distribution of that effort over time is reversed. In war, the economic problem is to go on piling up more and more resources for military use until the moment when either victory or defeat is certain. There can never be any question of subordinating immediate needs to considerations of long-run prosperity and economic efficiency: the issue is whether there will be any long run, and in so far as the current war effort can be strengthened by mortgaging the future—by running into debt abroad and by forgoing capital investment and even renewals at home—then mortgages there have to be. The present needs of defence are quite different. The policy of trying to maintain peace by strength is nothing but an invitation

to disaster unless the initial climb to a position of strength is as fast as possible. But once that position has been reached—say, in three years' time—an appreciably smaller effort will be needed to maintain it. On the other hand, it is realistic to assume that this effort—absorbing, perhaps, 10 or 12 per cent of the national income—will remain the necessary price of security for a generation or more. War demands a heave of mounting force but short duration; cold war demands an initial heave followed by a lesser but steady pull of indefinite duration.

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If these distinctions of size and of timing are clearly seen, the economics of defence plainly have no more than a family likeness to those of war. There is no reason whatever to assume that the methods used in war will serve well enough if they are watered down for defence. The essence of the war economy of 1939-45 was that a moderate inflation was used to lubricate the initial shift of resources to military purposes but was prevented from getting out of hand, and then pulling resources back to the satisfaction of inflated private incomes, by a variety of physical and moral compulsions on the consumer (rationing), on the worker (direction of labour) and on the business man (price and direct production controls). A certain degree of inflation can be accepted in wartime, provided it is limited both in scope and in duration. But simply to transfer the policy to conditions of three-quarters peace might be disastrous. For one thing, the duration would not then be limited, and a persistent fall in the value of money, continuing over a decade or more, would have disastrous consequences on the structure of society, on the balance of payments and on the flexibility and efficiency of the economy.

Secondly, it is very doubtful whether controls can do in three-quarters peace the job they did in time of war. Controls can always, of course, be made to work at some cost with some measure of success. But the costs—in bureaucratic interference with the ordinary man as well as in money and manpower—may be high; the inefficiency and waste apparent in the results may be glaring. If controls work really badly they will bring quite as much political discredit on the Government as would any alternative policy—either a policy of letting the inflation go unsuppressed or one of undertaking the measures of retrenchment, supposedly for so long "politically impossible," that would cut inflation at the source. And it is difficult to see any realistic basis for believing that in the present situation controls can work otherwise than very badly indeed. There are no criteria by which to measure precise degrees of success or failure. In the war, there were certain obvious conditions that enabled the controls to work not intolerably badly, and that are absent now. The first was the simple fact that the Government was itself the main consumer: in the vital economic sector—engineering—four-fifths of the labour force was at the peak engaged on Government orders. In these circumstances controls played only a minor part in determining what was produced. The main determinant was the placing of Government contracts. When the Ministry of Supply knew so much about what was happening in the engineering industry, the control of production and allocation of materials for the one-fifth that was still working on private account was a comparatively simple task. Control would be an entirely different proposition with the proportions

reversed, as they will be under the present defence programme—one-fifth of the engineering industry working for defence and four-fifths continuing to meet the demands of a peacetime economy.

For this reason the tasks falling on the controllers in three-quarters peace would be bigger and more complicated, not smaller and simpler, than in war. And the standards they would have to apply would be much less clear-cut. In war there is a single, if vague, criterion—whether it is indispensable to the successful prosecution of the war—that Government officials can apply to every application for a licence, for an allocation of raw materials, and so on. In a rearmament programme of the present kind, there cannot, as Ministers have recognised, be a simple overriding priority for defence orders: the individual firm has to make up its mind what orders to put first, and if asked for advice the Government departments will give it according to the merits of the particular case. This is all right if the price mechanism is working fairly well—if what is most profitable to the firm generally reflects what is most urgent for the country—and the departments have to be consulted only in a relatively few marginal cases. But if the civil servants have to try to pass judgment on thousands of individual cases, they simply cannot know enough of the facts to make rational decisions. They cannot, that is to say, operate an elaborate system of controls with any approach even to wartime efficiency.

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These are the ways in which the smaller size of the defence effort makes the methods of the war economy unsuitable to present tasks. The difference in timing points to the same conclusion. Even when controllers could work by the simple criterion of a war economy they did not in fact attempt the impossible task of discriminating according to the merits of each case. Most controls worked on the quota principle of basing everything—with exceptions only in the most special cases—on an equal percentage of the prewar "normal" level. This is an acceptable principle, of economic inefficiency but rough justice, when it can be assumed that war will last at most for a few years and nothing else matters much until afterwards: it is acceptable in the short run for a siege economy. It is quite unacceptable for a state of one-quarter or one-fifth war that may last ten times as long. Quota controls become more inefficient, more restrictive and less fair in geometric progression as the base year from which the quotas are derived gets more remote. They are quite intolerable devices for a country trying to combine a heavy defence effort with the economic efficiency required for a large export trade and a high standard of living. That would be true even if the start was being made with a clean slate, with an economy whose resources were being used freely according to the pulls of the price mechanism. In fact the existing distortions are severe enough for any prolonged addition to them to be little less than an invitation to eventual breakdown.

It is difficult, and probably impossible, to see any way round these obstacles to the use of physical controls. And it is quite certain that the basis of popular consent, which made wartime controls workable, does not exist now. There are two aspects of this difference. First, there cannot in preparation against war be the positive, patriotic willingness and even anxiety to make sacrifices

and accept restrictions that existed when men were being killed in battle. The continuance of party warfare reduces this moral self-discipline still further. But, secondly, and probably not less important, the economic calculus affecting the individual is different. The essential effect of wartime controls was in one way and another to dam up purchasing power that would otherwise have been used for consumption or investment. From 1939 to 1945, private people and firms accepted these restrictions and were content to save because they looked forward to a time not far ahead when not only would the restrictions be gone but their money would probably be worth more than in wartime. No one can have any such expectations now; goods will get scarcer and money will be worth less. Any elaborate measures of physical control will, therefore, run entirely against economic incentives instead of in part with them, as was possible in wartime. It is completely unrealistic to suppose that in this situation they can, without intolerable waste and delay, turn the necessary proportion of the national resources to defence.

This argument has been concerned with the sustained use of controls for a protracted defence effort. It does not necessarily rule out their use in the initial heave that

Fate of the Schuman Plan

IN the shadow of the meeting of deputy Foreign Ministers in Paris there is drawing to a climax what may prove to be the final crisis of the Schuman Plan. For several weeks now the negotiators have been confronted with the basic issues on which sacrifices are required—chiefly of the Germans. In the face of bluster and outraged protests from industrialists in all the six countries concerned, M. Monnet has persisted in cutting down to bedrock through their pretence that they could maintain old ways of doing business under a new guise. The process has been painful, at times dangerous; but there are signs that it is producing compromises and that signature may be in sight. To have come thus far since last June in breaking down the central problem of Franco-German rivalry is by any measure a great achievement; and it is not for those who have stood aside from the toil of negotiation to scoff if there is now a final faltering.

Two problems are holding up progress; each is of crucial economic importance now, and each will have great political and military importance in the future. First, the Germans do not wish to give up the closely interlocked and highly cartelised organisation of their coal and steel industry. Outstanding among these economic groups is the central coal selling agency (DKV) which—once the powers of the Ruhr Authority and the High Commissioners had been removed—would control all sales of Ruhr coal and thereby exercise a powerful influence on the steel-making and steel-using industries of Western Europe. The DKV, working freely, could almost dictate by its decisions production and prices in the major industries of Germany's neighbours. To allow this to happen would be to make nonsense of the main purpose of M. Monnet and his colleagues, which is to create a single market for European heavy industry giving everyone free access to raw materials and allowing production in the course of time to be concentrated in those enterprises which have proved themselves most efficient. The same objection applies to the vertical trusts of the

is required this year and next. Few people, indeed, would seriously argue that the price mechanism alone could shift men and resources to defence as quickly as could be done with the help of some physical controls. There must certainly be restrictions on the civilian use of some scarce materials. But the case here is for the prompt use of a limited number of controls. It is quite different from the gradual establishment of more and more controls for long periods, in an attempt to cope with the consequences of making the initial shift chiefly by inflationary finance. As a rough empirical test, it is probably fair to say that those controls will be effective that are put into operation within the next six months and become unnecessary within two years. Anything more than that cannot be expected to work: the methods of a war economy are not those of a quarter-war. There are no precedents for the situation with which Britain and the other nations of the Atlantic alliance now have to deal. The right policies will certainly not be seen, at any rate as a whole, immediately. But they will be seen less slowly the more thoroughly it is realised that the questions are new and the stock answers will not serve. A one-quarter war will not be run by one-quarter controls.

Ruhr, whose dissolution is being resisted by the Germans. By their ownership of many mines the great steel companies controlled in the past 56 per cent of the Ruhr coal output, and this allowed them in times of shortage to restrict supplies to their competitors, and in times of surplus to undercut prices and discriminate.

In short, the question at issue is whether an International Authority or a group of German industrialists and technicians shall in future decide how much coking coal Western Europe may receive and at what price. It can be regarded primarily as an issue of principle or as a conflict of self-interest. If the heavy industries of the west are to be rationalised and the restrictive practices and manipulations of decades gradually discarded; if a power group which has been closely associated with two ventures of German imperialism is to be broken up; if there is to be a genuine step forward towards integrating Western Europe for its future defence and prosperity—then M. Monnet is right in his persistent challenge to the German industrialists. That is the issue of principle. When, however, the French argue that, to complete their national recovery, they cannot tolerate the risk that their steel industry will be forced into decline through lack of the Ruhr's coal, then the Germans have some reason to look carefully at the arguments put to them. That is the issue of self-interest. The Germans can argue—and their case has its points—that the operation of a free market would merely serve to prove that heavy industry should be centred in Germany; but that is quite a different thing from admitting this conclusion in advance just because the Germans have a predominant share in supplies of coking coal. The history of the Ruhr Authority has already shown with what pertinacity they have fought against the sharing of this coal with their neighbours.

It may be said that these are old arguments; their substance was known before M. Schuman ever launched his project. That is true; and it is also true that a year ago the Germans could have been brought a long way

towards accepting the French and European position. But Korea has had its effect on this as on every political and economic question. Before Korea, the German industrialists saw in the Plan a way of getting new markets at a time when surpluses of coal and steel seemed likely. The German politicians saw in it a way of shaking off the control of the Ruhr Authority set up by the occupying powers and taking an equal place in Europe's counsels. The western decision to rearm has removed at a stroke both these incentives. It now looks as if there will be in the predictable future no surpluses of coal and steel, and Western Germany sees itself winning equal status in Europe as the price of helping to defend it against the Russians. The Ruhr—trade unions as well as industrialists—is in fact now determined to go on judging the plan on its economic merits until acceptance of all or part of it can be bartered against concessions from the occupying powers.

The last few months have therefore seen the Germans getting more and more difficult. When they asked in December that negotiation on the plan's provisions for breaking up the great concentrations of industry should be postponed, while they discussed their implications with the Allied High Commission and industrial experts, the other delegations agreed. They hoped that the men of the Ruhr would accept the spirit of the plan and subscribe sincerely to the principle of competition within a free market. After Christmas, German delaying tactics took a new form. Suspect statistics made their appearance; national federations of industry in all six of the Schuman Plan nations were mobilised to protest; a former American Secretary of War, Mr Patterson, was briefed to fight deconcentration in the Ruhr against the policy of his own Government. Resistance among French industrialists has also grown. They believe that they could best get the coal they need by international bargaining of the prewar type between cartels, and they protest against encroachments of a European authority on their jealously guarded preserves. M. Monnet, who is the life and soul of the Plan, is therefore facing a solid front of industrial interests and German political parties.

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Clearly the stage has now been reached where three things should happen: statesmen should intervene to prevent the technicians and the businessmen from turning differences into reasons for despair; both sides should be reminded, especially the Germans, of the political purpose that originally inspired the Plan, which was to draw France and Germany together by bonds of self-interest into the nucleus of a new European association; and the Germans should be reminded of the powerful cards that are held by the West if they insist on turning the negotiations into a protracted poker game. Something like this appears to have begun. The American High Commissioner, Mr McCloy, has been discussing with the Germans a compromise which would leave the central coal selling agency to be liquidated over a period of time, provide the Germans with a written pledge to dissolve the Ruhr Authority by September 30th, and allow the individual steel companies to own up to 75 per cent. of the coal they need to operate at their present capacity. But these proposals do not go to the root of the difficulties. There is no doubt of the basic good will towards the Schuman Plan of Dr Adenauer and his principal representative, Dr Hallstein, both deeply influenced by the friendly

spirit created among the negotiators. The fact remains that Dr Adenauer cannot yet guarantee that the Bundestag would ratify the Plan. Both Right and Left in Germany will persist in their criticisms of the economic aspects of the Plan so long as they see no wider concessions forthcoming to counterbalance German sacrifices in the eyes of the electorate. And such concessions to the German demand for equality of rights in Europe are still held up by that uncertainty of aim which has dogged the German policy of the western governments.

The matter is urgent. The western governments want the Schuman Plan initialled and its ratification in Bonn assured before the full meeting of Foreign Ministers—possibly in May. The Germans see every advantage in stalling so that they can exact the greatest possible benefit from the competition of the west and the Russians for their favours. The time has come to make vigorous use of both carrot and stick. The Americans can and should use the Germans' dependence on the grain and raw materials to press for signature; just as the Germans are using, and will continue to use, their possible contributions to western defence as a means of pressure on the Americans. And the western governments should now explain firmly to the Germans that acceptance or rejection of international control of heavy industry will be treated as evidence of their reliability as equal partners in Europe. Compromises on economic matters are all very well; but who can tell whether when the time comes a German Government will want, or be able, to honour the pledge to dissolve the coal-selling agency? The answer is—no one. Some guarantee that the interests of Germany's neighbours will be protected from domination and some evidence that the German parties will in fact co-operate in Europe are required.

Such a guarantee the Schuman Plan could offer. On the other hand, let it be recognised that the Germans are being asked to give up a great deal: the fruits of their natural advantage in raw materials, a form of industrial organisation whose efficacy has been proved, and a monopoly selling agency which, they claim, enabled uneconomic mines to be worked and employment to be maintained. These are advantages that no German politician can surrender without misgivings. They, too, want their guarantees.

This is the psychological moment for fitting the signature of the plan into the general scheme of policy towards the Germans. It is evident that the revision of the Occupation Statute announced this week is only a further step towards its complete abolition. Its political effects on public opinion have long been discounted in advance by German public opinion. It is, in fact, a damp squib. If the nature and timing of Western Germany's final step towards equal status in Europe could be decided and declared without further delay, the western governments would have a very strong case for insisting that the Schuman Plan should be part of the final settlement. Enthusiasm has to be kindled for the politics of the plan, for its manifestation of a new spirit in Europe, and that can be done only by a political gesture and a campaign of popular persuasion. Now that the economic issues have been thrashed out *ad nauseam* it is time for the statesmen to take a hand. Above all, it is time for this country, as an ally of France and a co-trustee for Germany, to show the sympathy and statesmanship that were withheld last June.

Morale Off the Rails

(By a Railway Correspondent)

THE basic problem of British Railways is one of morale, and it has in no way been solved by the recent wage increase. Railwaymen are worried by the prospect of their industry taking the place of coalmining as the Cinderella of the industrial world. It is, in fact, only the wide dispersal of the staff in small units that is delaying the development of the sort of unrest that used to exist in the coalfields—and which is already appearing in the larger railway centres. On the other hand, it is precisely because of this wide dispersal of the staff that morale on the railways is so important. There are few industries in which the effect of delays or inefficiency in quite small matters is so cumulative, and in which, consequently, prosperity depends to such a degree on the devotion to duty of the individual.

Such devotion can thrive only if the staff has confidence in the management. How to maintain this confidence, in a contracting industry, is one of the unsolved problems of industrial relations. The railways today show every symptom of contraction. Improvements and even replacements are curtailed by the shortage of materials and the need for economy. Although many of the staff continue to work in conditions that would not be tolerated in other industries, a full programme of improvement must await better days. Branch lines are closed, or have their passenger services withdrawn; lightly loaded trains are cancelled.

In this situation the Railway Executive has done no more to take its employees into its confidence than to explain itself to the public. On the one hand, the British Transport Commission's declared policy for integration implies that the future position of the railways will only gradually be worked out in practice; on the other hand, the actions of the Railway Executive are already quite plainly committing the railways to a position of reduced importance in the national economy. On the one hand, the staff and the public are asked to suspend judgment until the new charges schemes are published; on the other, the withdrawal of trains accelerates the insolvency of branch lines and makes their closing inevitable whatever the charges schemes may do.

The staff are naturally bewildered; just as naturally they state their uncertainty in terms of their own personal prospects. In this frame of mind, they cannot be expected to respond to exhortations from the management to redouble their efforts and make the best of the equipment they have. Confidence in the Executive is impaired, and will only begin to be restored when the Executive can convince its employees that it knows where it is going and what it wants. On these questions of high policy, railwaymen merely share the uncertainty of the public at large. But they would be less apprehensive if they had any more confidence in the internal administration of the Executive.

It is an unfortunate result of past railway history that staff administration is associated in the minds of railwaymen with negotiations on wages and conditions of service, principally because staff officers have always represented the management on the local departmental

committees and sectional councils which form the negotiation machinery. The Executive consequently has the services only of specialists whose conception of staff relations is inextricably confused with that of negotiation. For that reason its commercial department was able recently to get away with the "targets scheme," which no business with a proper conception of internal relations would have tried to suggest to its employees at such a time, and which by its ineptness has still further reduced the staff's confidence in the management.

Even in its conscious efforts to improve internal relations the Executive has succeeded only in losing confidence. The consultation procedure instituted over a year ago failed to satisfy trade union demands, and it made the mistake of using, as the nucleus of the employees' participating, representatives elected for the very different purpose of negotiation, with all its associations of bargaining and pressure. How unsuccessful the procedure has been is shown by the policy, which some Chief Regional Officers have been forced as a makeshift to adopt, of holding large meetings of employees and talking to them over the heads of their more immediate superiors.

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These are important points affecting the morale of railway workers as a whole. There are others whose primary effect is more limited, but whose secondary effects may be nearly as widespread. On paper the powers of many local officials have been increased since nationalisation, but none feels that this is so in fact. The Executive has allowed the intended scope of its functional organisation to be exceeded. Its purpose was to promote rapid standardisation, but the Executive headquarters is going further and interfering in day-to-day administration. Instructions from the Executive are accompanied by requests for detailed reports and statistics to a degree that is seriously interfering with practical work and inflating local staffs. The blame is commonly put on the subordinate officials at headquarters, whose mediocre quality is attributed to the Executive's unwillingness to pay salaries sufficient to attract the right men from the provinces. Whatever the reason, all the symptoms of bureaucracy are rapidly developing. Local officials inevitably feel that they are not being trusted.

When the Railway Executive organisation was first published, it was generally thought that the chief regional officers would have a difficult task when their regional departmental officers were to report direct to the functional members of the Executive. This system is bad enough in all departments, but disastrous in the case of the staff department, which inevitably has a finger in all the others. The regional staff officer, responsible directly to London, has more real power than the chief officer.

Centralisation and specialisation have not eased the tasks of the chief regional officers, and it is probably, therefore, no coincidence that the most efficient and progressive region is the one which has its headquarters farthest from London and the strongest character at its

head. To compare the way railwaymen talk about their chief regional officers with the way they used to talk about their general managers is to realise how much has been lost.

The old railways had their head offices in London, but London was never more than the terminus of the line. Now the feeling is that the whole railway system revolves round London, and the presence there of four regional headquarters in constant daily contact with the Executive itself only adds to the general centripetal effect. There is a good deal that is irrational in this sort of feeling, but since it exists, it is necessary to do something either to satisfy it or to remove it. There is already enough

"we" and "they" feeling on the railways without extending it on a geographical basis.

It would be foolish to suggest that anything the Railway Executive could have done would by now have made morale on the railways entirely satisfactory. Many managements before have failed to maintain or restore good industrial relations in a contracting trade. The problems of contraction at a time of full employment are new even if they are on balance easier than those of general depression. The Executive has in some respects a pioneering task in which success could not be expected quickly. It is the more pity that so many mistakes are apparently being made.

The Record on Korea

THE war in Korea has now been going on for more than eight months. It would be idle to deny that, in spite of the almost universal approval which was given in this country at the end of last June to the United Nations action on behalf of South Korea, there is now a widespread apathy about the cause in which British troops are fighting in Korea and an increasing activity of those political circles which argue that the first aim of British policy in the Far East should be peace at any price. This trend of opinion over the first real enterprise of collective security in the history of the world has been at least partly due to the obscurity of the issue at stake since the United Nations decision (which was sponsored by the British Government) to cross the 38th parallel and the subsequent intervention of Communist China. Last June the issue was clear enough; it was to repel and drive back the North Korean invaders and restore the state which had been the victim of aggression. But since the crossing of the 38th parallel and the advance to the Yalu, the original clarity of purpose has been replaced by confusion about the objective for which the war is being fought, and, in consequence, a general demand for terminating the war by negotiation with China without any idea of minimum terms on which the United Nations must insist if it is not to be utterly discredited as a collective security organisation.

This state of mind has unfortunately provided fertile ground for a propaganda which has grossly misrepresented the course of events in Korea and has persuaded many people who are far from being Communists that China has been more sinned against than sinning in the whole affair. It is therefore worth while at this stage to review the record and point out what exactly did happen in the preliminaries of the present situation.

The decision to cross the 38th parallel politically, and not merely for tactical military purposes, was taken by the Political Committee of the United Nations Assembly on October 4th and formally adopted by the Assembly itself on October 7th. The voting in the Political Committee was 47 nations (including Britain, the United States and France) for the resolution, five (the Soviet bloc) against, and seven abstentions (including India, Egypt and Yugoslavia). The Assembly took its stand not on the Security Council's decision to extend aid to South Korea against North Korean aggression, but on the earlier decisions of the United Nations which established the Republic of Korea. The resolution recalled the Assembly's declaration of December 12,

1948, that the Government of the Republic of Korea "is based on elections which were a valid expression of the free will of the electorate of that part of Korea (i.e. South Korea) and which were observed by the Temporary Commission, and that this is the only such Government in Korea." On the ground that the "essential objective" of the earlier resolutions of the Assembly had been "the establishment of a unified, independent and democratic government of Korea," it was therefore decided that "all appropriate steps be taken to ensure conditions of stability throughout Korea," and that "all constituent acts be taken, including the holding of elections, under the auspices of the United Nations" for the creation of a unified, independent and democratic Korea.

This resolution meant that the Commander-in-Chief of the United Nations' forces in Korea was authorised to advance into North Korea in order to eliminate all armed forces and civil authorities of the Communist regime and "ensure conditions of stability throughout Korea." The United Nations forces, as distinct from South Korean troops, did not cross the 38th parallel until they were authorised to do so by this resolution. They had reached it already on October 1st, but General MacArthur halted them for eight days until the Assembly had taken its decision. The only crossing in pursuit of the defeated North Korean forces was made by the South Korean troops, and this reflected the independent attitude of the South Korean Government which, although willing to subordinate its forces strategically to the supreme United Nations command, denied that it was politically subject to such authority in Korean territory.

After the advance into North Korea had led to a military disaster and the Korean conflict had developed into a struggle with Communist China, the British Government became anxious to minimise its responsibility for sponsoring the decisive resolution of the United Nations, and its defenders resorted to the argument that General MacArthur had not needed the authorisation of the United Nations to cross the parallel. This argument was valid in so far as General MacArthur's commission to carry on war against the North Korean forces certainly empowered him to conduct operations beyond the 38th parallel for purely military reasons as part of the task of repelling the invasion of South Korea. It is absurd, however, to maintain that it made no difference to strategy whether the political aim was to restore the *status quo ante bellum* or to occupy and unify the whole

of Korea. General MacArthur could not have justified an advance to the Yalu without the authority of the United Nations decision of October 7th, and in fact he held his forces back until that decision had been taken; however embarrassing may have been the Supreme Commander's verbal excesses, he neither forced the hand of the United Nations by acting in advance of its decision, nor did he subsequently exceed the directive given to him.

The United Nations decision in the first week of October was, of course, taken under the influence of the successful Allied counter-offensive in the second half of September which had resulted in the recapture of Seoul on the 25th. On September 30th, indeed, the Chinese Foreign Minister, Chou En-lai, had declared that the Chinese people would not "supinely tolerate seeing their neighbours being savagely invaded by imperialists," and the Indian Ambassador in Peking had conveyed a warning that Communist China would intervene if the parallel were crossed. At that time, however, there was a general unwillingness, alike in military and diplomatic circles, to take the threat of Chinese intervention seriously. Russia, though giving political support to North Korea, had made no threats, and it was generally believed that Russia would not risk a world war on the Korean issue; without Russia it seemed incredible that the Chinese Communists would dare to challenge the whole power of the United Nations after this power had been so strikingly demonstrated by the recapture of Seoul. Even after Chinese forces had actually crossed the Yalu, the move was regarded as a bluff for bargaining purposes rather than as a real order of battle, and it was the persistence of this belief at General MacArthur's headquarters which led to the fatal strategic miscalculation of the offensive in the fourth week of November.

The fact that the political and military authorities concerned gravely underestimated the bellicosity and competence of the new regime in China does not, however, affect the quality of the Chinese action in relation to the United Nations and the powers, including both Britain and America, which were enforcing its decisions in Korea. The United Nations has indeed, after prolonged obstruction, finally condemned the Chinese action as an aggression. There has been, nevertheless, a strong tendency in this country, since the defeat at the end of November, to condemn the advance into North Korea as not merely unwise strategically, but as an act of provocation to China which virtually justified the Chinese intervention.

It is true that Chinese regular military units did not cross the Yalu until after the United Nations forces crossing of the 38th parallel. It does not follow, however, that the Chinese intervention was prompted merely by alarm at the prospect of the arrival of United Nations forces on the Manchurian border. It is necessary to take into account the actions of Communist China before that date. The Peking Government and its controlled press and radio had from the outset given the most explicit approval and moral support both to the initial North Korean aggression against South Korea and to the subsequent North Korean defiance of the United Nations. On August 17th Mao Tse-tung and Chou En-lai sent Korean independence anniversary greetings to Kim Il-sung declaring that "the Chinese people warmly support the Korean people in their just war against

American imperialism and aggression, to bring about national independence and unification."

Nor was this backing of North Korean aggression merely verbal; it had taken a most concrete and practical form. Shortly before the North Korean attack last year Korean divisions of the Chinese army, drawn from the million or more Korean settlers in Manchuria and other parts of China, were sent to Korea, and it was not until after the incorporation of these troops, battle-trained in the Chinese civil war, that the North Korean Government felt ready to launch its assault. In international law such a transfer of organised troops from one state to another as part of the preparation of aggressive war involves a grave complicity on the part of the transferring state. The Foreign Ministry of the Chinese People's Republic, however, took up a most truculent attitude on the subject, when publicity was given to the fact in one of General MacArthur's reports; admitting that Koreans who had fought in the Chinese civil war had been sent to Korea, a spokesman declared that, now that victory had been achieved in China, it was the "sacred duty" of "Korean people residing in China" to return to their motherland and take part in its defence.

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Since they were so deeply implicated in the attempt to destroy the Korean Republic, it was only logical that the Chinese Communists should take over the task when the North Koreans had failed by themselves to accomplish it. It is highly probable that they did not venture to engage in war against the United Nations without some definite assurance of Russian aid if they were subjected to retaliation within their own territory. But whatever may have been their calculation of the risk they took, their aim was always the same as that of the North Koreans—to wipe out the South Korean regime and to drive the United Nations army out of Korea. If it had been merely to safeguard their own frontier and their interest in the hydro-electric installations of the Yalu, they could have taken advantage of the repeated American declarations of intention to respect Chinese territory (such as Mr Acheson's statement of August 30th) and the proposal for a joint commission to regulate power supplies from the Yalu dam. But the Peking Government never attempted to negotiate on this basis. They were not interested in mere frontier security; their aim was, and is, total victory for Communism on the East Asian mainland. If, as the many apologists for the Chinese Communists in this country maintain, the Peking Government had been moved only by fear for its own safety, it would have been content with the American abandonment of Chiang Kai-shek and refusal to supply tanks to the South Koreans, instead of first promoting, and then taking part in, a war of aggression.

It does not follow, of course, that there must now be war against Communist China or even an attempt to impose sanctions. The United Nations is a political organisation that must always consider the consequences of the actions it takes, not a blind arbitrator handing down judgments *ruat coelum*. But at least there should be no obscurity about the moral and legal position. The Communists—whether North Korean, Chinese or Russian—have put themselves in the wrong; there have been no breaches of trust by the Americans or by anybody else on the United Nations side. Those who dispute these statements are wilfully refusing to face the facts of a very clear record.

NOTES OF THE WEEK

Crisis in Teheran

The outlook in Persia is black. There is no fitting successor to General Razmara who was assassinated by a small group of fanatics on Wednesday morning. It is feared that the Shah, who though charming has a weak and obstinate character, will recall to office the avaricious and corrupt politicians who have misruled Persia roughly from the end of the war until General Razmara took office nine months ago. It is due to these former rulers, who are important landowners as well as politicians, that the ordinary Persian has been reduced to such a depth of misery that Communist propaganda, coming from the northern frontier, has fallen on fertile ground. The Shah called General Razmara to power when he had become seriously alarmed by the revival of the outlawed Tudeh (Communist) Party last summer; but, unfortunately, the palace failed to give General Razmara the full support the Shah had promised to him. The big landowners, who wield enormous power in the Majlis (Parliament), were alarmed by the General's excellent plans for social reform. These were to be financed by the large sums of money the Government would have received in royalties from the Anglo-Iranian Oil Company had the Majlis ratified the supplemental agreement with that company. The agreement would not only have produced an immediate payment of £45 million, but would have guaranteed a yearly income of over £22 million to finance long-term draining, irrigation and other large works projects which formed the basis of General Razmara's plans for social reform.

The Majlis failed to ratify the agreement which General Razmara had supported largely because the late Prime Minister was inept in dealing with his opponents in the chamber and lacked political technique outside it. Thus the ignorant townspeople were easily convinced by the Teheran press, which had been lavishly bribed by the big landowners, that Razmara had fallen entirely under the influence of the west and was "working against Persian interests." This accusation was patently untrue. In some respects the General appeared more influenced by Moscow. He had recently signed a new commercial treaty with the USSR and he allowed the Russians to send commercial travellers all over Persia; at the same time he banned the Persian broadcasts of the Voice of America.

It is not yet clear whether the religious enthusiasts who murdered the Premier were inspired or paid (or both) by the extreme right—Nationalists—or extreme left—Tudeh. What is somewhat alarming is that the Persian delegate to the World Peace Council at Berlin, Mr Eskandary, reminded his audience a fortnight ago of "the fact that the Soviet-Persian Treaty of 1921 empowered the USSR to dispatch troops to counter any imperialist plan aiming at Persia's occupation." This interpretation of the treaty is not without foundation.

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Deputies in the Toils

It is no credit to the diplomacy of London, Paris and Washington that the deputies of the Foreign Ministers were caught within three days in the toils of argument about a point which means nothing to the European man in the street. Maybe the west scored a point by getting Mr Gromyko to talk about the possibility of putting the Austrian Peace Treaty on the agenda of the Foreign Ministers; and if the Soviet delegate really wanted a conference, and was not working within the limits of a strictly defined brief, he could quite easily have left the question of Trieste to be

raised as one of "the causes of international tensions in Europe"—first item on the agenda proposed by the west. But the course that the talks have taken could have been foreseen and the western agenda should have been drawn up in such a way as to seize and hold the initiative from the moment the talks in the Palais Rose began.

The western deputies were ill-advised to contest the Russian wish to put Germany at the head of the list of topics to be discussed; for it is clear to everyone that this is the central problem. While insisting that the talks should not be confined to Germany, as the Russians seemed to wish, they should have made the unity of Germany their first item and made it clear that they had ready a plan for attaining it. This would have stolen Mr Gromyko's thunder about demilitarisation and put the Russians into the untenable position of opposing German unity. With that question first on the agenda, the western representatives could then have argued that the "prevention of remilitarisation of Germany" and its demilitarisation according to Potsdam—the first item on the Soviet agenda—would present no difficulties at all once causes of tension in Europe—which is in both lists—had been discussed.

Such a tactic would have had two advantages: the debate would have made sense to the man in the street as he reads his newspaper or listens to the wireless, and Russian policy for Germany would have been challenged at its crucial point with the question about free and fair elections all over the country. It may be objected that this would have led the deputies into discussing not the procedure of drawing up the agenda but matters of substance. In fact they have already strayed into matters of substance, and the talks are taking on the too familiar form of polemical wrangling about two lists of agenda which look to the layman almost identical save in their order. It is, incidentally, a great pity that someone of greater experience than Mr Ernest Davies could not have been found to lead the British delegation.

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The Foreign Secretaryship

Mr Bevin's return to work last week after his latest bout of illness created a further burst of speculation about his future, which, in turn, evoked from Downing Street an official denial that the Foreign Secretary had already decided to resign. The influence that Mr Bevin has exercised both in the Labour Party and in the Cabinet since 1945 has been so great that any change of his role is bound to assume the dimensions of a minor political earthquake.

Such an upheaval appears to be likely in the near future. The chief obstacle to the change has been the difficulty of finding a successor for Mr Bevin at the Foreign Office. Mr Attlee, in his search, has been up against much the same problem that he faced when Sir Stafford Cripps resigned from the Chancery of the Exchequer last autumn—the lack of Ministers in the second rank with a real capacity for leadership and with political experience wide enough to enable them to take over from any one of the small group that has dominated Labour affairs since 1945. To replace Sir Stafford Cripps Mr Attlee decided to turn from the pure politicians to the dons and other experts who form such an important section of his following. It was from them that Mr Gaitskill was promoted. But considerable as Mr Gaitskill's abilities may be, he has yet to prove that leadership of public opinion is his forte.

At the Foreign Office such leadership, particularly in the present situation, is an absolute essential, and in the Prime

Minister's calculations this makes the choice of Mr Herbert Morrison as Mr Bevin's successor almost inevitable. The other names that have been under consideration—Sir Hartley Shawcross, Mr Gordon Walker, Mr McNeil—are those of able administrators whose capacity for influencing opinion inside or outside the Labour movement remains unproved. Of the older guard of politicians, Mr James Griffiths was at one time considered for the post and seems to have had Mr Bevin's support, but the Prime Minister has not favoured the idea. Mr Bevin has had his backers, some of them people who dislike his views on domestic policy, but it seems that he will have to demonstrate at the Ministry of Labour that he has checked his natural rashness before further promotion comes his way. In the end, therefore, the choice swings back inevitably to Mr Morrison, whose appointment is not likely to be delayed. Mr Bevin, in that case, would become Lord Privy Seal and Mr Chuter Ede would take over the leadership of the House of Commons.

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Figures in the Air

Mr Arthur Henderson, the Secretary of State for Air, is not a compelling parliamentary figure, and his introduction of the Air Estimates on Tuesday was rightly described by Mr Eden as an "amiable gallop through a pretty voluminous brief." In describing the expansion of the RAF, he was reduced by the dictates of security to the method of Russian trade statistics, giving figures as a proportion of an unknown base-line. Thus "the present strength of the Royal Air Force is more than half as great again what it was . . . in March, 1948"—a statement that sounds impressive to those who do not know how small the front line strength was three years ago; that it consisted of a tiny handful of squadrons. But Mr Henderson did give a few encouraging facts. One was the great improvement in the number of night fighters and the introduction of the Canberra into squadron service. (The technical aspects of the debate are dealt with in a note on page 563.)

But neither these facts nor the soothing tones of Mr Henderson and his under-secretary could conceal the fact that Britain's air defences are by no means adequate at the moment and are unlikely to be for some time to come. The aircraft construction programme cannot be accelerated very much. There is a great deal of leeway to be made up in the training and provision of aircrews; Transport Command and Coastal Command present as urgent cases for expansion as do Bomber and Fighter Commands. The problem of submarine detection and destruction is still, as Mr Henderson admitted, "a formidable one." In addition, the British lead in fighter design, which for a period after the war was unchallenged, has been overhauled by the successful development of delta wing types in America and in Russia. Of the three services, it will undoubtedly take the RAF longest to achieve full preparedness.

In so far as there was any party division in the debate, it seemed to show itself, curiously enough, on the question whether Britain should possess a long-distance bombing force. Mr Eden and other Tory members emphasised the importance of being able to strike enemy bases and argued that Bomber Command should possess heavy bombers, while Mr Paget and other Labour members regarded it as a task to be left to the Americans. It seems unlikely that the RAF could achieve its urgent task of expanding its fighter and tactical strength and organise a heavy bomber force as well, and since this seems to be the Government's view, it is hard to understand why four-engined and larger machines are under development. It may be that British design teams can make a genuine contribution to heavy bomber construction, or it may simply be that the *amour-propre* of the industry needs soothing. It is impossible to tell from the generalities expressed by Mr Henderson.

Private Members' Time

Mr Eden indulged in some justifiable banter against Mr Morrison this week for the failure of the Government's supporters, including Mr Morrison himself, to rally last Friday for the vote against a private member's motion criticising the Government for bungling the purchase of raw materials. This is the second successive vote carried against the Government on a private members' day and though no question of confidence is at stake, the issue of prestige certainly arises. It will be a great pity if the whips are, officially or unofficially, to be put on private members' business, for the result would be to destroy the essential nature of such occasions, which give members the chance to vote on individual rather than party lines. Both sides of the House are at fault in this matter. The Tories, by using private members' time for such measures as the present Transport Bill, tried to force decisions on major issues of policy. Mr Morrison for his part has little defence. He has for so long been contemptuous of private members' activities that he cannot complain if his opponents use these occasions for party purposes.

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Stalin's Budget

At the session of the Supreme Soviet, attended on Wednesday by Stalin and all the Soviet leaders, the Finance Minister, A. G. Zverev, reviewed the Soviet budget for 1950 and presented the estimates for 1951. Perhaps because of the preliminary talks now being held in Paris, he dealt with the international situation at greater length than is customary for a Finance Minister. He contrasted the "peaceful development" of Soviet economy with the "war economy" of the western powers. Later he stated that 21.3 per cent of the 1951 budget has been earmarked for defence. Although this figure is 2.7 per cent higher than last year's defence estimates (18.6 per cent) it does not yet show a new line in Soviet policy, but seems rather to strengthen the impression that Stalin is still wavering and awaiting new developments before committing the Soviet Union to a definite line of international, and hence of economic, policy in face of western rearmament. The rise in the expenditure on defence, is not as steep as it appears, since the actual expenditure on defence in 1950 in fact exceeded 20 per cent of the total budget. Stalin's indecision may best be seen by comparing these percentages with two other sets of figures: between 1933 and 1937 expenditure on defence accounted for less than 13 per

SOVIET BUDGETS
(In billions of roubles)

	1950 (estimates)	1950 (actual)	1951 (estimates)
Revenue:—			
Turnover tax.....	239.0	235.0	244.6
Profit tax.....	40.0	40.4	47.1
Direct taxes.....	35.4	35.8	43.1
State loans.....	31.8	31.0	33.3
Other revenue.....	85.8	78.9	89.9
TOTAL.....	435.1	422.1	458.0
Expenditure:—			
Grants to National economy.....	164.4	157.3	178.5
Social and cultural.....	120.7	115.8	120.8
Defence.....	79.4	82.9	95.4
Administration.....	13.9	13.9	14.2
Unspecified.....	49.5	41.8	51.6
TOTAL.....	427.9	412.7	461.5

cent of total budget expenditure; between 1938 and 1940 for over 26 per cent (in 1940 it reached 32 per cent). For the moment the proportion spent on defence is still somewhere half way between the two.

Broadly speaking, neither the actual figures for 1950 nor the estimates for 1951 reveal any strikingly novel departures from the pattern of the previous budgets. Both revenue and expenditure were in 1950 lower than had been estimated. On the revenue side this is explained by the fall in the turnover tax due to a reduction in the price of consumer goods;

on the expenditure side, grants to industry and social and cultural services have been the main victims of saving.

The new cut in the prices of consumer goods, it is claimed, should enable consumers to "save" 27 billion roubles in the present budget year. Despite this Mr Zverev forecast an increased revenue from the turnover tax. Hence he must rely on a substantial rise in consumption and therefore on the ability to supply a sufficient flow of goods.

Mr Zverev stressed the great achievements of the Soviet economy during the last five years. Yet he did not attempt to draw a balance of the last Five Year Plan, nor did he make any reference to a new plan. Soviet reluctance to proclaim its economic targets is certainly not unconnected with the international situation and with Stalin's perplexity as to whether or not he faces a 1938 situation.

Morocco and the Moslems

General Juin's request to the Sultan of Morocco that the Istiqlal-National Party—be disbanded has caused serious demonstrations, disturbances and strikes throughout the Moslem world from the north coast of Africa, through the Arab Middle East, as far afield as Indonesia.

The General's intentions were good. He wished to rid the country of organised Communism, which was supporting the Istiqlal, before American soldiers arrived to begin construction work on new air bases. The Pleven government, which fully supported the General's actions, failed to realise the effect their actions would have in the Moslem world. Volatile Arab crowds have joyfully screamed "Down with French imperialists." The Egyptian Prime Minister, Nahas Pasha, has stated that his government regards the issue as similar to that which arose in the Levant states in 1945, when the French attempted to retain the Mandate over Syria and the Lebanon and render powerless the governments of those countries. Egypt and the Arab countries gave as strong verbal support to Syria and the Lebanon as they are now giving Morocco. A special meeting of the Arab League has been called to discuss the Moroccan situation, and the Arab states are loudly proclaiming their intention to break off diplomatic relations with France and uttering other threats which they are most unlikely to carry out.

In Morocco, where some Istiqlal leaders have been arrested, all is quiet, and although there is considerable surprise at the repercussions caused in Cairo, there is keen disappointment that the Americans, who were believed to support Moroccan independence, have remained so neutral. However the present crisis may end, the fundamental issue of Moroccan independence remains. The Moroccans are far more politically educated, and certainly on these grounds have a greater claim to independence, than their neighbours the Libyans, who will be granted staterdom next year. Until the Moroccan question is settled the Arab world will demonstrate against imperialism, whether of the British, American or French variety, every time a tarbush is dropped. It is useless to point out that France has sent some of its best colonial administrators to Morocco, or to mention the benefits the inhabitants derive from the capital brought into Morocco from Paris by over 300,000 colonists. These colonists, who have built homes and intend to remain with their families permanently in Morocco, stand in the way of a Moroccan state, as the French would never willingly agree to be ruled by Moslems.

Third Force in Search of a Leader

After M. Guy Mollet's convincing failure last Tuesday to gain from the National Assembly the absolute majority for his investiture, the President of the Republic has again asked the Radical, M. Henri Queuille, to try to form an

administration. M. Queuille, the former country doctor, who led the most stable of postwar governments, from September, 1948, to October, 1949, is the most generally popular of the politicians of the Third Force, and at the time of writing seems likely to succeed in negotiating a compromise on electoral reform between his own party and the MRP. The signs are that the parliament, less the Communists, recognises the need for elections in the early summer and will agree upon how and when to go to the country. Nothing more serious than a forty-hour strike of Parisian bakers is happening at present.

In the economic field the *gouvernement de liquidation* will have to take a decision on wages in the nationalised industries and subsidies for coal, electricity and steel; in so doing it will carefully measure the relative political advantages of granting increases and subsidies now (if such measures can be financed) or waiting until the summer, when present stocks are exhausted and the incidence of the higher cost of raw materials and retail prices will have become plainer. In spite of the economic hardships the political temperature is low; if only inflation can be avoided it is likely to remain so.

In world affairs French confidence is waxing day by day; the Egyptian allegations about French brutality toward the Moroccan population have provoked a wave of healthy indignation. Much credit for this heightening of national conscience should go to Jean-Paul David, the Radical deputy, who is running a powerful and subtle campaign of propaganda against the Soviet Fifth Column.

Divorce After Seven Years

The major private member's Bill for discussion in the House of Commons on Friday was the Matrimonial Causes Bill presented by Mrs Eirene White. It proposed to extend still further the grounds for divorce.

The Bill provides that a petition for divorce may be presented where the parties have lived separately for a period of not less than seven years and where there is no reasonable prospect that cohabitation will be resumed. It adds one further qualification: the court may refuse a divorce, or defer granting a divorce, to a husband who has not fully met all his existing financial liabilities to the wife and to any children of the marriage. Where no formal obligation has been imposed on or accepted by the husband, the court, again as a condition to the grant of the divorce, may require him to make proper provision for his family.

Hitherto, in England and Wales, divorces have only been granted (save in the case of insanity) on the supposition that one party has committed a matrimonial "offence" and the court, accordingly, regarded the other spouse as entitled to a divorce because of that offence. True, the supposition had worn thin enough, but under Mrs White's Bill it would be possible for a man or a woman to be given a divorce because his or her spouse had committed no more "offence" than a determination to abide by a mutual decision to separate. For that reason many people will condemn the Bill on principle. But it is extremely doubtful if, today, a majority of people do hold to the rigid view. Marriage in English law (as distinct from English society) has never been a sacrament, which means that the benefits and burdens of that state must be subject to the normal tests applied to any social and economic custom. Certainly no lawyer could claim that Parliament would be wrong if it gave the claims of social justice greater weight than the claims of religious doctrine. Mrs White's Bill is designed to meet the cases, roughly estimated at 100,000, in which the reality of the marriage has been ended by a separation, brought about by consent or by court order. It is not a matrimonial offence to be separated by agreement or court order. It may be an offence, that of desertion, to be separated without any

order or agreement at all, with the result that a woman deserted by a husband and offered a separation agreement may have to decline the protection it gives in order to keep alive her chance of getting a divorce. When a man and wife have separated for seven years, when the obvious and inescapable fact is that their marriage is dead in everything but status, it cannot be right to condemn them to a choice between perpetual celibacy, casual encounters or an irregular union. Nor can it be right to punish in that way any individual who will take on the risks of an irregular union with devotion, nor the children of such a union who, as the law stands, can never be legitimated. If social justice is the proper test, the arguments in favour of the Bill are overwhelming.

Overtime Tactics

The present disputes in parts of the engineering industry emphasise what to the outside observer are somewhat conflicting elements in the trade unionist's attitude to overtime. On the one hand, the opportunity to work regular overtime appears as a privilege, whose distribution among the labour force is in many undertakings a subject of jealous scrutiny and whose withdrawal is regarded as legitimate ground for a strike; on the other hand, refusal to work overtime has been in recent months the chief weapon used in disputes in the printing trade, and now the engineering industry. It is quite wrong to conclude that overtime is refused, just as the shorter basic working week has been demanded, because of a preference for leisure as compared with additional income. The shorter working week is in fact a device for ensuring that more of the hours actually spent at work shall be called overtime and paid for accordingly; it is a disguised wage increase whose advantage in giving the worker a more flexible choice between work and leisure is only secondary. Hence the importance attached to a "fair" distribution of overtime opportunities—and hence, also, a proportion of the midweek absenteeism which can be profitably made up at weekends.

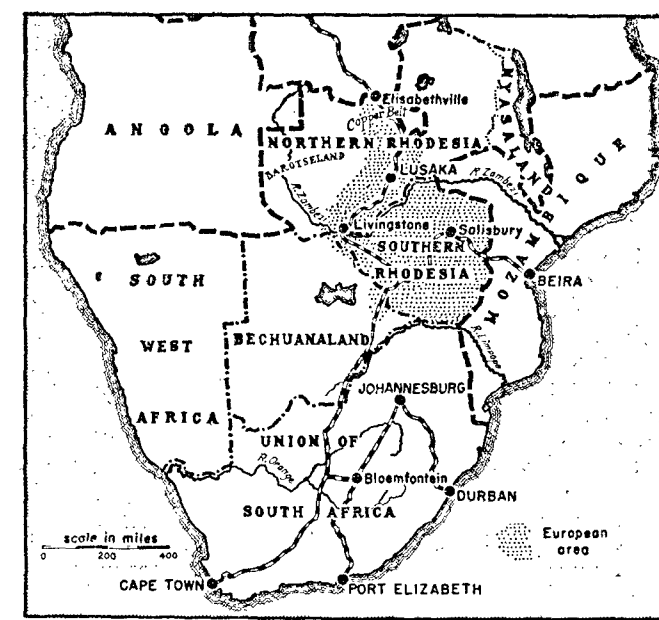
A situation in which plenty of overtime must be worked in order to keep overheads within bounds and get jobs done to schedule suits the wage-earner, in fact, far better than it suits the employer. But, given that situation, it is important to the employer that the necessary overtime shall in fact be put in, and refusal to work the extra hours can be used exactly as the strike weapon is used. It constitutes, indeed, a semi-strike, with the advantages that it carries no such opprobrious and significant name; that it involves only a partial, instead of a complete, sacrifice of earnings; and that it puts the employer unable to face the losses involved in the position, should he close down his works, of having originated a lock-out. In the current engineering dispute refusal to work overtime or on piecework is related to dissatisfaction with piece-rate earnings, but the relation is fortuitous. Any grievance or ambition could give rise to similar tactics. The shorter basic working week has added a powerful new weapon to the workers' armoury.

White and Black Rhodesia

Officials from the two Rhodesias and Nyasaland and members of the Colonial Office have this week been discussing the possibilities of closer union between the three territories. The question has been debated so often, both by a dispassionate Royal Commission and by heated and prejudiced adherents of both sides, that it is difficult to believe that any concrete proposals can now be put forward with any hope of success. African opinion was so stampeded by the handling of the Victoria Falls conference, from which Africans were excluded, that it will regard any proposals for closer union with intense suspicion, while European

opinion in Southern Rhodesia is unlikely to accept anything less than full amalgamation.

The present conference, therefore, might well consider a proposal first put forward many years ago, and now being revived, that Northern Rhodesia should be partitioned. The copperbelt and European farming areas along the railway line would be amalgamated with Southern Rhodesia to form a self-governing colony; the north-eastern part of the territory would be amalgamated with Nyasaland as a protectorate under the Colonial Office; and another protectorate would be formed by the amalgamation of the rest of Northern Rhodesia with Barotseland and possibly Bechuanaland. The point of making the new territories protectorates rather than colonies is that the possibility of all the areas being eventually amalgamated into a central African dominion should be



kept in mind; it should be made clear that this is not a policy of *apartheid*, but of preparing the way for, eventually, a successful federation or even union of white and black areas. The chief purpose of the partition would be, that it is to say, to lessen the present friction between Europeans and Africans so that the extreme views which each holds of the other might in time become more moderate or even disappear. There would probably have to be a subvention, though not necessarily a large one, from Rhodesia to the protectorates, but this would be a cheap price to pay for racial harmony.

Persecution of *La Prensa*

If there were any lingering doubts about the character of the government that President Perón has given the Argentine people, these must be dispelled by the mixture of chicanery and violence he has used to suppress the leading independent newspaper of Latin America—*La Prensa*. Over the past two years the President and his henchmen have harried the publishers of *La Prensa* and have attempted to drive them either into bankruptcy or subservience. Supplies of newsprint have been cut off, bombs have appeared in the premises, advertisers have been intimidated and the paper has been accused of being a tool of alien exploiters. Through all these tribulations *La Prensa* has stuck to its job of reporting impartially the news, including the speeches of both government and opposition.

Recently Perón's attack has sharpened and it is now almost six weeks since the paper has been allowed to publish. The immediate offence committed by *La Prensa* was to

report objectively the railwaymen's strike, which occurred at the turn of the year and ended when the independent union was broken and replaced by government-appointed spokesmen of the workers. The sequel followed on January 25th. The Newsvendors' Union—a member of the Government-controlled CGT—declared a boycott after the management of *La Prensa* had refused to meet their demands for sole distribution rights and for a 20 per cent share in the paper's revenue from classified advertising; this cut was to be used for the union's welfare funds. Other associated unions struck in sympathy, making it impossible for *La Prensa* to appear on the streets.

After a month's stalemate a new chapter opened last week. The printing staff of *La Prensa* called on the police and, upon being assured of their protection, decided to resume work at the picketed plant. On their arrival they were met by gangs of armed hoodlums who shot one printer and wounded fourteen other employees. The police appeared on the scene only after the shooting, and then only to close the premises and to round up the staff for interrogation. Two foreign correspondents, one British and one American, who witnessed the shooting, were also imprisoned and released only after protests from their respective governments.

Since the incident, members of the government-sponsored trade unions have met to pass resolutions condemning *La Prensa* as "an enemy of the workers" and demanding its expropriation in order that it become "an organ of service to the country." Presumably the first step toward satisfying this "spontaneous popular" demand has been taken; legal proceedings were instituted this week against the principal owner, Dr Gainza Paz. According to the local Peronista press, the charges against him include promoting "a disorder that caused one death and several wounded" and "disseminating disruptive propaganda." This is the technique of Hitler.

The Explosive Soles of Luebeck

Stories that Communists and Fascists have from time to time used explosive soles and heels to remove some of their more obnoxious opponents have hitherto sounded like one of the wilder nightmares of Hollywood and Senator McCarthy. Now the police of Schleswig-Holstein have discovered an arms dump in the neighbourhood of the Soviet-German frontier which contained, among a quantity of ammunition, dynamite charges and fuses, and five soles and heels made of a highly explosive material called (appropriately enough) "Ekrahit." It must be assumed by the most sober observer that this type of soling and heeling was intended for somebody—perhaps somebody who intended to take a trip by air.

Traces of other similar dumps, which had been removed in time, have been found by the Luebeck police. This find seems to confirm the reports which were issued by responsible officials, including the head of the railwaymen's union, that the Communists had been ordered to prepare for widespread sabotage in Western Germany. Dr Lehr himself, from the Ministry of the Interior, recently declared that police uniforms had been smuggled across the frontier from the Soviet zone.

Bonn still has no police force with which to meet subversive activities, though there has been progress latterly towards agreement in principle on the establishment of Western *Bereitschaften* and frontier guards. It is deplorable that the weakly German democracy should be exposed to the dangers that arise when plots have to be countered by armed police and a secret intelligence corps. In comparison, the evil effects of setting up a regular German armed force inside the framework of Atlantic defence would be negligible. But the explosive soles of Luebeck tell a tale that cannot be ignored. Nobody can imagine that the latest British action in tightening interzonal passes will be an adequate answer to "Ekrahit."

The Heresy of Slingism

Heresies seem to be multiplying in the Stalinist empire. It is an affliction that can command some sympathy from Europe, which was so long riven and weakened by the heresies of men who had visions or thought for themselves. A curious feature of the Communist phenomenon is that the charges against the heretics are always cast in very much the same forms, whereas the heresies get different names. "Slingism" is the latest variation on a theme originally announced three years ago by Marshal Tito; yet the alleged crimes of Otto Sling, secretary of the Czechoslovak Communist Party in Brno, are boringly similar to those charged against Laszlo Rajk in Hungary and Traicho Kostov in Bulgaria—both now "liquidated." Like them he took money from foreign intelligence services, plotted to overthrow the government and conspired against a leader's life—or so it is said.

There is one interesting difference between "Slingism" and its predecessors. Whereas Rajk and Kostov were accused of plotting with Tito, Sling seems to have been a lone wolf, guided solely by his wicked instincts; although he was aided and abetted by such people as Mme Smervova, once acting secretary-general of the Czech Communist Party but now revealed as "her real unbolshhevik petty bourgeois self." It looks as if the Party has decided that nothing is to be gained by implicating Tito in such incidents, because it merely shows how heresy breeds heresy and how Yugoslavia's defiance has been so far successful. Indeed, Titoism is now surrounded with an aura of success and is best forgotten.

In any case, the backslidings within the Czechoslovak Communist party are clearly sufficiently grave to justify a grand show trial. Periodic and frequent purges of the party have proved inadequate; so now it is to be subject to a "continuous and never-ending purge." According to Kopecky, the Minister of Information, only those will remain who

consider it as their most sacred duty unconditionally to love the Soviet Union, the glorious All-Union Party of the Bolsheviks and Comrade Stalin.

To fail in this duty is the error which all these heresies—Titoism, Kostovism and Slingism—have in common. Now that Togliatti has returned to Italy from his treatment in Moscow, it is presumably the turn of Cucchism.

Teachers' Training

It is a bold step by the Minister of Education to abolish the four-year teacher training grants when graduates in the schools are so scarce. In principle he is perfectly right. In practice he is taking a grave risk. For decades graduate teachers have been lured into the schools by the bait of a four-year university course at state expense. At the outset they signed a "declaration" of intention to teach. This declaration has been much reviled and is now to be abolished. Henceforth no one need commit himself to teaching until the end of his third year, when he starts the final post-graduate year of training. Up to that time no one will bear the label of "intending teacher." Those who hope to train will compete on equal terms for open state and local scholarships.

This decision of the Minister raises two important issues. First, will the new arrangements affect the flow of graduate teachers to the schools? In the short run, it is difficult to feel optimistic about this. Good graduate teachers, particularly of science, are already critically short in the grammar schools: in a number of girls' and a few boys' schools science departments are being closed. The abolition of the declaration may increase the shortages. In the longer run, the difficulty of finding good arts teachers is likely to diminish as alternative occupations become well filled, but for most sciences the openings in industry are still easy to find and attractive.

The second issue affects the universities. To fill in the gap caused by the abolition of the teacher training grants the Ministry of Education now proposes to increase the number of state scholarships by another 950, up to a total of 2,000, and hopes to persuade local education authorities to increase their grants as well. In 1949-50 new teacher training grants were running at 1,580 a year, so that local education authorities would have to increase the number of local awards by about 650 to bridge the whole gap. This would mean an increase of some 16 per cent over the number of major awards (4,026) given in 1948-49. At a time when local authorities are being pressed from every side to economise such an expansion will be difficult. Yet without it the universities may have difficulty in filling their places. The chances of finding good fee-paying students decrease as taxation and the cost of living rise.

* * *

New Towns and Rates

Hertfordshire County Council is alarmed by a steady rise in rates. In contrast to a favourable prewar position, its rates last year reached a level exceeded by only two other counties in England. This year a further steep increase has been prevented only by the possibility of taking the equivalent of a 1s. 5d. rate out of balances. The special factor in Hertfordshire's case, which causes gloomy financial prognostications, is that the county contains four new towns and two LCC satellites. The initial cost of providing these new areas with county services is considerable. The provision of education (which anyhow absorbs well over half the county's rate) is particularly expensive, since the number of children in the developing areas is far above the average. In fact it is claimed that the present rate income from the LCC's Oxhey estate does not even cover its education bill.

Hertfordshire is, of course, a special case among counties, since it bears the brunt of public schemes of dispersal from London. Moreover, its distant future is perhaps brighter. In the long run, the new towns, if they turn out to be the "balanced communities" which are intended, may accumulate enough rateable value to pay their way locally—although LCC estates will certainly not do so. The county's problems underline the haphazard way in which the costs of physical reconstruction will fall on local authorities in the London region.

The redevelopment of central London and the dispersal of population—if it actually comes to pass—will be costly and will affect local authorities, in unequal measure, over a wide region. "Exporting" authorities, of which the LCC is the chief, must face not only high redevelopment costs but a heavier burden of debt charges in consequence of their reduced population. "Importing" authorities also face a serious deficit where they are saddled with large housing estates of low rateable value. The only contented local authorities will be those which, like Hertfordshire itself before the war, can attract a big influx of middle-class residents. It seems from their planning proposals that some counties near London are hoping to make their contribution to the dispersal policy in this painless manner.

The present method of financing major schemes of reconstruction in the London region is neither fair as between the numerous local authorities affected, nor does it encourage development to take place on the right lines and in the right places. The same point applies to other big industrial regions which have similar problems. It is surely time that the Government instituted an inquiry into the whole tangled subject.

* * *

Old People's Homes

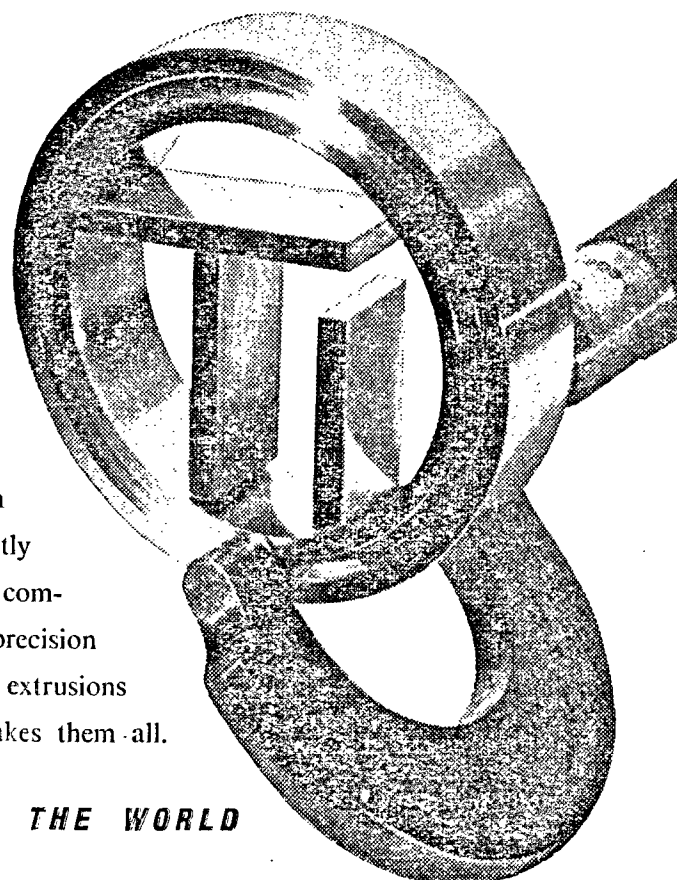
The National Corporation for the Care of Old People has its feet firmly planted on the ground. Its annual reports,

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of which the latest has just appeared, show that it continually bears in mind the increasing burden that old people are throwing on other sections of the community and the consequent need to ensure that what help is given is given economically and where it is most wanted. It insists, therefore, that the accommodation provided by local authorities and volunteer bodies should be restricted to old people really in need of "care and attention"; it should not be provided for those who, however lonely, can live independently in their own homes or who have relatives able to give help and care. Similarly, it deplures unnecessarily high standards in the homes provided, which must limit their numbers. "Few old people in their own homes are able to maintain the standards which some local authorities are setting." Probably this criticism should be directed at the Ministry of Health, which imposes the standards, rather than at the local authorities themselves. For instance, the Ministry has laid down that the floor space of a cubicle in a converted dormitory should be quite unnecessarily large, which would at once reduce the number of cubicles that could be provided. As the corporation says, there have to be standards, but they must be reasonable and must not be lavish.

The other main topic dealt with in the report is the old one of the borderline between sickness and health in old age. The report points out that some homes, originally intended for the able-bodied and staffed accordingly, are probably now facing the increasing infirmity of their residents. The danger is that they will either have to take on more staff, and therefore possibly become too expensive, or will degenerate into small, inadequately staffed, homes for the chronic sick.

To avoid this danger the corporation has agreed to provide the capital for experimental homes whose maintenance costs would be shared between the hospital and the welfare authority according to the number of residents for whom each was prepared to accept responsibility. Money given by the people of South Africa is being devoted to this purpose. Unfortunately, the suggested division of maintenance costs has so far not proved possible. One reason is that old people classed as hospital patients receive their old age pension either in full or in part and free maintenance, whereas old people classed as in need of care and attention are charged a minimum of 21s. a week. Such is the result of the attempt to co-ordinate the social services, which was one of the main purposes of the Beveridge Report.

* * *

Revolutionising the Tay Valley

The plan for the future development of the counties of Angus and Perthshire has now been published for the East Central Scotland Regional Planning Committee. It calls for the elaborate reorganisation of industry and redistribution of population, without regard to the economic problems involved, which is characteristic of too many of the postwar regional planning schemes. The Tay Valley district has an area of some 2,000,000 acres and a population of under 400,000, nearly half of which is concentrated in Dundee. Apart from Perth with 40,000, Arbroath with 20,000, and two other towns with about 10,000, the populations of the remaining ten burghs range from 700 to 7,000. During the nineteenth century, the rate of growth of population in the area was less than that of Scotland as a whole, and there has been a five per cent decline since 1901. Rural population has fallen steadily since the middle of the nineteenth century and there have been similar decreases in most of the small burghs during this century; Dundee continues to grow, but at a diminishing rate.

The purpose of the plan is to reverse this population trend. One is asked to take it as axiomatic that 150,000 is the ideal population of a town and that, therefore, 30,000 people from Dundee should be partly rehoused in two satellite towns and partly distributed over the region. "If

people left the rural areas because they could not make a living then the means must be provided to make that living." The necessary housing services and social facilities to encourage people to repopulate the foothills of the Grampians and Central Highlands must be provided. To provide employment, people establishing new businesses or extending old ones will be encouraged to site their works at places that in many cases must be miles from the nearest railway and subject to isolation by snow in winter. Furthermore, on the theory that diversification of industry is a remedy against unemployment, no village must be dependent on a single firm, and a limit of twenty or thirty employees per firm must be set. The problem is seen entirely in terms of control over the location of new building and the transplantation of seedling businesses from some unidentified nursery garden. For this purpose the successful development scheme in Dundee, where general services seem capable of further loading, must be halted. It is blandly assumed that what has been possible in a large town with seaport and main-line railway services, suffering from unemployment through the depression of an industry which once occupied nearly half its working population, is equally possible on a diminished scale in a highland village with a few hundred souls.

Nowhere is the cost of the proposals considered. The provision of buildings is regarded solely as the choice of one site rather than another. The effect of location on production costs is ignored. The same nonchalant attitude to costs is shown in the endorsement of the local demand for a Tay road bridge. Such a bridge would undoubtedly benefit about 250,000 people living north of the Tay by improving communications with the growing coalfield in Fife; it would

Fiscal Probity

It is essential to our future safety and good government that all leaders of public opinion, whether in Parliament or in the press . . . should take a deliberate view of the solemn responsibilities attached to their position, and . . . should resolve to abstain in future—whatever be the temporary triumph they may thereby have to forego—from arousing that "ignorant impatience of taxation" which, if carried much further and persevered in much longer, will end in rendering the wise and safe administration of this great empire a thing almost impossible. Already it is difficult to modify or to exchange a tax without raising a storm which no cautious Chancellor of the Exchequer will readily encounter. Already it is difficult to maintain inviolate sources of revenue which every man with the slightest insight into public business knows to be perfectly indispensable. Already, on more than one occasion, legislators, in whom class sympathies overpowered their sense of the imperial necessities, or whose thirst for popularity was stimulated by an approaching dissolution, have voted the repeal of taxes which it was impossible to spare; . . . All this is fraught with menace and with mischief: . . . it should be met face to face, and vigorously argued down. We shall scarcely be accused by any who have accompanied us from the beginning, of being the advocates either of lavish expenditure or of needless or mischievous taxation: we have fought in the ranks of retrenchment and reform too energetically and too long not to have earned the right to speak our thoughts now, and to be listened to with patience and candour, when we say that England can well bear, and ought not to grudge, any expenditure demanded for the maintenance of the national credit, for the completion and consolidation of the national interests, for the collection of that full and close statistical information without which rulers must often be working in the dark, or for the remuneration of those public services which—where really rendered—it is not easy to overpay.

The Economist

March 8, 1951

WORLD IDEAL

ONE fact should be remembered by everyone who talks about the American public reaction over Korea, if we wish to avoid glib reactions of our own.

We shall comprehend the feelings of ordinary Americans with sympathy if we do not forget that Korea has cost them casualties on a scale more than fifty times the British toll. The total is equal to the population of a fair-sized town. It is 49,000. More than 8,000 homes in the United States mourn men who will not return.

We should honour the memory of these American young men, and our own. Whatever history finally records of Korea, however much more we may learn, it will be right to remember that belief in a great ideal sent them to that country—the ideal of responsibility to enforce world law and order, fully accepted by a world organisation of nations for the first time.

We honour these men who died for a world ideal. We should think generously of the United States for her sacrifice in defence of it.



Reprinted from the editorial column of the Daily Mirror of 22nd February. The Daily Mirror's net sale—over four and a half million—exceeds that of any other daily newspaper in the world.

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have little advantage for longer-distance communications, and an expenditure of upwards of £3,000,000 must be judged entirely in terms of local advantage. The Tay Valley has its problems, but the plan not only fails to offer a solution; it fails to state the problems.

Dutch Trade is Shattered

At midnight on February 26th, a goods train loaded with Dutch vegetables was stopped at the frontier by German customs officials. By the following morning, Holland realised that overnight it had, at least for the time being, lost its chief markets for fruit and vegetables, and dairy produce for the duration of the German economic crisis. The Germans had been importing these under quota until they decided temporarily to suspend imports from all countries in the European Payments Union.

At that point, their debt to Holland under EPU was rather more than \$100 million. Earlier, on February 21st, the frontier had also been closed to imports on the liberalised list, which included Dutch eggs and electrical products.

In the short term the German action means that Dutch exporters have enormous perishable surpluses on their hands which must either be counted a total loss or put in expensive cold storage. Dutch exports of eggs to Germany were running at the rate of approximately £1,500,000 a month, fruit and vegetables at about £700,000. On the longer term, the Dutch

can expect that the Germans will relax their ban. What they cannot expect is that trade can return to the high levels of 1950. For Holland this is a serious blow. Under the auspices of liberalisation, their total exports to Germany in the first eleven months of 1950 rose to roughly £92 million including nearly £7,000,000 of butter, £13 million of eggs and over £7,000,000 of vegetables, for which there are no obvious alternative markets.

The movement to liberalise European trade and payments has been based, to some degree inevitably, on a highly artificial structure, too inflexible to absorb the natural stresses that are bound to arise. When one strut snaps, others have to bear an intolerable strain. It is artificial primarily in its geographical scope; eighteen countries which are not entirely complementary trading partners have agreed to free a fixed level of their trade with each other and to regard this free element as a permanent factor in their trade balances and their internal production. It is artificial, secondly, because all those eighteen countries are at different stages in their economic recovery. It was undoubtedly worth trying; but, if only to protect the vulnerable members, it should have been tried on a far broader basis. Holland might not have suffered if Germany had been able to earn a sufficient surplus with other members of the EPU to finance the deficit in its trade with the Dutch. But within the limited field which the Payments Union actually covers, there was little chance of this being possible.

Letters to the Editor

FBI and the Budget

Sir,—In *The Economist* of March 3rd it is stated that "The FBI, having reckoned that £300 million a year could be secured in this way (that is, by economies in civil expenditure), then lends support to the spreading fallacy that an equal further 'saving' could be got merely by switching the capital financing of local authorities from the central government to the private capital market."

May I suggest that this statement does not represent the intentions of the FBI memorandum? The authors of the memorandum did not for one moment suppose that by switching the amount of £300 million from the central government budget (where it appears in the "below the line" expenditure) and putting it more directly on to the shoulders of local authorities, £300 million of physical resources would automatically be made available for financing rearmament. Obviously if the same expenditure is incurred as before, and there are no additional savings, the change would make no contribution whatever to the problem of financing rearmament without inflation.

The main purpose of the transfer would be to throw the financial responsibility more directly on to the shoulders of those who are responsible for initiating the expenditure, and it is believed that such a change would lead to greater economy than the present system of financing this expenditure by ultra cheap loans through the central government. The field of economy in local government expenditure is, of course, wider than that covered by these loans.

The Chancellor of the Exchequer has, however, two closely related tasks: one is to keep the "domestic" accounts of the central government in good order by balancing the budget (or budgeting for a defined surplus or deficit), and the other is to endeavour by his own policy to keep the nation's finances as a whole healthy, i.e., to encourage savings to match capital expenditure or discourage capital expenditure to match savings.

The saving of £300 million referred to in the FBI memorandum is the gain to the central government budget.

It is obviously proper when considering the more domestic problems of the Chancellor in raising taxation for the central budget to take this saving into account. If there is not a corresponding reduction of expenditure by the community as a whole, then to this extent this balancing of his own budget will not succeed in reducing the inflationary pressure.

May I point out that the Chancellor is faced with precisely the same problem when he raises extra taxation? If he raises £300 million of extra taxation, but this is offset by a corresponding reduction in savings, or an increase in capital expenditure, his action in trying to avoid inflation is, to this extent, rendered nugatory.

It is to be regretted that the brevity of the FBI memorandum should have caused misunderstanding, and to have led anybody to suppose that its authors fell into the very elementary error of which they are accused.—Yours faithfully,

S. P. CHAMBERS

Chairman, Taxation Committee,
Federation of British Industries
London, S.W.1

Middle East Oil

Sir,—An author should take criticism in good part, but I feel that the review of "Wells of Power" in your issue of February 17th is perhaps unfair in general and misleading in particular. The gravamen of the general charge lies in the reviewer's objection that I failed to go into detail in the matter of the 1950 negotiations for a revised Middle Eastern oil concession. The omission was deliberate and actuated by two considerations, the first that a book timed for publication near the crucial moment likely to decide failure or success in these negotiations might embarrass the negotiations if it dealt in detail with this subject, the second that on a long-term view I thought, and still think, these arguments may prove ephemeral.

From several instances of misrepresentation or misstatement may I select two?

(i) Your reviewer writes:

Many other facts given are plainly wrong. For instance, Sir Olaf dubi Turkey a dictatorship, which is to ignore the elections of May, 1950.

I wrote (pp. 14-15):

At least she (Turkey) has been able to take on the social and political forms of Europe in a grave and measured manner, all her own. . . . It is true that the revolution in Turkey led her through a stage in which her people submerged all loyalties to a single leader. But that resignation, even as Islam itself, had in it some quality of independent will, something human and not mechanical, which, search as one may, is not discoverable in Russia or the satellite States. Turkey has had her Cromwell and revered him. Now she moves on to wider fields.

(ii) Your reviewer writes:

He states that Russia, when Israel won the Palestine war, dropped the Arabs and took up with the Israelis, whereas the fact is the other way about.

I did indeed write more or less that (pp. 153-4). In support one might quote two recent books, Mr George Kirk's "Short History of the Middle East," and Sir Reader Bullard's "Britain and the Middle East." On page 287 of his book Mr Kirk describes the Russian solicitude for the embryonic Jewish State, which, he points out, lost them their support in Arab left-wing circles. He added that this policy would change with expediency. On pp. 152-3 of his book Sir Reader observes that Russia and her satellites recognised Israel immediately, and that Israel began her career with expressions of gratitude to America and Russia. So wrote I.—Yours faithfully,
Steyning OLAF CAROE

Eight Pennyworth of Planning

Sir,—Your objection to Mr Webb's defining as "inflationary" the increase in the price of Argentine meat calls for some comment:

(a) The present British economy is surely one of "controlled inflation," that is, an economy in which the excess of demand over supply is only partly checked at source, and otherwise is controlled in its symptoms—rising prices—by various means.

(b) The controlled price of meat is an essential component of the cost of living, and any increase in the former has a direct effect on the latter, which contributes to cause a general rise of the salaries and wages.

Therefore, while it is evident, as you say in your reply to Mrs Hall, that more purchasing power would be absorbed by a higher meat price, it is hardly likely that this would occur without a corresponding increase in the total purchasing power of the country.—Yours faithfully,
M. BARENDSON

Milan, Italy

A Decimal Currency

Sir,—£ s. d. can be converted into decimals more easily even than Mr Gardiner suggests. We need only mint 20 pence to the florin. 10 florins make a pound. Mr Gardiner gets his 10 pence to a shilling and we keep the

shilling and the pound. Both, being monies of long standing, are well worth preserving and the disturbance to tradition is lost. The suggestion is not original. I heard it first from the late Professor Sir Norman Howarth many years ago.—Yours faithfully,
DENARIUS

The Billion Again

Sir,—May I take the liberty of protesting against the apparent use (in the article on "Electric Power in France" in your issue of February 24th) of "billion" in the American sense of one thousand million (10⁹) and not 10¹², as is customary in England and France. Considerable confusion may result in readers' minds if the American "billion" continues to appear on this side of the Atlantic; and, while it is to be appreciated that you have an American circulation, I would suggest that the adoption of the American usage is a part of a process of depreciation of standards.

I believe that there are many Americans who deplore the continuing tendency to use long words in place of short, grand titles for simple institutions; the use of "university" comes readily to mind. This inflationary tendency is most evident on the average pin-table, where even the smallest score is labelled 10,000. (Compare "transportation" for "transport!") No doubt the word billion makes an impressive sound; but I must deplore the misunderstandings arising from its American sense. After all, as the Lancashire man said in the trenches, its à la language. Why should we not write 2,000 m.?—Yours faithfully,
GORDON MANLEY

Department of Geography,
Bedford College,
University of London

[We gave notice some years ago that, in all American contexts, and permissibly in others, we proposed to fall in with the long-established practice of the large majority of users of the English language and use "billion" to mean one thousand million. In a French context, "milliard" has the same meaning, and might have been used in the article to which Professor Manley refers, but it has never been an English word.

We do not understand Professor Manley's argument about the American addition to cumbersome phrases instead of short ones. "Billion" is shorter than any of the alternatives. His suggestion of "2,000 m." strikes

us as an abomination. If he is prepared to write "m." for million, why not "th." for thousand and "h." for hundred?—
EDITOR.]

The Middle East

Sir,—I do not wish to belittle the importance of the Turkish army, but I feel that many of your readers will think, like me, that your correspondent in your issue of March 3rd ignores well-known facts when he predicts that, of Greece, Turkey and Persia, "Turkey only is likely to stand firm in an emergency."

Not long ago the military correspondent of *The Times* ended an enlightened article on the Greek army thus: "It is probable that no small nation today can put into the field a better army."—Yours faithfully,
ARISTIDE EATYCHIDES
London, N.W.8

A Stone in the Wind

Sir,—Your account of the report of the Committee of Inquiry into the law of succession in Scotland is distinguished for its introduction of a Senator of the College of Justice unknown in Scotland. There was a Lord Morison on the bench some twenty years ago, but he resigned in May, 1937.

Moreover, a surviving spouse in Scotland has for many years, as is indeed clear from the committee's report, enjoyed legal rights in the estate of the predeceasing spouse, rights which cannot be defeated by will. May I refer you to page 7 of the report where the committee note that in England it is only since 1938 that a modified system of legal rights has existed.

The recommendation which you note of a cash payment free of duty to a surviving spouse where there is no will is an extension of the present rule giving the surviving spouse the first £500 of the estate on intestacy when there are no lawful issue of the marriage. The statutory provisions at present in force are in the Intestate Husband's Estate (Scotland) Acts, 1911 and 1919, as amended by the Conveyancing Amendment (Scotland) Act, 1938, and the Law Reform (Miscellaneous Provisions) (Scotland) Act, 1940.—Yours faithfully,
JOAN SMITH

Advocates' Library,
Parliament House, Edinburgh

Books and Publications

Good Governance

The Economic Role of the State. By William A. Orton. Hodge. 188 pages. 12s. 6d.

The borderland between economic and political theory is perilous ground for explorers and mapmakers. Professor Orton's unexceptionable aim is to survey it in the light of fundamental principles—the fundamental principles of ethics and political theory. Of the fundamental principles of economics he remains remarkably careless; deliberately so, indeed, since he is concerned with man, not economic man, with the concrete not with the abstract, but mistakenly so since his neglect leads him to turn a blind eye to entire fields of state activity which any comprehensive survey and criticism should include. There is nothing in his pages about monetary policy, next to nothing about foreign trade, nothing about full employment and the necessity (or non-necessity) of state action to maintain it, there is little awareness of modern welfare theory and hardly more of the analysis of imperfect competition—both highly relevant to his theme.

To say this, however, is in some measure merely to criticise the title Professor Orton has chosen for his book, a title which claims at once too much and too little. Too much, for the reasons just given; too little, since it gives no indication of the scope of his more general discussion of the nature and limitations of the state. In a free society the state must have a monopoly of coercion but must be denied a monopoly of valuation. It is "the social structure through which our sense of right becomes articulate and effective"—but only when that "sense of right" is a genuine consensus, a "sense of the meeting," a joint discovery of the "natural order." When those in control of the state machinery go beyond the implementing of the broadly agreed, claiming a "monopoly of valuations," society ceases to be free. The same danger arises when the state supersedes the social functions of other, voluntary forms of association—family, church, union, corporation—to become either the universal arbiter or the universal provider. On the other hand the state cannot abdicate its function as the interpreter, in economic matters or otherwise, of the moral consensus. (Here Professor Orton takes the argument up to the very edge of the *justum pretium* controversy, but shies away before it is too late.) The competitive economy will only work given certain restraints, decencies, recognition of the "fair" and acceptable thing, not reducible to terms of individual self-interest; it is the state's business to embody these in law, not merely to hold the ring, punish fraud, and slap down monopolies.

This is the economics neither of the neo-classics nor of Socialism but, in essence, of the Papal Encyclicals from which Professor Orton quotes freely; and it leads him to some very odd con-

clusions in particular cases. Altogether his book is best regarded as a challenge, a stimulus to soul-searching, rather than as a guide; it should be judged as an attempt to set the idea of the state in perspective rather than as a prescription for the proper behaviour of actual administrations.

The Koreans

The Truth about Korea. By Robert T. Oliver. Putnam. 178 pages. 10s. 6d.

This is a book on Korean affairs up to and including the outbreak of war last June, written by an American who was personally involved as an adviser to the South Korean Government and an old friend of Dr Syngman Rhee. It is written with passion and sometimes with an excess of sentimentality about the virtues of the Koreans—to whom the author is greatly attached. It is nevertheless worthy of note as a presentation of the case for the South Korean regime, which has been so overwhelmed with obloquy by publicists of the Pritt-Pratt school that a great part of British public opinion now appears convinced that, whatever the legal issue in the Korean conflict, it is a matter for shame that we are involved in defence of so reactionary and unpopular a government. The record in fact shows a remarkable achievement of economic and political progress in a new state which started on its career with every conceivable handicap.

After thirty-five years of Japanese direct rule the Koreans were left without constitutional political experience or qualified administrators; to this disadvantage, which it needed time and settled conditions to overcome, was added the partition of the country, which cut off South Korea from coal and electric power resources essential to its industry. The Americans originally had no plans for building up a Korean state single-handed, and in the early days gave hardly any economic assistance. For two years they clung with fatuous trust to Russian pledges, and far from promoting Syngman Rhee as an American puppet leader, they regarded him with deep disfavour; as one American official put it, "he has made himself so objectionable to Russia that he can never have a part in any American-sponsored government of southern Korea." Even after Washington had been compelled by Russian stonewalling to give political and economic support to the Korean Republic as the only alternative to Communist rule over all Korea, heavy armaments were denied to it in order to refute the Russian charge that "American imperialism is preventing the unification of Korea in order to maintain a military base there." The only result was to leave South Korea helpless to

defend itself against an attack with armoured forces.

Mr Oliver provides some important statistics about the use which was being made of ECA assistance before the North Korean invasion, and quotes an ECA adviser as saying "I have never seen a lazy Korean." Despite many shortcomings, the Korean Republic last June was a going concern and industrial production was steadily rising. It was not a bankrupt or collapsing regime which the Communists set out eight months ago to destroy by force.

Toujours la Clarté

How to Write Technical Books. By John Gloag. Allen and Unwin. 159 pages. 12s. 6d.

Authorship nowadays is thrust upon many who have information to impart but who possess neither a strong desire to write, nor that creative urge which should make communication a tolerably easy task. This book is meant for that increasing army of scribes. It is a sound and practical guide to the writing of technical books by a writer of considerable authority. He is a professional publicist who has written many books on technical subjects and who has had to read many more.

Since the technician is becoming an increasingly significant figure in society it is as well that he should be an intelligent technician. That is the burden of Mr Gloag's primer. If the technician cannot write movingly he should at least be able to write clearly; if he cannot inspire enthusiasm he can, implies Mr Gloag, at least keep his readers' friendly interest—but only if he follows certain rules.

Mr Gloag takes his general method from that advocated by Belloc for addressing an audience: tell your audience you are going to tell them something; then tell them; then tell them you have told them. This book—its first-rate example of how to write a technical book—follows that plan. In the first chapter the author announces his intention. He follows this with a

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of THE ECONOMIST
will contain a
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MODERN BANKING

By R. S. SAYERS

THIRD EDITION, 1951

17s. 6d. net

When the first edition of this book was written in 1937 it was essentially a snapshot, through a theorist's eyes, of banking (mainly English banking) in the middle nineteen-thirties. The present edition is similarly a snapshot of banking at the beginning of the nineteen-fifties. The material has changed substantially in the meanwhile: radical changes were already in progress in the nineteen-thirties and the Second Edition, prepared in 1946, came too soon after the war to allow for the crystallization of the innovations. To allow adequately for these changes and to make room for other improvements almost complete rewriting of the book has been necessary, although much of the original structure remains.

The only substantial change in the scope of the book is that it is now just a book about banking, to the exclusion of any attempt to outline the theory of international prices.

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description of the planning of a technical book, illustrated from three of his own books. In his third chapter he stresses the need for simplicity. Say what you mean, avoid jargon, clichés and verbiage—and when in doubt, cut. The succeeding chapters should help not only technicians but almost anybody who has to write, or who wants to write, a book. These chapters include useful information about the relationship of publisher and author, an analysis of a typical agreement, advice on the preparation of the typescript, on correcting proofs, on preparing an index and on book production generally. The last chapter is a refreshing criticism of the obscurity of official forms, with suggestions for improving them. The book is well illustrated and easy to read. Mr Gloag instructs both practically and painlessly.

The Devolution of Bureaucracy

The Civil Service Today. By T. A. Critchley. Victor Gollancz. 150 pages. 12s. 6d.

Mr Critchley writes as a working civil servant having personal experience in a number of departments and has been in each of the three main grades, clerical, executive and administrative. He is well qualified to describe the service from the inside and this he has done, department by department, illustrating his survey with analyses of functions undertaken and descriptions of the life of the men who fill the offices. Considering the extent and complexity of this subject the result is impressive, but it does not make easy reading. The organisation of government offices is meant to be purely functional, is certainly fluid, and the set-up at any particular time is unlikely to arouse either a lively or an abiding impression among those who do not already have a special interest.

Mr Critchley permits himself only occasional glances at current criticisms of civil service practice and his answer generally is that the service is what parliaments and governments have made it. Successive ministries have equipped themselves with new powers and Parliament retains its right of detailed inquisition at question time. These two factors have made the civil service large and ensure that its machinery will be cumbersome. Minor improvements can be made by Organisation and Methods tests and by intelligent establishment work, but the main outline is fixed by circumstances properly beyond the control of the civil service itself. Having established who is responsible for the present state of affairs Mr Critchley goes on to ask in an interesting last chapter whether or not this is satisfactory. The main and obvious difficulty is sheer size. Numbers are so great that individuals cannot recognise their own work as forming part of a whole which has evident meaning, and Mr Critchley thinks there has been some lowering of morale as a result. He might have fortified this opinion with a fuller description of the Whitley Councils at work. The procedure whereby civil servants divide themselves into two parties, one representing the employer, the State, and the other the employees

themselves, inevitably suffers from unreality. The official side must stick rigorously to their Ministers' instructions. The staff side inevitably respond by grasping as a precedent every concession that is offered to them. The cumulative effect is a set of rules defining conditions of employment which become Byzantine in complexity. With such a background to staff relations it is easy to understand why Mr Critchley unhappily observes that the spirit of public service is no more than a name.

If the defects of today's civil service are due to its size the obvious remedy is to split it into smaller and more manageable units. Unfortunately the multiplication of departments has already gone so far that they can scarcely maintain a sensible liaison. It might, however, be possible to relieve the congestion at the centre of the government machine by raising the status of the executive class and handing over to them suitable blocks of work to be handled in new subordinate departments. The administrative class might then be distinguished as "thinkers" rather than doers and should abrogate their present claim to be above the executive even in the executive field. Mr Critchley reports that the distinction between executive and administrative is becoming blurred. One may reasonably hope that this process will lead not to a completely amorphous structure but to a redefinition of the roles of the classes.

East-West Trade

Soviet Trade With Eastern Europe. By Margaret Dewar. The Royal Institute of International Affairs. 123 pages. 8s. 6d.

Miss Dewar describes the purpose of her study as "simply to collect such data as are available on the nature and extent of the exchange of goods between Eastern Europe and the USSR (not including the Eastern Zone of Germany, Finland)." In effect she has prepared for general consumption the contents of the many Chatham House press cuttings on the subject, added a seasoning of sifted rumours and made certain general observations. Of the officially published news, it is sufficient to say that the book is exhaustive, and of the rumours that all have been wisely selected. Only two "unofficial reports" appear to be suspect, viz., that 86 per cent of Rumania's national income was taken by the USSR between December, 1944 and February, 1946 and that the balance of Hungarian reparations remitted in 1948 had to be used for domestic rearmament. The author has, however, sagaciously refrained from including any of the many reports circulating about the influence of the Council for Mutual Economic Assistance since its foundation.

Of the observations she makes, the most interesting is on the extent to which the USSR has replaced Germany as the market for and the source of supply of Eastern Europe. The reopening of transport routes and trade relations with the West in 1946-47 diminished the relatively large postwar share of the Soviet Union in East European trade. The conclusion of larger trade agreements with

the USSR, in compensation for deprivation of Marshall Aid and the boycott of Yugoslavia, reversed this trend in 1948-49. By 1949 the USSR had become a larger trading partner in East Europe than Germany had been, albeit with a different content and distribution. Miss Dewar rightly holds this to be due, not to a deliberate preference for Soviet goods (since in any case the USSR cannot supply all that is required for their expanding economies) nor to any aim of economic self-sufficiency, but to the limited range of exports offered to the West.

The imposition of security export controls by the West not only commits East European trade still further to the USSR (and, to a lesser extent, China), but marks the end of a clearly defined period in their trade relations. To Miss Dewar's narrative, this is in fact today's envoi.

Famed Invention

Studies in Accounting. Edited by W. T. Baxter. Sweet and Maxwell. 455 pages. 23s. 6d.

If economics is the dismal science, accountancy might with equally rude inaccuracy be called the contemptible art. Those who take this view of "mere bookkeeping" and accept accountants as necessary nuisances for clearing up their surtax should read this admirable symposium. They will discover that the art of accounting displays every sign of intellectual curiosity, a bustle of ideas perhaps more vigorous than at any time since Paciolo first laid down the principles of double entry more than five hundred and fifty years ago.

Professor Baxter has had the excellent idea of gathering into one volume a collection of essays, mainly of an academic or meditative character, on the history, law, practice and theory of accounting. He laments the tradition that writing on accounting must be dull if it is to be sound—and proves how absurd it is by bringing together a collection of lively, well-written, controversial and sceptical pieces of which any professional could be proud. There is a profile from the *New Yorker* about the American accountant of the late thirties who was finally detected in the vast virtuosity of creating nearly two million dollars of non-existent assets—a *tour de force* that brought the creator much toil and no profit. It includes two chairmen's speeches of the late Arthur Chamberlain of the middle thirties of truly admirable quality. Professor Ronald Edwards's series on the nature and measurement of income, that appeared in *The Accountant* in 1938, is almost a book in itself; and there is a final symposium on depreciation and changing prices.

Throughout, the collection is full of liveliness and intellectual richness. It is in itself a claim that accountancy, far from being dull, can be a progressive, even turbulent, art.

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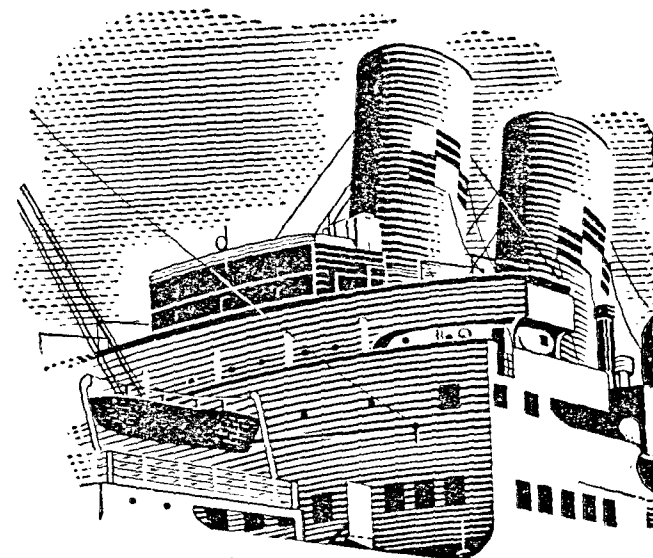
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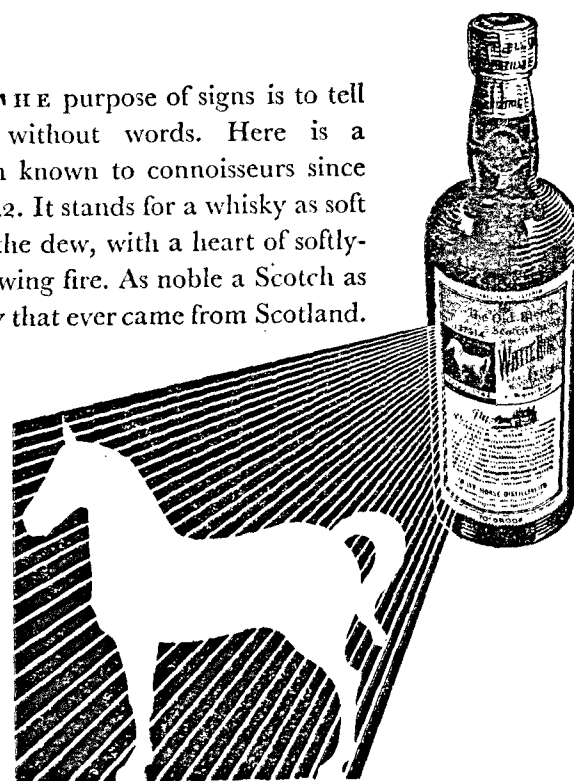


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AMERICAN SURVEY

Wrestling with Conscription

Washington, D.C.

FOR many weeks members of Congress and officials of the Defence Department from General Marshall down have wrestled with what must be counted as one of the most distasteful issues the United States, its government and its people, have ever had to face. It is the question of conscription in time of half-peace. The Americans have been told by their best-informed leaders that they must now prepare for a decade, two decades, or perhaps "a lifetime" during which their security will be so threatened that they must do a thing which is alien to their temperament and against all historical precedent. They must provide and maintain a big standing army backed by a big trained reserve; they must submit their youth to universal military service.

It is of no comfort to the Americans to be told that the French have had compulsory military service since 1798, or that Britain's youth has been conscripted for the last ten years. The Americans a long time ago set out to do better than that, and they have done better, by the aid of heaven and their geographical position. They have mobilised when they had to, as quickly as possible—nearly 400,000 men for the Revolutionary War, 500,000 in the War of 1812, about 3,000,000 in the Civil War, 4,000,000 in the first world war, 14 million in the second—and then, with the restoration of peace, they have swiftly dismantled their fighting forces and joyfully returned to their peaceful pursuits.

The pattern was established at the beginning of the Republic. As soon as the Colonies had won their independence, Congress established a standing army which consisted of just 80 men—the minimum necessary to guard military supplies. Many an American general has since wrung his hands over what General Marshall calls "our policy of feast and famine." Spokesmen of the Defence Department bitterly recall that when, only a little over 20 years ago, General Douglas MacArthur (then Chief of Staff) publicly expressed the view that some money should be spent in peacetime on the development of tanks and other weapons, he was picketed by angry citizens of Pittsburgh with signs reading: Butter—Not Guns. General Marshall told a Women's Patriotic Conference in Washington a few weeks ago:

My own feeling is that our failure to provide for Universal Military Training in 1920, and the tragic repetition of that error in 1945 and 1946, are largely responsible for the call we must make on our young men today. I am convinced that it would not now be necessary to interrupt the normal course of their lives if we had taken the conservative, wise action—an effort that was defeated largely by emotional rather than logical reactions.

It is true; it is all true. But there may be grave doubts whether an American nation which was willing to accept the logic of a military role in peacetime could have been

expected, at the same time, to preserve intact the reckless and generous instincts that have made it what it is. The truth is that an emotional revulsion to the disruption and waste of conscription for war in time of peace is a characteristic of decent, free Christian peoples. Such peoples may recognise, but they cannot reasonably be asked to embrace with any fondness, a new need for turning their sons into soldiers.

★

Nowhere is the capacity of the Russians to cut their own throats illustrated better than in the short postwar history of conscription in America. By taking over Czechoslovakia in 1948 the Russians created the majority in Congress necessary to revive the Selective Service Act—though it was only by writing into the Act a provision which exempted ex-servicemen and limited to about 2,000,000 the number who could be drafted that the Congress could bring itself to take this abhorrent step.

In June, 1950, the Russians set the North Korean Communists off on their predatory adventure and thereby procured in the Congress the majority necessary to remove the limit on the numbers of young Americans who could be drafted into the armed forces. In November, 1950, the Russians approved the Chinese entry into Korea; and it is that action which is making possible the projected new legislation designed to equip the United States with standing forces of 3,462,000 and to establish for an unpredictable future the first system of universal military training the United States has ever contemplated.

Something like 100 witnesses, contributing 1,241 pages of testimony, appeared before the sub-committee of the Armed Services Committee (Senator Johnson of Texas presiding) which produced the Senate Bill. In the lower House a comparable committee is struggling with what promises to be a rather different Bill with the same objectives. Witnesses of all shades of opinion have had their say from the great Generals in the Pentagon down to the tight-lipped mothers from the women's clubs. Heartfelt misgivings have been stirred by the programme the Defence Department is recommending, and the greatest controversy of all has surrounded the proposal that the draft should reach out to take men of 18—which is often to say boys who have just finished high school, have not yet been to college and have never held a full-time job. The sharp differentiation between boys of 19 and boys of 18, the immensely involved arguments designed to show that, by various expedients, it should be possible to make 18½ the minimum draft age, might astonish those in Europe who have long ago resigned themselves to the heartaches of conscription. But the desire to temper the wind to the shorn lamb, even a little, is well enough understood in America.

★

Under the Selective Service Act of 1948 single men between the ages of 19 and 26, except ex-servicemen, have been called up in numbers determined from month to month by the Defence Department, for 21 months' service. Under

the Bill devised by the Senate sub-committee single men of 18 to 26 (ex-servicemen again excepted) would have been called up for 26 months' service. The President in future, as in the past, could order the call-up of married men of these ages, too.

The sub-committee has sought to soften the blow for 18-year-olds by proposing that none shall be inducted until all the available 19-to-26 manpower has been absorbed. The effect would be to defer the 18-year-olds' draft for over a year. Another provision of the Bill would allow 75,000 selected students due for scientific and technical training to return to their colleges after a short basic military training. And the President would be authorised to appoint a civilian National Security Training Commission to arrange a universal four-to-six months' military training programme when the need for rapid mobilisation has passed.

This is rather less than the Defence Department asked, but it is more than Senator Morse, of Oregon, considered the ablest critic of the Bill, has been ready to concede. He has challenged the Defence Department's figures, accused it of wasting manpower and denounced the system by which the more glamorous Air Force and Navy skim off the cream and get all the men they want by voluntary enlistment, so that the conscripted men go to the Army. But his amendments, which would have raised the minimum age to 18½ and deferred 150,000 science students, were voted down this week; and in place of his 3,500,000 limit on the strength of the armed services, which military leaders said would be a "gamble with the national security," a 4,000,000 ceiling has been adopted. The Senate agreed to set the period of service at 24 instead of 26 months, but in other respects it backed up its committee.

Without doubt, the armed forces have been caught in the

past wasting and bumbling and asking for a lot more than they need. They are not above suspicion. Yet there is much evidence that General Marshall, with the vivacious help of the new Assistant Secretary for Defence, Mrs Anna Rosenberg, has prepared and presented a strong case for a law to set the keystone into the edifice of strength American policy is building. To the House committee last week General Marshall pointed out, with faint bitterness, that two months ago, when the Korean picture was dark, he was being criticised because he had not immediately gone to Congress to ask for 5,000,000 or 6,000,000 men. And already, now that the Korean picture is brighter, he is being told that 3,462,000 may be too many. The Bill he gets may well fall short of the Bill he wants. Even so, it will be a manifestation of an American decision to do under the spur of events what has always been and still is a congenitally hateful thing.

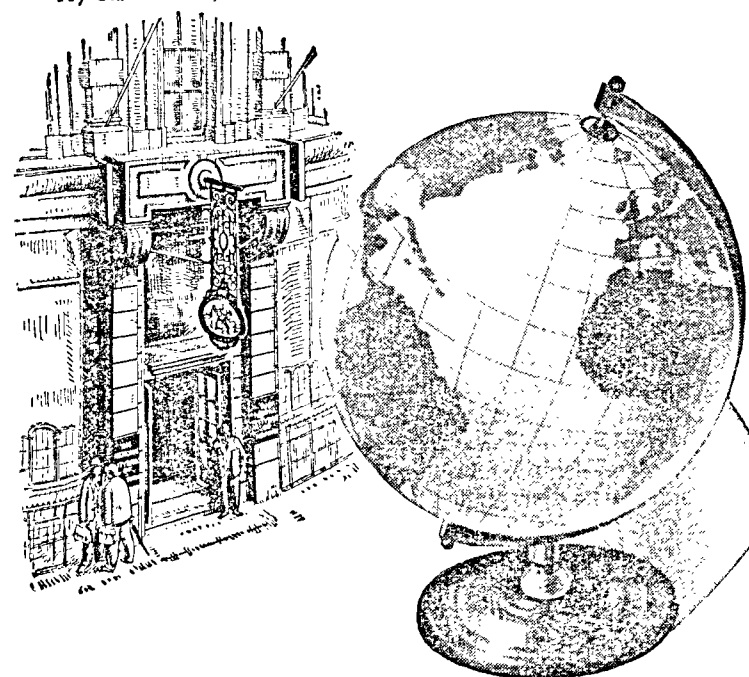
Portrait of Taft

[FROM A CORRESPONDENT IN OHIO]

THE debate between Senator Taft and Governor Dewey over troops for Europe dramatises a regional conflict within the Republican party as well as a personal rivalry for leadership. As Policy Chairman of the party, the Ohio Senator speaks with more authority for the middle west than does the New York Governor for the eastern seaboard. But Mr Taft labours under the handicap of having his every word and act examined in the light of his Presidential hopes and prospects.

What manner of man has Ohio, "Mother of Presidents," launched again upon the national scene, with the prestige of

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a brilliant Congressional victory four months ago and bright prospects for a Presidential nomination 15 months hence? One might gather from his last-ditch stand on the troops issue that mulishness is the Taft hallmark. Characteristically, he has seized upon what he takes to be a vital principle and holds on tenaciously. But obstinacy is not Mr Taft's dominant trait. No opposition leader could command the Congressional coalition between Republican and conservative Democrats without great intelligence and great energy. The energy was displayed during his recent campaign, when the Senator toured every one of Ohio's 88 counties, made 1,000 speeches and exhausted his party workers. His keen legalistic mind is unmatched on Capitol Hill in debate on the fine points of legislation or in sifting piles of data in search of a policy.

The key to Senator Taft's success, and to many of his failures, is a painfully blunt integrity. The leader of the conservative wing of the Republican Party has shocked "Big Business" by advocating more social security, public housing at public expense and Federal aid to public education. As chief author of the Taft-Hartley Act he is more cordially hated by the labour leaders—though not, as the Ohio election proved, by labour's rank and file—than any other man in American history. Yet he was the sole member of Congress to oppose, and block, President Truman's order drafting the railway strikers into the Army in 1946. Though born to wealth, he insists that the prodigious defence programme be financed out of current taxes. One Taft position can be safely predicted: he will fight any extension of Federal power until he is personally convinced it is essential and unavoidable. Temperamentally and as the leader of a party 18 years in the opposition, he is not easy to convince.

*

This man of principle is also a man of strong prejudices. When he confuses his prejudices with his principles, as he often does in foreign affairs, he can be dismally wrong. It has been said that "Bob Taft has the best mind in America—until he makes it up." The quip is clever but incorrect. When he makes up his mind after dispassionate study of the facts, he is generally right. Also, he has proved that he can change his thinking radically on the basis of experience. An early and bitter critic of New Deal reforms, he became in time a constructive force in economic and social legislation, as even Mr Truman once admitted. Since 1945, despite much evidence to the contrary, he has been gradually changing his mind about America's responsibility in world affairs. The Taft of 1951 who calls himself "a show-me internationalist" is far removed from the pre-Pearl Harbour isolationist. After his re-election in November he publicly remarked, "only a fool would be an isolationist today." He voted against the North Atlantic Treaty because it was "not specific"—the legal mind at work. He opposes sending American troops overseas in peacetime without prior Congressional approval because that is not according to the bond. Yet he accepts the pact as law and favours all-out American aid to any ally under attack.

The Senator is less isolationist today than most of his Ohio constituents. A frequently heard question throughout the state these days is, "Why are we in Korea, anyway?" The "letters to the editor" in Ohio newspapers are predominantly isolationist. So is the Senator's mail—so heavy that five clerks sometimes cannot handle it. Ohioans will admit, under questioning, that physical isolation is no longer possible, but they believe the nation's commitments now exceed its powers. Even General Eisenhower's report left grave doubts about the capacity or the will of "some of our

allies"—usually meaning France—to defend themselves. More than any other midwestern member of Congress these days, Senator Taft is the centre of conflicting forces. In Washington the constant presence of the emergency, which he is too intelligent to deny, urges him toward bipartisanship; but he is pulled back by emotional and political cords from the Corn Belt. No longer isolationist in theory, Mr Taft retains his old isolationist temper. He questions instinctively any new proposal for enlarging America's responsibilities abroad. This has made him the favourite target of Eastern sharpshooters of the press and radio, but leaves him unscathed in Ohio.

*

Some Republicans voted for Mr Taft in November reluctantly and in spite of his foreign policy. Others who value him as a Senator would not want him as President. But the great majority of Ohio Republicans today would undoubtedly like to see him installed in the White House as Ohio's eighth successful "favourite son." And voters in both parties who like to "back a winner," as so many do, were impressed by his almost unprecedented 430,000 majority in November. The Senator's recent speaking tour of the Middle West was almost a triumphal procession. The Lincoln Day Republican box supper in Washington last month was turned into a Taft-for-President rally. The absence of overt symptoms of a boom in Ohio is due to the Senator's own reluctance to give a go-ahead signal to his state lieutenants.

Yet in December a national poll showed him running second to General Eisenhower and likely to defeat Mr Truman easily in an election held at that time. It is more significant, since party workers and not the rank and file control the nominating conventions, that the Republican National Committee which met in Washington on January 26th strongly favoured Senator Taft. Of the 65 members of the 105-man committee who expressed themselves, 28 backed him, while only 12 were for General Eisenhower.

Senator Taft has said repeatedly he will not campaign for the nomination, but would take it if offered. Translated into practical politics, this means that he will toss his hat into the ring if, during the remainder of 1951, Republicans have made clear that they want him. He must decide by next February, since under Ohio's law would-be delegates to the conventions must file in that month, and if pledged to vote for a certain candidate must have his written permission at the time of filing. Some observers think the Senator is assuming a reluctance he does not feel. Others, including the manager of his Ohio campaign, flatly assert that he will not run. One factor often ignored is the serious illness of Mrs Taft, who was his mainstay in past campaigns. A formidable obstacle is that Senator Taft would enter a nominating convention of fewer than 1,100 voting delegates with at least 250, controlled by Governor Dewey of New York, Pennsylvania's Senator Duff and California's Governor Warren, arrayed against him. And it should be remembered that Republicans have not picked their Presidential nominee from Congress in 30 years.

Mr Taft's Achilles heel, in a national campaign, is still his foreign policy position. With the Republican Party now split in that field and with the intentions—and even the party affiliations—of General Eisenhower still in question, any prediction would be rash. But his dozen years in Congress, and especially his recent conduct, suggest that Ohio's senior Senator would rather be right—according to his lights—than President.

American Notes

The FRB Scores Points

The Federal Reserve Board has not scored a knock-out in its struggle with the Treasury over interest rates, but it has certainly got well ahead on points. It will probably be some time before the exact implications of the "full accord" suddenly announced last week-end are clear. The issues involved are discussed more fully in a business note on page 560. What is quite plain is that the Treasury, which had been having all its own way against the Board's protests, has given up some ground. The compromise appears, in fact, to be if anything nearer to the Board's than to the Treasury's view.

The reasons for the Treasury's partial surrender are obscure. It was certainly unexpected to President Truman, who only five days before had appointed a special group of advisers to devise ways of curbing bank credit without interfering with the Treasury's cheap-money policy. The membership of the committee seemed to be weighted in favour of the Treasury view that debt policy has little to do with inflation, and the President's intervention in the conflict a month earlier had amounted to an attempt to force the Board (which is not constitutionally responsible to him) to give way. Last week the President hastened to give his blessing to the accord, but neither he nor Mr Snyder, the Secretary of the Treasury, attempted to explain why the Administration had at last stopped regarding borrowing at 2½ per cent as an inviolable right of modern government.

The new issue of 2½ per cent long-term bonds is intended to reduce the supply of bonds that can provide a basis for credit expansion by being sold to the Federal Reserve Banks. The new bonds will not be marketable though they will be exchangeable—on terms to be announced on Monday week—for Treasury notes that can be sold. Whether in these circumstances the extra ¼ per cent will be an adequate inducement to conversion by many holders of 2½ per cent bonds it is at present too early to guess. It would be rash to assume that the Treasury has given way so thoroughly that a definite halt to credit expansion has been called. But it seems probable that the expansion will be slowed down, and it is no small thing that any central bank can still force a Treasury to compromise.

* * *

Crime Without Punishment

The Senate Crime Investigating Committee, created to discover whether crime was a business which, in crossing state boundaries, called for federal control, has submitted its interim report before moving on to a rousing finale in New York. This leaves no doubt that there is an extensive and lucrative inter-state commerce in crime, nourished by a \$20 billion a year blood-stream of illegal gambling and

controlled by two major crime syndicates, one operating between Miami and Chicago, the other between Miami and New York.

The most shocking and damaging part of the report is that dealing with official connivance and laxity on the Federal, state and local levels. The Federal culprit is the Bureau of Internal Revenue, which, the committee charges, accepts from known gamblers and criminals income tax returns no law-abiding citizen would dare to sign. In the states, it reports substantial contributions from gambling elements to the campaign funds of two Democratic Governors, Mr Forrest Smith of Missouri and Mr Warren of Florida—but notes that gamblers regularly contribute to both parties when this seems likely to show a return. In California the Attorney General's office was involved in a brazen attempt to organise a state-wide system of protection for rackets of every kind. In virtually every city the committee visited there were alliances between criminals and the police.

The creation of a new federal unit, either a Congressional body or a Crime Commission, to keep watch on the battle against organised crime is expected to be one of the committee's recommendations, which it must submit by March 31st. Others include control of the interstate transmission of gambling information and money for bets, special treatment for the tax returns of known criminals, and strengthening of Federal law enforcement agencies. All these are rather gentlemanly, long-term approaches to the underworld, though it must be remembered that Al Capone was only brought to justice on an income tax charge. But the reader is left wondering why, if these criminals and their activities are so well known, they are not simply jailed. Frank Costello, the alleged head of one crime syndicate, has spent just ten months behind bars—for illegal possession of a pistol at the age of 24.

What is certain is that Senator Kefauver, the Democrat who heads the committee, has done his country a signal service—and what is equally certain is that the gratitude of his party will be tempered by fear of the political consequences. Crime flourishes in big cities, and, as it happens, most of these are under Democratic control. Combined with the dirt thrown up in the investigation of the Reconstruction Finance Corporation, the Democrats run the risk of being associated firmly in the public mind with crime and corruption, as the Republicans have always charged they were.

* * *

Thaw for Prices

The stabilisers last week began a piecemeal and temporary thawing out of the prices frozen so hastily late in January. Shops selling clothing, footwear, furniture, furnishings—some 70 per cent of all non-food sales—will from March 29th be able to raise their prices, to reflect increases in the cost of the goods they buy, so long as their percentage mark-ups remain what they were on February 24th. According to Mr DiSalle, the Price Administrator, the thaw



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will be short-lived; and later "prices will be put back into the deep-freeze for the duration." Some relaxation was urgent, because at the time of the freeze wholesale prices had risen by 15 per cent since the Korean outbreak, while retail prices had risen by only 6 per cent.

Further orders, expected shortly, will extend this fixed-margin type of price control—used during and after the last war—to food stores (though here Mr DiSalle proposes to furnish the proper percentage mark-up himself), to other retail shops, and perhaps to manufacturers. But these are all temporary expedients; the final goal still remains the fixing of dollars and cents ceiling prices for most goods. These will be infinitely easier to police than ceiling prices which vary, widely and quite legitimately, from one shop to another.

What worries retailers in the present order is the threat of a "roll-back" to pre-Korean margins and the degree to which they may be required to absorb increases in overhead costs and permitted increases in manufacturers' prices. The first such relief has gone, as was expected, to the automobile manufacturers, who were caught in a preliminary freeze in December. They will be allowed to increase their prices by 3½ per cent to compensate them, though only in part, for increases in labour and materials costs in 1950, which they were prevented from passing on. Dealers will only be able to raise their prices by the actual dollars and cents increase to them. The disgruntled labour unions, noting the record profit of the General Motors Corporation in 1950, will take this as additional proof that the stabilisation machinery is being run in the interests of business, rather than that of the plain people. But still further price increases probably became inevitable when, a few days after established cost-of-living clauses in wage contracts were recognised as sacred, the General Motors Corporation, the Ford Company, and the Chrysler Corporation agreed to a five-cent an hour increase to offset the rise in living costs to January.

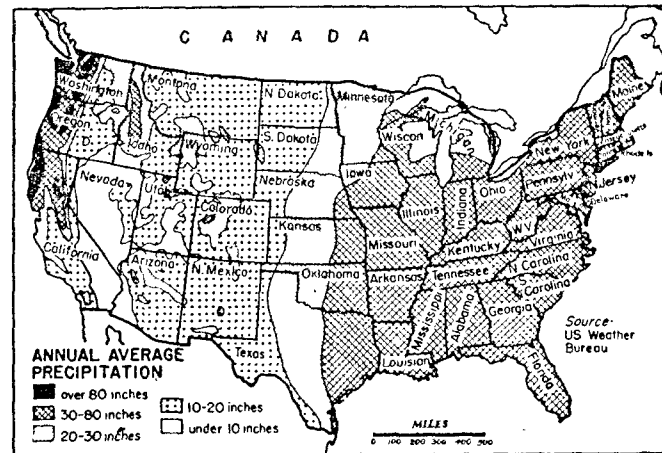
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Water by Commission

The bulky report of the special presidential commission on "A Water Policy for the American People" shows that America's water, the most plentiful of its natural resources, is, like the country's other natural resources, unable to keep up with the phenomenal growth in population and prosperity. In order to safeguard this vital asset from wastage, the commission proposes that the conglomeration of laws dealing with the subject be rewritten and that a whole new network of organisations be set up to co-ordinate the development of each major river basin separately and to be itself co-ordinated by a Federal Board of Review. The recent shortage of water in New York City, on the wet east coast, and the regular and devastating floods in California, on the dry west coast prove not only that co-ordination is needed, but also how involved it will be.

Flood control and the provision of adequate water for a growing population are probably the two most important aspects of the problem. But the commission discusses many others; the growing population has a growing appetite and farm land must be irrigated and reclaimed. New industries, such as synthetic rubber and atomic energy, use more water than old, and pollute rivers and underground water supplies even more dangerously. An expanding economy needs more hydro-electric power and better waterways; with a rising standard of living, more water is needed for air-conditioning, swimming baths and so on. Los Angeles is the outstanding example of a city that is outgrowing its available water supply, but there are others in serious difficulties, even though New York's troubles arose from delay in developing the local watershed rather than from any inadequacy of potential supplies.

The commission thinks that Los Angeles' idea of distilling sea-water is unnecessarily extravagant at present, but should be studied. It also feels that further attention should be given to the rain-making and cloud-seeding experiments that have apparently been so successful in the arid south-west, and which led to the formation of a National Weather



Improvement Association Inc. in Colorado recently. Senator Clinton Anderson, of New Mexico, has introduced a Bill, providing for a Federal Commission, on the lines of the Atomic Energy Commission, to control these undertakings and to protect rainmakers from damage suits brought by those who would rather have been left high and dry or who suspect that their showers have been stolen. Clouds certainly engage in inter-state commerce and would therefore seem to be a subject for federal regulation. But many state legislators think differently and so do the rainmakers, who believe that federal supervision would restrict, if not prevent, their experiments.

Local and business interests are even less enthusiastic about the attrition of their powers that would result from the presidential commission's proposed water policy. The main opposition to such river development projects will presumably come, as it always does, from the private electric power companies. But, although the President has promised to consider what action is needed, in view of the commission's report, a great deal of water is likely to have passed under the bridge before much is done.

Shorter Notes

The bulk of the Connally-Russell resolution, approving the dispatch of American troops to Europe, has now been accepted by the Senate Foreign Relations and Armed Services Committees. They have rejected the Republican proposal to require the assent of the House, as well as the Senate, and have turned down that part of Senator Lodge's alternative version which would have insisted that the major contribution of the United States should be in the form of air and naval strength. All that remains to be decided, before the resolution is ready for consideration by the Senate, is whether a joint Congressional committee should be created to supervise the programme.

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President Truman has asked a special commission, headed by Mr William Paley of the Columbia Broadcasting System, to study the long-term, as distinct from the immediate defence, aspects of the country's requirements and supplies of industrial materials. The group is to report within nine months on the likelihood of shortages and on the adequacy of government policy and industrial practice. It is to recommend ways of balancing supply and demand so that no shortage of raw materials endangers either the national security or future economic expansion.

THE WORLD OVERSEAS

China's Economic Strength—I

Manchuria—Key to the Five Year Plan

(By a Correspondent)

THE Peking Government recently attempted to draw up a balance of the economic achievements of the first year of its rule over the whole of China. Most of this material has now sifted into the Soviet economic journals, which are devoting much space to the situation in China. Unfortunately the same system of presentation is used as for Soviet statistics: absolute figures are often avoided and replaced by percentage increases related to some unrevealed plan, or to an unknown figure in the base year. *Faute de mieux*, however, recent Soviet comments allow at least a glimpse of the present trend in the Chinese economy.

In 1950 China seems to have had the first budget for years that was not doomed from the start to succumb under inflationary pressure, though the subsequent influence of the Korean war on the original estimates is not known. To enforce its financial policy the government needed efficient administration; therefore, as a preliminary step to balanced budgeting, it carried out an administrative reform. Briefly, the thirty or so provinces have been grouped in six administrative and one autonomous (Inner Mongolia) regions. Each regional government has been given sufficient independence and scope to adapt itself to the varying local circumstances. But, in exchange for this partial decentralisation, it must be an obedient and efficient tool of the executive policy of the central authority.

This policy seems to have paid dividends. In the original budgetary estimates for 1950 expenditure was to exceed revenue by 18 per cent (to be made up partly by a loan and partly by note issue), which for China seemed very little. Subsequently the government considered that even this deficit was too large, and it decided to balance the budget through cuts in the expenditure on administration, though not on defence.

OVERALL CHINESE BUDGET ESTIMATES FOR 1950 (Per Cent of the Total)

Expenditure		Revenue	
Defence	38.8	Agricultural Tax	41.4
Administration	21.4	Other Taxes	38.9
Grants for Public Enterprise	23.9	Revenue of Public Industry	17.1
Education and Health	4.1	Revenue of Public Trade	2.4
Subsidies for Local Govt.	2.3	Other Revenue	0.2
Interest on N.E. Chinese Loan	0.1		
Reserves	9.4		

In making defence by far the biggest single item on the expenditure side this budget does not differ much from its Kuomintang predecessors. Likewise, expenditure on administration is still five times that on health and education, in a country where some 80 per cent of the inhabitants are illiterate. A notable change, on the other hand, is the almost total cancelling of the National Debt services and the considerable percentage devoted to investment in state industry.

Besides the cut in administrative expenditure another measure aimed at curbing inflation was the decree compelling public enterprises to deposit in the National Bank all their funds, except those needed for current expenditure. Thus, between March and September of last year the deposits in

the National Bank of China rose sixteenfold. Dealings in foreign currencies have been forbidden.

All these measures must have had their effect, since the value of the new currency was stabilised. The rate of interest fell from its astronomic height, though it still is far from low. In February, 1950, the monthly rate of interest on loans in private banks was: 42 per cent in Shanghai, 63 per cent in Tientsin and 45 per cent in Hankow. This exorbitant rate was obviously a sign of the rapid depreciation of currency. By May the rate had fallen to 3, 4½, and 4½ per cent, respectively. The rate in the National Bank was still 2 to 3 per cent per month.

Taxes are often paid in kind (e.g. foodstuffs) and their disposal is controlled by the National Bank. The government thus exercises a great influence on food prices. This, combined with the control of currency and the banking policy, has led—according to Peking—to a fall in prices. The National Bank price index for 80 commodities, with February 1950 as 100, fell by May to approximately 80 in Canton, 76 in Peking, 75 in Tientsin, 74 in Shanghai, 66 in Hankow—and on an average throughout the country to 71.2. If it is true that this fall in prices has resulted in a substantial rise of real wages, the government will have strengthened the support of the workers for its policy of nationalisation.

Legacy Of The Japanese

This policy in industry was facilitated by the fact that the government inherited from the Japanese a large proportion of big factories, particularly the heavy industry, the centre of which the Japanese shifted to Manchuria. Thus heavy industry is now nationalised and the larger private industrial and trade establishments are controlled by the state to the extent of 70 per cent of the output of coal, 90 per cent of steel, 50 per cent of pig iron, 70 per cent of machine output, and 78 per cent of electric power. Part of the light industry, the whole of the foodstuffs industry and two-thirds of shipping are still privately owned. But, as during the NEP period in Russia, the government controls private industry through its hold on the supply of raw materials, through state contracts and through its credit and taxation policies.

Workers' control in nationalised industries is more reminiscent of Russia immediately after nationalisation than of the present Soviet system. In Russia, at present, the director exercises exclusive control of the firm and is responsible only to the appropriate ministry. In China, too, each factory is headed by a director; but he must share command with an administrative committee, elected by the workers once or twice a year. The committee has a say in the establishment of the production plan, in the matter of wages, wage-scales, taking on and dismissing workers. In bigger factories there are fortnightly meetings of workers' delegates, at which the administrative committee reports on its activity.

The plans of production are established in the various industries under the guidance of the Ministry of Heavy Industry. At the end of 1950 the government's financial-

economic committee made it known that it is preparing a plan for 1951 and also a five-year plan. Up to the end of last year 22,320 kilometres of railway line, out of a prewar total of 24,794, had been restored to use. Progressively the government is getting the situation in the textile industry under control. Already in 1947 with some three million spindles restored China claimed to be the biggest textile nation in Asia. Now, with 5,200,000 spindles, China seems to have regained its prewar capacity, but this requires at least 550,000 tons of cotton. In 1949 the total crop was only 415,000 tons, of which only 150,000 went into factories. In 1950 the crop was already 650,000 tons. This year the government plans to double the output of cotton mills.

Though national targets are set for industry the main role in reconstruction is played by Manchuria. All the Chinese economic plans seem to depend on the return of this region to full productive power. In 1936 Manchuria produced over 12 million tons of coal and nearly 2,000,000 tons of pig iron; by 1941 the Japanese planned to produce 28 million tons of coal, 5,000,000 tons of pig iron and as much steel. It is estimated that their peak output reached 30 million tons of coal and, together with North China, 3,000,000 tons of steel. Obviously the war and Russian dismantlement crippled for a time the Manchurian economy. But it must be remembered that by 1948 in China proper the output of pig iron was only just over 10,000 tons and of steel below 50,000 tons. When it is realised that Manchuria has three times as much industrial labour, particularly skilled labour, as China proper, then its vital importance is clearly seen.

Outwardly Manchurian industry is working at full steam. According to Chinese data 90 per cent of factories are working again, but a further analysis shows that they are working with much reduced machinery. Thus, for example, in 1949 the metallurgical industry had only 25 per cent of its wartime machinery, though it produced 42 per cent of its peak wartime output. The same ruthless exploitation of machinery is noticeable in all industries.

The targets for industrial development in 1950 were very high. Pig iron output was to rise fivefold, coal output by 55 per cent, textile production by 132 per cent. Both the low level of available plant and the very high targets for industrial development indicate that an estimate of Russian dismantlement and removals at some 70 per cent need not be exaggerated. On the other hand, it would also indicate that the Chinese Government is relying on the speedy return of these plants by the Russians. Manchuria is the key to Sino-Soviet relations as China needs, to accomplish its industrial revolution, not only the return of machinery, but also the assistance of Soviet technical experts. Manchurian output is the basis on which the forthcoming five-year plan must stand or fall; for, at least in the near future, it is destined to play the same role in China as the Donbas played in the beginning of the industrial drive in the Soviet Union.

(To be continued)

Storms Around De Gasperi

[FROM OUR ROME CORRESPONDENT]

ON the eve of his well-timed visit to London, which has brought forth some positively cordial interpretations of the British position in the Italian press, Signor De Gasperi has had to meet one of the more serious of the revolts which from time to time remind the public that the premiership is a competitive post, not a life appointment. The last disturbance of comparable gravity was a little over a year ago. It originated with the withdrawal of Signor Saragat from the vice-premiership in consequence of one of the periodic campaigns for the formation of a grand united Social Democratic Front; it gained momentum from the pleasure in that development shown by a Christian Democrat fraction which is at one and the same time much to the Left in social policy and somewhat militantly clericalist, and would gladly be quit of the alliance with the anti-clerical Social Democrats; and it ended, somewhat oddly, after a prodigious overhauling of everyone's general social and economic formulas, with the reconstruction of the Government leaving out the Liberals (that is to say the non-clericalist and non-Fascist Conservatives). Signor De Gasperi's national leadership was supposed to have been considerably shaken by the difficulty of the negotiations, the defection of the Liberals, and the evaporation—during the crisis—of part of the Saragattians who departed to join the new PSU (Romita-Silone United Socialist Party). It must be said that the weakening has not been apparent to the public. The Communists' interpretation of the crisis as a trumpet of doom defeated its own ends by its exaggeration. And other questions, particularly rearmament economics and the threat of inflation, have come uppermost, relegating to a secondary place the subjects of dispute of a year ago (agrarian reform and public investment for peaceful purposes). Thus a year passed without a serious challenge.

This February's disturbance which will last on at least well into March, springs altogether from inside the Christian Democrat party. Its first serious manifestation was at a meeting of its group of deputies to consider the Government's Emergency Powers Bill (giving faculties for controlling markets, supplies and prices over a period of two years). There were 189 favourable votes, 30 contrary, and 55 abstentions. After the meeting assurances were given by some of the "opposition" that when it came to voting in parliament the party would be compact. This was far from being the case. On a technical issue the Government was put in a minority of 5, and on a more important but secondary measure, relating to methods of collecting data on raw material stocks, the majority was only 16. Voting is by secret ballot whenever requested by ten deputies (a request which the Communists in these circumstances are

not slow to advance) so there can be no specific remonstrances by whips, or expulsions. Actually about 30 Christian Democrat deputies seem to have voted against the Government while about seventy stayed away from the house.

Revolt of the "Wasps"

The challenge to De Gasperi from inside the party comes from two quarters, but is essentially and chaotically variegated. The smaller group of rebels is headed by the restless President of the Chamber, Giovanni Gronchi, whose main though shifting platform at present is the advocacy of a sort of armed neutrality for Italy in world politics. The chief weight of the rebellion in the party has, however, been provided by a larger and looser group of rebels known as the "Wasps," from the name of the premises where they meet. They are a right-wing group, and to some extent have grown out of a movement initiated by Deputy De Martino a year ago to shelve the agrarian reform, as accepted by the Cabinet, and to replace it by something much more bland and gradual. No fewer than 160 Deputies or about half the Christian Democrat representation, were said then to favour that scheme. It was withdrawn, however, after De Gasperi had designated the agrarian reform programme as a question of confidence. De Martinism has, however, played its part in delaying the arrival of the basic reform law on the Statute book. What have so far been voted, and are going into piecemeal application amid distressful comments and headshaking from landed quarters, are the "Sample Law" concerned primarily with selected land-starved communities, and the Southern Fund Law, which provides for expenditure of 100 milliards annually for ten years on investments connected mainly with the reform.

The new revolt of the "Wasps" ostensibly concerns not the agrarian reform—though many of them hold that the Sample Law is quite enough for a long time—but the Government's demand for emergency powers for two years for the regulation of trade, supplies and prices, in view of the rearmament emergency. The powers sought have been considered excessive by many constitutionalists and economists outside the Christian Democrat Party. It appears, however, that inside the Christian Democrat Party the contrary votes and abstentions are due to a great variety of motives; the "Wasps," who are on the whole opposed to all economic planning, being incongruously assorted with all sorts of Leftists who want a great deal more than is promised. What all probably join in desiring is a shake-up of the Ministry and portfolios for new men.

It is not impossible that Signor De Gasperi may be forced to something of the sort, if not by the goadings of his own impatient followers then by a resurgence of the idea of a united (anti-Communist) Socialist Opposition towards which Saragat would feel a compulsory attraction. Saragat himself is already outside the Government, so as to be able to give full attention to the development of inter-Socialist politics. But three Cabinet posts and some under-secretaryships remain in his party's hands. Their resignation would probably involve that of the Government. The Cucchi-Magnani defection from the Communist Party, and the simultaneous defection of Carlo Matteotti from the wholly Sovietised Nenni party, have roused some hopes that these disillusioned elements of the extreme Left may shortly fall into a line of common action with the PSU (mostly ex-Saragattians), and be joined by Saragat himself. That would undoubtedly signify a big change in the parliamentary situation and De Gasperi might feel that his specific mandate as head of the 1948 election coalition had come to an end. As yet, however, the PSU (Romita and Silone) cannot manage to bring both the ex-Communists and the Saragattians under a single roof. De Gasperi therefore remains, though once again somewhat storm-shaken, at the head of affairs.

Soviet Economic Progress—III

Lag in Agriculture

[BY A CORRESPONDENT]

DURING the last five years progress in agriculture was not comparable with the achievements in industry. Here the Plan has not been fulfilled, except in cotton and sugar-beet, where it has even been exceeded. The grain crop of 1950 fell short of the targets; in livestock, although the position was even worse, the Government raised somewhat the targets in a special new Plan published in 1949.

The ravages of war, shortages of machinery and the calamitous drought of 1946 offer part of the explanation. Since 1946, however, climatic conditions have improved and there has been a steady flow of machinery to the collective farms. At the close of 1948 the number of tractors in the countryside was already roughly the same as before the war. In 1950, 90 per cent of ploughing and sowing was done with tractors, and more than half the crop was gathered by harvester-combines. Yet, as the table below shows, the dramatic recovery of agriculture in 1947-48 was followed by relative stagnation in subsequent years, when the equipment of the farms was much better:—

GRAIN PRODUCTION
(000,000 Metric Tons)

	1948	1949	1950	1951*
1940	119	118		
1945	80	124		
1946	70	124		
1947	110	127		

* Planned.

The yield per acre has not risen very substantially and seems to be somewhat less than the 4.85 quintals, which is

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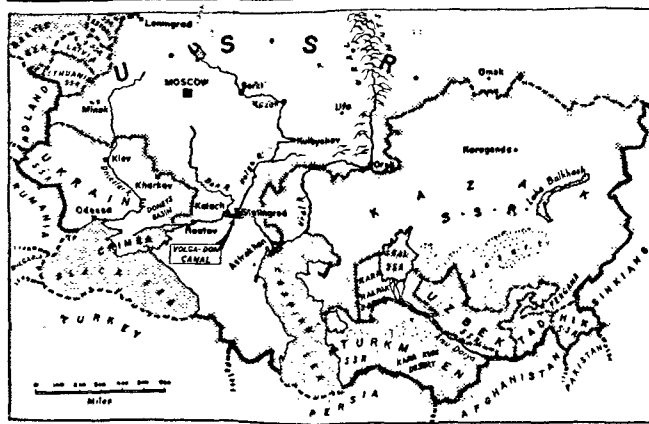
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claimed to be the average. The total area under cultivation is still less than before the war. In 1950 the total cultivated area was nearly 15 million acres greater than the year before, yet the crop was exactly the same in both years. The lower average yield in 1950 may be partly explained by the drought which hit the Caucasus.

The Government does not seem to be unduly alarmed by this situation. The grain crop was still approximately 5 million tons higher than in the prewar record harvests (1937, 1940), which had enabled the Soviet authorities to build up reserves for the war. The rise since 1940 has been proportionately greater than the growth of population. The supplies to the state of the so-called commercial grain may be estimated at nearly 40 per cent of the total crop, i.e., roughly some 50 million tons. This should be sufficient to feed the more than 70 million urban dwellers, to supply bread to the farms which do not produce grain, and to leave a big surplus for stocks. But the non-fulfilment of the Plan may have prevented the Soviet Union from increasing the



export of grain, which might have served as a political trump card, particularly in Asia.

Rising Urban Population

But the problem of agricultural expansion is fairly acute. The urban population of the Soviet Union is growing fast. Between 1926 and 1939 it rose by nearly 30 million. The process was slowed down by the war, though even then 67 new towns were built, 53 of these behind the Urals. Further urbanisation is planned; but it may be hampered by the inadequate growth of agriculture, especially in Asiatic Russia.

The gap between the original plans and the actual achievements is even wider in livestock. Shortage of cattle has been a chronic illness of Russian agriculture since the October Revolution. The Civil War, the famine of 1921, the mass slaughter of cattle and horses by the peasants during collectivisation greatly depleted stock. To restore it the Government organised before the war special cattle-rearing farms, and even encouraged private rearing. A cow in every rural household was Stalin's slogan. Then came the losses of the war. Hitherto these have not been made good, and the Plan has not been fulfilled:—

	LIVESTOCK (In Millions)			
	Horses	Horned Cattle	Sheep and Goats	Pigs
1915	35.8	60.6	121.2	20.9
1940	20.6	71.0	108.5	35.1
1945	10.5	47.0	69.4	10.4
1950	13.7	57.2	99.0	24.1
1950 (targets)	15.3	65.3	121.5	31.2

These figures cast some doubt on Marshal Bulganin's recent statement that the supply of meat, sausage and butter was in 1950 more than 30 per cent higher than before the war.

The quantities of meat and milk supplied to the towns may have increased, but this could not outweigh the actual drop in livestock.

Sugar beets and cotton are the only agricultural products in which both the prewar level and the targets have been exceeded:—

	(In Million Tons)		
	1940	1950	1950 Target
Sugar beets	21.8	27.25	26.0
Cotton	2.7	3.65	3.1

Large scale cultivation of cotton started in the Soviet Union only in 1928. Now Uzbekistan is the main cotton producer, accounting for more than half of the total crop. The collective farms of that region are amongst the richest in the Soviet Union. Generally, there is much scope for further development of cotton cultivation in Soviet Central Asia.

The most publicised features of new agricultural development are those designed to protect Soviet farming from the periodical natural calamities and to reclaim desert land. A 15-year plan of afforestation was proclaimed in 1948. It received the imposing title of "Stalin's Plan for Changing Nature." Forests were to be planted as a protection against sand drifts; snow reservoirs and ponds were to be built to preserve moisture. Soviet propaganda was mobilised to bolster this venture; the composer Shostakovich was even commissioned to produce a symphony on this topic. But it soon became clear that the "Stalin Plan" was inadequate. New plans to combat drought and increase the area under cultivation have now been launched. These are to be combined with a huge programme for the development of power stations. In addition, 65 million acres of desert or other land perpetually threatened with drought in the Volga region, in Central Asia, in the northern Crimea and Southern Ukraine are to be irrigated by canals.

Development Of Central Asia

The greatest works are to be carried out in the region of the Caspian Sea between the rivers Volga and Ural (some 30 million acres are to be irrigated here) and on the river Amu Darya in Turkmen S.S.R., where the desert, covering 87 per cent of the land, is to be prepared for cotton cultivation. The scope of plans for this region may be gauged from the project to build a canal nearly 700 miles long through the Kara Kum desert. The irrigation plan covers also the European provinces—e.g., it provides for the linking of the Volga and the Don near Stalingrad, which is not quite a new project—yet the main stress is on the development of Central Asia. Similar projects were already being considered before the war. Some attempts at fighting drought in Central Asia were made, particularly in the Fergana Valley. But the methods were still primitive. Now the job is to be carried out with the aid of modern machinery, which is to be supplied through the new Five Year Plans. Local manpower, from state and collective farms, is to be used for these gigantic works.

These agricultural plans, coupled with the scheme for "agrotowns," are not less ambitious or less difficult of attainment than are Stalin's objectives for industry for 1965 or even 1960: 60 million tons of steel, 60 million tons of oil, and 500 million tons of coal. The fulfilment of these targets, it is proclaimed, should mark the beginning of a new era, "the transition from socialism to communism."

★

Correction.—In the table on page 494 of *The Economist* of last week some of the figures for the Soviet 1950 plan targets were incorrectly given. The correct figures should read: artificial fertilisers, 5,100,000 tons; cotton fabrics,

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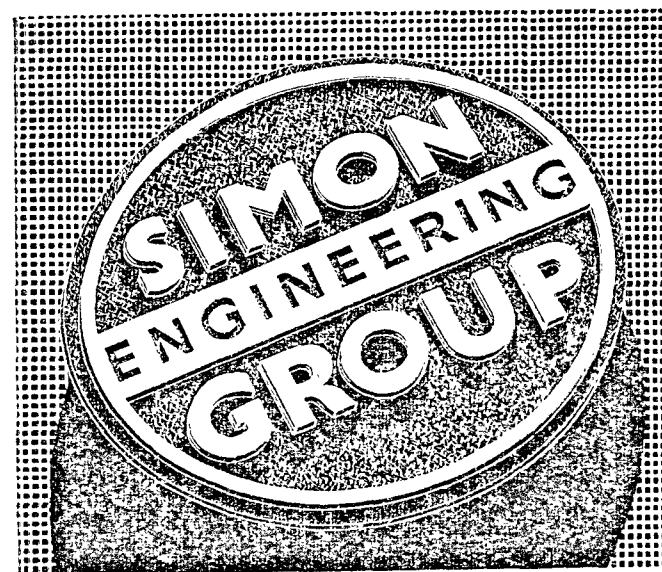
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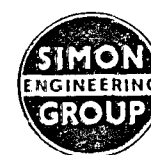
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No. 10.

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4,686 million metres; paper, 1,340,000 tons; meat 1,300,000 tons; sugar, 2,400,000 tons; animal fats, 275,000 tons; vegetable fats, 880,000 tons; soap, 870,000 tons. The above article is the last in this series.

Inflation Threatens New Zealand

[FROM OUR WELLINGTON CORRESPONDENT]

THERE is every indication that New Zealand's National Party Government, elected in 1949, after 14 years of Labour rule, faces a very difficult period in this, the second year of its three-year term. In the untrammelled freedom of opposition the National Party found it easy to promise that it would make the New Zealand pound buy more. It has now been in office for 14 months and is finding, like most governments, that promises cheerfully made in opposition can prove exceedingly inconvenient when in power. In the event, prices in New Zealand have continued to rise steadily and wages, as their habit is, have pursued them, until today the cost of living is unquestionably the most awkward domestic issue the Government has to face.

Meanwhile, with job vacancies running at a weekly figure of about 30,000 and industry apparently irrevocably tied to a 40-hour, five-day week, the country has been experiencing the inevitable effects of over-employment, and the costs of this have been added to the costs crowding in from every direction. The pages of any daily newspaper in New Zealand today contain columns of display advertisements seeking people for even such inconsequential positions as office boys and junior typists. Practically every factory building in the country is placarded with hoardings shouting for labour, and employers everywhere have been forced to bid against each other until actual wages bear very little relationship indeed to the award rates fixed by the arbitration Court. In this contest, the basic primary industries upon which New Zealand's economy is founded, have inevitably had the worst of the bidding and the dangerous drift from the country to the towns, already very apparent before the war, has been accelerated.

Labour Calls the Tune

In this situation, neither the individual employer nor the Government can afford to quarrel with organised labour. The last thing either can do is to suggest, however indirectly, that labour should work harder and work longer hours. That is why, when the Arbitration Court on January 31st ordered a 15 per cent general increase in award wages (incorporating an earlier interim rise granted last year) the Government almost bent over backwards in its efforts not to upset the workers by emphasising the inevitable effects. It was, therefore, disappointing that the workers appeared to be upset anyway, not by the effects, but by the fact that they did not consider the increase large enough. The Government immediately gave assurances that it would pass on the increase—as it was in fact bound to do—to its own employees and to superannuitants and pensioners, and the majority of employers are preparing to follow this lead.

When the court's order was issued the Government, in accordance with its election promises, was busily removing price controls and had already reduced subsidies by over £11 million. In an effort to prevent the wage increase from being passed on it has now discontinued the removal of controls, has promised that subsidies on certain staple food-stuffs will be maintained and has issued regulations preventing more than 75 per cent of the wage increase from being written into the prices of a number of items still

remaining under price control. In addition it warned employers that if restraint was not exercised in passing on the higher wages costs, that celebrated official movement, "further steps," would take place.

Apparently the Government hoped that employers would be willing to carry some of the increase out of profits or, if not out of profits, that they would compute it upon award rates and not upon the actual wages they were paying. It seems already evident that these hopes were stillborn. Employers, compelled by conditions to keep their labour satisfied, seem likely to pay for temporary peace and conditional quietness. The wage increase may well inject £40 million or more this year into New Zealand's money circulation without any increase in production. This is an obvious inflationary fact and it seems unlikely that the present patchwork of controls and subsidies, backed by exhortation, can do anything very effective to alter it.

Plutocrats of Wool

Mr Holland, the Prime Minister, is now confronted with another national waterfront strike and mutterings of discontent all over the industrial field. There are also the problems of New Zealand's primary industries. The dairy farmers, who were refused an increase in the prices paid for their butter and cheese by Britain this season, contend that, now their wages bill has been raised, the Government must either increase the guaranteed price it pays them for their produce or else they must cut into their stabilisation reserves. The meat industry, though it was granted a delayed 5½ per cent increase in British prices last month, finds that killings have dropped off by 25 per cent, partly because of a late fattening season but also because farmers are finding it more profitable to hold back their lambs, ewes and wethers, for wool. The wool growers are the plutocrats of the moment, but even they, through sheer excess of prosperity, present the Government with very difficult problems. One-third of their total cheque this year will be compulsorily "frozen." This may well amount to £40 million for the full season, a liability backed and guaranteed by the Government, even if it is paid into the individual banking accounts of the growers and held in suspense. If wool prices remain high, and the Government continues to freeze a third of the New Zealand wool cheque, its mounting indebtedness to the woolgrowers could become like an old man of the sea on the nation's shoulders.

Rising world prices, increasing shortages and the evident necessity for heavier expenditure upon defence all add to the Government's difficulties. This last has already largely wiped out the savings Mr Holland made earlier by reducing subsidies. Now he (or his Government) seems inclined to expand subsidies again and may have no option but to spend still more on defence. The President of the New Zealand Federated Farmers, the most influential of New Zealand's organised groups of primary producers, has already bluntly warned the Government that as one necessary check to inflation it must severely retrench its own expenditure. Any such retrenchment would have to include some curtailment of New Zealand's heavy programme of public works. While Auckland, where the National Party had its most important election gains, is clamouring for a harbour bridge and the electrification of its suburban railways, and other districts are urging their own development schemes with equal urgency, Mr Holland will find this a very difficult situation to face.

Indeed it seems inevitable that if the National Government is to tackle New Zealand's chronic labour shortage and its rising living costs, it cannot help losing votes. It had a margin of some 50,000 at the general election, but there are signs that this reserve has dwindled since. It will require political foresight and courage of a high order to deal with this situation on national rather than party lines.

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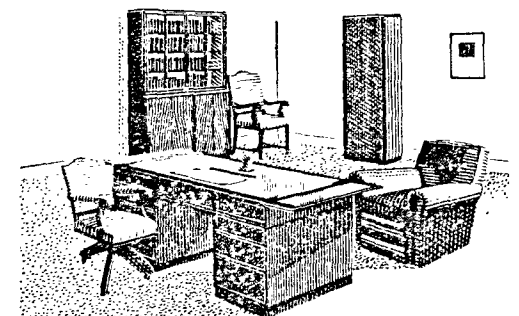
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THE BUSINESS WORLD

Should Britain Waive the Waiver?

THE comptometers ticking up the service on the two dollar loans raised by the British Government on the morrow of victory, began to click at the beginning of this year. The initial period of grace on the United States and Canadian lines of credit is over. The first annuity payable by the British Government on each of them is due on December 31st next and will relate to the year 1951. In framing estimates of the balance of payments of the United Kingdom for the current year, this is a factor for which allowance must be made.

What are the sums involved? The amount due on the United States line of credit relates not only to the \$3,750 million of new money that was put at Britain's disposal as a result of the financial agreement of December 6, 1945, but also to an amount of \$600 million (never collected in cash) representing the value of lend-lease goods that were in the "pipe-line" when lend-lease came to an end, less certain counter-claims by Britain. The whole of the line of credit was drawn; hence the capital indebtedness to the United States amounts to around \$4,350 million. Under the agreement this sum is to be repaid in 50 annual instalments of which all but the last are to be calculated at the rate of \$31,823,000 for each \$1,000 million of credit drawn by December 31, 1951. The total annuity due at the end of this year to the United States will thus be US \$138,500,000. Of this, the sum due for interest (at 2 per cent on \$4,350 million) will be \$87 million; the balance of \$51,500,000 will represent capital.

*

The amount outstanding on the Canadian line of credit will be the original amount granted, i.e., \$1,250 million, less the unused balance of \$65 million, which the British Government recently announced would not be touched. The terms on which the outstanding and utilised \$1,185 million will be repaid are identical with those laid down in the agreement with the United States Government. It follows that the amount due to the Canadian Government at the end of this year will be Can. \$37,700,000 of which \$23,700,000 will be for interest and \$14 million for capital repayment.

The agreements with the United States and Canada both embody waiver clauses entitling the debtor, in certain circumstances, to absolve himself from the need to pay interest. The text of these clauses is almost identical in each agreement, that with Canada having copied the relevant sections that had been hammered out with no little difficulty in the earlier Anglo-American negotiations in Washington. The waiver applies to the payment of interest only, but in the earlier years of the repayment period this represents the larger part of the annuities. The waiver, if successfully invoked, involves the complete cancellation of the amount due for interest for the particular period. No liability is carried over to another year.

The waiver has to be invoked by the British Government—the initiative lies with the debtor. If it is invoked, the creditor must grant it, provided that two conditions are satisfied. The first is that

The Government of the United Kingdom finds that a waiver is necessary in view of the present and prospective conditions of international exchange and the level of its gold and foreign exchange reserves.

The second condition requires that

The International Monetary Fund certifies that the income of the United Kingdom from home produced exports, plus its net income from invisible current transactions in its balance of payments, was on the average over the five preceding calendar years less than the average annual amount of United Kingdom imports during 1936-38 fixed at £866 million, as such may be adjusted for changes in the price level of these imports. . . . If waiver is requested for an interest payment prior to that due in 1955, the average income shall be computed for the calendar years from 1950 through the year preceding that in which the request is made.

If the British Government is to invoke the waiver on these two loans, it must, therefore, find that this is necessary in view of the present and prospective state of the gold and foreign exchange reserves—a matter in which the British Government is to be the sole judge. In addition, the IMF must find that exports of UK produce plus net invisible income in 1950 were inadequate to pay for a volume of imports equal to that of £866 million recorded in the base period 1936-38. The adequacy of the gold and dollar reserves is an issue on which recent ministerial pronouncements leave room for no doubt whatsoever. The inflow of gold has been at a rate much greater than would be needed to meet the debt annuities—in the first half of 1950 it was \$734 million (including \$514 million from the Canadian credit and from ERP receipts) and in the second half it was \$878 million (including \$293 million of ERP receipts). But the total of the reserves, after allowance for price changes, is still much lower than before the war. They are certainly not such as to allow the whole sterling area, whose needs they have to serve, to launch itself into the open seas of full convertibility and non-discriminatory trade.

As for the second criterion, exports of UK produce in 1950 amounted to £2,170 million, while the total for net invisibles is likely to be £350 million. These net invisibles totalled £160 million in the first half of the year and undoubtedly increased in the second half under the influence of the rise in commodity prices and in income from dividends and profits earned overseas. The current earnings of the United Kingdom in 1950 will thus have been sufficient to pay for imports valued at around £2,520 million. This is considerably less, allowing for changes in import prices, than the basic figure of £866 million included in the waiver clause. The import price index for 1950, based on the figure for 1947, was 135, while the 1947 average based on 1938 was 258, so that

the rise between 1938 and 1950 was 100:348. This ratio would reduce the 1950 export proceeds to only £725 million in terms of 1938 values—well below the basic figure.

On both grounds, therefore, the British Government would have the right to claim the interest waiver on the two credits. A possible complication is introduced by a further clause, which appears in both agreements. This clause (in the American version) provides that

Waiver of interest will not be requested in any year unless the aggregate of the releases or payments in that year of the sterling balances accumulated before the effective date of this agreement is reduced proportionately.

In the Washington discussions, this qualification of the waiver clause was propounded by the American negotiators, and accepted by the British, on the understanding that the problem of the sterling area balances would be settled on the neat and tidy pattern contemplated in section 10 of the Financial Agreement—under which part was to be cancelled, part funded, and part released and made convertible immediately. There has been no such global solution of the problem. To interpret and apply this part of the waiver to the loose and extremely variable arrangements made by the British Government with its sterling creditors would defy the ingenuity of any lawyer, British or American. This particular complication can, therefore, be ignored; the issue has to be judged by reference to the two basic conditions.

*

The letter of the agreement would unquestionably justify the invocation of the waiver. If this were invoked and successfully approved by the International Monetary Fund, the annuities payable at the end of this year would be reduced from US \$138,500,000 and Can. \$37,700,000 to US \$51,500,000 and Can. \$14,000,000 respectively. Are there considerations of higher policy that counsel Britain to the more heroic course—the waiving of the waiver and the proud payment of a debt that Britain is not bound to honour in full? It will probably be argued that to invoke the waiver after a period during which the gold reserve has been rising would arouse vehement criticism in certain quarters in the United States. These, however, are the quarters that would criticise anyhow; doubtless they would murmur even if, by some miracle, Britain found it possible to repay the whole loan lock, stock and barrel at the end of this year.

Much more to the point is the fact that the waiver clause was intended to meet precisely the condition that obtains today—one in which Britain is still importing

less in volume than before the war, and is incidentally assuming a large share of the common Western burden of defence outlay. It could surely be demonstrated to the United States that to pay the whole of the annuity would require Britain to impose restrictions on imports from the United States and Canada on a much more severe scale than would otherwise have to be done. That is an argument that, apart from its inherent validity, would tend to stifle much of the criticism that the invocation of the waiver would arouse in US Congressional quarters. To pay the first instalment on the US and Canadian credits in full, irrespective of what the waiver clause says, might be to commit the British Government to go on paying even though the balance of payments seriously deteriorated. The first payment would create a precedent from which it may be difficult to withdraw, because it would relinquish the right given in the agreement, and make it difficult to invoke this right in future.

The choice before the British Government is one of some difficulty, a difficulty that will reaffirm the conviction that must have been present in the minds of many of the loan negotiators that waiver clauses are unsatisfactory devices, with a high potential for friction and mischief-making during the course of the agreement in which they are incorporated. This waiver was introduced by the United States and Canada to allow them to give a "commercial aspect" to all the other features of the credits they were making available to Britain. It was accepted by Britain, but against the better judgment of most of its representatives, who felt they were acting under something like duress; they took it as the third best of what had been hoped for, the first hope having been for an outright grant and the second for an interest-free loan. But, granted that the credits had to be given the trappings of commercial operations, the waiver clause was an acknowledgement by the lending governments that the facilities they were making available were not, in fact, normal commercial loans but were an integral part or extension of the wartime arrangements for mutual aid between the members of the grand alliance. This fact has since been tacitly and generously recognised by the subsequent offer of Marshall Aid. This being so, it would be the height of constructive statesmanship by the two lending countries if they were now to indicate to the borrower that he should exercise his rights under the waiver clause—in the interests of all concerned. Such initiative, tactfully and discreetly conveyed, would probably put an end to a good deal of anxious heart-searching in London—quite apart from conducing to a more realistic approach to the problem of external debts left as a relic of the war and postwar settlement.

Upward Bound Shipping

THE remarkable boom in the international shipping industry in the past few months provokes an inevitable question: is it merely a temporary response to international tension or is the world's merchant fleet becoming insufficient to meet the requirements of post-war international trade? To make long-term forecasts about an international market so dependent upon world forces would be rash; but the influences that have brought about such a dearth of tonnage in so short a time certainly need close examination. The exceptional strains of recent months were bound to create an acute pressure upon tonnage; it would be much more significant if the present inadequacy of the merchant fleets (in which, ton for ton, war losses have to a large extent been replaced) were also partly attributable to fundamental changes in the pattern of world trade—in particular in the movement of raw materials in bulk.

The booming state of the freight market is indicated by the change in the index number of tramp shipping rates published by the Chamber of Shipping of the United Kingdom. This index, dramatic though its evidence is, does not tell the full story of what is happening in world shipping, for it is confined to dry-cargo shipping and is computed only from tramp fixtures made on a sterling basis. In December last the index reached 115.7 (1948=100); this figure was itself higher than that of any individual month since the index began to be compiled in January, 1948, but in January the index showed a sensational leap of 36 points to 151.9. Nor is this the peak, for during February freight rates generally increased further. This, to repeat, is not a complete measure of the state of the shipping market. Liner conference rates in practically every part of the world have been, or are about to be, increased, and tanker freights have also surged upwards.

This startling advance in freight rates is only nine months old. The quantum of world trade during the first quarter of 1950 was nearly 10 per cent higher than the prewar volume but, during that period, employment for tramp shipping was at a low level. By May, 1950, the Chamber of Shipping index had dropped to 71.4, and some owners talked of laying up ships, although there were fewer tramp ships in service than before the war. The composition of the world merchant fleet has, in fact, experienced a marked change since 1939. Statistics compiled by Lloyd's Register of Shipping for the end of June, 1950, show that the world fleet then totalled 84.6 million tons gross, compared with 68.5 million tons before the war. Towards this increase, the tanker fleet contributed a large part, with its expansion from 11.4 million tons in 1939 to 16.9 million tons in 1950, and it must be remembered that 14 million tons of dry-cargo tonnage were laid up last June in the United States reserve fleet. The total of active dry-cargo tonnage, therefore, was considerably smaller in 1950 than in 1939; yet freight rates were falling and the demand for tonnage was declining.

This downward trend was arrested in June, when war broke out in Korea. Rates rose only slowly, for the immediate demand for military transport was satisfied mainly by the release of American ships from the laid-up reserve fleet. But the Korean outbreak had the

immediate consequence of a rapid expansion of stockpiling in the United States, and elsewhere; rearmament added further strains on the tonnage available for the international transport of raw materials. Meanwhile, the British export drive was in full swing and a considerable amount of extra tonnage was required to carry exports of manufactured goods from the United Kingdom. The liner companies, unable to meet the increased demand for outward cargo space, went into the market to charter tramp ships to supplement their fleets. The combined result of these factors is seen in the rise of the tramp freight index to 95.8 by October.

At that stage charterers would normally have been taking steps to cover their requirements for winter shipments of grain, and charterers on behalf of the British Government did begin to look for tonnage to ship last year's bulk purchase of grain from the Black Sea. They did not find much tonnage on offer at the rates suggested, nor did they rush to accept vessels—much to their later discomfiture, for their calculations were completely upset when the British Government suddenly announced its decision to import more than a million tons of coal from the United States. Other Western European countries, deprived of expected coal from Britain and other producers, turned to the United States for emergency supplies, and rushed into the market to cover their own freight requirements; freight rates consequently soared. To add to the confusion, tonnage was urgently sought for timber from the Pacific coast and for large importations of grain from North America.

In this situation, the Minister of Transport was compelled to approach the British shipping industry for assistance in securing the imports the Government urgently needed. The industry responded by voluntarily restricting its activities in the international market. But in order to meet the most pressing needs of the import programme, ships had to be sent on long voyages in ballast, and this had the immediate effect of curtailing export shipments and interfering with normal shipments of other commodities, including in particular imports of iron ore. The Scandinavian countries had to adopt similar measures to ensure the fulfilment of their own import requirements, and charterers were soon forced to pay rates as high as 100s. per ton to secure foreign ships to bring coal across the Atlantic.

The winter months are normally the high season for shipping demand, and the sudden concentration of special demand on an industry already more than normally busy dislocated the freight market. There was, in fact, no reserve of active shipping to meet the urgent demands of India for wheat from North America; to prevent famine, the United States has now agreed to the exceptional measure of releasing more vessels from its laid-up fleet to relieve the abnormal pressure on tonnage. This, however, can only provide temporary relief, and even so laid-up ships take some time to get into service. Whether this tonnage will be capable of providing more lasting assistance depends on whether cargo ships can be operated commercially under the American flag at anything less than peak freight levels.

Much of this exceptional demand for tonnage is a



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direct consequence of the international situation, and of the famine in India, but it is difficult to believe that its worst consequences could not have been avoided if the Government's trading methods had been less cumbersome and its demands for American coal had not been left to the last exigent moment. These decisions wholly failed to sense the intricate reactions upon the international shipping market. The current pressure is also increased by the serious loss of carrying capacity of the world's tonnage, and by the delays which are now common in ports all over the world. But there is perhaps an even more fundamental cause of the shortage of shipping which has become rapidly apparent—the rising level of output and the advancing standard of living in so many countries; industrial expansion increases the demand for imported raw materials and the return traffic of manufactured exports rises to match. In the Western world the production of finished manufactures is pressing severely upon the world's resources of raw materials. The indications are that, apart from the question of rearmament, world consumption of primary foodstuffs and raw materials including oil, will make far larger demands on ocean transport than ever before in peacetime.

Against this background, the maintenance in good order of the world's merchant tonnage for the increased work it will have to do is of first rate importance. Apart from the American war-built reserve fleet, one-quarter of the world's effective merchant tonnage is now more than 25 years old; this is an age at which most ships become uneconomical to run, owing to comparative inefficiency and cost of maintenance. The boom in freight rates has produced a spate of orders for new cargo ships; the shipping industry is still prepared to accept the risk of changes in long-term demand, and to assume the heavy financial burden of present-day shipbuilding costs. Merchant ships have a vital strategic importance in time of war and the American Government, despite

the huge reserve of laid-up tonnage, has decided to spend over £70 million on building 25 new cargo vessels. British and other shipowners have no such golden crock to provide the funds for replacing old tonnage with new and efficient ships; the most they can hope for is some official response to the argument put so strongly at the recent annual meeting of the Chamber of Shipping for the alleviation of taxation on profits set aside for replacing obsolete ships.

The fact that freight rates are so high at present may seem to weaken the force of this argument about replacement; but these enhanced rates reflect not only the exceptional demand for tonnage but also the increased costs of operating ships. Operating costs have been rising since 1948, and the rise has increased steeply quite recently. In the last two weeks, for example, there has been an all-round increase of 10 per cent in marine insurance premiums on hulls, owing to increased cost of repairing and maintenance, and the new National Maritime Board wage agreement has come into force, under which the seaman's basic wage has increased by 10 per cent. The dockers have received increased wages, which the shipowners will be called upon to pay, other port charges have increased, shipbuilding costs are rising, and fuel bills have mounted considerably in the last few months. These factors have received less prominence than the rise in freight rates but they are a source of constant concern to the shipping industry. For while it is true that under certain conditions the boom in freight rates could be reversed, it is less certain that operating costs could be reduced to match. Indeed, the present appearance of prosperity in shipping should not be allowed to obscure the fact that the industry's "break even" point is probably higher today than it has ever been before. In these circumstances, a relatively modest reversal of the recent trend in the freight markets might have a disproportionate effect upon the industry's fortunes.

Business Notes

Change of Front on Commodities?

There are evident signs that the United States Government may be reconsidering its policy about stockpiling. The decision to purchase no more tin until the price has fallen to "a more reasonable level" may have implications stretching far beyond the tin market, particularly after the recent decisions to slow down the purchasing of copper, zinc and rubber. But some clarification of this week's apparent change of front will be needed before it can be seen for certain whether the consequences for commodity markets are as far reaching as they appear. It is not known, for example, whether the total quantity of materials to be accumulated is to be reduced or whether the time limit by which the reserve should be completed is to be extended. The immediate effect of either of these decisions, however, would be to ease the pressure of demand on the markets, and conceivably to cause some descent from the peak of prices.

Stockpiling is of vital concern to certain of the commodity committees of the international materials conference now meeting in Washington, and until clear intentions are announced by the United States, the work of these new bodies is likely to be hampered. There would be no need for any international allocation of copper and zinc, for example, if the United States purchased none for its stockpile during the next year or so. For rubber and tin the problem is not so much to free supplies for defence purposes as to redirect

exports at present going to Russia, China and other countries in the Soviet sphere of influence. Chinese imports of rubber in the first quarter of this year are likely to amount to 45,000 tons, making a total of no less than 110,000 tons in the nine months since the invasion of Korea. Again, present shortages of sulphur, cotton and wool do not proceed directly from stockpiling, though defence demands have certainly caused wool prices to rise sharply. The scarcity of cotton may be only temporary, if the United States has a large crop this summer. But the scarcity of sulphur, wool and certain alloy metals such as tungsten is likely to be more persistent.

For wool and tungsten, the market itself might provide an effective method of allocating supplies—provided that defence requirements were kept to modest proportions. The United States, however, has preferred export control to the price mechanism in eking out its dwindling reserves of sulphur and here the case for international allocation would seem to be strong. But the United States might well demand in return like treatment for commodities that it has to import.

Gouging and Stockpiling

The announcement that the United States is to stop stockpiling tin caused a very sharp fall in the London price this week. Spot tin had been hovering around £1,500 a ton for the past fortnight, though last week it fell to

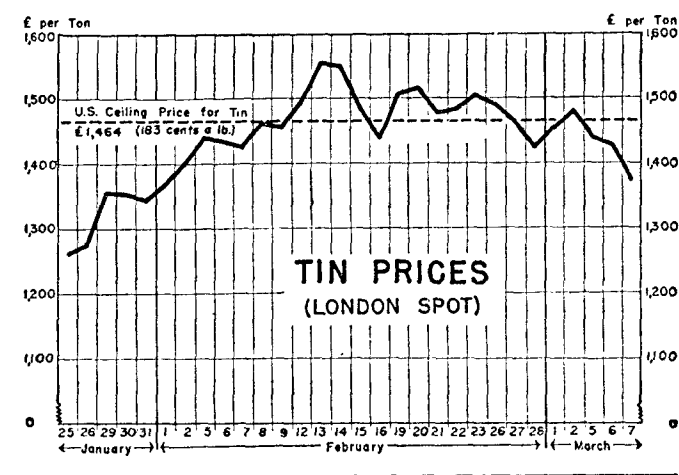
£1,422½ at one time, only to rally again to £1,480. This week the trend has been unmistakably reversed; the price fell to £1,430 by Tuesday morning but recovered in the afternoon and reached £1,470. On Wednesday it fell by £120 to £1,337½ and it closed on Thursday at £1,217½, making a total fall of £240 since the announcement of the American ban. Backwardation has widened considerably and is now about £120 a ton compared with £65 a fortnight ago. The question at the moment is not whether the market will fall still further but rather at what level will it stop.

The feeling in the United States about tin producers holding the American Government up to ransom was expressed very strongly in a report of a subcommittee of the US Senate committee on the armed services. It stated that:

The American taxpayer is weary of being gouged for the privilege of obtaining from some of its allies the raw materials with which she is expected to supply the food and armament needs of the non-Communist nations in the event of another all-out war.

Whatever may be felt on this side of the Atlantic about such a form of words, they have apparently struck home. Stockpiling has been abruptly suspended, and preliminary governmental talks on the formation of a tin committee in the international materials conference are to open in Washington next week.

World production of tin is well in excess of world consumption, and the strength of the market in recent months has been due almost entirely to the demand for stockpiling. World output of tin metal last year reached 172,400 tons compared with a world consumption of 154,000 tons; most of this excess supply went into the American stockpile. But



a large part of it was purchased under long-term contracts from Belgium and the Netherlands, and presumably these supplies will not be affected by the suspension of stockpile purchases. If the American ban means that only some 5,000 tons a year less will go into stock, there will be only slight relief for other countries, including Britain, that are now anxious to build up their stocks.

But this is not the whole story. The American ceiling price for tin is £1,464 a ton and even when the price was below this level American merchants were not buying on the open market; their requirements have been met almost entirely by supplies from the Reconstruction Finance Corporation which operates the Texas smelter. The withdrawal of a substantial part of total American demand for tin might well cause quite a severe slump on the tin market. One American report has suggested that the price of tin should be pegged at around 125 cents a lb. (£1,000 a ton). Such a price would no doubt be reasonable for Malayan and Indonesian producers, but it would hardly encourage an expansion in marginal output in the Belgian Congo and Bolivia.

Dollar Exports and Defence

The need to maintain dollar exports has not been lessened by the rearmament programme; indeed the President of the Board of Trade has put forward the proposition that dollar exports "are a necessary part of rearmament itself." This was the theme of the convention organised by the Dollar Exports Board that met at Eastbourne last week. An impressive array of speakers included the Chancellor of the Exchequer, the President of the Board of Trade, the Minister of Supply, the Canadian Ambassador and the head of the ECA Mission in Britain. Perhaps some of the British industrialists assembled at Eastbourne may have felt a closer concern about the relative priorities of defence and dollar exports they no doubt profited much from the frank and detailed discussion of the problems involved in selling goods in North America.

Dollar exports have so far achieved great success. In the fourth quarter of 1950, the value of British exports to North America was 80 per cent higher than in the fourth quarter of 1949. The engineering and the motor industries have established their product in Canada, and wool textiles have enjoyed an expanding market in both Canada and the United States. But the problem this year will be to maintain the current rate of exports and at the same time to meet the even more urgent demands of the rearmament programme. Raw materials, chemicals, metals and their semi-manufactures accounted for a quarter of Britain's total exports to North America in the second half of 1950 and all these are already short—and in some cases desperately short—for the total tasks to which British industry is now committed. Again, the engineering and vehicle industries supplied together a fifth of total exports to dollar countries last year and they will have to bear heavy responsibilities for defence.

At a rough guess, and on the assumption that the pattern of exports to dollar markets could not be changed, rearmament could cut into their volume by perhaps a third; the only way of making this good would be a corresponding increase in the export of other goods, notably consumer goods, to North America. Such a change would be no easy task. Shortages abound in these industries too, notably in textile materials, Mr W. L. Batt, the head of the ECA Mission in Britain, told the delegates at Eastbourne that many American consumers deprived of domestically produced goods would welcome imports of similar goods from abroad. But he also added that American manufacturers no longer permitted to make products of this kind would offer no such welcome. It should be possible to broaden the basis of British dollar exports by sending more of the goods that already have a ready sale and by developing markets for new types of goods. But that involves a further process of education and persuasion at a time when the home market is likely to be bare of supplies and a clamant customer.

* * *

Pattern of Priorities

Mr Gaitskell made some sensible remarks at the convention about the application of priorities in handling defence, export home orders. The practical problems of industry, he recognised, cannot be answered solely by general statements from the Government, laying down a crude sequence in which defence and dollar exports come first, exports to the Commonwealth second, and supplies to the home market and other foreign countries last. No hard and fast rule can be applied except at the cost of over-elaboration (as the production Ministries' recent experience in prohibiting even a modest range of relatively unimportant metal goods has once more demonstrated). Any company, the Chancellor said, that is uncertain whether it should accept an order for one purpose which might mean the less rapid fulfilment of another, should seek guidance from the Ministry concerned; simple, and largely regional, administrative machinery was being set up to handle these cases.

In certain sectors of industry, this machinery will certainly be kept busy. Defence orders may seem at first blush to fall upon a narrow front of industry; but it is one where the ramifications are very complex. When the sub-contracting stage of defence production is reached on any scale, the tracing of priorities between different types of engineering components, for example, may require more time than manufacturers should be obliged to give. Restraint in the march towards more elaborate controls (of the kind that Mr Wilson appeared to contemplate in the debate at the end of last week) would be a welcome attitude upon the part of the Government—provided always that the authorities were prepared to use the means of fiscal, monetary and credit policy to do this same work more effectively and more equitably. But there is a tendency in certain sectors of industry—usually those where the conflict of claims will be particularly acute—to urge that fuller controls should be set up; this reflects the manufacturers' human desire to shift squarely upon the shoulders of higher authority the unpleasant responsibility of selecting the customers who are to be disappointed. These industrialists might soon find more bitter cause for complaint if the Government hand were to grip the engineering industry more tightly; and there are other manufacturers, not engaged on defence work, who already face worse embarrassments than overfull order books. In certain sections of industry, and perhaps more generally at a later stage, there may develop a case for stricter priorities, when the framework of estimates is translated into industrial activity. At this stage, however, the first priority is information, not regulation. The Government departments, and some organisations within industry, are satisfied that all concerned are being kept fully informed; but comments from some of the companies which will ultimately have a big part to play in the programme suggest that this essential liaison still needs to be strengthened.

* * *

Raw Materials for Export

Now that the United States has decided to slacken its stockpiling purchases of copper, zinc, rubber and to cease buying tin, Britain should be able to acquire larger supplies, though by no means sufficient to meet all its requirements. Cotton and sulphur, however, would remain critical. This country's allocation of only 265,000 bales of American-grown cotton is little more than a third of its imports from the United States last year, while the quota of elemental sulphur for the first quarter of 1951 was 81,465 tons against requirements, on the present restricted level, of about 112,000 tons. Supplies of cotton and sulphur from other sources are simply not available to make good these deficiencies. Home supplies of sulphur for steel production, oil refining, tin plate, processing of vegetable oils, metal extraction and refining and essential food and health services will be maintained at

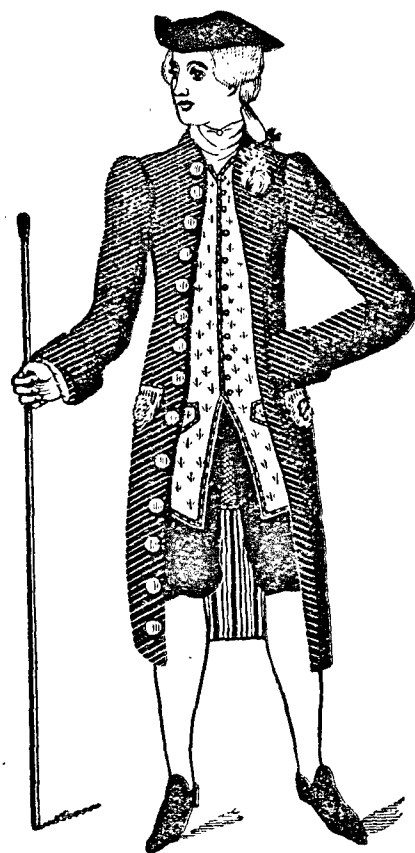
present levels, but supplies to the chemical industry generally will be seriously reduced and supplies to the rayon and other industries even more seriously cut. Output of rayon has already suffered a 20 per cent reduction and a cut of 40 per cent is immediately in prospect. The United States may provide a further allocation of cotton after April and there are hopes that its export of sulphur to Britain for the second quarter will be raised to 100,000 tons. If this quantity is forthcoming these further damaging cuts in the use of sulphur may be averted.

But shortage of raw materials would still persist and with it the need for some method of apportionment of supplies to the various uses—defence, exports and essential home needs. It is indeed clear both from Mr Gaitskell's speech at Eastbourne, and from that of the Minister of Supply, that the Government does not intend to introduce any formal system of priorities for materials. The Ministry of Supply will base its allocation of copper and zinc and their alloys for incorporation in export goods on three principles: the conversion value of the raw material into the end-product, the type of currency to be earned and whether the market for the goods is likely to be a permanent one. These principles are not to be applied rigidly—indeed, that would scarcely be possible—but are merely regarded as a rule of thumb. Their purpose is to prevent the export of raw materials and semi-manufactures even to dollar countries. Such exports have expanded quite rapidly in recent months because of shortages and rising prices in the United States; there is little chance that they would become a permanent feature of British trade. Moreover, if large exports of raw materials and semi-manufactures were permitted now, unemployment in the later stages of production in this country would be almost inevitable.

* * *

Interest Rates in America

In recent months a lurking doubt about the permanence of the present structure of interest rates has been noticeable in the City, and has become in some minds just sufficiently insistent to be a little disquieting. It is no more than that; but that is enough to give City bankers a keen interest in the moves and countermoves in the controversy that has been raging in Washington. It is hard to decide, however, where the honours lie in the formula for truce announced jointly by Mr Snyder and Mr McCabe early this week. The US Treasury and the Federal Reserve now declare their "full accord" in the policies to be followed for their "common purpose" of assuring both the successful financing of the Government's requirements and the minimum monetisation of the public debt. After this display of solidarity (which ought at least to mean that any future differences will be kept behind closed doors), the contestants join hands to attempt a conjuring trick that is apparently intended to allow the Treasury to keep its 2½ per cent basis sacrosanct



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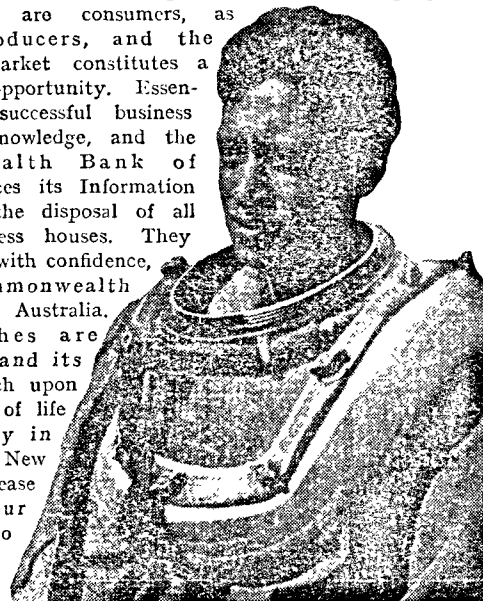
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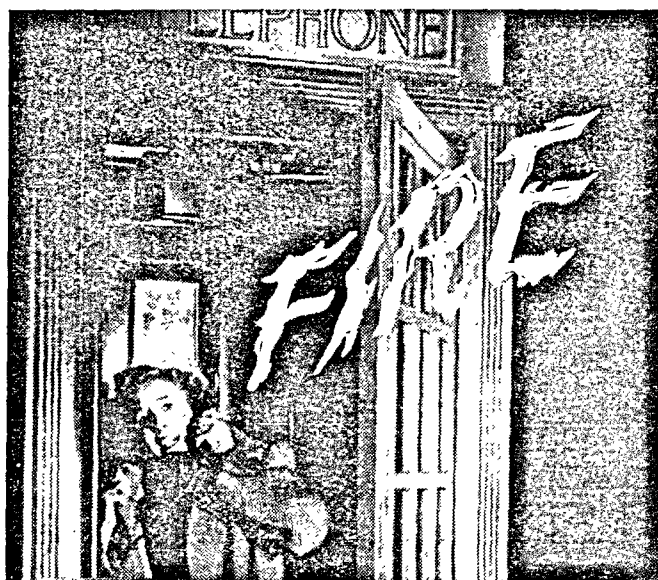
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for long-term securities quoted in the market while relieving the Federal Reserve from the need to make supporting purchases that monetise debt. On Monday week details are to be announced, and the lists will open a week later, for a conversion offer to holders of 2½ per cent bonds, 1967-72. The new security will carry 2½ per cent, will be optionally redeemable in and after 1975 and finally redeemable on April 1, 1980, and will not be marketable or transferable (though it may be tendered for death duties). It will, however, carry an option to convert into marketable 5-year 1½ per cent notes.

The general intention seems pretty clear, though many vital details are lacking. The effect of rigid pegging of prices such as has been practised in the United States is to convert even long-term securities into demand securities or "near-cash." What is now hoped is that the offer of an extra ¼ per cent (if this does in fact prove to be the net outcome of the terms) will induce investors to forgo this chance to take cash—or at least to postpone their exercise of it. In this sense, the readmission of the interest rate into the calculus of liquidity preferences is a clear moral victory for the "Fed." But whether the gain in practice is likely to be large or enduring will probably depend upon whether the rate of interest is to be readmitted to the market as such. If the option to turn the non-marketable debt back into marketable notes is tightly drawn, or is subject to any large penalties (even if these arise from no more than the fear that the authorities would support the long-term market but not the short), the offer of an extra ¼ per cent may look unattractive. In that case, the gain to the authorities from the lock-up would be small—and will in any case be non-recurring. On the other hand, if the option is attractive, and readily exercisable, investors will collect an extra ¼ per cent, but will still be free to press upon the market. And when they do press, will the authorities make it still easier for them by continuing to peg the market or by keeping its movement within narrow limits? If so, the monetisation of debt will go on, subject only to a moderate brake. In short, it seems clear that this sleight of hand cannot succeed by itself. Its success will be proportionate to the readiness of the authorities to allow rates to rise in the market. Only time (and the detailed terms) will show whether the American Treasury has really yielded much ground.

* * *

Germany's External Debts

As part of the arrangements for modifying the German occupation statute and granting Germany a far wider measure of autonomy, the Bonn government has at long last accepted responsibility for Germany's postwar and prewar external debts. The acknowledgment has been made in very general terms and does not by any means amount to a commitment to pay in full. It is merely a pledge of the West German Government's "desire to resume payments on the German external debt." The post-war debts, which cover aid to Western Germany by the United States, the United Kingdom and France, amount to about \$3,500 million. The capital amount of the pre-war bonded debt is about \$1,000 million. In addition there is the standstill debt, now outstanding to the amount of about \$100 million, which is not part of the Reich debt but which will certainly rank high in the coming negotiations.

For some time past, representatives of the three occupying powers have been working on the problem of these external debts, attempting to arrive at some more precise estimate of their total, and considering in very general terms the question of priorities. These talks are expected to broaden in the near future. Arrangements will be made for the participation of the foreign creditors, of the German debtors and of the various interested governments, in the hope that it will be possible to agree upon an orderly settlement that will not place excessive weight on Germany's balance of

payments; at the moment, unfortunately, this balance of payments could hardly bear any additional burdens at all.

According to the letter of existing agreements, the Allied powers could claim unquestioned priority for repayment of their postwar relief expenditures in Western Germany. If these priorities are insisted upon, nothing will be left for the prewar creditors, but it can hardly be the intention of the Allied authorities to press their legal rights to this extreme. The most immediate object of the coming negotiations should be to re-establish German creditworthiness in foreign markets and to recreate the links between German commerce and the credit facilities of which Germany is in such dire need. For this purpose, a reasonable settlement of the commercial debts embraced in the standstill agreements should have high priority. In this connection it may be noted that steps were recently taken in Germany to allow the transfer of blocked mark balances between non-resident holders and that German standstill debtors have been given the right to repay their debts in Deutsche marks. These two provisions taken in conjunction should provide a channel through which standstill creditors can, if they wish, take repayment of their claims in marks and find buyers for them in their own currencies. Unfortunately, however, it is laid down in the relevant regulations of the High Commission that before the German debtor is allowed to repay any standstill debt in his own currency, he must notify all his creditors by registered letter of his intention and must give 60 days' notice of any such repayment. The difficulty of complying with this procedure in a dismembered country such as Germany has so far provided an insurmountable barrier to any repayment.

* * *

New Aircraft for Defence

The statement of the Secretary of State for Air on the air estimates last Tuesday gave little new information about the defence programme. The £81 million allowed for aircraft and spares are to pay for aircraft that will be delivered this year; that is, largely for Meteors, Venoms, Vampires, Canberras and other aircraft ordered twelve months or more ago. At present prices this sum can hardly provide a large number of machines. Allowing for the time required for placing orders and for tooling-up, it seems likely that only a few of the aircraft specifically ordered as part of the accelerated rearmament programme will be delivered within the 1951-52 financial year and provision for them will doubtless appear in the supplementary estimates.

If Mr Henderson gave away no new facts about the size of the programme, he did reveal an important change in the purchasing policy of the Air Ministry and of the Ministry of Supply. He confirmed the Prime Minister's statement that orders had been given for a four-engined jet bomber and he mentioned a number of other new orders for "advanced fighters," and "jet night fighters" as well as for an "all-weather two-seater jet fighter." In particular, the orders for advanced fighters were described as "substantial." Under present security regulations, the fact that none of these aircraft was identified means that none has yet flown; this implies that the aircraft have been ordered off the drawing board. This is a departure from previous practice, at least for military aircraft, for it has hitherto been the rule that a prototype was ordered only after intensive flight testing and development. One of the principal complaints voiced in recent years has been that the decision to call a halt on the development of a new type and to give an order for production was too long deferred.

What the programme will mean in terms of labour, new capacity, machine tools and materials is still in the field of guesswork. For the three-year programme, a rise in the labour force employed directly or indirectly on military aircraft construction from rather less than 100,000 to perhaps 300,000

may be a plausible shot. Shortage of engine making capacity will have to be made good, with an appreciable amount of new building and the procurement of special machine tools. The Government departments concerned with these matters have not shown, in the industry's view, the necessary drive and urgency that this side of the programme requires. The leisurely interdepartmental gather-round on permits should not be allowed to delay the engine programme; and without the assurance of special American tools the provision of rotor blades for jet machines may be seriously affected.

Mr Henderson mentioned the possibility of buying two types of American aircraft, the Sabre fighter and the Neptune for Coastal Command reconnaissance; he also confirmed that the Canberra bomber will be built in America for the United States Air Force. An initial order for 500 of these machines is said to have been placed with the Glenn L. Martin Company. Since the Rolls-Royce Avon engine which powers the Canberra has not been licensed abroad it may be that the Armstrong-Siddeley Sapphire engine, which has been licensed to the Wright Aeronautical Corporation, may power the American built Canberras.

* * *

Rocket Developments

A short reference to rocket developments was made during the debate by the Under-Secretary of State for Air. He said that the speed of development was increasing "so we may find ourselves up against these possibilities rather sooner than many think." Air Chief Marshal Sir Alec Coryton, who is in charge of the Ministry of Supply's rocket research programme, recently disclosed that parts of a new rocket, which he described as larger and more accurate than those previously tested, are ready for assembly at the testing site at Woomera in Australia. He also said that British work was concentrating on the rocket as a weapon of defence—it is now possible to build missiles that will "home" on an incoming target with a fair degree of accuracy, and this accuracy will improve as designers gain experience. These targets include incoming guided missiles as well as aircraft.

Such developments are bound to have repercussions on the aircraft programme. Now that the way seems clear to build rockets that can be directed to their flying target, there may be less need to undertake extraordinarily complicated design projects for ultra-high speed aircraft and the same may apply to bomber development. Much depends on the way in which the electronic apparatus that would form the "brain" of certain designs of rocket can be developed. All such equipment uses large numbers of valves and it has yet to be shown that the requirements for valves in a guided missile programme of this kind could be met by the valve-making industry.

The aircraft industry has shown little interest in the cruder types of rocket motors for piloted aircraft; these have high fuel consumption and cannot maintain the aircraft in the air for more than a few minutes. Small rocket motors to give a supplementary boost to jet-engined aircraft are being developed, but a similar thrust can be imparted by injecting fuel into the exhaust of a jet engine and re-lighting it; much experiment will be needed to decide between the two methods. Crude rockets of this kind can readily be built by aircraft firms, but much of the mechanism of big guided missiles would have to be provided by radio and electronic engineers. Some engine designers, including the Bristol Aeroplane Company, are experimenting in this new field, but rocket development will still make heavy demands on the technical reserves of the radio industry, already heavily committed on the aircraft instrument and radar programmes.

Rocket fuels present another set of problems. Their basic fuels are not oil products, but hydrogen peroxide, industrial alcohol and liquid oxygen; some motors also need gases such

as helium. The Distillers Company, the principal supplier of industrial alcohol in Britain, already faces a steadily growing industrial demand that will be difficult to meet even with the new plant at Grangemouth for synthesising alcohol from petroleum. Laporte Chemicals has recently built a new factory for producing hydrogen peroxide, but production of guided missiles on any scale might call for a special fuel development programme.

* * *

Cinema Earnings Improve

British cinemas took nearly £27 million at the box office in the third quarter of 1950, or 6.6 per cent more than in the three months from March to June; though later figures of Entertainments Tax receipts from cinemas suggest that the industry's takings may have declined again towards the end of last year. Not more than one-sixth of this quarterly increase, according to Board of Trade estimates published last week, would have been attributable to the general increase in admission charges in mid-September. The increase in takings occurred generally throughout the country, a major proportion of the extra receipts being taken in cinemas in holiday resorts, which always show a seasonal increase in

CINEMA ADMISSIONS AND BOX-OFFICE TAKINGS
(First Three Quarters of 1950)

	January-March		April-June		July-September	
	Admissions	Gross Takings	Admissions	Gross Takings	Admissions	Gross Takings
Indus. areas ..	'000 286,543	£'000 21,132	'000 262,221	£'000 18,882	'000 269,421	£'000 19,541
Holiday resorts	26,327	2,189	25,577	2,134	32,269	2,818
Other areas ...	58,193	4,718	53,784	4,289	57,123	4,617
Great Britain..	371,063	28,040	341,582	25,305	358,813	26,976
Cinemas reporting	4,583		4,580		4,580	
Number	4,221,200		4,216,000		4,213,000	
Seats						

business during the English summer holidays. Of the gross takings that resulted from 5 per cent more admissions, some £9.5 million went in tax, and £6 million for film hire; the exhibitors were left with £11.3 million, 7 per cent more than in the previous quarter.

* * *

Quota and Levy

Increased total earnings need not, however, imply larger returns for British film producers, to judge from the Board of Trade's film quota returns this week. In the year ended September 30th last year the statutory quota of British films to be shown in the country's cinemas was set at 40 per cent for first features and 25 per cent for supporting programmes; in fact, the percentages achieved were 30.4 per cent and 22.5 per cent respectively. A majority of cinemas reporting (2,335 out of 4,632) defaulted upon their quota obligations: since these included the three major circuits, Odeon, Gaumont-British, and Associated British Cinemas, they represented a much greater majority of the industry's seating capacity. The exhibitors explained simply that there were not enough British films to show: a state of affairs that seems likely to be recognised in limiting the quota for the coming year to 30 per cent.

Exhibitors' representatives met Sir Wilfrid Eady at the Treasury last week to submit a plan for increasing admission prices by an average of a penny a seat, to be shared equally between exhibitors and producers. The existing "Eady levy" on exhibitors' proceeds, financed by higher prices and tax adjustments which cost the Treasury £300,000 a year, does not appear from the first few months' experience to be raising as much for the production side of the industry as the intended £1,500,000 a year. Similar proposals to increase

seat prices and the levy have been put forward by more than one section of the industry in the last few weeks, though these differ about the sharing of the additional proceeds. Some exhibitors have been concerned, however, that any proposals should be made which might suggest to the Treasury that the industry can afford to put up prices without adversely affecting cinema attendance; the Chancellor's regard for the future of British film production may be less strong than his desire for larger proceeds from Entertainments Tax to help solve his Budget problem.

* * *

Falling Bank Deposits

The seasonal flow of funds to the tax collectors is, as usual, producing a sharp contraction in the volume of bank deposits, as the Treasury uses its cash surplus to repay its floating indebtedness to the banking system. The latest statement from the clearing banks shows that in the five weeks to February 21st, net deposits fell by £208 million to £5,835 million—though they were still £189 million above their corresponding 1950 level. The month's contraction was nearly £38 million smaller than the record decline that occurred in February, 1950; but it is clear that this difference was not attributable to any diminution in the rate at which the Government was repaying debt. On the contrary, it is more than explained by a substantial increase in the credit requirements of the private sector of the economy. The pause in the upward trend of bank advances—caused last summer and early autumn by the spate of new issues—ended in October; the rise was then resumed, and last month actually outstripped the corresponding movement of the previous year; February's rise amounted to £62 million, in contrast with £39 million. (About £11 million of this expansion, it should be noted, arose from a special influence—the effects of the Irish bank strike upon the published advances total of the National Bank.) In the past few months, moreover, several of the banks have resumed net buying of investments; the aggregate portfolio rose only slightly in January, but last month increased by £14 million—owing mainly to the operations of the Midland Bank—whereas in February, 1950, it fell by £9,000,000.

Over the month, therefore, advances and investments combined rose by over £76 million, compared with a rise of £29 million twelve months earlier—a difference that more than accounts for the somewhat slower decline in the level of deposits. It may be deduced, therefore, that Governmental repayments have been on a somewhat larger scale than they were in 1950, evidently because the recent running-down of Britain's surplus on its external balance of payments is reducing the strain that this surplus puts on the cash position of the Exchequer. The counterpart of the decline in deposits is naturally to be found chiefly in the banks' holdings of floating debt—notably in their bills and call

money, which have together fallen by nearly £155 million. But there has also been another sharp contraction in the holding of Treasury deposit receipts, which are down by £92½ million on the month, at only £290 million, or 4.8 per cent of gross deposits.

* * *

Last Thoughts on Prohibitions?

There is at last some approach to finality in the prohibitions of the use of copper, zinc and their alloys in a range of inessential end-uses, though the regulations concerned have undergone considerable amendment since they were first announced in December. A joint statement by the Ministry of Supply and the Board of Trade last week gave details of the permitted exemptions; they relate mainly to export goods.

Upon the principle of "conversion factor" laid down by the Chancellor last week as the best criterion of assessing comparative uses of materials, the new arrangements require that any goods on the prohibited list must show an export value (f.o.b.) at least fifteen times their raw material costs if they are destined for dollar markets, and at least 50 times for other markets. Makers must establish, by past trade, definite inquiries, or orders, that the goods can be sold abroad, that import licences can be obtained, and that "the opportunities in the market are not purely temporary due to scarcity of metal in the importing country." (They may also subsequently be required to show that the goods have been exported.)

A few special cases, moreover, are admitted in the prohibition of goods for sale on the home market. Government orders are exempted; so are articles where anti-corrosive material is a necessity (which the Ministry of Health might argue includes galvanised dustbins for the housing programme?) and those in which very tiny amounts of the metals are needed for essential parts (such as gear wheels). The Government may issue licences, also, for the finishing of stocks of semi-fabricated or partly processed metal in stock on March 1st; or for metal "for work in progress which is not quite finished."

* * *

Progress in Cotton

The cotton industry last year produced 1,052 million pounds of yarn and 2,830 million yards of cloth, 6.3 per cent more yarn and 9.2 per cent more cloth than in 1949. The weekly average output of single yarn was 20.2 million pounds compared with 19.0 million in 1949 and 13.4 million in 1945. The average weekly output of cloth was 54.4 million yards, 4.6 million more than the year before and 18.9 million more than in 1945. An analysis of these figures in the

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current issue of the *Cotton Board Trade Letter* shows that the largest increase in output was in rayon yarns and cloths and mixtures of rayon and cotton. In the fourth quarter of the year rayon and rayon mixtures accounted for 10.5 per cent of the yarn produced and 25 per cent of the total cloth output. Production of rayon and mixture cloths rose by 20 per cent last year compared with a 6 per cent increase in the output of cotton cloth. This increasing dependence on rayon will be halted this year, and probably reversed by the fall in rayon production; this may cause some difficulty to those cotton firms that have installed special machinery for processing rayon.

The chairman of the Cotton Board recently declared that the progress made by the industry towards higher efficiency was still too slow and last year's figures lend point to his comment. The Cotton Board attributes most of the increase in output since the war to the expansion of the labour force—there were nearly 313,000 workers by the end of the year compared with an average of 118,300 during 1945—and only a small part to increased productivity per head. An independent estimate shows that by the end of the year barely a quarter of all the firms in the Master Cotton Spinners' Associations had started or were planning redeployment schemes, fourteen concerns put new schemes into operation during the year, making a total number of 104 with another fifteen projects in preparation. About 300,000 ring spindles were installed during the year, bringing the total up to 10.4 million compared with 18.1 mule spindles (three-quarters of a million fewer than in 1949). There are more than 300,000 Lancashire looms in the cotton industry alone. The output of automatics has recently reached 900 a month as factory extensions have come into production, of which nearly three-quarters are sold on the home market; about 5,000 new automatic looms were probably installed last year.

* * *

Building Societies' Active Year

The Building Societies movement had another active year in 1950. The March issue of the *Building Societies Gazette* contains its usual careful annual estimate of the movement's composite balance sheet and accounts, based on results for 1950 issued by 831 representative societies. These estimates, which are summarised in the accompanying table, show that the total advanced on mortgages in 1950 was some £273 million, only £3,000,000 less than the record 1949 figure. The movement continued to be an important source of thrift. Mortgage repayments amounted to £164 million in 1950 (£3,000,000 higher than in 1949) and balances due to shareholders rose by £110 million (or by £22 million more than in 1949). Total saving through the movement, including saving for mortgage repayments, amounted to £276 million in the year. The

total number of shareholders and depositors in the movement is now over 2,900,000—very nearly as many as in 1938; the average holding of these investors is just under £400, compared with £238 in 1938.

Despite the increase in advances shown by the movement as a whole, the *Gazette* points out that some societies were following a policy of retrenchment in 1950. This was due

BUILDING SOCIETIES' COMPOSITE BALANCE SHEET				
	1948	1949	1950	+ or - in 1950
Liabilities:—	(£ mn.)	(£ mn.)	(£ mn.)	(£ mn.)
Balance due to shareholders.....	768	856	966	+110
Balance due to depositors.....	192	202	204	+ 2
Bank loans, other liabilities and provisions	15	17	18	+ 1
Reserves.....	62	67	71	+ 4
Total liabilities.....	1,037	1,142	1,259	+117
Assets:—				
Balance due on mortgages.....	836	954	1,052	+103
Investments.....	152	145	153	+ 7
Cash and other assets.....	39	42	44	+ 2
Total assets.....	1,037	1,142	1,259	+117
Receipts and Payments:—				
Interest from borrowers.....	33	38	42	+ 4
Advanced on mortgage.....	264	276	273	- 3
Number of Accounts:—	(Million)	(Million)	(Million)	(Million)
Shareholders.....	2.11	2.18	2.28	+ .10
Depositors.....	0.70	0.68	0.68	+ .03
Borrowers.....	1.38	1.44	1.50	+ .05

neither to lack of potential business nor to a shortage of funds, as the increases in holdings of shares and deposits show, but to a feeling that caution was necessary at a time when current market prices of second-hand houses, whose purchase the movement now largely finances, are so far above replacement costs (Sir Harold Bellman drew special attention to this point in his speech at the annual meeting of the Abbey National Building Society last week). In general, however, while some of the smaller societies that expanded their loans particularly rapidly in the early postwar years may now be drawing in their horns, the larger societies seem likely to continue their expansion. The Halifax Building Society, the largest in the movement, has recently announced that its assets increased by nearly £11 million, to £165½ million, last year; new advances on mortgages amounted to £30½ million (against £29 million in the previous year) and mortgage assets rose by £12 million net, to £126 million.

* * *

Second Thoughts on Europe's Steel

The "Rollman report" on European steel trends, which was published at the end of 1949, was an ambitious attempt to forecast the pattern of European steel output, consumption and exports in 1953; its conclusions were impressively

gloomy. The steel section of the Economic Commission for Europe, which prepared the estimates, has now revised some of its figures; it has not, however, found any reason to abandon its gloom.

The original estimate, which was prepared by assuming that all projected steel production targets throughout the continent would be fulfilled completely, and by estimating secular trends of consumption in Europe and its export markets, held that by 1953 Europe would be producing more than 70 million metric tons of steel, consuming within its boundaries not more than 58 million metric tons, and exporting no more than 4,100,000 metric tons. In short, some 8,000,000 tons of its available annual output would not find a market. The partial revision just published adjusts these figures in the light of experience since the original was drafted—though it specifically ignores future effects of rearmament and possible raw material shortages upon the steel industry. On present plans, Europe (not counting the USSR) could be expected by 1953 to have the capacity to produce nearly 75 million tons of crude steel (against a production of 60.7 million tons last year). Its home consumption might be 60 million tons in terms of crude steel (which represents an increase of 9,000,000 on 1949). World imports, the framers of the report now consider, might absorb a total of 7,200,000 tons, of which Europe might secure 80 per cent, giving 6,100,000 tons for exports. As will be seen, this does not materially alter the unbalance that ECE expected; it still suggests a possible excess of capacity over consumption in 1953 of 8,000,000 to 9,000,000 tons of steel. Detailed calculations within the general estimate suggest, as would be expected, that this problem would exist almost entirely in Western Europe; any surplus production in Eastern Europe could almost certainly be disposed of in exports without difficulty.

The Commission's revisions are interesting and go some way towards meeting the criticisms that the original report aroused from expert critics; but it is difficult to estimate their validity in view of the two questions they have deliberately left aside: defence and raw materials. Armament programmes cannot be regarded as a permanent outlet for additional steel capacity, but their effect will presumably not have subsided, in terms of steel demand, by 1953, when Britain's rearmament, for example, will be at its peak. The report's recommendations concerning reduction of steel producing costs, promotion of steel consumption, and restraint in prices remain valid whatever the reliability of their figures. But in the present circumstances, and with such heavy qualifications, the Commission's estimate, which sixteen months ago represented so useful a venture in a field where other experts feared to tread, would seem for the present a rather less profitable statistical exercise.

* * *

More Reports on Productivity

The first team from the food industry to be sent to the United States by the Anglo-American Council on Productivity has published its report. It covers the handling and packing of meat and meat products and its general conclusions follow those made familiar by earlier reports. There is the same emphasis on the concentration of men and machines on single operations, with a resulting high rate of output. Most of the teams, including the meat packers, hesitate to censure British industry for failing to develop specialisation to this high degree, on the ground that the British market is not large enough to justify the long production runs that are needed to yield the economies. A different version of this argument appears in another report on boxes and cartons. Here it is suggested that the size of the average American order (about five million cartons) justifies investment in high-speed machines at great capital cost, and that such machines would be uneconomic in this country. These points are presented as axioms, but future teams might usefully examine the question how specialisation

developed in the United States, instead of concentrating principally on the way in which it is applied. It might be that the markets followed, and did not precede, such a high development of specialisation.

Emphasis on the superior quality of American raw materials is another common feature of these productivity reports. The box-making team found several American techniques that would be impossible in this country because of lack of suitable materials. But perhaps it is not unfair to recall that comparatively few British industries paid close attention to feeding their machines with materials of uniform standard in the days when they could have insisted upon getting them; it was more common to adjust the machine to the material. The productivity reports rightly emphasise the fact that high machine speeds and high rates of output involve careful preparation of materials and production schedules.

One of the most marked differences in British and American practice is that the British retailer still carries out many of the packing operations now performed in America by the processor. This is as true of sausages and canned meat as it is of pre-packed joints. The team from the meat industry is convinced that British meat concerns will at some time have to start pre-packing, and this will entail heavy investment in machines and factory space. Who is to pay for this investment? The team holds that it must be borne largely by the retailer, on the grounds that the packer is already working on a narrow margin and that the additional cost should not "in fairness" be passed on to the consumer. But would retailers accept smaller margins on pre-packed meat products on the argument that their distribution costs had been reduced in other directions?

Shorter Notes

The International Monetary Fund has instructed its staff to consult with member countries to devise more effective methods to implement its policy on gold sales; it considers, not very surprisingly, that this policy is being undermined by the fact that "some at least" of the large quantity of newly mined gold now being sold at premium prices on the industrial market is finding its way into private hoards. The Fund's staff will not be envied for its task of "consulting" Mr Havenga on this matter.

*

Only 71,000 tons of coal had to be taken from Britain's distributed stocks in the week ended February 24th; the total in hand, 9,786,000 tons, was a million and a quarter tons below that in the same week of 1950. Between the end of February and early May, stocks may be expected to decline by roughly a million tons; so that at the end of the coal year 1950-51 these may be down to what for practical purposes is almost "zero stocks." This situation, however, is considerably better than seemed possible a few weeks ago. Manpower in the pits continues to increase remarkably, with the recent wage award—and possibly the call-up of reserves—as a possible incentive; it is a little disturbing, however, that the increase in total manpower should be accompanied by a rather slower rise in numbers of miners at the coalface.

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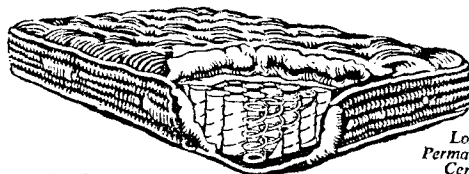
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Company Notes

Associated Electrical Industries.—The reaction of Associated Electrical £1 ordinary shares to 86s. 9d. seems a thankless response to an impressive rise in trading profits and to the raising of the ordinary dividend from 15 per cent to 20 per cent. But this response, which were marked up to 40s. nominal, reflected the capital reorganisation proposals rather than the impressive results of the year. Group trading profits have increased from £7,602,000 to £8,440,000. In his review a year earlier, Mr Oliver Lyttelton pointed out that the return to holders of the equity in the full sense of revenue and capital reserves and ordinary capital—a total of £25,340,000—was little more than 3½ per cent. Such a return, the chairman added, was "unduly low, taking into account the risks which have to be undertaken and the long period during which conservative management and restraint in the distribution of dividends have built up the financial strength of the company." The decision to raise the dividend to 20 per cent meets the best expectations that these words held out. "Net profits available for distribution" have fallen from £2,688,000 to £2,496,000, but this movement largely results from a substantial increase in the amount set aside for increased replacement costs of fixed assets from £500,000 to £950,000; this sum is in addition to the normal depreciation provision of £810,000, against £913,000. Of the increase in total profits from £7,762,000 to £8,605,000, taxation has absorbed more than half, with a rise in the total provision to £3,960,000, against £3,519,000.

The proposed capital reorganisation scheme with its cut in the preference dividend—at a price—and the proposals for an ordinary share issue of nearly 700,000 shares at 40s. to employees may have caused some doubt in the minds of equity shareholders, though there is little in them to disturb the calm of preference shareholders. The company's trading record and its future prospects are undimmed. There are orders in plenty to sustain the recent high levels of output and sales.

De Havilland Aircraft.—The preliminary statement of De Havilland Aircraft shows the results of a very satisfactory year, in which group net profits before taxation have risen from £824,664 to £1,071,101. The statement appeared on the same day as the debate on the air estimates. Mr Henderson's statement that the fighter-interceptor force will be "very substantially" increased and that fighter-bomber squadrons will be re-equipped with Venoms augurs well for De Havilland, and should provide a proper return for the company's work in the development of new aircraft. It is possible that the development costs of the Comet, which were met as far as the airframe was concerned from the company's own resources, may have imposed some strain on financial resources in 1950; if this is the case, the rise in profits will be the more welcome as a source of replenishment. In view of the company's commitments both for the production of the Comet and of military aircraft, it is hardly surprising that De Havilland should have preferred to have put the whole of the increase into reserves rather than to raise the distribution to shareholders. The ordinary dividend, which has been paid since 1941, a rate covered by earnings of 36 per cent, is amply 29 per cent in the previous year. The dividend, despite the impressive rise in

earnings, was that the £1 ordinary shares fell by 2s. to 43s. 6d., at which they yield £4 12s. per cent.

The possibility that the company may eventually need additional finance of a permanent nature is a matter on which the full report may well throw light. In his speech last year the chairman suggested that new finance should wait until it became "more certain that the present satisfactory level of work is likely to continue in the future" and when it was clear that aircraft productive capacity was not "in excess of the economic requirements for the industry." The company will certainly be one of the principal supports of the expansion of the air arm, and on this score continuity of orders seems assured for some considerable time ahead.

Store Profits.—For a year of expanding turnover and rising prices, the latest trading results of departmental stores (summarised in the inset table) are not impressive. It may be that William Whiteley provides a pointer to future prospects. Total sales of this company were higher than in the previous year and turnover in some departments, particularly clothing, was described as encouraging; but increased costs and lower profit margins destroyed the benefits that might have been expected. The trading results of all these companies also show some partial reflection of the recent scramble (which still continues) to buy goods before prices rise further. The satisfactory rise in profits of Lewis's Investment Trust may suggest that this factor was of considerable importance in the high wage areas of the North and Midlands.

One of the most serious, and most controversial, problems of the retail trade is the effect of the Board of Trade's control of certain profit margins and the probability of further cuts in the current year. Mr Wilson,

Store Profits for year to end	1950	1951
January, before tax	£	£
A. W. Gamage :—		
Profit	302,895	271,763
Ordinary divs.	25%	25%
Harrods :—		
Group net profits	1,456,628	1,526,953
Ordinary divs.	20%	20%
Lewis's Investment Trust :—		
Consol. trading revenue	953,877a	1,116,245a
Ordinary divs.	20%	25%
Selfridge (Holdings) :—		
Group trading profit	745,105b	780,937
Ordinary divs.	14%	14%
William Whiteley :—		
Trading profit	188,023	179,204
Ordinary divs.	12%	10%

(a) Includes 1950-51 revenue for subsidiaries not consolidated £445,697 (£425,552) and profit on investments £22,342 (nil). (b) Includes £32,045 surplus on realisation of a trade investment.

in a statement this week to the Drapers' Chamber of Trade, said that he did not "accept the view that distributive percentage margins should remain unchanged at a time when manufacturers' prices are increasing, thus giving an automatic and continuing windfall in the shape of increased cash margins." But he was fair enough to add that the Board of Trade would take into account the changes in the volume of turnover and increases in real distributive costs to ensure "the legitimate standard of living of the distributor and the cost of living to the consumer." In a spirited attack on this policy, which he described as "dishonest window dressing," Mr Eric Gamage pointed out that it will mean that "retailers' net surpluses will shrink alarmingly" and that "it is a direct encouragement to many a harassed retailer to pay higher rather than lower prices in order to secure quite legally a living profit." Unless economies can be made in other directions, such as in the costs of display and advertising, it is likely that profit margins will in any case be squeezed.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Feb. 28, 1951	Price, Mar. 7, 1951	Net Yield, Mar. 7, 1951 (n)	Gross Yield, Mar. 7, 1951
War Bonds 2½%...	101½	101	£ s. d.	£ s. d.
Mar. 1, 1951-53	101½	101½	0 17 0	0 19 7½
War Bonds 2½%...	101½	101½	0 17 4	0 19 9½
Mar. 1, 1952-54	102	101½	0 15 5	0 15 10
Exchequer Stk. 2½%...	102	101½	0 15 5	0 15 10
Feb. 15, 1955	102½	102½	0 13 8	0 15 3½
War Bonds 2½%...	102½	102½	0 18 7	0 21 1½
Aug. 15, 1954-56	102½	102½	0 13 6	0 17 3½
Funding 2½%...	102½	102½	0 13 6	0 17 3½
June 15, 1952-57	103½	103½	0 12 7	0 15 0½
Nat. Defence 3½%...	104½	104½	0 15 8	0 18 6½
July 15, 1954-58	99½	99½	0 14 5	0 17 3½
War Loan 3½%...	99½	99½	0 13 6	0 15 8½
Oct. 15, 1955-59	99½	99½	0 12 4	0 14 10½
Savings Bonds 3½%...	97½	97½	0 10 8	0 13 8½
Aug. 15, 1955-65	98½	98½	0 15 9	0 18 6½
Funding 3½%...	98½	98½	0 15 9	0 18 6½
April 15, 1956-61	105½	105½	0 11 3	0 13 9½
Funding 3½%...	105½	105½	0 11 3	0 13 9½
Aug. 1, 1956-68	95½	95½	0 2 7	0 3 10 3½
Funding 3½%...	95½	95½	0 2 7	0 3 10 3½
May 1, 1960-90	93	93	0 18 1	0 21 3 9½
Savings Bonds 3½%...	93	93	0 2 0	0 3 4 3½
Sept. 1, 1960-70	106½	106½	0 13 10	0 16 4*
Victory Bonds 4½%...	93½	93½	0 19 6	0 22 7 9½
Sept. 1, 1920-76	101½	101½	0 2 0	0 3 11 5½
Savings Bonds 3½%...	92½xd	92½xd	2 1 8	3 15 9f
Aug. 15, 1965-75	67½xd	67½xd	2 0 7	3 13 9f
Consols 4½% (after Apr. 1, 1957)	79½xd	79½xd	2 1 4	3 15 0f
Treasury Stk. 2½% (after Apr. 1, 1975)	99½	100½	1 13 8	3 13 8½
Treasury Stk. 3½% (after Apr. 5, 1966)	88½xd	88½xd	2 2 3	3 11 5½
Treasury Stk. 3½% (after Apr. 5, 1966)	88½xd	88½xd	2 2 3	3 11 5½
June 15, 1977-80	92	92	2 2 1	3 15 10½
Redemp. Stk. 3½% (after Dec. 1, 1952)	68½xd	68½xd	2 0 2	3 12 11f
War Loan 3½% (after Dec. 1, 1952)	93½xd	93½xd	2 1 7	3 9 6½
Consols 2½% (after Dec. 1, 1952)	92½xd	92½xd	2 0 10	3 7 10½
Brit. Elect. 3½% Gtd. (after Dec. 1, 1952)	100½	100½	1 13 9	3 10 10½
Apr. 1, 1968-73	88½	88½	2 4 4	3 13 13½
Brit. Elect. 3½% Gtd. (after Dec. 1, 1952)	93½xd	93½xd	2 1 9	3 9 8½
Apr. 1, 1968-73	88½	88½	2 2 1	3 12 0½
Brit. Gas Gtd. 3½% (after Dec. 1, 1952)	98½	98½	1 19 10	3 11 9½
Brit. Iron & Steel 3½% (after Dec. 1, 1952)			1 19 9	3 11 8½

(e) To earliest date. (f) Flat yield. (g) Assuming redemption in 1957. (h) Flat yield given above. If redeemed, in 1952 net redemption yield £7 4 10, gross £9 3 9. (i) To latest date. (n) Net yields are calculated after allowing for tax at 9s. in £. *Assumed average life 15 years 8 months.

Last Two Dividends	Ordinary Stocks	Price, Feb. 28, 1951	Price, Mar. 7, 1951	Yield, Mar. 7, 1951
(a) (b) (c)	(a) (b) (c)	(a) (b) (c)	(a) (b) (c)	(a) (b) (c)
60 c 20 a	Anglo-Am. 10/	8½	8½	£ s. d.
25 b 5 a	Anglo-Iran. £1	6½	5½	5 2 2
5 a 15 b	Assoc. Elec. £1	90½	87½	4 11 5
7½ a 20 b	Assoc. P. Cem. £1	91½	91½	5 19 9
45 c 35 c	Austin 5/-	27½	27½	6 8 5
15 a 120 b	Bass £1	150½	150½	6 1 3
40 c 10 a	Boots 5/-	48½	49½	4 2 6
8 c 10 a	Br. Celanese 10/-	27½	27½	3 17 11
32 b 8 c	Br. Oxygen £1	95½	94½	4 5 1
5 a 7½ b	Coats £1	60½	59½	4 4 9
5 b 2½ a	Courtaulds £1	41½	41½	3 12 3
20 c 6½ a	Distillers 4/-	21½	20½	4 0 0
15 c 15 c	Dunlop £1	58½	57½	5 5 3
10 c 10 c	Ford £1	48½	48½	4 3 2
17½ c 17½ c	Gen. Elect. £1	86½	86½	4 1 2
11 a 21 b	Guinness £1	134½	134½	4 15 5
15 a 17½ b	Hawker Sid. 5/-	35½	35½	4 11 11
7 b 3 a	Imp. Chem. £1	44½	44½	6 9 8
13½ a 13½ a	Imp. Tobacco £1	100½	98½	5 17 8
5 a 7½ b	Lancs. Cotton £1	43½	42½	4 8 11
10 c 10 c	Lever £1	45½	45½	4 8 11
15 c 15 c	Lon. Brick £1	58½xd	58½xd	5 2 1
45 b 15 a	Marks & Sp. A/5/-	83½	82½	3 12 6
4 b 8 a	P & O Def. £1	58½	58½	4 2 1
17½ b 7½ a	P. Johnson 10/-	39½	38½	6 11 7
15 b 15 a	"Shell" Stk. £1	85½	83½	4 7 6
12½ a 12½ a	Tube Invest. £1	68½	68½	4 10 2
3½ a 15½ b	T. & Newall £1	88½	88½	4 2 1
8 c 8 c	Union Castle £1	39½	39½	4 15 7
12½ c 17½ c	U. S. Betong £1	65½	72½	4 15 7
4½ b 2½ a	Vickers £1	39½	40½	3 7 6
15 a 27½ b	Woolworth 5/-	45½	45½	4 13 5

(a) Interim. (b) Final. (c) Whole year. † Free of tax.

EXCHEQUER RETURNS

For the week ended March 3, 1951, total ordinary revenue was £119,501,000, against ordinary expenditure of £96,381,000 and issues to sinking funds £3,251,000. Thus, including sinking fund allocations of £18,354,000, the surplus accrued since April 1st is £769,546,000 compared with £649,450,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	April 1, 1949 to Mar. 3, 1950	April 1, 1950 to Mar. 3, 1951	Week ended Mar. 3, 1951	Week ended Mar. 3, 1950
ORD. REVENUE	£'000	£'000	£'000	£'000	£'000
Income Tax	138,800	131,775	128,304	58,793	62,357
Sur-tax	120,000	100,000	105,900	4,300	3,900
Estate, etc., Duties	195,000	176,500	169,650	3,800	4,000
Stamps	50,000	47,870	49,460	1,500	1,700
Profits Tax	270,000	244,260	244,420	3,600	4,500
E.P.T. tax	4,500	558	525	200	25
Other Inland Rev.	500	18,900	4,540	100	60
Special Contributions					
Total Inland Rev.	202,800	193,413	186,689	72,333	76,542
Customs	870,650	753,996	835,406	20,217	24,787
Excise	713,150	683,510	693,925	16,005	16,125
Total Customs and Excise	1,583,800	1,437,506	1,529,331	36,222	40,912
Motor Duties	56,000	55,298	60,679	602	501
Surplus War Stores	35,000	77,837	37,237	9	3
Surpluses from Trade	85,000	47,541	80,905	7,000	8,000
P.O. (Net Receipts)	13,000	11,590	11,900	1,250	1,250
Wireless Licences	27,000	19,929	23,476	2,307	...
Sundry Loans					
Miscellaneous Receipts (in Crown Lands)	70,000	82,268	68,868	277	294
Total Ord. Rev.	3,897,800	3,655,131	3,686,265	111,013	119,501
SELF-BALANCING					
Post Office	172,150	151,500	154,200	3,300	2,500
Income Tax on E.P.T. Refunds	5,700	11,030	7,628	190	74
Total	4,075,650	3,817,661	3,848,093	114,503	122,075

Expenditure	Estimate, 1950-51	April 1, 1949 to Mar. 3, 1950	April 1, 1950 to Mar. 3, 1951	Week ended Mar. 3, 1951	Week ended Mar. 3, 1950
ORD. EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Int. & Man. of Nat. Debt	490,000	463,603	466,691	37,834	37,713
Payments to N. Ireland	36,000	34,933	33,440	1,730	...
Other Cons. Funds	11,000	9,838	9,230	35	46
Total	537,000	508,536	509,361	39,599	37,759
Supply Services	291,806	247,853	238,904	49,646	58,622
Total Ord. Expend.	345,506	298,696	289,365	89,245	96,381
Sinking Funds	...	18,713	18,354	4,043	3,251
Total (excl. Self-Bal. Expend.)	345,506	300,568	291,679	93,288	96,632
Total (incl. Self-Bal. Expend.)	363,291	316,821	307,854	96,778	102,206

After decreasing Exchequer balances by £157,341 to £3,426,852, the other operations for the week decreased the gross National Debt by £6,499,539 to £25,783 million.

NET RECEIPTS (£ thousand)	24
Tithe Act, 1936, s. 26	24
NET ISSUES (£ thousand)	
P.O. and Telegraph (Money) Acts, 1948 and 1950	700
E.P.T. Refunds	90
Export Guarantees Act, 1949, s. 3(2)	105
Local Authorities Loans Act, 1945, s. 3(1)	8,300
Miscellaneous Financial Provisions Act, 1946:—	
s. 2(b) War Damage: Board of Trade	1,000
War Damage Commission	3,000
Finance Acts, 1946 and 1947: Post-war Credits	355
Total	13,550

Statistical Summary

CHANGES IN DEBT (£ thousand)	
RECEIPTS	PAYMENTS
Nat. Savings Certs. 3,800	Treasury Bills 25,661
3% Def. Bonds 1,785	2½% Def. Bonds 425
Tax Reserve Certs. 14,093	2½% Nat. War Bds. 250
1949-51	Other Debt:—
Advances 1,720	Internal 561
	Treasury deposits 1,000
21,398	27,897

FLOATING DEBT (£ million)						
Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt		
Tender	Tap	Public Depts.	Bk. of Eng-land			
1950						
Mar. 4	2910.0	1883.6	419.4	0.8	494.5	5708.3
Nov. 25	3200.0	1950.0	390.9	...	564.0	6104.9
Dec. 2	3230.0	1956.3	369.1	...	525.0	6080.4
" 9	3240.0	1951.6	371.1	...	545.0	6111.7
" 16	3260.0	1939.8	410.8	11.5	530.0	6152.1
1951						
Jan. 6	3270.0	1861.8	394.7	...	500.0	6026.5
" 13	3250.0	1823.3	406.3	2.5	470.0	5952.1
" 20	3220.0	1844.6	396.8	...	445.0	5906.4
" 27	3200.0	1801.9	407.8	...	420.0	5829.7
Feb. 3	3190.0	1842.4	385.6	...	420.0	5837.9
" 10	3170.0	1808.1	402.7	...	395.0	5775.8
" 17	3170.0	1801.2	439.8	...	360.0	5771.0
" 24	3180.0	1749.4	419.8	...	340.0	5689.2

BANK OF LONDON & SOUTH AMERICA LIMITED

SATISFACTORY PROFIT

MR. FRANCIS M. G. GLYN ON EXCHANGE RATES

The eighty-ninth annual general meeting of the Bank of London & South America Limited will be held on April 3rd in London.

The following is an extract from the statement of the chairman, Mr Francis M. G. Glyn, circulated with the report and balance sheet for three months ended December 31, 1950:—

Members were informed last November that in order to alter the bank's balancing date from September 30th to December 31st of each year, it had been decided to introduce an accounting period covering the three months between the date of our last accounts at September 30, 1950, and December 31, 1950. In these circumstances variations in the balance sheet figures are unlikely to be the same as when the interval is a full year, while the profit and loss account and the dividend are based on the earnings of three months only.

BALANCE SHEET

The balance sheet totals at December 31st last at £165,885,093 exceed the corresponding figures at September 30, 1950, by £8,898,609. Account should, however, be taken of the omission from the totals at both dates of bills for collection on account of customers, previously included. Bills in course of collection at December 31, 1950, are now shown in Note (6) on page 8 of the accounts, and you will see that there is a substantial increase over last September's figure of £34,832,163. Most of the increase represents increased business, though a part is due to delayed liquidations.

The effect of variations in exchange rates on this occasion is small. Thus the increase from £105,100,753 to £111,804,733 in current, deposit and other accounts, etc., reflects a true expansion, attained despite seasonal withdrawals. The total of engagements on account of customers shows an increase of approximately £2,250,000.

Although the figure of £43,780,018 for cash in hand, at bankers and at call is £1,003,544 lower than on September 30th last, this is to a large extent a seasonal reduction; as the percentage of cash, etc., to current liabilities (excluding those to the Argentine Central Bank, which are secured by other assets) still exceeds 38 per cent., I think you will agree that the liquid position of the Bank is above question. Increases of approximately £2,050,000 and £5,183,000 in bills receivable less rebate, and advances and other accounts respectively, show that the increased deposits are being profitably employed.

PROFIT AND LOSS ACCOUNT

The net profit on the trading for the period of three months ended on December 31st last, after providing for taxation, amounted to £82,749, which compares favourably with the average rate of earning for the preceding period of twelve months. While the net earnings themselves were higher, credit has also been taken for a conservative estimate of unilateral double tax relief in respect of the proportion of taxation falling on the earnings of the period under review. Owing to inevitable delays in agreeing the tax liabilities in some of the countries where the Bank is established, the possibility of ascertaining the precise figure of relief with promptitude appears at present to be remote.

It has again been considered advisable to refer to the proportion of the period's profit still awaiting remittance. Some countries are, of course, handicapped by shortages of ster-

ling—Brazil for the moment being noteworthy in this group—while Argentina has not, at any rate so far as this country is concerned, as yet granted any permits for the remittance of financial services.

SIMPLIFICATION OF EXCHANGE CONTROL

The countries of Latin America, physically remote from any likely area of world conflict, yet able to supply many materials essential for war, inevitably strengthen their economic position as a result of the feverish rearmament and stockpiling activities which arise from the present international tension. It is greatly to be hoped that prosperity will bring in its train a simplification of the complicated structure of controls which impede the flow of trade with many of these countries. There are signs even now of movement in that direction. Peru's efforts to cut herself free from the tangle have met with success, and Chile's recent action to establish a legal free market in exchange has resulted in an immediate improvement in the Chilean peso on the open market.

REMITTANCES

In my address of 1949 I drew attention to the undesirable effects of multiple exchange rates. They tax the efficient producer and subsidise the inefficient; they penalise the consumer by forcing him to pay high prices for his goods; briefly they are the antithesis of liberality in economic policy, too often used primarily as a means of raising revenue. Let us hope that advantage will be taken of the present turn of events to eliminate some of the inconsistencies created by these systems.

Let us hope, too, that the near future will see the resumption everywhere of financial remittances, payments which are withheld in some countries as though they represent debts not of the same standing as those incurred by the current purchases of goods. Yet the British and other foreign resources which were transferred to such countries have played a great part in their development and the creation of the riches which their inhabitants now enjoy. The desirability of attracting new capital is repeatedly acknowledged by their leaders, and equitable treatment and a fair return for any such investment promised. But still in many cases allocations from available resources to meet these long overdue remittances are not made.

TAXATION ON UNREMITTABLE PROFITS

This brings me to my final point—that we must still pay British taxation on these unremittable profits. Our liability to pay tax in sterling on earnings which cannot be converted into sterling is in itself hardly equitable; a worse aspect, however, is that to meet this taxation we and institutions in similar circumstances must find sterling from resources other than the profits which are taxed, and in doing so we make inroads into funds legitimately accumulated for other purposes. Would it not be only reasonable to defer the tax charge until these profits are received or remittable in sterling?

Though some relief has been afforded by the double taxation provisions of the Finance Act, 1950, this anomaly remains, and injures those very institutions which, because of their contributions to British exports, both visible and invisible, should surely receive every encouragement.

MERCANTILE BANK OF INDIA

EFFECT OF HIGHER COMMODITY PRICES

SIR CHARLES A. INNES' REVIEW

The fifty-eighth annual general meeting of The Mercantile Bank of India, Limited, will be held on March 29th in London.

The following are extracts from the statement of the chairman (Sir Charles A. Innes, K.C.S.I., C.I.E.):—

Deposits have increased by £12,000,000, and the balance sheet total stands at £67,000,000, compared with £54,000,000 in 1949. On the assets side, the outstanding features are an increase of nearly £7,000,000 in bills and £4,500,000 in loans and advances. These increases are the direct result of the very much higher commodity prices which prevailed especially in the second half of the year. Our profit is up on the previous year's figure, and we are again paying a dividend of 12 per cent., less tax, for the year.

INCREASED PRESSURE FOR FINANCE

Since I addressed you last year there has been a serious worsening of the international situation. But while the political scene darkened, the immediate effect of the international tension and of the war in Korea was to create a somewhat hectic prosperity in many of the countries in which we have branches. Trade boomed in Hongkong and Japan. There was a scramble for rubber and tin, largely for strategic stockpiling, in the United States and many other countries, and prices rose to heights which a year ago would have seemed quite fantastic. Malaya and Thailand and in a less degree Ceylon profited greatly, and moreover, since rubber and tin are important earners of dollars, the rise in the price of the two commodities materially helped to alleviate the world dollar shortage and to improve the position of sterling. Pakistan, too, benefited by the demand for its jute, cotton and wool, all of which fetched high prices. As was only to be expected, the higher level of commodity prices increased the pressure on banks for finance, and this trend is reflected in our accounts in the higher proportion of our resources which is invested in loans, advances and bills. These very high prices obviously cannot last indefinitely, and the possibility of a sudden break in prices, though at the moment it does not seem to be likely, has always to be borne in mind.

INDIA AND PAKISTAN

On January 26th last India completed the first year of her existence as an independent republic. It was a year of economic strain. There are some bright spots in the picture. In the 12 months following the devaluation of the rupee in September, 1949, there was a favourable balance of trade of more than nine crores of rupees compared with an adverse balance of nearly 221 crores in the previous twelve months.

One of the most important events of the year was the award made in August last by the All-India Industrial Tribunal dealing with Bank disputes. The award has increased our local establishment charges in India by nearly 15 per cent. It also decrees that any Bank which pays a dividend of 4 per cent or more to its shareholders must also pay a bonus to its employees, the amount of the bonus varying with the amount of the dividend. The award is the subject of an appeal to the Supreme Court, and I will merely say now that it looks as if the effect of the award should it be implemented in

full may well be to restrict banking facilities in India and to increase the cost of banking services to the public.

On the economic side, Pakistan has been more fortunate than India. The war and its developments have created a strong world demand for Pakistan's principal exports, jute, cotton, wool and hides and skins. Prices have rocketed up and in spite of the 2s. 2d. rupee and heavy export duties on wool and cotton, Pakistan is enjoying an export boom.

BURMA, CEYLON AND MAURITIUS

Conditions are still confused in Burma, and it is not easy to obtain a clear picture of the state of the country. There seems to have been some improvement and the Government have made some progress in re-establishing their authority. There has been a welcome improvement in the import trade, much needed supplies of piecegoods having arrived from Japan and India.

The prosperity of Ceylon depends on its three great export crops, tea, rubber and coconut products, and the island had a very good year. There was also a favourable balance of trade in 1950 amounting to nearly Rs. 400 million, and Ceylon has at present a favourable balance of payments. Ceylon therefore is very prosperous, but it has to be remembered that when world trading is resumed on a competitive basis, it will almost certainly be necessary to remove or materially to reduce the export duties.

Mauritius was again fortunate enough to escape a cyclone and for the fourth year in succession it harvested, at 456,600 metric tons, a record sugar crop.

Hongkong has experienced another year of remarkable prosperity. The rehabilitation of Japanese industry goes on apace in spite of the difficulty experienced in obtaining adequate supplies of raw materials.

GOVERNMENTS STOCK AND OTHER SECURITIES INVESTMENT

NEW ISSUE FORESHADOWED

The ordinary general meeting of The Governments Stock and Other Securities Investment Company, Limited, was held on March 5th in London.

Mr H. C. Drayton, the chairman, in the course of his speech, said: In the year under review our gross revenue was £151,800 as against £137,000 in the previous year, an increase of £14,800. Our income from dividends is up from £133,900 to £146,200.

Deducting interest on debentures and income tax from our revenue, we are left with a figure of £53,100 as against £45,500 and, if the shareholders approve the directors' recommendation of a dividend of 8 per cent. on the deferred stock, there will remain £12,800 to be added to the undivided profits account. That figure is equal to another 3.98 per cent. on the deferred stock.

We intend as soon as possible to make a new issue of deferred stock, which will be offered to the deferred ordinary stockholders, at par by way of rights in the proportion of £1 of new stock for every £12 already held. Special forms will be issued to the stockholders to enable them to apply for any excess shares. We believe that this is in the stockholders' interests and we hope that it will show them an appreciation when the shares are fully paid and come to be quoted on the Stock Exchange.

Our results this year will depend upon the taxation imposed upon us in April. However, I shall be very sorry indeed if we cannot come before you next year and present as good a revenue account as we have this year.

The report was adopted.

TATE AND LYLE LIMITED

"MR CUBE" WINS FIRST ROUND

LORD LYLE ON SUGAR RATIONING

The forty-eighth annual ordinary general meeting of Tate and Lyle, Limited, was held on March 7th in London.

The Rt. Hon. Lord Lyle of Westbourne, the president, in the course of his speech, said:—

Since our last meeting the most important event affecting our company has been the inclusion of the following words in the King's Speech at the opening of Parliament on October 31, 1950:—

"A measure will be laid before you to place on a permanent basis the legislation relating to the beet sugar industry and to transfer to public ownership the shares in the British Sugar Corporation which are not held by the Exchequer."

One could infer from this that sugar refining has been dropped from the nationalisers' list. But don't let us be deluded into thinking that the comrades have turned their covetous eyes elsewhere, though I think that it is fair to claim that we have, with the help of Mr. Cube, won the first round.

As I warned you at our last meeting, the cost of our campaign was considerable. However, in my view the publicity given to our affairs during the past two years has helped materially to maintain the prestige of the company. I hope that you will agree with me that the expenditure of this money in protecting the property of our company was well spent.

It will not be necessary, of course, to continue spending at such a high rate, but I feel that it would be wrong to allow the volume of prestige advertising to sink back to the pre-war level. Even at that level the cost would amount to about £50,000 a year at present-day prices. I am sure that we must continue to keep our customers and the public informed about our affairs. Unless we do so we shall find unscrupulous people once again misleading the public with their muddle-headed misrepresentations and distorted theories.

We propose to continue to use the services of the C.I.M.S. of Industry to assist us in this task. This non-profit-making organisation is doing a splendid job in telling the story of free enterprise. It did me the honour of electing me its president and I am proud to be able to serve in that position.

IMPORTANCE OF FAIR COMPETITION

The proposed nationalisation of the British Sugar Corporation, already controlled by the Treasury, is presumably a sop to the nationalisers. I cannot see what good this step is going to do anybody. But if it comes about, we shall not fear competition with a State-owned section of our industry so long as the competition is fair and above-board.

We have prepared a paper setting out our views on how fair competition can be assured and have stressed the importance we attach to the removal of all restrictions such as quotas, zoning and the discouragement of new entrants to the industry. This paper has been sent to those who will be responsible for the Bill which no doubt will soon be placed before Parliament. I hope that our views will not again be ignored, but I am bound to tell you that so far no approach has been made to us with a view to discussing the various problems involved.

Whether the beet industry is nationalised or not, it is important that it should be put on a proper basis, in such a way that fair competition is ensured. Without competition it is impossible to guarantee efficiency. We would naturally prefer trade in competition with free enterprise, but if a section of our industry is taken over by the nationalisers, it is only by competition that there is any hope of avoiding the sickening spectacle of another State undertaking sinking rapidly into lethargy and decay.

RECORD EXPORT SALES

The gross profit at £3,400,000 is some £370,000 higher than last year. This followed an increase of £8,000,000 in turnover from £76,000,000 to £84,000,000. We must thank our export trade for the improved results, for there was a decrease in our home trade both in sugar and syrup due to cuts imposed by the Minister. Export sales were once again a record for the company, and I believe for any sugar-refining company in the world. They amounted to 670,000 tons, an average of 13,000 tons per week, as compared with 470,000 tons last year. The total value of the exports amounted to £29,000,000 and involved trade with fifty-five separate countries.

When the prosperity sharing scheme was introduced, it seemed to us an appropriate moment for announcing an increased dividend to shareholders. This modest increase will bring the total dividends on ordinary stock to 3s. per unit as compared with 2s. 8.4d., if the final dividend now proposed is approved by this meeting. We hope that the increased distribution can be maintained.

STATE BUYING

Ladies and Gentlemen, before I finish I must comment on the present controls under which we are obliged to work. The most far-reaching of these are State buying and rationing. Our raw sugar supplies continue to be bought by the Minister of Food. What is so disturbing is that the responsibility for sugar is borne by a government which has shown itself totally unfitted for such a task. This is only too clearly illustrated by its efforts in the field of meat, ground nuts, eggs and poultry. It has bulk purchased and planned us into unprecedented scarcity.

It is high time that buying was returned to private traders. A mistake made by one trader only affects his own pocket. A mistake by a Minister is magnified a hundred times and affects the pockets of all of us. Private traders are not encumbered with diplomatic problems. Given the opportunity they could get on with the job and I don't for a moment doubt that they would supply us with more and better food at a cheaper price.

Is rationing necessary at all? Thanks to the Empire and our own farmers, there is available for this country, according to my latest information, a total of 2½ million tons of sugar for which no dollars are needed. Edith Summerskill has said that unrationed requirements are 2,325,000 tons a year. Why does the Minister hesitate? Not because sugar is unavailable. Not because it is going to cost us dollars. What, then, is the reason? I strongly suspect that it is largely due to the absurd and clumsy financial manoeuvres with which the planners attempt to hide the rising cost of living.

The report was adopted.

ABBEY NATIONAL BUILDING SOCIETY

TOTAL ASSETS NOW £122,000,000

EXTENSIVE SUPPORT FROM INVESTING PUBLIC

VALUABLE SAFEGUARD IN A PERIOD OF INFLATION

SIR HAROLD BELLMAN'S REVIEW OF YEAR'S ACTIVITIES

The annual meeting of the Abbey National Building Society was held on March 2 at the Wigmore Hall, Wigmore Street, London.

Mr Stanley C. Ramsey, F.R.I.B.A., deputy chairman, presided in the absence through indisposition of Sir Harold Bellman, D.L., J.P., LL.D., chairman.

Sir Harold Bellman's speech, which was read by Mr R. Bruce Wycherley, M.C., F.C.I.S., managing director, was in part as follows:—It is our pleasure to meet you today in our 101st annual meeting. We thus inaugurate the society's second century and I am happy to say that the report and accounts which we are now privileged to lay before you are worthy of the occasion.

Turning to the accounts for the past year, two points stand out. First, the society has once more shown a strongly progressive tendency, while secondly, it has to be observed that this has been achieved on the prudent basis established by our century-old experience. We submit our accounts, therefore, in the confidence that they will pass the most stringent tests.

RECORD AMOUNT OF MORTGAGE ADVANCES

The society's expansion in 1950 is most directly reflected in the growth of its total assets, which increased by £18 million to £122 million. The amount advanced on mortgage last year, at £29 million, compared with £28 million in 1949, and established a new record in this sphere of our activities. It should be emphasised, however, that the great bulk of these advances were in respect of individual advances which did not exceed £2,000.

This is very noteworthy, having regard to the present level of property values, and is a pointer to the fact that we have continued our mortgage business on cautious lines during the past year. In its lending policy the board has been truly selective, since by no means all the mortgage securities offered have been accepted. Nevertheless, we have done our utmost to provide a service which is as helpful as possible to the borrower, while observing those canons of prudence which are no less in his than in our interests.

The houses which form the security for our advances consist largely of the best type of those built between the wars. There is still a strong demand for houses of this character. In addition, sitting tenants continue to purchase houses of which, in many cases, they have been tenants for a long period of years. It is the policy of the society to encourage this class of business, which we feel is by no means yet exhausted.

Meanwhile, the valuation of second-hand houses is far from an easy matter. Current market prices are still very appreciably above replacement costs, although present-day building costs continue to rise. Nevertheless, the scarcity element in the prevailing prices of second-hand houses is a factor which we should like to see minimised as far as practicable. The most ready solution to this problem would be a revision of the Government's allocation of the proportion of current house building which it permits for individual home ownership. This ratio is still no more than one in five, notwithstanding the fact that some one and a quarter million families have been rehoused since the end

of the war. A more liberal policy in this matter would accord with social justice and the needs of the economic situation.

Those who bought their homes before the war must today realise how they profited thereby, in view of the value of the capital asset which they possess. Moreover, the possession of one's own home tends to be a valuable safeguard in a period of inflation, since houses are broadly responsive to the price level and help to preserve the purchasing power of the savings invested in them.

The magnitude of our mortgage advances in 1950 has been possible only because of the support which we have received from the investing public throughout the year. As a result, new share subscriptions and additions to deposits amounted to £28 million, which is a remarkable figure and an impressive demonstration of the confidence with which the society is regarded by the nation's savers.

AN EMBODIMENT OF STRENGTH

Turning to the balance-sheet as a whole, it stands forth as the embodiment of strength. Our liquid securities, which consisted of trustee investments and cash at bank and in hand, amounted to no less than £16,700,000, thus representing an increase in the degree of liquidity as compared with last year. On the other hand, our reserves and carry-forward totalled over £6,600,000, and altogether we have a balance sheet which, bearing in mind the prudence which underlies our policy, signifies the great financial strength of the society.

Returning to the society's affairs for a moment, a year of such activity has made very heavy demands upon all who serve the society, in which connection I would like to mention especially the outstanding contributions of the deputy chairman, Mr Stanley C. Ramsey, and the managing director, Mr R. Bruce Wycherley. As the society's chief executive officer, Mr. Wycherley has had a year of exacting responsibility. The services of the general managers and secretary during this period have likewise been most valuable. Our staff, both at head office and at our many branches spread throughout the country, have accepted their additional burdens cheerfully and given willing service.

The society faces 1951 with confidence. We shall bring to all our problems a deep sense of stewardship, realising that we are accountable to our investors and depositors for the safety of their savings and to would-be borrowers for the best service we can offer. We shall pursue every course of action which seems best in the interests of prudence, and here let me emphasise that at no time and in no circumstances do we aim at expansion simply for expansion's sake.

The managing director concluded by moving the adoption of the report and accounts.

MR STANLEY C. RAMSEY'S REMARKS

Mr Stanley C. Ramsey, F.R.I.B.A., in seconding the adoption of the report and accounts, said: The figures in the present balance sheet, so lucidly dealt with by our chairman, do not disclose any dramatic changes over those of the preceding year. They do, however, represent the considered and cautious policy of your board: a policy

of caution determined to a great extent by the uncertainties of the country's economic position, which have, unfortunately, persisted so long.

The year's work, set out in so abstract a form, is one of which the board, the management, the staff, and the members of the society have every reason to be proud. All have contributed to the success recorded in these revealing figures.

The present Government has made a strenuous attempt to provide homes for those who require to rent, and if their efforts had not stopped there they would have merited a higher degree of praise. The meagre allocation of licences for the building of houses for those who prefer ownership has imposed on this section of the community a great deal of unnecessary hardship. The failure of the Government in this respect has meant that the activities of building societies have been narrowed, with the result that they are much more concerned in the changing ownership of existing houses instead of helping, as they would prefer, large numbers towards the ownership of new houses.

HOUSING COSTS: OFFICIAL DON'TS ATTITUDE

Had the policy which directs our housing efforts been more widely based there would, in my opinion, have been a substantial decline in building costs. One of the official excuses is that the prices of houses built by the private builder show no worthwhile saving over those built by the local authorities under Government direction.

But in order to effect large-scale economies there must be large-scale enterprise. The narrow scope allowed the private house-builder has not been sufficient for him to plan effective operations. Surely a wise programme would have allowed for some experiments of a sufficient magnitude to test the results. If, as I confidently believe, such permitted enterprise had shown a substantial saving in cost, then the prices of local authority houses would have fallen in sympathy.

The report and accounts were adopted.

The society's auditors, Mr Harold Lake-man, F.C.A., Lieutenant-Colonel W. C. Smith, D.S.O., M.C., F.C.A., and Mr R. T. Walters, T.D., M.A., F.C.A., were re-elected. Mr William Cash, M.A., F.C.A., Mr Arthur Collins, F.S.A.A., and the Right Hon. Sir Geoffrey Shakespeare, Bt., M.A., LL.B., were duly re-elected to the board.

MR BRUCE WYCHERLEY'S REMARKS

Mr R. Bruce Wycherley, M.C., F.C.I.S., managing director of the society, said:—It is my special privilege to emphasise the debt which we owe to our staff for the excellent results that have been laid before you today. They have loyally supported me throughout the year. The society is extremely fortunate to be served by a team with such an outstanding record. I believe public appreciation is sufficiently reflected in the figures embodied in the accounts.

In our new situation with the emphasis on the defence programme, the business of meeting the nation's housing needs will no doubt suffer. We cannot but deplore this fact while recognising the necessity for the measures which bring it about.

As and when our defence requirements have been substantially met, I hope we shall give the highest possible priority to housing. There are few things more fundamental to civilised living. We must then enter upon a real crusade that will provide new homes for those who prefer to own, with additional accommodation for letting for those who require to rent. We must above all things seek a balanced housing supply and I have no doubt that the building societies, not least among them the Abbey National, will then be ready to help in every way possible.

MANCHESTER OIL REFINERY LIMITED

ANOTHER YEAR OF PROGRESS

RISE DEMANDS SHOULD ASSURE CONTINUOUS MARKET

MR H. STUART EBBEN ON THE EXPANSION PROGRAMME

The third annual ordinary general meeting of Manchester Oil Refinery Limited will be held on March 30th at the registered office of the company, 170 Piccadilly, London, W.

The following is the statement by Mr H. Stuart Ebben, O.B.E., the chairman, which was circulated with the report and accounts:

Members who have studied the financial statements in the report will, I think, agree that the year 1950 was a not unsuccessful one for the company: this is apparent from the comparative figures inserted in the accounts which for the first time are strictly comparable. The period under review is the second full year of independent operation after the termination of the rental agreement with the Petroleum Board.

In view of the increase in the number of ordinary stockholders during 1950, members will be tolerant if they find repetition in some of the following remarks, but I feel they may be helpful to the new stockholders.

We have again made considerable progress at the refinery and further consolidated our position. The tonnage of crude treated during 1949 increased by some 46 per cent. over the figure for 1948, and during 1950 rose by a further 23 per cent. over 1949. This development is due to the modifications effected and additional tankage installed during the year, and also reflects the state of efficiency in which the plant has been maintained.

PROPOSED NEW ORDINARY ISSUE

In order to enable us to carry out a programme which we have formulated to increase still further the throughput of the plant and the range of our products, it is proposed to issue part of the new ordinary capital of £175,000 created by a resolution passed at a recent extraordinary general meeting. The remainder will be available for the general purposes of the company in the future. I hope that arrangements will be sufficiently far advanced for me to be able to tell you the amount to be issued, and the terms, at the forthcoming annual general meeting.

Turning to the accounts, the profits on trading have risen from £265,319 in 1949 to £514,453 during the past year.

It will be noted from the consolidated profit and loss accounts for both 1949 and 1950 that certain non-recurring profits which cannot be ascertained are included. It is our practice where possible to cover our future foreign exchange commitments and, at the time of devaluation, dollars had therefore been purchased in respect of future contracts for feed-stock to the extent that we were permitted by the authorities. The resulting profits fell partly into 1949 and partly into the early months of 1950. As close an approximation as can be made indicates that the figure included in this year's profits is of the order of £35,000.

The consolidated profit and loss account shows an amount of £147,201 available to the parent company for reserves, appropriations and distribution after providing for taxation in respect of the year's profits. Of this amount it is proposed to apply £4,668 towards reducing the goodwill item to £160,000 and £20,000 in eliminating the item "other intangible assets." The preference stock dividend for the year required a net amount of £9,831. An interim dividend of 10 per cent., less tax, was paid last September and a final dividend of 10 per cent. is recommended by your board, making a total distribution for the year of 20 per cent., less tax. It is further proposed to increase the reserve for future taxation by a sum of

£65,000. If these appropriations are approved, there will remain to be carried forward in the parent company's balance sheet £26,059.

SUBSTANTIAL TAXATION PROVISIONS

Members may be surprised at the very substantial provisions for taxation. In respect of the year's profits a net amount of £197,637 has been provided, and, in addition, there is the proposed transfer of £65,000 to reserve for future taxation. This is the third annual report of this company, which, you will recall, was formed to take over the assets and liabilities of its predecessor. In view of the basis of assessment of income tax on company profits it is now the generally adopted practice to make reserves for future taxation so as to have at all times sufficient to cover the eventuality of a sharp fall in earnings. This means that in the first years of a company's activities the provisions for tax make an unduly large inroad into its profits. On this occasion we have, out of 12 months' net revenue, provided for more than a year's tax, and have brought the reserve for future taxation up to the full amount of the estimated 1951-52 income tax liability.

The consolidated balance sheet shows that after providing £98,133 for depreciation (as compared with £72,325 for the previous year) fixed assets increased by a net amount of £15,173. The actual capital expenditure during the year totalled more than £110,000. Current assets at £1,494,326 show an increase of £400,202 and reflect the higher price structure and the increased turnover. Part of the increase in the volume of our oil stocks as at the date of the accounts is due to the arrival of a cargo of crude oil just before the end of the financial year; the carrying of larger stocks has been made possible by the installation of additional tankage referred to previously. This is essential in order to give the best possible service to consumers, and to have a reserve against delays in shipments of crude.

The liabilities side of the balance sheet calls for no particular comment. It will, however, be observed that the loan of £250,000 which we have from one of our bankers is more than covered by the total amount of balances at bankers and cash in hand. Interest is only payable on the day-to-day net debit balance at the bank concerned, and you will note that the amount paid in bank interest during the year was £954 as compared with £2,952 in the previous year.

Considerable progress has been made in overtaking deferred maintenance, £18,495 having been spent on this item during the year.

The devaluation of sterling and the commencement of hostilities in the Far East have resulted in certain increases in selling prices during the year, but these circumstances have not materially affected refinery margins or selling conditions. Prices of most products remained based upon American quotations adjusted to include freight differentials; prices, therefore, kept substantially in line with the sharp rise in freights.

CONSISTENTLY STRONG MARKET

The market for all grades of oils has been consistently strong. The rising demand is illustrated by the fact that European countries consumed in 1949-50 about 17 per cent. more than in 1948-49. The increased consumption of fuels and industrial lubricating oils is a direct consequence of the drive for greater mechanisation in all branches of

industry and agriculture. More particularly, the expansion of electrical installations to meet rising power requirements demands a constantly increasing supply of transformer oil, one of the main products of the refinery.

In the latter half of 1950 the requirements of the defence programme have aggravated the short supply situation already created by the rapid development of normal industrial demand. To meet this it has been necessary to curtail export business from the United Kingdom.

During the past year considerable progress has been made in the manufacture and sale of special oils. Our company has played a leading part in the development of cutting oils used in the machining of alloys for jet engines, gas turbines and other aircraft engines, and also in the production of textile oils. Progress has also been made in the chemical products division.

The export and merchant business conducted by our wholly owned subsidiary, Raven Oil Company, Limited, has continued to expand throughout the year and its activities are now widespread.

A successful ancillary operation has been the advancement of the business of Flexibox Limited. This company manufactures and markets mechanical seals used mainly in pumps and compressors. Developed in wartime owing to a lack of suitable equipment, it has now fully established itself on a peacetime basis, and Flexibox seals are being used by a number of leading oil refining and refrigeration companies in this country and overseas.

MAINTENANCE OF PRODUCTION LEVEL

We believe that the rising demand for all types of fuels and lubricating oils assures a continuous market for the company's total capacity. It is our aim to maintain the highest level of production consistent with plant efficiency, to develop the market for special products now included in the company's programme, and to continue our research and development work so as to keep pace with the changing needs of mechanised industry.

It is early in the year to make any comments on current trading, but I am glad to say that results to date are satisfactory. It is my hope that this progress will be maintained, but in a period of inflation and uncertainty I have to remind you that every industrial enterprise is faced with many additional problems.

At this stage of the company's development, I should like, on behalf of the board, to place on record our sincere appreciation of the work and foresight of our two managing directors, as a result of which the present position has been attained and also of the efforts of the general manager and the other employees, all of whom have given devoted service to the group.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

NEW BUSINESS EXPANSION

In presenting the report and accounts to the 113th annual general meeting, held in Edinburgh on March 6, 1951, the chairman, Mr R. Y. Weir, O.B.E., drew attention to the considerable expansion in the new business. The net new ordinary sums assured were more than three-quarters of a million greater than those for 1949, which was itself a record year. The corresponding new premium income showed an even larger proportionate increase. The interest income, too, had risen and represented an improved yield of £4 9s. 10d. per cent. gross, or £3 8s. 5d. per cent. net after deduction of income tax, calculated upon the total funds, including the general reserve fund.

A slight increase in claims was only natural owing to the steady growth of the business. It was gratifying to note, however, that the amount paid on surrenders of policies had fallen, indicating that the worth of the Institution's policies was well appreciated and that every effort was being made by members to maintain them in force, even where rising prices caused a general financial stringency.

WELL DISTRIBUTED ASSETS

As a result of the year's operations, the total funds had increased by over £800,000 to £28,604,456. A sound investment policy had resulted in the assets being well distributed, and the margin between the book value and market value of all investments was in the aggregate greater than the figure a year ago.

It was important, especially at the present time, that every effort should be made to encourage all forms of saving, and life assurance was of increasing importance to this end. The continuous development of life assurance to meet popular demand had resulted in emphasis being laid today on the provision of income rather than capital. The advantages of a policy which was basically an endowment assurance with the sum assured payable by instalments, should not be overlooked. By adding to this basic contract various supplementary benefits, the Institution produced some most attractive contracts. The emphasis on income was also evident in the amount of pension scheme business which had been transacted. The Institution had specialised in this class of contract, and much of the new business had come from this source.

The report and accounts were adopted.

ALDERS (TAMWORTH) LIMITED

OUTPUT SUBSTANTIALLY INCREASED

The fifteenth annual general meeting of Alders (Tamworth) Limited, was held on March 2nd in London.

Mr E. B. Montesole, J.P., the chairman, who presided, said, *inter alia*: Since last April the wood-pulp market has been in a chaotic state, and apart from its high cost, in common with all other raw materials today, wood-pulp is in short supply. So far as waste paper and home-produced materials are concerned, we are still getting reasonable quantities, though here again prices have risen, and are still rising, and shortages in some directions are frequent. In this connection I would like to stress the importance of the new salvage drive now being instituted by the Waste Paper Recovery Association. More waste means more paper and more exports.

As you are aware, the company has always specialised in papers made largely from home-produced ingredients, including straw, and this latter material has proved of great benefit in maintaining output of certain qualities intimately associated with rearmament and export packing.

The accounts show trading profits of £85,110, which, after making provision for all expenses and taxation, leaves a net profit of £34,380, compared with £19,354 a year ago.

Your directors propose appropriations as set out in the report, including the maintenance of the ordinary share dividend at 30 per cent. for the year by a final distribution of 20 per cent., the placing to general reserve the sum of £10,000 and leaving to be carried forward the somewhat increased sum of £9,733.

The dividend paid after taxation on the actual capital employed in the business, as shown in the balance sheet, is equivalent to 4½ per cent., and if the real value of the assets on a replacement basis is taken, the return would be appreciably less.

The report and accounts were adopted.

BRITISH TYRE AND RUBBER COMPANY, LIMITED

SALES EXPANSION

The twenty-seventh annual general meeting of the British Tyre and Rubber Company, Limited, will be held on March 28th in London.

The following is an extract from the circulated statement by the chairman, Sir Walrond Sinclair, K.B.E.:—

Following devaluation of sterling, there has been a steady expansion in the volume of the group's domestic and export sales, and on the other hand, there have been constant—and in some cases phenomenal—increases in the costs of all raw materials. The latter applies most forcibly, of course, to rubber and cotton, our principal raw commodities. In consequence we have been compelled, in common with the rubber industry generally, to raise the selling prices of our products, and this, coupled with the increased volume, has resulted in a substantial increase in our sales in terms of money.

INCREASED GROUP PROFIT

The group profit of the year, after expenses but before taxation, has increased from £883,239 to £1,251,887. This is still some £200,000 short of the corresponding figure for 1948, but your directors regard it as very satisfactory in the circumstances prevailing during the period concerned.

It is proposed to pay a final dividend of 20 per cent., making 25 per cent. for the year. Your directors consider that in view of the increased level of wages and salaries, and in the light of present day conditions, this is only a fair and reasonable return to the shareholders having regard to the capital actually invested in their business and the scale of our trading operations.

Despite the apparent strength of the group's resources, however, it is clearly my duty to warn you that our industry is now, through the still steeper increases that have arisen since the close of the accounts, facing raw material costs drastically above those known for very many years, and there is at present no indication that the peak has been reached. In addition, the prices of all kinds of plant and machinery are at a very high level and are still rising. Labour costs are also moving upwards, a substantial wage increase having, in fact, come into effect last November. Accordingly, there is every indication that the group's liquid resources are by no means in excess of the requirements of its business in the immediate future, and, indeed, additional working capital will be essential if progress is to be unhampered.

THE CURRENT YEAR

There is little need for me to comment on the future outlook, although the first four months of the new trading year show a steady increase in the volume and value of our sales by comparison with the previous year. All these factors, however, are overshadowed by the present international situation and its eventual development and effects. The immediate future of our industry and business will be influenced primarily by the Government's defence and re-armament programme, and the incidence of this on the availability of labour and raw materials, some of which vital to our industry, are already in short supply. On the other hand, your group's reputation for quality and service stands high, and its products are of essential importance to the national economy and to industry in general. I am confident, accordingly, that whatever the future may hold, your company and its subsidiaries will be able to give a good account of themselves.

MILLS AND ROCKLEYS LIMITED

The twenty-second annual general meeting of Mills and Rockleys Limited, was held on March 8th at Nottingham, Mr George T. Mills, chairman and managing director, presiding.

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

The trading profit for the year ended October 31, 1950, amounts to £134,054, an increase of £10,552 before provision for tax. After deduction of tax the net profit is £55,857, an increase of £2,520. The directors recommend a dividend of 10 per cent. (one shilling per share), less income tax, the rate that was paid last year, and a transfer of £20,000 to general reserve, raising this to £165,000, and £5,000 to tax equalisation reserve.

They have decided to take powers to increase the authorised capital by £250,000 in 6½ per cent. cumulative preference shares of £1 each and to issue 42,409 of these as a bonus issue at once to existing shareholders in the proportion of one such share to 25 ordinary shares of 10s. each.

ADVERTISEMENT REGULATIONS

A year ago, when I referred to the Advertisement Regulations under the Town and Country Planning Act, I told you that we had not been dissatisfied with the way in which they had worked over the eighteen months preceding our meeting. Unfortunately a complete change has since occurred and the present position is disquieting.

Under the Regulations the Local Town Planning Authority has a discretion to accept or reject applications for consent to use new advertising sites. In the event of rejection, the applicant has a right of appeal to the Minister, on whose behalf an inquiry is then conducted.

During the first eighteen months of operation under the new regulations the decisions given on appeal appeared to be impartial and consistent. As a consequence it was becoming possible to foresee with some certainty the type of advertising which the Minister was prepared to permit and distinguish it from that which he proposed to stop. We were able, therefore, to review the decisions of the local authorities with reasonable certainty that their decisions in certain cases would be supported by the Minister and in certain other cases would be reversed on appeal.

MINISTERIAL INCONSISTENCY

The position during last year, however, has been radically altered, because the decisions on appeals to the Minister have ceased to have the consistency which they displayed during the first eighteen months. I defy anyone when examining appeal decisions recently given to find in them any thread of consistent policy or any trace of adherence to the principles upon which the Minister was understood—even declared—to be working.

The result is that instead of appeals diminishing as practice became established and the number of precedents grew, their number must now increase out of all reason, for nobody can foretell with any confidence the outcome of any particular appeal, whether it be a borderline case or whether it be at one extreme or the other of the range between the permissible and the prohibited. It would appear therefore that the administration of appeal procedure must be taxed to breaking-point. We are very concerned about this matter since the greater the number of appeals the more likely it is that their conduct must be delegated to levels where impartiality of decision and consistency of policy must be more difficult to secure.

The report was adopted.

SUN LIFE ASSURANCE SOCIETY

SUBSTANTIAL NEW BUSINESS

MR W. M. PRYOR'S STATEMENT

The annual general meeting of the Sun Life Assurance Society will be held at 63, Threadneedle Street, London, E.C.2, on Tuesday, April 3, 1951.

Mr W. M. Pryor, D.S.O., D.L., chairman of the Society, has issued a statement to shareholders, which in outline is as follows:

FUNDS, INCOME AND OUTGO

The total funds at the close of the year under review amounted to £78,202,000, having increased during the year by £4,396,000. The Life Assurance Fund increased by £4,061,000 to £70,109,000, while the life premium income of £9,528,000 is the highest recorded by the Society.

The gross interest income of the Life Account amounted to £2,560,000 and represents a gross rate of £3 16s. 8d. per cent. This is 1s. 4d. higher than that shown in 1949, which is very satisfactory bearing in mind the strain on the yield occasioned by the loss of higher yielding investments as the result of nationalisation of certain industries and of normal repayments.

The claims by death show an increase, but I am pleased to say that the number of such claims was again less than the number expected.

NEW BUSINESS

The life assurance new business for the year consisted of 27,849 policies assuring £35,300,000. It is pleasing to report that this represents the very substantial increase of £4,212,000 in sums assured, and I would take this opportunity to express the thanks of the Directors to insurance brokers and other connections for the confidence they have demonstrated in the Society by their valued support.

NOTICES

THE EASTERN BANK LIMITED

The Transfer Books and Register of Members will be CLOSED from March 27th to April 10, 1951, both days inclusive. By Order of the Board.

2 & 3, Crosby Square, London, E.C.3. March 7, 1951. C. L. MANNING, Secretary.

VACATION COURSE ON WOOL

International Wool Secretariat

Tuesday, March 27th, to mid-day, Saturday, March 31st, 1951, at the L.C.C. Technical College for the Distributive Trades, London, W.C.2.

A non-residential day course arranged by the Department of Education of the International Wool Secretariat mainly for men and women teachers of history, geography, economics, commerce, arts and crafts, science and domestic science in Primary and Secondary Schools, Technical Schools, Schools of Arts and Crafts, Teachers' Training Colleges, etc. A limited number of places will be reserved for other interested persons.

Lectures, supported by films and filmstrips, will be given on:

Wool Growing
Wool Marketing
Woolen and Worsted Cloth Manufacture
History and Geography of Wool
Cloth Construction and Judgment
Science of the Wool Fibre—including recent technical developments
Development of Fashions in Wool

There will also be simple laboratory work and demonstrations of hand-spinning, hand-loom weaving, etc.

A certificate will be awarded to students who complete the course satisfactorily.

Fee 10s. 6d.

For further details and forms of application apply to: P. A. Wells, M.A., F.Inst.P., Director of Education, International Wool Secretariat, Dorland House, 18-20, Regent Street, London, S.W.1.

THE Economists' Bookshop, 11-12, Clements Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History and Social Sciences, you may wish to sell (periodicals excluded).

YOUNG Woman Graduate (Economics) required as assistant to Economist in market research and statistical sales department of large manufacturing company in North London. Applicants should give details of age, education and experience.—Box 599.

INFORMATION Bulletins, Journals of Societies or Institutions: editing, design, layout and finalisation of text for printer. Moderate fees. Inquiries from embassies, literary, social and industrial bodies.—Box 589.

Our experience in the transaction of life assurance without medical examination has been highly satisfactory, and we are prepared to grant assurances for amounts up to £30,000 at the same rates of premium and with the same privileges as those effected with medical examination provided, of course, that the proposer has a satisfactory health record and is under 50 years of age or, if over 50, that the assurance is to terminate before the 65th birthday. In the opinion of your Directors the valuable benefits of life assurance should, so far as practicable, be made available to all who require them, and as a result of the knowledge gained from a long experience the Society is able to grant favourable terms to those who are medically under average.

PENSION SCHEMES

Employers everywhere are appreciating that one of the best means of promoting harmonious relations in industry is the inauguration of a scheme of life assurance to assist employees in making provision for their old age and for their dependants in the event of earlier death. Employers who have been confronted with appeals for assistance on compassionate grounds from relations of deceased employees will appreciate the advantages of a recognised scheme that makes provision on a definite basis, thereby avoiding the necessity for such appeals. The Society's experience in this specialised class of business extends over a period of 25 years, and our officials are qualified to advise upon the many complex problems which arise. Whether provision is to be made for a staff of many hundreds or half a dozen or even a single valued employee, interested employers are assured that their needs will receive expert attention.

INVESTMENTS

The funds are mainly invested in stock exchange securities, but a considerable sum is

represented by loans under our house purchase scheme, the amount advanced during the year being the record sum of £3,600,000. The liberal scale of advances available to persons desirous of buying houses for their own occupation, combined with provision for immediate release of the property free from mortgage in the event of the death of the borrower, no matter how soon after the granting of the loan, makes this the ideal system of house purchase.

The activity in new capital issues during the year enabled the Society to invest substantial sums in well-secured debentures on relatively favourable terms. Every opportunity is taken to improve the yield on our assets by making exchanges of investments when suitable alternative securities are available, which accounts for the reduction of our holdings of British Government securities by £650,000 to £23,800,000.

The market values of fixed interest securities as at December 31st last were generally higher than at the close of the previous year, resulting in an increase in the margin of the market values of our assets over the figures at which they stand in the balance sheet.

FORTHCOMING VALUATION

This is the last year of the quinquennium, and a valuation with a view to a declaration of bonuses on profit-sharing policies is due to be made as at the end of December next. The present time is therefore particularly opportune for effecting new assurances under our popular "with profit" tables.

TRIBUTE TO THE STAFF

My statement would not be complete without expressing to the staff the directors' appreciation of the highly satisfactory results. The substantial increase in new business is a testimony to the skill and energy of our outdoor representatives and to the efficient support which they receive from their indoor colleagues.

THE UNIVERSITY OF LEEDS

DEPARTMENT OF ECONOMICS AND COMMERCE

Applications are invited for appointment as Research Assistant at a salary of £450 a year. Candidates should have had training in both Economics and Statistics and will be required to undertake research upon the Wool Trade.

Applications should reach the Registrar, The University, Leeds 2 (from whom further particulars may be obtained), not later than April 16, 1951.

NATIONAL COAL BOARD

Applications are invited for the post of Head of the Intelligence Section of Production Department at London Headquarters.

The Section is responsible for the interpretation of statistical material for advising the Department on statistical requirements, for the examination of trends and for the preparation of periodic reports on output, productivity, etc.

Experience in the analysis, interpretation and presentation of statistics (preferably of production, productivity and manpower) is essential.

Commencing salary will be either on the scale £850 to £1,200 (male) per annum, or £750 to £950 (male) per annum, according to the qualifications and experience of the selected candidate. London Location Allowance is payable in addition.

Apply, in writing, giving full particulars (in chronological order) of age, education, qualifications and experience (with dates) to National Coal Board, Establishments (Personnel), Hobart House, Grosvenor Place, London, S.W.1, marking envelope TT/298. Original testimonials should NOT be forwarded. Closing date March 27, 1951.

HOW often have you wished you had a simple means of keeping all your domestic papers, letters, documents, receipts, etc., in orderly form out of sight, yet always instantly available for immediate reference? The new Automatic Secretary for the Home is the ideal device—simple, compact, durable, inexpensive, it is also an automatic reminder. Send P.C. for descriptive leaflet AS.28, to Shaw Publishing Co. Ltd., 180, Fleet Street, London, E.C.4.

BALLIOL COLLEGE, Oxford, proposes to elect a Junior Research Fellow in History or Politics or Psychology as from September 29, 1951, and invites applications, to be received not later than April 30, 1951. The choice of the College will not necessarily be confined to those who apply. Details may be obtained from the College Secretary.

WANTED.—Secretary with University education, bi-lingual, able to translate English into French and vice versa; also typing and shorthand. Most interesting work for suitable candidate. Salary £500 per annum.—Apply Box 594.

FOR SALE.—Economist, Dec. 7, 1946, to Jan. 28, 1950. Supplement from Jan. 4, 1947, to May 28, 1949. Offers.—Box 595.

FOR SALE.—Economists, 1946 (two missing), 1947 (three missing), 1948 and 1949 complete, 1950 (two missing).—Offers to Box 588.

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THE NATIONAL BANK OF INDIA LIMITED

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders will be held in the Bank's premises at 24, Bishopsgate, London, E.C.2, on Tuesday, April 3rd, at twelve o'clock noon precisely, to receive the Accounts to December 31st last with the relative reports by the Directors and the Auditors; to elect Directors; to fix the remuneration of the Auditors; and to transact all such other business as can be transacted at an Annual General Meeting of the Company.

In connection with the election of Directors special notice has been received by the Company pursuant to the provisions of Sections 142 and 185(5) of the Companies Act, 1948, of the intention to move at the above Meeting a Resolution for the re-election as a Director of the Company of Mr. R. L. Hird, who attained the age of 70 years on January 30, 1947. Mr. Hird retires by rotation and offers himself for re-election.

By Order of the Board,
W. KERR, London Manager.

The National Bank of India Limited,
26, Bishopsgate, London, E.C.2. March 6, 1951.

INCORPORATED ACCOUNTANTS

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS' EXAMINATIONS

Examinations, May, 1951

The Society's May, 1951, Examinations will be held on the following dates:

Final: May 1, 2 and 3, 1951
Intermediate: May 2 and 3, 1951
Preliminary: May 1 and 2, 1951

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester and Newcastle-upon-Tyne. Applications, on the appropriate forms, which can be obtained from local Hon. Secretaries of District Societies, must be lodged with the Secretary, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, W.C.2, not later than Monday, March 19, 1951.

NO Capital Depreciation and a return of 2½ per cent. (income tax paid by the Society) are the terms offered for Share Investments by the 73-year-old Chelsea and Fulham Green Building Society. Write for Leaflet F to 110-112, Kings Road, Chelsea, S.W.3.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 16, George Street, Mansion House, E.C.4.

Biggest Land and Cattle Sale in South African History

On 29th March, 25th & 26th April and during May, 1951, the following will be sold by public auction in Vryburg, South Africa. On 29th March, 26 farms totalling 267,647 acres and on 25th & 26th April and during May, 12,000 head of cattle consisting of Hereford X Afrikaner and Aberdeen Angus X Afrikaner and including 180 pedigree bulls.

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UNIVERSITY OF GLASGOW

DEPARTMENT OF POLITICAL ECONOMY

Lectureship in Money, Banking and Economic Fluctuations.

Applications are invited for a Lectureship in Money, Banking and Economic Fluctuations tenable from October 1, 1951. Salary £500 to £1,100 according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (5 copies) should be lodged not later than March 31, 1951, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON, Secretary of University Court.

THE UNIVERSITY OF MANCHESTER

AMENDED NOTICE

Applications are invited for the post of LECTURER IN ECONOMICS. Salary scale £500 to £1,100 per annum with membership of the F.S.S.U. and Children's Allowance Scheme. Initial salary according to qualifications and experience. Applications should be sent not later than March 31, 1951, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

URWICK, ORR & PARTNERS seek additional staff for the Accountancy and Administrative Division of their professional work as Consulting Specialists in Organisation and Management. Applicants must satisfy the following requirements:—

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Successful candidates will be trained as Management Consultants at the Company's own Training Centre.—Applications should be addressed in writing to the Company's Offices, at 7, Park Lane, London, W.1, quoting Reference: C/1047.

BOOKS Bought: Please send lists of any standard or rare books, runs of learned journals, for disposal.—W. Heffer & Sons, Ltd., Petty Curry, Cambridge.

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The Virtue of Obstinacy

THE substitution of Mr Morrison for Mr Bevin at the Foreign Office is much more than a passing event. It is the end of a chapter, and perhaps very nearly the end of the book for the Labour Government. Mr Bevin's tenure of the Foreign Office has been long and notable; and it has also been very fully suffused with his own strong personality. It is impossible that his replacement by such a very different man as Mr Morrison should make no difference, if not to British foreign policy, at least to its conduct. And at the same time the removal of Mr Morrison from the Leadership of the House of Commons and the daily supervision of the party machine must inevitably weaken the Labour Party on its most precarious front, the parliamentary and electoral. The opinion of this journal was expressed some weeks ago that Mr Morrison was making a mistake—in his own interests, in his party's and in the country's—in going to the Foreign Office. That opinion is not changed; but it did not arise out of any lack of appreciation of his qualities—we repeat that Mr Morrison has been the best member of this Government—and still less does it mean that Mr Morrison should not be wished well in his heavy new responsibilities. It is still the sound tradition of this country that the Foreign Secretary should be supported as much as possible and exempted from captious or purely partisan criticism; Mr Morrison deserves the protection of this tradition.

It is far too soon to assess the merits of Mr Bevin as Foreign Secretary. He has certainly had his failures in recent years, and some of them have been directly due to his own personal limitations. The collapse of his Palestine policy was the fruit of his obstinacy, and the part he has played in the development of policy towards Germany has suffered from the same defect. He greatly raised the hopes of the Continent by his speech of three years ago in favour of Western Union—and then gradually allowed the Western Europeans to be persuaded that British policy was cynically obstructing this same high object. His fight against ill-health in the last year or more has won for him high admiration on personal grounds; but the same vein of stubbornness has prevented him from seeing (or at least acknowledging) that his own silence and immobility have driven British policy into a state of stagnation that has sometimes looked like deliberate isolationism. And yet, when the final account comes to be reckoned up, it may be that these defects of his firm character will count for much less than the great service that the same obstinacy rendered to the country and the world in his first two years. A Labour Foreign Secretary, coming into office on the morrow of the war, in an atmosphere of rosy illusion, backed—and sometimes confronted—by a party blinded by its own ideology, might have led the country to disaster. It is to Mr Bevin's everlasting credit that he saw clearly on the main issue and refused to be budged from the policy he first took up. He was the first—long before the Americans—to stand firm against Russian intransigence and encroachments, and he has had the

satisfaction of seeing the free world, by a large majority, come round to his view. On balance, Mr Bevin's obstinacy has been a great national asset.

That is precisely what gives one pause about Mr Morrison. He is not an obstinate man. That has, indeed, been his great merit, and his title to statesmanship. There is no doubt that his advent to the Foreign Office will have very great advantages. Where Mr Bevin has been at his worst, Mr Morrison, generally speaking, will be at his best. Where Mr Bevin has been inarticulate, Mr Morrison will expound and explain. Where Mr Bevin has been immobile, Mr Morrison will explore. Where Mr Bevin has allowed British policy to appear worse than it is, Mr Morrison will make it appear at least as good as it really is. These are great advantages. But the supreme need for British foreign policy is still for firmness.

Diplomacy is the art of skilful negotiation; but the danger of successful and experienced negotiators is that they come to think that there is nothing that cannot be arranged by negotiation. There is, for example, the recurrent belief that if only someone really persuasive and authoritative could have an hour or two alone in the Kremlin with Stalin, all would be well. But the truth is that, in present circumstances, nothing could be more dangerous than a "new initiative"—at least so long as it comes from the side of the west. What is so often called a "general settlement" with Stalin is highly improbable. The only general settlement that would really relieve tension is one that would demand from Moscow more concessions than there is the slightest reason to expect to be forthcoming. Over a period of years some relief of tension may come about by local and regional bargains negotiated from strength and prepared with great patience. But if Soviet expansionism has to accept these local checks, it will be none the less stubborn and suspicious. The basic cause of world tension does not lie in any one situation or even in the present level of Soviet armaments. It lies rather in the nature of the Soviet state. The free world, with its eyes wide open, has entered upon the only possible policy for maintaining peace in the face of a deliberately world-revolutionary great power. But it is a policy that cannot succeed quickly and that cannot

succeed at all without firmness and endurance in firmness. Let it by all means proceed *suaviter in modo*; but the essential is that it should be *fortiter in re*.

In principle, and in the abstract, of course, everyone will accept this. Everyone means to stand firm. But one cannot help having a serious doubt whether the Labour Party can be relied upon to stand firm in a pinch, and to go on standing firm in all the pinches that a long series of years will bring. Its character and its record support the doubts. There is a strong pacifist or near-pacifist element in the Labour Party; will it have the nerve to stand firm in one of those great crises—provoked, it may be, by Russian encroachments on Yugoslavia or Persia—when the best hope of peace is, for a few weeks, to court war? There is a strong ideological element in the Labour Party which still harbours the strange illusion that there is such a thing as socialist foreign policy; will it not seize on every opportunity to make mischief with capitalist America with the same glee as in recent months? The strongest of all elements in the Labour Party is the belief in more pay for less work; will the adherents of this doctrine go on bearing the burdens of armed strength in the years when the need for it is less apparent than it is today? And if one has these doubts about the Labour Party, can Mr Morrison—who is so much flesh of its flesh and blood of its blood—be exempt from them?

The answer, no doubt, is to point to the record. Has not the Labour Party shown that it can face facts and cultivate a sense of realism? But is that what the record really shows? Certainly not the prewar record, which was one of wilful blindness and folly (Labour was still voting against conscription in the spring of 1939). And as for the record of the last five years, one has to ask oneself how much realism there would have been in foreign affairs without the accident of Mr Bevin? Or, in another element, would there have been any realism at all in economic affairs without the accident of Sir Stafford Cripps? Perhaps the real importance of last Friday's announcement is that it removes from departmental office the second of the two men who have had a policy to give to the Labour Party. What remains is manoeuvre and no more. Mr Bevin's obstinacy will be missed.

Inflation's Gallop

THE rapid progress of world-wide inflation provoked last week-end a cry of alarm from the council of the Organisation for European Economic Co-operation. It is useful to have the finance ministers of Western Europe recognising their problems collectively even if their proposals for doing something about it are no more than jejune generalisations. That had to be expected: the regret must be that the cry was no louder and commanded no more attention. Among the experts as well as the general public there seems as yet to be little understanding of either the probable size or the implications of an inflation that is now running strongly and cannot be quickly halted. In this country, especially, people still seem to regard present price increases as a once-for-all reaction to the Korean war, as just another turn of a screw that in the past ten years has grown familiar—a large turn, no doubt, and particularly unfortunate, but no more decisively damaging than many turns before.

This is to misread the signs. Prices are now rising faster than at almost any time in the forties. To find a parallel, it is necessary to go back to the beginning of the last war. In the first eight months, from September, 1939, to May, 1940, the Board of Trade's index of British wholesale prices rose by 27 per cent. This was in the period of rapid mobilisation: a British army was sent to the continent and defeated. By comparison, nothing has happened to men or industry in the eight months, from June, 1950 to February, 1951, since the Korean war began. But wholesale prices have risen nearly as sharply—by 19 compared with 27 per cent. Moreover, this time the increase has occurred in spite of the fact that food prices have been kept almost constant (largely by refusing to import things which were getting dearer). All that has really happened so far is that the wholesale prices of basic industrial materials have risen by 83 per cent in eight months and are now more than twice what

they were a year ago. What has so far seeped through to the price of manufactures is, even at the wholesale stage, an increase of only 8 per cent in eight months. The rises in shop prices still reflect, for the most part, the growth of import costs after devaluation and the American restocking boom; they do not yet reflect what has happened since the Korean war began and wage restraint broke down at home.

It is certain that, even if the prices of raw materials are shortly stabilised or even if they fall considerably, both the wholesale and the retail prices of consumer goods will rise fast throughout 1951. Even those exceptional things that have stood steady through ten years of inflation and have helped to maintain some sense of the old value of money—the penny newspaper, the twopenny public telephone call—can no longer be taken for granted. Inflation seems to be spreading to every corner of the economy, a mood is developing in which heavy spending is bound to add to the pressure of rising costs, and in this atmosphere it is inevitable that wages should rise further and start a new round of cost inflation. There is, in short, a very real danger that in the next twelve months the British people will experience a fall in the value of their money such as they have rarely if ever known before.

★

This country faces the entirely new circumstances of undertaking a great peacetime rearmament before it has digested the financial problems of the welfare economy and when Keynesian conceptions of public finance and monetary policy are still capable of being misapplied. It would be very foolish to rely on past experience for the complacent belief that runaway inflation cannot happen here. The perils of an open inflation such as has now clearly begun surely need no stressing. In any circumstances, and even in small measure, it is socially unjust; in any great measure it would be quite intolerable when it comes after ten years of consistently, if slowly, rising prices and redistributive taxation. Those two things together have already depressed the living standards of people with relatively fixed incomes to an extent that was hardly imaginable, as a permanent state of affairs, not ten but as little as five years ago. Even if, as is perhaps conceivable, the trade unions are now powerful enough to push up wages almost as fast as prices, no one can want to penalise still further the small salariat and the pensioners for the benefit of, primarily, the Treasury, and, secondly, profits—which is what such an inflation would mean. Whatever is the right way to pay for defence, it is certainly not to try to put most of the

burden on the bank clerk, the school teacher and the middle-class aged. These are just the people who, by most standards of fairness, ought now to be spared as much as possible.

The natural and instinctive reaction of governments and legislatures to a situation of this kind is to clap on all manner of controls and rationing schemes and to shovel out subsidies in an effort to keep prices down. These attempts to avoid the social injustices of rising prices are praiseworthy in their intention; but they can be disastrous in their effects, as this country has had ample opportunity of learning in the past decade. To keep prices down when incomes have risen is to invite people to consume more. In fact, however, they will have to consume less, since the demands of rearmament are rising. So there has to be still higher taxation to take away by the back door the purchasing power that it would be anti-social to allow prices to limit—and then even higher taxes still to make up for the saving that the public refuses to do. The economy is distorted; everything is scarce, whether it needs to be or not; and necessary production, such as for rearmament, can be pushed through the overcrowded channels of the economy only by the sheer brute force of an overtaxed administration. Suppressed inflation, like a suppressed fever, can be infinitely more dangerous than if it is let out.

If it sounds paradoxical first to bemoan the damage done by inflation and then to oppose any attempt to keep prices down by government action, that is only because the nature and the definition of inflation are thoroughly muddled in the public mind. Inflation and rising prices are not synonyms for each other (however much one is forced in ordinary conversation to use them as if they were). Inflation is a state in which the flow of money trying to spend itself on goods and services is larger than the flow of goods and services available (at the prevailing price level) to be bought. Inflation, in a state of nature, causes rising prices, just as a fever causes perspiration. But the rising prices, so far from being identical with inflation, are (like the perspiration) nature's attempt to restore the balance.

It is no longer possible for the British people to choose whether or not they shall have inflation or not in 1951. The germ is already in the bloodstream; it is gradually incubating; and the period of development will not be over for many months yet. There are, however, two choices still open. The first is what form the inevitable inflation of 1951 shall take. The second is whether the seeds are to be sown for a continuing, and probably



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stronger, inflation in 1952. It is most important that these alternatives should be understood and the right one in each case chosen.

Once inflation is in the bloodstream, the choice of the form it shall take—suppressed or open—is a cruelly difficult one. To choose suppression now means shortages and queues; it means that there will be more rationing, production controls and allocations; that the incentives to work hard and to change jobs in response to changing demands will be weakened; that stocks will be run down and productivity fall as workers wait for materials to turn up; that yet more rigidities and inefficiencies will be built into the British economic system; that the rearmament effort will probably, in spite of the controls, be weakened, and exports of consumer goods will almost certainly fail to make up the gap left by the inevitable reduction in engineering exports.

These are not imaginings; they are what happened in 1946 and 1947. There are still two more arguments against suppression. One is that there is no end to it. A policy of suppression can never kill the forces of inflation. It leaves the excess of purchasing power latent, to become effective if supplies improve or if the controls break down and prices are allowed to rise. The other argument is that, in present circumstances, it would almost certainly not work. Such success as suppression has had in the past has been due to the trade unions' restraint about wages and that has clearly broken down. To attempt suppression, to tie the economy up in red tape, and then to have rocketing prices after all—this would surely be the worst of both worlds.

Yet if these are the evils of suppressing inflation, the evils of letting it run its course are no less. If the first are economically debilitating, the second are socially corrosive. For over a decade, British economic policy has, in substance, refused to choose between these unlovely alternatives. The result is that we have had a bit of each. There has been enough congestion to make the economy dangerously rigid and inefficient—but not enough (save at intervals) to bring about open

The Commonwealth and Malan

DR MALAN, the Prime Minister of South Africa, has recently made two statements which have raised a buzz of comment throughout the Commonwealth. In the first, on February 9th, he complained about the delay in transferring the control of the native protectorates of Bechuanaland, Basutoland and Swaziland from Britain to South Africa. In the second, on February 23rd, he flatly declared, among other things, that British colonial policy is undermining the foundations of the Commonwealth. The first occasion—a surprising speech, since it was delivered at a dinner in Capetown at which the Secretary of State for Commonwealth Relations, Mr Gordon Walker, was present—has naturally been overshadowed by Dr Malan's more recent, more outspoken and more fundamental observations. But the two taken together raise issues which the members of the Commonwealth, and most particularly the United Kingdom, cannot afford to ignore.

The South African Nationalist Party, of which Dr Malan is the head, has never in the past been distinguished for any intimate concern about the fate of the

economic disaster. There has been a fall in the value of money, rapid enough when looked at in retrospect, but not sufficient at any time to produce social revolt. With inflationary pressure no more than it has been in the last five years, or with the special disciplines of wartime, such an ignoble compromise will work. It is very doubtful whether it will work with the much greater inflationary pressure that is now in prospect.

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What, then, is the choice that policy should make? The politician will want to feel his way, but the economist's answer ought to be quite clear. The right policy is to let the inflation that is already in the bloodstream work its way out in rising prices (with all the hardships and difficulties that that involves) but to resolve that there shall be no fresh crop in 1952, so that prices will before too long reach a plateau and level off. In practice, neither half of this prescription can be filled completely. No government could afford to remove all controls on prices. And so long as the outside world is inflating and rearmament is a categorical imperative, it is virtually impossible to prevent all further inflation. But these are the objectives to which public policy should be directed. There should be a real attempt to get rid of all the artificialities and distortions that a decade of suppressing inflation has produced; in principle, prices should be allowed to find their own level. And there should be a determined effort, by using all the old-fashioned remedies—by monetary policy, by restriction of credit and by public retrenchment—to cure inflation in the only way it can be cured—that is, by pulling the total of demand down until it is no greater than the available supply.

This combined policy may not seem to politicians to be one that they can sell to the electorate. That is their business; but it is the economist's business to warn them that the alternative may well be an economic and social disaster to which past history in these islands provides no parallel.

Commonwealth. The Prime Minister's remarks have therefore fallen with more of an impact than they otherwise might. They are, of course, partly to be explained by internal South African politics. Indeed, both by speaking up for the Commonwealth and by voicing fears about the growth of negro power in Africa—which the Nationalists are not alone in fearing—Dr Malan has adroitly and successfully split his political opponents, the United Party, from top to bottom. On the other hand, this does nothing to detract from the intrinsic force of Dr Malan's views. It only emphasises them.

The essence of Dr Malan's statements has been this. First, in conceding self-government to the Gold Coast, the United Kingdom is going beyond its legitimate powers. The native population of Africa is already more or less in a state of ferment as a result of the world situation and Communist propaganda. By encouraging this unsettled state of mind, without reference to the views of the rest of the Commonwealth, Britain is playing fast and loose with the safety of white South Africa.

Secondly, since the Commonwealth is "a closed group, all free and equal," Britain has no right on its own to promise membership of the Commonwealth to a series of new states. West Africa will be only the first of several more to come, like the British West Indies and territories such as "Indian-dominated East Africa," Uganda and Nyasaland. The Commonwealth is based on only two things, "specific common interest and sufficient homogeneity of cultural and political outlook." What greater solidarity can seriously be expected to exist, for example, "between Australia and the negro state of West Africa than between Australia and the United States?" It is the right of all members to decide who shall and who shall not join the Commonwealth. Thirdly, Dr Malan in both his recent statements deplored the policy which makes it possible for one Commonwealth member to interfere in the internal affairs of another through the United Nations.

Dr Malan has in effect raised two main questions of principle—whether Britain should now be bound to act jointly with the other members of the Commonwealth when deciding matters of colonial policy, and whether Britain should still be regarded as the presiding architect of the Commonwealth. To the former the answer must be No—with qualifications. On the latter, Dr Malan undeniably has a good case.

The final aim of modern British colonial policy—just as in the distant days before the present Dominions were created—is to build each colony into a state that can stand on its own feet. That has been the declared intention for nearly a generation, and there is plenty of evidence that it is being carried out. Whether the policy is a wise one or whether it is being pursued too rapidly does not affect the principle. As Dr Malan admits, the colonial territories "belong to Britain alone"; so long as they remain colonies, at any rate, they are not Commonwealth responsibilities. The final British aim—of granting full self-government—is therefore, and must remain, a matter for Britain alone to decide, whatever the future form of the Commonwealth or the new rules, if any, governing the admission and conduct of its members.

That being said, it is only realistic to admit that it would be very foolish of the United Kingdom to conduct its colonial policy in Africa without any regard at all for the views of the large number of white communities now domiciled in that continent. What in fact should be Britain's function, as the years roll on and more and more of black Africa reaches the boiling point of political emancipation? It is possible to foresee a period, not long hence, when the ferment of native opinion and the pressure of world events will have produced several new self-governing negro states, each in varying degrees of association with the Commonwealth. Even if the United Kingdom were to change its mind about the policy of emancipation and try, at this late date, to reverse it, or even to put the brakes on, it is very doubtful whether it would be possible to do so without the expenditure of very much more repressive effort than the people of Britain would have any stomach for. But, having built up these new states on the basis of a colonial policy devoted—unlike the French or Belgian—to the granting of an untrammelled freedom of choice at an early stage, will Britain be acting in the best interests either of the Commonwealth or of itself or even of the new states, if it unhesitatingly takes their side against the white communities, led by South Africa?

Almost certainly not. The British role ought to be that of a mediator and conciliator, seeing both sides of the case and trying to create—however difficult the task—a united Africa.

If this is so, what effect should it have on British colonial policy now? While there can be no question of climbing down and abandoning any long range objectives, there is certainly much to be said in Africa for making more of an effort to associate the white communities more closely with the year-to-year work of native development. It is unfortunate that the most important of these communities, South Africa, should at present be pursuing in its idea of *apartheid* a line of action which is unacceptable to British public opinion—as well as to many other Europeans in Africa. But the fact remains that the results of British policy are going to have profound effects on the lives of all white men in Africa. It is only fair that, before final decisions are taken, their views should be taken fully into account, wherever they are expressed with good will and without prejudice.

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On his second point of principle—about the rights of Commonwealth members—Dr Malan has moved in where angels fear to tread. If his words had come from the mouth of an acknowledged elder statesman like General Smuts, they would have been taken differently. As it is, Dr Malan has played the part of an *enfant terrible*, and however well justified his views they have been heard with mixed feelings. It is certainly right and proper that the Commonwealth should guard its membership jealously, and that members should have a say in the election of new colleagues. But Dr Malan spoke as if this principle were being ignored. It is not. The claims of the new Asian members, India, Pakistan and Ceylon, were all in effect considered by the Commonwealth over a considerable period of years, after the old Government of India had risen to a special status in the first world war. Then, when the new India raised the question of becoming a republic, the whole subject was specifically and fully discussed at the Commonwealth Prime Ministers' Conference of April, 1949.

Dr Malan is in practice arguing two things. Since it is wrong, he claims, that the chairman of the club—Britain—should continue to have such excessive ideas of his own importance as to believe that he can promise membership to anyone he pleases, it is time the committee asserted itself. But that is really an argument for the kind of stricter and stronger central Commonwealth organisation which the Australians—with excellent logic—customarily put forward and which the Canadians and others—for various equally good reasons—consistently reject. Secondly, Dr Malan is heading for a state of affairs in which there are virtually two kinds of members in a two-tiered Commonwealth, the fully elected member and the associate who hopes to assume full membership later. Here again there is a good deal to be said for his point of view—so long as the line is drawn on some logical basis of suitability, maturity and perhaps size. Southern Rhodesia, for instance, has long been waiting for complete dominion status—being partly held up, incidentally, by British reservations about the handing over of full control of native policy. What would be fatal to future relations

between the white and other races in the Commonwealth would be for the line to be drawn on grounds of colour alone. Yet that, of course, is precisely what Dr Malan indicated was in his mind when he raised the question of Commonwealth membership at all in connection with the self-government of the Gold Coast.

The fact of the matter is that no one can put the clock back. In the Commonwealth, Britain no longer has the right to dictate a policy, even as regards membership. At the same time, there is an increasingly strong case for making the rules of the club more precise if they are to fit the rapidly shifting pattern of the modern world. And that is up to the Commonwealth as a whole—to discuss again, perhaps at the next Commonwealth Conference. In the field of colonial policy, the trend

of the times is toward a speeding up in the journey to national independence and freedom of choice. Not to acknowledge that is to make it impossible to fight Communism in Africa or indeed to ensure the proper development of British colonial territories without bloodshed and the disruption of normal life. The South Africans—and others—must face these facts. They possibly exaggerate the dangers, and in any case Britain must take account of their fears. But, just as South Africa's internal *apartheid* in its present crude form looks a little like running round a problem that will some day have to be met face to face, so Dr Malan in his attempt to stop what is now on foot through the length and breadth of Africa looks suspiciously like Canute trying to hold back the waves of the sea.

How Strong are the Communists?

THE strength of Communism in Britain tends to be measured by the number of spectacular strikes the Communists succeed in instigating and by the propaganda points they succeed in scoring. A dock strike in Birkenhead, a campaign to ban the atom bomb, a broadsheet on Korea, a rowdy meeting in Trafalgar Square, a skilful misrepresentation of Anglo-American relations—all these give rise to the belief, not so much that it needs only a signal from Moscow for the Red Dawn to break, but that a shockingly large number of Communists are lurking in dark corners and influencing events.

The secret or avowed Communists in high places, however, are not a very serious threat to internal security. A Dr Fuchs may, as a spy, do some damage to the national interest, but it does not really matter tuppence if a gaggle of scientists or a flock of red deans openly proclaim their allegiance to Communism—so long as industrial workers remain unmoved. "The dictatorship of the proletariat" is not a meaningless phrase. The best measure of the strength of Communism in any western country, therefore, is the extent of workers' support for Communist policies, not the much-publicised soul searchings of intellectuals. It is for this obvious reason that, while every propaganda advantage is taken of such intellectuals, the real work of Communists is done in the factory canteen and the dockside public house.

Enough is now known of Communist methods to need no more than a brief outline here. Any doubts about previous reports of Communist tactics have been dispelled by Mr Hyde, the former news editor of the *Daily Worker*, in his book "I Believed," and by a former secretary-treasurer of the Canadian Seamen's Union, in an article published in several trade union journals. Both men make it quite clear that the main effort of the Communists is directed towards securing control of the trade unions. By pressure-group tactics, and particularly by taking advantage of the apathy of union members in times of full employment and high wages, they seek to dominate first the local branches and then, as opportunity provides, the national executives of unions. Artificial strikes are engendered by Communist shop-stewards in order to discredit the union concerned, and all Communists seize every opening for putting forward political views to their workmates or for exploiting grievances. In those unions which employ some Com-

munist as officials but which are not properly under Communist control, the Communist officials will publicly put forward the union policy, but privately recommend the Communist "line." On the national front, the *Daily Worker* pours out a continuous stream of skilful propaganda, taking its lead from monitored Moscow broadcasts circulated daily by the Soviet embassy and from the Cominform journal—*For a Lasting Peace, For a People's Democracy*—which is published fortnightly in Bucharest, and also exploiting any local incident which will serve Communist interests.

It is extremely difficult to measure the effect of this activity on industrial workers. Figures give only a general guide. The card-membership of the Communist Party is said to number about 40,000 people. In the last general election, the Communists lost the two seats they previously held and they polled a bare 92,000 votes—2 per cent—out of about 4,600,000 votes cast in the 100 constituencies where Communist candidates stood. In 1950, only one per cent of a total working population of 22 million were involved in strikes or stoppages—and by no means all disputes were inspired or even influenced by the Communists. On the other hand, it has to be remembered that many of the constituencies contested by Communists last year seemed to be chosen because they were marginal seats, where the drawing-off of some Left-wing votes would do most harm to Labour, rather than because they were the places where the Communists would make the best showing at the polls. Again, although a purely Communist resolution regretting the split of the TUC from the Communist-led World Federation of Trade Unions was rejected at the Bridlington congress in 1949, it nevertheless received more than 1,000,000 votes out of a possible 7,000,000. There is also little doubt that the Communist-sponsored "Peace Pledge" was signed by several million people, but it is impossible to say what proportion knew the nature of, and fully supported, the document they signed.

Even if the statistics were not conflicting it would be rash to draw any firm conclusion from them alone. Support for Communism is not always overt. It is comforting, therefore, to find the balance of the statistical evidence confirmed in other ways. Mr Deakin and his colleagues in the Transport and General Workers' Union, for instance, have shown that as soon as they countered the Communists with equally energetic methods in the local branches of the union, very few

indeed of its 1,250,000 members continued to support the Communists. It is also worth recalling that the recent railway dispute began as far back as last August, and, in spite of several breakdowns in negotiations, there was little hint of strike action until the report of the Court of Inquiry was published in February. In fact, with the principal exception of the miners, who last year accounted for one-third of the total time lost in disputes, few workers are as prone to strike as is generally supposed.

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There is also a traditional dislike among trade unionists for mixing politics and business—business being wages and working conditions. That is not to say that they do not take part in political activities, but that they refuse to use the strike weapon in political matters. It is extremely unlikely, for example, that even if the Communists were much more influential than they appear to be, they could stir up any widespread strikes with the conscious purpose of stopping defence preparations or of securing the repeal of the Conditions of Employment and National Arbitration Order (No. 1305), unhappy as most trade unionists are about the first and much as they would like to see the second cancelled. The Communist, therefore, has an uphill task in stirring up militant political activity; he is obliged to produce a genuine, or near-genuine, grievance over wages or working conditions before he can persuade any substantial majority of workers to support him. Even then, he runs the risk of finding his grievance taken over by the official union and settled by the normal conciliation machinery.

There is still, however, a profound ignorance among most workers of the nature of a Communist dictatorship. There is also a sinister line of thought, expressed from time to time in letters to the editors of trade union journals, that even if the Communists—or Russians—ruled this country, the workers at least would have nothing to fear; their possessions and their wages would remain intact and it would be the *rentiers*, the bourgeois middle classes, who would suffer—and a good thing, too! Why then, the arguments run, should the workers tolerate rearmament which is increasing the cost of living?

It is on the questions of peace and the rising cost of living that Communist policies are receiving most support from non-Communists. Many workers steadfastly refuse to believe Ministers' statements about Russian activities. A few trade union delegations which have been on conducted tours of Russia during the past eighteen months have returned with stories denying military activity on the other side of the iron curtain and praising to the skies the efforts of Soviet workers in civilian occupations. It is regrettable but true that many British workers put more faith in these stories than in any accounts issued from Whitehall or in the national press.

There are other strings to the Communist bow. As a matter of official policy, most trade unions have modified the old claims for a share in the management of industry to demands for joint consultation, but the drive towards joint control still persists, particularly in the nationalised industries. It is a short step from joint control to complete workers' control, and the Com-

munist have energetically promoted this movement. They have also strongly supported every attempt to establish a closed shop, which again has found favour with a large number of non-Communist workers who feel that a closed shop policy immeasurably strengthens their hands in wage negotiations—as indeed it does. Finally, the Communists have made the most of the widespread feeling that dividends are wicked and that shareholders are little better than usurers; they strongly support demands for the abolition of interest payments to holders of compensation stocks for the nationalised industries, which are thought to be losing money chiefly because of these payments. Few union leaders support this view—much of the incomes of unions and of the co-operative movement is derived from successful investments—but it is proving difficult to convince the rank and file of the fallacy of such arguments.

It may be that the real strength of Communism in Britain can easily be underestimated. But undoubtedly its active influence is confined to a small minority of workers, and in the past eighteen months it has decreased and is decreasing. It should, however, be realised that this is so in part just because non-Communist unions are taking over policies and principles originally sponsored by the Communists. Some of these policies are reasonable enough and fit in with the traditions of the trade union movement, but others could be almost as disastrous for the country as Communist control of the unions. In their energetic and so far successful battle against the Communists, union leaders should make sure that the loaded guns they have captured are not still aimed at their fellows.

The English Table

Modern Domestic Cookery. By a Lady. With Illustrative Woodcuts. *John Murray, Albemarle St.*

What people write a great deal about, they perhaps understand but little. English cookery is avowedly far behind that of most of the nations of Europe, though a great number of books have been written on the subject. The utility of such works, if well done, and the great success of one or two, have called a multitude into existence, many of them worthless. None of them has surpassed, either for goodness or sale, the much-renowned "Domestic Cookery" of Mrs. Rundell. Time, however, has effected some fissures in that, as in the institutions of Europe. The progress of society requires changes to be made in sauces as well as laws and constitutions, and requires new receipts and new editions of cookery books as well as new enactments and further reforms. Mr Murray is at least quite as ready as any legislature to comply with the demand, and has taken all possible pains to satisfy the public. Many new and original receipts are added; economy is studied; every part of the book has been thoroughly revised, and adapted to the present condition of cookery. We are happy to see the article "Soups" especially attended to, and the means pointed out by which much wholesome nourishment may be obtained at a cheap rate from matters that are often thrown away. Other things in which improvement was required are not neglected; and, as a complete collection of useful directions, clothed in perspicuous language, for the practice of an art that more than any other serves to keep the body in health and the family in harmony, the "Modern Cookery" can scarcely be surpassed.

The Economist

March 15, 1851

NOTES OF THE WEEK

Talking in Paris

There is a mood of cautious optimism in Paris about the progress being made at the meeting of the Four Power deputies. Mr Gromyko's acceptance on Wednesday of two secondary amendments to the western draft for the agenda of the Council of Foreign Ministers and his own submission of two changes in the Soviet draft, at least show that the Russians are prepared to yield ground in their manœuvres to get their way on the one item to which they attach cardinal importance—the discussion of German "demilitarisation." Under this heading they count on blocking any German participation in the Atlantic Pact and on forcing the Western Powers on to the defensive in the propaganda battle for Germany.

This continued wrangling in Paris, however, has now gone on long enough to warn the western capitals that they must not lose sight of their basic objectives. A point may be scored here or lost there, perhaps even with singularly unfortunate results in the field of propaganda, where the Russians have again shown themselves superior to the Western Powers. But what really matters is the future of civilisation, the supreme issue of peace or war. It is no use conceding points at the deputies' table which could only get the Western Powers into a Council of Foreign Ministers on the wrong foot. Perhaps the most essential of these is to refuse to admit German disarmament to the agenda as an item by itself, without any mention of German unity or of the disarmament of the ex-enemy satellites. It would be better to have no agreement at all between the deputies than a bad agreement.

On the other hand, there is great value in keeping on talking, as the Russians also well know. So long as the talking goes on, the channel of direct contact is at least being kept open, and there is at least the satisfaction of knowing that nothing is being left undone in the attempt to reach a settlement by negotiation rather than by open war. Nothing is being held up in the progress of western rearmament by the deputies' meeting. It would be folly to give up the deputies' talks through sheer impatience. Indeed, one important result of negotiating at all is that, having done so at exhaustive length, neither side can have much excuse for miscalculating the resolution of the other. There is no harm, from the western point of view, in accepting this challenge to a talking marathon—always provided two vital points are kept in mind. First, the unity of the three western powers must at all costs be preserved—some wavering is already apparent in the Quai d'Orsay. And second, means must be found to secure that the Russians do not get all the propaganda advantages out of the turns and twists of the negotiations.

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Trouble Brewing in Persia

All of a sudden, the long simmering pot in Persia has come to the boil. After the assassination of the Prime Minister, first a Committee of the Majlis and then the whole Majlis itself, by a unanimous vote, has demanded that the Anglo-Iranian Oil Company should be nationalised and, although the word expropriation has not been used, there is no doubt that this is what is intended. In fact, the Petroleum Committee has requested the Majlis to extend its life for two months in order that it may be able to study various methods for taking over the company. It has requested its representatives in Washington and London to obtain details of the methods used in Mexico and Venezuela.

The new Prime Minister, Hussein Ala, is known to support the Western Powers and to have a thorough understanding of the situation which has now developed between the Com-

pany and the Persian Government. He doubtless hopes that nationalist sentiments will be less violent after the nation has exhausted itself by four or five days of celebration on the occasion of the Moslem New Year on March 21st. But this may be a vain hope; both parliament and public opinion (in the towns) are already too deeply stirred by the unholy alliance of extreme right nationalist and religious groups working, it would seem, in co-operation with the illegal Tudeh (Communist) Party.

The Majlis could be dissolved and Hussein Ala could rule, for a short period, by decree were it not absolutely essential for Parliament to pass the Government's new Finance Bill. Persia faces an acute currency crisis brought on by excessive Government spending and a recent flight of notes into provincial stockings. This situation must be faced because the National Bank, if the new Bill were not passed, might be unable to meet its obligations at the end of this month when New Year bonuses fall due.

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Thus the Prime Minister, who was in any case most reluctant to take office, must retain the Majlis and attempt to keep its members in good humour. Hussein Ala is therefore in no position to consider any new proposition which the Anglo-Iranian Oil Company might wish to make—although a "fifty-fifty agreement" on the lines of the one recently signed by Arabian-American Oil Company with King Ibn Saud could only be beneficial to the Persian Government, who, if they attempted to operate on their own, would have to face not only the highly technical problems of oil production but the even more difficult ones of marketing and transport. The Persians have neither road nor rail facilities in their mountainous country to be able to transport their petroleum for sale in Russia or Pakistan, nor do they possess tankers in which they could move the oil to the west.

But Persians are capable of cutting off their noses to spite their faces in a way westerners, who naturally cannot understand this trait, would consider to be sheer madness. They might well make an anti-British gesture which would cause the loss of their enormous revenue from the oil company and would leave a painful vacuum in the petroleum industry. This would be bad enough, in view of the large part that Persian oil plays in the vital supplies of the free world. But any successful offensive of expropriation in Persia would infallibly and immediately be imitated in the adjoining countries of the Persian Gulf, whose rapidly developing resources are the chief hope of the world oil industry. In short, the problem of dealing with Persia is one of the utmost gravity and difficulty and there should be no room for the rather silly Anglo-American divergences of policy that have been exhibited in recent years. There is some talk of calling a conference of American and British economic advisers in the immediate future to discuss the situation in Persia and, more important, to advise upon a joint policy. Strong and united action now by the Western Powers is their only hope of preventing the petroleum resources of Persia from falling into reckless and irresponsible hands.

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Plotting in Pakistan

The arrest at the end of last week of the ringleaders in a plot to seize power in Pakistan has undoubtedly strengthened the hand of Mr Liaquat Ali Khan, the Prime Minister, on the eve of the important provincial elections in the Punjab. These are the first elections ever to take place in Pakistan. They, therefore, constitute the first public

trial of strength for the Muslim League—which was responsible for creating Pakistan and has since run the government, pending the drawing up of a constitution and the holding of elections on a national scale. The Punjab contains well over half the population of western Pakistan and is the centre of its economic life. It is here at Lahore and in the rest of the Punjab that Mr Liaquat Ali Khan has spent most of his time since returning from the Commonwealth conference, that the plot was being hatched, that contact is closest with Kashmir—the problem which dominates Pakistani life—and that the nation's relatively few Communists are at their most active.

Those who have so far been arrested for plotting against the government in Karachi include Major-General Akbar Khan, the army chief of staff; Brigadier Latif Khan, in command at Quetta; Mr Ahmed Faiz, editor of the *Pakistan Times*, and Air Commodore M. K. Janjua, the senior Pakistani air force officer. Their precise motives are not clear. But it is plain that a *coup d'état* of the kind that was threatening—and Mr Liaquat Ali Khan is not the man to have struck against it unless the evidence was certain—was just what Karachi has feared for some time if it gave way to India on the Kashmir issue. In the army, in fact, many of whose senior officers have served in Kashmir, there has been a mounting sense of irritation at Karachi's inability to wring a satisfactory settlement out of Delhi. In addition, as the quality of the army has gradually been built up, and now as Pakistanis have replaced British officers in the higher posts, there has been a growing and dangerous tendency for the military to look down on the civil power.

Here, then, were the obvious makings of trouble. Communist agents and fellow-travellers unquestionably did what they could to foment it. The *Pakistan Times* has frequently adopted an extreme left-wing approach, sometimes even pushing the Communist party line. The presence of the paper's editor among the ringleaders and the favourable comment which the world's Communist press has now made about this attempted coup are a warning that the Communists will use anyone who may serve, however unintentionally, as a tool in their hands. Britain's role, and indeed that of the Western Powers, must certainly be to continue close relations and friendly sympathy with Mr Liaquat Ali Khan's government in Karachi. Nothing could serve Pakistan worse at the moment than that its government should be overthrown by force.

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Party Manners

The Speaker of the House of Commons has had a highly unenviable task during the past ten days. Not only has he had to intervene repeatedly in scenes of uproar that recalled some of the violent days when the Irish members were still at Westminster, but he has been forced to pronounce a ruling on three separate cases of privilege. In one of these, dealing with comments made during a broadcast last week, he ruled that a *prima facie* case of privilege exists, and the matter has accordingly been referred to the Committee of Privileges. In another, in which complaint was made of remarks by Mr Robert Boothby that the Tories would "harry the life out of the Government," the Speaker ruled that no *prima facie* case was established, and the House let the matter drop.

The third case was more complex. It arose from the action of Mr Rodgers, the Conservative member for Sevenoaks, who sent on a letter from one of his constituents, a vicar, to the Bishop of Rochester without telling the constituent. The vicar's letter attacked rearmament and criticised the attitude of church leaders in vehement terms. Most members of Parliament would disagree strongly both with the sentiments expressed by the vicar and his manner of putting them forward. But a great many members undoubtedly felt that by sending the letter to the bishop Mr Rodgers had broken the confidential relationship which should exist between members and constituents. The Speaker decided that this could not be

regarded as a *prima facie* breach of privilege, but Mr Sydney Silverman, the Labour Member who raised the issue, has pressed for a vote of the House, and tabled a motion calling for the matter to be referred to the Committee of Privileges.

These delicate questions have had to be dealt with in an atmosphere of weariness and irritation resulting from the Tory tactics expounded by Mr Boothby, of trying to wear out the Government by making them "sit up day and night and grind away until they get absolutely hysterical." This intensification of the already intense Tory pressure against the Government reflects the hopes raised by recent public opinion polls. The Conservatives are, of course, fully entitled to use every Parliamentary dodge and method open to them to get the Government out of office and precipitate an election. But there is a line to be drawn somewhere, and to try to wear out Ministers by keeping them up until one or two in the morning must surely fall on the wrong side of the line if (as has happened) the prayer they are required to answer is then withdrawn at the last minute.

The new Leader of the House, Mr Chuter Ede, who has taken over in the midst of this storm, has appealed to his followers not to be rattled by the Tory attack. It is, indeed, to be hoped that the Easter recess will bring some lowering—at least until the inevitable Budget storm breaks—of the temperature of the House. There is a limit to the amount of political wrangling which any country, even this country, can stand in so critical a year as 1951.

* * *

The Liberals' Strategy

The Council of the Liberal party passed last Saturday a resolution on electoral strategy, defining the proper attitude of Liberals towards local constituency agreements with other parties. Its importance lies not in its positive recommendations—which are vague—but in its negative implication. The fact that such a definition has been attempted at this stage must be taken to mean that most, if not all, of the Liberal leaders have ruled out the possibility of an agreement with the Conservatives. What some had hoped for was, of course, an informal but general understanding that would secure straight fights, on terms that would not compromise the party's independence, for a dozen or a score of Liberal candidates.

The effect of the resolution is to emphasise the Liberals' innocence of any agreement or understanding with any other party. No candidate should place himself under any obligation, express or implicit, to vote if elected otherwise than on Liberal principles, and the party must remain entirely free to advocate its distinctive policy and programme. Views on what are Liberal principles and policy are varied enough for this clause to be interpreted according to taste. The definite restriction laid down by the council is that where a straight fight is arranged "there should not be any joint manifestoes or arrangements whereby Liberals appear on the platforms of other parties."

This is to demand of the prospective partner a self-effacement that few Conservative associations are likely to undertake. The Liberals' firmness does not mean that they now scorn constituency pacts. But if any such pacts must be made, in fact as well as in form, purely at the local level, some of them may easily be of a kind acutely embarrassing to the party nationally. In spite of Mr Churchill's friendly interest, considerable difficulties have surrounded the attempt to give Lady Violet Bonham-Carter a straight fight against Labour in Colne Valley, and there are lesser cases where the practical effect of local negotiations could at most be to give a little more respectability to the label "Liberal-Conservative"—and to give the Liberal party nothing at all in return. The truth is that, whatever might have been possible six or nine months ago if the leaders of the Liberal party had been of one mind, the Conservatives are now

confident enough of their ability to win an election unaided to have no interest in helping more than an isolated Liberal or two into Parliament on his or her own terms. Mr Attlee might be able to change that attitude by staying in power long enough for the Gallup Poll figures to move back in Labour's favour; the possibility, if remote, seems much more likely than that the Liberals will—by agreeing on an immediate policy firm enough to command some public attention—save themselves.

* * *

Land and Water

There is no doubt that the quality of the defence debates is beginning to improve, for the obvious reason that the rearmament programme provides something concrete and important to talk about. In the debates on the Army Estimates last Thursday and the Navy Estimates on Tuesday, the sense of anxiety and frustration so noticeable in the debate on the Air Estimates earlier last week was less evident in the House of Commons. The situation in the Army and in the Royal Navy is far less disquieting than the situation in the RAF. The technical development of ships and ground weapons has not proceeded at such a fast pace as to render useless all the stock of equipment produced during or after the war, and both services could face an emergency during the next two years with greater equanimity than could the RAF.

Mr Strachey had very little that was new to announce. On the manpower side, a sensible—and long overdue—decision has been taken to increase the permitted length of service for other ranks to fifty-five. He also made public the fact that a new tank—the successor to the Centurion—is in course of development, and a reduction of 20 per cent in the vehicles of a division is being carried through. The policies are probably irreconcilable since the use of new and heavier armoured vehicles with heavier guns inescapably increases the amount of transport that has to be used to carry petrol and ammunition. Mr Eden urged with considerable force the necessity to create a cadre of commanders whereby the Home Guard could be quickly mobilised, a step about which the Government seem unnecessarily hesitant.

Since it is impossible to conceal the existence of new ships from the enemy, the Navy is always less perturbed by questions of security and Mr Callaghan was able to give much more information than either of his colleagues. Under the new three-year programme, six new aircraft carriers, eight new destroyers, twenty-four new frigates, and about 200 mine-sweepers and small craft will be laid down. They will not of course be completed in this time, nor have all of them been ordered. The ability of the Navy to deal with an emergency—particularly of submarine warfare—must for the next two or three years be governed by the existing construction programme which is on nothing like the same scale.

One point has emerged very clearly from the recent defence debates—the extent to which all three service ministers and even Mr Shinwell, the Minister of Defence, are in the hands of their military advisers. Defence policy is quite clearly decided by the services themselves and handed to the politician to present to the public. The rôle which the ministers are playing is not to evolve policy but to trim it—as on the duration of the Class Z training period—where it is politically unacceptable. The danger of this was very clearly exposed in a most able speech by Mr Paget, the Labour member for Northampton, who pointed out how easy it is for a service minister to be lulled into believing that any criticism or policy which is not devised by his own staff must be wrong. It is peculiarly difficult for a civilian politician to impose his views upon a service department, but the great advances in military organisation have always stemmed from the energy and self-confidence of a Haldane or a Churchill; they have rarely come from the general staffs.

The German Parliament Asserts Itself

An impressive move was made by the Federal German Parliament last week to assert its right to take a full part in decisions on the future of the country. All parties, except the Communists and the irresponsible Reconstruction Union, approved a note to the four occupying powers which, in addition to laying down terms for German unity, demanded that they should take no relevant decision without German consultation and agreement.

By addressing itself directly to the occupying powers, the Federal Parliament has effectively snubbed the leaders of the "People's Chamber" in the Soviet Zone, who had appealed over Dr Adenauer's head for all-German talks on the establishment of a nominated Constituent Assembly. The appeal of national unity is, indeed, recognised—the resolution pledges the parliament to work with all the powers it commands for the reunion of the whole country. But it is made clear that the Federal Parliament reserves the initiative to itself. And the four essential conditions laid down for uniting the Soviet Zone and the Western Republic are those that Moscow cannot accept: free, equal, secret and direct elections; effective protection for all parties and persons, involving the effective introduction of democratic freedoms into the Soviet Zone for a period before the elections; establishment of the parliament as the sole authority for forming a constitution and an independent government; and safeguards against arbitrary interference with the government's powers. In his speech, Dr Adenauer made it quite clear what the Soviet occupation authorities would have to do before their overtures would be trusted by Western Germany. They would have to release all German political prisoners, return those deported to Russia, annul the so-called "Law for the protection of peace" and dissolve the *Bereitschaften*.

That the parliament of Western Germany should be standing up to Soviet propaganda so clearly and boldly (for there are personal risks involved) is very satisfactory to the Americans, the British and the French. But any temptation to regard it as a vote of confidence in themselves should be removed by the speech of Dr Schumacher, the leader of the Socialists. He accused the western powers of having a confused, vacillating policy towards Germans, of treating them as mere material to be shaped at will, and of leaving the east to adopt the slogan first of "unity" and now of "peace." The latest act of the western powers—the revision of the Occupation Statute—was just another pettifoggery, belated step which failed to rouse the moral forces of Germany. Every word which Dr Schumacher said was true; but there is regrettably little to indicate that any of them will be heeded in the near future.

* * *

De Gasperi in London

Signor De Gasperi, the Italian Prime Minister, and Count Sforza, his Foreign Minister, have been welcome visitors in London this week. Their trip has passed off, as Signor De Gasperi put it, in "the best possible atmosphere." The main feature of the visit has been that it should have taken place at all. This is the first time that the head of an Italian government has paid a formal visit to the British Government for over a quarter of a century, and the occasion certainly marks a new high-water mark in Anglo-Italian cordiality—which has sometimes been at a rather low ebb during the last three years—as well as the gratifying re-emergence of Italy as a leading democratic power of Western Europe. Following his personal meeting with the French Prime Minister at Santa Margherita a month ago, Signor De Gasperi's present conversations with Mr Attlee and the new Foreign Secretary have now given him a very complete picture of the point of view of Paris and London on all the leading international issues. This is valuable, among other

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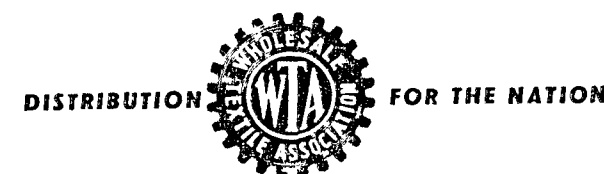
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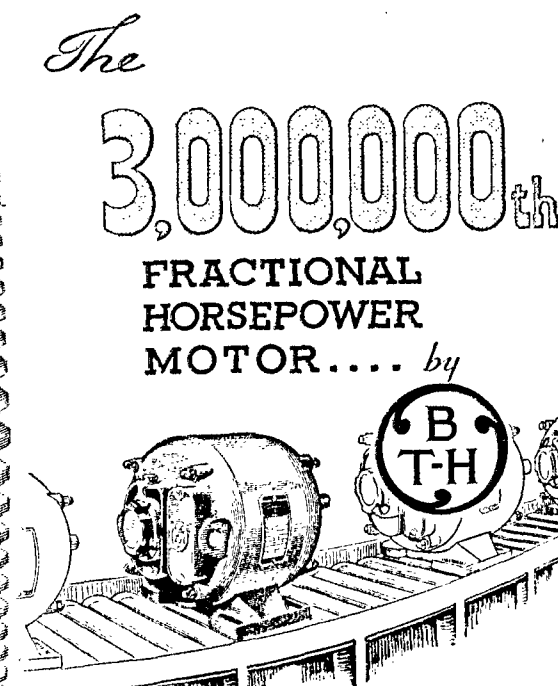
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reasons, in that it will enable the present Italian Government to feel and act as a full partner in the Atlantic Pact—a matter about which there have hitherto been some grounds for disappointment in Italy.

Topics discussed in London have included the general Communist threat to Europe, the present talks in Paris between the deputies of the Four Powers, the progress being made with the North Atlantic Treaty Organisation, and—raised by Italy—the position of Italians in the former colonies, together with the future of Trieste. This latter question once more became a burning international issue after the Anglo-Italian talks were arranged—Signor De Gasperi was the object of a hostile demonstration in connection with Trieste just before he left Rome. The important thing, however, is not on any account to allow the problem of Trieste to hold up the rapprochement between Yugoslavia and Italy on the one hand and the rest of the western powers on the other, just because the Russians have chosen to raise it for that very purpose at the meetings of the deputies. Moscow wants above all to retain its position in Austria by stalling on an Austrian peace treaty, so that its juridical excuses for keeping Soviet forces in Hungary and Rumania can be maintained. If this object can be promoted even indirectly by switching western attention to Trieste and bargaining over the inability to agree on a final settlement for that territory, then the anti-Cominform powers will simply be playing into Russian hands. It is at present essential that any practical change in the position of Trieste be made only as a result of bilateral agreement between Italy and Yugoslavia. And if they cannot agree, then the present regime should continue.

* * *

The Yugoslav White Book

The Yugoslav Communists have carried over from their old Comintern and Cominform days into their new “Titoist” era an unflinching sense of the supreme importance of good publicity under the political conditions of the modern world. Admiration is certainly due for the consummate skill with which they have taken a leaf out of the Russian book, directing their case both to the world of the comrades and to the western democracies. Ideologically, the Yugoslavs have not been content to defend themselves against the bombardment of Cominform accusations of betrayal of the Communist cause; they have boldly tried to wrest the propaganda initiative from Soviet hands and have proclaimed themselves the only true exponents of Marxism-Leninism, in contrast to the “degeneration” of the Russian Revolution under the leadership of Stalin. These offensive tactics have certainly done more to disturb international Communist loyalties than any other form of Communist opposition to Stalin since 1936. But western democrats do not greatly care who is entitled to inherit the mantle of Lenin. They are much more interested in the question of defence and aggression in Europe. For their information the Yugoslav Government has now published a White Book of 481 pages, giving up-to-date details of all the Soviet bloc's modes of pressure and menace against Yugoslavia, including organised border incidents and mounting military preparations in the neighbouring satellite countries. Yugoslavia evidently believes in the wisdom of putting everything into the record well in advance of the anticipated crisis instead of afterwards, and has not been deterred from this challenging publicity by any fear of adding extra provocation to the wrath of the enemy. Copies of the White Book have been given to all newspaper correspondents in Belgrade, and are to be transmitted to the diplomatic missions of non-Cominform states, as well as (unofficially) to the Secretariat of the United Nations.

The Yugoslavs allege that the number of frontier clashes is continually increasing and that they constitute a “permanent little war.” It is claimed that Hungary, Rumania

and Bulgaria “are undertaking far-reaching and serious military measures which are not customary on the borders of countries in peacetime”: that their armies “surpass by far today the numbers set by the peace treaties” and are equipped with armaments prohibited by the peace treaties: that their troops are indoctrinated with intensive anti-Yugoslav propaganda: and that they have Soviet officers as “advisers on all levels of command.” In view of the fact that these military preparations by Hungary, Rumania and Bulgaria are not merely threatening the peace of Europe, but are definite violations of treaties not yet five years old, it seems incomprehensible that the western powers in the conflict over the agenda for the Foreign Ministers' conference (which is essentially a struggle for propaganda position) should not at the outset have matched Russia's specific item on German rearmament with another on the rearmament of the former German satellites. British and American diplomats ought to take some time off to study Yugoslav technique in order to learn how to co-ordinate publicity with diplomacy.

* * *

Durham's Closed Shop

The debate in the House of Commons last Tuesday on the decision of the Durham County Council to enforce a closed-shop policy for its employees was inconclusive. The Conservative motion was defeated by fifteen votes, but the Labour amendment was an equivocal statement which neither denied nor affirmed the right of the council to insist on such a policy. The issue now seems to be confined to an almost private quarrel between the local branch of the National Union of Teachers and the council. The local issue was well argued, but the principle at stake was of sufficient importance to have merited a much wider discussion in the House.

The arguments which are put forward by supporters of a closed-shop policy are thoroughly unsound. That all those who benefit from a union's activities should subscribe to the funds of that union is an absurd doctrine. One might as well say that all seamen should pay a levy to the Royal National Lifeboat Institution, or that all engineering and chemical workers should contribute towards the Royal Society. Both institutions have benefited non-members quite as much as the unions. The other main argument put forward is that a union cannot be fully effective unless it has the support of—and control over—all the workers for whom it is negotiating. This is the crux of the controversy. No one denies that a closed shop increases the power of the union: the case against it is that absolute power corrupts absolutely. If an employer could not employ a non-union worker, the power of a union over its members would indeed be absolute. Any worker could be deprived permanently of his livelihood by a union official who simply withdrew his union card. It might be very hard for any trade unionist to hold, and act upon, a minority opinion. The possibilities of dictatorship by an *imperium in imperio* would be intolerable. Far from supporting the closed shop, the Government should pass legislation enabling any person who is deprived of employment on account of non-membership—or membership—of a trade union to obtain legal redress against the union or employer concerned.

* * *

Their Master's Voice

The most doughty supporter of nationalisation could hardly claim that the elaborate apparatus for consumers' comment on what the boards do and leave undone has been much of a success. Many would call it a safety valve to let out hot air rather than a point at which pressure can be applied on the public boards. Most of the consumers' consultative councils have quickly learned to behave properly

—that is, to act as apologists and amateur public relations appendages for the boards, more at home in explaining why consumers cannot have what they want than in representing the consumer as master and regarding the boards as servants.

These animals would indeed be troublesome if they were to defend themselves. Is the Central Transport Consultative Committee of that mind? Its report for 1950 suggests a certain independence of spirit by putting on record at the outset the observations of Mr Barnes, the Minister of Transport, about its work.

You observed that the Central Committee, and in fact all the Consultative Committees, were free and independent bodies whose duty was to consider any matters they thought fit affecting the services and facilities provided by the Commission; and that they had not been set up to rubber-stamp actions and decisions of the Commission but to consider problems affecting the users of transport. Sometimes, therefore, the Committee would be critical of the Commission's actions and this was desirable.

These are brave words and they come distinctly close to suggesting that the customer may sometimes be right. At any rate, customers seem to be trying the experiment, for they made seventy-eight representations to the committee last year, including complaints that fares were too high, that trains were dirty, that food and service in refreshment rooms were often bad, and that damage and delay occurred to goods in transit.

Those whose memories stretch back into the vistas of time before 1947 may think that these complaints have a familiar sound. It would not be surprising if among the older railway servants some could be found who remembered criticisms of this kind getting through the well-protected ramparts into the inner keep of railway management, without the compulsive push that only a Consultative Committee can impart. The Committee is determined not to become a yes man, for the Commission or the Minister, but equally should it not avoid the danger of becoming a universal aunt?

* * *

Kashmir at the Security Council

The Security Council is still vainly struggling to make some progress in the Kashmir dispute. On February 21st, Britain and America jointly made a fresh proposal. Its provisions were that a new mediator should be appointed in succession to Sir Owen Dixon to try to get both India and Pakistan to agree on a programme of withdrawal of troops—on the basis of Sir Owen's proposals—as a first step to holding a plebiscite: that the two countries should accept arbitration on any points of difference which the mediator could not settle: and that the mediator should report back to the Security Council within three months with such findings and recommendations as he might think fit. This proposal was rejected as “wholly unacceptable” by India on March 1st. In Pakistan, while there has been no outright rejection, the reaction has been that the proposal does not settle anything. Sir Zafrullah Khan, Pakistan's Foreign Minister, has somewhat ambiguously demanded of the Security Council that it appoint “an outstanding personality of high repute” with “full powers” to enforce the present agreement and hold a plebiscite.

The fact of the matter is that India has every interest in doing nothing, while Pakistan must at all costs keep the issue alive if it is to get its way. This imposes an obligation of constant agitation on the part of Pakistani spokesmen, with the perpetual threat that if they do not cause enough international stir they will be subject to violent condemnation at home—with results such as the recently attempted *coup d'état*. This is an explosive situation which the Security Council should try to eliminate, even if it cannot enforce a settlement of the dispute.

There is a possibility that if Sir Benegal Rau, the Indian representative, continues with his present attitude on the

Security Council, the Anglo-American resolution—or something very like it—will be forced through against him. That would at least have the benefit of bringing arbitration a stage nearer and presumably, since India has always opposed this perfectly possible and legitimate way of ending the dispute, it might eventually lead to a general condemnation of Delhi's attitude by the United Nations. It is a tragedy that India, a country which has so recently established not only an international reputation as a conciliator but has helped add to the prestige and lustre of Uno too, should now be placing itself in this dilemma. The free world cannot any longer afford the Kashmir dispute and the Security Council would be shirking its duty not to carry the present debate to its logical conclusion.

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Australia's Communists

Mr Menzies, the Australian Prime Minister, has asked the Governor-General for a double dissolution of Parliament, involving both the Senate and the House of Representatives in a general election. The issue on which Mr Menzies has taken the opportunity of appealing to the country—the rejection by the Senate of the Government's Banking Bill—is not the real trouble. In fact, the Labour opposition has done what the government wanted in providing these grounds for holding a general election, which will be fought on the fundamental question of Australia's policy towards its virulent and dangerous Communist Party. Among the critical events leading up to the present political impasse was the High Court's invalidation on March 11th by 6 votes to 1—the Chief Justice—of the recent Communist Party Dissolution Act. This is what has precipitated the immediate crisis—which on Tuesday inspired Mr Menzies to declare his intention of asking the people “where they stand on the crucial issues of Communist conspiracy, of law and order in industry, of public safety, of the preparation of this country to meet as heavy a cloud of danger as free men have looked at for many long months.”

Four questions are in fact wrapped up in the rejection of the Bill to ban the Communists. There is the issue of political liberty itself—the Labour opposition is bitterly opposed to the policy of trying to control people's thoughts in a democracy, whatever the motive in doing so. There is the weakness of the federal power in relation to that of the states under the present constitution; a case can certainly be made out for saying that the constitution is out of step with Australia's modern needs. There is the sense of political frustration which the government feels—not without reason—in its desire to take a more active hand in directing national life at this juncture in the world crisis. And there is the constitutional question of the government's power to decide when Australia is virtually at war and when it is not. The High Court's ruling showed that, while banning the Communists might be legitimate in wartime, it was not in peace. For want of evidence—which the government declined to give on security grounds—the members of the High Court felt bound to conclude that Australia is not technically in a state of war emergency.

Mr Menzies speaks as the statesman who, conscious of his great responsibilities, has to face the world as it is to-day. The High Court is the voice of the law. Under the impact of the world-wide Communist offensive these two often no longer tally. It is deeply regrettable that any Commonwealth country should feel bound to restrict the political liberties of its subjects even in the genuine name of national freedom and survival. But the threat to normal life is now too great to take risks, and, if the Australian Government sincerely feels that it must impose a political ban on one section of its citizens, by far the best course is to seek the country's verdict. The vital thing now is to give the Australian electorate as full an account as possible of all the facts and all the dangers.

Casualties of the Mines

The Medical Research Council's Memorandum on the social effects of pneumoconiosis in South Wales is a sharp reminder that the casualties of coal-mining are far more numerous than the victims of sudden catastrophe; the undramatic development of the disease popularly known as "miner's asthma" is just as serious an occupational risk. In South Wales, between 1931 and 1947, 18,000 cases were certified, more than six times as many as in all the other coalfields of Great Britain. Within the area's general unemployment problem, the pneumoconiotic ex-miner still presents a special difficulty. He most commonly has to leave the mines at about 50 years of age, when he is unlikely to learn a new skilled trade; while the typical breathlessness on exertion prevents him from undertaking a "pick and shovel" job. In the field of light unskilled work, his most suitable employment, he must compete with the cheaper labour of women and juveniles.

Although measures to suppress dust in the mines should, in future, greatly reduce the number of cases of dust diseases of all kinds, the legacy of the high incidence of the past is still a problem of some magnitude. In June, 1950, nearly 4,000 of the pneumoconiotics in Wales registered as disabled were unemployed. This figure—about 11 per cent of the total unemployed—excludes the large number of sufferers not registered as disabled as well as those recognised as needing employment under special conditions. The situation has been somewhat eased by the Act of 1948, which allows miners, under certain conditions, to remain in the industry while receiving disability benefit; the rate of benefit no longer depends on the difference between earnings before and after certification, so that employers need not be afraid of taking on men with no incentive to increase their earnings by working overtime or by high output on piecework. The experience of some new factories in South Wales seems, however, to show that more than reduced rent is necessary to induce employers to accept both a disadvantageous site and a rigid requirement about the proportion of disabled men they must employ; success in absorbing these victims of the mines remains dependent on the good will of the employer and on the victims' willingness to move to areas where suitable jobs exist.

* * *

New Lease of Life for OEEC

Far from withering away when Marshall aid for Europe formally ends next June, the Organisation for European Economic Co-operation (OEEC) is apparently being fitted for a wider role in the defence effort of the non-Communist world. This evolution was foreshadowed by several recent events and was reflected again in the two reports on raw materials and financial stability considered by the Ministerial Council of OEEC when it met last week-end.

Among the recommendations made in the finance report was one calling on all member countries to "take forthwith . . . such fiscal, credit and other measures as may be necessary to keep [civilian] demand within the limits set by available resources." Looking beyond their own frontiers, the authors requested that the United States and Canada also review their internal financial position and, along with the Marshall countries, provide full details to OEEC.

This may seem presumptuous in an organisation which was due for burial in three months' time and can only mean that there is increasing acceptance of the idea that OEEC should continue in some form as a co-ordinating and advisory body for the whole of the Atlantic community. Already a 12-man group made up of OEEC staff (excluding the neutrals and Germany) is at work advising the North Atlantic Treaty Organisation (NATO) how the rearmament burden

can be shared among the West European nations. It is intended that this group shall be amalgamated with the present finance committee of NATO to form a new body called the Finance and Economic Board (FEB), which will act as the economic twin of the Defence Production Board, and have the power to advise on the allocation of military aid.

Where the question of raw materials is concerned, the part to be played by OEEC is not yet entirely clear. Simultaneously with the appearance of the OEEC report, it was announced that the organisation would be represented on the central steering committee of the International Raw Materials Conference in Washington; hitherto this has been a tripartite (Anglo-French-American) body. However, the announcement gave no indication about the precise responsibilities of the OEEC representative. Will he speak for all the Marshall countries, including France and Britain? Will he hold one or 18 votes? Through what channels will he receive his instructions? Will the West European countries also be represented on the various commodity committees by a single delegate, speaking for all of them?

If the European countries are collectively represented on these committees, it is plain from the conclusions of the OEEC report that their voice will swell the chorus of those advocating guaranteed prices and markets for producers who expand their output in the interests of rearmament.

* * *

European Coal Shares Agreed

The Coal Committee of the Economic Commission for Europe in Geneva has just agreed on a scheme for distributing 9,500,000 tons of coal and 3,000,000 tons of coke among European consuming countries over the second quarter of this year. Inevitably it is a scheme which pleases nobody, arrived at, as it has been, by reducing what countries already consider their rock-bottom requirements and "reviewing" existing trade agreements. Even allowing for the arrival from the United States of about 5,000,000 tons of coal (for which neither dollars nor shipping are certain) there is still a gap of about a quarter of a million tons (actually 120,000 tons of coke and 100,000 tons of coal) which must somehow be extracted from European sources if some industrial dislocation is to be avoided. This deficit is very small (it is equal to about one-third of a day's production in the United Kingdom) and the committee addressed an appeal to producing countries with better hopes that it might be heeded than the makers of such appeals usually have.

The OEEC in Paris is now working on financial arrangements to cover American imports and investigating how much coal can really be shipped from the United States. To date the American authorities have not released Marshall funds for the purchase of American coal, and the European countries have therefore been compelled to use their own earned dollars. Once it is known whether Europe has managed to close the quarter-million gap from its own resources, and acceptable financial arrangements have been worked out, the OEEC will move on to the allocation of American availabilities.

Provided that the quarter of a million tons can be found, no unmanageable situation is likely to arise this summer. But if the 5,000,000 tons from the United States cannot be moved to replenish stocks (now at a record low level) in time for next winter, then a major fuel crisis can hardly be avoided.

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Correction.—In the table of Soviet budgets on page 529 of *The Economist* of last week the unspecified expenditure in the 1951 estimates was incorrectly given as 51.6 billion roubles. This should have read 41.6 billion, making the total estimated expenditure 451.6 billion roubles.



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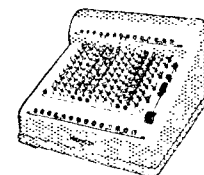
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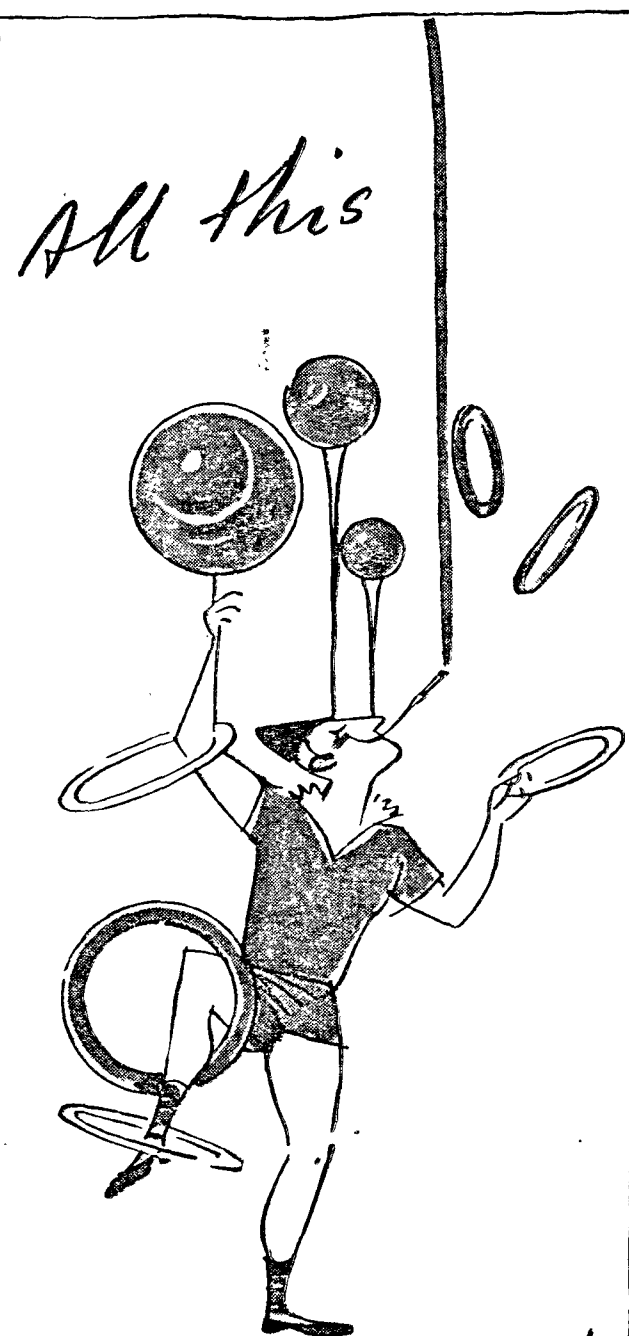
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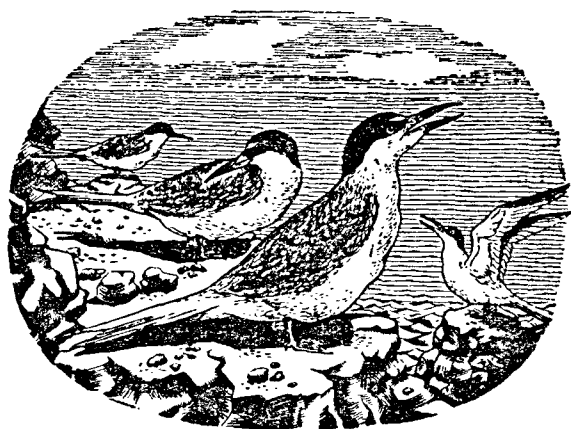
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Letters to the Editor

Figures in the Air

Sir,—Let me plead with you not to countenance the drawing of a party line over the development of Bomber Command, as suggested in your issue of March 10th. If the suppression of Bomber Command is to become a party line of the Labour Party, I hope there will be some doughty deviationists including, I imagine, the Air and War Secretaries of State.

The main war function of the Royal Air Force is to fight for air superiority. With air superiority its power to defend these islands against hostile air forces, to attack centres from which rockets may be launched against us, to demolish the sources of the enemy's military power, to paralyse his communications, to co-operate effectively with the Royal Navy in defeating the submarine, to help the Army to destroy the enemy's Army and even (if this should be required of it in future) to launch air-borne forces, is limited only (but strictly) by its size, equipment (including, in particular, availability of airfields—a requirement to be remembered before generalising about the lessons of Korea) and by the degree of superiority obtained. At best it cannot do all these things at once. Priorities must be laid down for it. Without air superiority it can do none of them.

Air superiority must be fought for—not in one decisive battle but unceasingly and unrelentingly. The protagonist in this drama is Bomber Command, with Fighter Command maintaining local mastery in the air over this country. Without Bomber Command the Royal Air Force would be emasculated and incapable of discharging its main function in war—to obtain air superiority.

By winning the Battle of Britain, Fighter Command stopped the invasion of this country, obtained mastery in the air over these islands, conferred upon us immunity from large scale day bombing, and turned the tide of war. Moreover, they kept this local air mastery and extended its area into France as a result of constant hard fighting. It was, however, the achievement of Bomber Command in carrying the war into Germany in 1941 and 1942, before our valiant American allies joined us in the fight, which compelled the Germans to switch rapidly and increasingly from the construction of bombers to that of fighters and to build up a great system of air defence which absorbed more than a million fighting men. Bomber Command thus threw the Germans on the defensive in the air and our air superiority steadily increased until D-day, when not a bomb was dropped on the great Allied Armada or on our troops as they struggled ashore on to the Normandy beaches.

So Mr Henderson deserves support in giving priority to Bomber and Fighter Commands. Coastal Command and Transport Command are certainly im-

portant too and must not be neglected, but surely it is hardly just to say that they "present as urgent cases for expansion as do Bomber Command and Fighter Command." At least as strong a case could be made out for the Commands responsible for training the air crews and ground staff of the Royal Air Force and for maintaining their supplies and equipment; yet, they cannot all have priority and unless Mr Henderson and his advisers preserve their sense of proportion, they will make a poor job of the architecture of the new Royal Air Force. A substantial degree of air superiority is the condition without which neither Coastal Command nor Transport Command can fulfil their functions. Bomber Command and Fighter Command must secure it for them. Therefore, let Bomber Command and Fighter Command have priority.—Yours faithfully,

ARCHIBALD SINCLAIR
Altnabreac, Caithness

Groundnuts and Gambia

Sir,—Your readers have no doubt noted, from time to time, judicial pronouncements upon the duty of candour and honest statement of relevant facts imposed by statute on directors of public companies. Furthermore, the Board of Trade has power to impose public judicial investigation where there seems some doubt whether directors have performed their duties or where losses have been excessive. Had the groundnut scheme been a public company, there is no doubt that, on the ground of the loss of £36 million alone, a public judicial inquiry would have been ordered.

Mr Attlee's persistent refusal to grant such an inquiry suggests that lower standards are to be set for state concerns than for public companies—with increased nationalisation a truly alarming prospect! The failure of the Gambia chicken scheme will make rumours grow in intensity until an impartial inquiry is held.—Yours faithfully,

W. A. C.
London, S.W.1

Can Transport Pay?

Sir,—You imply in your issue of March 3rd that the profits of the railways are at a maximum when their charges are yielding the maximum revenue. You say "the demand for railway transport is not so highly elastic that to increase charges and fares would produce less revenue." This is probably not true; but if it were, it would require a very great increase in charges to fill the gap of 10 per cent which you seem to expect in 1951. Suppose you are only just right—that is, that the elasticity of demand is unity, so that any change in rates and fares would not affect the total revenue. Then I suggest the railways would have to raise their charges by as much as fifty per cent. Given unit elasticity, such a rise would reduce traffic by one-third, and this would enable

the railways to cut train-mileage by some 25-30 per cent without much risk of losing more traffic. The resulting fall in variable running and maintenance costs—which are probably less than 25 per cent of the total—together with a few other consequential cost reductions, might give you a saving of about 10 per cent of total expenditure on revenue account—just about enough to fill the gap.

However, growing competition tends to raise demand elasticities, and there is reason for supposing that the elasticity of demand for railway services as a whole is rather greater than unity. For passenger services before the war, it was about 1.17 (see *Economic Journal*, September, 1937), and today it is likely to be higher rather than lower. For shed-class traffic—the cream of railway goods traffic—it probably exceeds 1.2; but for coal and other minerals consigned in large quantities it may be less than unity. On the whole, therefore, a general rise in rail charges would result in lower revenues; but the consequential fall in operating costs might exceed the loss of revenue, in which case it would pay to raise charges. You would have to reduce charges to obtain an increase in gross revenue.

The formula for calculating the rate per ton-mile or the fare per passenger-mile that produces the maximum profit or minimum loss is simple enough; but it contains two constants—the marginal cost and the elasticity of demand—which, for the multiplicity of traffic the railways convey at a multiplicity of rates and fares, almost defy evaluation. Yet unless the Railway Executive or the Transport Commission have some idea of these values for each of the different kinds of traffics under the new conditions, they cannot know where and to what extent their rates and fares should be increased or decreased in order to convert the annual loss into an annual profit. If rates and fares were at the optimum before January, then as the increase in wage rates has raised marginal costs, the new optimum rates and fares will be proportionately higher, and profits will be smaller. But who knows whether they were at the optimum or not? And for that matter, whether they were above the optimum or below it? All this is fundamental in railway financial policy, more today than ever before.—Yours faithfully,

E. J. BROSTER
Bushey Heath

Railway Charges

Sir,—The British Transport Commission is faced with the task of increasing its revenue by something over £20 million per annum and this comes within a year of the increase in freight charges by 16½ per cent and of the acknowledgement both by the Commission and the Railway Executive that railway fares were already on the point of diminishing returns.

The present standard passenger rate of 2.44d. per mile for single journey is double that of the London Transport (notwithstanding the integration arrangements of October, 1950) and more than double the average provincial road fare. Even the monthly return rate of approximately 1.65d. per mile is not competitive and traffic is still falling steadily despite full employment and unparalleled economic activity. Many professional and black-coated workers who formerly spent more on travel are finding it increasingly difficult to take a holiday away from home or to visit relatives. The change in the distribution of income and in habits of spending is such that even a small increase in fares would tilt the scales against the Transport Commission.

There would seem at first sight to be a case for making some increase in workman's fares and season ticket rates as these, at about a quarter the standard rate, represent (apart from excursion fares) the only types of traffic competitive with road transport. Furthermore, the real cost of carrying this traffic during peak hours must be relatively high. But these classes together only account for about 15 per cent of total railway passenger takings, or about 5 per cent of total railway revenue. One cannot escape the conclusion that the only possible way to find the additional revenue (if it is to be found at all) is by a further increase in the various goods categories which together provide over two-thirds of railway revenue.

It is imperative to achieve a better loading factor for passenger as well as goods traffic. To this end the first step would be to get rid of the anomaly of the standard rate of 2.44d. per mile single fare. To reduce this to the monthly return rate of 1.65d. would cost about £4,000,000 per annum, allowing for some increase in traffic at the lower rate. In addition, it would be necessary to offer day return rates at about 1.25d. per mile to all destinations within a radius of about 60 miles, with facilities for return by alternative routes. Excursion arrangements would then have to be modified both to reduce costs and to make better use of train capacity. To meet these concessions, it would be necessary to increase London Transport 1½d. fares to 2d., workman's and early

morning fares by about 10 per cent and season ticket rates by about 5 per cent.

Nothing short of this will stop the drift; it is unlikely that any integrated passenger scheme can come in time to give fresh heart to those who earn their livelihood in the railway service and to enable the Railway Executive to decide objectively the fate of the many declining branch and cross-country lines.—Yours faithfully,
A. R. MORDAUNT.
Chipstead.

Price of the Peak

Sir,—I would like to comment on the business notes headed "BEA's Vain Chase" and "Price of the Peak" in your issue of January 27th.

When new plant is installed to meet peak loads, this plant, being cheaper to operate, is run for longer periods; older, more costly plant is run for shorter periods. The economy in fuel resulting from this I estimate would be approximately equivalent to 55 per cent of the capital cost of the new plant based on your figure of £60 per k.W.

Further, I fail to see how dual circuit installations are to be avoided; voluntary load shedding seems to me to be wishful thinking even if the contract to supply electricity is based on such action. Your own statement of dual charges for different classes of load implies dual circuits as does your suggestion that if voluntary load shedding does not take place partial compulsory load shedding will be made.—Yours faithfully,
Ewell

W. CROSSLEY
[Some technical readers seem to have confused themselves about the two notes. These described a system by which centrally-controlled load limiting switches would be installed on the premises of commercial and large domestic consumers. The system is intended to limit the domestic and commercial demand during peak periods only. If the consumer took more electricity than the "essential demand" set by agreement in his supply contract, he would be warned by a signal causing his lights to flicker or his electric fires to drop to half heat. If he persisted in exceeding his agreed load, the equipment would switch off his power supply, but he could restore the current by restricting his load within the agreed maximum. This system, it is important to emphasise once again, would come into operation only at times of peak demand and would be set in motion by centrally-controlled signals.—EDITOR.]

The Measure of the Burden

Sir,—The interesting articles in your issue of February 24th on the burden of the defence programme repeatedly contrast reduction in consumption and increase in output as sources for meeting the real cost. The distinction is, of course, essential, but it is not always as clear cut as is sometimes implied. The estimate of the real cost of the recent war puts the contribution of increased output at double that found from reduced consumption. But a significant part of the increase in output was a reduction in consumption under a different name, as it represented the substitution of paid work for unpaid activity in the home. This implied a substantial reduction in the quantity and quality of certain services which are an important component of the standard of living. The suggestion that a 40 per cent increase in output was achieved without a resulting reduction in consumption gives an exaggerated idea of the slack available in the British economy in 1938.

This is only another way of saying that the national income (or output) is not the aggregate of the flow of goods and services over a given period, but only a conventionally defined part of this total flow. For familiar reasons a large proportion of the total has to be excluded from the definition and computation of the national income; and over a period of years substantial quantities of resources may shift from one class into the others.

Yours faithfully,
P. T. BAUER
Cambridge

The Billion Again

Sir,—You did give notice, it is true, that you would be using the word billion to denote 10⁹. But is it not now time to realise that this was a mistake? Your readers are not all so accustomed to large figures that the distinction between an extra nought or two at the end is easily comprehended. This additional ambiguity is most irritating and unnecessary. "Milliard" has in fact quite often been an English word and is only one letter longer than billion.—Yours faithfully,

G. MATHIESON
Woodford Green

AMERICAN SURVEY

No More Roosevelts

Washington, D.C.

IN January, 1947, the Republicans who had just won a majority in the Eightieth Congress assembled in Washington in the frame of mind of men who, at long last, had brought under control a fire which had been raging since 1932. The Democratic Party, given a leader like Franklin D. Roosevelt and a series of fortuitous events which the Republicans were powerless to control, had demonstrated that it could prevail upon the American electorate to maintain it in office for sixteen consecutive years. But now the people seemed to have come to their senses; and now was the time to make sure that it could not happen again.

With many signs of dedication, the Republicans passed in both the Senate and the House a resolution which had some of the elements of an insurance policy signed on a salvaged table on the front lawn even before the departing fire brigade was out of sight. The resolution projected an Amendment to the Constitution of the United States—the twenty-second in American history and the first since prohibition had been discarded sixteen years earlier—prohibiting any third and fourth terms for all future Presidents. A vice-President who succeeded to the chief office at precisely the right moment might spend ten years in the White House. For others the limit would be eight years. Nor could a President who had served two terms return after an interval for another, as Theodore Roosevelt tried to do.

The thirty-six state legislatures which would have to ratify the proposed Amendment before it could be written into the Constitution would, however, require proof that this was not merely an effort to stop the Democrats in their tracks, but was a solemn affirmation of the nation's best interests. So Mr Truman was specifically exempted; he was made the only American legally able to remain in the White House for as long as he could win enough votes to be re-elected. The states had seven years in which to ratify or reject the projected Amendment. It went forth; and in due time, a number of other things having meanwhile happened, it dropped out of sight.

★

Although no other Congress had brought itself to the point of submitting the issue to the states, the question of whether a rationing system should be applied to the Presidency was as old as the Constitution itself. Statistics which a student of the Presidency, Mr Sydney Hyman, has assembled recently show that more than a hundred attempts were made in Congress between 1787 and 1949 to limit the period during which a man could be President. More than sixty efforts to confine Presidents to a single term of six years came to nothing.

The view of George Washington (who declined a third term for himself) was that there could be "no propriety in precluding ourselves from the services of any man who, in some emergency, shall be deemed most capable of serving the public." But Jefferson at one time entertained fears that an ambitious man might find ways of capturing and holding the Presidency for his lifetime and even perhaps

of handing it on to his son, like a crown; and Jackson, another two-term President, recommended a Constitutional Amendment that would have abolished the already vulnerable electoral college and limited each President to one elected term only. His arguments were cogent enough to be used against Lincoln when he was seeking his second term. Only Franklin D. Roosevelt had been strong enough to beat the no-third-term tradition; he even went on to a fourth term. There had been nobody like him before. And the Republicans in the Eightieth Congress, assembling less than two years after his death in the belief that the Democratic thrust was spent, set out to see that there should be no more like him ever again.

The Democratic thrust was not spent, as Mr Truman was able to show late in the following year; but the Republicans had nevertheless raised a popular issue. As early as 1943 and 1944 the Gallup Poll indicated that a clear majority of the electorate—the same electorate that, a few months later, voted Roosevelt back into the White House for a fourth term—favoured a Constitutional Amendment limiting the Presidency to two terms.

The American democracy was displaying even then not only its old, deep, instinctive suspicion of a too-strong man, but also its equally old, deep and instinctive uncertainty about its own capacity to resist a strong man when he appeared. Given such a man, and so long as the times seemed to require it, they might follow him. But on the morning after, when he was gone and the times seemed safer, they were ready to admit to themselves that too-strong men, like too-strong drink, might be bad for them; they were ready to sign the pledge.

There seems to be little reason to doubt that some very similar instinct was astir in the British democracy when it turned away from Mr Churchill on the morning after. In America the Republicans were able to repeat their hitherto unheeded warnings that the New Deal, with its enlargement of patronage and its alliances with dubious political machines, might, in time, have been able to perpetuate itself in office. Nobody was surprised when the two-term resolution was passed by the first Congress in which the Republicans had a majority since the launching of the New Deal in 1933.

What was a surprise was the sudden spurt of activity on the resolution by the state legislatures in the first weeks of 1951. Indiana, Montana, Idaho, New Mexico, Wyoming, Arkansas, Georgia, Tennessee, Texas and North Carolina signed up in a rush. On the afternoon of February 26th Utah ratified, and a few hours later Nevada put the amendment over the top, beating by a short head Minnesota, which had been intent on casting the thirty-sixth vote.

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

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Now that the deed has been done, there are some evident misgivings about its wisdom. Why should mid-twentieth-century Americans reveal less confidence in their fitness to choose their Presidents than did eighteenth-century Americans? In reply the contention is advanced that the world is now a much less secure place, and that the Presidential powers are wider and more pregnant with dangerous possibilities. But the argument is now academic. The new Amendment is law, and it is a watertight law. Only Mr Truman is provided with the legal means, as Americans say, of beating this rap. But can he: will he?

If he is renominated by the Democratic Party next year it may be held that, whatever legal exemption he enjoys, he will be running in the face of the expressed will of the people, since he will have served more than two years of Roosevelt's fourth term as well as four years in his own right. A widely held view at this moment is that Mr Truman will not run again. In the first place, he is believed to have had about enough of the cares and strains of executive office. In the second place, it is argued that the new Amendment will make it so much more difficult for him to win that he may not be subjected to the party pressure normally applied to a reluctant incumbent.

If Mr Truman is unlikely to run and win, who is? The prevailing theory is that it will be General Eisenhower—a successful Eisenhower, back from a magnificent job in Europe and unbeatable at the polls. But if so, is General Eisenhower to win as a Republican or as a Democrat? He comes from a Republican family. But he voted for Roosevelt in 1944, and it was powerful Democratic delegations from New York, New Jersey, Illinois and California which tried to draft him in Mr Truman's place before the convention in 1948.

The General himself has plainly, feelingly and repeatedly declared that he does not want to go into politics; he wants to return to his useful and congenial job as President of Columbia University. But some feel that this genuine reluctance might be overcome if General Eisenhower could be convinced that only by entering the race himself could Senator Taft—and the policies he is now espousing—be prevented from capturing the White House.

American Notes

Troops with Reservations

The great—and interminable—debate in committee on the control Congress should exercise over the dispatch of ground troops to Europe has finally come to a somewhat confused end. The Administration and General Eisenhower can justly claim a victory, if a long-heralded one, over the retreatists in that the resolutions approved—for there are two, one inviting the concurrence of the House—specifically repudiate the Hoover policy of abandoning Europe, record the belief of the Senate that it is necessary for the United States to station enough troops abroad to contribute a "fair"—though not "major"—share of European ground strength, and approve the sending of the four divisions now contemplated. No rigid ceilings are imposed, and no ratio of European to American troops required.

The price which the Republicans and some Democrats are trying to exact is that, if further troops are to be sent the approval of Congress (not merely of the Senate), must be secured. Such a provision, if accepted by the full Senate, lacks the force of law, but exerts a heavy moral pressure. Oddly enough, although the amendment was sponsored by Senator Smith, a liberal Republican, the use of the word "approval," instead of the vaguer "collaboration," was inserted to win the crucial votes of two Southern Democrats—Senators Byrd and George. This amendment might mean

a Congressional debate and vote every time routine troop movements to Europe are needed. The events of the past two months show what delays may be caused by party and intra-party politics. Such a provision, as the *Washington Post* points out, is not only contrary to Senator Smith's original intention, it is also a complete reversal of the role Congress ought to play in military matters. Mr Truman may have won the battle, but he seems to be in danger of a defeat in the ancient constitutional war with Congress over the Presidential powers to deploy troops.

A related unwillingness to give the Administration too much rope prompted the Senate, debating military manpower, suddenly to reimpose a limit on the strength of the forces. This had been removed, for a four-year period, last August. Senator Morse's proposal, which would have frozen military strength at present goals, was rejected, but a limit of 4,000,000 was adopted, over the protests of military spokesmen from General Marshall down. Strong sentiment for it is expected in the House, where it may prove the price of agreement to a universal training scheme.

* * *

New Life for Point Four

Just four months ago, Mr Gordon Gray startled the world with an imaginative approach to American foreign aid. Until last Sunday, nothing more had been heard about it, except for the appointment of Mr Nelson Rockefeller as chairman of an International Development Advisory Board which was to work out the next steps. Mr Rockefeller has now submitted a detailed plan to revolutionise American foreign lending policy.

The first barrier which the revolutionaries would attack is one that survived, undamaged, the first impact of Point Four: the belief, or rather hope, that private capital can do practically all the investment needed in underdeveloped countries. The Gray Report was the first inkling of an authoritative American confession that this was not true. Mr Rockefeller has gone on to propose three channels through which substantial government funds should flow, primarily into public works. A new American agency would be created to handle all foreign assistance, other than military, with an appropriation of about \$500 million for use exclusively in the underdeveloped areas on specific projects with specific time limits. The International Bank would raise funds not exceeding \$500 million by further subscriptions from member governments to form the capital of an International Development Authority which, under management contract with the Bank, would finance public works (other than projects of strategic value) in underdeveloped countries by grants as well as loans. Finally, a proposed International Finance Corporation—a further affiliate of the International Bank—with a total capital of about \$400 million would make loans and equity investments—if appropriate in local currency—to private companies without the backing of government guarantees. By entering the commercial field themselves, governments might hope to prime the private investors' pump.

*

Thus, two more barricades would be cleared in one leap. Some United States government money would be free, untied to purchases in the dollar area. American aid to underdeveloped countries—a new unprecedented scale would be entrusted largely to international, not governmental, hands. This does not mean that Mr Rockefeller despairs of private investment. Far from it; he and his board have still sought to place "prime reliance on private enterprise" in all but public works, to avoid dangerous inflationary pressures at home. But for the first time someone has dared to probe the depths of the pit which private investors have to fill. Mr Rockefeller comes up with the encouraging view that the pit is by no means bottomless; the

face of the underdeveloped areas could be transformed if investment from the western world were maintained at a steady level of \$3 billion a year, or less than 1 per cent of total national income in the United States and Western Europe. The immediate target for the United States should be to double its present outflow of \$1 billion, and Mr Rockefeller has proposed some amplifications of the original Point Four incentives.

This is a formidable programme which would take the most enlightened Congress some time to digest, and Congress today is determined to cut expenditures, if possible, rather than add to them. The most hopeful omen for its future is that Mr Rockefeller has rested it fairly and squarely on the Atlas of American self-interest. This is the only way, he claims, to increase the supplies of strategic raw materials; if it is followed it should mean a 50 per cent expansion in those available for purchase by United States. This also is the only way to keep the free world free—and this, after all, is the objective of all American aid.

* * *

Cotton Controversy

With cotton prices five times what they were in 1939 and the government pleading for a 60 per cent increase over last year's scanty crop, something like a cotton rush is developing in the west. California, scene of the original gold rush, has land which can produce three times as much cotton an acre as the national average. A measure of the boom is that planting this year is expected to be more than twice as great as it was last, when curbs, which required particularly severe reductions in western plantings, were in effect. Vegetable and fruit lands, vineyards and feed crop fields are being diverted to cotton. Texas also expects to more than double last year's cotton acreage and to exceed that of 1949, the previous peak. But the south-east, the traditional home of cotton, has too vivid a recollection of price collapses in the past, and has invested too much in diversified farming, to join in the rush. It is still doubtful, therefore, whether the Secretary of Agriculture will achieve the 16 million bale crop needed to satisfy both military and civilian demands at home, and export requirements, and leave a safe margin for emergencies.

The prospect of a sharp rise in the price of raw cotton between now and June—and consequent increases in textile prices—persuaded the President to support the Price Administrator in his challenge to the Congressional cotton bloc, which had been fighting to free the raw fibre from all controls. Uniform prices have now been set at the farm, varying according to grade, above or below a basic rate of 45.76 cents a pound. These replace the individual ceilings for each trader imposed in January, which were so numerous that they made trading impossible—and with the setting of a uniform ceiling price for futures, the exchanges have been able to reopen for the first time in six weeks.

Cotton's ceiling, based on an average of recent high prices, is more than 40 per cent above prices prevailing before the Korean war, and more than 125 per cent of parity, the level at which the farmer theoretically receives a fair return. But Senators from the cotton states still do not think it allows enough incentive to expand production; during the last war, they argue, cotton was left free and controls began at the textile stage. But then there was a surplus, and the price was below parity; today the opposite is true. Even so, Mr Bowles, then Price Administrator, tried, although he was soundly defeated, to secure Congressional permission to fix prices at the farm.

Bills have already been introduced to exempt raw cotton from control, and Senator Maybank of South Carolina, chairman of the Banking Committee which handles price control legislation, has threatened that when the control Act expires in June steps may be taken to prevent "bureaucratic" interference with the prices of other raw farm products.

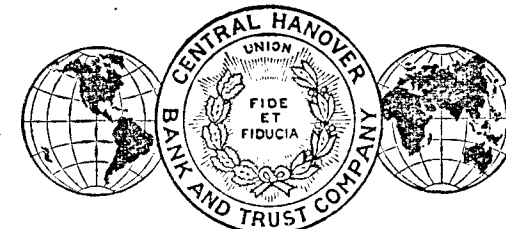
These are now controlled only at the processing level, but it is only a matter of time before livestock prices, like those of cotton, must be limited. Processors are already having to pay more for meat animals than they are allowed to charge. Mr DiSalle's first serious battle with Congress will evidently not be over the extension of his authority to the majority of farm commodities selling below parity, but over the authority he already possesses to control those selling above it.

* * *

Short Changing the Schools

This year American schools, like the old woman who lived in the shoe, have so many children they hardly know what to do, and new efforts are being made to persuade Congress to authorise federal aid to education—if only on the grounds that illiteracy still requires the forces to reject substantial numbers of men. The rock on which past Bills have foundered has been the determination to permit no aid to non-state—in effect, Catholic—schools. The two first Bills in the new five-point programme would provide funds for the poorer states for construction and to pay teachers' salaries in tax-supported schools only. It is not certain that Congressional shipwreck can be avoided this way, but the school authorities are convinced that mounting enrolments, high costs and competition for men and materials from the defence effort make federal aid more urgent than ever.

The full impact of the high post-war birth-rate upon the elementary schools is producing more crowded classes and part-time schooling and requiring the use of antiquated and unsafe buildings. Moreover, as the chart shows, the prospect is for continued increases until 1958; before then the secondary schools, now enjoying a temporary lull, will begin to be swamped. The two great needs are for more buildings and more teachers, to make up for the famine which accompanied and followed the war, and to cope with the bumper crop of children. Neither will be easy to



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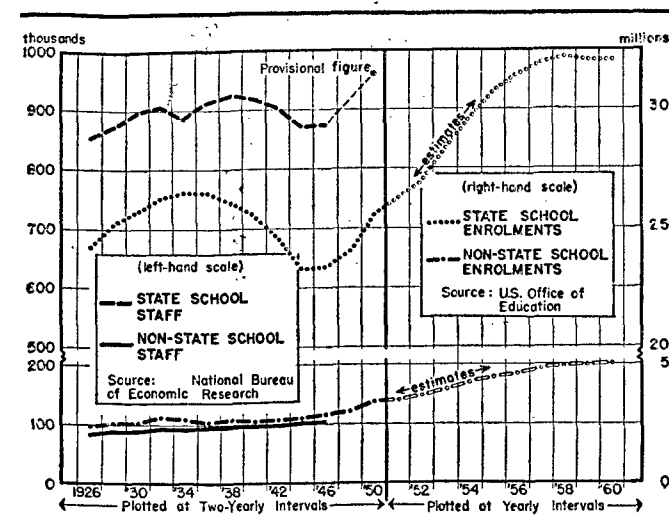
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satisfy, though teachers point out bitterly that the proportion of a much larger national income spent on the state schools is only 1.8 per cent compared with 3.09 per cent in 1930. Both money and materials for building will be shorter than ever, and unless steps are taken to make teaching more attractive, the schools may not only fail to find the million or so new teachers they need in the next decade, but may actually lose teachers, as they did from 1940-1945.

According to a study* published by the National Bureau of Economic Research, salary increases between 1945 and 1949 have virtually restored teachers' income to the pre-war level. The great gains in the economic status of teachers took place, however, between 1900 and 1930; after that they fell behind other groups. Today every state complains of a shortage of teachers for its elementary schools. In part



this is due to a general disinclination to enter teaching; the number of teachers trained is beginning to fall off again, and only three-quarters of these actually enter the schools. But there is also a reluctance to accept the lower salaries, lower prestige, and harder work usually involved in elementary teaching. The shortage is most acute—often tragically so—in rural schools, which must make do with unsuitable and unqualified people.

The most hopeful sign is the formation of citizens' groups to defend and improve the schools. The Fact-finding Commission on Education created by Connecticut two years ago has been assisted by such bodies in nearly 100 cities. Many of these will continue on a permanent basis, to make sure that the Commission's recommendations for modernising the schools and extending their usefulness do not go disregarded.

* * *

Contract Renegotiation Again

Businessmen are once more crowding into Washington, in spite of the government's attempts to decentralise procurement by giving regional offices more independence. And President Truman has just turned the clock further back by using his emergency powers to authorise the placing of government contracts by negotiation, instead of by the competitive bidding that is required in peacetime for all but the most secret and technical work. Negotiated contracts will apparently be on a fixed cost, or cost plus fixed fee, basis; cost plus a percentage of cost is not authorised. Congress is now in the process of making nearly all government contracts subject to renegotiation, after the work is under way or even completed; this system was established in the last war and

* George W. Stigler: *Prices, Wages and Compensation in Education*, 1950.

has again been applied gradually to aircraft and other military contracts during the past two years.

Excess profits taxes deprive manufacturers of a large part of any profits made in excess of a supposedly normal base period. Renegotiation is intended to deprive them of excessive profits, before taxation, resulting from faulty estimates, improved techniques, increased output and so on while a contract is actually under way. It is often impossible to assess costs accurately in advance, especially when a product new to the manufacturer, or entirely new in itself, is to be made and when large-scale output is needed quickly. Nearly \$11 billion was regained in this way on contracts, valued at \$200 billion, let in the last war; almost \$8 billion would have been recaptured in any case, at a later stage, by excess profits taxes. In practically all cases the necessary agreement was arrived at after friendly bargaining between procurement officers and manufacturers, few of whom have any wish to line their pockets unduly at their country's expense.

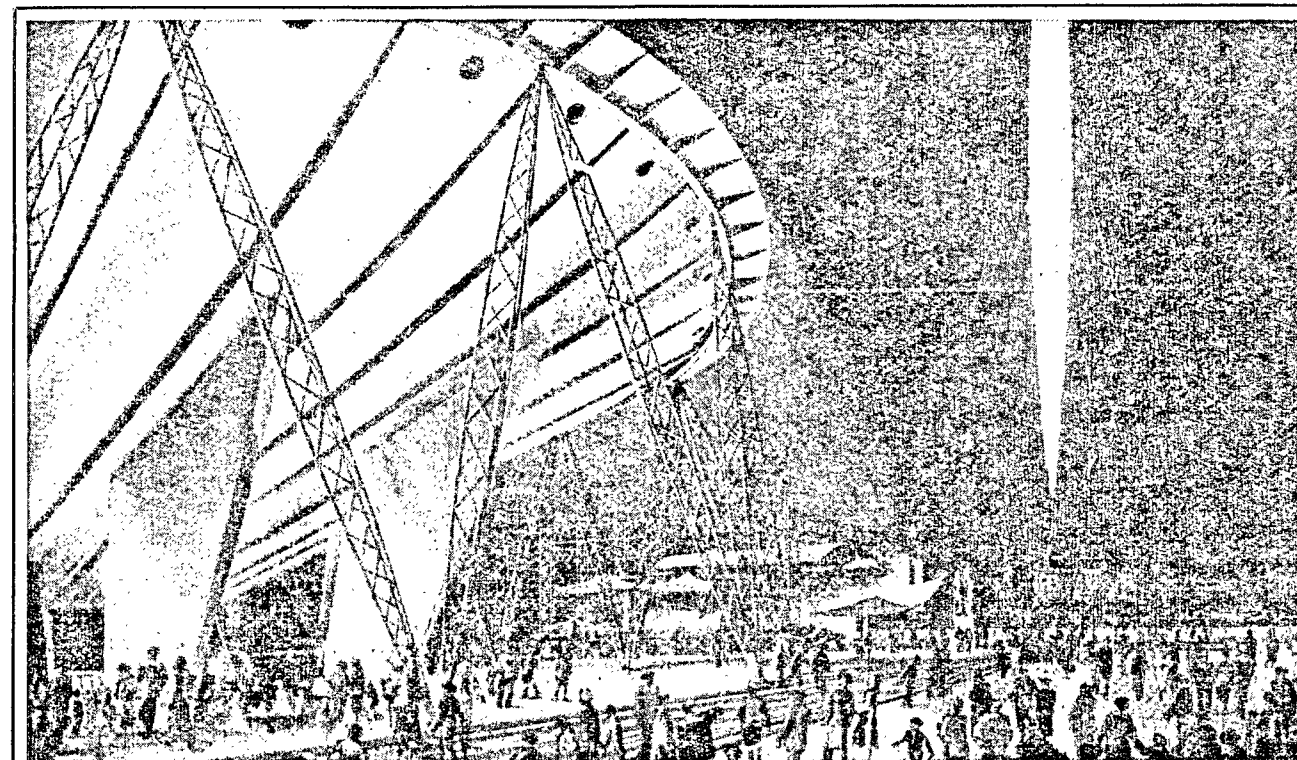
The new Renegotiation Bill is very similar to the old, the Senate having refused, in most cases, to accept the severer provisions sought by the Administration and accepted by the House without a dissenting vote. It sets up an independent five-member board with authority to renegotiate practically all government contracts. Certain principles must be borne in mind, such as the efficiency of the contractor and his contribution to the defence programme. No one is liable to renegotiation if his government business amounts to less than \$250,000 worth in the year, and contracts for agricultural products and minerals are exempt at the primary marketing level. The Bill incidentally gives a backhanded recognition to the notorious "five percenters," the commission agents who help inexperienced businessmen to find government contracts, by providing that such contract brokers will be subject to renegotiation if their receipts amount to more than \$25,000 in a single year.

Shorter Notes

The most controversial and important political trial in recent American history came to an end this week when the Supreme Court refused to re-examine the evidence in the Hiss perjury case. It is two and a half years since Mr Whittaker Chambers, admitting his own earlier espionage activities, accused Mr Hiss, formerly a high official of the State Department, of being a member of a Communist underground and supplying it with secret information. Three members of the court did not take part in the decision; two had been character witnesses for Mr Hiss at his first trial and the other was Attorney General when the case began. Mr Hiss, preparing for five years' imprisonment, still protests his innocence. The charges against Mr Hiss—the first solid evidence of past laxity and disloyalty in the Administration—paved the way for Senator McCarthy's continuing accusations against the State Department; Mr Acheson has continued to suffer, politically, for his public refusal, at an early stage, to "turn his back" on his former friend.

* * *

Rockford College in Illinois, a small independent women's college, has devised a new scheme for students who need to work their way. Instead of paying for alternate terms of study and work, as in some of the other colleges, students may work three days a week and study the other three. Local businessmen who find it difficult to obtain staff, have agreed to engage two girls for the same job, and to pay them prevailing wages—about \$1 an hour. Each girl, it is estimated, should earn about \$1,000 of the \$1,400 required for each college year, and, by going to summer school as well as the regular sessions, should complete the normal four-year course in four and a half years.



This view of part of the South Bank Exhibition—centre piece of the Festival—shows the underside of the giant Dome of Discovery—365 feet across, the largest dome in the world—together with the Skylon which, suspended in mid-air, will glow brightly across the night sky to sign-post this exhibition of Britain's industrial and scientific prowess.

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H.M. The King will declare the Festival of Britain open after a State Service in St. Paul's Cathedral on 3rd May 1951

EXHIBITIONS

LONDON May 4—September 30
South Bank Exhibition
May 3—October 31
Festival Pleasure Gardens, Battersea Park
May 3—September 30
Exhibition of Science, South Kensington
Exhibition of Architecture, Lansbury, Poplar
Exhibition of Books, Victoria & Albert Museum
GLASGOW May 28—August
Exhibition of Industrial Power, Kelvin Hall
BELFAST June 1—August 31
Ulster Farm and Factory Exhibition

FESTIVALS OF THE ARTS

There will be a Special Festival Season of the Arts in LONDON May 3—June 30
Aberdeen Festival . . . July 30—August 13
Aldeburgh Festival of Music and the Arts . . . June 8-17
Bath Assembly . . . May 20-June 2
Belfast Festival of the Arts . . . May 7-June 30
Bournemouth and Wessex Festival . . . June 3-17
Brighton Regency Festival . . . July 16-August 25
Cambridge Festival . . . July 30-August 13
Canterbury Festival . . . July 18-August 10
Cheltenham Festival of British Contemporary Music . . . July 2-14
Dumfries Festival of the Arts . . . June 24-30
Edinburgh International Festival of Music and Drama . . . August 19-September 8
Inverness 1951 Highland Festival . . . June 17-30
Liverpool Festival . . . July 22-August 12
Llangollen (International Musical Eisteddfod) . . . July 3-8
Llanrwst (Royal National Eisteddfod of Wales) . . . August 6-11
Norwich Festival . . . June 18-30

Oxford Festival . . . July 2-16
Perth Arts Festival . . . May 27-June 16
St. David's Festival (Music and Worship) . . . July 10-13
Stratford-upon-Avon (Shakespeare Festival) . . . March 24-October 27
Swansea Festival of Music . . . September 16-29
Worcester (Three Choirs Festival) . . . Sept. 2-7
York Festival . . . June 3-17
Included in the programme are special events in:

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Edinburgh: Gathering of the Clans . . . August 16-19
Exhibition of 18th Century Books . . . August 3-September 15
Exhibition of Scottish Architecture and Traditional Crafts . . . July-September
International Documentary Film Festival . . . August 19-September 8
Glasgow: Exhibition of Contemporary Books . . . June 1-July 23

WALES

Cardiff: Pageant of Wales . . . July 25-August 6
Exhibition of Contemporary Painting . . . July 16-23
St. Fagan's Folk Festival . . . July 16-23
Dolhendre, Merioneth: Welsh Hillside Farm scheme . . . May-September

NORTHERN IRELAND

Belfast: Royal Ulster Agricultural Show . . . May 23-26
Combined Services Tattoo . . . August 29-Sept. 1

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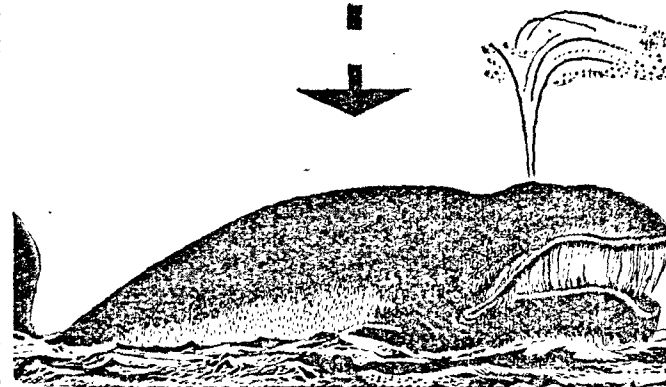


A hundred years ago in Great Britain typhoid fever and cholera were common water-borne diseases. To-day cholera is unknown and an outbreak of typhoid makes front page news. This improvement in public health reflects the unremitting care of all concerned with water purification. Of the major defence measures employed against pollution and disease, sterilisation by chlorine is one of the most important. Chlorine is a very active chemical which in nature is found only in combination with other substances, from which it must be isolated. The best known of these is common salt in which chlorine is combined with sodium. The passing of an electric current through salt splits it into its constituent elements and releases chlorine in the form of a greenish-yellow gas, which is dried and liquefied and so made available for ready transport all over the world. I.C.I. are large manufacturers of chlorine as well as producers of the salt from which it is obtained. In addition to having many uses as a sterilising agent, chlorine is an important raw material. Textiles, petrol, dyestuffs, paper, medicines, insecticides, anaesthetics and dry-cleaning fluids all need chlorine at some stage in their manufacture.



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THE WORLD OVERSEAS

Votes and Veils in the Middle East

THE President of the Egyptian Chamber of Deputies, Abdul Fahmy Gomaa Pasha, is believed to be sympathetic to the Egyptian feminist movement whose cause has recently been advanced by the tabling of a private Bill in the Chamber by a Wafdist deputy. This Bill proposes that all women over the age of 21 should vote in Chamber elections and those over 25 in elections for members of the Senate. Although the chances that this Bill will pass are slender, there now seems little doubt that Egyptian women will be enfranchised within the next few years.

During the past six months the feminist movements of Egypt have become increasingly active. In Cairo fifteen hundred women recently dared to march through the main street, force their way into the courtyard of the Chamber of Deputies and there demand the abolition of polygamy and a vote. Although two women were injured by pushing their way through the courtyard gate, the police made no effort to break up the demonstration. In Damascus women want representation in the Syrian Parliament; even in Amman a delegation of veiled Jordan women has called on the Government to "demand their rights," and they were courteously received. No feminist demonstrations have yet taken place in Baghdad, but they can be expected as a suffrage organisation has been established there for some years. In Iraq, as elsewhere in the Middle East, the emancipation of women has been retarded by violent twentieth-century Arab nationalism which is strongly Moslem and frequently anti-western.

The Inconvenience of Illiteracy

Feminist movements in the Arab Middle East can indeed no longer be dismissed by Moslem politicians as ridiculous. The ruling Pashas now realise that organisations demanding votes for women must be taken seriously albeit with apprehension and caution. Those few educated women who travelled to Europe and dropped the veil before the first World War were the pioneers of the movement for women's rights without being aware of their role. The anti-veil movement which was inspired by M. Worth rather than by Mrs Pankhurst, spread from the smart set of Cairo to the reactionary middle classes not only of Egypt but of Damascus and Baghdad.

Later women who begun to accompany their husbands to a few social functions found illiteracy inconvenient and demanded that their daughters should be educated, whilst braver spirits—frequently alas those unable to attract a suitable husband through lack of wealth or beauty—learnt to type and obtained jobs with foreign firms and even forced their way up the back stairs of government offices.

Husbands and fathers had, however, been given so much power by Koranic Law that women were unable to engage in public activities which did not receive the full approval of the male members of the household. Thus they were unable to form any effective feminist organisation to bring their newly felt demands and views to the notice of the Government. Perhaps because they had no active suffrage organisation to absorb their energies, women educated in the west and female university students developed a serious bitterness. They found themselves continually thwarted both politically and economically when they attempted a suitable career. They argued that because it was quite

hopeless to change the attitude of Moslem politicians, the only possible solution was a major revolution which would overthrow the Pashas of all parties and afterwards establish a state in which women would have an opportunity to work and play on equal terms with men. Moslem women whose views on all other political issues could be described as mildly radical or conservative joined fellow travelling organisations.

Unconsciously Arab women were influenced and encouraged by the thousands of allied service women they saw driving lorries around the Middle East during the war. But the Palestine War which followed really shook the reactionary Pashas. Stories of Jewish women fighting in the front line circulated freely in Arab capitals, whilst Moslem Generals publicly wailed that the Jews had doubled their manpower by using women as soldiers. For these reasons Egyptian women were reluctantly allowed to become army nurses and an ATS type of organisation was formed attached to the Moslem Egyptian army.

Syria Gives a Lead

Egyptians, who believe themselves to be the natural leaders of the Middle East, were profoundly shocked when Colonel Zaim, dictator of Syria, announced that all women over eighteen with primary school certificates might vote in the next Parliamentary elections. The small Egyptian feminist organisations were furious that the "backward" Syrian women should be the first to vote in the Arab world. The Lebanese, who have a Christian majority and have always considered themselves to be the most advanced of the Arab States, were equally angry. After Zaim's assassination when the law was not rescinded feminist organisers in these countries began serious work. In Egypt they renewed the demand for abolition of polygamy and a vote. They quote the Koran to support their views on marriage and divorce*. The feminists adopted a policy of "quiet agitation to gain support for their programme amongst politicians." No large public demonstrations were attempted until last month when women carrying banners marched through the streets shouting "Down with the Parliament without women," and "The cause of women is the cause of the nations"—slogans which are more effective in their original Arabic. A deputation was received by the Chamber of Deputies and after this the demonstrators marched to the senate where leaflets were distributed in the galleries. In connection with these, Mme. Doria Shafik, president of the largest feminist organisation—the *Bent el Nil*—will be charged before the Abdin correctional court on April 10th for fomenting public disorders. It is most significant that several of Egypt's leading lawyers have expressed a wish to defend her, *Al Ahram*, Egypt's oldest and most responsible daily paper, made a sensible comment by attacking the feminists "for not proving their title to a parliamentary vote by more active social work."

These sensational events have made a considerable impression in Beirut, Damascus, Aleppo, Baghdad and even Amman—in fact in all places where the Egyptian daily papers are widely read. Women in Syria, where they have achieved a vote, have been moved to further action and agitation to increase their political responsibilities. In Amman there is

* Koran Sura IV verse III: "If ye still fear that ye shall not act equitably (to your four wives) then (take) only one."

deep resentment against King Abdullah's reactionary policy, in particular, the law which insists that women must be veiled is irksome to young Moslem women from Palestine who have never previously worn veils.

But in the harems of Saudi Arabia and the Yemen between four and five million women have yet to learn that a world exists beyond the one they see from peepholes in their latticed windows. Unable to read, forbidden to listen to the radio, their lives are lived in the manner of the Middle Ages. But even here there is an air of unrest, a feeling that something is wrong.

Post-Mortem on Wheat Agreement

[FROM OUR OTTAWA CORRESPONDENT]

THE four-year wheat contract between Britain and Canada, which formally ended last July, has become the cause of one of the most acute political disputes Canada has had since the end of the war. It would be well if the dispute were confined to Canada, but it is not. The British Government is being made the scapegoat for some of the unpopular things that the Government is doing.

The trouble arises from the contention of the western farmers on the prairies that they have lost hundreds of millions of dollars by selling their wheat to Britain under the contract instead of selling it at "a free world price." To establish the contention it is, of course, necessary to determine what the "free world price" was, if indeed there was one. In the early years of the contract—that is in the second half of 1946 and 1947—the opponents of the contract were wont to refer to the prices paid on the Chicago grain exchange as the "world price." It has since been demonstrated that the Chicago price was determined almost entirely by the price support policies of the US Government and by its purchases of wheat to give away as Marshall Aid under the Economic Co-operation Act. The opponents of the contract have, therefore, latterly concentrated their attention on the Canadian "Class II" price. The Class II price set by the Canadian Wheat Board is the price it receives for export sales outside the Canada-UK Agreement, or now, outside the International Wheat Agreement. If this is accepted as a fair standard for the "world price" it can easily be shown that Canadian wheat growers have lost a great deal of money by accepting the prices paid under the four-year contract with Britain.

All wheat from the Canadian prairie provinces is sold by the Government Wheat Board on a pooling basis, and the last pool was for five years, covering the crop years 1945-49. All of these five years of the "pool" except the first, were, therefore, covered by the contract with Britain.

COMPARATIVE PRICE FOR CANADIAN WHEAT, 1945-50

(All Prices in dollars for No. 1 Northern Basis
Fort William—Port Arthur, Carrying Charges Extra)

Crop Year	Price Under UK Contract	Class II Price (Average)	Domestic Price	Price Under International Wheat Agreement
1945	...	1.55	1.25	...
1946	1.55	2.43	1.25*	...
1947	1.55	2.88	1.55	...
1948	2.00	2.23	2.00	...
1949	2.00	2.16	2.00	1.80†

Notes.—Each crop year is from August 1st to July 31st of following year. * The domestic price was raised from February 17, 1947, to accord with the Government's general policy of de-control of prices. † 1.80 was the figure fixed by the International Agreement in US dollars. 15 million bushels of wheat were sold at this price before the devaluation of the Canadian dollar in September, 1949, brought the Canadian price up to \$1.98 (Canadian).

The fallacy in accepting the Class II price as the world price is best seen by relation to the quantities sold. In the whole five-year period from August 1, 1945, to July 31, 1950, Canadian exports were distributed as follows:—

1. To UK and all other countries for crop year 1945 (that is, before the UK contract); 208 million bushels, at an even price of \$1.55.
2. To the UK during the four years of the UK contract: 631.5 million bushels.
3. To other countries during the years of the UK contract (that is, sales bringing the Class II price): 196.2 million bushels.
4. To countries other than the UK under the International Wheat Agreement (crop year 1949 only): 55.6 million bushels.
5. Domestic: (over the five-year period) 251.5 million bushels.

This shows how relatively small were the sales under the so-called Class II price, which some people are now proclaiming to represent the world price. It is perfectly clear that any attempt to have disposed of the whole of the Canadian surplus at the prices fetched by this more or less marginal quantity would have had profound effects on the whole world wheat situation. To go no further, it would have vitally altered the relationship between Canada and the United States as suppliers of the British market; and in these years of ECA it is not inconceivable that Canada might have lost most of the British wheat market to the United States.

Mistaken Fear of Slump in Prices

The other determining factor throughout the whole course of the Canada-UK wheat contract was the expectation of both sides that the world price of wheat was about to fall to a ruinous level. In 1945 and 1946 it was common talk among grain men on both sides of the Atlantic that wheat would soon be back to the depression price of 30 cents or less. This was the psychological atmosphere in which Canada entered into the contract, believing it to provide a quite invaluable assurance of reasonable stability. A sign of this feeling was the contract provision that the third year price should not be less than \$1.25 and the fourth year price not less than \$1. A clause, however, was also included providing that the price to be paid in the third and fourth years should be fixed having regard to the gap which might have appeared in the first two years between the price paid by Britain and the "world price." This meant that the \$2.00 price for the final years was not settled without hard bargaining, and it was accepted—so far as one can learn—in the continued belief that a prospective fall in prices was probable. Indeed the price of \$2.00 that Britain agreed to pay in the last year was 20 cents a bushel more than the maximum which had been fixed under the International Wheat Agreement.

The feeling nevertheless persisted among the wheat growers that the contract had given them bad returns. Last May, Mr. C. D. Howe, the Minister responsible for wheat marketing, was under some pressure to get a final "compensatory" payment when he was in London on trade talks. Instead he was perhaps more concerned to get an assurance that Britain would continue to get from Canada its quota of wheat under the International Agreement in the present year. He got that assurance. He certainly agreed with the British Government that it had fully discharged its obligations under the four-year contract. There might well have been an end of the matter if last year's crop had turned out better. But early frost spoiled a large part of the 1950 crop, and the atmosphere on the prairies was ripe for discontent, which was constantly fostered by the people who had always opposed the four-year contract.

By February of this year it had got to the point where Mr J. G. Gardiner, the Minister of Agriculture, who comes

from Saskatchewan, felt bound to do something for the wheat farmers if he was to have any hope of holding their votes. Hence followed his abortive journey to London. Having settled the contract with one responsible Minister of the Canadian Government it was hardly to be expected that the British Government would reopen it with another Minister of the same Government. To make very clear that the thing had been settled once and for all the British Government solemnly renounced the \$65 million which remained in the Canadian credit of 1946, and which had not been drawn since last July. They renounced it before Mr Gardiner could get to London and propose, as he meant to, that they should draw the rest of the credit and use it to make a final "compensatory" payment on the wheat contract.

Failing to get the farmers any money from Britain, Mr Gardiner was more successful with the Canadian Cabinet. He persuaded it to make a "contribution" of \$65 million to the five-year wheat pool. This announcement has enraged nearly everybody. It has enraged the wheat-growers who demand at least twice as much: and indeed if their thesis about the gap between the British price and the Class II price is to be accepted at all, they deserve twice as much. It has enraged the growers of every other commodity sold to Britain under government contracts since the war: they say why should not they have more too. And it has enraged the taxpayers who are required to find the money. The result of all this anger is that Liberals have to find a scapegoat, and the only possible candidate is the British Government. The Government itself cannot openly join in the accusation of default, because its own Minister agreed last summer that there had been none. But by implication and innuendo some Government spokesmen are spreading the same impression.

China's Economic Strength—II

The Agrarian Revolution

[BY A CORRESPONDENT]

CHINESE Communists often emphasise the agrarian character of their revolution. It may therefore seem strange that the rhythm of change is now much quicker in the towns than in the countryside. It may at first seem puzzling that land reform has as yet been carried out in only one-third of China and for the remainder the Government has decided in 1950 to put into practice a milder land reform spread over three years. In the Soviet Union the burning castles and manors of the landlords lit the path of the October revolution and the agrarian upheaval was a matter of a few weeks or months at the most; the bolshevik government sanctioned only the *fait accompli*, the seizure of the land by the peasants. Why was there no such elemental peasant rebellion in China? Why, even if the Government were reluctant, did the Chinese peasants not force its hand like the Russian moujiks had done?

The key to all these problems, as well as an important clue to the character of the whole Chinese revolution, is to be found in the structure of the rural population of China. The very statistics supplied by the Soviet Encyclopædia in its chapter on Chinese agriculture (and based on the research work of the Chinese economist Tao Tshi Fu) explodes the official Communist myth of a feudal Chinese economy propped on a class of large feudal landowners. By the size of his property, the Chinese "landlord" is nothing more than a glorified kulak.

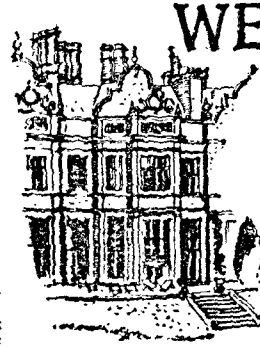
STRUCTURE OF CHINESE RURAL POPULATION

Group	Number of Families	% of Total	Land in Acres	% of Total	Average in Holding Acres
Landlords	2,400,000	4	108,106,250	50	45
Kulaks	3,600,000	6	58,918,250	18	10.8
"Middle" peasants	12,000,000	20	52,431,875	15	2.7
Poor peasants and labourers	42,000,000	70	36,756,000	17	0.83

The above figures (quoted from the Soviet Encyclopædia in a slightly modified form) must, of course, be taken with a grain of salt. At best Chinese statistics are not very reliable. Besides, the over-population of the countryside imposes a very intensive, garden-like form of cultivation. Rice, the main staple food of China proper, which accounts for roughly over one-third of the total grain harvested, is suitable for intensive culture and in certain regions there are two and even three crops per year. Moreover, the figures in the table quoted are based on prewar China proper. On the other hand, during the war years Chinese agriculture has been stagnant and no radical changes can have taken place. Furthermore, though cultivation is intensive, it is primitive and only the roughest sort of tools are to be found. Hence for wheat the yield per acre is estimated to be roughly three times smaller than in this country, while for rice it was only 75 per cent of the Japanese yield.

Broadly speaking, an acre of land in China means more than in Europe. But however one interprets the difference, the figures still speak for themselves. In the Soviet Union, before the revolution, some 30,000 landlords owned about 190 million acres, with an average holding of over 6,000 acres. In China proper, on the eve of the reform, some 2,400,000 "landlords" owned just over 100 million acres, with an average plot of 45 acres. Thus the average Russian landowner had some 130 times more land than the Chinese "feudal lord." The difference between the two revolutions may be largely explained by this fact.

The Chinese landowner, however, let his land to tenants and lived on the rent. Since rents averaged 50 per cent of the crop, he could live quite well even on his 50 acres, educate his children and thus, until the advent of the bourgeoisie, monopolise the rule of the country. But the mass of these semi-kulaks, semi-landlords was too great, their holdings too small, for their expropriation to be even a partial solution of the rural problem.



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The first land reform law was passed in 1947, during the Civil War. It seemed to fulfil the centuries old aspirations of the Diggers, the Babouvists or some of the Russian Norodniks. By this decree not only were the lands of big owners and the churches divided equally among the poorer peasants, but the richer peasants also gave away part of their land. Thus, under the supervision of the local peasants' committees, the land and other property was divided in equal shares—due account being taken of the fertility of the soil—among all the inhabitants, male or female, including the former landlords and even the families of Kuomintang employees, with the sole exception of "traitors." All debts were also cancelled. This equalitarian reform was applied in one-third of the Chinese territory, with an agricultural population of 145 million, covering Manchuria, taken over by the Soviet Union in 1945, and those parts of North China which had been conquered early by the Chinese Communists. The idealistic, equalitarian character of the reform seems well in keeping with the mood of a peasantry which cannot see in the expropriation of the landlords alone a solution to its own land problems. The redistribution was facilitated, particularly in Manchuria, by the existence of large areas formerly belonging to Japanese settlements or to Chinese collaborators.

Few Huge Estates

Once, however, in control of the whole of China the Peking Government was still faced with the task of carrying out an agricultural reform in the remaining two-thirds of China, with a rural population of 264 million. The peasants did not clamour for land, since there were not many huge estates to be broken up. An equal distribution on the Manchurian model over the whole of China could not give an average holding of more than 3.5 acres. This was shown by the results of the first reform. Even in Manchuria, where the reform was radical, the population comparatively sparse, and the estates to be shared comparatively large, the final share per family varied from 3.5 to 7.5 acres. In other regions it was even less. Thus around Peking and in Shantung it averaged just over three acres, while in Singkiang it was only roughly one acre per family.

The Government thought that it could gain more favour among the peasants by cutting rents and interest rates than by a hasty reform. The sharecropping, paid in grain, used to average some 50 per cent of the rentpayer's yield. Now they are to be lowered to 25 to 35 per cent. The Peking authorities also claim that interest rates, also payable in grain, which had varied from 20 to 40 per cent, have been cut substantially.

Partly relieved from rents, taxation, heavy indebtedness and the road *corvée* the Chinese peasant did not immediately press for land reform. Therefore for the remaining two-thirds of China proper the Government felt able to spread it over three years. The new Act, passed in 1950, does not affect the kulak who, in most cases, is but a "middle" peasant. Since the distribution of his land would not affect greatly the final share, it is not to be touched, at least for the time being. This time only the "big estates" are to be broken up.

Peking's Dilemma

In general the new act shows in many ways the dilemma of the Peking Government, which must somehow reconcile the Stalinist dogma of a feudal Chinese economy with large estate owners with the real state of affairs. It therefore sends to the local peasants' councils, which are to carry out the reform, an orthodox Marxian instruction defining the landlord as a person living on the rent of the land without working on it, and a kulak, as himself working on the land, but also hiring labour. At the same time the Government instructs the peasants' councils not to stick literally to these definitions but to consider the standard of life of each

person. A landlord living like a kulak, it is said, should be considered as such; and, in the same way, the kulak living like a "middle" peasant. This standard of life test is passed at a local public meeting. Thus to keep at least the appearance of a feudal Chinese economy it is necessary to supplement and even replace the Marxian definition of a person's class by his "place in production" by a more subjective and ethical test of his mode of life.

The new and softened land reform is to be progressively applied throughout the country. In 1950-51 it is to be introduced in regions with a total population of 100 million. In the meantime the Government tries to satisfy the peasants with cuts in the rate of interest and in rents. It also wants to avoid internal strife in the countryside while attempting to rebuild China's agriculture. Irrigational canals and dams had to be repaired and tools replaced before even the low prewar level could be reached. By 1949 the harvest of all grains was 112 million tons, by 1950 it was to reach 125 million tons, i.e., 90 per cent of a normal prewar level.

But even when both reconstruction and reform are completed the agrarian problem of China will remain acute. There are not enough large estates to satisfy the land hunger. For the moment it seems that the peasant is more grateful to the Government for the cut in rents and interest rates than for the land. Land reform cannot solve the peasants' problem, and the future of China's agriculture will be intimately connected with possibilities of land reclamation, developments of technique and particularly with the development of industry.

(Concluded.)

The End of Hungarian Socialism

[BY A CORRESPONDENT]

THE other week there was held in Budapest the second congress of the United Workers' Party, formed in 1948 by the "fusion" between the Hungarian Communist and Social Democratic parties. The proceedings of the congress, the personalities of the main speakers, the tone and reception of the speeches, and the election of the party's officials, all make perfectly clear what was in fact already obvious three years ago: that "fusion" was merely a pious understatement for the forcible conquest of an old and honourable labour movement by a Muscovite clique. Accounts by speakers of industrial progress and shortcomings referred to the problems described in *The Economist* of February 17th. The analysis of the agricultural situation, and of the prospects of collectivisation, was similar to that recently made by the leaders of the neighbouring "popdemocracies." Discussions of foreign affairs included the usual self-abasement before the great Stalin and the usual denunciation of American imperialism. The Minister of War, Farkas, blandly declared that Hungary's armed forces were being brought up to the limits set by the peace treaties, and asserted that the western powers were already training a German armed force of 600,000 men.

In the political committee of the party the only remaining former Social Democrat is "resident of the Republic, Ronai. During 1950 the 4... Social Democrats were removed from their posts in the government. Now they are excluded from even nominal prominence in the party. Hungary, since 1944, provides in fact, the perfect example of what happens to Socialists in Communist-ruled countries. Immediately after "liberation" the right wing of the Social Democrat Party, including its veteran leader Peyer, was purged. In early 1948 came the turn of the party's left and left centre, including such persons as Antal Bán and Miss Ann Kéthly, whose opinions might perhaps be com-

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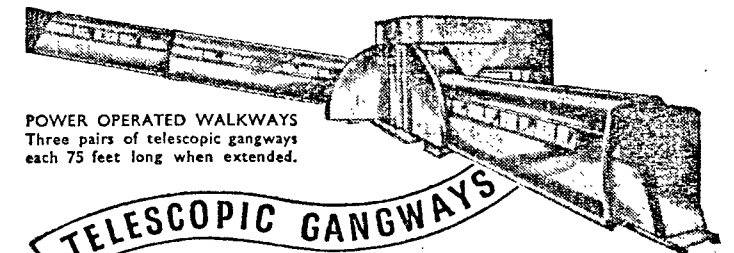
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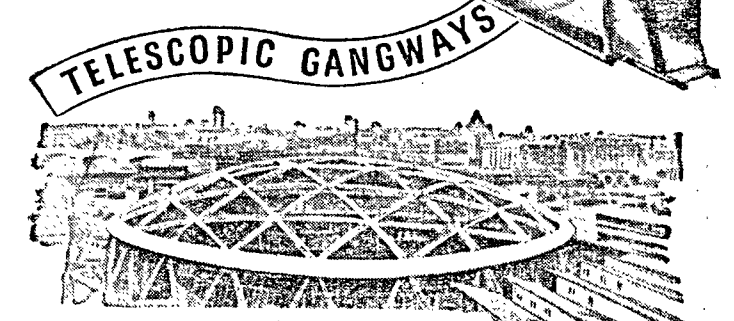
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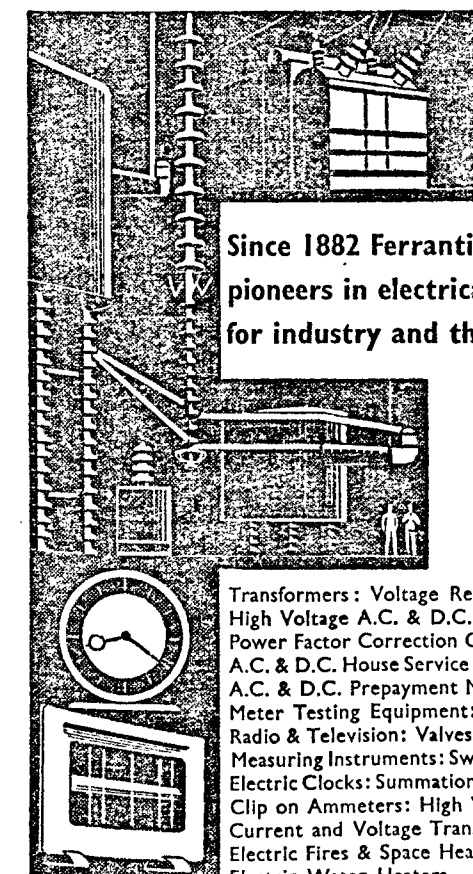


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pared with those of Mr Aneurin Bevan. After this the party was left in the hands of its Platts-Millses; the most important of them was the servile Marosan, who led it enthusiastically into "fusion." But only two years later Marosan was removed from the government, and even the complaisant President of the Republic, the former party leader Szakasits, had to give way to the still more subservient Ronai. Whether the disgraced leaders are still at liberty is not known. There have, however, been a number of arrests among lesser ex-Socialist collaborationists in the bureaucracy and the propaganda machine.

The lesson of Hungary should not be entirely lost in Western Europe. It is a warning to those in Western Germany who may still believe that co-operation with Communists is possible—a warning which seems likely to be reinforced by the purge of ex-Socialists now proceeding in the SED in the Soviet zone. It is a warning, too, to those elements in the British Labour Party who persist in believing that Communists are a kind of Socialist, that the Soviet Union is a friend, and that the United States is the capitalist enemy.

French Price Policy for Rearmament

[FROM OUR PARIS CORRESPONDENT]

WHILE the National Assembly has been debating electoral reform, the ministries have been examining the problem of subsidies for France's key industries—coal, electricity and steel. The *Charbonnages de France* are suffering from their wage-increase last November and the prospect of another one soon, from a rise in the freight charges of American coke, which they are importing at the rate of some 4½ million tons a year, and from the urgent need to plough back revenue for investment. *Electricité de France* must also build up capacity and in its case too wages will probably rise. The steel industry is likely to experience union demands and, even if it escapes them, will certainly feel the effect of the increased costs in the coal mines. In addition there is to be an increase in the authorised price of scrap which, because of its relatively low price, has been snapped up by foreigners. Another factor making for increased steel prices is the industry's desire to enter the Schuman single market with as much modern equipment as possible; the profits from higher prices, it is hoped, would make possible larger immediate investment. All these elements present a *prima facie* case for subsidies which is argued by the interested parties with all their habitual acumen.

The weight of official opinion is, however, against any substantial coal, electricity and steel subsidies. MM. Petsche and Faure who, with the Governor of the Bank of France, are chiefly responsible for the country's finances, point out that the value of money is depreciating the world over. France will therefore suffer no relative disadvantage in allowing prices to rise. Since rearmament inevitably means dearer raw materials everywhere and, unless the Washington commodity groups show a surprising turn of speed, there is little hope of a reverse trend soon; so it is as well—this school argues—to accept higher costs in France. Moreover, the fiscal problem of raising another 50 to 60 billions of taxes above the onerous increment voted last December would be well nigh insoluble. Apart from political opposition, the tax administration is incapable of surmounting the fraud that a further large increase in direct taxation would provoke. If, therefore, the budget is to be balanced, only indirect taxes could provide the revenue. But their further increase would be a calamity for the working class.

The case for subsidies is again weakened by the fact that a rise in the price of coal and steel would have nothing like a proportionate effect on the selling price of manufactured

consumer articles. In the small measure that these materials impinge on the family budget (electricity is indeed the only "popular" item among the subsidy candidates) it is probable that a rise in their price could be largely absorbed in the chain of production.

Argument Over Subsidies

But if the working class does not stand to suffer crucially from a rise in coal and steel costs, the entrepreneurs, public and private, do. For, while their own costs will have risen inescapably they will have no guarantee of being able to pass on this rise in an increased selling price. Hence their desire for subsidies which would enable them to peg their selling price and maintain their high rate of profit per unit of turnover (the fundamental vice of the French economy). Thus in the pursuit of subsidies there is an unholy agreement between the steel industry and the Socialists who, having introduced nationalised industry, would like it kept afloat. The latter, gaily advocating a dream-regime in which *dirigisme* reigns and the rich are soaked, skate lightly over the reality which is that subsidies can only be paid by the poor. In general, therefore, French officials are most unwilling to burden the taxpayer with heavy subsidies, such a charge being in their view unsound in principle, socially unjust and unfinanceable. Moreover, a subsidy to be useful must, in their view, be temporary and self-eliminating. With one exception neither of these conditions prevails. The exception is the case of imported American coking-coal which, it is anticipated, will soon be removed from European consumption. Here a subsidy of 7 or 8 billion francs should tide over the emergency.

One of the more telling arguments put forward by some officials is that France is not yet in a state in which too much money is chasing too few goods. Admittedly retail prices over the past six months have begun to rise: between June and December, 1950, for example, there was a 10 per cent increase in the Paris cost-of-living index. But there is little resemblance to the post-liberation years when stocks were desperately short and, above all, the population was plagued by the black market in food. Food is now abundant and prices of fruit, fresh vegetables and some other foods have remained stable, a source of sorrow to no one but the farmers. The lower income groups, far from bursting with purchasing power, are at present holding off the market because they lack the money to buy clothes, shoes and manufactured goods at the high price-level which a protectionist import policy encourages.

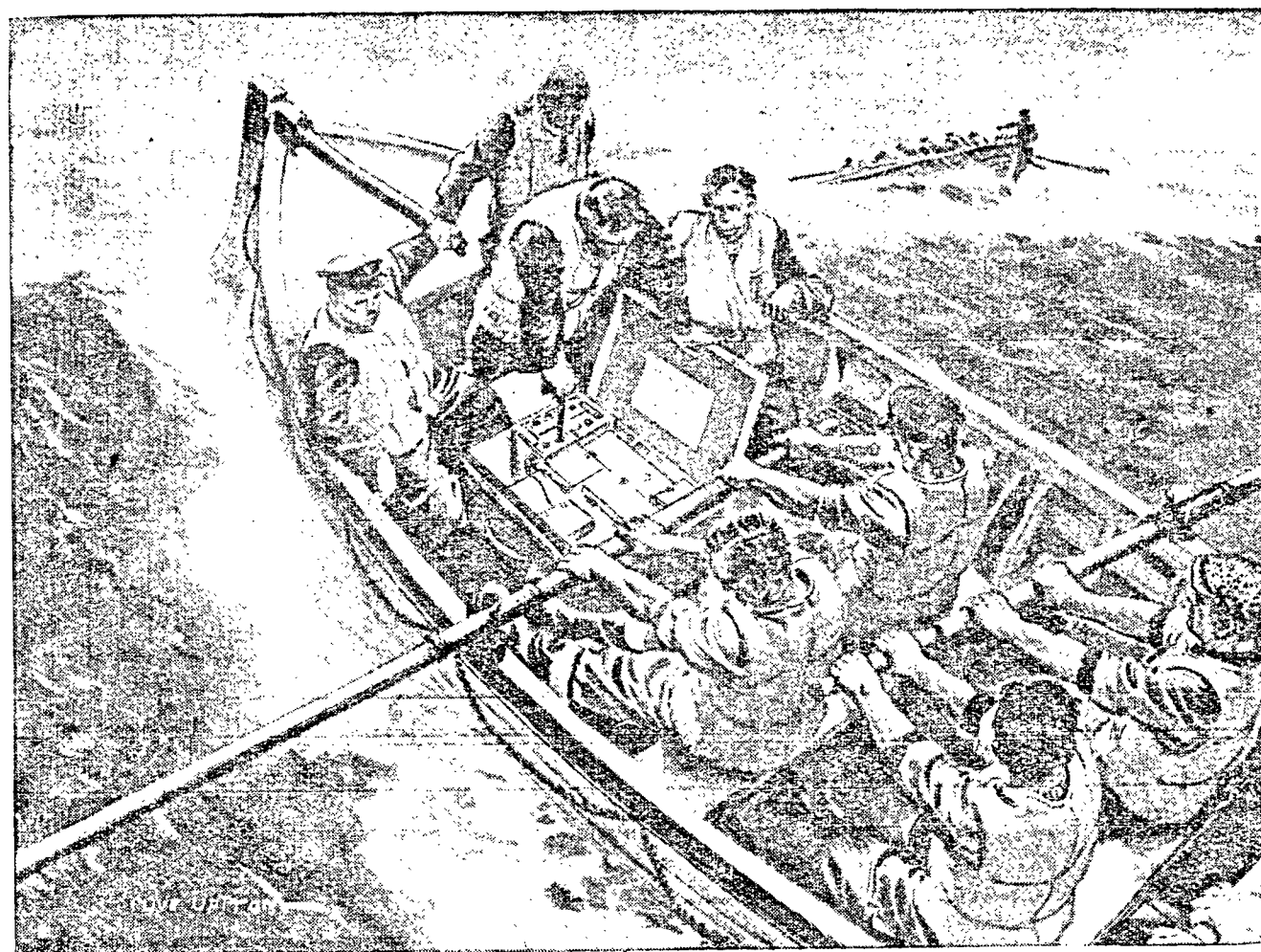
If there is little inflation yet, there is a strong likelihood of it when rearmament expenditure proper begins. For if the money demand resulting from higher wages is not met with a corresponding increase in the supply of consumption goods, prices will soar. Only two measures will counteract this tendency: a really bold import policy, which France with her excellent balance payments position may well withstand, and an increased national production of consumers' goods.

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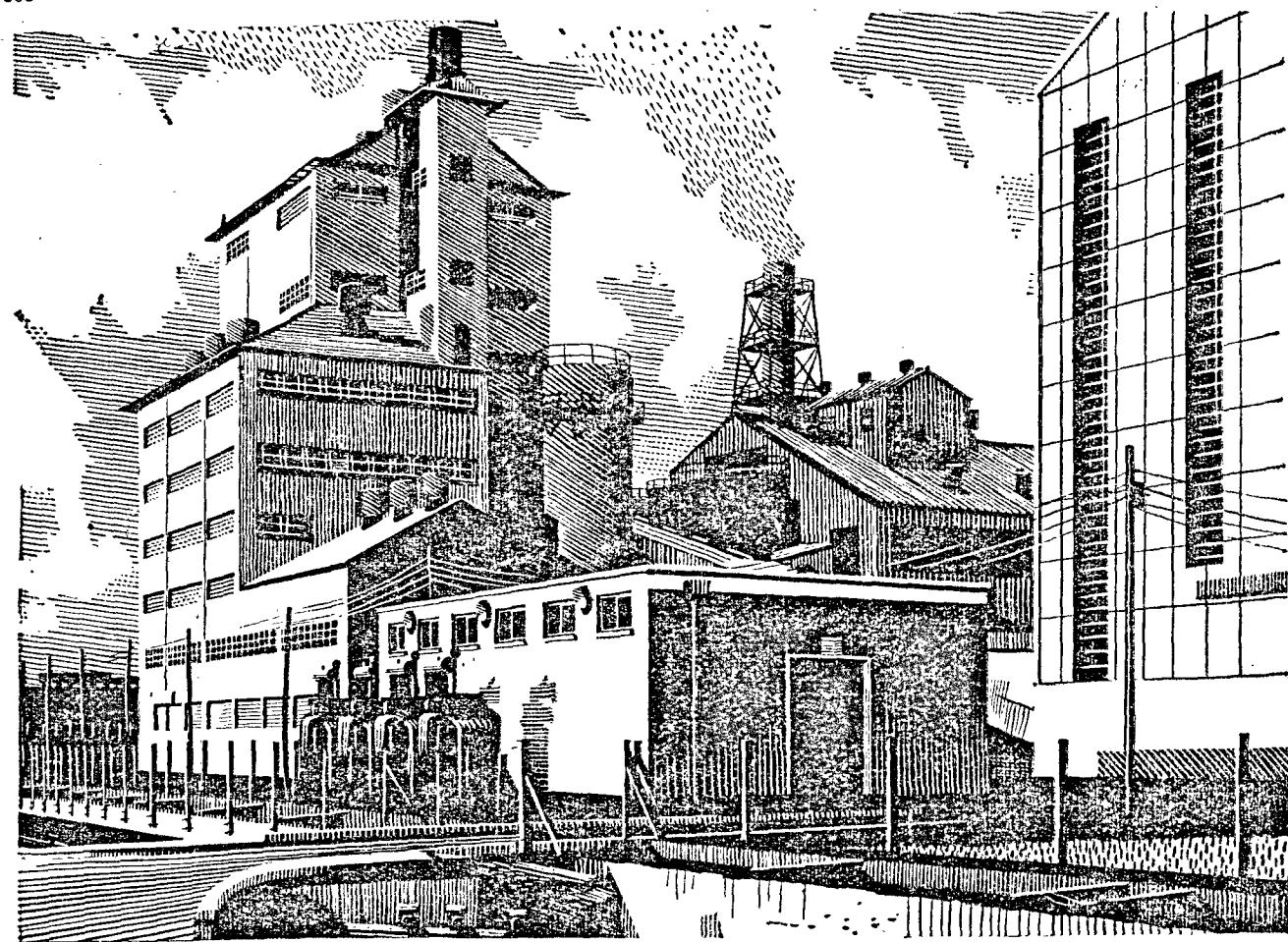
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Economic Literature Since the War

TO COMPARE, however roughly, the trend and colouring of books written since the war on social and economic subjects with the corresponding literature of the 1930s is to risk a judgment which may well be discredited by the passage of another decade. What looks like a marked change of direction may prove to be a deviation up a blind alley; an apparently significant concentration of opinion may be no more than a momentary convergence of interest and vocabularies. But from the vantage point of 1951, this change of direction and concentration of opinion appear unmistakable.

During the 1930s, writers in the social and economic field concentrated on two main themes: Poverty in the midst of Plenty, and the diagnosis and prevention of Fascism. While the labelling of Fascism as a disease and the desirability of stopping its spread were, with very few exceptions, common ground in Britain, on the question of poverty-in-plenty the moral and intellectual cleavage was apparently irreconcilable. In the field of theory the neo-classics, uneasily allied to a political Right most of whose measures they heartily disapproved, agreed in laying the chief blame for depression on departures from the ideal competitive economic order, on internal rigidities of prices and wages, on obstacles to trade, on monopolistic elements. The Socialists, in flat contradiction, hailed it as justification for Marx's prophecies or, at the least, for the analysis of J. A. Hobson. At less rarefied levels, the "Condition-of-the-People question" was ventilated by inquiries, whether detached or crusading, into the distribution of incomes, into nutrition, housing and the general standards of the unemployed and the underpaid—most attention coming from the Left and the distressing findings being used most frequently as a stick with which to beat the existing political regime. Those were the great days of the Left Book Club, of a Russia-worship only slightly flawed by the early purges, of a clear-cut conviction—on both sides of the intellectual and political dividing line—that the other side were utterly and rather contemptibly mistaken. They were also days, however, of agreement, transcending such division, on one general proposition: that the governing factors in a human situation, which all agreed to be unsatisfactory, were economic or, at most, political. In both these respects there has been a change.

In the past few years there has been a considerable blurring of the theoretical line between Left and Right. The orthodox have been chastened by the Keynesian explosion; having been forced to concede that even an ideally free enterprise economy cannot be counted on for stability, they have *ipso facto* conceded half the Socialist case. The Socialists, who were already in the later thirties inclined to treat with new respect that principle of consumers' freedom which they used to deride, have been forced by factual demonstration to jettison most of the other half; the claim to hold, in Socialism, the key to an enormous potential of productive power; the claim to be able to remove the root causes of international conflict; the claim that all-in planning is not merely rationally but practically a possible means of achieving the best use of available resources; above all the claim that public ownership can be equated with a new moral order. In such works as Professor J. E. Meade's "Planning and the Price Mechanism," or Professor Arthur Lewis's "Principles of Economic Planning" on the one hand, and Professor Lionel Robbins's "Economic Problem in War and Peace," or Sir Oliver Franks's "Central Planning and Control in War and Peace" on the other, there emerges a remarkable measure of agreement, which amounts almost to a new synthesis.

This common measure of agreement embraces the need for central control in the interests of stability, although how detailed a control, exercised through what organs, judging stability according to what quantitative criteria, remain debatable questions. It also covers the need for central action towards the reduction of inequality; again to what extent, by what specific measures, at what acceptable cost in terms of other desirable ends, being matters of disagreement. It accepts the individual consumer's freedom as a basic principle, and the circumscription of that freedom where needful (to an extent to be empirically, not dogmatically, settled) in the interests of the general public benefit, of equity, or of rapid adjustment to emergency. It accepts a division of ownership and authority between public and private agencies according to criteria on which agreement is no less substantial because of practically important differences of interpretation. This basic agreement does not mean perfect harmony and mutual trust. Those whose

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intellectual pedigree is Conservative suspect their Socialist counterparts of a certain tepidness towards individual freedom; while the Socialists suspect their academic adversaries of an equal tepidness towards social justice and of undue readiness to demand of others a degree of versatility and responsiveness to economic stimuli which their avocations do not entail for themselves. In the works of Mr Thomas Balogh, one encounters demonstrations of righteous wrath and contempt recalling the best days of the twenties and thirties; while in Professor J. Jewkes's "Ordeal by Planning"—not to mention Professor Hayek's "The Road to Serfdom"—the Right has given quite as good as it gets.

There is no doubt that a common ground exists, in the field of economic thought, such as has not existed in this century; a framework of basic assumptions within which special studies fall into place as explorations of the essential data for an agreed policy. Among such special studies the most important on the theoretical side will probably, in the perspective of the next decade, be judged to be those on the causes of instability by Mr J. R. Hicks, "A Contribution to the Theory of the Trade Cycle," and Mr R. F. Harrod, "Towards a Dynamic Economics," both representing an advance from the static analysis of Keynes's "General Theory" to a dynamic consideration not only of monetary but also of "real" disturbing influences in a progressive economy. Professor D. H. Robertson, perhaps the most effective of Keynes's critics in the thirties, emphasises this return to the "real" in the postwar edition of his "Banking Policy and the Trade Cycle." Among studies of institutional structures three of special interest are Professor Sargent Florence's "Investment, Location and Size of Plant," Mr J. B. Jefferys's "The Distribution of Consumer Goods" and the late Professor Hermann Levy's "The Shops of Britain"—representing a type of work whose expansion would go far to meet the criticism that economic theory lives in an abstract world.

*

To describe postwar economic and social literature entirely in terms of a Left-Right rapprochement would, of course, be gross oversimplification. In the academic stratosphere controversies on the nature and assessment of economic welfare, as exemplified in Mr M. W. Reder's "Studies in the Theory of Welfare Economics" and Mr I. M. D. Little's pathbreaking "Critique of Welfare Economics" are on the contrary uncovering and making explicit a fundamental divergence of view on the criteria of economic success. This divergence, very broadly, is between the notion of economic welfare as an objective total capable, if not of absolute measurement, at least of ordinal comparison, and that of economic welfare as a function of distribution, entirely meaningless except in relation to the pattern of incomes in the society concerned. The political implications of this divergence are obvious, and obviously divisive rather than uniting. It is one thing to weigh

against one another "wealth" and "social justice," and reconcile their conflicting claims by rational compromise; it is another to confront the view that apart from "social justice," however defined, there is no such thing as "wealth" at all.

In some more specialised fields old controversies also continue or take on new forms. One—that between neo-Malthusians and optimists—has been conducted mainly in America and been echoed here only in ephemeral debate. Another, harder to define, is concerned in a variety of contexts with the issue of stability, its attainment and the value to be set upon it. In the international field Mr Thomas Balogh's "Dollar Crisis" states the extreme case for stability at all costs against a background of assumptions about distribution which, though unanalysed and violently partisan, have something in common with the meticulously objective conclusions of Mr I. M. D. Little and well demonstrate their explosive potentialities; Mr R. F. Harrod's similarly (though more politely) polemic book "Are These Hardships Necessary?" though keyed to the circumstances of the crisis year 1947, embodies the contrary thesis of the "dash for freedom."

*

In a sense the whole postwar literature of full employment, the Keynesian and anti-Keynesian controversy, is concerned in one of its aspects with this debate. It is apparent in such Socialist statements as Prof. G. D. H. Cole's "Economics of Socialism," as well as in the less partisan essay on "Overhead Costs" by Professor Arthur Lewis, where one main issue is the proper treatment of resources embodied in forms inappropriate to present demands. It merges here and elsewhere, indeed, with the main problem of the rationale of planning, and constitutes a major cleavage between points of view otherwise well on the way to reconciliation. Its immediate practical importance is illustrated by the lack of guidance in principle afforded to the Monopolies Commission, who are in effect asked to judge *in vacuo* which private stabilising devices are, and which are not, in the public interest. Here is a theme likely to be further discussed, possibly in more popular terms, in the next few years.

If there has been, on balance, a certain concentration and harmonising of opinion on economic questions since the thirties, there are signs of breakdown in the tacit agreement to seek for social explanations and remedies in economic terms. Today an increasing emphasis can be noted on sociology, on the relations within and between groups. This is explained partly by the shift in class relationships under the impact of war and postwar stresses and of equalitarianism, and partly by the growing urgency of the industrial human relations problems in conditions where simple carrot-and-stick economic incentives have been blunted and the scale and structure of industry simultaneously enlarged and complicated. "The English Middle Classes," by Mr

Roy Lewis and Mr Angus Maude, and perhaps Mr R. C. Churchill's "Disagreements: A Polemic on Culture" may stand as examples of the work inspired by the first type of change; much of the impetus for that concerned with the second comes from America. One may cite Professor Elton Mayo's "Social Problems of an Industrial Civilisation," whose influence can be detected in Mr Tredgold's "Human Relations in Modern Industry" and Mr Rattray Taylor's "Are Workers Human?"—this last exhibiting a significantly violent reaction against economic interpretations and even economic criteria. At the same time the typical "Condition-of-the-People" literature of the thirties finds its postwar counterpart in studies concerned less with standards of living than with ways of life; in such inquiries as "Eighty Thousand Adolescents" (Westhill Training College, Birmingham), Miss Pearl Jephcott's "Girls Growing Up" and "Rising Twenty," or Professor Zweig's "Men in the Pits," a study of the mining community and its *mores*. This trend has not gone nearly as far in Britain as in America, but it is unmistakable and, if periodical literature is any guide, likely to persist and increase.

The books mentioned in our leading article appeared as follows:

- Planning and the Price Mechanism.* By J. E. Meade. Allen and Unwin. 1948.
Principles of Economic Planning. By W. A. Lewis. Dennis Dobson and Allen and Unwin. 1949.
Economic Problem in War and Peace. By Lionel Robbins. Macmillan. 1947.
Central Planning and Control in War and Peace. By Sir Oliver Franks. Longmans. 1947.
Ordeal by Planning. By J. Jewkes. Macmillan. 1948.
The Road to Serfdom. By F. A. Hayek. Routledge and Kegan Paul. 1944.
A Contribution to the Theory of the Trade Cycle. By J. R. Hicks. Oxford University Press. 1950.
Towards a Dynamic Economics. By R. F. Harrod. Macmillan. 1948.
Banking Policy and the Trade Cycle. By D. H. Robertson. Staples Press. (Reprint in *Economica*.)
Investment, Location and Size of Plant. By Philip Sargent Florence. Cambridge University Press. 1948.
The Distribution of Consumer Goods. By J. B. Jefferys. Cambridge University Press. 1950.
The Shops of Britain. By Hermann Levy. Routledge and Kegan Paul. 1948.
Studies in the Theory of Welfare Economics. By M. W. Reder. Oxford University Press. 1948.
Critique of Welfare Economics. By I. M. D. Little. Oxford University Press. 1950.
Dollar Crisis. By Thomas Balogh. Basil Blackwell. 1949.
Are These Hardships Necessary? By R. F. Harrod. Hart-Davis. 1947.
Economics of Socialism. By G. D. H. Cole. Gollancz. 1950.
Overhead Costs. By W. A. Lewis. Allen and Unwin. 1949.
The English Middle Classes. By R. Lewis and A. Maude. Phoenix House. 1949.
Disagreements: A Polemic on Culture. By R. C. Churchill. Secker and Warburg. 1950.
Social Problems of an Industrial Civilisation. Routledge and Kegan Paul. 1949.
Human Relations in Modern Industry. By R. F. Tredgold. Duckworth. 1949.
Are Workers Human? By G. Rattray Taylor. Falcon Press. 1950.
Eighty Thousand Adolescents. Westhill Training College, Birmingham. (For Edward Cadbury Charitable Trust.) Allen and Unwin. 1950.
Girls Growing Up. Rising Twenty. By Pearl Jephcott. Faber and Faber. 1948.
Men in the Pits. By Arnold Zweig. Gollancz. 1949.

**The Peasant and the
Townsmen**

Two Frenchmen: Pierre Laval and
Charles de Gaulle. By David Thomson.
Cresset Press. 256 pages. 12s. 6d.

At a time when a just estimate of France's motives and possibilities is so important Dr Thomson has done well to bring together into one study the figures of Laval and de Gaulle, those two poles of French philosophy and behaviour. Of the two figures portrayed by Dr Thomson, de Gaulle stands out more clearly in the imagination than Laval, a man so much more devious than either the General, his opponent abroad, or the Marshal, his master at home. De Gaulle's heroic faith in the allied cause in 1940; his fanatically tenacious grip on every French interest during the war; his aloofness from the starved and dejected French population after it—these are well known. Yet few realise the magnitude of Charles de Gaulle's personal decision in June, 1940. As Dr. Thomson shows, almost overnight de Gaulle, the soldier technician fretting obediently at the blind incompetence of his seniors, became the soldier-politician in open revolt not only against the military hierarchy but also an executive power, which he proclaimed illegal.

Laval is shown as a shifty *combinard* who nevertheless believed, or at least half believed, that in peace and in war he was serving his country. Laval's manoeuvres were neither the dodges of a place-hunter nor the intellectually defined tactics of an ideologist. They were the manoeuvres of a man whose only political principle was to place himself at the head of the main popular trend of the times and, by an almost oriental technique of assiduous lobbying, to seek the support of enough of the floating or the hostile to win the day. This utter renunciation of moral leadership won Laval all the chief ministerial posts of the Third Republic, including three premierships. In 1940 Laval, believing in a German victory and sensing the bankruptcy of the parliamentary forms, accepted the transference of power to Pétain as the one practical means of saving the bulk of French interests in a peace treaty. As German fortunes declined, Laval, never liked by Pétain and never liking him, still clung to the reins of power even, finally, at the cost of serving alongside out and out collaborationists such as Henriot and Déat. This mistake cost him the remains of his reputation and finally his life. Laval, a democrat in the literal and worst sense of the word, had certainly no taste for the *Etat Français* and the religiosity of Vichy. His aim was to tide over the German occupation and then restore the Third Republic, a regime to which he himself owed everything.

Laval was the incarnation of French peasant realism. He is dead and de Gaulle very much alive. It would be rash, however, to conclude either that France has seen the last of Lavalism. De Gaulle, "the man of the French towns," as Dr. Thomson rightly calls him, will continue to meet the resistance of much of that other France which is "the peasants' republic."

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The World's Debate

A History of the Crusades. Vol. I: The First Crusade and the Foundation of the Kingdom of Jerusalem. By Steven Runciman. Cambridge University Press. 377 pages. 25s.

Writing in her old age, Anna Comnena summed up the First Crusade which she had witnessed by the side of her father, the harassed Eastern Emperor Alexius: "Europe was loosed from her foundations and hurled against Asia." Six hundred years later Gibbon ended his account of the Crusades with a lovely and penetrating phrase: "a mournful and solitary silence prevailed along the coast which had so long resounded with the world's debate." Both these authors realised the crucial importance in history of this impact on one another of the western world, half barbarian, half Roman in ancestry, and the eastern world, part Hellenistic, part Byzantine, part Arabic, part Persian. To this theme later historians have added another: how, in the crusading states of Syria and Palestine, feudal society can be seen as under a magnifying glass, trying to reach a solution to the problems of feudal organisation and at the same time to absorb an alien proletariat.

In spite of the importance of the topic, however, the writing of the history of the Crusades has been left largely to Continental scholars, especially to the French, who have a patriotic interest in the matter. Now Mr Runciman has brought his detachment and his magnificent equipment to the task—an equipment which includes intimate acquaintance with the sources in seven ancient tongues and the secondary authorities in as many modern languages. This volume, the first of three, paints the Middle Eastern background from the christianisation of the Roman Empire; the bulk of the book is a narrative of events from the Council of Clermont to the day when the able, unscrupulous Baldwin rode down from Edessa to Jerusalem to become the first king of the new state. On the way we have a vivid account of the early, abortive popular movements and their horrible end; the anti-Jewish pogroms which disfigured the European beginnings of the Crusade; the difficulties of the Emperor Alexius with the "nobles," Crusade; then we accompany the latter on each stage of their long, difficult fight to reach Jerusalem. The account of events is masterly: the innumerable contradictions and difficulties of the sources are resolved in a manner far surpassing that of Mr. Runciman's predecessors. His sympathies (as might be guessed from his earlier works) are throughout with the Byzantines and especially with that extraordinary man Alexius Comnenus. Nevertheless, the portraits of the western leaders are full, convincing and on the whole just.

This does, however, raise one issue of first importance: Mr Runciman's reluctance to answer the question "Why?" in any terms other than those of personal motives. To take one quite small example, the reader is left with the impression that Godfrey de Bouillon's assumption in 1099 of the title *Advocatus Sancti Sepulchri* was a personal choice, with no other cause than Godfrey's personal piety and humility; and the subsequent struggle over the control of Jerusalem is represented as a clash between the personalities of Godfrey and Daimbert, the papal legate. But the title *advocatus* is an important technical term which western feudalism used in defining certain relationships between secular and ecclesiastical authority, and by assuming it Godfrey and the laity were staking out a definite claim in the new organisation. The subsequent struggle with Daimbert resulted from this, and was not only a clash of personalities: it was a clash of ideas, a continuation of the unresolved debate on authority, its varying origins, forms and scope, which had been going on in Western Europe for over half a century. Again, in a wider sphere, Mr Runciman's answers to the questions concerning the deeper causes of the Crusade are somewhat disappointing. He does deal with such problems as land-hunger, or the idea of a Holy War, but sketchily: he leaves the impression that he is not so interested in western society, and is anxious to hurry his Crusaders off to the east he knows and loves. This lack of depth inevitably falsifies the narrative to some extent. For all that, Mr Runciman's is certainly the best history of the first Crusade and his succeeding volumes will be eagerly awaited.

To Arrest the Course of History

Mirabeau—A Study of a Democratic Monarchist. By Oliver J. G. Welch. Jonathan Cape. 356 pages. 18s.

A statesman's public and private life can often be neatly dissociated. Not so for Mirabeau. Unfortunately for him, as soon as the fascinating thunder of his voice died down the revolutionary Assembly could not bring itself to trust a man with such a reputation for venality and debauchery. Yet his disorderly past had certainly helped to put Count Riquetti de Mirabeau in the ranks of the bourgeois Third Estate. A bankrupt, an adulterer, and divorcé, disdained by the aristocracy, ignored by the Court, there was no outlet for his energy except to lead to attack on the existing regime.

His life before the Revolution reads like a romantic thriller. The pock-marked hero was ugly, but he was so irresistible that love affairs figure in his tale as prominently as prison sentences, exiles or debts. Mr Welch, however, shows, in this interesting biography, that all this time Mirabeau thirsted for political activity. He offered his services to England and Prussia, without success; from the French Government he only got an unofficial mission to Berlin; there seemed to be no scope for his abilities. Then came the Revolution. Acclaimed by the Commons of Aix, Mirabeau immediately imposed himself in the States General and leapt straight into history with his famous rejoinder: "... for we shall not quit our places except at the point of the bayonet."

In this revolutionary prologue, while the conflict of Commons versus Nobility was undecided, Mirabeau, Tribune of the People, was even ready to oppose the royal will. However, when the Commons won, and the States General became a National Assembly, Mirabeau began fearing for the monarchy. When others did not even contemplate a republic, he dreaded its advent, since for him republic spelt anarchy. The popular idol was a staunch monarchist and he showed it in September, 1789, by defending the King's absolute veto. Soon he was to receive money from the Court.

He hoped for an alliance between the King and the Assembly, now dominated by the middle classes, with himself as prime-minister. Hence he desired a governmental system on the English model with the ministers chosen from the Assembly. But the protagonists were not ready for an understanding and neither side wanted him as matchmaker.

Henceforth Mirabeau was fighting a losing battle. The Court listened only because it was in desperate straits and did not obey his tactically brilliant notes. Yet even if it had followed them it is very doubtful whether the projects would have succeeded. To defeat revolutionary Paris, Mirabeau advised the King to leave the town openly and appeal to the provinces (but not to foreigners) even at the risk of civil war. The Court dallied. Time was playing against Mirabeau. His plans became more devious: he now proposed to halt the revolution by Florentine methods of corruption. At the end of February, 1791, the Jacobins started an open attack on Mirabeau. The battle was never concluded. Sapped by excesses and worries Mirabeau died in April, still in his early forties, but at the right moment for his reputation. Barely two months after, the flight to Varennes marked the final divorce between the King and the Revolution.

Mr Welch contends that Mirabeau's attempt to introduce constitutional monarchy on the English model could have been successful in France in 1789. Yet the conflict between Nobility and Commons came much later in France and was incomparably more deadly. Monarchy had been a part of the feudal system and the Court was unwilling to adapt itself to a new situation. Louis XVI was beheaded, Charles X driven away before Louis-Philippe became a Bourgeois King. Mr Welch himself thus resumes Mirabeau's advice:—

"Instead of being trailed ignominiously behind the revolutionary car, Louis should be seen sitting within it, benign and stately and as much at ease as in the state coach of the old regime."

The Court could accept the temporary erasure of the feudal coat of arms; it could not resign itself definitely to a new coach. Mr Welch has written a very interesting and well documented life of Mirabeau as a man. To prove his wider point Mr Welch would have needed to abandon for a moment his hero, to analyse the social conditions of France, the temper of Paris and to show how, at this late hour, a conflict between the old and the new forces could have been avoided. This would be a far harder task.

Facts and Fluctuations

Business Cycles and National Income. By Alvin H. Hansen. W. W. Norton, New York. 639 pages. \$6.75.

The appearance of this book is a reminder of the way in which the study of business cycles is acquiring, in American universities, the dignity of a separate branch of economics—a status which it is hardly likely to attain in Britain, but which is natural enough in the American setting. What Professor Hansen is here offering is a comprehensive text-book for use in such courses; and there is certainly no one who is better able to produce what is wanted for that purpose. But it must be confessed that this particular orientation is a little daunting to the English reader, since it makes for great length, and for the combination in the same volume of much elementary platitudes with other material of an advanced and specialist character.

The book is divided into four parts. Part I contains an excellent summary of the facts about the fluctuations in American business from the end of the Civil War to the present day. There is no doubt that this summary will be useful to English readers, though one may regret, from the point of view of the American public, that the emphasis is so exclusively American; more attention to the experience of other countries, and to the international aspects of the cycle, would have been an improvement, both here and in other parts of the book. Part II is a straightforward account of the Keynesian theory of income and employment, with accelerator added, in the manner of Professor Hansen's earlier books. Part IV, on policy, contains nothing particularly new. These three parts form a sound, but not at this time of day particularly exciting, elementary text.

Nearly half of the whole volume is, however, occupied by Part III, which is a history of cycle theories, or rather of the ideas which have gone to make the modern theory of the cycle. Nothing quite like this has been done before, and it deserves attention from many people who will not have much to learn from the remainder of the book. What Professor Hansen has done here is to provide the modern theory with its pedigree—a much more respectable, and much more believable, pedigree than that of the "brave army of heretics" and mercantilists whom alone Keynes was willing to recognise as forerunners. Instead of standing out in the splendid isolation that Keynes gave him, Malthus steps back into the shadow of a clearer thinker, Lauderdale, while the influence exercised by both upon J. S. Mill is not denied. It is, however, admitted that this first group of effective demand theorists left no successors; the continuous development begins much later in the century. The real originators are Tugan-Baranovsky (1894), with his insistence on the part played by investment in fixed capital in the causation of fluctuations, and Wicksell (1898), with his workable model of an economic

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system which was not inherently stable. From these beginnings development was really (now that we can look at it with a little perspective) remarkably steady. Minerva did not spring ready armed from the head of Jupiter; she was, after all, born and brought up the natural human way.

Professor Hansen has given us an excellent survey of all this literature; but he has not inquired very far into the fascinating historical problems raised by his story. During the last century the character of the cyclical fluctuations experienced has undoubtedly undergone changes. How far are the changes in the theories a reflection of real changes in the phenomena which economists have been trying to explain? How far, also, are they a reflection of changes in economists' knowledge of the phenomena? The importance of this last must surely be very great indeed. Is it surprising that nineteenth century economists paid so little attention to unemployment when they knew so little about the facts of employment percentages? How much does the multiplier theory owe to the labours of national income statisticians—Keynes to Bowley and Colin Clark?

It All Depends

Relativity—A Richer Truth. By Philipp

Frank. Jonathan Cape. 124 pages. 7s. 6d.

Science, Sense and Nonsense. By J. L. Synge. Jonathan Cape. 156 pages. 8s. 6d.

In the great days of the BBC Brains Trust many listeners were infuriated by the famous formula "It all depends what you mean by..." This seeming inability to give a straight answer to a straight question was widely regarded as a rank depravity; whereas it was possibly the most consistent piece of good sense exhibited in these broadcast discussions. The habits of detached inquiry and qualified statement were, and are, widely held responsible for the demoralisation of Western civilisation and its weakness in the face of aggression, through their undermining of faith in "absolute values"; the allegedly exaggerated role which science has played in modern thinking was denounced as the cause of this deterioration of morale.

Professor Frank champions the opposite view, that "absolute values" are a delusion, leading only to contradictions and irreconcilable quarrels. At best they have to be so qualified and interpreted as to lose all absolute quality; and at worst they degenerate to slogans or battle-cries, divorced from any real meaning, in whose name all kinds of evil are perpetrated. He holds firmly to the doctrine of logical empiricism, based on the pragmatism of C. S. Peirce and William James, that the whole meaning of beliefs and statements is contained in their concrete consequences; a so-called "absolute" truth is meaningless except in relation to particular sets of circumstances. This is the "relativity" he defends, and whose application in philo-

sophy, ethics and politics he very persuasively urges.

The methods of science are, essentially, agreement on methods of verification, and then agreement on a body of known facts. No arguments about absolute principles, nor attempts to justify them by reason or revelation, need deter this start. General principles, at first limited in scope, are framed to embrace the known facts, and are tested by their ability to predict hitherto unverified facts. If they fail to embrace newly revealed facts, they need amending until they do; and so acquire a correspondingly wider validity. It is putting the cart before the horse to lay down the basic principles before elucidating the facts, yet this is the common rule in ethics and politics. "Absolute" systems must in the end either retire behind a screen of ambiguous words; or else reinforce their prestige by discouraging the investigation of facts and the detached examination of their basic principles. History, both past and present, has examples enough to show that science is the enemy of totalitarian systems.

Scientific investigation is based on a belief in the "rationality of nature." This is, in fact, not a belief about nature, but about ourselves—that the patterns which are revealed in the phenomena of the world will continue to seem rational to us. This correlation between nature and the human mind is what Einstein calls "cosmic religion"; and Professor Frank ends his book with a discussion of its relation to the orthodox religious faiths, and to the scientific empiricism he has outlined. Einstein himself best sums up the argument: "Ethical axioms are found and tested not very differently from the axioms of science. Truth is what stands the test of experience."

The cynicism and slapstick of Professor Synge come as light relief after Professor Frank's earnestness. His aim seems to be to show how many pitfalls there are in the business of passing ideas from one person to another, and how rickety the whole structure of modern scientific knowledge is, regarded on a logical basis. To which the reader can cheerfully reply, with the author's blessing, "Who cares?" He begins with a good smack at words, which are derided as mere links for the construction of meaningless vicious circles. Mathematics, in its present highly purified state, is conceded to make fairly good sense. But mathematics and reality are in no way connected; and Professor Synge is shocked at the callous indifference to the rules exhibited by mathematical physics in its attempt to explain reality.

Some entertaining interludes of Shavian buffoonery are provided; in particular, the browbeating of Euclid by the street urchin of Alexandria, is delightful. Unfortunately, they do not all seem to fit successfully into the argument, and the author rather ruefully predicts some puzzlement in the reader. Again, "Who cares?" The sense and the nonsense can be portioned out to suit each individual reader; the book has plenty of both.

The Little King

The Man of Independence. By Jonathan Daniels. Gollancz. 384 pages. 18s.

This is a lively and affectionate biography of the President of the United States. It tells the latest American success story: how a penniless, bespectacled little fellow from Missouri, who at sixteen could not decide whether to be a pianist or a soldier, made his way up to the White House. The author is himself a militant Democrat from a militantly Democratic southern family, and his book was written with Mr Truman's help and approval.

The greater part of the book is about Mr Truman's relationship with the allegedly corrupt Democratic "machine"—the administration which governed Kansas City and its surroundings when Tom Prendergast was boss. Mr Daniels makes no effort to conceal the fact that the "machine" brought Mr Truman into politics. He argues, however, that the Prendergast leaders depended ultimately on a popular vote and that Mr Truman, an ex-farmer, a veteran of World War I and an active member of a Masonic lodge, was always more help to them than they were to him. He shows how Mr Truman applied his principle that "honest administration is good politics," and how he served eleven years in a corrupt local government and worked forty months as chairman of the widely publicised Senate Committee on wartime expenditure, emerging with an immaculate record which even his worst enemies have never dared to challenge. When he arrived in Washington in 1933 Mr Truman is believed to have been the poorest senator in Congress. Mr Daniels takes 1936, the year of Tom Prendergast's arrest, as the dividing line in Mr Truman's career: until then his association with the "machine" was an asset, afterwards it became a liability.

Only a small section of the book treats of Mr Truman as President. The author gives a warmly sympathetic account of the origins and principles of the domestic "Fair Deal," but says little about what happened to it. On international affairs he admits that President Truman knew nothing whatever when he was suddenly called to succeed President Roosevelt in 1945. He describes how the new President worked on the assumption that foreigners must be fundamentally rather like the people back in his home county, and he quotes Mr Truman's view after the Potsdam Conference that Joe Stalin was more like Tom Prendergast than any man he had ever known. He also recalls the President's famous comparison between Stalin's supposed troubles with the Politburo and his own difficulties with the conservative Eightieth Congress. Later, when things went wrong, he was angry as well as surprised.

For the British reader, unfamiliar with American institutions and personalities, parts of the book may be muddling. Mr Daniels assumed more background knowledge than non-Americans would normally command. The British edition might have been still more readable if it had been either abridged or annotated.

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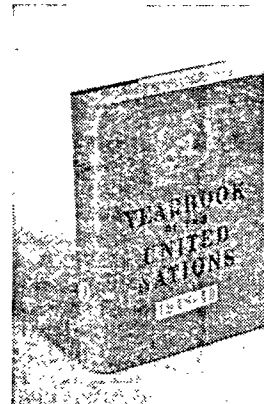
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Books by the Million

[BY A CORRESPONDENT IN NEW YORK]

There are about three hundred publishers in America. They are mostly in New York and Boston, but the growing number of university presses is tending to scatter the industry. Big houses are the exception, and the trade is full of able men who prefer to work with their own small list of authors and who manage to do it without falling too far into debt to printers and paper companies. The most drastic change this year is in that the old and famous house of Macmillan has cut loose from its British connections and become an American public company.

Given the industry's aversion to statistical inquiry, the Department of Commerce figures on editions published annually, and money spent for them by the consumer, provide the best rough measure of the dimensions of American publishing. In 1949 the country spent \$636 million for books and maps, a slump from 1946 when the figure was \$739 million, but a rise from 1942 when it was only \$317 million. For this money, the publishers issued a total of 10,892 editions including new books and reprints. In 1950 the figure was 11,022, crossing the 11,000 mark for the first time since 1940. (This figure compares with the British figure of 17,034 editions for a population only a third as large, but it can be argued that the American market for periodicals is far larger than the British, and that popular readership moves in that channel.)

Within those figures of total sale no official details are available. An informed guess by Mr J. K. Lasser, accountant to the trade, is that textbooks make up the single biggest fraction, with about \$179 million spent for them in 1949, mostly by states which distribute them free in elementary and secondary schools (\$65 million of it was spent by students themselves for college textbooks). The next big fraction, \$160 million, went for the general run of trade books, and \$100 million was spent for paper covered volumes and "juveniles" selling at under a dollar. The other great categories—book club sales, religious books, technical and scientific books, the output of subscription houses and university presses—account for the rest.

The spectacular forces in the industry are the book clubs (an advertising euphemism for a highly efficient distributing system) and the cheap mass-produced volumes bound in brilliant paper. Both of them represent a revolt against the musty air, bad manners and slow service of the traditional bookshop. Both aim to move more books into the hands of more people faster. Both claim cultural ideals and influence. Both arouse envy or dismay in the traditional publisher.

Actually, the difference between them is far greater than these similarities would indicate. The book clubs came first and secured a public in the millions by making the buying of books an almost painless process. The "book of the

month," chosen by a jury of impeccable qualifications from among the offerings of all publishers, comes to a member automatically unless stopped in advance, with the purchase price slightly less than he would pay his regular bookseller. Moreover, membership in such a "club" has been loudly proclaimed to indicate social status, and this, in a fluid society, attracted members who could afterwards be held by the convenience of the plan. The influence of book clubs on publishing in general is much debated. Since 1947, when the largest of them sold \$18 million worth of books, their influence has seemed to wane. However, the clubs still do a thriving business.

The paper-bound reprints, old as Tauchnitz in Europe or dime novels in America, entered their new and very different phase about 1937, when Penguin Books came from England and Pocket Books were launched. In 1949 the market absorbed 184 million copies, and the sale in 1950 is said to have reached 200 million. They sell for 25, 35, or 50 cents a copy, the price depending on bulk. They too have, in some instances, pretensions to cultural value, but these are ideals in their publishers' breasts, and not primary elements in their popularity. The success of the business depends on the economies of mass manufacture, and of a mass distribution scheme very different from that of the book clubs. They are distributed by the same firms and the same methods that distribute weekly and monthly magazines across the land.

This operation bears little resemblance to English cheap edition business. Competition for desirable items is keen, and the profit to the original publisher as well as to the reprinter may be large. The successful reprinters have now reached the point where they can "plant" a desirable manuscript with a house of first issue, paying part of the cost of first publication in order to assure themselves the reprint rights after a reasonable interval.

The stand-bys are mysteries and Westerns, but the trade is experimenting with an increasing number of "good" books. Bantam Books, Pocket Books and the successor to Penguins, the New American Library, all report considerable success. Sales of "The Naked and Dead" passed half a million, Homer's "Odyssey" and a well known treatise on anthropology sold 300,000 or more. But Mr Walter Lippmann's "Public Opinion" only sold 50,000—and any volume selling less than 100,000 is a failure in this trade. Twelve titles by famous American novelists piled up a joint sale of 32 million. The revolution represented by such figures is too new to have been adequately analysed for causes and effects. Meanwhile, however, it shakes the peace of the individualists in publishing at the same time as it falsifies the arguments of pessimists that radio and television have robbed the public of the power to read.

Catholicism in America

Freedom and Catholic Power. By Paul Blanshard. Secker and Warburg. 318 pages. 16s.

There are some books which are more important for the treatment they are accorded than for what they contain. It is no depreciation of Mr Blanshard's book to put it in this class. Portions of it published as articles in the American weekly, *The Nation*, provoked the banning of that magazine from the libraries of New York high schools and the subsequent verbal duel between Mrs Roosevelt and Cardinal Spellman. The book itself, despite its large sales, was passed over in a curious silence by most American journals. The furor is indicative of the hair-trigger sensitiveness of the American hierarchy; the silence testifies to the reluctance of even a predominantly Protestant America to air the social and political implications of Catholicism.

Yet there is as little in Mr Blanshard's book to surprise as there is to offend. The moderation of his language is matched by the essential familiarity of his facts. Very few of his pages should startle anyone acquainted with the principal tenets of the Catholic faith. Any element of shock or urgency which his argument has acquired comes from the accumulation of factual evidence and from his demonstration of the process by which American Catholicism is moving from the position of a minority sect to that of an aggressive pressure group. In the course of that transition the latent social and political implications of Catholicism are coming to the surface—and that is all. The behaviour which Mr Blanshard outlines in the fields of education, medicine, sex, the arts, learning and international relations follows naturally from the two assumptions of having a monopoly of truth and denying the right of private judgment.

"The growth of Catholic power in America," he says, "is part of the Irish success story." He might have gone further and said it was one aspect of the American success story itself from its humble beginnings in an obligatorily tolerant Maryland to its triumph in an aggressively intolerant Massachusetts, from being a socially despised sect of a few thousand immigrants to becoming a national church with 26 million members, exercising a veto power over a large area of public affairs. And of this growth the most sensational period has been crowded into the last half century, which has seen the American Roman Catholic Church pass from being a mere missionary outpost of Rome into being by far the wealthiest and all but the most powerful national component of world Roman Catholicism.

Mr Blanshard sees the spearhead of the Catholic attack in the assault on the public school system. Historically he is certainly right. Take away the public school system and the melting pot becomes a powder barrel. But it is indicative of a certain *naïveté* in his philosophy that he does not realise that the logic of the public school system—that all should be obliged to attend—is as totalitarian as the logic of the parochial school and that its totali-

tarianism is not modified a whit by the "democratic" principle that the parents may sack the school masters.

The same holds true for a good deal of what he has to say about Catholic teaching and practice in respect of marriage and birth control. Once the right of the Church to lay down rules for its own members in these fields is admitted—and it can hardly be denied—then its consequences for private individuals, however extraordinary they may appear to an outsider, must also be accepted as permissible. For this reason it would have been better had Mr Blanshard confined himself to the way in which the Church has extended its policy in these fields to encroach on the public areas of the law and the press. It is where he comes to deal with the effects of Catholicism as an instrument of censorship and boycott that he is most impressive and disturbing. Although the Church at present concentrates upon the instruments merely of mass persuasion like the cinema and the radio, the techniques and the pressure here depicted are capable of equal application to other levels of expression and communication.

The Mysterious Sign

English Inn Signs. By Jacob Larwood and John Camden Hotten. With a Chapter on the Modern Inn Sign by Gerald Miller. Chatto and Windus. 336 pages. 42s.

Larwood and Hotten's "History of Signboards" first appeared in 1866. There were successive editions down to 1907. Now Messrs Chatto and Windus (who descend from Hotten's publishing firm) have produced in this very handsome volume a completely revised and modernised version of the standard work.

It is difficult to believe that there can be anything more to be said about inn signs. And yet the impression left upon the reader's mind is likely to be how little is really known about the origins of many of the most familiar signs. For example, it is easy to say that the White Hart was the badge of Richard II. But why was that weak king, whose reign was short and turbulent, commemorated by so many more taverns than any other monarch? Why was the Marquis of Granby so often preferred above other sporting peers? Even some of the more abstruse explanations, of which everyone knows a few (for example, that the Goat and Compasses is really "God Encompasseth Us") seem improbable when examined. The Cat and Fiddle has been interpreted as *le chat fidèle* or *Caton le fidèle* (he was Governor of Calais) or even *Catherine la fidèle* (of Aragon). But the explanations end with "probably merely from the nursery rhyme." Probably, indeed—but there are others for which no probable explanation suggests itself. The Shoulder of Mutton and Cucumbers at Yapton in Sussex is attributed simply to "an epicurean publican" and his "gastronomic combination." Larwood and Hotten know all there was to be known about inn signs; but they were clearly not authorities on gastronomy.

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The Smile of the Absent Cat

Essay in Physics. By Viscount Samuel. Blackwell. 154 pages. 7s. 6d.

Exactly a hundred years ago Lotze started his protest against scientific dogmatism. His training in the exact sciences made him their critic when he sought to reconcile his aesthetic judgments with the demand to limit man's knowledge to what he can measure. With Kant as his prophet, Lotze countered both the intellectual arrogance of Hegel and the materialism of science. Today Lord Samuel repeats to modern science the challenging thoughts which have remained unattended for a century. He has provided the challenge for which the twentieth century has subconsciously been waiting. How can mathematics claim to be more than a mental treatment of symbolic measurements of what science calls "the observables"? How impossible it is to conclude with science that "unobservables" have no significance for human understanding. "It is to the realm beyond the range of scientific observation that we may now be well-advised to devote our special attention."

Newton said "*hypotheses non fingo*," yet himself went on to advance theories which postulated an "ether" throughout space. From this, Lord Samuel traces the scientific need for an "ether" and points out that the space-time continuum of Relativity is really an alternative name for an ether.

The fact is that the old fixed notion of ether collapsed because it had materialistic connotations whereas the new belief in the need for an ether does not require any such materialistic implications. There is, for example, the need to explain, first, the nature of electromagnetic radiation and the medium for its transmission, second, the nature of gravitation and its propagation and, third, the nature of motion and momentum.

Such problems necessitate a new notion of an ether which will reconcile the basic problems of modern physics; these hinge on the notion that electrons have both a corpuscular aspect and an undulatory aspect. That is to say that energy changes or transmissions are manifested either as waves or as particles. The two concepts appear contradictory but "yet physics has to stumble along and work with them both."

Lord Samuel breaks through with a new proposition which he clearly offers only as a tentative approach. For him there must be an "ether" which may well be a continuum of energy—and energy can change from a state of quiescence to a state of activity or *vice versa*. "Quiescent energy is conceived as a continuum, and as the sole physical constituent of the universe. All material events are to be accounted as cases of the activation of quiescent energy." There is postulated a "two-state ether" which is basically in the quiescent state but is subject to activation manifested either as waves propagated spherically or

as particles in linear projection. "Matter is clotted ether."

The system has to be accepted as an existing fact. It is impracticable to pursue the infinite regress and explain how this two-state ether came into existence; we can but observe its activation as the vehicle of the processes of the physical universe. This is in line with Lotze's conception of the physical universe as a whole which moves through its processes with variations corresponding to the theme of its "melody"; within this setting, Reality holds its mental and physical counterparts in reciprocal interaction.

For Lord Samuel, the conception remains of an all-embracing universe which we picture as "an ocean of energy in a state generally of quiescence, but with waves of radiation constantly flickering in it; and numberless particles forming and either enduring or dissolving." His treatment of space and time is in line with Kantian phenomenalism but now the emphasis is not on space and time as individual aspects, but on the space-time continuum itself as a mental interpretation of the two-state ether. He concedes the basic fact of causation but yet asserts, with Lotze, that freedom of will can be maintained in control of it.

There has been a growing revolt over the last fifty years against the failure of science to explain the basic notions it so readily employs. And yet the wheel must go full circle again; Lord Samuel's essay into physics is brave but can only claim serious consideration if it survives critical examination by the mathematicians. They are the custodians of the mental "drawing board" where the pioneering speculations of the philosopher-physicist must be validated.

Whatever the outcome, it cannot destroy the fundamental value of Lord Samuel's philosophic onslaught on the bastions of scientific credulity which masks ignorance by the use of terms having no real significance. It is, indeed, an encouraging sign that a note could be enclosed in this book written by Einstein and commenting on the impression attributed to Lord Samuel "that contemporary physics are based on concepts somewhat analogous to the smile of the absent cat."

Art and Allegory

Chaucer the Maker. By John Speirs. Faber. 222 pages. 12s. 6d.

This book was written with the purpose of revaluating the work of Chaucer for the modern reader. The author holds that a taste attuned to the complexities of Shakespearean metaphor may be disconcerted by the very immediacy and simplicity of Chaucer's similes. He believes that the art and vision of his poetry cannot be understood without an appreciation of the expanded metaphor of

Shakespeare and the expanded simile of mediaeval allegory—for even those poems which present the human comedy as directly observed, as *Troilus and Criseyde*, still have their origin in allegory and personification which "provided Chaucer's observation with an initial guiding method and his judgment with an initial scale of values."

Mr Speirs warns his readers against mistaking the deliberate discipline of a profound and civilised sympathy for a "primitive unsophisticated naïveté, however charming" and distinguishes between early Elizabethan rhetoric, which was an embellishment, and mediaeval rhetoric, which was a particular conception of the art of literary expression carefully formulated by the schools, which Chaucer either used as a basic form or parodied at will. He also stresses the advance made on the French and Italian originals, which were enriched with a distinctive English sensibility by Chaucer, who was both the fine flower of his own age and the pioneer of the new realism which was the foundation of our modern drama, novels and poetry. He stands at the parting of the ways, taking leave with the "Boke of the Duchesse" and the "Parlement of Foules," and looking forward with "*Troilus and Criseyde*" and the "*Canterbury Tales*." All this is stimulating and provocative—although the approach is less revolutionary than one is led to expect—and the many and appropriate quotations are given in their originals, so that one may rely on common sense and a feeling for rhythm without being fobbed off with distressing translations.

It is a pity that confidence in the reader's discernment was not further extended. It is of the essence of enjoyment of Chaucer wholeheartedly to enter his world of courtly gesture and countering yeoman robustness, and to follow him without preoccupation through tapestried gardens of dalliance, into cloudlands of fantasy and back to the highroad of reality, so that we become of the company of the "yonge fresshe folkes." But just as we achieve this enchanting metamorphosis we are nudged back by an intrusive comment. When we are savouring the hidden wink in:—

"O Crist," thoughte I, "that art in blisse,
Fro fantom and illusioun
Me save!" and with devocioun
Myn yēn to the heven-I caste.

we are brought up short by a *sotto voce* gloss that "Chaucer's rational intelligence and his religious feeling are in no way antagonistic." And it is maddening to be jerked from contemplation of Emily, singing like an angel as she gathers flowers at sunrise, by the observation that "the freshness and naturalness of the clear visualisation of the young girl springs from the comparison with the flowers." Surely Chaucer enthusiasts may be credited with some gumption?

Such persevering commentary would be excessive even in a text-book. Chaucer wrote for a leisurely, gossiping society of considerable erudition and sophistication, and his conversation pieces were for reading aloud.

The Nature of States

An Introduction to Politics. By R. H. Soltau. Longmans. 328 pages. 16s.

The first excellence of this book lies in the fact that it fulfils the promise of its title. It poses the principal problems which occupy the minds of political scientists and which beset practitioners and observers of the art of government; it examines the varying answers which have been given to these questions in different times and different places, in theory and in practice. The book's second excellence lies in the skill and clarity with which these problems and answers are presented. It is an easy book to read. This is not to say that Professor Soltau has represented as simple things which are far from simple. He has, however, succeeded in making readily intelligible things which are clearly shown to be always serious, often complex, but not essentially abstruse.

The first third of the book is expository. Professor Soltau's first question is: what is politics? Thence he turns to the size, shape and climate of states, to the quantity and quality of their population and to distinctions between the state and society; he sketches the history of the state from its earliest discernible origins; he treats of law, justice and sovereignty; and he explains how a state actually functions. Therewith he concludes his "survey of the essential characteristics of any political organisation or state, irrespective of its particular form," and turns to the differences between states. These differences are, in his view, ultimately only aspects of a single question:

"how much of the common life shall be organised and directed by or through the state... how much of a man's life and activities shall be legally controlled and guided, how much shall legally be left to his own initiative?"

This leads to a discussion of Freedom and Rights as a prelude to the core of the book, which consists of six chapters on the Free Democratic State. The first of these deals with the bases of democracy. It is followed by a well proportioned account in three chapters on democracy at work—the expression of the will of the people (elections and representation), the organisation of the will of the people (political parties), and the implementation of the will of the people (organs of government). The theoretical and ideal picture inevitably drawn in these chapters is supplemented by a discussion of the principal problems and duties of the Free Democratic State. Among these problems are the slowness and dullness of democratic processes, the increasing size of the modern state, problems of leadership and of pressure groups, the possibilities of abuse of power. The duties fall into three categories: essential duties such as the maintenance of order, inessential but practically universal duties such as public education, and controversial duties such as the extension of the state from the domain of control into that of action. Professor Soltau concludes that democratic practices are difficult to learn but can be learnt; for him democracy is at present only in an experimental stage.

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The Great Globe Itself

The Origin of the Earth. By W. M. Smart. Cambridge University Press. 239 pages. 12s. 6d.

The only doubt about this book is whether the title adequately conveys to the reader the scope and variety of the subjects which it covers. A discussion of the "whence, when and how" of the origin of the earth is indeed the recurring theme, but it is impossible to consider the origin of the earth without considering also the origin of the solar system and the other planets with their satellites. This discussion must in turn involve some consideration of the other stellar systems, or at least of such features as the "time-keeping" Cepheid variables and the theory of the expanding universe. And in the other direction it is not possible to study the origin of the sun and its planets without embarking on an investigation of the nature of matter. As a result Professor Smart is led insensibly to cover almost the whole ground of astronomical and physical science, as well as some part of geology, and he does so in a masterly and most attractive manner. The volume invites comparisons with the brilliant works of Jeans and Eddington in the thirties, but every generation needs its Jeans and Eddingtons, and Professor Smart covers not only the same fields as they did but includes many researches and hypotheses which have been put forward since their time.

His provisional answer to his first question, "Whence came the earth and the other planets?" is that they must have come into existence as the product of some single cosmic process. The piecemeal growth of the solar system by fortuitous capture from the world of space cannot be seriously entertained in the light of the uniformities of orbital and rotational motions. It is not unlikely that the origin of the planets is to be sought in the sun, though it is possible that the planets may have been torn out of, or by, some star now roaming in the depths of space during a passage near to the sun. The answer to the second question, "When?" can be almost as definite as Archbishop Ussher's, though with far more reason: the earth and the rest of the solar system came into being about 3,000 million years ago. Geology demands an age of at least 2,000 million years for the age of the earth. Professor Smart treats with great respect Kelvin's famous arguments showing that, on all the physical facts known in his day, the earth could not be more than 100 million years old. It is radioactivity that has reconciled the arguments of the two sciences, and there is a nice account of a lecture given by Rutherford on the subject and attended by the aged Kelvin.

The answer to the last question, "How?" cannot be anything like as definite in the present state of knowledge. In 1796, Laplace put forward his theory that the sun threw off rings, like those of Saturn, which coalesced into the present planets, but there are now insuperable objections to this theory. Other theories examined are that a passing star formed great tides in the sun, allied to which is the Chamberlin-Moulton theory that the planets were

drawn out from solar protuberances; Jeffreys' suggestion that the planets were ejected in a grazing collision; Ross Gunn's notion of an encounter with a rapidly rotating sun already at the point of instability; von Weizsäcker's recent hypothesis of the passage of the sun into a comparatively dense interstellar cloud of gas and dust particles; Alfvén's explanation of how matter would accumulate in the sun's equatorial plane if the sun is assumed to be immersed in a cloud of ionized atoms; and Mr. Hoyle's hypothesis that the planetary system is a by-product of the explosion of a super-nova. Professor Smart shows himself to be in the true succession of Jeans and Eddington when he affirms the saying of Francis Bacon (whom he strangely calls Lord Bacon), "I had rather believe all the Fables in the Legend and the Talmud and the Alcoran than that this Universall Frame is without a Minde."

The Charm of Birds

Birds and Men. By E. M. Nicholson. Collins. 256 pages. 21s.

"Birds and Men" is the first book in the *New Naturalist* series to deal exclusively with British bird life. It is concerned with the effect of man's work on the birds of these islands and considers how "in shaping the landscape of Britain we also shape the bird life." The effects are amply illustrated in the life-histories of more than thirty birds whose habitats are coincident with the main centres of human activity—towns, buildings, farms and gardens. The changes that result from the march of towns and industry are far-reaching but they are by no means always harmful.

In the short run there has often been some impoverishment in the number of species, but it would be rash to conclude that built-up areas with enough mature gardens cannot compare favourably in character and variety of bird life with many of the habitats from which the land was taken over.

Mr Nicholson is not prepared to accept the axioms of gossip. He considers the crimes of the crop-stealers and the claims of the gardener's friend and comes to the conclusion that

it would be wise to assume until much more contrary evidence can be brought forward that wild birds do us very little harm and also very little good.

While that reservation may be justified economically, the study of birds in our towns and countryside has given a great deal of silent happiness to many people, which is attested by Mr Nicholson's own balance between the weekday life of a distinguished civil servant and a spare time ornithologist.

Twenty-five years ago Lord Grey of Falldon wrote in the preface to his "Charm of Birds" that there were three categories of British bird books. There were those with coloured plates for identification; those which summed our total knowledge of the various species

for reference purposes; and those which were the result of personal observation of particular bird types. The last category were to be read right through and were "a most valuable contribution to our knowledge." As an instance of this type of work he mentioned some articles which had recently been published by Mr E. M. Nicholson.

Since then Mr Nicholson has studied the behaviour of many birds in many lands. He has seen the Arctic tern in Greenland and the blackbird in the Azores; he has watched yellow wagtails at Bablockhythe and listened to the cry of young wrynecks at Potsdam; he has counted great blackbacks on the Thames and seen the bird life of the Camargue. His latest book is the fruit of many years' close study in the field and is a most valuable contribution to British ornithological writing. It is full of personal observation and is very readable, but it has also the value of a work of reference even though the author disdains any attempt to make it so.

Science and the Farmer

The New Farming. By D. H. Robinson. Faber. 234 pages. 16s.

The last war accelerated the technical changes in British farming to the pace of revolution. Since 1938, the number of tractors on British farms has increased seven-fold; the increase in the variety and efficiency of the machine is perhaps even more striking than the rise in their numbers. Wartime needs and the stimulus of an assured market and guaranteed prices for most of the produce have made the farmer much more ready to listen to the scientist and to try out new methods. The great reduction in the volume of imported feedingstuffs and the consequent necessity for livestock to be fed from the grass and crops of our own farms have left a mark on the pattern of farm production and on the attitude of farmers to their job, to methods of increasing crop yields, to improving qualities of livestock, and sometimes to reducing costs of production.

The story of the scientist's work told by Dr Robinson is an impressive one, and there can be no doubt about his wide knowledge of the subjects he has dealt with in this book. This book is a new edition, greatly rewritten and enlarged, of one published in 1938 in which he first brought the influence of science on farming to the attention of the public. But one wonders whether every chapter will really interest those who are not already equipped with a fair knowledge of farming techniques; the "intelligent layman," whose interest in the scientific side of farming the author hopes to stimulate, may find himself sometimes having to try to absorb more scientific formulae and technical terms than he likes or needs to know. In this respect the book is rather uneven. The author does not quite seem to have made up his mind about just who he is writing for, the specialist or the general reader. Nevertheless, this is a valuable survey for those who know something of farming, and the suggestions for additional reading which follow each chapter will be welcomed by the student.

From Love and Ignorance

The Life of Mahatma Gandhi. By Louis Fischer. Jonathan Cape. 593 pages. 25s.

Mr Fischer has written a book of many faults. His style runs the gamut from melodramatic to flat. The first few chapters are, inevitably, a rehash of Gandhi's own autobiography and suffer severely by the comparison. Above all, Mr Fischer seems to have no understanding of the motives, the consciences and the achievements of anybody except Gandhi. In the Congress itself he hardly mentions the part played by Patel's organisation or Nehru's oratory. He dismisses Muslim separatism as the result of the Muslim middle class's fear of Hindu competition. He grants the British only their railways. His hero is belittled in consequence because he is never allowed opponents worthy of his mettle. Politics is a struggle of ideals, however ugly the ideals may sometimes be. Mr Fischer's weakness is that he endows no one except his hero with any positive viewpoint at all, so that his Gandhi is always functioning in a moral vacuum.

Mr Fischer, indeed, gives throughout the impression that he speaks of India always as an outsider. He has never felt the emotions which move her people and the Englishmen who have had the privilege to serve her, so, naturally, he can convey neither.

Yet it is still a very fascinating book. He knew the Mahatma, though not well, and he has for him the understanding which comes from sympathy. It was Gandhi's misfortune that most people knew him only at the end of his life, when he was already India's greatest leader, and therefore half deified him or saw in him every vice from hypocrisy to lust. Neither view, as Mr Fischer shows, had any foundation. Gandhi never had any mystic experience, his "inner voice" was only his own conscience. He never made any claim to be more than a man following his beliefs to their conclusion, differing in method rather than intention from Mr Gladstone.

Gandhi's mind developed by experience rather than by logic. He took from life what his thought needed, but he could not have explained how. The Bhagavad Gita was his favourite scripture, so he used the Gita, Hinduism's greatest defence of the duty to use force in a good cause, to support his own non-violence. He was not a clever man. He had none of Jinnah's academic brilliance. He was a man of action, a Karma Yogi. He saw his duty and did it. For him the duty was always clear and simple, the action immediate. He never counted cost. At seventy-seven he walked from village to village in remote Noakhali to bring back love between Hindu and Muslim. For the same reason as in his South African youth, he had started, overnight, a co-operative farm; because it seemed to him right. In the remorseless refusal to take into account any other consideration lay his strength and his hold; and it is because he brings this out so clearly that Mr Fischer deserves to be read.

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Analysis and Observation

The Role of Measurement in Economics. By Richard Stone. *Cambridge University Press.* 85 pages. 12s. 6d.

This is the third in the series of monographs published under the auspices of the Department of Applied Economics, Cambridge, and in a sense it might be said to set out the basic philosophy or strategy which underlies the work of that Institution, as conceived by its Director. Put very briefly, the central objective is to try to bring together the work of analytical economists with that of observers and recorders of what goes on in the real world. Mr Stone firmly, and rightly, rejects the idea that one group can proceed without the other. Whilst stressing the need to combine the collection of accurate and economically meaningful information with the propounding of good theories, Mr Stone is under no delusions about the difficulty of either task. The process of linking the two together might perhaps be said to present the most formidable difficulties of all, for the well-known reason that the social scientist cannot conduct controlled experiments.

A considerable part of the book consists of a discussion of the underlying logical problems involved in bringing facts and theory together, and of the difficulties of actually working with economic information which comes to the investigator largely in the form of time series. This is a very large subject to handle in so small a space, and to understand parts of it properly familiarity with mathematical ways of thinking is necessary. Mr Stone strikes a rather uneasy compromise between trying to make the outline of the argument clear to the less mathematical readers and trying to treat the points rigorously enough to convince sceptical experts. His main device for squaring this circle is to include many references to other books and articles where particular aspects are dealt with at greater length; this is particularly useful because the literature on the subject is mostly quite recent and is scattered over the globe.

With these references and certain technical sections of the book provided for the expert, the less mathematical reader may well feel that more concessions to his needs should have been made elsewhere. The difficulty is the usual one: the arguments may not require any "advanced" mathematics, but the reader who is not accustomed to thinking mathematically needs a lot of help, and above all the analysis must not move so fast that he misses the significance of key points. Mr Stone is not as helpful as he might be in these respects. Vital assumptions about several points are often made in one continuous sentence in the text, instead of being set individually on separate lines; the arguments are put in ways which make them admirably clear and succinct for the mathematician, but which others may have to translate. But there is no doubt that the logic appears in the text, and the reader who is not used to it will find it at length before he can appreciate the analysis of the whole. The analysis is perfectly simple, and the general reader will

an excellent illustration for Mr Stone's general discussion; but he is likely to be frightened off by the unfamiliar "operator" notation, and (as a smaller example) he would understand the logic of equation 19 more easily if he did not have to work out for himself that the coefficient of the second term was bound to be negative.

These criticisms should not, however, be allowed to obscure the merits of the book. It will undoubtedly be of value to people who are already interested in econometrics, and should impress on them the need for due modesty about their achievements, whilst reminding them of their need to collaborate both with theorists and with collectors of primary data. The "general" economist should make the necessary effort to read it, even if parts are skipped, because it shows him what econometrists are trying to do, and by what methods. His conclusion may well be similar to that of Lord Keynes, quoted at the beginning, which may be inelegantly summed up as "It still seems to me like an attempt to achieve the impossible by means of statistical black magic; but Mr Stone seems to be honest about his results, so good luck to him."

A Banker's Feast

Money in a Maelstrom. By J. W. Beyen. *Macmillan.* 212 pages. 15s.

Keynes was once heard to remark about central bankers in general and British central bankers in particular, "When they begin a sentence with 'I think' don't pay any attention; but when they say 'I feel' then keep your ears open." This remark might apply to this book by Dr J. W. Beyen on the subject of international financial co-operation during the last three decades. It has nothing fresh to add to knowledge on economic theory but it is full of illuminating anecdotes and comments in which the inherited wisdom and the "feel" of the good banker are enshrined. Dr. Beyen is well placed to tell this tale. Apart from his experience in commercial banking in the Netherlands and as a high executive of the Unilever combine he spent some years in the Bank for International Settlements and is now an executive director of the International Monetary Fund and the International Bank.

Of international institutions as a whole he deplores the fact that they never get a chance of starting small and growing gradually.

They are conceived as full grown giants and have to fight their attacks of measles and whooping cough in the merciless light of full publicity. The statesmen who create them think of them in terms of foundations not realising that they should think in terms of roots which have to be grown by the plant itself.

Of the orgy of international lending in the 1920s Dr Beyen says "The United States had just entered the field of

foreign lending with all the vigour of a newcomer and some United States banks ran their foreign departments as if they were sales departments selling a new article." On the German standstill agreement he gives the following apt parable: "The creditor says to his debtor 'Let us pretend that you are a good debtor so that I can go on pretending that I am worthy of credit myself.'" There is a good story dating from that barren World Economic Conference of 1933, of a French resolution advocating the subsidisation of propaganda for the consumption of wine. The British delegate protested saying that His Majesty's Government could never concur in subsidising consumption of "intoxicants," provoking the French retort: "Intoxicants! Mais, monsieur, c'est du soleil en bouteille."

There is a telling attack on bilateralism and on one of its earliest children, the Clearing Agreements, which, says Dr Beyen, tend to petrify the monetary and economic relations between the two signatories.

Clearing Agreements produce a special psychology in those who run them. They generate at the same time a balance of payments phobia and a sense of power over the economic development of the country. And nothing is more dangerous than a combination of fear and power.

These few comments picked at random in Dr Beyen's book indicate what a feast will be found in it by the discriminating reader.

A Living Portrait

Robert Blatchford: Portrait of an Englishman. By Laurence Thompson. *Gollancz.* 242 pages. 16s.

It is a mark of the great writers of fiction that they create characters who become types, so that, afterwards, one describes someone as a "Henry James character," or a "Dickens character." Robert Blatchford is, unmistakably, a Dickens character. "The little dark Nonconformist person from Northwich" who "could bite," who adored William Morris as his master, and who, over the world famous pen name of Nunquam, became one of the most potent journalists of his day, the man who wrote, in simple, nervous English, one of the great propaganda books of our time, came straight out of the world of Dickens, both in background and in character and career.

He was, as are so many of the most English of the English, a mongrel, his mother being an Italian. He was brought up in the *coulisses* of provincial theatres and lodgings. He served for seven years in the regular army, was an excellent, if "careless," sergeant, and there learned that faith in his fellow men out of which his Socialism sprang. He taught himself to write through reading; he copied out passages from Webster's Dictionary in shorthand, correcting it against a shorthand dictionary. This gave him a vocabulary, later most rigorously pruned, since he spent hours reading chapters from the Bible, which he then re-wrote from memory, noting in particular where he had used a weak word instead of a strong one. His first writings took the form of short stories based on his army experiences, undertaken simply in

order to make a little more money than the thirty shillings a week he was earning as time-keeper, for the benefit of his wife and small daughter. Writing brought him into contact with a young journalist named Alexander Thompson, of the *Sunday Chronicle*, who got him on to the paper at the superb salary of £4 a week, and became a life-long friend. By the time he left the *Chronicle* to found *The Clarion*, he was earning the unprecedented sum of £1,000 a year; he left in obedience to an entirely disinterested conviction—the idealism the English like to hide from themselves. An unsleeping fury against the horrors perpetrated by the industrial system, and a deep belief in the underlying goodness of his fellow men, brought him into the infant Labour movement; personality made him a leader in it.

In *The Clarion*, Blatchford did more than establish a paper; he created a fellowship. There are still in the British Labour movement many who learned their Socialism as *Clarion* scouts, and grew up with his *Mervie England* as their Bible; many who still share Blatchford's passionate early belief in man and his disbelief in the God of the Churches. They like to talk of the days when the infant party was torn by controversies and rich in the clash of diverse personalities—Blatchford himself, H. M. Hyndman, John Burns, Tom Mann, Bernard Shaw, Sidney Webb, Keir Hardie, Ramsay MacDonald, Philip Snowden. Controversy was, indeed, the mark of fellowship. The day came when Blatchford himself was slung out as a heretic, when his individualism prevailed over his Socialism, when it was possible for Northcliffe to say of him "He's more like a stubborn old Tory square than a live journalist."

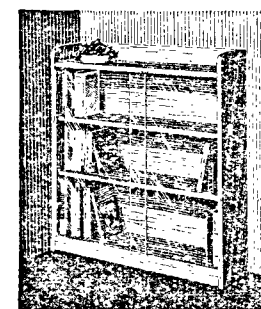
Robert Blatchford, a "character" if ever there was one, deserved to have a real biography, and he has now got it. Laurence Thompson, the son of "Dangle" of *The Clarion*, Blatchford's oldest and closest friend, has drawn the likeness of a man, and has given us not the facts only but the *feel* of a remarkable and distinct individual. Here is Blatchford the fighter, the writer, the reader, the human being, and an immensely, continuously, interesting human being. The tender happiness of his home life, the warm quality of his personal friendships, the wide range of his intellectual interests are here set down, without malice and without prejudice. The result is a portrait which lives and will have a lasting interest: it will be a book to keep.

Owing to limitations of space in this week's issue of *The Economist*, reviews of the following Spring Books will appear next week.

Warrior without Weapons. By Marcel Junod. Jonathan Cape.
Winter in London. By Ivor Brown. Collins.
London, the City. By Claud Golding. Robert Hale.
The Lipton Story. By Alec Waugh. Cassell.
The Conditions of Economic Progress. By Colin Clark. Macmillan.
Victorian Years 1841-1895. By Elsie Halcyon. Benn.
H. G. Wells. By Vincent Brome. Longmans.

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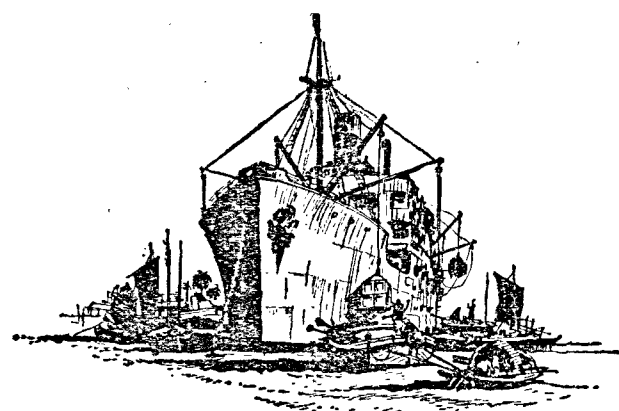
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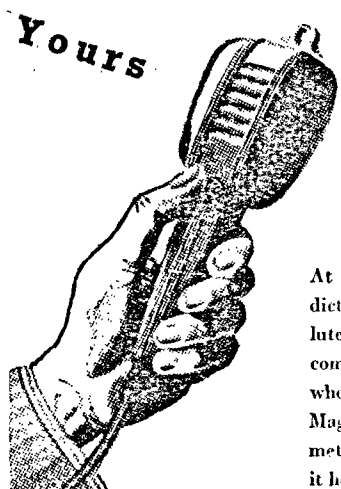
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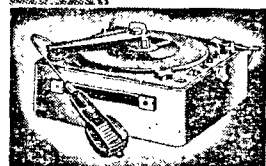
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THE BUSINESS WORLD

The Budget and the Gap

THE Budget is now little more than three weeks distant, and public apprehension about it does not diminish as the day approaches. Although much is already known about its principal new component—the defence programme—the patterns that will determine its shape are more than usually elusive. The biggest difficulty among many is to fit the Budget into its proper place in the framework of the nation's whole economy. To do this is the very essence of the Chancellor's task, for the chief function of the Budget this year will be to ensure that the diversion of productive resources to defence takes place with the minimum of inflationary stress. Guesses about Government revenues and expenditures are in themselves almost meaningless, because the extent of the surplus that the Chancellor ought to provide depends upon the size of the inflationary gap that is opening out—the gap between the capital outlays that the nation is likely to make, and the total flow of savings likely to be generated without the aid of any undue degree of inflation. Unless Mr Gaitskell decides that a bigger inflation is, in fact, the least of several evils that confront him, his duty is to make the "public" savings, through the Budget surplus, big enough to fill this gap. The first broad problem in budget-making is, therefore, to guess the size of the gap. The second is to decide what combination of many different possibilities will provide the best means of filling it. This article is devoted entirely to the first question.

The pattern of the budgetary accounts themselves is still obscure. Its clearest portion is the expected expenditure. The bill for defence in 1951-52 is tentatively estimated at £1,443 million, including £11 million for civil defence and £143 million for stock-piling; this compares with original estimates for 1950-51 of £801 million and revised estimates of £844 million. The official estimates for civil and revenue departments, totalling £2,420 million, contain £236 million of traceable double-reckoning of defence items, so that the true estimate for civil expenditure is £2,184 million, compared with original 1950-51 estimates of £2,117 million, and revised estimates of £2,141 million. The biggest element in this increased civil spending is an extra £37 million for civil expenditure of the Ministry of Supply, which doubtless arises indirectly from defence needs; but a further £25 million is absorbed by national health, insurance, assistance and education. In addition to these "supply" expenditures, there are the Consolidated Fund Services—chiefly national debt servicing—the charge for which will not be disclosed until budget day. If it is the same as that for 1950-51, the grand total of estimated above-line spending (including the defence supplementaries to provide for the recent increase in the programme) will be about £4,165 million—an increase of £710 million on

original estimates for 1950-51, and a bigger increase still on the probable actual spending in that year.

What revenues can the Chancellor expect, from existing sources and tax-rates, towards meeting this hugely increased bill? The first guide to this is the experience of the current year. Sir Stafford Cripps budgeted for an above-line surplus of £443 million, after provision for sinking fund. That target will be far exceeded; unless some unexpectedly large charges are brought into the accounts in the closing weeks, the excess may be several hundred million. Most of this gain, however, will be due to a shortfall of expenditure below original estimates—partly, it seems, because of modest economies but chiefly because Government stocks of food and raw materials have been run down. Inflationary influences, and especially the effects of rising import prices upon the yield of customs, have kept the revenue buoyant; but even the most optimistic guess would not put the gain on estimate beyond £100 million. It is more likely to be £80 million, which would mean a total yield for the year of £3,980 million.

Fortunately, the buoyancy will be much more pronounced in the coming year, and this will be true both of the taxes that are assessed in arrear and those paid currently. The former will benefit from last year's increment of productivity and from the post-devaluation gains in exports, especially invisibles. The currently-paid taxes will be swollen by the big addition to the wage-bill resulting from the increases granted in recent months, by the effects of rising prices on the yield of *ad valorem* indirect taxation, and by consumers' forestalling purchases of taxable goods. The principal gains will be in income tax, profits tax and customs and excise. The buoyancy element in income tax this year appears to have been nearly £50 million (twice the Budget estimate), and this is after making good the loss caused by the first impact of the increased initial allowances for depreciation; this loss, officially estimated at £40 million, has been shared between income tax and profits tax. With this in mind, it seems reasonable to guess the 1951-52 gain in income tax at not less than £150 million (minus the further loss to be expected from the initial allowances, the increased total cost of which will this year be £35 million). The yield from profits tax will not in 1951-52 reflect more than a part of the sharp increases in profits now becoming apparent in company reports for years ended after the third quarter of 1950; but the accounts made up in the preceding twelve months showed appreciable increases. Profits tax has been stable in 1950-51 at about £260 million; it may rise by £30-50 million gross in 1951-52. Customs and excise seem likely this year to beat the target by at least £50 million; they may yield a similar increment in the coming year.

Surtax and the minor taxes may perhaps yield the few million needed to offset the further shrinkage in the now almost exhausted excess profits tax, but there will be more serious losses elsewhere. The £35 million loss from the full effect of the revised initial allowances has already been mentioned; another £2,500,000 will be lost net from last year's tax changes. The yield from surplus war stores, now presumably nearing their end, has been more than halved this year, at under £40 million; the prospective loss here may be £30 million or more. The return from trading services is more difficult to guess. Their large contribution of £81 million this year was, specifically stated to be due to the receipt of £37½ million of special credits; these will not recur, but there may be other windfalls from post-devaluation profits.

Altogether, the major tax sources may yield some £250 million more, before allowing for the effects of earlier tax changes; but these changes, and losses elsewhere, may absorb between £50-£100 million. On this basis, the total prospective revenue, at present tax rates, could well be more than £4,100 million but would not be likely to exceed £4,200 million—unless swollen by a much sharper dose of inflation. Since the above-line expenditure, as already shown, will be about £4,165 million, this means that the above-line surplus will have virtually disappeared. From this it follows that the Chancellor will face a large overall deficit. Below-line expenditure this year seems likely to be below estimate at rather more than £400 million net. Unless war damage payments run down very sharply or unless there are more substantial postponements of housing outlays than the Chancellor has implied, the 1951-2 net expenditure is not likely to be less than £350 million or so. That would indicate an overall deficit of between £300 and £400 million.

★

Last year the Chancellor budgeted for an approximate overall balance, and it is widely supposed that this must be the minimum target for disinflationary budgeting. This, however, misconceives the basic principle. The significant quantity is not the overall result, but the true surplus on current account; this more nearly resembles, but is not identical with, the outcome of the above-line account. Any capital expenditures in the whole account can be omitted from the reckoning of budgetary expenditure, either because they represent moneys that are saved by the recipients (such as EPT refunds) or because they are reckoned separately as part of the nation's whole investment outlay that has to be financed from total savings. Nearly all the below-line expenditure is of this kind, and so, indeed, is part of the above-line expenditure—notably, in 1951-52, the £143 million for stockpiling. If the above estimates for 1951-52 could be reconstructed on this basis (which is the one adopted in the National Income White Papers and the Economic Survey), they would probably imply a true "current" surplus of at least £150 to £200 million. This would compare with an original estimate of £400 million for the calendar year 1950, a figure that was substantially exceeded in fact.

This prospective "true" surplus now needs to be fitted into the savings-investment account for the whole national economy. This is a precarious exercise and only

the broadest guesses can be attempted here. Allowing for a number of cross-factors (including the running-down of stocks in 1950, the increase in prices that has already occurred, the further effects of the rise in import costs, and the "dislocation" delays to be expected this year), the estimate for investment outlay in 1951, may not differ much from the sum originally estimated for 1950 (£2,435 million). This ignores the stockpiling programme, on the ground that the Chancellor is prepared to finance it by drawing on gold reserves. In addition, however, some £50-£100 million may have to be provided for special defence investment in private industry. If, apart from stock-piling, the surplus on the external balance of payments (£200-£250 million in 1950) is extinguished by the deterioration in the terms of trade, the investment account will not this year be burdened by any net investment abroad.

On the savings side, there will be the steep decline in the true Exchequer surplus, but against this there will be gains in company savings. The full effects of the steepening rise in profits that began a few months ago will buttress the savings account; the gain might be not less than £150 to £200 million gross. If personal savings are put at £400 million—or appreciably less than the Chancellor impliedly forecast for 1950—these various and tenuous assumptions would point to a substantial shortfall of prospective total savings below prospective investment. On the most optimistic reckoning, the gap might be less than £100 million, but it seems more likely to be between £150 and £200 million.

These final guesses, it will be seen, are themselves the resultant of many other guesses. Indeed, this whole analysis is better regarded rather as a demonstration of how the Budget figuring ought to be approached than as a serious estimation of the significant quantities. Among many uncertainties, one in particular deserves to be noted—the extent of the saving produced by the decline in the export surplus. Ordinarily, the relief that this affords would occur through the release, for use at home, of goods that would otherwise have been exported. But this year roughly the same physical volume of goods will have to be exported merely to keep the account in balance; the 1950 surplus will be depleted by the higher prices to be paid for an unchanged volume of imports. The domestic "saving" caused by this depletion will occur because the domestic purchasers of imported goods, having paid the higher prices, will have less to spend on other things. A large part of the burden of defence in this first year or so will in fact be thrust upon the public by this means—which explains why the prospective inflationary gap that remains to be closed by budgetary action is so much smaller than many people have supposed. The "smallness" of these figures does not imply an optimistic view of the weight of the whole new burden. It merely assumes that it will be imposed in the most likely way. The only optimistic assumption, in principle, is that the prospective saving will not be largely frustrated by a steep rise in wages in response to the higher prices. Some further rise in the wage-bill is assumed in this figuring; but if the rise steepens, the gap remaining to be covered through the budget would be correspondingly larger. Apart from this, it will be seen that the extra taxation (or retrenchment) that is needed to close the gap would still leave the Exchequer account in "overall" deficit. If the Chancellor budgets for such a deficit, that will not mean, of itself, that he has abandoned the task of disinflationary budgeting.

Tools for the Job

FOR the second time in fifteen years, rearmament is making an abrupt demand for more machine tools than British makers can supply unaided. The present demand—which is for nearly three times the current annual value of output, to be delivered within two years—bears some resemblance to the task imposed upon the industry in the late 'thirties. In 1936, defence orders for machine tools which would have necessitated a considerable increase in annual output could not readily be fulfilled. Output was, in fact, built up in the ensuing years by expanding the machine tool industry and by sub-contracting until it was able to turn out nearly 96,000 tools, valued at £33.5 million, in 1942. But very large quantities of American tools were still needed to complete the equipment of Britain's armament industries; up to the middle of 1941, machine tools were very short and certain specialised tools remained scarce for some time afterwards.

Expenditure upon machine tools for the defence programme of £4,700 million was originally put by Mr Gaitskell at "£50 million for re-tooling and £65 million for new capacity" in the first two years of the three-year programme. It now appears that the final expenditure may turn out to be somewhat lower. Mr Strauss has revealed that the number of tools required is about 27,000. An average of perhaps £3,500 a tool would be extremely high for British-made tools; this emphasises the considerable dependence that the Government is placing upon machine tools from overseas; Mr Strauss announced this week that orders worth £40 million had been placed abroad (presumably including advance payments of £5,500,000 in respect of some 9,000 tools), and he confirmed that further large orders were about to be placed with American manufacturers. Roughly three-quarters of the £40 million worth of contracts already placed are believed to be with American suppliers; without this "absolutely vital supply," Mr Strauss said, "we could not hope to complete the defence programme."

Until now, any thought of interrupting the British machine tool industry's present commercial business to meet the needs of the defence programme has been kept in the background. In the first stages of rearmament

before the last war, the mobilisation of economic resources was circumscribed by what has been called "the doctrine of normal trade"; it is perhaps possible to detect a similar reluctance today. This reluctance must not be dismissed as discreditable, but it is certainly open to question. The British machine tool industry today is considerably larger than it was in 1936—and very much busier; and it is an industry that has responded with success to the Government's pleas for increased exports. Its recent development is magnified and also blurred by the published statistics of its output; these figures are shown by value and are not easy to adjust for price, owing to changes in the proportions of the various types of tools produced and to the design of the types themselves; the accompanying table offers a comparison of output last year with that of 1938. Reckoned by numbers of tools produced, it may be that the industry's output today shows a modest increase on 1938 (when perhaps 25 per cent of production may have been devoted to rearmament); but a crude comparison of this kind would ignore such facts that most machine tools today incorporate individual electric motors, and that the range of manufacture has been widened to include more of the complex, specialised types of tools. Exports in 1950 were roughly 36 per cent of output of major machine tools; a comparable figure for 1938 would probably be well below one-third of output. Moreover, total exports of major and small machine tools, including second-hand tools, amounted to £16.8 million last year, while imports cost only £5,800,000; in 1938, total exports were £4,500,000 and imports £5,000,000. Machine tool exports have a high "conversion factor," and since devaluation the price advantage has given British manufacturers added strength to withstand competition in world markets; even before Korea set off world rearmament, the British tool industry had probably a longer order book in relation to its output than any of its competitors.

Official statements concerning machine tools, since the increased defence programme was decided upon, have referred in general terms to the need to maintain the industry's exports. Regard for this hard-earned but still vulnerable export success was, no doubt,

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partly responsible for what some machine tool manufacturers regard as an unexpectedly slow placing of orders in this country; the official explanations that the full demand to be made upon the British industry cannot be drawn up until the supplies that can be obtained abroad are clearly known are merely another way of saying the same thing. Recent impressions in certain parts of the industry of a hesitant official approach have been followed by two specific criticisms. The first suggests that the defence programme might need fewer machine tools than the Government supposes. The "machine tool population" of this country, its proponents argue, is today probably 800,000 to 900,000 major tools, which is not much less than the number with which British industry achieved its peak armament production in 1943-44; they argue that more effective utilisation of tools at present distributed throughout industry for arms production might reduce the number

THE BRITISH MACHINE TOOL INDUSTRY:
Output of Major Machine Tools

	1933	1942	1947	1948	1949	1950†
Value* (£'000).....	14,030	33,500	25,500	31,100	35,600	38,000
Of which for Export (£'000)	...	...	10,400	11,300	14,000	13,700
Number of tools.....	...	95,800	44,800	44,800	44,100	44,300
Production revalued at 1948 prices (£'000)	29,800	...	28,700	31,100	...	34,200

Source: Ministry of Supply.

* Excluding spares, equipment and replacements, except in 1933 figure, which is based upon an estimate by the Machine Tool Trades Association.

† Annual rate based on January-October.

of new tools required. The second criticism, which may be more generally held, within the industry and outside, is whether the policy of partial reliance upon imported tools for defence, coupled with a high level of British tool exports, may not be carried too far.

Both criticisms may have taken insufficient account of two central factors in the present defence programme for machine tools: types and time. The considerable differences between the types and proportions of machine tools required for current rearmament, and those existing in general engineering today (which is emphasised by the high average price noted above), or those used in armaments production in the 1939-45 war, are not generally realised. Of the "strategic reserve" of special tools from the last war which the Ministry of Supply held back, fewer than a thousand—"quite a small proportion," according to Mr Strauss—have proved suitable for the present defence programme. Requirements fall into three categories: single-purpose, entirely specialised tools, such as shell-making machines, which cannot be turned to any other use; special-purpose tools of various types for quantity production; and general-purpose tools. The indications are that it is upon the second category that the greatest pressure may fall; these tools are produced for civilian purposes, but in quantities insufficient to satisfy the urgent needs for defence. The tooling problems of gas turbine production in quantity, for example, are entirely different from those of piston engine manufacture. They have, in fact, barely been solved; the trend towards the use of axial-flow compressor turbines for the newer aircraft increases their difficulty. No thoroughly satisfactory method of quantity production of turbine blades seems yet to have been evolved; and the special-purpose "profiling" tools required depend upon the preliminary processes which are adopted. It is no criticism of the British machine tool industry to

say that it is not producing such special-purpose tools in quantities sufficient for rearmament needs; it is probable that no machine tool industry is doing so. The prospect that defence production may need a high proportion of tools not available in general industry may make resort to defence sub-contracting extremely difficult, particularly in view of the urgency of the programme; it may well prove impossible to spread the industrial burden of defence so widely as might be hoped. Moreover, such special requirements will mean uneven demands upon the British machine tool industry, with a particular concentration upon certain manufacturers for tools which they have never been called upon to produce on a large scale.

*

The policy of purchasing in time such special-purpose tools wherever they are to be had is therefore inevitable; but it involves certain risks that are not easy to calculate. Britain has so far profited by the slowness with which the multiplicity of "procurement agencies" responsible for American rearmament have moved from words to action; British defence orders in the United States appear to have been placed well ahead of American orders. But the delivery dates secured—generally within 18 months—would be liable to rapid alteration if the American Government established overriding priorities for its own military needs; and this, according to recent reports, it is beginning to do. Mr Gaitskell was able to announce that the Americans have promised "priorities" for the delivery of British-ordered tools, at least for types not available here; to ensure that these are high priorities, and that delivery of remaining orders is not relegated to a much lower category, will prove an important task for the new Director-General of Machine Tools, Mr S. W. Rawson of John Brown's.

Developments in Government policy announced this week, following upon Mr Rawson's appointment, go a long way to help and inform the industry. The order books of 30 of the industry's most important manufacturers are to be examined to see how many tools of the types required can be diverted from inessential purposes; and the fact that it may be necessary to divert certain exports as well has reluctantly been accepted. British firms are today fulfilling orders for general-purpose exports, while at least some machines of the same type—costing considerably more—are being imported for defence purposes. In part this is a consequence of the general fact that British export prices are too low; but except in cases such as Canada, where recently-won markets need consolidating, it seems a remarkable involution of trade policy. Following the new decisions Mr Rawson can proceed with his dual task of ensuring that export deliveries are fulfilled and mobilising the British industry to produce such tools as are not best obtained overseas. It will not be an easy one. The Ministry of Labour is to assist in recruiting the skilled engineers whom the manufacturers need; but such men are hard to find, and the industry has recently been losing them to less exacting work in other engineering. Sufficient extra labour to work double shifts would reduce the need for sub-contracting and plant expansion, which might be hard to carry through within the time limit set (though more practicable if defence expenditure at the present rate is to continue after the three-year programme). The size of the problem, however, now seems fully to be appreciated; and in the new measures to meet it there is a welcome note of urgency.

Business Notes

Uneasiness Returns

Even those who had been disposed to argue that long-term factors presaged some tendency towards easier conditions in the gilt-edged market would certainly agree that this week's reverse would represent a distinctly abrupt "return to normal." Falls of up to half a point in the long-dated issues, such as occurred on Wednesday, look disturbing enough in the cold print of the price lists, but they are the inevitable result of a small volume of selling in a market that has suddenly become friendless. That markets generally should be suddenly deserted is hardly surprising; there is the long account with the Budget at its end, anxiety about Persia, the setback on Wall Street, disappointment with the February trade figures with their challenge to certain of the assumptions on which the defence programme has been based, the difficult progress of the four deputies in Paris, and doubts in some quarters about the future trend of commodity prices. And it happens this week that a spate of capital issues has been competing with existing securities; when the public and the institutions are invited to put up £12 million in cash for securities free of stamp, the result can sometimes be distinctly chastening for thin markets bare of support.

Of the week's issues, the Northern Rhodesia loan is at once the most important and the most interesting in its implications about the thinking of the authorities on trustee loan terms. On this occasion, there was no attempt at forcing the pace—which was as well in view of the subsequent setback in gilt-edged—even though the authorities were not disposed to give much away. The issue is of 3½ per cent stock, with a narrow bracket of dates (1970-72) offered at a price of 99. This represents a notable drawing in of horns since the Southern Rhodesia issue, with its 30 to 35 year span, was made two months ago at par; the fact that this scrip stood at an equivalent price of 3 discount when the Northern Rhodesia terms were announced tells its own story. Even so, the setback in gilt-edged prices was obviously bound to challenge the success of the public offer of £5½ million of the new stock, for redemption yields on several of the guaranteed stocks provide a shilling or two more than 3½ per cent at the cost of only a modest increase in life. In the result, 94 per cent of the issue was left with underwriters.

The news that the Majlis has voted for the nationalisation of the Anglo-Iranian properties caused a further fall in the shares on Thursday to 103s. 1½d. It is difficult indeed to judge the outcome of Anglo-Iranian's present difficulties, and it could be fatally easy to pre-judge it, for reasons that are discussed in a note on page 584. The shares have been a vulnerable market for some time past. Recent events in Persia have had a depressing influence extending well beyond the confines of the oil share market, but provocative though they are, the arguments for not accepting them too tragically may still have much to commend them.

* * *

EPU in Danger

The February settlement of the European Payments Union reveals a disturbing intensification of the creditor position of the United Kingdom on the one hand, and of the debtor position of Germany on the other. The United Kingdom built up a further surplus equivalent to \$73,800,000 with other EPU countries last month, following the surplus of \$32,400,000 for January. Given the present relation of Britain's accumulated surplus to its quota, one half of each monthly addition to that surplus is being taken in gold.

For February, therefore, Britain acquired a further \$36,900,000 in gold from EPU. The total amount of gold acquired by Britain from EPU since it came into operation on July 1st last has risen to \$88,700,000. In addition to working off the initial debit position Britain has accumulated a credit of \$300,700,000 with EPU. In the face of that impressive performance many EPU countries find it a little difficult to understand the reticence with which the British Government is importing from Europe, notably in that large sector of trade that has not been liberalised because it is subject to government trading.

The German position goes from bad to worse. The deficit of Western Germany for February amounted to \$58,300,000. Of this, two-thirds was covered out of the special credit of \$120 million put at Germany's disposal after the initial EPU quota had been exhausted. The other third was met by a further gold payment. Germany's cumulative deficit since EPU came into being has now reached \$457,100,000. The unused margin of the special credit of \$120,000,000 has been reduced to \$28,600,000, and this should be exhausted in the course of the current month. The drastic measures required to meet this situation are now under consideration in Bonn and Paris. One inescapable fact that is beginning to emerge from the evidence of the German balance of payments crisis is that German exporters are "salting away" abroad a substantial part of the proceeds of their sales. Membership of EPU should require some readiness to abide by common standards of exchange control. As things are, Britain is in effect financing a substantial export of capital from Germany. That was not one of the objectives for which EPU was founded.

The German difficulties are beginning to spread their contagion to neighbouring countries, especially to the Netherlands. The Dutch deficit in February amounted to \$25 million, of which \$5,000,000 was paid in gold and the balance added to the Dutch overdraft with EPU. If Germany now goes back completely on the previous trade liberalisation measures and does so on a non-discriminatory basis it will cut imports of Dutch agricultural produce and will plunge the Netherlands further into debt with EPU. One consequence of that will be to defer still further the few remaining hopes of completing the Benelux union. Not for the first time, balance of payments disequilibrium is proving itself a virulent source of economic infection.

* * *

Agreement with Egypt

The long-protracted financial negotiations with Egypt have at last reached a successful conclusion. The main point at issue between the Egyptian and British Governments was the treatment of Egypt's sterling balances. These amount to about £290 million, of which £230 million are in the immobilised No. 2 account and £60 million in the free No. 1 account. An arrangement has been reached for an immediate transfer to Egypt of \$40 million from the sterling area dollar pool; these dollars will be paid for from the No. 1 account. The amount in the No. 2 account is to be repaid over a long term of years. Britain has agreed to transfer in each of the next ten years a minimum of £10 million a year and a maximum of £15 million from the No. 2 to No. 1 account. Assuming that the maximum will be transferred—and there is no reason for making any other assumption—a total of £150 million will thus have been liberated. The remaining balance of £80 million will be subject to negotiation in ten years' time. Egypt meanwhile is to remain in the transferable account group of countries.

These arrangements envisage a gradual break with past practice under which the major part of Egypt's external foreign exchange reserve was kept in sterling.

That break has been formalised during the past week by the approval of a new law that transforms the National Bank of Egypt into a purely Egyptian central bank. The bank will remain privately owned, but its higher policy is to be settled in agreement with the Egyptian Government. The main lines of currency and credit policy will be laid down by a supreme council consisting of the Minister of Finance as chairman, three representatives of the Government and three of the bank. All members of the board of the bank will henceforth have to be Egyptian-born nationals. The term of office of the present Governor, Sir Frederick Leith-Ross, expires next May. From then onwards the National Bank will be administered by an exclusively Egyptian personnel. The new law has been hailed in Egypt as severing the link between the National Bank and sterling. What it cannot abolish is the fact that the bulk of Egypt's foreign trade is likely for some time to come to be transacted with sterling countries and in terms of sterling.

* * *

Work of the Stock Exchange

The general public is still so ill-informed about the activities of the Stock Exchange that any discussion by its leading figures deserves a warm welcome. It is to be hoped, therefore, that the address given last week by its chairman, Mr J. B. Braithwaite, to the Institute of Bankers will reach a wider audience. Most of his talk was devoted to the work and growth of the Exchange, but he also gave some interesting figures not previously published. In the past four years £1,562 million of new capital has been raised through the medium of the Stock Exchange; the peak year in this period, perhaps rather surprisingly, was 1949, when £488 million was raised. These figures do not include British Government, nationalisation, Dominion and Colonial issues. Mr Braithwaite emphasised that the need for the Stock Exchange, which must now provide a market for between two and three million investors in British trade and industry, has been in no way diminished by the recent tendency of industrial concerns to borrow, at short-term, direct from institutional investors. Despite the obstacles that the 2 per cent stamp duty puts in the way of dealings in short-term stock, new issue business outside the market has amounted to only about £80 million in the last three years—and these issues themselves could not have been as finely priced as they have been without the service of the Stock Exchange barometer.

In his account of the gradual growth of the Stock Exchange mechanism during the past 250 years, Mr Braithwaite could point to a youthful London market that is growing up to meet a new need in much the same way as the Stock Exchange did from the days of Jonathan's Coffee House onwards. This new market is the Air Charter Market on the Baltic Exchange. Mr Braithwaite instanced this development as an illustration of the spirit of City enterprise and of the resilience and adaptability of its institutions. There may well be a moral here for the Stock Exchange itself. The structure of the nation's capital market, in its widest sense, is changing radically; and the Stock Exchange, still an indispensable mechanism, will need to show these qualities of resilience and adaptability in a high degree if it is to perform its traditional functions as effectively in the changing circumstances as it has done in the past.

* * *

The Piecework Muddle

The dispute over piecework rates in the engineering industry continues unabated. While some concerns notably Craven Brothers at Stockport, have settled their local dis-

putes satisfactorily, others in their turn have had to close down parts of their works. Similarly, although the ban on overtime and piecework has been lifted in some districts, it has been newly imposed in others. The result is a continuance of the muddled and confused atmosphere which has surrounded the dispute about piecework from the start.

One thing at least is becoming clear: neither employers nor employees are happy about the wages agreement from which the dispute arises. Both suffer from it, for it puts a premium on time rates and time rates have never been a satisfactory method of payment in the industry. From the point of view of the employees, they are unattractive as they provide little opportunity for the extra earnings which the energetic worker has always been able to make in the past. There is a case for a thorough overhaul of this wages agreement in order to bring it back into line with traditional practice in the industry. Neither side, however, seems able or willing to withdraw from the position it has taken up, and this fact holds out little hope of agreement in the near future.

It remains for individual employers, therefore, to settle the matter with their own workers. Craven Brothers have led the way towards a settlement—as they led the way in retaliation for the original action of the workers—and it is expected that other companies will follow suit. The loss to the small companies affected and to their industrial customers which has resulted from the dispute is beginning to reach very serious proportions; the stage has been reached for more sense and less emotion.

* * *

Bulk Buying Crosses the Atlantic

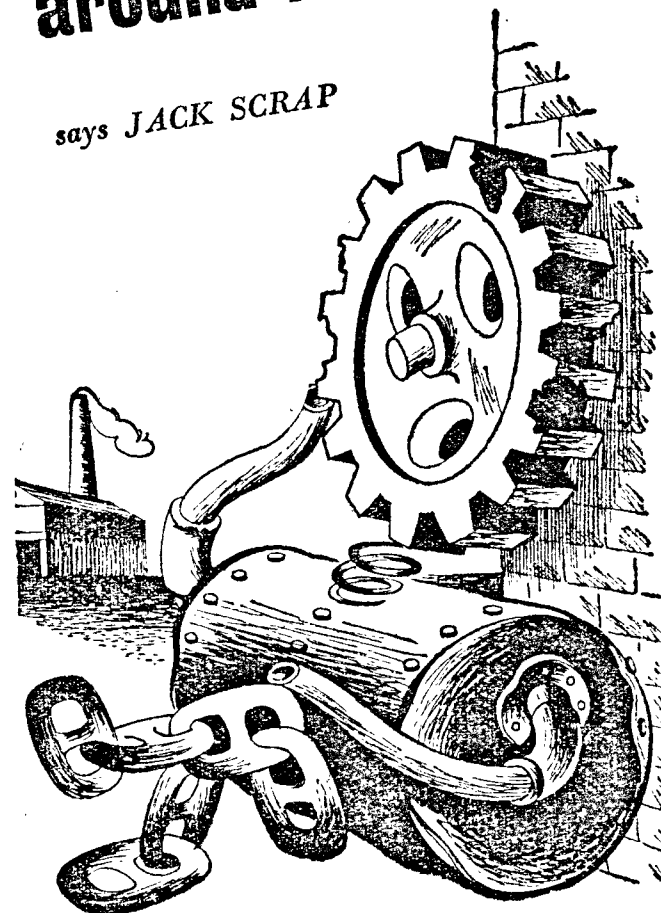
At the very moment when even the ardent British champions of bulk purchase are having slight doubts whether they are right, encouragement comes to aid their flagging spirits. They look westward, and see that the land is bright. The United States Government has decided to extend its experiments in bulk purchase by becoming the sole purchaser of tin, just as it became the sole importer of rubber at the beginning of the year. The United States authorities have convinced themselves that primary producers have been exploiting defence needs by holding back supplies and that bulk purchase will teach them a lesson. They can hardly blame tin and rubber producers for holding more old-fashioned ideas about what happens to markets and prices when the world's largest consumer tries to accumulate a large strategic reserve and at the same time to maintain a high level of civilian consumption.

It is an open question whether American bulk buying will bring more stable prices. It did not prevent rubber from rising to 72d a lb last month. If the United States refrains from buying either rubber or tin for any period of time, the prices of these commodities will undoubtedly fall and other countries will benefit by being able to obtain their requirements more cheaply. But if American buying is resumed, prices are likely to rise again; just as the British Government has found it impossible to buy secretly on the market or by private deals, so the actions of the United States authorities are likely to be easily interpreted. Indeed, if the operations of the US Munition Board are any guide to the discretion with which American official buying is pursued, prices may even fluctuate more widely than in the past.

The important question is not whether the United States Government pursues bulk buying, but whether it continues to buy for stock. Raw material prices are already too high for comfort and safety, but until the total demand for raw materials falls, the prospect of any appreciable fall in prices can only be slight. Whether such a fall will result from the international materials conference now meeting in Washington depends on the quantities of rubber and tin that are bought, not on how they are bought. If American stockpiling

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purchases were to be suspended, there would be more for Britain and Western Europe—and also for Russia and China unless some system of control over exports was adopted.

Reaction on Prices

Fears that the stockpiling boom may be over have already caused commodity prices to fall. Tin last week fell by £260 to £1,220 a ton, though this week it has been surprisingly steady and recovered to £1,325 a ton by Wednesday. The "free" market prices for copper, lead and zinc have all dropped noticeably during the past ten days, while tungsten, which had experienced the most spectacular rise in price, fell for the first time in thirteen months and was quoted this week 57s. 6d. lower at 612s. 6d. a unit. The decline in metal prices during the past week is shown in the accompanying table. The rubber market has also weakened, but fibres, especially wool, have remained firm.

This reaction in prices has naturally prompted the question whether a new phase lies ahead for commodity markets. The United States authorities seem determined to prevent a continued rise in prices—if they can. But it is not known whether they are equally determined to prevent supplies of

TRENDS IN METAL PRICES						
	1950 June	Jan. 17	Feb. 14	1951 Feb. 28	Mar. 7	Mar. 14
Copper, electrolytic (cts. p. lb.)	22-5	24-5	24-5	24-5	24-5	24-5
Copper (Free Market) (cents per lb.)	45	47	47	48	49	46
Zinc (cents per lb.) Prime West	15-0	17-5	17-5	17-5	18-5	17-5
Zinc (Free Market) (cts. per lb.)	35-45	35-45	35-45	35-45	35-45	35-45
Lead (cents per lb.)	11-0	17-0	17-0	17-0	17-0	17-0
Lead (Free Market) (cts. per lb.)	21-875	21-875	21-875	21-875	21-875	21-875
Tin (£ per ton)	600	1,227	1,550	1,422	1,337	1,325
Tungsten (s. per unit)	126-9	480-0	585-0	670-0	670-0	612-5

key commodities reaching unfriendly countries. Unless international allocation at fixed prices is adopted and can be enforced, these two policies are contradictory. Both the Ministry of Food and the Ministry of Supply have shown the world that any attempt to buy cheaply must mean that little or no supplies are obtained. The United States can hardly succeed in teaching the so-called "gougers" a lesson and at the same time prevent Soviet satellites from building up larger reserves of strategic materials.

Turn-down in Trade?

Total exports last month fell sharply to £183 million, the lowest level since September when the delayed effect of the holidays affected the figures. February was a short month, but the daily rate of export was itself 8 per cent lower than in January and in the fourth quarter of 1950. Imports fell by £50 million to £248 million, but they were still £30 million higher than the monthly average for last year. The excess of imports (valued cif) over total exports (valued fob) for the month amounted to £65 million making a total of £140 million for the first two months of the year; the corresponding figure for the whole of the second half of 1950 was £128 million.

British Exports (Adjusted to a standard month of 26 working days.)			
1950:	1st quarter (monthly average)	2nd	£m.
		3rd	174
		4th	178
1951:	January	February	181
			206½
			206½
			190

Statistics for two months hardly provide a sufficient wide base from which to judge the trend. In particular, dock

troubles may have played an important part in the decline in exports last month. Again, January imports were partially inflated by imports of coal, and no doubt the February figures have also been affected. One of the most disquieting features of the trade figures so far this year is the decline in exports to the United States and Canada. Shipments to North America in February earned US \$50 million compared with \$57 million in January and the average of \$70 million a month in the fourth quarter of 1950; the main explanation for this is the fall in exports in Canada. Total American imports in January reached a new record level owing to heavier imports of primary products such as sugar, coffee, rubber, wool and jute. So long as American purchases of raw materials continue at recent levels, the sterling area is likely to make good any loss in dollar income suffered by Britain, and this impression also seems to be confirmed from the latest monthly figures of the European Payments Union.

Britain is committed to a high level of imports this year to keep up industrial output, and the question is whether exports can be maintained at a sufficient level to balance the overseas payments account, as the Chancellor intends. A major contribution to last year's surplus came from invisible items and these may prove equally buoyant during the present year. But it would be assuming too much to suppose that the running down of Britain's payments surplus can necessarily be controlled by government policy. What follows if the rate of decline should be too swift for normal corrective action?

Boom Time in Latin America

The economic barometer in Latin America has always oscillated between storm and set-fair in response to marginal changes in commodity prices in the United States. Since the war, however, these oscillations have been unusually violent. In 1949 the 20 Latin American republics ran a trade deficit with the United States of over \$400 million; in 1950 this was replaced by a surplus of about \$300 million, and the trend at the end of the year was clearly sharply upwards. In the circumstances, the latest of Mr Francis Glyn's annual reviews of Latin American conditions to stockholders of the Bank of London and South America strikes a more cheerful note than last year's. The upward trend of prosperity in the countries in which the bank carries on business is strikingly reflected in the bank's balance sheet. Its deposits increased by some 6 per cent in the last three months of 1950, despite seasonal withdrawals.

There are, of course, some disappointing clouds in the Latin American scene. Quite apart from the sorry deadlock in Anglo-Argentine trade, British exports to the area have not expanded as rapidly as might have been expected after devaluation—and certainly not as rapidly as German and Japanese exports have done. In part, this is due to the long delivery dates quoted by British suppliers and to the paucity of direct shipping facilities, but in part, too, it arises from a continuing sterling shortage (and hence to continuing import restrictions) in some countries. Countries that have now a dollar surplus, such as Brazil, are not inclined to use their new-found dollars to settle sterling debts, and their arrears of sterling remittances are piling up. Mr Glyn seemed reasonably confident, however, that Brazil would be able to resume remittances after its present bumper cotton crop begins to come to the market in a few weeks' time. It is to be hoped that other Latin American countries now returning to solvency in their external accounts will take note of the marked improvement in the economic situation in Chile and Peru since those countries made their bold attempts at lightening the burden of exchange regulations just over a year ago. Meanwhile, however, the Bank of London and South America—and other British companies trading in the area—still have to pay British taxation on those of their profits that are frozen abroad by exchange regulations; Mr



A king among craftsmen—

The Cooper

The life of a beer barrel, punishing as it is, may well be ten, twenty or even thirty years. That is a measure of the cooper's mastery of oak and iron. His craft is as highly skilled as any in the land, and behind him are long years of apprenticeship.

beer is best

Issued by the Brewers' Society, 42 Portman Square, London, W.1

THE CONSOLIDATED MINES SELECTION COMPANY, LIMITED

ABRIDGED REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER, 1950.

CAPITAL

The authorised capital remained unchanged at £900,000. The issued capital was increased during the year to that amount by the issue of the 400,000 reserve shares at 27s. 6d. per share. Stockholders being offered 350,000 of these shares. Underwriters subscribed for the balance of 50,000 shares at the issue price of 27s. 6d., and as a result of this issue, the Company has received £550,000 of new capital.

It is proposed to submit, as special business, at the Annual General Meeting a resolution to increase the authorised capital of the Company to £1,200,000 by creating 600,000 new Ordinary shares of 10s. each and empowering the Directors to issue these shares on such terms and conditions as they may think fit. Your Directors have these shares on such terms and conditions as they may think fit. Your Directors have the no present intention of issuing additional capital, but feel that it is desirable in the interests of the Company that there be some reserve shares available for issue at short notice without the delay involved in calling Extraordinary General Meetings either to increase the authorised capital or to obtain authority for a new issue.

NEW ARTICLES OF ASSOCIATION

A Special Resolution will be submitted at the Annual General Meeting for the adoption of new Articles of Association. The existing Articles were adopted in 1910 and apart from the need to make certain specific alterations to the Articles on such matters as borrowing powers and Directors' remuneration it is considered desirable to recast the Articles so that they will be in conformity with the requirements of the Companies Act, 1948 and modern practice generally.

A print of the new Articles may be inspected at the office of the Company during usual business hours prior to the Meeting.

ACCOUNTS

	1950 £	1949 £
Profit after charging all expenses but before providing for taxation was	305,795	220,207
Add: Unappropriated Profit brought forward	41,032	41,284
Making a total of	346,827	261,491
Deduct: Taxation—United Kingdom and South African	122,996	100,771
	223,831	160,720
Deduct: Amount transferred to General Reserve	50,000	30,000
	173,831	130,720
Deduct: Proposed Dividend of 15% and Bonus of 10% (less Income Tax) and Directors' Additional Remuneration (Dividend of 21% (less Income Tax) and Directors' additional remuneration)	137,250	—
	—	89,688
Unappropriated Profits carried forward	£36,581	£41,032

The profit shows a satisfactory increase and your Board feels justified in recommending a small increase in distribution. At the same time they propose to divide the total of 2s. 6d. per stock unit into a dividend of 1s. 6d. and a bonus of 1s. Profits of a business such as that of your Company are liable to vary substantially from year to year, being dependent on dividends from mining companies, sharedealing and underwriting. Revenue from dividends and interest can be looked on as reasonably dependable and so far as the Directors can see should be sufficient to maintain a

distribution of 1s. 6d. per stock unit. The balance represented by the 1s. bonus can be regarded as accruing from other sources of profit.

In the year under review the figure of £284,855 representing Dividends and Interest received is abnormally high due to certain non-recurring receipts. The Anglo American Corporation of South Africa, Limited, in which your Company maintains a large holding, has for the first time adopted the practice of paying an interim dividend; thus during our financial year 1950, the Anglo American Corporation dividend of 6s. in respect of 1949 and an interim of 2s. for 1950 were both received. Certain other exceptional receipts from other companies are also included. For 1951 your Directors do not expect to receive more than about £180,000 from dividends on our present shareholdings but this estimate must be subject to the usual uncertainties inseparable from mining enterprises. Your Company now has a substantial cash surplus available for investment as and when favourable opportunities occur and to the extent that this is invested in revenue producing shares income will, of course, be augmented.

The year under review was not favourable for sharedealing and revenue from that source is considerably lower. Income from underwriting has shown a tendency to rise and every effort is being made to develop this branch of our business.

The Balance Sheet reflects the improved cash position of the Company resulting from the receipt of £550,000 from the issue of 400,000 shares at 27s. 6d. each. There were, however, contingent liabilities amounting to £465,969, but of this amount £150,000 has since given rise to an actual liability of approximately £18,000. The bulk of the remainder, namely, £200,000, is an underwriting commitment in respect of 5 per cent. Registered Convertible Notes of President Steyn Gold Mining Company, Limited, which are under option until April, 1952.

An amount of £73,152 has been written off certain shareholdings, reducing the balance of the Investments Reserve from £89,404 to £16,252. This particular reserve was originally created by writing up certain investments either to cost or to their then market value in accordance with the provisions of the Companies Act, 1948. In the circumstances your Board does not propose to make any special provision to maintain the balance on this reserve. We have, however, appropriated £50,000 to General Reserve, bringing it up to £250,000 and resulting in a small reduction in the balance of unappropriated profit carried forward.

INVESTMENTS

These remain substantially unchanged. The holding in De Beers has been disposed of and replaced by an increased holding in Anglo American Investment Trust, Limited. A substantial holding has been acquired in Orange Free State Land and Estate Company (Proprietary) Limited, a company with extensive properties in and around the Orange Free State goldfield. The holding in Beart Products, South Africa, Limited, was previously felt to be too small to be specifically mentioned. This company has now expanded its operations and has begun to pay satisfactory dividends.

Although time must still elapse before our investments in the Orange Free State begin to yield income, we are satisfied that our participation in the finance of this important new goldfield will prove to be highly profitable.

The fifty-fifth annual general meeting of members will be held at The Chartered Insurance Institute, 20, Aldermanbury, London, E.C.2, on the 3rd April, 1951, at 12.30 p.m. Copies of the full Report and Accounts may be obtained on application to the Company's Office, 11, Old Jewry, London, E.C.2.

Glyn voiced what will widely be regarded as a legitimate complaint at the obligation that is thereby imposed on them to draw upon funds legitimately accumulated for other purposes.

* * *

Banking and the China Trade

A great deal has happened in the Far East since the chairmen of the big British banks operating there issued their reports to stockholders for 1949. In view of the inflation of commodity prices it is not surprising that each of these banks recorded an increase in total assets of between 15 and 40 per cent in 1950. It is perhaps more surprising, and more satisfactory, that each of them has maintained or expanded its profits; indeed, one bank, the Chartered Bank of India, Australia and China, has even felt able to raise its dividend. As usual, the chairmen's statements range over a wide array of financial developments in the many countries in which their banks operate. It is plain, however, that there are three main topics that are now uppermost in the minds of all

bankers in the East. The first is the great question-mark hanging over the future of western trade relations with Communist China; the second is the danger as well as the immediate gain attached to the present high level of commodity prices; and the third is the vital importance of renewed and expanded trade between India and Pakistan.

On the first of these points the views of Sir Arthur Morse, the chairman of the Hongkong and Shanghai Bank, will naturally attract wide attention. Sir Arthur was unable to give much new information about conditions in China itself, although he did record that the cost of living in China ports generally has kept fairly steady in the past year; the five offices that the bank still maintains in China are now a liability, however, rather than an asset, and are tightly controlled by the local authorities. The most prominent increase in the bank's business last year was in Hongkong, where exports rose by 60 per cent, imports by 38 per cent and clearing house figures by 30 per cent over the levels for 1949. These increases are largely due to the initial closure of Shanghai, which has resulted in the diversion of an exceptional amount of trade, to and from both China and Japan,

through Hongkong. Sir Arthur Morse dealt at some length with the difficult position that has arisen in Hongkong as a result of the decision made by the American authorities last December to extend to the colony the drastic economic measures already applied to direct trade with China. This decision not only led to the disruption of contracts already made; with startling suddenness, it also cut off the colony's growing indigenous industries from nearly all the raw materials that they normally import from the United States. The Hongkong and Shanghai Bank is endeavouring to comply strictly with the American regulations about blocked funds and so on, and Sir Arthur expressed understanding of the urgent motives behind the American action; he could not, however, see eye to eye with the American authorities on the desirability of the rigid form of embargo imposed: "To plunge the sword into the delicate texture of international trade and finance," he argued, "may cause irreparable injury and shatter faith in the sanctity of contract."

* * *

Expansion of Eastern Banking

Elsewhere in the East, the expansion of banking business in the past year reflects an increase in the volume of trade financed as well as in prices, as Mr V. A. Grantham pointed out in his address to stockholders of the Chartered Bank. It is clear, however, that the possibility of a sudden break in prices, which may not seem very likely at the moment, is a cloud hanging over many bank boardrooms. Sir Charles Innes, of the Merchantile Bank, pointed out that these very high prices, which "obviously cannot last indefinitely," are driving up the cost of living and wage levels as well; in this respect, banking costs in India have been significantly raised since last August, when the award of All-India Industrial Tribunal increased the salaries of the staffs in no fewer than 205 banks.

The recent agreement between India and Pakistan to resume trade relations at the cross-rate of Pakistan rupees 69½ to Indian rupees 100 was welcomed by all the chairmen; Mr J. E. Jenkins, of the Eastern Bank, suggested that the Pakistan decision not to devalue in September, 1949, has been justified by results—especially in view of the extraordinary world demand for cotton and jute in recent months. Political differences (especially over Kashmir) still remain, but the decision to resume trade, if it is loyally carried out, should bring immeasurable benefit to both countries, each of which is now showing a substantial surplus on its external balance of payments. The major source of economic disequilibrium in this area is India's desperate shortage of foodstuffs, to which Mr J. K. Michie, of the National Bank of India, drew particular attention. But this may be eased by the new trading agreement almost as much as by the generous American gift of grain. In other eastern countries, the bank chairmen could report satisfactory expansion. Burma and Indonesia are returning to normal life and moderate prosperity (though Indonesia is troubled by malcontent extremists in its labour unions). In Japan, industrial activity has recently been more than 20 per cent above the 1932-36 average; textile production, though still backward in its recovery compared with that in other industries, is now about double the 1949 average. In Malaya, Thailand and even Indo-China, business has been satisfactorily prosperous in spite of great political difficulties.

* * *

More Freedom for Timber

Timber is one of the few raw materials of which the supply this year should be more or less secure. Consumption of softwood is still severely rationed at last year's level of 1,030,000 standards. But imports are expected to reach at least 1,500,000 standards, of which the Timber Control will be responsible for 1,000,000 standards and the private

trade for the remainder. It is possible that the figure might even be as high as 1,750,000 standards. Last year imports amounted to only 796,000 standards. The main problem so far has been the shortage of shipping space. The Timber Control bought heavily in North America last autumn, but the sudden decision to import coal led to a scarcity of shipping for other purposes, including the movement of timber. The President of the Board of Trade has recently stated, however, that all the purchases so far made from the Pacific Coast will have been shipped by the end of June. The first call on these larger imports will undoubtedly be to build up stocks. By the end of 1951, stocks are expected to total over 600,000 standards, the highest level for many years. But it is certainly arguable that consumption should also be allowed a modest expansion.

A fortnight ago restrictions on the price of softwood were removed. Prices were fixed by the Timber Control last April and had not been altered despite the general rise in commodity prices. In future timber traders will be able to sell privately imported softwood and softwood purchased from the Timber Control at prices based on their purchase prices. They have assured the Board of Trade that the new prices will allow only a reasonable margin of profit and they have set up a committee on which consumers will be represented to deal with problems of price and distribution. Although timber users have been faced with a price rise of some 50-60 per cent, timber is not, in relative terms, a dear commodity and if restrictions on its use were relaxed, demand would almost certainly outstrip supply.

Two stages of decontrol have been successfully negotiated. First the partial reversion to private import last October; secondly the abolition of controlled selling prices. The third stage—full reversion to private import—should follow as a matter of course quite quickly. In other commodities problems of exchange control have been solved quite successfully. The Timber Control has a poor record of securing supplies at satisfactory prices, and it is difficult to believe that private trade could not improve on its performance in delivering timber in the right types and specifications to the right ports.

* * *

Allocation for Steel?

Steel production last month reached a new record, with an annual rate of 16,952,000 tons. Such an output, according to the best estimates that the industry can make, should still be sufficient to meet the current physical consumption of steel. But this does not alter the fact that some consumers are undoubtedly suffering from production difficulties through lack of steel. Actual use of steel, in short, now bears only a limited relation to paper demand: each customer, understandably fearing a developing shortage and higher prices, is busily putting into stock all the steel he can acquire, and in the rush the hindmost may be getting less than their current needs.

Inevitably, this has encouraged suggestions that steel allocation may again be extended to types of steel other than sheet and tinplate. The Ministry of Supply's Iron and Steel Division is stated to be considering the re-introduction of allocation; and it would probably be supported by disappointed customers and by those for whom the disciplining of a free market demand into an orderly queue for paper permits has an intrinsic attraction. Steel allocation might indeed become more desirable later this year, when the demands of rearmament begin to become important; but it is doubtful whether it could be justified at present. The steel industry is experiencing difficulties in the supply of ore and scrap, partly through the shortage of shipping; and in recent weeks its inability to secure as much coke as it could use has been aggravated. For the moment, however, it seems that informal arrangements between steel

HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)
(The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1920 of the Colony.)

REPORT OF THE DIRECTORS

SUBMITTED to the Members at the Ordinary Yearly General Meeting held at the Head Office, Hong Kong, on 10th March, 1951.

The Directors have pleasure in submitting the Balance Sheet at 31st December, 1950, together with the Profit and Loss Account for the year ended at that date.	
The Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which Reserves provision has been made for any diminution in value of current assets, amounts to	
To this must be added the undistributed profit brought forward from the previous year	HK\$17,947,794
An Interim Dividend of £2 per share, free of Hong Kong Corporation Profits Tax, was paid on the 11th August, 1950, amounting to £220,000 @ 1/2 7/8	
leaving a balance available for distribution of	
This balance the Directors recommend be appropriated as follows—	HK\$17,947,794
Amount to be written off Bank Premises	6,000,000
A Final Dividend of £3 per share, free of Hong Kong Corporation Profits Tax, £450,000 @ 1/2 7/8	10,744,538
leaving a balance to be carried forward to next year of	
The above appropriations have been incorporated in the Accounts.	HK\$22,686,787
DIRECTORS —The Hon. Sir Arthur Morse, G.B.E., has been elected Chairman for the year 1951.	
The Hon. D. F. Lamdale, Mr. H. J. Collier, C.B.E., and Mr. J. D. Alexander retire by rotation, but, being eligible, offer themselves for re-election.	
AUDITORS —The Accounts have been audited by Messrs. Peat, Marwick, Mitchell & Co. and Messrs. Lowe, Bingham & Matthews, who offer themselves for re-appointment.	
HONG KONG, 27th February, 1951.	

A. MORSE, Chairman.

BALANCE SHEET at 31st December, 1950	
Share Capital—	
Authorized and Issued:	
100,000 Shares of HK\$125 each, fully paid	HK\$12,500,000
Reserve Liability of Members	4,125,000
HK\$125 per Share on 100,000 Shares	HK\$12,500,000
Reserve Fund	96,000,000
Profit and Loss Account	6,000,000
	418,701
Hong Kong Currency Notes in Circulation—	
Authorized Note Issue	HK\$27,100,000
Excess Note Issue	718,042,025
Current, Deposit and Other Accounts, including	755,742,633
Reserves for Contingencies and Provision for	47,233,830
Taxation (of this total \$1,027,892 is required)	
Amounts Due to Subsidiary Companies	HK\$2,533,520,323
Acceptances on Behalf of Customers	214,713
Proposed Final Dividend in respect of the year ended	11,671,003
31st December, 1950	7,744,538
NOTES:	
1. There are contingent liabilities on bills re-discounted amounting to HK\$2,003,215 and commitments in respect of Confirmed Credits, Guarantees and Forward Exchange Contracts.	
2. Foreign Currency Balances have been converted into Hong Kong Dollars at approximately the rates ruling at 31st December, 1950. The Sterling equivalents of the figures shown in the above Balance Sheet have been converted at the rate of HK\$1=1/3d.	
	HK\$12,500,000
	4,125,000
	96,000,000
	6,000,000
	418,701
	HK\$27,100,000
	718,042,025
	755,742,633
	47,233,830
	HK\$2,533,520,323
	214,713
	11,671,003
	7,744,538
	2,574,237,735
	161,140,675
	HK\$2,735,378,410
	HK\$12,500,000
	4,125,000
	96,000,000
	6,000,000
	418,701
	HK\$27,100,000
	718,042,025
	755,742,633
	47,233,830
	HK\$2,533,520,323
	214,713
	11,671,003
	7,744,538
	2,574,237,735
	161,140,675
	HK\$2,735,378,410

A. MORSE, Chief Manager.
E. L. P. HIBBERD, Acting Chief Accountant.

D. F. LAMDALE,
C. C. ROBERTS,
C. BLAKER. } Directors.

PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1950

Interim Dividend of £2 per Share, free of Hong Kong Corporation Profits Tax, paid	
14th August, 1950, £220,000 @ 1/2 7/8	HK\$4,400,000
Appropriations recommended by the Directors—	
Amount to be written off Bank Premises	HK\$6,000,000
Final Dividend of £3 per Share, free of Hong Kong Corporation	
Profits Tax, £450,000 @ 1/2 7/8	HK\$9,000,000
Balance carried forward to next year	10,744,538
	6,000,000
	HK\$22,686,787

STATEMENT IN CONNECTION WITH SUBSIDIARY COMPANIES.

(1) The Investments in Subsidiary Companies appearing in the annexed Balance Sheet represent the Issued Share Capital of three Trustee Companies and three Non-trustee Companies wholly owned by the Bank. No Group Accounts have been submitted as the Directors are of the opinion that such Accounts would be of no real value to the members of the Bank.

REPORT OF THE AUDITORS TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION.

We have examined the above Balance Sheet with the books of the Corporation kept in Hong Kong, with the audited accounts of the London Office and with the returns received from the other offices which have been signed by the Branch Managers. We have obtained all the information and explanations we have required and in our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs at 31st December, 1950, according to the best of our information and the explanations given to us and as shown by the books kept in Hong Kong and by the returns received from other offices.

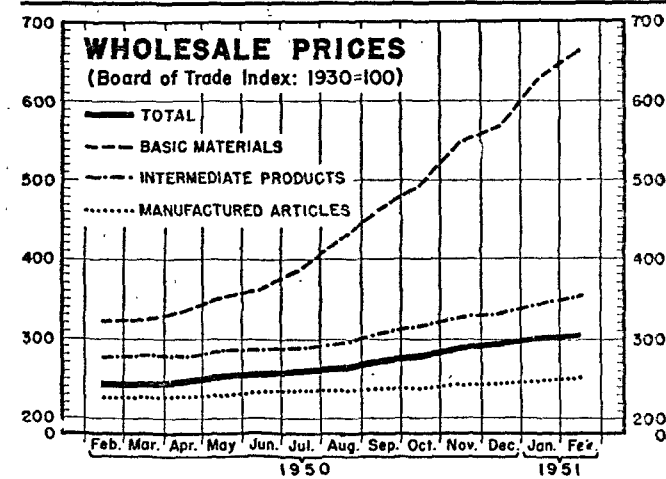
PEAT, MARWICK, MITCHELL & CO., Chartered Accountants
LOWE, BINGHAM & MATTHEWS, Auditors.

suppliers and their customers should be sufficient to relieve particular cases of industrial dislocation. Steel allocation, however, is also being considered in Whitehall once again in the light of its importance as a so-called instrument of planning. If and when the Government decides that it needs to apply a stricter supervision to the industries contributing to rearmament, or to shift the balance of the economy towards those industries, steel allocation may present itself as perhaps the least ineffective lever to hand.

Pressure on Prices

Wholesale prices increased further by 2 per cent in February, a more modest increase than in most of the months since June. Once more the main advances occurred in raw materials, prices of which rose by 6 per cent. Raw wool, silk and sisal showed the greatest increases but tin, groundnut and palm kernel oils, esparto, hides and skins, and rubber were also dearer. Prices of intermediate products rose by 3 per cent and those of manufactured articles by 2 per cent.

But it is not only imported goods that are imposing strain on prices. The general increase in coal prices, which came into operation on February 5th, raised the coal index by 6 per cent. Dearer coal and coke caused iron and steel prices to be



raised on February 21st; this sub-index rose by barely 1 per cent in February and the full effect will be felt in the March figures. The index for non-ferrous metals actually fell last month despite a rise of 17 per cent in the price of tin; brass ingots were cheaper and these carry a larger weight in the index than tin. The cotton index rose by 3 per cent, wool by 11 per cent and "other textiles" by 6 per cent.

The sharp rises in raw material prices of recent months are beginning to show their effect upon intermediate products and finished manufactures, though the price increases so far recorded in these groups are not very marked. Higher prices for utility shirts and underwear will come into operation next Monday; cotton garments will be increased by about 15 per cent and wool garments by 25 per cent. Certain hollowware articles such as buckets and tinned saucepans will also become dearer next week.

Problem for the Jute Industry

The new India-Pakistan trade agreement will have important consequences for the British jute industry. Demand for jute cloth and bags has increased considerably owing to the shortage of other packaging materials. These coarser cloths were made in India, but as a result of the trade deadlock between the two dominions, supplies of them from India have for many months been small. British manufacturers have made good the deficiency by switching their

production to the types that the Indian industry has been unable to supply. Discussing the implications of this change at the annual general meeting of Jute Industries Limited, Mr. W. G. N. Walker, the chairman, stated that the British jute industry "was being steered away from its traditional markets and forced to make the very types of cloth that it had lost to India through lack of protection during the interwar years." The industry has no guarantee that these markets will be open to it in future. If coarse jute cloths are exported in large quantities by India in future, Dundee will have to meet competition in a product that it cannot produce as cheaply as India, and it will also have a hard fight to regain its traditional markets both at home and abroad.

This prospect may seem bleak, but circumstances offer a short respite to allow important decisions to be taken. Despite the new trade agreement, the Indian jute mills have had to close down for ten days owing to shortage of raw material. Moreover, Pakistan has developed Chittagong as a sizeable port and new anchorage facilities have been provided at Chalna. These two ports alone can handle almost the whole of Pakistan's seasonal exports of jute. It seems doubtful whether Pakistan will forsake this important export trade that it has built up during the past eighteen months. The reappearance of India as a major supplier of jute manufactures may therefore not be seen for some time. But Dundee and the Government must decide quickly. The longer the traditional markets of the British jute industry are left unsupplied, the more difficult will it be to recapture them.

Safer Industry

Industrial accidents, after declining from a wartime peak and showing signs of stability in 1948, again showed a welcome fall in 1949. Some 192,982 accidents were notified, a decrease of 4 per cent from the 1948 figure of 201,086; and the 10 per cent fall in fatal accidents, from 861 to 772, was particularly encouraging. In his annual report for 1949 the Chief Inspector of Factories shows that of 78 industrial groups for which separate figures are available, 21 showed increases in the numbers of accidents while 57 showed decreases. Accidents in metal foundries, where the inspectorate has been carrying out a special survey, fell during the year by 12 per cent. Building accidents increased by 20 per cent, but part of this increase is believed to be due to fuller notification of accidents; fatal accidents (statistics of which are more dependable) declined in this industry by 11 per cent.

The rate of accident frequency (based upon an international formula taking into account hours worked) was highest in the tinplate industry (where it rose in 1949), followed by iron and steel founding, other iron and steel process industries, non-ferrous metals, shipbuilding and repairing, and bricks. At the other end of the scale, the lowest rate

ACCIDENTS IN BRITISH FACTORIES, 1944 TO 1949

Year	Number of Notifiable Accidents	Index (1944=100)	Accident Rate per 1,000 Employees	Index (1944=100)
1944	266,766	100	40	100
1945	226,461	85	37	92
1946	207,587	78	34	85
1947	185,747	70	29	72
1948	182,838	69	28	70
1949	172,026	65	25	65

was recorded for printing, followed by tobacco, light engineering and radio, aircraft and aero engines, and electrical engineering. The general trend of accident frequency was downward, though there were increases in several of the heavier industries. The analysis of accidents by cause showed reductions in the number of accidents caused by shafting, milling machines and power presses (which are small in number, but generally cause serious injury); a

REPORT BY THE COURT OF DIRECTORS OF The ROYAL BANK of SCOTLAND

TO THE ANNUAL GENERAL COURT OF PROPRIETORS, ON WEDNESDAY, 14th MARCH, 1951

The Court of Directors now submit to the Proprietors Group Accounts comprising the Balance Sheet and Profit and Loss Account of the Royal Bank of Scotland as at 14th October, 1950, and the Balance Sheets and Profit and Loss Accounts of its Subsidiary Companies, Glyn, Mills & Co. and Williams Deacon's Bank Limited as at 31st December, 1950. The Net Profit of THE ROYAL BANK OF SCOTLAND for the year to 14th October, 1950, after providing for Taxation and making transfers to Reserves for Contingencies, out of which Accounts provisions have been made for all bad and doubtful debts and fluctuations in the value of Investments, amounted to		£361,250 0 0	£618,622 7 10
Interim dividend at rate of 8½ per cent. actual paid at Midsummer, 1950, required	£162,562 10 0	0	
Less Income Tax	£361,250 0 0	£162,562 10 0	
Interim dividend at rate of 8½ per cent. actual paid at Christmas, 1950, required	£361,250 0 0	£162,562 10 0	
Less Income Tax	£361,250 0 0	£162,562 10 0	
There have been transferred to Property Maintenance Reserve Account	30,000 0 0		
Contributed to Staff Pension Fund	75,000 0 0		
Contributed to Staff Widows' Fund	15,000 0 0		
Carried to Reserve Fund	101,247 7 10		
The Reserve Fund now amounts to	£4,773,800		£618,622 7 10

A dividend of 17 per cent. per annum having already been paid, the Court of Directors do not recommend any further dividend for the year. A valuation of the Bank's quoted investments at 14th October, 1950, is in excess of the sums at which they appear in the annexed Balance Sheet. The Directors record with deep regret the death of The Right Hon. Lord Bradbury of Winsford, G.C.B., LL.D., who had been an Ordinary Director since November, 1930. During the year the Directors, in virtue of the powers conferred upon them by the Royal Bank of Scotland Act, 1873, elected The Right Hon. Sir Ronald Ian Campbell, G.C.M.G., C.B., and Mr. Kenneth Graham Holden, Ordinary Directors of the Bank; they hold office until this Annual General Court only, but are eligible for re-election. In exercise of the powers already mentioned, the Directors have elected Sir William Crawford Currie, G.B.E., Deputy Chairman of Williams Deacon's Bank Ltd. an Extraordinary Director of the Royal Bank of Scotland. The Governor, the Deputy-Governor, the Extraordinary Directors and the Senior Ordinary Director (The Right Hon. The Earl of Elgin and Kincardine, K.T., C.M.G., LL.D.), retire at this time and are eligible for re-election. Mr. George James Gregor, C.A., and Mr. S. W. Murphy, C.A., Auditors for the past year, are willing to continue in office as Auditors and will be re-appointed pursuant to Section 159 of the Companies Act, 1948. Edinburgh, 20th February, 1951

STATEMENT OF ACCOUNTS, 14th OCTOBER, 1950

CAPITAL STOCK, Authorised and Issued	£4,250,000
RESERVE FUND	4,773,800
NOTES in circulation	£9,023,800
DEPOSITS and other Accounts, including Reserves and Provisions for Contingencies and Taxation	131,293,730
AMOUNTS due to Subsidiary Companies	4,852,832
DIVIDEND—Christmas, 1950, less Income Tax	198,687
LIABILITIES for Acceptances, Confirmed Credits and other Obligations	6,959,935

Notes:—The profits of Williams Deacon's Bank Ltd. and Glyn, Mills & Co. have been taken into the Royal Bank of Scotland profit only to the extent of the Dividends declared. The Nominee Companies are non-trading and have made neither a profit nor a loss for the year ended 14th October, 1950. Foreign Currency Balances have been converted into Sterling at the rates current on 14th October, 1950. United Kingdom Income Tax has been provided on the profits to date.

Statement required by the Eighth Schedule of the Companies Act, 1948. The Directors of the Bank have, in terms of Section 153 (1) of the Companies Act, 1948, investigated the possibility of making the financial year of each of the Subsidiaries coincide with its own. The practice of the Subsidiaries has been to make up their Accounts as at 31st December in each year, and it is considered impracticable to alter this arrangement. The Royal Bank of Scotland has, since 1879, made up its Accounts annually on the second Saturday of October, and any alteration in this long-established and convenient procedure would involve administrative difficulties in the conduct of the Bank's affairs. The Directors are satisfied that the foregoing considerations constitute good reasons for not making any alteration in the financial years of the Bank or of the Subsidiaries.

KENNETH MURRAY, ELGIN, C. AUGUSTUS CARLOW, Directors.
J. M. THOMSON, Cashier and General Manager.

CURRENT ASSETS:	
CASH, BANK NOTES and BALANCES with the Bank of England	17,862,802
BALANCES with, and CHEQUES in course of collection on, other Banks in the British Isles	6,388,526
MONIES at Call and Short Notice	10,554,000
BILLS DISCOUNTED (including £3,085,000 British Treasury Bills)	4,970,485
TREASURY DEPOSIT RECEIPTS	2,500,000

INVESTMENTS—	
(a) QUOTED—at or under market value—	
British Government Securities and Securities guaranteed by British Government	66,837,611
Dominion and Colonial Government Securities, and Corporation Stocks	662,999
Other Securities	367,452
(b) UNQUOTED—at cost—	
Terminable Corporation Mortgages	523,020

ADVANCES to Customers and other Accounts, less provision for bad and doubtful debts	110,666,895
LIABILITIES of Customers for Acceptances, Confirmed Credits and other Obligations per contra	35,921,683
	6,959,935
TOTAL CURRENT ASSETS	153,548,513

SUBSIDIARY COMPANIES:	
Williams Deacon's Bank Ltd. Shares—1,562,500 "A" Shares of £5 each, £1 paid, and 312,500 "B" Shares of £1 each, fully paid	3,083,750
Glyn, Mills & Co. £1,000,000 Stock—a company incorporated with unlimited liability	2,800,000
NOMINEE COMPANIES (are limited by Guarantee and have no Assets or Liabilities)	
AMOUNTS due by Subsidiary Companies	239,095
	6,132,845

TRADE INVESTMENT:	
Industrial and Commercial Finance Corporation Ltd.—333 Shares of £1,000 each, £500 paid	166,500
FIXED ASSETS:	
BANK PROPERTY, partly yielding rent, at cost, less amounts written off	1,178,407
	£161,026,265

PROFIT AND LOSS ACCOUNT For the year ended 14th October, 1950	
To Property Maintenance Reserve Account	£30,000
" Staff Pension Fund	75,000
" Staff Widows' Fund	15,000
" Reserve Fund	101,248
" Dividend—Midsummer, 1950, less Income Tax	198,687
" Dividend—Christmas, 1950, less Income Tax	198,687
	£618,622

By Profit for the Year after providing for Taxation and making transfers to Reserves for Contingencies, out of which Accounts provisions have been made for all bad and doubtful debts and fluctuations in the value of Investments	618,622
Notes: Directors' Emoluments—	
Aggregate Amount of Directors' Fees	23,488
Aggregate Amount of other Emoluments	15,902
Pension, other than as a Director	4,000
	£43,390
Of these amounts, there are included in the Accounts of the Subsidiary Companies sums amounting, in all, to £26,206 (1949, £27,696).	

AUDITORS' REPORT

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our Audit. In our opinion proper books of account have been kept by the Bank so far as appears from our examination of those books, and proper returns adequate for the purposes of our audit have been received from Branches not visited by us.

We have examined the above Balance Sheet and Profit and Loss Account which are in agreement with the books of account and returns of the Bank. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1948, in the manner so required, and on the basis authorised by the Act for a banking company give a true and fair view in the case of the Balance Sheet of the state of the Bank's affairs at 14th October, 1950, and in the case of the Profit and Loss Account of the profit for the year ended on that date.

We have examined the Group Accounts (comprising the above Balance Sheet of the Royal Bank of Scotland as at 14th October, 1950, and the annexed Balance Sheets of its Subsidiaries, Glyn, Mills & Co. and Williams Deacon's Bank Ltd., both as at 31st December, 1950) with the audited accounts of the Banks dealt with thereby, which accounts, with the exception of the Royal Bank of Scotland, have not been audited by us. Subject to the foregoing, in our opinion, the said Group Accounts have been properly prepared in accordance with the provisions of the Companies Act, 1948, and, on the basis authorised therein, give a true and fair view of the state of affairs and of the profit of the Royal Bank of Scotland and its Subsidiaries.

GEO. JAMES GREGOR, C.A., Auditor.
S. W. MURPHY, C.A., Auditor.

ESTABLISHED IN CALCUTTA, 29th SEPTEMBER, 1863.

HEAD OFFICE . 26, BISHOPSGATE, LONDON, E.C.2

NOTES.

1. Bills receivable rediscounted £6,462,626, of which up to 6th March, 1951 £1,523,930 have run off.
2. Forward contracts outstanding for the purchase and sale of Bills and Telegraphic Transfers £94,316,147.
3. Liabilities have been incurred in respect of building contracts for new premises amounting to approximately £158,446.
4. There are contingent liabilities in respect of guaranteed credits outstanding amounting to £23,322,872.
5. There are contingent liabilities in respect of guarantees entered into in the ordinary course of business.
6. Overseas Current Assets and Liabilities have been converted at the rate of 1/6d. per Indian Rupee, 2/2d. per Pakistan Rupee and £1 per 20 East African Shillings, and other currencies at the rates of exchange ruling on 31st December, 1950.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Bank so far as appears from our examination of those books and proper Returns adequate for the purposes of our audit have been received from Branches visited by us. We have examined the above Balance Sheet which is in agreement with the books of account and Returns. In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet gives the information required by the Companies Act, 1948, in the manner thereby authorised for Banking Companies and on such basis the Balance Sheet gives a true and fair view of the state of the Bank's affairs as at 31st December, 1950.

We have also examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account of the Bank and its Subsidiaries dealt with thereby with the audited accounts of those Companies. In our opinion such Consolidated Balance Sheet and Consolidated Profit and Loss Account have been properly prepared from such accounts in accordance with the provisions of the Companies Act, 1943, in the manner thereby authorised for Banking Companies and, on this basis, give a true and fair view of the state of affairs of the Bank and its Subsidiaries dealt with thereby so far as concerns members of The National Bank of India Limited.

LONDON, 7th March, 1951.

COOPER BROTHERS & CO. }
W. A. BROWNE & CO. } Auditors.
Chartered Accountants.

The Ministry of Food has decided to increase the retail price of tea by 4d. a lb. to an average price of 3s. 8d. a lb., commencing May 21st. The subsidy will be correspondingly reduced from 1s. to 8d. a lb. In an article "Food Stock-taking" on page 448 of *The Economist* dated February 24th the imports of tea in 1950 given in Table I should have read 164,000 tons, making the decline in stocks during the year 28,000 tons. The stock figure for tea in Table II remains unchanged.

During January industries in the "metals, engineering and vehicles" classification of the Ministry of Labour increased

Rugby Portland Cement.—Record production, deliveries and exports last year are reflected in the rise in group trading profits from £380,270 to £448,517. Rugby Portland Cement has dealt more liberally by its equity shareholders during the dividend freeze than many companies; for 1950, apart from the third successive special tax-free distribution of 5 per cent from capital sources, the Ordinary dividend has again been raised, from 17½ to 20 per cent; this dividend absorbs 42 per cent of available profit, compared with 43 per cent in 1949. The net dividend represents a return on the real equity capital (ordinary shares and reserves) of 2.9 per cent, and the earnings return is 7 per cent. The balance sheet shows a high proportion of fixed capital equipment; group fixed assets, after depreciation, stand at £2,014,623, against £2,025,001, but net current assets have also risen from £543,768 to £687,791.

The margin of profits on home deliveries is small, and only 28 per cent of group net profits of £153,264, against £133,630, come from home sales. Costs of production are nearly doubled and costs of new plant trebled compared with 1939. Exports are the principal source of the industry's profits. It may be that British cement exports are near their peak; cement output expanded from 9,287,000 tons in 1949 to 9,672,000 tons in 1950, but there was only a slight increase in exports of 4,000 tons to 1,864,000 tons. The corresponding figures for 1939 were total production of 8,252,000 tons, of which 665,000 tons were exported. The industry has had to meet the strain of substitution for timber in building; the consequence is that a council house now consumes three times the amount of cement used before the war. This was one of the factors contributing to "a slight shortage" of cement in 1950, and to the need for imports. In his freely hitting speech, Mr Halford Reddish does not spare "the planners"; their estimate of home consumption in 1950 was too low; in his view, their estimate for 1951 is "wildly high."

Rugby Portland Cement, with new kilns at Rochester now complete, have contributed towards the expansion of the capacity of the industry. Demand should absorb

their labour force by 23,000 to 4,109,000, compared with an increase of 16,000 in January, 1950. This increase, coupled with the facts that manufacturing industry as a whole gained only 39,000 more employees during the month, and that unemployment fell by ten per cent, instead of showing its usual seasonal rise, suggests that the first effects of defence contracts are beginning to be felt. The shift in the pattern of employment, however, is very slight ; and it is within the engineering industries that the most important movements, those of skilled labour, will have to be looked for.

In an effort to stem the tide of internal inflation, the Ceylon Government has increased export duties on a number of commodities. The duty on tea has been raised by 7 cents (1½d.) to 60 cents (11d.) a lb, rubber by 15 cents (2½d.) to 50 cents (9d.) a lb., copra by Rs.25 (37s. 6d.) to Rs.100 (150s.) per candy, coconut oil by Rs.81.25 (121s. 8d.) to Rs.325 (487s. 6d.) a ton, coconut poonac (a cattle feed) by Rs.100 (150s.) to Rs.200 (300s.) a ton, and pepper by 50 cents (9d.) to Rs.2.50 (3s. 9d.) a lb. A new duty of 25 cents (4½d.) a lb. has been imposed on cocoa and of Rs. 2 (3s.) a lb. on cardamoms (a spice) and citronella oil (used in pharmaceutical preparations). The new duties on rubber, cocoa and pepper are unlikely to affect world prices since Ceylon is a relatively small producer of these products ; but part of the increased duties on the other items might well be passed on to the consumer.

this output, and exports may well be stabilised at current levels. Rearmament may create new demands for cement directly for military construction and indirectly as a substitute for steel and timber. The increase in the price of cement by 4s. a ton, Mr Reddish emphasises, is an equalising charge to meet the cost of imports at higher prices. Although costs can be expected to rise further and a shortage of paper sacks will add to difficulties in 1951, the immediate prospects of the company seem satisfactory.

Associated Electrical Industries.—It was unfortunate that a year of impressive achievement by Associated Electrical Industries was overshadowed, as far as the market was concerned, by the proposed capital reorganisation scheme. Whatever the conclusion may be about the scheme, the rise in group trading profits from £7,601,904 to £8,439,937 and in the ordinary dividend from 15 to 20 per cent (which represents a return on the real equity capital of some £28 million of little more than 4½ per cent) can only evoke praise. The value and volume of production rose further last year and the group expanded its exports, particularly to hard currency areas.

The strength of the balance sheet reinforces the good impression made by the year's profits. In his review of 1949, Mr Oliver Lyttelton commented that stocks appeared "to be above what is desirable in relation to annual output." In the past year, although stocks reflect rising prices, their total has been reduced from £23,996,425 to £23,464,714. During the last four years, working capital and liquid resources have been progressively strengthened; net current assets stood at nearly £24 million at the year-end, against £18.2 million at the end of 1947, cash at £2,104,806 against £949,578, while £1,000,000 was held in tax reserve certificates, against £395,425. Total reserves have been built up from £19,344,103 to £22,060,063 in the past year, and it is a sign of the times that fixed asset replacement reserves have risen from £500,000 to £1,450,000. Some measure of the recent rate of expansion is given by the rise in the group's fixed assets.

at cost, from £14,681,283 at the beginning of 1947 to £21,592,405 at the end of last year. On the company's trading record alone, equity shareholders are entitled to look to the future with confidence.

Hoover.—The sustained expansion in production and sale of Hoover household appliances and of the recently developed fractional horse-power motors branch is mirrored in the jump in group trading profits from £1,962,393 to the record figure of £2,984,238, of which some £927,000 was earned by overseas subsidiaries. Total turnover was more than seven times that of 1938 and profits have increased in the same proportion. The company has more than played its part in capturing and holding foreign markets by exporting more than 40 per cent of total production; in the first two months of this year this figure has risen to 53 per cent. Some of the reasons for success are quite clear. First, efficiency in production has meant that, in the competitive market for electric cleaners, the retail price, apart from purchase tax, has risen by less than 10 per cent compared with prewar levels. Secondly, the company has continued to pursue an expansionist policy: the doubling of factory space at Merthyr Tydfil, where washing machines are manufactured, is nearly complete, and further extensions have been approved; while the Cambuslang works, which produce motors, are being increased in size by nearly 75 per cent.

	Years to December 31, 1949	1950
<i>Consolidated earnings :—</i>		
Trading profit	1,962,393	2,964,238a
Taxation	870,249	1,404,190
Depreciation	262,297	389,329
Group earnings for ord. stock	574,121	667,116f
Ord. dividends	231,413	308,551
To group reserves and cff.	436,110	424,343
<i>Cons. balance sheet analysis :—</i>		
Fixed assets, less depreciation	1,397,385	1,881,462
Net current assets	2,689,827	3,428,520
Stocks	1,341,658	2,126,522
Cash and T.R.C.s	2,162,385	2,588,408
Reven. reserves	1,91,902	2,501,333
Ord. capital	935,000	1,870,000
<i>The 5% ordinary stock units stand at 27s. 6d. ad.</i>		
<i>(a) Includes a special non-recurring credit of 665,888</i>		

The company's new ventures have proved successful and the directors consider that shareholders are entitled to share in the success in the form of increased dividends and should receive a return compatible with the risks that are undertaken with their money. A total dividend of 45 per cent was paid in 1949 on £935,000 capital; in 1950, an interim dividend of 15 per cent was declared on this capital and a final dividend of 22½ per cent on £1,870,000. The issued equity capital was doubled in December last by the capitalisation of reserves to reduce the disparity between issued capital and the capital employed in the business. A computation of percentage earnings, after these capital changes, might be misleading, but the dividend is covered more than twice. Sir Charles Colston, the chairman, points out that, after allowing for the changes in the price level and the incidence of tax, ordinary shareholders are worse off than in prewar years and that the net dividend represents only 12½ per cent of profits after depreciation, against 42½ per cent in 1938.

In view of the company's rapid expansion, the strength of the balance sheet is indeed impressive. Stocks at £2,200,000, against £1,300,000, and debtors (of which a fair part may represent hire purchase contracts) at £2,500,000, against £1,700,000, reflect the expansion of turnover and sales. Equity shareholders are likely willingly to accept the chairman's statement that "provided there is no general war, I think we may look forward to the future with sober confidence."

Bradford Dyers.—The excellent trading results of Bradford Dyers—group trading profits have risen from £1,773,243 to £2,836,523—owe much to an expansion of business overseas. Trading profits at home have risen by some 46 per cent to over £1,500,000, but this is overshadowed by the remarkable expansion of overseas trading profits by some 85 per cent to £1,300,000. To the extent that the group works on a commission basis, as it largely does, these sums represent "pure" profits in the sense that inventory windfalls will have had little part in them. After the bleak years of the thirties, ordinary shareholders have progressively shared in the steady improvement in profits, and for the latest year the dividend has been raised from 7½ per cent, which includes a 2½ per cent jubilee bonus, to 10 per cent. The dividend is well covered, even on a stringent calculation, by earnings of 45 per cent, against 23 per cent. This expansion of earnings has been retained, to the extent of no less than £407,575, by subsidiaries; in 1949 the latter passed on all their profits apart from £2,322.

	Years to December 31, 1949	1950
Consolidated earnings:—		
Trading profit in Britain	1,070,635	1,534,737
Overseas subs. trading profit	702,608	1,301,785
Total income	1,845,383	2,934,353
Taxation	544,948	752,440
Depreciation	652,293	791,999
Group earnings for ord. stock	255,313	770,301
Ord. dividends	93,175	124,233
To general res. and c/f.	2,258,794	159,816

	1949	1950
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	3,562,325	3,208,085
Net current assets	4,745,171	6,161,957
Stocks	2,035,694	2,094,149
"Quick" assets	4,257,707	4,988,871
Revenue reserves	1,454,953	1,862,257
Ord. capital	2,258,794	2,258,794
£1 ordinary stock at 30s. 9d. yields 10s. per cent.		

Bradford Dyers has evidently done very well in its overseas ventures, and the erection of a factory in Australia for the dyeing, finishing and printing of rayon fabrics is planned. Perhaps the most impressive feature of the balance sheet is the size of liquid resources; cash has risen from £1,850,000 to £2,540,000 and quoted investments total

nearly £1,700,000 against £1,440,000. Working capital has risen from £4,700,000 to nearly £6,200,000, and as stocks must largely represent work in progress, there should be no difficulty in meeting any capital commitments in the current year.

The outlook for Bradford Dyers largely depends on the prospects of the textile industry as a whole. In a year of record prices for wool and serious cuts in rayon production, it would be optimistic to expect the physical volume of textile production to expand very much further. This prospect, coupled with the possibility of buyers' resistance to higher prices, introduces a question mark about the possible outcome for the current year.

International Nickel.—The highlights of the financial reports of International Nickel for the years ended December 31, 1949 and 1950, are indicated in the following table:—

	1949	1950
Earnings:—		
Net earnings	32,252,314	48,765,849
Income taxes	17,975,014	27,597,615
Common and pref. divs.	31,090,237	31,090,237
Additions to mines and plant	18,553,551	18,683,606
Earnings per common share	2.08	3.21
Paid per common share	2.00	2.00

	1949	1950
Dividends:—		
Nickel (lbs.)	209,292,257	256,410,543
Copper (lbs.)	221,075,080	212,947,394
Platinum metals (ozs.)	214,735	267,316

De Beers.—The traditional buying of diamonds as a hedge against inflation clearly furnishes much of the explanation of the remarkable jump in De Beers' net profits last year from £7,216,568 before tax to £10,380,000. Sales of rough diamonds by the central selling organisation were £50.9 million, against £28.4 million in 1949 and £38.1 million in 1948. Moreover, increased rearmament activity was responsible for a jump in sales of industrial diamonds to £5,500,000 in the last quarter of 1950, against £2,500,000 in the two previous quarters.

The dividend policy of the company has in the past been conservative, particularly in view of the comparatively light burden of South African taxation; this absorbed £2,500,000 last year, against £1,525,000. Since 1947, the dividend had been maintained at 90 per cent, but the raising of the dividend for 1950 to 110 per cent is clearly justified by the year's results, and shareholders may feel that conditions would have to alter radically if the dividend were not at least maintained for the current year. The recent increase in diamond prices is evidently a favourable pointer. The 5s. deferred shares at the current price of 58s. yield nearly 9½ per cent.

Canadian Pacific Railway.—The income accounts of Canadian Pacific Railway for the years ended December 31, 1949 and 1950, are summarised below:—

	1949	1950
Gross earnings	363,252,094	378,576,688
Less working expenses	342,620,125	340,556,331
Net earnings	20,631,969	38,020,357
Other income	23,636,653	23,236,264
Total income	44,268,622	61,256,621
Less fixed charges	14,543,817	13,389,610
Net income	29,724,805	47,867,011
Less pref. divs.	5,872,768	3,368,648
Less ord. divs.	16,750,000	20,100,000
Balance carried to P.L. account	9,102,037	24,378,363

The substantial improvement in net railway earnings from \$20,631,969 to \$38,020,357, and with only a slight fall of some \$400,000 in income from other sources, has enabled the company to raise the Ordinary dividend from 5 to 6 per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Mar. 7, 1951	Price, Mar. 14, 1951	Net Yield, 1951 (%)	Gross Yield, Mar. 14, 1951
War Bonds 2½% Mar. 1, 1951-53	101	100½	0 18 7	0 14 4½
War Bonds 2½% Mar. 1, 1952-54	101½	101½	0 17 9	0 13 1½
Exchequer Stk. 2½% Feb. 15, 1955	101½	101½	0 16 3	0 12 9
War Bonds 2½% Aug. 15, 1954-56	102½	102½	0 14 10	0 11 7½
Funding 2½% June 15, 1952-57	102½	102½	0 13 0	0 10 8½
Nat. Defence 3½% July 15, 1954-58	103½	103½	0 13 0	0 10 11½
War Loan 3½% Oct. 15, 1955-59	104½	103½	0 17 4	0 12 3 ½
Savings Bonds 3½% Apr. 15, 1955-65	99½	99½	0 17 10	0 11 1½
Funding 2½% Apr. 15, 1956-61	99½	98½	0 11 7	0 11 1½
Funding 3½% Apr. 15, 1959-69	97½	95½	0 11 3	0 5 9½
Funding 3½% Aug. 1, 1966-68	98½	98	0 16 4	0 3 11½
Funding 3½% May 1, 1969-70	106½	105½	0 12 8	0 3 7½
Savings Bonds 3½% Sept. 1, 1960-70	95½	95½	0 2 4	0 3 12 3½
Savings Bonds 2½% May 1, 1964-67	93½	92½	0 1 9	0 3 10½
Victory Bonds 4½% Sept. 1, 1950-76	106½	105½	0 14 9	0 3 5*
Savings Bonds 3½% Aug. 15, 1955-75	93½	93	0 2 0	0 3 10½
Consols 4½% (after Feb. 1, 1957)	101½	100½	0 2 1	0 3 18 6½
Conversion 3½% (after Apr. 1, 1961)	92½	91½	0 2 2	0 3 16 6½
Treasury Stk. 2½% (after Apr. 1, 1957)	67½	66½	0 2 1	0 3 14 9½
Treasury Stk. 3½% (after Apr. 5, 1966)	79½	79½	0 2 1	0 3 15 10½
Treasury Stk. 3½% June 15, 1977-80	100½	99½	0 1 9	0 3 11 4½
Redemp. Stk. 3½% Oct. 1986-95	88½	87½	0 2 1	0 3 12 5½
War Loan 3½% (after Dec. 1, 1952)	92	91½	0 2 2	0 3 17 9½
Consols 2½% April 1, 1968-73	68½	67½	0 2 0	0 3 13 11½
Brit. Elect. 3½% Gtd. Mar. 15, 1974-77	93½	93½	0 2 0	0 3 10 7½
Brit. Elect. 3½% Gtd. Nov. 15, 1976-79	92½	92½	0 2 1	0 3 9 8½
Brit. Tpt. 3½% Gtd. July 1, 1978-88	100½	100	0 1 9	0 3 11 5½
Brit. Tpt. 3½% Gtd. April 1, 1968-73	88½	88	0 2 0	0 3 11 1½
Brit. Gas Gtd. 3½% May 1, 1990-95	93½	93½	0 2 0	0 3 12 7½
Brit. Iron & Steel 3½% Feb. 15, 1979-81	98½	98½	0 2 0	0 3 12 4½

(a) To earliest date. (b) Flat yield. (c) Assuming redemption in 1957. (d) Flat yield given above. (e) Redem. in 1952 net redemption yield 7.91, gross 7.18 (10). (f) To latest date. (g) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 13 years 6 months.

Last Two Dividends	Ordinary Stocks	Price, Mar. 7, 1951	Price, Mar. 14, 1951	Yield, Mar. 14, 1951
(a) (b) (c)				
60 c	20 a Anglo-Am. 10½	8½	8½	3 11 0
25 b	5 a Anglo-Iran. £1	5½	5½	5 11 8
5 a	15 b Assoc. Elec. £1	87½	93½	4 15 6
71 a	20 b Assoc. P. Chem. £1	91½	91½	5 19 9
49 c	35 c Austin £1	27½	26½	6 10 10
15 a	120 b Bass £1	150½	150½	6 1 3
40 c	10 a Boots 5½	48½	48½	4 2 6
8 c	10 c Br. Celanese 10½	25½	25½	3 19 2
12 b	8 a Br. Oxygen £1	94½	94½	4 5 1
5 a	7½ b Coats £1	59½	57½	4 7 4
5 b	5 a Courtaulds £1	41½	41½	4 0 0
20 c	61 a Distillers 4½	20½	20½	4 0 0
15 c	10 c Dunlop £1	57½	56½	5 6 2
10 c	10 c Ford £1	48½	48½	4 3 2
17½ c	17½ c Gen. Elect. £1	86½	85½	4 2 4
11 a	21 b Guinness £1	134½	133½	4 16 2
15 a	17½ b Hawker Sid. 5½	33½	33½	4 17 5
7 b	3 a Imp. Chem. £1	43½	43½	6 11 11
13½ a	10 a Imp. Tobacco £1	98½	98½	6 9 7
10 c	7½ b Lancs. Cotton £1	42½	42½	5 17 8
10 c	10 c Lever £1	45½	45½	4 6 6
15 c	15 c Lon. Brick £1	58½	58½	5 3 9
45 b	15 a Marks & Sp. A. £1	82½	81½	3 13 10
4 b	8 a P. & O. Def. £1	58½	57½	4 3 6
17½ b	7½ a P. Johnson 10½	38½	37½	6 13 4
15 b	15 b "Shell" Stk. £1	83½	83½	4 4 4
12½ a	12½ b Tube Invest. £1	6½	6½	3 19 2
32 a	16½ b Union Castle £1	88½	88½	4 10 2
8 c	8 c U. S. Betong £1	39½	38½	4 4 3
12½ c	17½ c T. & Newall £1	72½	73½	4 15 9
4½ b	24 a Vickers £1	40½	44½	3 2 8
15 a	27½ b Woolworth 5½	45½	44½	4 15 6

(a) Interim (b) Final (c) Whole year. 1 Free of tax.

EXCHEQUER RETURNS

For the week ended March 10, 1951, total ordinary revenue was £82,393,000, against ordinary expenditure of £71,246,000 and issues to sinking funds £993,000. Thus, including sinking fund allocations of £19,747,000, the surplus accrued since April 1st is £779,700,000, compared with £653,911,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	1949 to 1950	1950 to 1951	1950 to 1951	1951 to 1951
ORD. REVENUE					
Income Tax	138,600	134,079	132,366	34,264	40,242
Sur-tax	121,000	103,800	110,300	3,800	4,400
Estate, etc., Duties	195,000	180,300	173,950	5,800	4,300
Stamps	50,000	48,570	50,460	700	1,000
Profits Tax	270,000	248,260	249,320	4,000	4,900
E.P.T.	4,500	34,700	9,350	400	...
Other Inland Rev.	500	578	543	20	20
Special Contributions	4,500	19,100	4,540	200	100
Total Inland Rev.	202,800	198,137	192,183	47,184	54,962
Customs	870,650	768,471	854,368	14,475	18,962
Excise	713,150	686,200	698,000	2,690	4,075
Total Customs and Excise	1,583,800	1,454,671	1,552,368	17,165	23,037
Motor Duties	56,000	55,434	61,093	136	514
Surplus War Stores	35,000	77,837	37,237	...	...
Surplus from Trade	85,000	47,541	80,908	...	...
P.O. (Net Receipts)	13,000	11,590	11,900	...	300
Wireless Licences	27,000	19,965	25,870	34	2,400
Smelter Loans	70,000	71,461	70,148	194	1,280
Miscellaneous Receipts (in Crown Lands)	389,800	371,944	376,658	64,713	82,393
Total Ord. Rev.	172,150	153,900	158,200	2,400	4,000
Self-Balancing Post Office	5,700	11,171	7,801	141	175
Income Tax on E.P.T. Refunds	407,650	388,915	393,469	67,254	86,556

Expenditure	Estimate, 1950-51	1949 to 1950	1950 to 1951	1950 to 1951	1951 to 1951
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	490,000	466,001	470,713	2,998	4,024
Payments to M. & C.	36,000	51,953	55,362	...	1,922
Interest	11,000	9,848	9,224	10	...
Other Cons. Funds	537,000	511,385	515,500	3,068	5,916
Sinking Funds	297,128	255,887	245,409	57,241	63,590
Total Ord. Expend.	350,828	304,726	296,961	60,252	71,246
Sinking Funds	...	18,713	19,344	...	293
Total Ord. Self-Balancing	350,828	306,595	296,961	60,252	72,259
Total (Ord. Self-Balancing)	508,317	423,100	415,427	62,793	76,412

After decreasing Exchequer balances by £50,930 to £3,575,922, the other operations for the week decreased the gross National Debt by £2,151,549 to £25,781 million.

NET RECEIPTS (£ thousand)	1950	1951
Land Settlement (Facilities) Act, 1949 and 1951	100	...
Building Materials and Housing Act, 1945, s. 4(1)	9,000	...
Receipts under LCA	9,157	...

NET ISSUES (£ thousand)	1950	1951
P.O. and Telegraph (Money) Acts, 1945 and 1950	875	...
P.P.T. Bonds	213	...
Housing (Scotland) Act, 1944, s. 4(2), Housing (Financial Provisions) (Scotland) Act, 1950, s. 13(2), and Housing (Scotland) Act, 1950, s. 24(2)	147	...
Local Authorities Loans Act, 1945, s. 3(1)	9,200	...
New Towns Act, 1946, s. 12(3)	48	...
Cotton (Centralized Buying) Act, 1947, s. 2(1)	3,000	...
Overseas Resources Dev. Act, 1948, s. 1(1)	...	...
Colonial Development	250	...
Overseas Food	100	...
Victroloneus (Financial Provisions) Act, 1946, s. 2(1) War Damage, War Damage Commission	3,000	...
Finance Act, 1949 and 1947: Post-war Credits	278	...
	17,211	...

Statistical Summary

CHANGES IN DEBT (£ thousand)	
RECEIPTS	PAYMENTS
Treasury Bills	13,455
Nat. Savings Certs.	3,600
3½ Def. Bonds	1,655
Ways and Means Advances	19,220
	37,941
	40,002

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
1950				
Mar. 11	2910-0	1891-6	427-8	494-5
Dec. 2	3230-0	1956-3	369-1	525-0
" 9	3240-0	1951-6	375-1	545-0
" 16	3260-0	1959-8	410-8	539-0
" 31	5168-5	384-0	...	52

Head Office: 33 BISHOPSGATE, E.C.2. West End Branch: 23 CHARLES II ST., HAYMARKET, S.W.1. Liverpool Branch: 27 DERBY HOUSE, EXCHANGE BUILDINGS, LIVERPOOL, 2.
Manchester Branch: 52/54 MOSLEY ST.

[illegible]

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the bank so far as appears from our examination of those books, and proper returns adequate for the purposes of our audit have been received from the branches, which have not been visited by us. We have examined the annexed balance sheet and profit and loss account of The Chartered Bank of India, Australia & China, which are in agreement with the books of account and returns so stored at. In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1945, in the manner so required for the purposes of the Companies Act, 1945. The said balance sheet gives a true and fair view of the state of the bank's affairs as at 31st December, 1950, and the profit and loss account gives a true and fair view of the profit for the year ended on that date.

We have also examined the annexed accounts of the subsidiaries, Altabad Bank Limited and The Chartered Bank (Malaya) Trustee Limited, which have not been audited by us. Subject thereto in our opinion such accounts have been properly prepared in accordance with the provisions of the Companies Act, 1945, so as, in conjunction with the accounts of the bank as audited by us (which include particulars regarding the same) to give the full and correct view of the bank's affairs as at 31st December, 1950, and of the profit for the year ended on that date of the bank and its subsidiaries so far as concerns stockholders of The Chartered Bank of India, Australia and China.

PROFIT AND LOSS ACCOUNT for the year ended 31st DECEMBER, 1950

1949, £	1948, £	1947, £
200,000	406,437	400,000
100,000		
15,000	615,592	622,807
—		
315,000	415,000	
99,000		
99,000		
108,000		
400,000		
£222,000	£222,029	£1,041,895

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MR V. A. GRANTHAM ON THE OUTLOOK

The ninety-seventh ordinary general meeting of The Chartered Bank of India, Australia and China will be held on the Bank's premises, 38, Bishopsgate, London, E.C., on April 4th.

The following is the statement by the chairman, Mr V. A. Grantham, which has been circulated with the report and accounts for the year ended December 31, 1950:

The proceedings at our forthcoming annual general meeting will be again of a formal nature as I am continuing the practice of sending to the stockholders, with the report and accounts, a statement on the affairs of the Bank during the past year. As usual I shall deal first with domestic matters and thereafter devote some attention to a brief survey of conditions in the areas in which the Bank's branches are set and which it is the aim of the Bank to serve.

At a meeting of the Court of Directors on April 5, 1950, Mr James Leslie Milne, who has been a director of the Bank since 1942, was unanimously appointed deputy chairman of the Bank. Stockholders will realise that the work of the Bank has increased enormously and I have been very glad to have the assistance which Mr Milne always so readily gives.

MANAGEMENT AND STAFFS

Our growing business and the greatly increased volume of work devolving upon the head office of the Bank have rendered it necessary during the year under review to introduce changes in the administration of our London office, and to enlarge our executive staff. Following upon the retirement on pension of Mr A. C. Gordon and Mr H. G. F. Kirk, joint accountants in the London office, the directors decided to appoint Mr N. T. Williams, hitherto manager of the executor and trustee department, to be manager of the London city office, with Mr R. D. Butterfield as accountant under him. Mr W. H. Carrick, until recently one of the accountants in head office, was then appointed to the executive post of chief accountant of the Bank. In order to avoid confusion, and in the belief that the titles of the chief executives of the Bank as now given in this report are more in keeping with the duties devolving upon them, the directors re-designated them as shown, and appointed Mr W. G. Pullen, until recently the secretary of the Bank, to be assistant general manager, while, to succeed Mr Pullen as secretary, the directors appointed Mr H. E. Faulkner, who for many years past had served with great distinction as manager of the Bank's Manchester branch.

A year ago I referred to the difficult living conditions encountered by our managers and

their staffs at many points in the East in consequence of political instability and inflation. The housing position has shown little improvement and the Bank has therefore continued its policy of providing accommodation for officers wherever necessary and desirable.

As my subsequent survey of economic affairs in the Asian territories served by the Bank will show, the complications and hazards which are inherent in a business like ours have in no way diminished in the year under review.

BURDENS INCREASINGLY ARDUOUS

Although the Bank remains, and must remain, a purely commercial undertaking, its activities are regulated and affected more and more by political developments in the economic field, and under these circumstances the responsibilities and administrative burdens borne by our managers in the East are becoming increasingly arduous. Seeing that the organisation of the Bank serves no less than seventeen territories, apart from the United Kingdom, each of them enjoying either sovereign independence or a large measure of political autonomy, it will be realised that the business in which we are engaged demands of those who conduct it, exceptional qualities of probity, prudence and skill. Throughout the East the branch managers and their British and Asian colleagues continue to serve the Bank with conspicuous ability, diligence and loyalty. The environment in which our officers live and work in Eastern countries has, in most places, changed out of all recognition during the past few years; but the success of their work, which is reflected in the accompanying report, demonstrates very clearly that constructive British endeavour in Asia is nowhere at an end but everywhere in progress.

The business we conduct in the East, in Europe and in North America, serves a creative purpose throughout, and full comprehension of the constructive functions of the Bank in the modern world, sustain the management and the staffs everywhere in their exertions and in the sacrifices of leisure they have constantly to face in coping with the demands made upon them. In London, equally with many places in the East, and in New York and Hamburg, the operations of the Bank have enormously increased in size, number and complexity, and in consequence the staffs everywhere have been called upon to undertake long hours of gruelling work which have been shouldered uncomplainingly and with full understanding of the needs of the situation, and in the knowledge that their efforts were furthering the objectives of the Bank and the countries it serves in fostering and financing foreign trade on a vast scale.

The accounts indicate the continued expansion of the Bank's business, and this year *we* have again to deal with record figures. The total of the balance sheet at £193,602,640, the largest we have ever been able to show in the entire life of the Bank, is £42,082,196 greater than last year, and reflects not only a large expansion in the volume of the Bank's business, but also the inflated prices of many of the commodities we are constantly called upon to finance in the daily conduct of our affairs.

On the left-hand or liabilities side of the balance sheet, all the main items, with the single exception of notes in circulation (decrease £11,243), show increases, the large expansion in the figures of current and other accounts, fixed deposits and acceptances of £33,820,824, £2,943,033 and £2,337,033 respectively, being specially notable. The slight decrease in notes in circulation in Hongkong, where alone the Bank now has note issuing powers is without significance. The increases in current and other accounts, and in deposit receipts reflect, in the main, higher figures in areas served by the Bank further east than India. In India, finance provided by the Exchange Banks, of which this Bank is one of the leaders, has a tendency to find its way into other sections of the banking system, so that, in spite of the greatly increased business the bank is handling there, our current accounts and deposit receipt figures in that country, if anything, show a slight contraction.

On the right-hand or assets side, the increases are again widely spread and, as on the liabilities side, extend to all the main items, with the exception of the securities held against the note issue, the decrease in which, in view of the remarks already made regarding notes in circulation, requires no explanation. Increases of £10,228,241 in bills of exchange and of £14,304,371 in advances to customers and other accounts, reflect the greater extent to which the Bank has assisted industry and trade in the year under review, while the increases of £5,436,401 and £6,171,069 in cash in hand, at call and at bankers and in Government and other securities respectively, reveal that, in spite of the added calls made upon the Bank's resources for the finance of trade, it has still been possible to preserve and maintain a liquid and strong position. The increase of £3,737,500 in balance of remittances, drafts, etc., merely reflects the higher prices of commodities and the greater volume of entries passing through the Bank's books, but is otherwise without significance, while the increase of £2,337,033 in liability of customers for acceptances, offsets the equal increase on the other side in acceptances and, as was the case last year, is mainly due to an expansion in the business being handled by and on account of our branches in Japan.

PROFIT AND LOSS ACCOUNT

The net profits for the year are £632,807, an increase of £117,215 over those of last year. In my speech last year I referred to a general deterioration in working conditions in almost every eastern country in which the Bank operates. These conditions have persisted and there has also been a further rise in working costs. But, as our balance sheet figures show, our business has substantially increased and this increase is naturally reflected in the larger net returns. We must be prepared, I think, from now on, for diminishing net returns.

We paid an interim dividend in September last of 6 per cent, less income tax, absorbing £99,000. We now feel that we can reasonably return to an annual rate of distribution of 14 per cent, which was the level of dividend paid by this Bank before the war for a great many years. With the exception of China, our branches are now all working again and several new branches have been opened. We

have completely recovered from the serious losses suffered during the war when more than three-fourths of the Bank's offices were overrun by the enemy, and our business fully justifies a return to the old rate of dividend.

It is therefore proposed that, out of the balance available for distribution this year, a final dividend of 8 per cent., less income tax, be paid, costing £132,000, making the total distribution for 1950 14 per cent.

ALLOCATIONS

As regards allocations to the various funds, your directors recommend allocations to the pension fund and widows' and orphans' fund of £125,000 and £20,000 respectively. The calls upon both these funds continue to be heavy and I am sure the stockholders will approve of the increased allocations.

We propose to repeat last year's allocation to premises account of £200,000. Expenditure under this heading still goes on and it will continue to be necessary during the next few years, to take every opportunity of keeping the balance sheet figure under this heading at a reasonable level. But we hope that our programme of building, both of office premises and of accommodation for our officers, will from now on gradually lighten.

Finally I would refer to the Bank's reserve fund. During the last ten years our balance sheet total has increased out of all proportion to the issued capital stock and reserve fund. In 1931 we had to make an allocation of £1,000,000 from the reserve fund to provide for exceptional losses in exchange due to this country going off the gold standard. We have this year restored this fund to its original figure of £4,000,000 by a transfer from contingencies.

It is proposed to transfer £100,000 from profit and loss account to contingencies, thus reducing the amount to be carried forward to £365,836. During the last few years the amount carried forward has been kept at rather a higher figure than was strictly necessary because of various developments to which I have referred from time to time, but it is felt that the time has now come to return to a more normal carry forward. I trust the stockholders will approve of our proposals.

INTRODUCTORY

In spite of the acknowledged difficulty of expressing detached views regarding conditions in areas with which we are so closely concerned, I feel that you will expect me to continue my practice of attempting to do so.

Much that has to be deplored has happened in the Far East in the year 1950, but much good may yet come out of events still in progress, and I should be lacking in a sense of balance were I to paint in the background entirely in black without any relief. Unquestionably the whole position has been dominated by the Communist victory in China. The new régime and their armies have thrown their shadow over all the surrounding countries and even influenced events in far off Malaya, where the bandits drew encouragement for a time from events in China and Korea.

The engagement of a picked Communist Chinese army in Korea by the troops of the United Nations has deflected the attention of the Communist hosts from the lands to the South of China, and, although it is too early yet to attempt to forecast the future outcome of events now in progress in Korea, it is clear that recently the United Nations' armies have been more than holding their own in spite of the great numbers arrayed against them, and if this state of affairs can be continued, it is not too much to hope that the result will be momentous and salutary in improving the chances of a return to more stable conditions in many countries in the Far East, hitherto apparently under

threat from the Chinese. At any rate recent events in the Korean war would seem to presage for many of the countries of South-East Asia a greater chance to develop their new constitutions and economies undisturbed from outside than appeared possible even a few months ago.

With this background I shall now endeavour to survey the conditions which face the Bank in the areas in which it operates. As you are aware, and as I stated last year, the Bank is a trading concern pure and simple, operating to further the economic well-being of all the countries it serves, and having no direct concern with politics of any kind. Unfortunately, however, the economic position in all countries is nowadays so greatly influenced by their Governments and by policies deriving from political rivalries, that it is well-nigh impossible to comment upon the economic aspects in any country without appearing to adopt some standpoint in the political field. Nevertheless, my endeavour will be to view the position objectively.

INDIA

It is with deep regret that I record the death, on December 15th, of one of India's great statesmen, Sardar Vallabhai Patel, Minister for Home Affairs and Deputy Prime Minister. In the interval between August 15, 1947, when the Dominion of India came into being, and January 26, 1950, when the new Union of India was inaugurated, it was mainly due to the energies and forceful direction of Sardar Vallabhai Patel that the rulers of the Indian States, over 500 in number, were persuaded to accept the integration of their territories into the Indian Union, which now has a population of around 350 million souls. It is thus a somewhat disturbing feature that this great statesman, who, above all things, was a realist, should be removed by death just when his great qualities of wisdom and firmness would have been more invaluable than ever to the nation in its conduct of affairs.

In the first year of its existence as an independent sovereign republic, India has encountered many vicissitudes, but while the economic health of the nation has suffered severe set-backs, it is encouraging to note that the main problems in the economic field are being tackled with energy and understanding. The many difficulties inherent in the economy of a nation of some 350 million people have been increased by a series of natural calamities, for earthquakes, floods and drought have, in turn, seriously interfered with agricultural production in the home field, and for food—the provision of which in adequate quantities is, of course, a problem of the first magnitude—India has been thrown on the mercy of foreign growers, to an extent greater than ever before, perhaps, to obtain her ever-increasing requirements.

HELP FROM UNITED KINGDOM AND AMERICA

You are no doubt aware that, so great was the emergency facing India recently in respect of food supplies, the United Kingdom, itself vitally dependent upon imported foodstuffs, diverted to India some hundreds of thousands of tons of grain en route from Australia to England. But so great are the needs of India for food, that this quantity represented no more than a gesture of goodwill, and only the arrival of shipments of literally millions of tons of grain during the next six to twelve months will prevent famine developing in India over a wide area, with all that means in the dislocation of industry and employment.

Fortunately, Mr Truman, the President of the United States, realising the needs of the position, has offered, in the first instance, one million tons of wheat as a gift, and Mr Dean Acheson, the United States Secretary

of State, has indicated that a further million tons may be made available at a later date, and this is reassuring; but much more is likely to be required, and the mere physical difficulty of moving such quantities of grain as will be required by India within the year, from distant countries, even if the grain exists and can be made available, is a problem which is no more than possible of solution, and then only at a sacrifice of shipping space which normally would be otherwise employed. It is scarcely to be wondered at, therefore, that much serious thought is being given in Governmental and banking circles to the questions surrounding the importation of food on a gigantic scale, and the means of payment therefor, and on the related questions of industrial production, capital investment, control of prices, and the appeasement of labour, to enumerate just a few of the outstanding problems in the economic life of India today.

RELATIONS WITH OTHER BANKS

In such an environment, the work handled by the exchange banks in India and by the banks in general has been both extensive and complicated, and our staffs have been taxed to their uttermost to cope with the ebb and flow of trade in and with India. It is gratifying to be able to say that our relations with the Indian Joint Stock Banks continue to be excellent and that we find the Reserve Bank of India ever helpful and efficient in the great task which it performs at the centre of the Indian economy.

In August last, after many months of deliberation, the All-India Industrial Tribunal (Bank Disputes) findings were made public. The award affects about 200 banks and is concerned mainly with a number of questions relating to pay scales, dearness allowances and bonus, etc. While the award is not subject to appeal, banks have been able to obtain a stay of execution in regard to certain points of some importance; but, in spite of this, the repercussions of the award—which, without question, imposes heavy additional burdens upon the profit-earning capacity of all banks and especially banks with many branches in India—will be widespread and will eventually be felt by all sections of the community.

LABOUR CONDITIONS

Labour conditions and productive capacity in industry have been far from satisfactory. The cotton mills in Bombay have had to contend with a protracted strike on the part of their operatives, while, in both the jute and cotton industries, a shortage of raw materials prevented their operating on a full and efficient basis. In respect of both these commodities the lack of adequate supplies from Pakistan is a serious feature, and it is with great pleasure, therefore, that we have all learned recently of the signing of an Indo-Pakistan trade agreement.

In spite of the many unfavourable conditions noted above, there has been an improvement in India's overall trade balance recently. This has been achieved to some extent at least through a rigorous control over imports, rather than by increased exports, although rising prices of the latter have assisted this favourable development. Translated into figures, it would appear that, while at the end of June, 1950, the trade balance for the previous twelve months was adverse to the extent of about Rs. 49 Crores, the trade figures in the twelve months to September, 1950, became favourable by some Rs. 9.5 Crores which, however achieved, must be regarded as a hopeful sign.

PAKISTAN

In reporting upon the position in Pakistan last year, I indicated that prosperous conditions had prevailed until the closing months

of the year when a recession in exports had set in and conditions generally assumed an unfavourable appearance. This course of development was attributed to the fact that, when sterling was devalued in September, 1949, Pakistan, alone among all the countries in the Commonwealth, decided to maintain its currency on the old level, with the immediate effect of rendering the products of Pakistan expensive in terms of the almost universally depreciated currencies of former buying countries.

In the year now under review the position has been reversed in that the outlook in the first few months of the year continued to be black; but as the months passed, and chiefly as a result of the world boom in the prices of basic commodities, and specifically of jute and cotton, Pakistan's trade position improved, and the continued buoyant world demand for these two commodities, and for all the tea, wheat, and any other grain Pakistan can produce has swung Pakistan's trade position greatly in her favour, and has removed, for the immediate future at least, any need to contemplate depreciation in the value of the Pakistan rupee, although, from the point of view of convenience alone, some adjustment to a more workable level would appear to be indicated, and might ultimately be possible of arrangement, now that a trade agreement with India has been signed.

TRADE FIGURES

For years past I have drawn attention to the desirability of Pakistan and India having the closest possible trading relationship. I am well aware of the political differences which separate the two Dominions; but, in trade, they were and should continue to be complementary. Admittedly and surprisingly, Pakistan has demonstrated that the country can operate successfully quite independently of India, as the following trade figures with the outside world will show:—

	Imports Crores	Exports Crores	+ or — Crores
Jan (Nov., 1949)	Rs. 98	Rs. 71	— Rs. 27
Jan (Nov., 1950)	Rs. 83	Rs. 116	+ Rs. 33

and although it is confidently expected that the jute crop will be disposed of in good time without an undue carry over, present conditions will not last indefinitely. Up to the time of signing the trade agreement the bulk of Pakistan's products were being marketed overseas, and there was a question whether, with the present world shortage of shipping and a limited tonnage of her own, her exporters would be able to continue to keep up an even flow of supplies to markets where they are at present most sought. This position will now be eased.

Pakistan became on July 5th a fully fledged member of the International Monetary Fund and of the World Bank. Its economic and financial position is fundamentally sound in spite of the high level of expenditure on defence. Some progress has also been made in the import of machinery and in setting up both cotton and jute industries. With the signing of the trade agreement and assuming that the wise control on financial and economic policy as exercised by the State Bank will continue, the future can be looked forward to with some confidence.

BURMA

In a country which so recently was almost completely disorganised through civil strife, it is a considerable achievement that rice exports have recovered since the war to the extent which they have done. Internal strife and insurrections continue to cause grave losses of revenue and foreign exchange; but the policy of extending paddy cultivation has been pursued diligently and, although not yet regarded as completely satisfactory, the crop forecast for 1950-51 places the sown area at about 74 per cent. of the average for

the prewar five years ending 1940-41. No official figures are available for the export of rice and rice products for 1950, but it is estimated that the State Marketing Board's forecast of 800,000 tons has been exceeded by roughly 400,000 tons, with an old crop carry forward of about 250,000 tons. On the other hand, it seems absurd that Burma, with all her natural wealth of oil, should find it necessary to import the greater proportion of her requirements of oils and petrol.

From the commencement of 1951 the Union Bank of Burma have been prepared to buy from and sell to banks sterling at 1/6 and 1/5½ respectively up to six months forward. This was a wise move and has been a material factor in enabling the banks to finance the movement of the rice crop. This move also augurs a sound position in relation to the currency and has created confidence among the banks, which has been further confirmed by the Currency Board having continued to operate from London, no announcement having yet been made of any impending transfer of its functions to Burma.

SEMBLANCE OF ECONOMIC STABILITY

It is significant that, in spite of internal unsettled conditions, Burma has been able to maintain some semblance of economic stability. Extensive rice exports at handsome, though in no sense excessive, prices under present world conditions, have enabled the country to import and pay for considerable quantities of "procurement goods," and in July last, the importation of certain categories of textiles was placed under open general licence with the effect that imports of textiles between August and December amounted to some Rs. 12½ Crores. At present, stocks of piece goods are undoubtedly heavy but they have been laid down at under present replacement cost, and under normal conditions they should move into consumption during the next three or four months.

Last year I felt that the future of Burma depended upon the ability of the Government to preserve law and order. This year this factor is no less important, but progress in this direction has been made and the Government's attention on the economic side should be directed to broadening the base of the country's economy, which, at the moment, and naturally perhaps, depends too largely upon the production and export of rice. Not that any let-up is suggested in this direction; but if, happily, the rest of the world should become more nearly self-sufficient in regard to food than at present, however unlikely not to say impossible this may appear under present conditions, it would be well for Burma to have other means of procuring the foreign exchange necessary to provide the people with the products they need, if the greatly hoped for betterment in their living standards is to be achieved. Burma is, fortunately, a fundamentally wealthy country, possessing great potentialities, and all that would appear to be required—a good deal, perhaps, under present conditions in the East—is law and order and stable government within the country so that Burma's other great industries, namely, timber, oil, mines and plantations, may make their contribution to the economy of the country.

CEYLON

Ceylon has again enjoyed a fair measure of prosperity and, as there has been a continuance and enhancement of the good world markets prevailing last year for all its main products, viz., tea, rubber, copra and spices, it would have been surprising had this not been so. On the other hand, however, the island in common with some of its neighbours has had to utilise a large proportion of the proceeds of exports in the import of food-

stuffs and other essentials to maintain the well-being of the people, and this process has placed a heavy strain on the island's economy and throughout the year much attention has had to be directed toward curbing inflation and keeping living costs within bounds. It is clear that the Government—and Ceylon is fortunate in possessing a stable government and governmental institutions—has been giving much serious thought to devising means of curbing inflation, and it is no doubt fully realised that inflation cannot be cured merely by framing a fresh set of monetary laws.

The crux of the position is, of course, increased production and a drawing-off of current spending power in the shape of savings, if possible, accompanied by a drastic curtailment of expenditure, particularly in the cost of excess public and social services. All these items appear to be receiving attention, and the Central Bank of Ceylon, the formation of which I reported last year, has recently increased the ratio of reserves which the banks must place with the central institution, although so liquid are some of the larger banks in Ceylon that their funds with the Central Bank already exceeded the increased marginal requirements imposed. Be that as it may, the step was doubtless justified in relation to the position of some of the other banks which may have been granting credit too freely. Although in an economy so dependent upon the export of primary commodities at soaring prices, the prevention of inflation is no easy matter, it is to be hoped that some solution will be found that will enable the economy of the island to be preserved on its present sound basis.

NOTE CIRCULATION

Between the period January to November, the note circulation in Ceylon has undergone considerable change, doubtless due to the advent of the Central Bank of Ceylon, which opened for business on August 27th. The gross circulation on the one hand fell by Rs. 123.6 million from Rs. 449.9 million to Rs. 326.3 million, while, on the other hand, the "active" circulation increased by Rs. 93 million from Rs. 227.6 million to Rs. 320.6 million. The "active" circulation is, of course, the real measure of the note circulation, and therefore the increase of Rs. 93 million must be regarded as a considerable indication of inflation, although not without qualification, for all prices are higher, and this increase is matched by an increase, since January, of some Rs. 64 million in banks' deposits, which, according to the latest figures available, now stand at Rs. 870 million.

Like the position in Burma and Pakistan of the countries I have already reviewed, and like many other countries in the East, the permanent economic well-being of Ceylon can only be established by diversification of the country's industries and pursuits to an extent which would render the country less dependent upon factors entirely outside of its control, such as the prices of primary commodities, and as this is largely the aim of the Colombo plan, and as, apart from its name, the Colombo plan aims at aiding India, Pakistan and Ceylon among the Commonwealth countries, and the British Far Eastern Colonies, Malaya, Singapore, Borneo, Sarawak and Brunei, which I shall soon be reviewing, this seems an appropriate place to interject a few remarks regarding the plan and its aims.

THE COLOMBO PLAN

A new and notable feature of postwar development in the world has been the voluntary assumption by economically advanced nations of responsibility for the development of technologically backward areas, or of areas which have been gravely damaged by the

war. The Marshall plan, the greatest voluntary burden of this nature ever shouldered by any nation, was planned by the United States in an endeavour to assist the war-torn nations of Europe toward recovery of their economic health. The British Government in its turn has evolved similar types of plans on a smaller but still considerable scale to create and encourage productivity in British Colonies, for instance:—

(1) The Colonial Development Welfare Acts of 1940 and 1945 cover a joint enterprise with the colony concerned to create new industries and services within the colony;

(2) The Overseas Resources Development Act, financed by the United Kingdom to expand production in colonial areas; and

(3) The Overseas Food Corporation and the Colonial Development Corporation, both of which aim at encouraging and supplementing private enterprise in the colonial areas.

The Colombo plan differs from all the foregoing, however, in that it is a co-operative effort, jointly planned and jointly financed by the self-governing members of the Commonwealth in a concerted effort to assist in overcoming the poverty of Asian countries and in an endeavour to raise the general standards of living.

This is a notable undertaking in the history of the world, and at a conference of Commonwealth Foreign Ministers, held at Colombo, Ceylon, from January 9 to 15, 1950, the members agreed to contribute within the limits of their resources, sterling credits for machinery, agricultural tools and consumer goods. A Commonwealth Consultative Committee was created to study the needs of the area and to work out co-ordinated plans. Following meetings of the Consultative Committee in Australia, it was announced that each beneficiary country would prepare by September 1, 1950, a six-year plan to meet its development needs, and it was further laid down that a programme for technical assistance would be set up, that non-Commonwealth nations in South and South-East Asia would be informed of the project and invited to participate, that the economic needs of the area should be kept under constant scrutiny and a programme adopted if necessary to meet changing conditions. It was further agreed that ultimately consultation should draw in other nations, including the United States especially, in view of President Truman's point IV programme, and of expressions of interest and sympathy by State Department spokesmen.

SIX-YEAR PLAN

Between May and September six-year plans were drawn up by India, Pakistan, Ceylon, Malaya, Singapore, North Borneo and Sarawak, and when the Consultative Committee met again in London recently, delegations from Laos, Vietnam, Cambodia and Thailand attended, while Burma and Indonesia appointed their ambassadors to London as observers, although none of these nations have yet submitted plans.

A draft report was submitted and adopted, and on November 28, 1950, it was published in a White Paper, entitled "The Colombo Plan for Co-operative Economic Development in South and South-East Asia," and presented to the parliaments of all the participating nations.

While the programme so far outlined affects only British Commonwealth or Empire countries, the door is wide open to Burma, Indonesia, and all other countries in South and South-East Asia. The programme aims at economic expansion, coupled with direct social gains in regard to housing, health and education, and as such should prove an inspiration to all participating countries.

The plan is a large one and is expected to cost £1,868,000,000 over the six-year period and will affect no less than 450,000,000 people. India is to receive about two-thirds of the total investment, Pakistan about one-seventh, and the remainder is to be divided about equally between Ceylon and the Malaya-Borneo area. Among the varied aims is a plan to bring great new areas under cultivation and to increase the production of food grains by some 6,000,000 tons.

This is not the place to go into details of the various six-years' plans, but the emphasis everywhere is on increasing food grain production and other products of the soil by flood control and irrigation schemes and in the case of Ceylon to diversify its economy, especially in food production in order to offset the dangerous fluctuations in the prices of tea, rubber and copra, to which I have already drawn attention above.

PROVISION OF FUNDS

Of the total funds required to implement the scheme it is estimated that £1,030,000,000 can be supplied by the beneficiary countries from domestic funds, of which some £246,000,000 required externally will be obtained from outstanding sterling balances. The balance of £838,000,000 will have to come from other sources, presumably mainly from the United Kingdom, Canada, Australia and New Zealand, although it is significant that, on January 24, 1951, the United States Secretary of State, Mr. Dean Acheson, announced that the United States would participate in a conference of the seven-nation Commonwealth Consultative Committee. He called the plan "a basis for genuine economic progress" and stated that the United States intends, so far as possible, to co-ordinate its own economic aid programme with those of the Commonwealth and of the United Nations. Since then, however, it would appear that the United States may have decided to work through their own point IV programme.

With such backing and with the goodwill of all the participating nations, it is hoped and expected that the Colombo Plan will move from strength to strength and that through it will be solved the intractable problems of food supplies in the area of South and South-East Asia, which are of such magnitude as to produce feelings of apprehension in the hearts of all thinking people.

MALAYA

It can be categorically stated that Malaya (a term which in this report is used to cover the Federation of Malaya and the Colony of Singapore) has had the most prosperous year in her history from the point of view of trade. Nevertheless, trading conditions have not been free from difficulties and uncertainty, due to the mounting political tension in the Far East, the continuance of banditry on a wide scale in Malaya, the sharp rise in the price of tin, and the phenomenal advances and fluctuations in the price of rubber. The lack of confidence in the future is exemplified by the low prices of tin and rubber shares despite boom conditions in the industries, although in so far as prices of shares quoted in this country are concerned, the position is influenced by the penal taxation suffered by investors which, to some extent, nullifies the advantages of expected high dividends.

As one contemplates the troubled conditions which have ruled throughout almost the whole of the Far East, culminating in the outbreak of hostilities in Korea, it is perhaps not surprising that the widespread banditry in Malaya has shown, until recently, little sign of abatement, notwithstanding the positive measures taken by the Government following the appointment of Lt.-General Sir

Harold Briggs to the special post of Director of Operations. If the bandits are not controlled indirectly by those who seek to disturb the peace of so many Eastern countries, it is evident that they gain inspiration from that source. In the result a heavy price is being paid, especially by planters and miners, to maintain a constant flow of tin and rubber which contributes so high a proportion of United States dollars to the Empire pool. To them also, Malaya owes thanks for having been able to close the year with an overall surplus in visible trade, the first since the war, of no less than Straits \$1,066,000,000 (£124,370,000) against a deficit for 1949 of some Straits \$162,500,000 (£18,960,000).

REMARKABLE ACHIEVEMENTS

The actual figures for 1949 and 1950 were:—

	1949	1950
Exports	\$1,677,500,000 (\$195,710,000)	\$3,957,000,000 (\$461,650,000)
Imports	\$1,840,000,000 (\$214,670,000)	\$2,891,000,000 (\$337,280,000)
Total trade	\$3,517,500,000 (\$410,410,000)	\$6,848,000,000 (\$798,930,000)
Deficit	\$162,500,000 (\$18,960,000)	...
Surplus	...	\$1,066,000,000 (\$124,370,000)

Exports in 1950 to the United States of America aggregated about Straits \$1,048,000,000 (\$430,000,000 in 1949), producing about U.S.\$425/475,000,000 (U.S.\$175/200,000,000 in 1949) for the Empire dollar pool, while imports from the United States reached only Straits \$89,000,000 (against Straits \$113,000,000 in 1949).

These are remarkable achievements, especially when one remembers the conditions under which the planting and mining industries have worked in Malaya, and when our authorities in the United Kingdom add up the quarterly accessions of United States dollars, which have been a feature of our economy over the past year or so, they should spare a thought of gratitude for Malaya and for the planters and miners there whose devoted efforts have made such figures possible.

RUBBER

Rubber produced in Malaya during 1950 reached the highest tonnage ever recorded at 703,891 tons, compared with 679,066 tons in 1949, and it is interesting to note that, of the 1950 figures, approximately 328,000 tons came from small holdings. Total exports including imported rubber and latex, were 1,106,483 tons, against 899,212 tons in 1949, and of the 1950 figure, the United States of America took 375,724 tons, the United Kingdom 197,777 tons, Russia 68,058 tons and France 60,540 tons. The increase in exports was in the main due to the import of a very much larger tonnage from Indonesia; but all the surrounding areas contributed, and it is a notable fact that the increased price obtaining for rubber has greatly increased the importance of Singapore's entrepôt trade, a natural development under the circumstances.

The excess of world production over world consumption of rubber during 1950 was greater than in 1949; but stockpiling for rearmament purposes may bring the position into equilibrium in a short space of time. The position of the synthetic product and industry looms large in the minds of those concerned with natural rubber, and while the United States Government remain committed to continued expansion of the synthetic rubber industry, only exceptional requirements for stockpiling can be expected to keep prices and production of natural rubber at present levels, and as the United States Government have already acquired considerable supplies, it will be realised that the position is vulnerable, although doubtless

there are other buyers who, while unwilling to make the running and bid against the United States in world markets, would willingly take supplies at reasonable prices were such available.

On November 4th the Government announcement regarding increased rates of export duty on rubber caused a furore. It was strongly felt that Government were singling out the industry for added taxation and were thus breaking the principle of an even distribution of the tax burden. Moreover, the industry had long suffered from unduly low prices and strongly resented the drastic nature of the taxation applied, and criticised above everything the proposed method of application and collection. However representations from all sections of the industry caused the Government to modify their proposals, and in the event the export duty effective from January 1, 1951, ranges from 2½ cents at 50 cents a lb. to 31 cents at \$2 a lb., which includes access for replanting and new planting, the rate to be fixed at weekly intervals based on the average daily price in Singapore during the preceding fortnight.

TIN

Turning to tin, Malaya's other main product, production in 1950 was 57,500 tons, constituting a post-war record and representing an increase of about 2,600 tons over the 1949 figure. Exports, which include re-exports, amounted to some 81,800 tons, and exceeded the figure for 1949 by about 27,000 tons. Shipments to the United States of about 44,590 tons were slightly in excess of the preceding year's shipments. The chief factors affecting the market were the stockpiling operations of various countries, especially the United States, and resort had to be made to stocks in this country to supplement supplies from the production areas. The Ministry of Supply disposed of about 30,000 tons from stock which was thus exhausted. It seems probable therefore that stockpiling demands are likely to have first call on production during 1951 and ordinary consumers are likely to find some difficulty in filling their needs, so that a firm market would appear to be assured for some time to come.

It is perhaps of interest to record the price changes in rubber and tin during the year, which were as follows:—

	Lowest	1950 Highest	Closing
Spot rubber	15d. 4.1.50	72d. 9.11.50	56d.
Cash tin	£578 5s. 3.1.50	£1,300 7.11.50	£1,150

Iron ore production in the Federation rose from 8,390 tons in 1949 to 498,903 tons in 1950, while Malaya's only coal mine at Batu Arang, Selangor, produced 415,777 tons, some 29,000 tons above the figure for 1949.

BUDGETARY POSITION

The budgetary position, which a year ago looked difficult, has been eased very considerably by the revenue accruing from the large increases in export duties due to the higher prices of rubber and tin, and it has been stated that the special contribution of £3,000,000 by H.M. Government for use under the headings of Emergency and Defence should now prove adequate for the year. Revised estimates of revenue for 1950 are now set at \$416,000,000 with expenditure at \$369,000,000, giving an estimated surplus of \$47,000,000, while estimates for 1951 set revenue at \$474,000,000—which includes \$64,000,000 in respect of anticipated increased revenue from the new rubber export duty—and expenditure at \$440,000,000. The estimated surplus of \$34,000,000 should be further augmented as the result of the increase from 20 per cent. to 30 per cent. in company tax effective in 1951. The whole budgetary position has thus improved to an

extent which may render it unnecessary for the Government to float the loans which last year I anticipated would be required. Undoubtedly there is much surplus currency available in Singapore and Malaya, and much good would result to the economy of the country if the public could be induced to subscribe to a loan of considerable dimensions and the money diverted to constructive undertakings.

Inflation in Malaya tends to get out of hand, and although the note issue is only expanded when absolutely necessary to finance the growing requirements of Malaya's main industries (for the banks, and especially the principal banks, adopt a public-spirited attitude in this respect), there can be no doubt that the high prices of rubber and tin and the wide dissemination of the proceeds are creating demands for consumer goods which it is impossible to satisfy adequately or wisely. As a consequence prices of consumer goods are rising, and have risen to levels which can no longer be regarded as healthy, while the danger always exists that any marked fall in the prices of rubber and tin will bring heavy losses to importers, who, in attempting to satisfy estimated requirements which may prove evanescent, have to order goods months in advance and pay the current high prices.

NOTES IN CIRCULATION

Notes in circulation at January 1, 1951, amounted to \$633,487,211, an increase during the year of \$230,543,371, or over 57 per cent. The steepest rise took place in the last months of the year. It was of course inevitable that a large expansion of currency would be needed to finance rubber and tin at the very high prices obtaining for these commodities, but wise handling of the position will be required if evil effects are not to ensue following any marked or sudden fall in the prices of the two commodities on which Malaya's economy so largely depends. Here again, as in the case of Ceylon and other countries in the East, only diversification of the country's industries can offer any final or adequate solution; but realising the dangers inherent in the present position, it should be possible for the Government, if only by the flotation of an attractive loan, or by encouraging savings on the part of the public, to do something to reduce the pressure of money. So rapid has been the expansion of the currency (the rise in December alone was over \$43,000,000) that some shortage of actual notes was caused, but commendably prompt action by the currency commissioners prevented grave inconvenience to the banks.

The Malayan War Damage Commission commenced its assessment of claims during the year and under the Federal War Damage Scheme, 1950, an initial payment of not exceeding \$350 was authorised to each claimant. The board of management of the war risks goods insurance fund have also been examining claims and some payments have already been made. Though the many advantages which would have accrued from a speedy settlement—which I have on several occasions advocated—have been lost, and though any addition to money in circulation today in Malaya can now but add to the embarrassment of the position, it is still to be hoped that the awards in respect of all claims will be paid in full during 1951.

NORTH BORNEO

It is pleasing to record a year of considerable progress in all spheres in this Colony. The greatly enhanced price of rubber brought conditions bordering upon prosperity and in its train a marked freedom from discontent, except in regard to the means of meeting the rising cost of living, for which upward adjustments in salaries and wages have had to be conceded by most employers.

The three major needs in North Borneo, namely, an increased labour force, improved

communications, and materialisation of building plans, are perhaps not being fulfilled as rapidly as might be desired, but in all these matters, forward steps have been taken, though in the two last mentioned, within the limitations imposed by shortage of skilled staff and labour, delays in obtaining materials and lack of adequate finance.

Trade figures for 1950 were very satisfactory, total trade (imports and exports) being set at \$138,000,000 (£16,100,000), an increase of \$66,500,000 (£7,758,333) or 93 per cent. over last year's figure. The favourable balance of trade amounted to over \$45,000,000 (£5,300,000), as compared with about \$2,000,000 (£233,000) in 1949. These figures speak for themselves.

RECONSTRUCTION AND DEVELOPMENT

The Government are bending their energies toward the completion of the reconstruction and development plans, but the cost of the former is likely to be some £1½ million more than originally estimated, and of the latter some £1 million more. This means that by the end of 1951 there will be little left of the grant of £1,600,000 made by H.M. Government. It is fully appreciated by the Colony's Government that further external help cannot be expected unless North Borneo itself takes active measures to meet its increasing expenditure. Therefore company tax is to be raised from 20 per cent. to 30 per cent. in 1951, the rubber tax increased to 10 per cent. *ad valorem* and, because the Colony is not yet in a position to undertake the collection of income tax, a residents' tax is to be imposed as an interim measure to be calculated on a sliding scale on each adult resident's annual income. This added taxation should not prove unduly burdensome in a country where the level of taxation is yet modest and will act to some extent as a check on inflation, which here as elsewhere is assuming threatening proportions.

The Budget position last year improved, ordinary revenue being approximately \$16,100,000, against \$11,000,000 last year, while ordinary expenditure was \$9,200,000, against \$9,700,000 last year. Expenditure on reconstruction and development was \$5,300,000, against \$7,200,000 the year before, and there was consequently a surplus of revenue of about \$1,600,000, against a deficit last year of around \$6,000,000.

Steps are being taken to improve the wharf facilities at Jesselton, Sandakan and Labuan at a cost of about £850,000. Efforts to form a Customs Union between North Borneo, Sarawak and Brunei have not yet been successfully concluded, but tariffs in all three countries have been made more uniform and goods already subjected to duty in one territory will not be reassessed in either of the others.

GREATER EXPORTS

High prices for rubber and copra have resulted in greater exports. The timber industry is also progressing satisfactorily, in part due to improved methods introduced into the industry, and shippers have been unable to meet the full demand. Exports of cutch and firewood have been well maintained. The Colony is still a deficient area in rice, but the Government's experimental rice station in the Bandau area is in full swing, so that good hopes are entertained that eventually the country may become self-sufficient in this staple item of food. All in all, therefore, the year has been one of steady if quiet progress and if much still remains to be done much is being done by a Government with the best interests of the Colony at heart.

In the Bank's domestic field, representation in the Colony was increased during the year by the appointment of the North Borneo Trading Company, Limited, as our agents at Labuan where the entrepôt trade is expected to develop.

SARAWAK

Sarawak has had a peaceful year and has received its full share of high rubber prices and of a good demand for its timber and other produce, though at the expense of the vital needs of local paddy cultivation. In these conditions the Government were able to increase their revenue by raising import duties and the export taxes on rubber and produce.

Trade figures, though not available to me at the time of writing, may be expected to be much higher than for 1949 when, according to statistics published in mid-1950, exports were valued at \$187,628,000 (£21,900,000), inclusive of \$74,500,000 (£8,700,000) in respect of oil, and imports (excluding about \$60,000,000 (£7,000,000) represented oil imports from Brunei). In Sarawak as in North Borneo, the year has been one of quiet and steady progress.

THAILAND

In Thailand, possibly more than in any other country of South-east Asia, could the year be termed uneventful. Not that local opinion was insensitive to the major issues being contested in the world, and the outbreak of hostilities in Korea resulted, as might be expected, in a flight into commodities which caused piecegoods prices to soar and had repercussions on the Bangkok money market.

Generally speaking, however, a stable government and the absence of serious domestic troubles enabled Thailand to take full advantage of the increased world prices of its primary products. Shipments of rubber from South Thailand and tin ore from the West Coast and Haad-yai increased both in volume and value, whilst the total exports of rice for the year, at 1,483,248 metric tons, were more than 250,000 tons in excess of 1949 shipments. These valuable exports enabled Thailand to increase its holding of foreign currencies and ensure the tical retaining without strain its value against sterling currencies and the U.S. dollar. Furthermore, it enabled a substantial reduction to be made in the country's external debt although internal borrowings, in the form of Treasury Bills, more than offset this.

The Japan-Siam trade agreement worked for the most part against Thailand and import permits for Japanese goods were restricted for corrective purposes. The prosperity that has come to the country shows no signs of abating under present conditions. The prospects for next season's rice crop are good and, if officialdom restrains rather than increases its activities in the commercial world, Thailand should move forward to even greater financial and economic stability.

REPUBLIC OF INDONESIA

The young Republic of Indonesia entered the year 1950 in a state of internal inflation and with an external deficiency but with the hope that those intangible factors, independence and self-government, would effect that increase in production of primary products necessary for the economic survival of the then Federation.

That hope for more exportable goods and for increased crops to reduce food imports might have been fully justified had it not been for the deliberately obstructive tactics employed by labour, but in spite of a number of costly and unwarranted strikes, a remarkable change for the better took place in the Republic's financial and economic position during the year.

The financial recovery started with the introduction in March of two measures—a forced loan which converted roughly half the money in circulation into a long-term State loan and the other a complicated form of devaluation designed to promote exports

at the expense of imports. The net result of the second measure is that the value of the rupiah has been reduced either to one-half or to one-third of its former value according to one's interests.

We shall never know how effective these measures would in themselves have been, for their introduction coincided with an upward trend in world prices, particularly of rubber, which, accentuating the value of Indonesia's increased exports, turned a foreign exchange deficit into a substantial credit balance. The pity is that the machinations of labour, to which I have already referred, which included burnings, lootings and communist-tinged strikes in ports and other communication centres, as well as on estates, prevented the Republic from taking full advantage of the unique opportunity given for the consolidation of its external trade position and incidentally the improvement of the living standard of its people. Disappointing, too, was the continued banditry which left whole districts without law and order and prevented rubber and coffee estates and tea gardens returning to production.

GOVERNMENT'S TASK

The efforts of the young and untrained ministers of what, in September, became the Unitary Republic of Indonesia, have, for the most part, been commendable, but internal expenditure is outrunning revenue, although taxation is higher than perhaps anywhere else among Far Eastern countries, and while the external foreign exchange position has recently become favourable, there is, doubtless due in some degree to the discrimination against imports already noted in respect to exchange rates, a dearth of consumer and reconstruction goods, which is augmenting the inflationary tendencies fostered by prodigal internal spending. These matters require attention, but the overriding task of the Government is to establish sound relations with labour, for on its future relations with labour the fate of the Government will depend. Unless the Home Minister and the holder of the labour portfolio are prepared to take a firm but just line and unless the Cabinet is prepared to give them whole-hearted backing no genuine progress can be made and reversion to almost complete anarchy may result. All friends of Indonesia in this country wish the Government success in its difficult task and hope that good and fair administration will prevail.

The review would, I think, not be complete without reference to the benefit Indonesia has derived during the year from an E.C.A. loan of U.S. \$40,000,000 and quite recently the Export Import Bank have agreed to release over U.S. \$50,000,000 to assist the development and reconstruction programme.

Irian continues to be an insurmountable issue between the Netherlands and the Indonesia Governments. The Cabinet in The Hague has resigned over this vexed question and the President of Indonesia has found it difficult to explain to his peoples the continued *de facto* possession of the territory by the Dutch in view of earlier promises.

The Chartered Bank has given fully in effort and all the resources of its organisation to help promote the trade of Java, Sumatra and the Outer Islands, and I am pleased to say that our relations with officials and the business community are on a sound and friendly basis.

INDO-CHINA

The military position in Indo-China deteriorated considerably during the greater part of 1950, and toward the end of the year following victories over isolated forts in the North by the Vietminh insurgents, the outlook appeared bleak with a Chinese army apparently available for action if called in by the rebel leader Ho Chi-minh. Recent de-

velopments in Korea have tended to minimise this risk while following the advent of General de Lattre de Tassigny, the military outlook has improved.

Although somewhat short of up-to-date figures relating to Indo-China, it is not difficult to draw fairly accurate conclusions from those which are available. The course of trade has followed its customary pattern, or rather the pattern which has become customary during the past few years. Rice exports, already insignificant, compared with prewar days, have been placed under an interdict since August, while the export of other commodities such as maize, rubber, coal, and cement have been at a level much below that required to maintain a normal economy. During the first half of the year 1950, imports reached a total value of Piastres 1,726,500,000 (at 20.5—U.S. \$84,253,000) while exports amounted to no more than Piastres 614,900,000 (U.S. \$30,007,120) and while the increased price of rubber would enhance the value of that item in the second half of the year, this would be offset by the cessation of rice exports from August onwards, and therefore it can be fairly accurately surmised that the total adverse balance of trade for the year would exceed the equivalent of U.S. \$100,000,000. Indeed were it not for France's military contribution—estimated at £600,000,000 since the outbreak of the Vietminh rebellion—the country would be in a difficult financial position, and it is this item alone which maintains the external balance of payments of the country.

When the urgent needs of the countries of south and South-east Asia for rice and yet more rice are remembered and on which I have had to comment frequently in these reviews, it is sad in the extreme to realise that here in Indo-China is a granary, second only to Burma at its best, going to waste, and it is therefore sincerely to be hoped that the forces of law and order will soon gain the ascendancy.

THE PHILIPPINE REPUBLIC

I think that those of you who noted my remarks last year on the Philippines will not have been unprepared for the conclusions of the Economic Survey Mission appointed by President Truman to study the economic and financial problems of the Philippine Republic. The mission's report, known as the Bell Report, stresses the pervading unbalance between production and needs in the Philippines and states that the measures that could halt the deterioration have not been put into effect.

Various contributing causes are cited for the present critical situation and amongst recommendations made for remedying the position are increased taxation on high incomes, a two-year emergency tax of 25 per cent. on imports and the granting of a "strictly conditioned" loan of U.S. \$250,000,000 by the United States of America.

As the situation now exposed has been known to many officials in the Philippine Government for some time it is interesting to see the result of efforts made during 1950 to combat in particular the financial crisis which successive large budgetary deficits and excessive creation of credit made inevitable.

By strict control imports were reduced to nearly 50 per cent. of the 1949 figures. As the many restrictions fell mainly on luxury and non-essential goods this was a decided step in the right direction. At the same time a strict exchange control, administered with integrity by the Central Bank, ensured that the proceeds of exports accrued to the Republic. Fortunately the year under review saw substantial increases in the exportable crops of sugar, hemp and copra whilst the unsettled international situation was responsible for a rise in the world market prices of these primary products of the Philippines.

THE ECONOMIST, March 17, 1951

So serious, however, was the adverse balance of payments created by the excessive imports and large non-trade payments of 1948 and 1949, aggravated by the tapering off of United States disbursements, that the advantageous swing in trade figures during 1950 did little to restore confidence in the peso.

PROPOSED TAX ON REMITTANCES

Officials have many times reiterated the Government's determination not to devalue and this policy receives support from the deflationary recommendations of the Bell Report, but the bill now before Congress to impose a tax of 20 per cent. on remittances during 1951 and 15 per cent. during 1952 is the first sign of a break in the external value of the unit of currency.

That this tax is to be imposed as an alternative to a tax on imports, is doubtless due to the fact that an import tax would be ineffective as, under the Treaty with the United States, the Philippines are not allowed to tax imports from that quarter, and as everyone is aware, most of the imports derive from the United States of America. The tax on remittances, however, will fall mainly on foreign interests, and therefore is likely to discourage the entry of foreign capital into the Philippines, and in any case it is doubtful whether a tax of such limited scope can be effective.

There is no doubt that the Philippines have reached their economic cross-roads and, unless the Government and the people are prepared by sacrifices all round to take the hard way that leads to increased output and fair wages and to eschew many luxuries, recovery will be long delayed and an intervening period of serious inflation, political trouble and danger to law and order may ensue. An interesting aspect of the trade of the Philippines during 1950 was a trend, although slight, from United States to European markets.

HONGKONG

According to figures published by the Department of Commerce and Industry, total overseas trade handled by Hongkong in 1950 was valued at £472 million as against £336 million in 1949. Of these figures, trade with China represented about 30 per cent. in 1950 and 24 per cent. in 1949. But while exports to China in 1949 were roughly equal to imports from that country, in 1950 exports to China exceeded imports by some £37 million. The People's Government banks in Hongkong made large purchases of sterling during the year, while in Singapore they were good sellers on London, indicating that purchases of rubber and possibly tin for China were partly financed through Hongkong and taking into account China's adverse balance of trade with Hongkong in 1950 as noted above, presumably from accumulated funds. Malaya, on the other hand, has been selling sterling in Hongkong to cover family remittances to China; but also, it is reported, to purchase gold, which is, of course, illicit business.

The desire of the Singapore and Hongkong Governments to conserve their entrepôt trade is to be commended. The published figures of Hongkong's trade with China—namely: 30 per cent. of the total as mentioned above—may well be greater as even the casual observer would probably place the figure much higher, and this may partly explain the discrepancy between exports and imports of £37 million already noted, which otherwise seems an unduly high figure. But in the absence of actual figures these can be only surmises.

In December, the United States of America froze all funds in America belonging to residents of the Chinese mainland and restricted

all shipments of goods to China likely to prove of any strategic value. Shipments to Hongkong were included in the ban. This policy was naturally not particularly welcome, especially among the business community which is not entirely British, being indeed very cosmopolitan, but it was undoubtedly a correct one in all the circumstances, and certainly not open to criticism.

The delicate position in which Hongkong finds itself, and which I mentioned last year, has not been changed in any sense by the events in the North over the past year, and it behoves us all to walk warily in these uncertain days.

CHINA

Last year I decided to confine my remarks on China to a few statements setting out our aims and modest hopes. These modest hopes have not been realised, for the business we have been able to transact in China can best be described as nominal. In Shanghai in particular we have a staff of Chinese personnel considerably in excess of our present requirements; but we are powerless to reduce the number of our clerks. Our costs and, therefore, our losses, for we have little earning power, have, however, been reduced to a minimum. Our liabilities in China are limited to our responsibility for the well-being of our staffs, both European and Chinese. Our assets consist of modest advances generally made against collateral outside of China and, of course, our office buildings and houses.

Various methods have been used by the People's Government to revive external trade. The latest schemes amount to pure barter, imports into China having to arrive before the corresponding exports, completing the deal, are allowed to be shipped. This development followed the freezing of funds in the United States belonging to Chinese residents, and may have its origin in the fear that other nations will adopt the same policy.

EXTERNAL TRADE

As we have already seen, when considering the position in Hongkong, China's external trade through Hongkong increased in 1950, in spite of all surrounding difficulties. Direct trade, too, with the United Kingdom, revived somewhat from the lows of 1949, in that imports from China to the United Kingdom amounted to £6,911,195 in 1950, as against only £3,197,407 in the previous year, while

needs of the country without the aid of imports from outside. These are solid achievements and might augur well for the future if the People's Government decided to confine their activities to internal affairs, which we have read it is their dearest wish to improve. May it so come to pass.

JAPAN

Last year I reported various steps which were taken in Japan during 1949 which had the effect of placing the Japanese economy and facilities for importing and exporting on a more normal basis. During the year under review further similar steps have been taken and recently the Supreme Commander Allied Powers (SCAP), whilst still retaining responsibility, has handed over the management of overseas trade to the various Japanese official organisations in anticipation of the signing of a Peace Treaty.

It, of course, remains to be seen to what extent the outside world will consider Japan as credit-worthy when the country stands on its own. This is important, because at the moment, to finance the necessary importation of food and raw materials, the foreign banks operating in Japan are called upon to grant large lines of credit facilities on the responsibility of SCAP, owing to the impossibility of balancing sterling imports with sterling exports day by day, especially in the early part of each year.

This situation is likely to continue, and until Japan can build up an adequate foreign currency reserve, in dollars and sterling, foreign assistance will be required. Given that American aid is soon to be considerably reduced, it will be appreciated that Japan has an enormous task ahead. The fact that in the latter part of 1950 overseas trade turned in favour of Japan gives room for a certain optimism; but as the improvement was largely due to the outbreak of fighting in Korea as a consequence of which the United States Government made large purchases of war materials in Japan and used the Japanese coastal fleet to ease the transport situation, it is necessary to temper this optimism with realism.

TRADE FIGURES

The figures relating to external trade, expressed in terms of U.S. Dollars in 1948, 1949 and 1950, were:—

Year	Exports	Imports	U.S. Govt. Aid
1948.....	\$258 million.	\$222 million.	\$461 million.
1949.....	\$509 "	\$370 "	\$534 "
1950.....	\$1,008 "	\$677 "	\$400 "

while the details of the figures for 1950 were:—

1950	Exports	Imports	Balance of Trade
Visible Trade.....	\$773 million.	\$645 million.	+\$128 million.
Invisible trade.....	\$235 "	\$32 "	+\$203 "
	\$1,008 "	\$677 "	+\$431 "

and it may be of interest to quote the direction of the trade in 1950 which was approximately:—

1950	United States	Open Accounts	Sterling Area	Total
Exports.....	\$364 million.	\$183 million.	\$226 million.	\$773 million.
Imports.....	\$284 "	\$160 "	\$201 "	\$645 "
Plus or minus.....	+\$80 "	+\$23 "	+\$25 "	+\$128 "

exports to China from the United Kingdom were £3,536,248, against £2,146,456 in 1949. The figures for 1950 are, however, considerably less, both for imports and exports, than 1948, and this was probably to be expected.

Apart from foreign trade, undoubted progress has been made by the People's Government in stabilising the currency, and in improving communications within the country while, still more important, it would appear that the supplies of foodgrains produced have been increased to an extent which in a normally productive year should suffice for the

As already stated the enormous increase in receipts for 1950, was accounted for largely by the special procurement demands for the Korean campaign; even so, from a study of the above figures it will be clear that had Japan paid for imports provided with U.S. Government aid, the overall trade balance for 1950 would have been adverse by some \$69 million, not a formidable sum in itself, but in the circumstances outlined enough to reveal the immensity of the task which lies before the Japanese Government before the country can become self-supporting from

current trade. Be that as it may, through the bounty of United States aid and as a result of their own steady efforts, Japan has amassed considerable reserves of foreign currency which, while yet far from adequate for all purposes, will probably prove of considerable help in securing for them the credit facilities required especially during the importing season. It will be realised that as Japan exports mostly manufactured goods it is essential for her first to secure and pay for the requisite raw materials.

STERLING AREA AGREEMENT

The sterling area trade agreement for the period July 1, 1950-June 30, 1951, was signed late in November, envisaging a balanced trade of £185 million (as against £110 million for the previous year), and our four offices in Japan have been fully extended in coping with such part of the finance of this trade as is directed through this Bank.

Before closing this report on the position as we find it in Japan, I quote the comparative figures of the Note Issue as at:—

	Millions
Dec. 31, 1948.....	Yen 368,000
Dec. 31, 1949.....	Yen 355,000
Dec. 31, 1950.....	Yen 422,000

In spite of the increase which took place in 1950, money in Japan is in short supply. The Bank of Japan charge 6.935 per cent. per annum for internal (domestic) finance and 5.84 per cent. per annum for foreign trade finance (to banks), whilst Japanese banks charge anything up to 12 per cent. per annum to merchants. Practically all foreign trade transactions have to be financed by promissory notes discounted by Japanese banks with the Bank of Japan, owing to the absence of resources held by Japanese traders, and it is not difficult to visualise the loss of competitive power in world markets imposed by such stringent monetary conditions. A new Government-sponsored bank with a capital equivalent to £15 million and called the Japan Export Bank, has recently been founded to grant long-term loans to exporters and the need for a similar institution to assist importers, may soon become apparent if it is not so already.

OTHER CENTRES

New York.—There has not been so much evidence in the Far East during the past year of the desire to purchase dollar goods as against those from the sterling area. Trade figures reported in the American press confirm this, exports from the U.S.A. being some 18 per cent. lower than in 1949.

Our New York office continues to handle a large volume of business, however, and it remains a vital link in our business, besides keeping us in close touch with our many American and Canadian friends and correspondents, from whom we have continued to receive valuable business and support.

Hamburg.—I have again to report an increase in trade between Germany and the Far East, in which we are participating satisfactorily within our normal scope.

Manchester and Liverpool.—Our two branches in the north of England have kept us in touch with both importers from and exporters to India and the Far East and have fulfilled a valuable function.

West End.—This branch, much utilised by clients on furlough from the East, continues to enlarge its usefulness.

GREAT BRITAIN'S POSITION

In closing this review I cannot do better than say which converted roughly half the money in circulation into a long-term loan and the other a complicated form of my practice or devotion m. wide chain of branches. As was the case last year, in practically all these countries inflation is still present in serious degree and, if

exports from the United Kingdom are to be hindered through strikes and lockouts at the docks and on the railways as well as through inability to meet all demand, due only in part to concentration upon defence preparations, then a splendid opportunity will be lost, of improving not only the positions in the would-be importing countries but also the United Kingdom balance of trade position on which so much depends. But it is not only the trade position in the countries of the east which would be improved by providing the goods they want. On the contrary it must be realised that behind the trade position in these countries are the great mass of the people who, perhaps for the first time within recent memory, are producing with their labour, products greatly sought after by the nations of the west, and for which the nations of the west are willing to pay high prices in terms of currency.

It was well realised immediately after the war, when the return to eastern lands became possible, that the returning merchant must have available large supplies of goods if he desired to secure the products of the east. The position today is not so very different and in some of the more backward lands it has changed very little. It is therefore to be hoped that production in the United Kingdom will continue to rise in spite of the interference of defence preparations for in the conditions which I have reported in many of the countries of the Far East, it is essential that we keep the goodwill of the people and this can only be done by maintaining a stable value for money and providing the goods they require and, for which, for the first time in their lives, perhaps, they can pay.

HELP FROM THE WEST

Last year I thought that greater assistance would be required from the west if some of the countries in the Far East were to be saved from disintegration. Since then this has been realised, not alone by that great and generous nation the United States of America, but by all the Commonwealth nations who, in the Colombo Plan to which I have devoted some attention above, have taken an enlightened co-operative step toward self-help which is unique in the history of nations. All in all, therefore, in spite of the serious developments in the Far East and the parlous position in several of the countries in which this bank operates, progress has not been lacking, and as for the working of the bank, my belief last year that, in spite of uncertainties on every hand, the bank would continue to play a notable part in the furtherance of trade in the areas it serves, has been fulfilled.

In common with the great shipping and insurance interests, but more intimately than either of these, banks such as the Chartered Bank operate as a link between the countries of the eastern world and the United Kingdom, and while performing this invaluable function, assist to increase the earning power of every trading institution in the United Kingdom dealing with eastern countries, and at the same time augment by its own earnings the invisible earning power of the nation, besides bearing perhaps more than a full share of taxation burdens both at home and abroad.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

*The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1*

THE EASTERN BANK LIMITED

INCREASED RESOURCES

The forty-first annual general meeting of the Eastern Bank Limited will be held on April 4th at 2 and 3, Crosby Square, London, E.C.

The following is an extract from the statement by the chairman, Sir Evan M. Jenkins, G.C.I.E., K.C.S.I., circulated with the report and accounts for the year to December 31, 1950:—

The balance sheet total at £27,659,393 is higher by £3,551,347 than that of 1949. The main contributory increases are on the one side £3,379,081 under current, deposit and other accounts and on the other £2,431,847 under cash and bills receivable and £986,252 under advances. Notwithstanding the decline in acceptances shown in the balance-sheet, there was a fourfold increase in outstanding credits confirmed by the bank. Net profit stands at £123,928 against £118,244 for 1949.

A BUSY YEAR

The bank has had a busy year, with increased resources and ample scope for their employment; but the figures reflect the present world-wide instability. During the second half of the year the war in Korea, and fears of its extension, caused a further rise in commodity prices which were already high. There was no diminution in the demand for manufactured goods, and in present conditions it is indeed essential throughout the East that consumer demand should be adequately provided for. No immediate change in business conditions seems likely; but at some time a change will come, and profits generally will fall much faster than the costs of earning them.

The appropriations made from net profits are £30,000 to premises and £60,000 to reserve for contingencies and a final dividend of 3s. 6d. per share, less tax, being the same as the final dividend for 1949 is now recommended. This year's outlay mainly for the Bahrain premises, other existing commitments, and possible future outlay for premises at Baghdad and Karachi and for residential accommodation elsewhere, make the transfer to premises desirable although our present assets of this nature stand at a low valuation in our balance sheet. No appropriation to reserve fund having been made last year, the board have decided to transfer to reserve fund this year £200,000 from contingencies as augmented by the appropriation of £60,000 from net profit. This is made possible by the release of some special past provisions which are no longer required. The reserve fund will now stand at £1,200,000.

RIISING COST OF LIVING

In the countries in which the bank is established, generally it must be understood that the cost of living is everywhere high with a strong tendency to rise; that building costs are three times those of the nineteen thirties, and in some places more; and that the expenses of maintaining and expanding our business are increasing accordingly. In all the countries concerned except the Persian Gulf and Malaya, Central Banks are operating, and we are required by law to maintain compulsory deposits with those banks, and to comply with other requirements which vary with the conditions in each country.

Towards the end of the year the board decided to establish a branch office at Aden. It is expected that it will be open for business by the end of this month.

Our thanks are due to Mr N. S. Golder, the general manager, and to the staff, both at home and abroad, for the results achieved by a strenuous year's work.

HONGKONG AND SHANGHAI BANKING CORPORATION

INCREASED NET PROFIT

UNSETTLED WORLD CONDITIONS

SIR ARTHUR MORSE'S REVIEW

The ordinary general meeting of shareholders of the Hongkong and Shanghai Banking Corporation was held on March 10th in Hongkong.

The Hon. Sir Arthur Morse, C.B.E., in the course of his speech, said: The net profit for the year, after making transfers to reserves for contingencies, amounts to HK\$17,247,704, which exceeds the corresponding figure for the previous year by just over HK\$205,000. Including the balance of profit brought forward from last year, the sum available for distribution amounts to HK\$22,606,787. It is recommended that an amount of HK\$3,000,000 again be written off bank premises and after allowing for this amount, for the interim dividend of £2 per share and for the final dividend of £3 per share which is now proposed, there remains a balance of HK\$6,699,224 to be carried forward to next year, an increase of HK\$1,340,000 on the amount brought forward from 1949.

In view of the world political situation and the unsettled conditions prevailing in many of the territories where your bank operates, your directors consider it prudent to pursue a conservative policy and to continue to build up our inner reserves.

GENERAL POLITICAL DEVELOPMENTS

Many of you will remember how in past years your chairman of the day has at this meeting frequently commented on adverse political factors, which were sometimes local and internal, sometimes widespread and external. On each such occasion our report showed that the bank stood firm and had steered its way successfully through the political breakers. From 1941 to 1945 the bank was, however, forced by the outcome of events to take refuge, as it were, from the passing typhoon and to rest on its oars. But not all of that time was wasted; preparations for recovery were made and in 1945 we were able to re-emerge and indeed to start making up lost ground in spite of a still dismal and uncertain political outlook in many parts of the east. Since then the progress made in some of the British territories in the east has been remarkable and in Hongkong it has been spectacular beyond all expectation.

Now, once again the barometer has fallen but I have no hesitation in asserting—and this is after all a mere commonplace which has been repeated again and again in recent years—that the great mass of the eastern peoples do not want to be disturbed, regimented, mobilised and driven into extravagant and ambitious campaigns against other peoples.

What I feel sure the Asian peoples as a whole want most of all—just like other people—is freedom from want, which means in the case of 70 to 80 per cent. of the population, freedom to grow their crops, to sell them and to buy the essentials of life in exchange. They understand little about Democracy, Socialism, Communism and Marxism, but they will naturally respond at once to any measures which promise a rapid improvement of their standard of living and freedom from the spectres of hunger and poverty.

PROPOSED CONSTRUCTIVE STEPS

In South-east Asia as a whole all countries are "anxious to grow strong and

healthy on democratic lines." So said that great statesman, Mr Senanayake, the Prime Minister of Ceylon, in a BBC broadcast in January. Some of the new postwar systems of government have so far been unable to improve the lot of the people. The problems vary from country to country, but I want to stress the constructive steps which are proposed and in some cases have been set under way, whereby the democratic nations, and particularly the British Commonwealth and the United States are tackling these problems which if not faced will lead to increasing discontent and misery in extensive areas throughout Asia. The steps under way may not be spectacular but without endangering political, economic and personal freedom they will give more value in a practical, evolutionary and methodical way than can be obtained by the professedly revolutionary ways of proceeding to this end which are being adopted by the other camp.

I refer especially to the report by the Commonwealth Consultative Committee known as the Colombo Plan for Co-operative Economic Development in South and South-east Asia, which was presented to Parliament last November. Combined with this is the very important Council for Technical Co-operation. Setbacks and difficulties are bound to come but if the Commonwealth and its friends will really press forward this thing as a matter of urgency, in spite of the pre-occupation of rearmament, then it will indeed prove to the world that it has established "a genuine bridge of understanding between east and west." At the same time the United States Government has been proceeding with its own aid to Asia; recently it has taken a very welcome first step towards joining in the Colombo Plan. The required external financial support amounting to some £1,100 million in the six year period is, as the report of the Commonwealth's Consultative Committee says, manifestly not a task which can be tackled by the Commonwealth alone. Perhaps some co-ordination will be possible with the various ways in which American aid for Asia is being provided.

I have spoken so far of plans and hopes which might come to fruition under political and economic conditions in a normal world, by which I mean a world which is not involved in a full-blown war. Such a catastrophe one does not like to think about. If political blunders and misunderstandings bring things to such a pass, then naturally all hopes of betterment for the peoples of Asia and the world as a whole will be set back, if indeed they are not completely destroyed for ever. On January 12th the Commonwealth Prime Ministers in their joint communique issued in London stated: "We would welcome any feasible arrangement for a frank exchange of views with Stalin or Mao Tse-tung." The outlook is dark and we can only hope that perhaps this year we may yet see the fulfilment of this idea and the liberation of the unfortunate Koreans from their appalling suffering.

The chairman then reviewed in detail the day-to-day problems which had faced the bank during the past year in the countries where they had interests and concluded: Shareholders can be fully assured that their directors are taking every reasonable care to protect the bank's interests in these perplexing and uncertain days.

The report and accounts were adopted.

NATIONAL BANK OF INDIA

YEAR OF EXPANDING BUSINESS

The annual general meeting of The National Bank of India, Limited, will be held in London on April 3rd.

The following is an extract from the statement by the chairman, Mr J. K. Michie, circulated with the report and accounts for the year 1950:

I have the pleasure to report on another year of expanding business, and in so far as that has been the consequence of our own policy it is a matter for satisfaction. The total of our balance sheet reaches a new peak at £109,970,762, the comparable figure for last year being £92,972,507. Deposits have risen by £17,311,149, and advances by £3,604,982. Our consolidated balance sheet total shows an equally satisfactory increase, the figure being £133,404,121, as against £114,559,065 last year.

A SATISFACTORY RESULT

After making full provision for taxation, bad and doubtful debts and other necessary reservations, including an appropriation to the staff pension fund, which previously has been shown as a separate item in the profit and loss account, our net profits are £361,957, against the comparable figure for 1949 of £354,500. Considering that working expenses continue to go up the result is satisfactory.

We propose to allot the sum of £100,000 to premises account, increasing last year's provision by £50,000. We have in progress and ahead of us a heavy programme of building new and rebuilding old banking premises and of building and buying housing for our overseas staffs. Your board therefore consider it wise to provide against this expenditure as we go along as far as this is possible.

Out of the year's profits we have been able to allocate £60,000 to the reserve fund and, to supplement this, we have transferred £40,000 from inner reserves no longer required. Our published reserve funds will now stand at £3,600,000. The amount to be carried forward to next year is increased by a small amount.

Grindlays Bank Limited have brought their accounting year into line with our own, and their results for the period of fourteen months covered by the accounts were satisfactory. Our finance corporation has continued to meet the needs of the limited market for which it was created. As you know, corporations of this kind are not intended to overlap or compete in normal banking business.

During the past year we have opened five new branches and sub-branches, and under the authority of the respective central banks we shall shortly open branches at Bangalore in Southern India and at Khulna, which will serve the new port of Chalna in East Pakistan. We have also arranged to open a branch at Fort Portal in Uganda. Our further programme of extensions overseas is held back only by the difficulty of recruiting trained staff in step with our needs.

We have another and more local development in train. Provisional arrangements have been made to lease a very suitable building in St. James's Square at one time known as Windham's Club, and we hope to open a West End branch there sometime this year. Not only will this additional office enable us to offer our constituents better service in London, but it will relieve the increasing pressure on space in our head office. As soon as this can be done our customers will be advised of the opening date and of the services that will be available.

EFFECTS OF DEVALUATION

Last year was one in which many adjustments had to be made, for the major effects

of the devaluations of certain currencies carried out in September, 1949, did not begin to emerge until 1950 while more recently the world-wide programmes of rearmament have added further impetus to the inflationary trend which devaluation had already accentuated. Industrialists and merchants, and not least bankers, have had to face the problem of financing stocks and shipments of goods at consistently rising prices until today the whole financial machinery is under strain. Taxation of commercial profits is so high that an altogether disproportionate share of the burden of financing highly priced goods is being placed on the shoulders of banking.

The expansion of capital in the hands of commerce, industry and banking has not kept pace with this inflation, so we must warn ourselves against the ever increasing danger of advancing money to speculative borrowers. It is our duty to assist sound commerce; it is also our obligation to our borrowers and to our shareholders to keep this help within the limits of safety.

In a period of world shortages and advancing markets buyers will overlook late shipments and even faulty documents but an altogether different attitude will be shown should prices recede from these—in some cases—fantastic levels. Divergent views are held about the immediacy of this danger but if the value of money is to be preserved a serious attempt must be made to control the rising trend of the prices of what it buys. Restrictions of certain kinds of credit is one potent method but unless adopted as a general policy it would be ineffective.

Provided nothing cataclysmic happens in world affairs or in commodity markets—and the two are not necessarily synonymous—our prospects for 1951 are quite favourable but, I repeat, the higher prices go the greater the danger and the greater the anxieties of responsible bankers.

SECOND BRITISH ASSETS TRUST, LIMITED

The seventy-second annual general meeting of the Company was held at Edinburgh on March 15th, Mr W. H. Fraser, chairman, presiding.

In moving the adoption of the report and accounts, the chairman said:—

I am glad to welcome Lord Polwarth as a member of the board, and you will be asked to confirm his appointment.

Our revenue has exceeded the expectations of a year ago. This is due partly to the more liberal dividend policy that many companies at home are now adopting and partly to our increasing interests in North America, where yields generally are more generous than here and where we have had the benefit of a full year's effect of devaluation. In paying 17½ per cent. on a somewhat larger capital we are still only dividing some 76½ per cent. of our total gross revenue, so that our total income would have to fall by nearly a quarter before the present dividend is in danger.

The percentage of the company's investments in the U.S.A. and Canada has increased to 26.6 per cent. of our total valuation—as in previous years we have ignored in our valuation the premium ruling in London.

At a later date this year you will be asked to approve of new Articles of Association. These have not been revised since July, 1929. Since then there have been such material changes in company law and in the requirements of the Stock Exchanges that our present articles are in many respects out of date.

Present indications are that the current year's revenue should not be less than that of the year under review, but the uncertainty of the present outlook renders it impossible to forecast far ahead.

The report and accounts were unanimously adopted.

ROYAL BANK OF SCOTLAND

HIGHLY LIQUID POSITION: RECORD DEPOSITS

UNCERTAINTIES IN INTERNATIONAL OUTLOOK

PROGRESS OF SCOTTISH INDUSTRIES

THE DUKE OF BUCCLEUCH'S REVIEW

The annual general court of proprietors of the Royal Bank of Scotland was held in Edinburgh on Wednesday, March 14, 1951. In the absence abroad of His Grace the Duke of Buccleuch and Queensberry, K.T., P.C., G.C.V.O., governor of the bank, his speech was read by Mr Kenneth Murray, chairman of the court of directors. It was as follows:—

Before dealing with the ordinary business of the meeting, I have to refer to the loss sustained by the bank through the death of the Rt. Hon. Lord Bradbury of Winsford, G.C.B., LL.D. Lord Bradbury, who had been a director of Williams Deacon's Bank since 1925, joined our board when we acquired the capital of that bank in 1930, and his expert knowledge in matters of business and finance was freely placed at the disposal of both institutions. His loss is greatly regretted by his colleagues on the board. On the other hand, I have pleasure in referring to the appointment of the Rt. Hon. Sir Ronald Ian Campbell, G.C.M.G., C.B., and Mr Kenneth Graham Holden, as ordinary directors, and of Sir William Crawford Currie, G.B.E., a deputy chairman of Williams Deacon's Bank, as an extraordinary director. The wide knowledge of business and public affairs possessed by these new directors will, we are sure, prove of great value to the bank.

I assume it will be your pleasure that the annual report of the bank and our balance sheet and profit and loss account, and those of Glyn, Mills and Company, and Williams Deacon's Bank, which have been circulated, shall be taken as read, but in compliance with statutory requirements the auditors' report falls to be read at this meeting, and I now call upon the secretary to do so, after which it is open to inspection by any proprietor.

The secretary (Mr Thomas Brown) then read the auditors' report.

DEPOSITS AND OTHER LIABILITIES

The governor's speech continued:—Referring first to the balance sheet, our deposits and other accounts at £131,000,000 are a record in the history of the bank. They show an increase on last year's figures of fully £4,000,000, an increase which is in accord with the general experience of other banking institutions. The decrease in amounts due to subsidiary companies is a matter of internal administration and does not call for any special comment on my part. The amount of notes in circulation is not greatly altered, but it is pleasing to record a further increase of nearly £1,000,000 in acceptances, confirmed credits and other obligations.

Our capital remains unchanged at £4,250,000, but the reserve fund, by the addition of £101,248 from the year's profits now stands at £4,773,800.

LIQUID ASSETS AND INVESTMENTS

Turning now to the other side of the balance sheet, the total assets amount to £161,000,000. You will observe that our customary highly liquid position is being more than maintained with cash, balances with the Bank of England and other banks and money at call and short notice, amount-

ing to over £34,000,000, representing more than 24 per cent. of our liability for deposits and notes issued.

Our bill portfolio shows a marked increase on last year's figure; the increase on the year is accounted for as to £500,000 by a larger holding of Treasury Bills and, what we are specially pleased to note, as to £800,000 in commercial bills. On the other hand, Treasury deposit receipts show a further contraction due to the continuance of the Treasury's borrowing policy.

The total of our investments shows little change on the year and, as usual, those quoted are valued in the balance sheet at or under market prices ruling on the date of our balance. Our British Government securities are well distributed, and are mainly in the short and medium dated stocks.

Following on the substantial increase in advances during the preceding year, the total on this occasion shows little change, although I need hardly remind you of the very many variations which take place throughout the year in the individual items which go to make up the aggregate. The other items on the assets side do not call for any special comment this year.

PROFITS AND APPROPRIATIONS

I come now to the profit and loss account, in which we show an increase of £3,400 over last year's profit, and, keeping in mind the growing burden of charges, the directors consider this a satisfactory result. Following our usual practice, full provision has been made for contingencies and all bad and doubtful debts.

Two interim dividends having been paid at Midsummer and Christmas respectively, amounting together to 17 per cent. per annum, the directors do not recommend any further dividend for the year. The allocations proposed for property maintenance and staff pension fund are similar to those of the last five years, but there is an additional allocation of £15,000 to the staff widows fund, which will continue as a yearly payment in fulfilment of an agreement made between the directors and the staff association and embodied in an Act of Parliament setting up the revised widows' fund. I am glad to say that the improved conditions of this fund have been a source of considerable satisfaction to our staff. A balance of £101,248, as I have already mentioned, has been added to our published reserve fund, raising it to £4,773,800.

THE THREE BANKS

The accounts of our associated banks, Glyn, Mills and Company, and Williams Deacon's Bank, have already been submitted to their general meetings. These accounts are also in every sense satisfactory, and show a further record of steady progress in both institutions. Last year I referred to the successful inauguration of *The Three Banks Review*. It continues to have an ever-widening circulation, and I would take this opportunity of congratulating the editorial committee, which includes representatives from all three members of the group, on the notable success of their efforts.

NATIONAL AFFAIRS

In the wider sphere of national affairs, it is obvious that the position today is dominated by the uncertainties of the international situation. It is indeed a calamity that, at a time when our resources should be directed towards repairing the ravages of war, we should once again be compelled to incur vast outlays on rearmament. Nevertheless, it is important that every effort should be made to lessen the strain of this heavy expenditure on the country's resources, a strain which is all the greater by reason of the fact that it is being imposed upon us during a period when a policy of full employment is the national objective. Despite the renewed confidence in sterling and the closing of the dollar gap, it is as essential as ever to maintain our exports, and, faced as we are with the necessity of diverting to rearmament labour and materials which could be usefully employed in the pursuits of peace, the present circumstances constitute a challenge to those in authority to tackle the situation in a manner which, in the end, will best serve the interests of the nation. Pre-eminent in this connection is the need to do everything possible to prevent further inflation, and one can but hope that, coupled with increased productivity, the additional burden which confronts us will be offset to some extent at any rate, by a bold and statesmanlike effort to cut down unproductive expenditure in other directions.

Additional taxation—in so far as this may be possible in our present over-taxed condition—offers no solution, and may well prove harmful in the end. As things are, industry is being called upon to bear a staggering load of taxation and, while under present conditions any lightening of this burden can hardly be expected, it is to be hoped that, whenever circumstances permit, serious effort will be made to lessen the drain on those resources which properly, and with advantage to the nation as a whole, should be ploughed back into business. The phenomenal rises in the costs of capital re-equipment and of raw materials are creating problems of finance which, in turn, are intensified by the fact that profits, required for the maintenance of business efficiency, are being so drastically reduced by taxation.

SCOTTISH INDUSTRY AND COMMERCE

I record with pleasure that, in the industrial and commercial life of Scotland, there exists today an eagerness to develop the skill and resources of the country greater than at any time in her history. To some extent the heavy industries have been faced with new problems as a result of recent legislation, but one cannot doubt that the fame of Clydeside will continue to assert itself; and it is indeed fitting that, in connection with the Festival of Britain, the Exhibition of Industrial Power is to be held in Glasgow. In Scotland today the Scottish Council (Development and Industry) has established itself as a live force in the commercial and industrial affairs of the country, and much good, which it is hoped will be lasting, has already accrued from its efforts. In the struggle to achieve equilibrium in the balance of payments Scotland has good cause to be proud of the contribution made by her old-established industries.

In the export drive many of them have helped to lessen the problems of the Dollar Export Board, and notably outstanding in this connection is the contribution which has been made, and continues to be made, by the Scotch whisky industry. In the past, Scotland has left herself open to the risk of serious industrial depression by reason of the fact that her main activities have been concentrated on a few large industries, and the studied trend towards establishing her economic life on a broader basis has everything to recommend it. Light industries, to an extent and variety hitherto unknown in

Scotland, have now been established within her borders and, on a grander scale, are the oil distillation plants being set up at Grangemouth. All of these will, in time, by adding to our exports and lessening the demand for certain imports, help to preserve the balance of payments between Great Britain and abroad, and thereby contribute to a material extent in maintaining the exchange value of the pound.

POSITION GENERALLY GOOD

Generally, the present industrial situation in Scotland is good, but one cannot overlook the grave anxiety being felt in many industries at the alarming increase in the prices of raw materials. In Scotland, as elsewhere, there are businesses of undoubted standing, but possessed of moderate resources, which have been enabled by a combination of caution and skill over the years to attain their present sound position. The proprietors of many of these businesses, often handed down from father to son, now see, in the current high level of prices, a danger of possible unfortunate consequences not only to themselves but to the pioneering enterprise of their predecessors as well. Within our experience of late there have been in this category customers of the bank, with a record and resources which warranted further accommodation, who have displayed an understandable reluctance to assume the risks of additional borrowings in order to meet the exigencies of the present situation. In previous years I have referred in detail to the importance of the agricultural industry in Scotland, and I need not on this occasion make further detailed comment. All I need say is that, in any defence programme in Great Britain, the agricultural industry is obviously in the front line.

TRIBUTE TO OFFICIALS AND STAFF

During the year the staff have continued to give their usual loyal and efficient attention to the affairs of the bank, and the directors desire once again to place on record their sincere appreciation of the valued services rendered by Mr Thomson, the general manager, the assistant general manager, and the officials and staff at head office, London City and West End offices, Glasgow, Dundee, Aberdeen, and all the other branches.

I now beg to propose that the report, containing a statement of the accounts and balance sheets, be approved.

The report was approved, and the governor, deputy-governor, extraordinary directors and the retiring ordinary directors were re-elected.

STERLING TRUST, LIMITED

LARGER INCOME AND DIVIDEND

The thirty-fourth annual general meeting of The Sterling Trust, Limited, was held in London on March 13th, Mr Maurice Hely-Hutchinson, M.C., the chairman, presiding.

The following is an extract from his statement, circulated with the report and accounts for the year 1950:

The improvement of £17,365 in the normal gross income chiefly arose from our holdings in Ordinary stocks and was partly due to increased dividends and partly to the investment, in recent years, of a greater proportion of our funds in equities, which contributed about 51 per cent. of the total gross income.

In considering the dividend on the Ordinary stock the board have borne in mind the many uncertainties in the political and economic outlook, but in view of the strength of the company's position as disclosed by the

accounts, they have decided to recommend an increased final dividend of 5½ per cent., making, with the interim dividend, 7½ per cent. for the year, against 6½ per cent. for each of the three previous years.

The capital position has also improved. The valuation of the investments at December 31, 1950, amounted to £5,233,786, showing an appreciation of £842,955 over the book value or 19.2 per cent., compared with 12½ per cent. at the end of 1949.

The issued Ordinary stock (£875,000) had the substantial additional backing of £1,313,608, comprising revenue reserves £470,653 and capital appreciation £842,955. Each £100 of Ordinary stock therefore was represented by £250 worth of assets. An estimate of the income for the current year shows little changes in the normal income. The report was adopted.

BEAUMONT PROPERTY TRUST LIMITED

GOOD DEMAND FOR PROPERTIES

The seventeenth annual general meeting of The Beaumont Property Trust Limited was held on March 13th in London, Mr C. W. Black, J.P., M.P., C.C., F.R.I.C.S., F.A.I. (the chairman), presiding.

The following is an extract from his circulated statement:—

The net profit for the year ended September 30, 1950, including dividends received from the three subsidiary companies, amounted to £61,532, after providing £59,407 for income tax and profits tax. Compared with the previous year, the net profit shows a decline of about £5,000, and the amount payable in respect of income tax and profits tax an increase of about £5,000. To the profit for the year there must be added the sum of £32,657 brought in from the previous year, making a total sum of £94,189 available for appropriation.

The three subsidiary companies have made satisfactory progress during the year, and have declared dividends on their preference and ordinary capital amounting to a total of £77,313 gross, leaving, after deduction of income tax, a net amount of £42,522.

RESTORATION OF PREWAR DIVIDEND

During the year dividends on our preference capital were paid on the due dates, and an interim dividend of 2½ per cent., less income tax, was paid on August 15, 1950, on the ordinary capital. After careful consideration, your directors reached a decision to recommend that a final dividend should be paid of 5 per cent., less income tax, making a total of 7½ per cent., less income tax, for the year. This recommendation restores the rate of ordinary dividend to the rate which was paid on the ordinary capital in the years before the war.

The demand for our properties continues to be good, and, owing to the slow rate of completion of new properties, the demand still much exceeds the supply. For a long time to come there is likely to be little difficulty in promptly reletting any properties which come into possession.

Owing to the innumerable restrictions to which the building development business is still subjected, our subsidiary development companies have been unable to resume their prewar business of erecting new residential and business premises; this is to be much regretted, as we could, if allowed to do so, have made an appreciable contribution to the solution of the housing problem, and the community would have been saved the heavy subsidies which are payable in respect of Government-sponsored housing.

Your directors continue to be satisfied with the soundness of your companies, and will continue to watch over the interests of the shareholders to the best of their ability.

The report was adopted.

HOOVER, LIMITED

RECORD EXPANSION OF BUSINESS AND TURNOVER

REMARKABLE EXPORT ACHIEVEMENTS

RISK CAPITAL THE LIFE BLOOD OF EXPANDING BUSINESSES

INADEQUATE INCENTIVES STEM THE FLOW

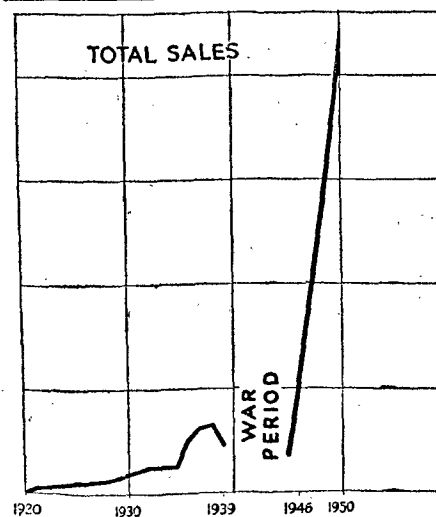
SIR CHARLES COLSTON ON DIVIDEND LIMITATION

The annual general meeting of Hoover, Limited, will be held on April 2, 1951, at Perivale, Greenford, Middlesex.

The following is the annual review of the chairman and managing director, Sir Charles Colston, C.B.E., M.C., D.C.M., which has been circulated with the report and accounts for the year ended December 31, 1950:

It is with very real gratification that I am able to review the operations of the company during the past year. We have made important advances in every section of our activities both at home and abroad. During 1950 we succeeded in surpassing the remarkable results of 1949, easily the record year in the history of the company up to that time.

The expansion of our business during the year was larger than ever. In 1950 our turnover was seven times as large as in 1938, our record year before the war.



It is a striking fact that during the last three years the average expansion of our business each year has been substantially greater than our total annual business in 1938. In effect, during these three years we have been adding a business larger than pre-war Hoover, Limited, to our business each year.

ADVANCE IN ELECTRIC CLEANER SALES

I propose first to review our operations here at home. Our sales in Great Britain of electric cleaners, manufactured at our main Perivale factory (works No. 1), have continued to forge ahead. The peak turnover of cleaner sales in the home market which we attained in 1949 was exceeded by more than 20 per cent. in 1950. Our home sales alone of electric cleaners during the year were more than double our total sales in 1938.

In spite of the steep rises in wages, materials and services, the prices of Hoover electric cleaners have been kept down and, apart from purchase tax, are still less than 10 per cent. above prewar prices. Unlike the position in many other industries where increased turnover simply represents increased prices, the increased turnover in our case

represents a doubling in the physical volume of our electric cleaner business in Britain.

During the year we introduced our new model 119, and this was immediately an outstanding success. This splendid electric cleaner, the result of brilliant research work, contains many improvements and innovations. It has been most warmly welcomed by the public both here and overseas.

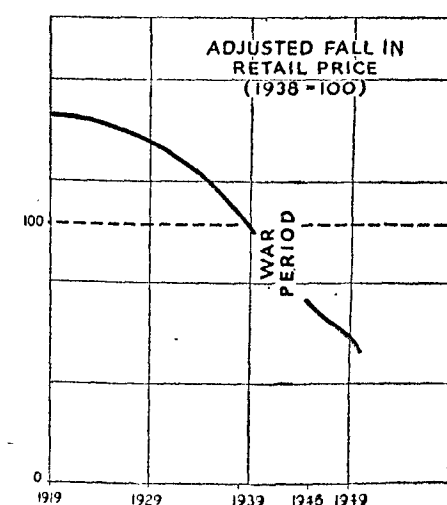
We have continued our policy of giving priority to export orders. As a result we have to our regret been compelled to disappoint our dealers at home in regard to deliveries. The quality and attractive price of the Hoover electric cleaners have created a strong and insistent demand which we are doing our best to meet. Our dealers and the general public will bear with us, knowing how important it is to increase exports to the maximum.

COMPARISON WITH PREWAR PERIOD

The remarkable progress which we have made is based on a sure foundation because we constantly give better and bigger value to our customers. We have brought down the retail price of the Hoover electric cleaner from £25 in 1920 to an average of about £14 5s. in 1950; and even our lowest-priced cleaner today is of much better quality and durability than the cleaners which we were marketing in the twenties.

LOWER RELATIVE PRICES IN SPITE OF HIGHER COSTS

It may be of more immediate interest if we make similar comparisons between 1938 and 1950. The average retail price of Hoover electric cleaners in 1938 was about £13 2s. As already mentioned the average retail price in 1950 was about £14 5s. a rise of less than 10 per cent. The general price level during this period of 12 years rose by approximately 110 per cent. In relation to the general price level, the average retail price of Hoover electric cleaners in 1950 (even after including the heavy purchase tax now imposed), has fallen by about 35 per cent. compared with the price in 1938. If we exclude purchase tax the relative fall is no less than 48 per cent.



We can make the comparison in another way by expressing the fall in the relative price of the Hoover electric cleaner in terms of the hours of work necessary to purchase it. For this purpose we may select four important categories of workers. We find that in order to purchase the average price Hoover cleaner (apart from purchase tax) it was necessary for them to work less than one-half the number of hours in 1950 that they would have had to work in 1938.

No. of hours work to purchase Hoover cleaner (excluding purchase tax)

	1938	1950
Miner	212	104
Engineer	207	99
Agricultural worker	385	143
Clerical worker	274	136

The electric cleaner industry is severely competitive. Hoover, Limited, has set a pattern for the industry as a whole in keeping down prices to a level not very much above the prewar level. We have certainly made a contribution towards maintaining the value of the £.

We are proud of our success in Hoover, Limited, in improving the quality of our electric cleaners and at the same time reducing the price relative to the level of wages, materials and services. We have succeeded in doing this because of the striking technological advances we have made, and the important economies, both in production and distribution, flowing from the increasingly large scale of our operations.

IMPORTANCE OF HOME MARKET

This has helped us to expand our home market and, as I shall show later, has enabled us to make striking advances in the export field. It is the home market taken together with the export market which gives us the large-scale volume of business which yields the maximum economies in production and distribution.

Since 1938 there has been a marked rise in the standard of living of our lower income groups. This, together with the lower price of the Hoover cleaner relative to the general price level, has brought it within the reach of millions of additional homes. The electric cleaner is no longer a luxury or a semi-luxury. It has become a necessity for a large part of the population.

NEED FOR LABOUR-SAVING APPLIANCES IN THE HOME

It is common ground that every effort should be made to raise the general standard of living where possible. This may be measured not only in terms of increased incomes, but, not less important, in terms of reduced drudgery for our housewives. We constantly stress the vital necessity of introducing labour-saving appliances in factory and office. But for the sake of the health and happiness of the over-worked housewives of the nation, it is vital also to introduce modern labour-saving appliances in the home on an ever-increasing scale.

In this field, the United States is far in advance of Great Britain. It is estimated that, with about 7 per cent. of the world's population, the United States sells each year in its own home market about 70 per cent. of the total world production of household appliances so essential for the modern housewife. Every effort is made there to save her unnecessary work. We here should do likewise.

Our rearmament programme makes this problem in some respects more urgent. There seems little doubt that rearmament will create acute shortages of labour in certain sections of industry. Our womenfolk are being increasingly urged to help production, on either a whole-time or a part-time basis. It is, therefore, all the more necessary that the burden of housework should be lightened as much as possible to encourage and help women to go into industry.

HOOVER SERVICE DEPARTMENT

Our Service Department, with headquarters at our Park Royal factory (works No. 5), has continued to render fine and prompt service to the owners of Hoover electric cleaners in Britain, who now number more than two million. The department is expanding its facilities in order to service the rapidly increasing number of Hoover washing machines in British homes. The smooth, efficient organisation of our service department is one of the corner-stones of the success of our business.

HOOVER WASHING MACHINE—A WORLD WINNER

The expansion in the production and sale of Hoover electric washing machines continued very vigorously during the past year. Our turnover of washing machines at home and overseas is now more than double the total turnover of our business in our peak prewar year. This is indeed a remarkable achievement as we only began manufacturing the washing machine in 1948.

In 1950 we increased our sales in Great Britain by one third over the previous year. But our exports in 1950 were two and a half times as large as our exports the previous year, which had already reached substantial proportions.

The importance we attach to building up strong export markets and the priority we give to export orders have compelled us to keep the home market very short of supplies. We give our dealers an allocation which is disappointingly small, and very many people are kept waiting for a Hoover washing machine which they so urgently need.

The Hoover washing machine is suitable for almost every home in the country. It is small in dimensions but does a big wash, and does it quickly and with the highest efficiency. It is a necessity in working-class homes as much as it is in more well-to-do households. It appears to me unjust that heavy purchase tax should continue to be levied on a necessity of this kind.

The Hoover washing machine relieves the harassed housewife of an immense amount of unnecessary and exhausting manual labour. Hundreds of thousands of housewives who now have the machine wonder how they ever managed to do without it. Another and perhaps more important aspect in these days is the great opportunity it gives to housewives, in shortening their housework, to help in production.

FACTORY EXTENSIONS IN SOUTH WALES

In order to cope with the demand both at home and overseas for the Hoover washing machine it is imperative to expand our production facilities. I mentioned in my last annual review that we were negotiating with the Board of Trade for the doubling of our factory space at Merthyr Tydfil (works No. 4). I am glad to say that these negotiations were satisfactorily completed and this extension is now almost finished.

But this doubling of space will not be sufficient, and official approval has been given for a further extension of our Merthyr Tydfil factory which will make it about three times its original size. This work is already in hand. The enlarged Merthyr Tydfil factory, together with our factory at Cyfarthfa (works No. 6) and our factory at Aberdare (works No. 8), should enable us substantially to increase our washing machine production.

We have been greatly honoured by the visit of H.R.H. Princess Margaret to our Merthyr Tydfil factory. We have also been visited by Mr G. R. Strauss, the Minister of Supply, and he has paid tribute to our help in bringing valuable employment to South Wales, and also to the striking contribution which we are making to the export drive.

We have taken substantial risks in sinking very large sums of our shareholders' money in expenditure over a number of years on research work in connection with the Hoover washing machine, in equipping large-scale factories for its production, and in creating sales organisations all over the world. Taking these risks has proved in the event to be justified. It is right in our view that our shareholders should receive reasonable reward for the risks they have taken.

F.H.P. MOTOR DEVELOPMENTS

As you know we are manufacturing fractional horse-power motors at our Cambuslang factory (works No. 2) in the Scottish Development Area.

I am glad to be able to report satisfactory progress in this section of our business. We have developed and during the year put on the market our latest type of F.H.P. motor. This has been very well received both at home and abroad. We are also manufacturing at Cambuslang the F.H.P. motors required for the Hoover washing machine. This also will involve growing demands on our manufacturing capacity. We have, therefore, found it necessary to carry out a considerable factory extension at Cambuslang, which will increase its size by nearly 75 per cent. This extension is well in hand.

NEW INDUSTRIES IN DEVELOPMENT AREAS

The Hoover Washing Machine Company in South Wales and the Hoover Electric Motor Company in Scotland constitute important enterprises which we have built up in these Development Areas. We have thereby provided valuable sources of employment where they are much needed. These undertakings are on a solid and permanent basis, be the times good or bad.

They are not branch factories from which work could be transferred in time of depression to our main factory. They are separate companies and the South Wales and Scottish Development Areas are their homes. They are equipped and tooled up specially for their own separate products, and there is no question at any time of transferring production to our main factory at Perivale where we manufacture the Hoover electric cleaner.

In the long-term interests of the Development Areas it is desirable to build up undertakings there which can, so to speak, stand on their own legs and this is preferable to setting up branch factories for the manufacture of products which are also produced at main factories elsewhere.

I may also record very satisfactory progress at our High Wycombe factory (works No. 3) where we are manufacturing Dustettes and various industrial products such as plastic commutators and switches. This factory is also being extended and rather more than 50 per cent. is being added to its floor area.

THE NEW HOOVER FLOOR POLISHER

I am happy to inform you of the proposed launching of the new Hoover electric floor polisher. For a number of years we have been intensively engaged on the development of this new product. I am confident that its standard of performance will fully maintain the Hoover reputation for quality.

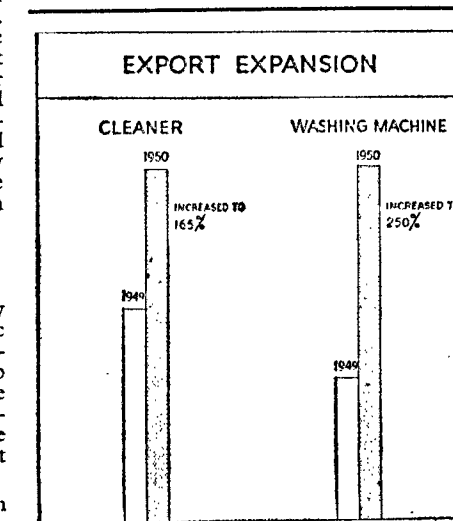
We are releasing the Hoover floor polisher in Belgium this May, but it may be some time before we release it for the home market. I think the Hoover floor polisher should represent a valuable addition to our business. This further widening of the range of our products will bring additional strength and stability to our great undertaking.

STRIKING EXPORT EXPANSION

I shall deal next with the remarkable expansion of our exports during the past year.

The need to increase British exports is more vital than ever. Marshall Aid has ceased. The burden of rearmament is becoming heavier. Many of the essential raw materials we import have risen steeply in price. If in spite of these adverse factors we are to maintain our standard of living, we must export more, and this is largely dependent on higher efficiency and greater productivity.

I think the company may take pride in its export achievements. We have laid down the policy that exports must have priority over home orders. Our first duty is to build up strong stable markets abroad for our products. During 1950 we succeeded in increasing our exports of electric cleaners by about 65 per cent. over the previous year. Even more striking was the expansion of our washing machine exports, which were two and a half times as much in 1950 as in 1949.



About 57 per cent. of our total production of washing machines was exported during 1950, a substantially higher proportion of a much larger production than the previous year. Exports of our F.H.P. motors and our other industrial products are being satisfactorily developed and, at present, more than half are being exported. In addition, large numbers of the motors which we sell in the home market are incorporated in other manufacturers' products which are being exported. Adding these indirect exports to our direct exports, it is estimated that about three-quarters of our F.H.P. motors are sent abroad. Taking all our products together, we exported in 1950 more than 40 per cent. of our total production, a considerable achievement. The percentage, however, is still rising and for the first two months of 1951 the figure is no less than 53 per cent.

INCREASED TRADE WITH EUROPE

Particularly noteworthy is the increase of our exports to the Continent of Europe. The closer economic links between Britain and her European neighbours are most welcome. Some of the vexatious restrictions which so seriously hampered international trade have been removed and we are on the way to creating a real European market.

Freer trade has been one of the potent factors in the economic revival on the Continent. The continued strengthening of the economies of the European countries in the North Atlantic Treaty Organisation is essential to enable them to bear their share of the burden in men and armaments for defence against aggression.

This freer European market has given a real opportunity to efficient British manufacturers to expand exports just as it has given a corresponding opportunity to Continental manufacturers. Hoover, Limited, has made

the most vigorous efforts to expand its European business, and I am glad to say that our total exports to the Continent in 1950 increased by about 100 per cent. over the previous year. We are doing increasing business with practically every European country outside the Iron Curtain.

PROGRESS OF HOOVER SUBSIDIARIES IN EUROPE

Hoover subsidiary companies in Europe have made splendid progress. Our Belgian subsidiary has substantially increased its turnover as compared with 1949. Our Dutch subsidiary has made a most striking advance and has multiplied its turnover more than tenfold, which illustrates what can be achieved if trade barriers are removed. We have now built up major businesses in Belgium and Holland; taken together they are comparable to our total business before the war.

Our French subsidiary is making valuable progress. Turnover has been more than trebled. Our factory at St. Ouen, near Paris (works No. 7), has operated very satisfactorily. Our Swiss subsidiary has further strengthened its position, and the prospects for the future are very promising. Our subsidiary in Germany has made little progress so far owing to the continued abnormal conditions in that country.

In Italy, we increased our sales to such an extent that we decided to form a subsidiary company there, and this was set up in October last. I think it will make a useful contribution to the strength of our organisation.

TRADE WITH THE DOMINIONS

Increased exports to the Dominions are more important than ever in order to pay for the essential raw materials we import from them, the prices of which in some cases have risen to fantastic heights. It is with satisfaction, therefore, that I can record that our Australian subsidiary has increased its turnover by about 75 per cent. during 1950. I personally visited Australia at the beginning of 1949 and initiated a policy of expansion, which I am glad to say is proving abundantly justified. Our Australian subsidiary has built a major business in this important market. In view of this expansion we recently increased the capital of our Australian subsidiary from £A100,000 to £A250,000 and a further increase will probably be necessary.

By way of contrast, in South Africa we are faced with severe import restrictions, although there has been a slight improvement recently, and our South African subsidiary has little possibility of developing this potentially valuable market under present conditions. In New Zealand the position is worse still. I very much regret that our products, with the exception of F.H.P. motors, are completely excluded from this Dominion as a result of import restrictions. I earnestly hope that, in the interests of closer economic ties within the Commonwealth, some of these barriers in the way of British exports will be removed without undue delay by the Governments of South Africa and New Zealand. These continued restrictions are in regrettable contrast to the policy of freer trade with Europe, which is bringing such benefits both to Britain and her Continental neighbours.

We are making efforts to develop the Canadian market. We are at present exporting our electric cleaners and washing machines in parts for assembly in the Dominion.

SIZE OF THE WORLD MARKET

As is well known, the United States is not an easy field for British exports, but we are making persistent efforts to develop a market there for our products. We are exporting large numbers of our Dustette electric cleaners as well as a number of our industrial pro-

ducts, and we wish to acknowledge the co-operation given to us in this regard by the Hoover Company of America.

So far as the rest of the world is concerned, we are for all practical purposes barred from the countries behind the Iron Curtain. In many of the populous countries in the East there is little, if any, market for our products owing to the low economic standards in these areas as well as the small proportion of homes wired for electricity. The States within the Soviet sphere and these Eastern countries account for about two-thirds of the world's population. Apart from this there are still many countries in which import restrictions, quotas and shortage of foreign exchange seriously hamper our exports. For manufacturers of electrical appliances like Hoover, Limited, the immediate potential world market is in reality much smaller than might at first sight appear.

Nevertheless, we are doing business with 59 countries. Our exports have been rapidly increased during the last few years. The expansion of our subsidiaries abroad has been impressive. Their sales in 1950 were nearly double our total sales including exports before the war.

CAPITALISATION OF RESERVES

To enable the company to meet the ever-increasing world demand for its products, profits have been consistently ploughed back to a considerable extent. The amount of capital employed in the business had become disproportionately large compared to the issued share capital. With a view to reducing this disparity, in December last we capitalised with Treasury consent, £975,000 of the company's reserves. Of this sum £772,646 consisted of the share premium reserve, part of the amounts subscribed by our ordinary stockholders. The sum capitalised was applied in paying up 3,740,000 ordinary shares of 5s. each and 800,000 "A" ordinary shares of 1s. each, and these were issued to the holders of the company's ordinary stock and "A" ordinary shares respectively in the proportion of one new fully paid ordinary share for each 5s. unit of ordinary stock and one new fully paid "A" Ordinary share for each "A" ordinary share held. The new ordinary shares have been converted into ordinary stock. The new ordinary stock and the new "A" ordinary shares rank equally for dividend with the ordinary stock and "A" ordinary shares previously issued. After carrying out this capitalisation the board is satisfied that the company still has adequate reserves.

PROFIT FOR THE YEAR

As the result of the continued expansion of our business, our consolidated profit has increased from the record total for 1949 of £1,719,000 to a new record of £2,475,000. Of this profit no less a sum than £927,000 was earned by our overseas companies, itself two-and-a-half times our total prewar profit. Our total turnover, as I have mentioned, was more than seven times as much as in 1938, and our profit has increased in about the same proportion. In 1938 our business was confined to Hoover electric cleaners. Now we have firmly established undertakings for the manufacture of Hoover washing machines and fractional horse-power motors and we have developed also a number of major businesses abroad. The company's activities are more widely based. The larger scale of our operations has enabled us to secure important economies which have been passed on to our customers in the form of still better value.

SHAREHOLDERS AND POLICY OF EXPANSION

These achievements are the result of our policy of extending the range of our pro-

ducts and developing numerous export markets. This policy has involved large capital expenditure over a period of years and very real risks of loss. Our new ventures have proved successful, and the board consider that our shareholders are entitled to a share in this success in the form of increased dividends. I do not think it would be right for any responsible board of directors to embark upon a policy of expansion, risking the loss of their shareholders' money if things go badly, but giving them no benefit if things go well. Our shareholders should receive some reasonable reward to encourage them to support the board's policy of expansion. Such a policy involves risks for any company. But if the mass of British companies were to adopt the alternative of a safety-first policy, a policy of negotiation and a refusal to venture into new fields, it would be fatal to Britain's hopes of retaining her position as one of the leading industrial nations of the world. Our rulers should encourage the spirit of industrial adventure, not subdue it with threats of compulsory dividend limitation and high rates of profits tax.

DIVIDEND DISTRIBUTION

After very careful consideration the board have decided to recommend a final dividend of 1s. 1½d. less tax on each ordinary stock unit. Together with the interim dividend, this amounts to the equivalent of 1s. 6d., less tax on each ordinary stock unit, after the capitalisation of reserves already referred to. On the basis of the above distribution to the ordinary stockholders, the "A" ordinary shareholders are entitled under the articles of association to receive a dividend of 2s. 1.0065d. less tax per "A" ordinary share. The additional reward to our senior executives which this distribution represents, is more than justified having regard to their strenuous and successful exertions on behalf of the company. There is no doubt that the incentive provided by the "A" ordinary shares to our executives has contributed more than any other single factor to the remarkable progress of the company.

AMERICAN INVESTMENT IN BRITAIN

I should like to refer to our American stockholders, the Hoover Company of America, who have a considerable investment in our company. Last year they pointed out that sterling devaluation had seriously cut their dividend in terms of dollars, and they urged that our dividend should be increased sufficiently at least to maintain the dividend in terms of dollars which they were receiving prior to devaluation. We met their request last year to a very moderate extent only. This year our profit is nearly three times what it was in 1948 and seven times what it was in 1938. We have increased our dividend as mentioned above, but even now our American stockholders will only receive in terms of dollars a minute amount more than they did for 1938, although the profit of the company is seven times what it was in 1938.

The issue raised by our American stockholders is of general importance. Industry as a whole in Britain is experiencing a growing shortage of capital. Additional capital is urgently needed by many companies to enable them to install more modern plant and equipment, the cost of which has risen sharply, and to finance expansion. Unfortunately, onerous taxation has seriously reduced the fund of savings available for investment, and there is a need of American investment in British industry to make good the deficiency. Americans believe in incentives for those who risk their capital. Rigid limitation of dividends would be fatal to our hopes of attracting increased American investment.

Dividends from our overseas subsidiaries for 1950 were substantially larger than our total profit in our peak prewar year. It is gratifying that the countries in which our subsidiaries abroad operate encourage free enterprise and are willing to pay a just return on risk capital. This encourages us to invest and expand our activities there. It would be rather strange if we were prepared to receive increased dividends from abroad but withheld the benefit from our own shareholders. It is upon dividends received from abroad as well as on exports that the standard of living in this country depends.

Before the war we had no subsidiary companies either at home or abroad. For the year 1950 the net dividends we have received from our overseas subsidiary companies alone amounted to 95 per cent. of the total distribution which the directors are now recommending.

STOCKHOLDERS WORSE OFF THAN PRE-WAR

The board consider that it could be forcibly argued that the ordinary stockholders are entitled to a larger share in the success of the company. It may be useful to compare the gross dividends and net dividends (after deduction of tax) on the ordinary stock for 1938 and 1950, in relation to the profit for those years:—

Profit	1938
Gross dividend	£338,515
Net dividend	£200,000
	(59.1% of profit)
Profit	1950
Gross dividend	£145,000
Net dividend	£145,000
	(42.8% of profit)
Profit	1950
Gross dividend	£2,475,000
Net dividend	£561,000
	(22.7% of profit)
Profit	1950
Gross dividend	£308,550
Net dividend	£308,550
	(12.5% of profit)

It is estimated that the present-day value of the net assets of the company is between four and five times as high as in 1938. But the net dividends which the ordinary stockholders will receive for 1950 are only just over double their net dividends for 1938 in spite of the seven-fold increase in profit.

We may test in another way whether the dividend which the ordinary stockholders are receiving is adequate or not. The price level since 1938 has risen by about 110 per cent. In terms of 1938 prices, the net dividend on the ordinary stock for 1950 is only 1 per cent. more than for 1938. Yet during these 12 years we have ploughed back some millions of pounds into the business and in addition the ordinary stockholders have subscribed nearly a million pounds additional capital.

It is of interest also to compare the burden of taxation which we carry with the net dividends which our ordinary stockholders receive. These net dividends represent less than 1½ per cent. of the price which the public in this country and abroad pay for our products. Taxation (including purchase tax) in this country actually accounts for 24 per cent. of the retail price. The removal of purchase tax would immediately reduce the price of our principal products very substantially, but the elimination of the ordinary dividend in its entirety would make only a negligible difference.

In my view the incentives to those who provide industry with risk capital are not too large, but too small. Without adequate incentives we shall fail to attract new savings in sufficient measure, and the existing shortage of risk capital in industry is likely to grow steadily more acute. It must be borne in mind that new and expanding businesses can only flourish if risk capital is available. Risk capital will not be available unless the reward is commensurate with the risk. Rigid limitation of dividends or any increase in the

existing rate of profits tax would further stem the flow of risk capital—the life blood of new and expanding businesses.

IMPORTANCE OF INCENTIVES

I have often stressed the importance of incentives for all those engaged in industry. The company is constantly endeavouring to develop various payment-by-result and incentive schemes as widely as possible. I am glad to say that every person on the staff of the company is included, in one form or another, in our incentive schemes. The cost involved has been fully justified by the greater efforts and the better results obtained.

We have always attached great importance to sound superannuation provision for our employees. As you know, in addition to our long-standing superannuation scheme, we introduced some years ago an additional free employees' superannuation scheme, to which our employees do not make any monetary contribution. The company has already provided the sum of £260,000 for this free superannuation scheme, and the board have now decided to appropriate a further sum of £125,000. I am glad to say that the free superannuation scheme is being extended to include both our Scottish and South Wales factories, in addition to our Perivale group of factories and our sales force, and pension benefits are being increased by 10 per cent. I have always made it clear that the continuance of our contributions to this free superannuation scheme depends upon the continued prosperity of the company. Undoubtedly this provides an added incentive to our employees to make the maximum effort on behalf of our undertaking.

SPLendid TEAM WORK

The striking progress which the company is continuing to make is due to fine team work on the part of all our departments and the splendid team spirit which we have succeeded in creating. There is the same urge and drive in our engineering and design, production and administrative departments as there is in our sales and service departments. It is only because each department gives of its best that the overall results are so gratifying.

The remark is frequently made about Hoover products: "Of course they go well; they are made and sold by Hoover, Limited." Many people seem to take the success of Hoover products as a matter of course. But I should like to say this. Industrial efficiency is not a natural phenomenon; it does not grow on trees. It is the result of far-sighted planning, intense application, and sheer hard work. We cannot afford to rest on our laurels. Without sustained effort at the maximum tempo, success would rapidly wither away.

TRIBUTE TO OUR STAFF

The board and our stockholders would wish to join with me in most warmly congratulating all our employees on their fine work during the year. I should like to express to my colleagues on the board how much I appreciate their very valuable co-operation.

THE FUTURE

Provided there is no general war, I think we may look forward to the future with sober confidence. To the extent that we are required to join in the rearmament programme we will welcome the opportunity to do our part. Our wartime record is still fresh in the minds of senior Government officials and our resources are greater than ever. Even if we participate on a substantial scale in the rearmament effort, the expansion of our peacetime activities will only be temporarily delayed. We are a powerful, virile and growing undertaking. In spirit we are a youthful

organisation. Very many of our senior executives are youthful in years as well as in spirit. More than half of our sales managers, for example, are under 40. At our recent Harrogate Sales Conference the average age of our group chairmen was 30.2 years, the oldest being 33.

What is it that keeps this company in the forefront? We have grand products, but primarily our success is due to the men who constitute the company. I believe that investment in men is better than investment in bricks and mortar.

We have a united and enthusiastic team. We are determined to preserve our youthfulness of spirit and the insistent urge always to do better. This is the spirit which I have endeavoured to instil in every part of our great organisation. It is the spirit which is needed in every section of British industry at the present time.

RUGBY PORTLAND CEMENT

RECORD PRODUCTION AND EXPORTS

The speech of the chairman and managing director, Mr Halford W. L. Reddish, to the forthcoming annual general meeting of The Rugby Portland Cement Company, Limited, has been circulated with the accounts. The following is an extract:—

All our works exceeded in 1950 their previous best figures for production, and our total deliveries and our exports were again records. During 1950 our cement went to more than 60 different countries, including the U.S.A. and Canada.

This is the fifth successive year in which we have been able to put before you record results.

The trading profit of the group for 1950, including income from investments, was £464,990, which compares with £396,393 for 1949, an increase of 17 per cent. We propose that the dividend on the ordinary shares of the parent company should be raised to 20 per cent., which automatically increases the profit-sharing bonus of every full-time employee of the Company. It is interesting to note that the gross amount payable to every man in the works with over 27 years' service exceeds the average gross dividend payable to the ordinary shareholders.

We also recommend continuance of the usual payment of 5 per cent. from capital reserves, which of course by its nature is outside the field of income tax.

Of the group net profit, only 28 per cent. was derived from the manufacture and sale of cement in the home market. The balance came from other trading activities and from the export trade.

THE BURDEN OF TAXATION

It was not until September that the new kiln at our Rochester Works was completed, so that we had the benefit of the additional production for the last four months of the year only. A further kiln is now being added at the same works, and it is hoped that it may be in production before the end of 1951.

During the year we invited Mr David Gammans, M.P., to join the board. Mr Gammans will be known to many of you as a fearless fighter in the cause of free enterprise and a staunch upholder of the British Empire, of many parts of which he has an intimate knowledge. I am sure that he will be a very useful addition to our board.

I must refer again to the heavy burden of taxation. The so-called profits tax is objectionable from many points of view. It is inequitable in that it falls entirely on the ordinary shareholders who provide the risk capital for industry and who one would think should be the last to be penalised. It is capricious in its incidence in that dividends

on preference shares cause an additional liability to fall on the ordinary shareholders while interest on debentures and other loans does not. But, worst of all, it is withdrawing from industry resources which are more than ever necessary in these days of inflation to enable plant to be maintained efficiently and a business to be expanded. Like so much of this reckless socialist taxation, it must in the end react unfavourably on the volume of employment. It is in fact a disguised capital levy.

G. R. HERRON AND SON

(Wool Merchants and Topmakers, Wool Combers, Wool Scourers, Fellmongers and Leather Dressers)

SUBSTANTIALLY IMPROVED RESULTS

PHENOMENAL RISE IN WOOL PRICES

TAXATION A DETERRENT TO DEVELOPMENT AND EXPANSION

MR F. J. HILL'S STATEMENT

The forty-eighth ordinary general meeting of G. R. Herron and Son, Limited, was held on March 14th in London.

Mr F. J. Hill, the Chairman, presided. The Secretary (Mr C. C. B. Rice) read the notice convening the meeting and the auditors' report.

The following is the Chairman's Statement which had been circulated with the report and accounts:

The financial year of the company which ended October 31, 1950, was an exceptional one and the results as shown by the accounts will, I am sure, be looked upon as satisfactory. World affairs generally, however, are in so deplorable a state that a great deal of anxiety and uncertainty must be felt as to what the future may hold.

It is common knowledge that the price of wool has risen to its present height more rapidly than at any time in the history of the trade and at today's unprecedented values the matter of obtaining supplies and financing purchases in the raw wool markets of the world presents a very difficult problem for all concerned.

INCREASE IN ISSUED CAPITAL

In accordance with a resolution which was passed at an Extraordinary General Meeting held on July 18, 1950, the issued capital of the company was increased by the issue of 432,000 ordinary shares of 2s. each which were allotted to members in the form of a scrip bonus and, as will be seen from the balance-sheet, the issued ordinary share capital is now £151,200. This, together with the preference share capital of £150,000, makes a total of £301,200.

ACCOUNTS

The net profit for the year after allowing for all items of expenditure as shown in the accounts, but before providing for taxation, is £377,327, compared with £194,867 for the preceding year. This, together with the amount brought in from the year ended October 31, 1949—namely £22,059—and taxation recoveries and provisions not required £1,183, amounts to £400,569, out of which provision for profits tax and income-tax requires £194,230, leaving available the sum of £206,339.

Your board recommend that a final dividend of 9 per cent. be paid on the increased ordinary issued capital and this, together with the interim dividend of 6 per cent. paid on October 31, 1950 (making 15 per cent. for the year), and the dividend paid on the preference shares, absorbs £16,599 after deduction of tax. General reserve is increased by transferring to it £169,930 and this now stands at £300,000, leaving £19,810 to be

Income tax and profits tax do not tell the full story. Local and indirect taxes are an increasing burden on industry today. In 1950 our total of such taxes was nearly £45,000, against about £28,000 in 1949. Thus all forms of taxation together took no less than 61 per cent. of our net profits.

Copies of the full speech can be obtained from the Secretary of the Company at Crown House, Rugby.

carried forward. Having regard to the very high price of wool, the reserve of £300,000 is no more than your board thinks may be adequate to provide for the contingency of any severe fall in the market. Provident fear is the mother of safety and I feel sure that shareholders will appreciate the necessity for strengthening the financial position of the company while there is the opportunity to do so.

Stocks at £1,370,017 show a very considerable increase, compared with the previous year, and this is attributable partly to the increased turnover we are doing and partly, of course, to the very much higher value of wool. I might mention that all the wool stock represented by the amount shown in the balance sheet has since been sold and replaced by fresh supplies. It is our policy to keep the unsold position at the very lowest possible.

PROFITS ESSENTIAL TO PRESERVATION OF BUSINESS

The profits earned during the year have in no way been achieved through speculative dealing, and are largely the outcome of increased turnover obtained by normal trading methods. We have the advantage of being able to process the bulk of the wool we purchase in our own mills which, as referred to in my statement last year, have been and are still being improved and modernised by re-equipment and replacement of old machinery. This has, to no small extent, assisted in the increased profit shown by the accounts, but we have also, of course, had the wind behind us in the shape of an almost continued rise in prices throughout the year.

Nowadays when a trading concern succeeds in making a large profit, the fact is often seized upon by unscrupulous persons for propaganda purposes with a view to sowing discontent and dissension among those who are not sufficiently informed as to how such profits are utilised.

At the present time, perhaps more so than ever before, profits are essential to the preservation of any business and there must be many people who do not appreciate that in the great majority of cases a very small percentage indeed of what is earned goes into the pockets of the proprietors or shareholders. In our own case, while it is true that a substantial profit is shown to have been made, the bulk of this, after suffering heavy taxation, has had to be applied in many ways entirely for the advantage of the business as a whole. Not least is assisting to provide the money required for purchasing replacements of stocks of wool in what has been an almost continuously advancing market since the beginning of last year. Indeed I might say that without the assistance of the profits we

have earned, we should, at today's fabulous prices, have found it extremely difficult to finance the requirements necessary to keep our mills supplied with raw material and our workpeople fully employed.

TOP MAKING

The total weight of Tops sold during the financial year under review increased by 24 per cent. compared with the previous year, and a comparison of direct export sales for the same period shows an increase of 74 per cent. During the year covered by the accounts, Merino Top prices show an advance of 122 per cent. and low Crossbreds have advanced by no less than 208 per cent. As these price increases took place mainly in the last four months of our financial year, the effect is only, to a minor degree, reflected in the year's profits and such benefit as may accrue therefrom should be evident in the current year's results. Since the close of our financial year at the end of October, there has been a further phenomenal rise in wool prices, and so far as can be seen at the moment the peak has not even yet been reached.

WALKER, HOLDSWORTH AND COMPANY, LIMITED

Reorganisation necessary to modernise the mill continued throughout the year, but completion of this work was considerably hindered through delay in obtaining the requisite certificate from the Ministry of Works in respect of alterations to the building. Eventually the permit was granted and plans for making a first-class sorting room have been carried out. Rearrangement of the plant has now practically been completed and output of Tops is steadily increasing.

CENTRAL MILLS, BRADFORD

Output from these mills continues to increase as improvements and replacement of machinery proceed. The year under review, I am glad to say, has been particularly free from any mechanical breakdown or interference in production of Tops.

CURRENT FINANCIAL YEAR

No one in these times can be expected to give any reasonable forecast of events. Our lives and our business are planned for us to a greater extent than ever in the past and the natural laws of normal supply and demand have in many ways become distorted by the state of affairs that prevails today. I can say, however, that the first period of trading since October 31, 1950, leads me to hope that unless there is some severe deterioration in the present position, we can look forward to results which will at least be no less satisfactory than those presented to you in last year's accounts. There is the promise of still heavier taxation which will accentuate the serious effect that the present high rate has had on the resiliency of all trading concerns. The necessity to find the cash for this purpose puts a grievous burden on the back of industry and is a direct deterrent to development and expansion.

As a result of the greatly increased cost of wool, much more money is needed from time to time to provide temporary finance in respect of wool purchases. It has therefore become necessary to increase our borrowing powers, and a resolution to this effect will be proposed at an extraordinary general meeting to be held immediately following the annual general meeting.

I am pleased once again to say that the company has continued to receive loyal and highly efficient service from its department managers, clerical and technical staff and from the whole body of operatives in the mill.

The report and accounts were adopted and the other formal business duly transacted. At a subsequent Extraordinary General Meeting a resolution was passed increasing the board's borrowing powers.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

STEADY NEW BUSINESS PROGRESS

SIR EWAN MACPHERSON-GRANT'S REVIEW

The annual general meeting of the Scottish Equitable Life Assurance Society was held on March 15th in Edinburgh.

The Right Honourable The Earl of Stair, K.T., D.S.O., presided, and called upon Sir Ewan G. Macpherson-Grant of Ballindalloch, Bart., Chairman of the Board of Directors, to submit the report and balance sheet.

Sir Ewan Macpherson-Grant, after referring with deep regret to the great loss which the Society had sustained by the death of Sir Charles Fergusson, who had been a distinguished member of the board for 20 years, said:—

I think, in submitting the report and accounts, that I cannot make a better start than by drawing your attention to the first figure which appears in the report. That is the total of the premiums paid to the Society in the year. The figure exceeds for the first time £1,000,000. This, I think you will agree, constitutes a landmark in the Society's progress.

RECORD NEW BUSINESS

Steady progress continues so far as new business is concerned and for the fifth consecutive year a record has been achieved in net new sums assured, viz., £3,403,000, as shown in the report in your hands.

There has been paid away in claims during the year £880,000. As the revenue account shows, the endowment assurance claims are practically the same in amount as in 1949, while the claims by death are up by some £80,000. Your chairman last year drew attention to the very favourable mortality experience of the Society over a period of years and to the outstandingly good results of 1949. During 1950, we experienced a swing in the opposite direction, producing one of those exceptional periods which we must expect from time to time. On the other hand, you will see that our net interest income on the Life Assurance Fund has increased from £457,000 to £489,000; this is due in part to an increase in the funds over the year and in part to the fact that a higher average rate of interest was earned on our investments. I think that the increase in the rate earned is most satisfactory. Comparing with the year 1949, the figures are as follows:—

	1949	1950	Increase
Effective Gross Rate	£4 14 1%	£4 18 7%	4/6%
Effective Net Rate	£3 10 9%	£3 13 4%	2/7%

Expenses of management show an increase of only about 2 per cent. over the previous year which, in the light of mounting costs in all directions, must be regarded as exceptionally favourable.

I have referred to mortality experience, interest earnings and expenses which in a life office are three of the principal items of consideration in bonus earnings. Actuarial calculations made since the end of the year which take these matters and all other relevant factors into account show that the rate of profit earned in the first two years of the quinquennium, which was not unsatisfactory, was increased in 1950.

BALANCE SHEET

There is nothing calling for special comment in the comparison of the balance sheet

figures with those of the previous year—the substantial alterations in British Government Securities and British Government Guaranteed Securities indicating merely exchanges from one class of Government obligation to another. Your Chairman last year referred to the downward trend of stock exchange prices during 1949 in spite of which, however, there was a substantial excess of market values over the balance sheet figures at December 31, 1949. I am pleased to say that this desirable margin was materially increased during 1950.

TEMPERANCE PERMANENT BUILDING SOCIETY

MR CYRIL W. BLACK ON THE YEAR'S PROGRESS

The ninety-seventh annual general meeting of the Temperance Permanent Building Society was held on March 8th at Caxton Hall, London.

Mr Cyril W. Black, J.P., M.P., F.R.I.C.S., the chairman, in the course of his speech, said: The operations of the Society during 1950 may be considered very satisfactory when regard is paid to the many difficulties to which we have been subjected during the period. Modest expansion has characterised the activities of the Society, but in the main it has been a year of consolidation.

INCREASE IN ASSETS AND MORTGAGES

The total assets at December 31st last amounted to the record figure of £25,911,800, an increase of £1,540,228. The amount standing to the credit of shareholders and depositors increased by £1,419,731 to a total of £24,137,763.

The development of our business makes it possible for us to continue to receive investments in either shares or deposits. The present rates of interest are 2½ per cent. on shares and 1½ per cent. on deposits, in each instance tax being paid by the Society. Moreover, the Society is prepared to accept moneys from trustees in cases where the terms of the trusts permit. Our shares and deposits afford a medium of investment which compares very favourably with others generally considered suitable for trust funds. They have the very great advantage of involving no expense either on investment or on withdrawal; they can be realised at short notice and without fear or possibility of depreciation; the rates of interest are generous and the security afforded unsurpassed.

The Society now has behind it nearly a century of satisfactory business, and we are proud to be able to claim that during the whole of this period no one has ever lost a single penny as a result of investing in the Society.

The total amount advanced on mortgage during the year was £5,313,975, approximately 80 per cent. of the amount advanced being secured on properties where the advance did not exceed £2,000.

Of the total amount outstanding on mortgages, £22,836,417, it is a notable fact that less than £550,000 was outstanding in respect of mortgages where the debt exceeded £5,000. The average amount outstanding on the mortgages of the Society was, in fact, only about £890.

In this period of high property values, with the resulting risk of depreciation, your directors have subjected all mortgage applications to the most careful scrutiny, and have thought it wise and prudent to continue the policy of only accepting mortgage business with which they have been thoroughly satisfied. An indication of the rigorous character of the scrutiny applied to mortgage applications may be obtained from the fact that the

Since our last annual meeting the directors have made two executive appointments, in both cases by promotion of members of our own staff. Mr Robert Smith, Secretary of our Manchester Branch, has been appointed Pensions Supervisor, and Mr Angus McDonald, M.A., F.F.A., has been appointed an Executive Assistant at Head Office. We wish both these gentlemen all success in their new activities.

The adoption of the report and accounts was carried unanimously.

total amount for which mortgage applications were received during the year was approximately £8,000,000, whereas the total amount actually advanced on mortgage represents less than two-thirds of this total.

RESERVES, LIQUIDITY AND TAXATION

The board has always attached the greatest possible importance to the strengthening of the reserves of the Society and, during the year under review, appropriations of £85,000 to general reserve account and £10,284 to contingency account have been made, raising these reserves to the impressive totals of £1,200,000 and £260,000 respectively. The total amount in cash and investments at the end of the year was nearly three million pounds, a figure that may be regarded as representing a satisfactory degree of liquidity for an institution of our character and size.

I feel compelled to refer again to the crippling burden of the taxation to which we, in common with other building societies, are subjected. The total payable in respect of income-tax and profits tax during the year amounted to very nearly £300,000, the highest figure we have ever had to bear. The balance of profit available for making additions to our reserves has only been secured as a result of the most careful examination by your directors of the various items comprised in management expenses.

I am very glad to pay my tribute again to the splendid work done during the year by our managing director, Mr Ronald Bell, his executive colleagues, and the members of the staff. During yet another year they have been unsparing in their efforts to promote the interests of the Society and the satisfactory position now reported is due in large measure to their faithful and enthusiastic labours.

POST-WAR REVIEW

Information regarding the expansion of our operations during the post-war period will no doubt be of interest. For this purpose I propose to make some comparisons between the position at December 31, 1945, and the position at December 31, 1950. The following figures and statistics bear eloquent testimony to the progress made.

	Dec. 31, 1945	Dec. 31, 1950
Total assets	£11,881,068	£25,911,800
Mortgage asset — Greater London area (estimated percentage)	68%	44%
Mortgage asset — Other areas (estimated percentage)	32%	56%
No. of mortgages	15,335	25,580
No. of investors	17,191	27,338
No. of borrowers	13,909	25,052
Aggregate reserves	£1,141,430	£1,476,040
Investments and cash	£1,462,483	£2,946,583

I would particularly draw attention to the much greater spread of our mortgages throughout the United Kingdom, a factor which is further emphasised when we recall that in 1939, 99 per cent. of our mortgage asset was secured on properties in the Greater London area. This is a matter to which your directors attach very considerable importance and amply justifies the decisions taken by the board in 1943 and 1944 to open branch offices in the main provincial cities throughout the kingdom. The effective result is that our mortgages are spread over very wide and diverse areas, both rural and urban, and that any local adverse factors which might at some future date exercise a depressing effect on property values in any particular area would only have a strictly limited effect on our business.

GOVERNMENT HOUSING POLICY

In conclusion you may perhaps expect me to say a little regarding current business and future prospects. In common with most other business enterprises, the operations of our Society are subject today to the influence of political circumstances to an unprecedented degree. Governments since the war have pursued a policy which has resulted in the discouragement of home ownership.

The rigid controls exercised by the Government upon local authorities and the building industry have resulted in a great retarding of house building. Although there are approximately the same number of men employed in the building industry today as before the war, the policy of rigid controls has resulted in only about 500 houses per day being completed compared with about 1,000 houses per day before the war. It has never been the view of building societies that the local authorities should not play their part of the solution of the housing problem. Indeed, they have a part to play which is essential if all sections of the public are to be satisfactorily housed, but undue emphasis upon local authority housing to the detriment of houses built for sale has resulted in the community undertaking vast obligations for subsidies which will continue over a period of 60 years.

The inter-war years, whatever criticism may be made of them, constituted a period of progress in slum clearance and housing development unparalleled before or since, and the Government would do well to pay regard to the experience of this period. I place on record my conviction that until the building industry is given a far greater measure of freedom than it enjoys at the present time, house building will not achieve a satisfactory tempo. When, however, the building industry is liberated from the many unreasonable restrictions to which it is at present subjected, it will again, in partnership with the building societies, enable rapid progress to be made towards the bringing into being of a well-housed nation. The instinct for home ownership is deep-seated and strongly persists, notwithstanding the political discouragements to which it is subjected. Because the Building Society Movement ministers to this instinct, I have every confidence in its future, and particularly in the future of our great Society, over whose destinies I count it an honour to preside. I know you will all continue to render us the invaluable service of making widely known our facilities both for home purchase loans and for investments, so that we can go forward into the future, confident of our ability to make a worth-while contribution to the times in which we live.

The report and statement of accounts were adopted.

HARRODS LIMITED

SATISFACTORY RESULTS

SIR RICHARD BURBIDGE'S REVIEW

The annual general meeting of Harrods Limited, will be held on April 2nd, on the company's premises, Brompton Road, London, S.W.1.

The following are extracts from the statement of the chairman, Sir Richard Burbidge, Bart., C.B.E., circulated with the report and accounts for the year ended January 31, 1951.

TRADING RESULTS

After provision for taxation the amount of profit to be dealt with by Harrods Limited, including net dividends from the subsidiaries, is £551,281; an increase of £57,944 on last year. This enables the directors to increase the appropriations to buildings reserve and contingencies reserve by £55,968 to £130,968 and to recommend the payment of a final dividend of 10 per cent. and a bonus of 5 per cent. on the ordinary stock making for the fifth successive year a total dividend of 20 per cent. less income tax for the year. The balance of profit to be carried forward to next year is increased by £11,642 to £322,276.

During the first six months of the year trading conditions were disappointing and a slight increase in turnover was more than off-set by increased expenses, so that during that period the net profit of all your companies was less than for the first six months of the previous year.

In the second half of the year, however, turnover increased substantially, firstly because of more seasonable weather in the autumn, and secondly because of rising prices and fear of shortages. The final result was that the net profit (before taxation) of the group for the year increased by £70,335 to £1,526,963.

Partly due to the higher rate of profits tax, provision for taxation absorbs nearly the whole of the increased profit, as £66,424 more than last year is required. Consequently after allowing for the dividends to the preference shareholders of the subsidiaries, the net profit after taxation is £635,685, or £3,911 more than last year. The subsidiary companies have retained £84,404 of this profit as additions to their reserves, £54,033 less than last year. In the past we have left a very large proportion of their profits in the subsidiaries with a view to building up their internal position, but in my recent statements to you I have indicated that Harrods could expect to receive, as they have now done, a larger proportion of the profits of the older subsidiaries. The amount retained is still substantial and quite sufficient for their purposes.

The only other item in the consolidated profit and loss account to which I need refer is that of £4,270,505 under the heading expenditure and charges. This amount is £392,212 more than last year and this continuing rise in expenses is our chief problem today. Much of this increase in expenditure is unavoidable, but I can assure you, every item is watched carefully. Salaries, wages and pensions amount to £2,666,032, an increase of £271,502 over last year. As this follows an increase of £275,734 in the previous year, staff expenditure has increased by over 25 per cent. in two years. I should explain perhaps that in addition to wages this item includes expenditure on staff welfare, such as sick pay, sports clubs and pensions.

The amount charged for pensions and pension funds is £181,640, and includes a special amount of £47,509 which has been provided to increase certain lower pensions, mostly granted before the war. I am sure stockholders will approve our action in doing something to help these old employees of ours.

In addition to the amount charged against the profit and loss account, an amount of

£13,100 has been provided from the reserves of Wm. Henderson and Sons Limited to enable the staff of that company to join the Harrods Limited staff pension fund, while £35,773 has been charged against the non-contributory pension account chiefly to pay pensions to staff who were not members of the contributory funds.

BALANCE SHEETS

The only item to which I need refer in the balance sheet of Harrods Limited, is revenue reserves which have increased by £210,610 to £1,995,125. Replacement of assets reserves is £63,000 more than last year and includes a payment of £41,516 received in respect of war damage to fixtures and plant.

CONSOLIDATED BALANCE SHEET

The revenue reserves at £2,679,482 are £310,012 more than last year and together with the capital reserve and the future income tax account total £4,495,514, which is more than double the issued ordinary stock of Harrods Limited. The revenue reserves have increased by £555,867 in the last two years and have helped to provide the extra money necessary to finance the increases in stocks including purchase tax, debtors and the re-equipping of the businesses.

I do not think there is any other item on the liabilities side of the balance sheet that calls for attention. On the assets side there have been net additions to the fixtures, plant and rolling stock amounting to £250,153, which after the writings off leaves a total of £459,309 to cover the fixtures, etc., of all the businesses. Stocks in trade at £3,036,585 are only slightly more than last year and represent merchandise at good value, in many cases at prices far below replacement levels.

Bank balances and tax reserve certificates are £201,222 less than last year, but current assets as a whole are £152,352 more than last year and are nearly £3,000,000 in excess of current liabilities which are £79,397 less than last year.

PROSPECTS

After reviewing the satisfactory progress of the company's various businesses, the statement continues:—

That concludes my remarks on the past year's trading. You are all well aware of present conditions and you will readily realise that it is impossible for me to make any forecast as to the future. We are warned that we must expect that the supply of consumer goods to the shops will be restricted. There is also no doubt that at present price levels goods are harder to sell, and that many prices will continue to rise. On the other hand, it is to be remembered that when customers are buying less freely they tend to buy more carefully and to buy where they will get real value for money and good service. It is on that foundation that the goodwill of your businesses has been built up and I feel confident that this will now stand us in good stead. Moreover, this is the Festival of Britain year and it is expected that a large number of visitors from the provinces and abroad will be attracted to London for the Festival. Following the success of Harrods centenary and our effort to attract overseas visitors, I feel sure that a large proportion of the Festival visitors will shop in our stores.

Whether the favourable trading factors will counterbalance the unfavourable ones remains to be seen. I can only assure you that everybody will do their best to maintain and forward the interests of your businesses.

JUTE INDUSTRIES LIMITED

IMPROVED TRADING RESULTS

INCREASED VOLUME OF PRODUCTION AND TURNOVER

DIFFICULTIES FACING THE INDUSTRY

MR W. G. N. WALKER'S STATEMENT

The thirtieth annual general meeting of Jute Industries Limited was held on March 12th in the board room of the Association of Jute Spinners and Manufacturers, 5, Cowgate, Dundee, Mr W. G. N. Walker (chairman and managing director) presiding.

The secretary (Mr W. A. Jeffray, C.A.) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended September 30, 1950:—

Your directors received with profound regret and sorrow the intimation of the death of their much esteemed colleague, James Ernest Cox, which occurred on July 17, 1950, and desire to place on record their appreciation of his services to the company over the past thirty years. Mr Cox was chairman of Cox Brothers Limited, and, when that company in 1920 was merged in Jute Industries Limited, he joined your board and was elected chairman, a position which he held until April, 1948.

His wide experience and outstanding ability as chairman proved to be of great value in steering the company through difficult times. It was most gratifying to his colleagues that, after his resignation as chairman, he intimated his willingness to retain a seat on the board. His courage and fortitude in overcoming his loss of eyesight from the spring of 1948 until his death, inspired us all, and we miss a loyal and much valued friend.

Mr W. G. Greenfield, who had been secretary of the company since 1927, retired on March 31, 1950; I would like on behalf of the board to pay tribute to Mr Greenfield's valued and unsparing service during that period. We have appointed Mr W. A. Jeffray, C.A., as secretary in his place.

Last year a statement was circulated with the accounts dealing mainly with the financial part of my survey; a supplementary statement was made by me at the annual general meeting and thereafter circulated to stockholders. This course was adopted because the Jute Industry at that time was going through a critical period and it was difficult so far in advance of the meeting to give a reasoned forecast of future trading. I propose to adopt the same procedure on this occasion.

SATISFACTORY RESULTS

The group trading profit exceeds last year's figure by £163,700, and will, I feel sure, be considered a satisfactory result. This year's figure is considerably higher than your directors anticipated early in the year's trading. It has been achieved mainly by an increase in both volume of production and turnover, and has fully justified the large capital outlays on modernisation which your directors have incurred over the past few years. Your directors consider that these capital outlays combined with our present organisation have, subject to reasonable trading conditions, gone a long way towards

placing the company on a sound profit earning basis.

BALANCE SHEET ITEMS

The consolidated and parent company's balance sheets have, with the exception of the creation of a general reserve, been prepared on similar lines to last year. A provision of £50,000 has again been made for depreciation of buildings; the depreciation provision for plant and machinery has been raised by £10,000 to £90,000 by reason of the large sums expended on capital additions. The tax equalisation reserve, which was created last year to spread the tax relief on initial allowances over future years and thus more nearly relate the charge for taxation each year to the profits of that year, has been increased from £25,000 to £90,500. In arriving at this figure £2,500, a proportion of the reserve created last year, has been written back into the accounts under review.

The parent company's stock valuation as at September 30, 1950, is £432,581 up on the previous year due to higher prices of raw materials and increased activity. This stock is largely covered by Board of Trade cover schemes, but your directors have considered it necessary to transfer from the profit and loss account an amount of £150,000, making the total of the stock reserve in the balance sheet £250,000. The reserves which stood in last year's balance sheet under the headings of reconstruction of buildings and modernisation of plant (£490,000) and contingencies (£65,000) have been transferred to a new general reserve to which £125,000 has also been transferred from the profit and loss account, making a total of £680,000 under the new general heading. The cessation of the reconstruction reserve does not imply that the directors have decided to abandon their policy of progressive modernisation, but merely that the expenditure against which these provisions were originally made has now been incurred and your directors would prefer in these uncertain times to see a general unspecified reserve rather than one definitely prescribed for a specific purpose.

DIVIDEND PROPOSAL

In view of the improved trading results attained, and in spite of the continuing and increasing necessity to strengthen the financial position of the company, your directors feel justified in recommending the payment of a dividend of 10 per cent. on the ordinary stock, carrying with it, in accordance with the articles of association, a dividend of 12 per cent. on the 8 per cent. non-cumulative participating preference stock.

BACKGROUND TO CLOTH SHORTAGE

Addressing the meeting the chairman said with your permission I will take the accounts and the statement which was circulated with them as read.

The United Kingdom is face to face with a nation-wide packaging crisis; jute cloth and bags are therefore of vital importance. I wish, therefore, to give an outline of the causes of the present cloth shortage because I think it only right that our stockholders and

customers should understand the background to our present difficulties. Why is it that this country, which prewar had the largest jute manufacturing industry outside India, finds itself today in a position of acute shortage of jute goods? It is because the supply of Indian manufactured goods, upon which Government policy over the past thirty years has made us more and more dependent, has failed us.

This was the only country in the world in prewar years which did not protect its jute industry against the importation of goods manufactured by cheap Indian labour, consequently the home industry from the early part of this century had to give way to Indian manufactured goods for most of the standard cloth and bag uses. Large-scale unemployment in the manufacturing area of Dundee and district resulted.

LABOUR A REAL ISSUE

When war came in 1939 no labour priority was given to the United Kingdom jute industry. Its younger members of both sexes went off to the Services, or to armament industries and, after two concentrations, production fell to about 50 per cent. of prewar. Approximately two-thirds of the essential requirements of cloth and bags for the home market were then met by Indian imported goods and one-third by Dundee manufactured goods. In 1945 Dundee had been scheduled as a development area and new industries were brought in at a time when the jute industry was faced with rebuilding its labour force; Dundee now has a wide diversification of industry and labour shortage is a real issue.

WIDE RANGE OF INDUSTRIES DEPENDENT ON JUTE

Three years ago the Jute Working Party report drew attention to the danger of allowing a wide range of industries to become more and more dependent on Indian manufactured goods. Certain assurances were given in 1948 by the President of the Board of Trade, but so far, H.M. Government, like its predecessors in office, has left this wide range of industries dependent on the importation of manufactured cloth. In September, 1949, currency devaluation caused friction between India and Pakistan and supplies of imported cloth from India began to decline. Today this country is receiving very reduced quantities of cloth from India, and the Jute Control are obliged to purchase at very high prices what surplus continental production they are offered. The home industry operating at only two-thirds of its prewar production level has become the last line of defence, and supplies of cloth and bags in no way meet the essential demands of the country. The home manufacturers have been directed to make the types of cloth formerly imported and which are vitally necessary amongst other things for the packaging requirements of the agricultural and food industries of this country. The result is that industries, such as linoleums, have had their supplies, which they have traditionally drawn from Dundee, reduced to an embarrassing extent. In contrast, the protected jute manufacturing industries of other countries are not only able to look after their own domestic requirements, but also to enter new markets and to export their surplus jute goods at prices far above today's Dundee level.

HOME INDUSTRY BUSY

The home producing industry is extremely busy, but it is being steered away from its traditional markets and forced to make the very types of cloth which it had lost to India through lack of protection in the interwar years. It is being forced to do this without any guarantee that these markets will be

available to it in the future. You will readily see why your directors, while perhaps being satisfied as to the immediate demand for the products of the Dundee industry, are apprehensive regarding the long term outlook.

We have, of course, a large numbers of customers in various trades who are in no way affected by the remarks which I have already made. To these we shall continue to give service to the best of our ability, although in the national interest they may yet find our products directed away from them. If this does happen it will be through no want of endeavour on our part, but from sheer necessity.

EXPORTS RESTRICTED

The reduction in supplies to traditional consuming industries applies not only to the home market, but also to exports. Your company has large demands, from the United States of America and other countries, which it has been prevented from fulfilling because the volume of cloth available is insufficient to meet the home demands of industries which require jute goods of all types as one of their basic materials. At today's price levels based on prewar volume of exports your company could, if the supply and licensing position permitted, earn an additional \$2,000,000 per annum in the United States of America and Canada.

DEFENCE—HIGH PRIORITY INDUSTRY

I have so far made no reference to defence. The supply position is quite serious enough without superimposing additional defence requirements upon it. No other conclusion can be drawn than that the home producing jute industry has become one of the highest priority and that no action should be taken which would in any way reduce the labour available to it.

INDIA-PAKISTAN AGREEMENT

The preliminary details of the India-Pakistan Trade Agreement have been so widely publicised within the past fortnight that there is no need for me to elaborate on what has already been stated. It is difficult at this stage to prophesy what effect this welcome and commonsense conclusion to seventeen months of inter-Dominion wrangling will have on our raw jute supplies, or on consumers of jute goods in this country—the effects, whatever they may be, will not be immediate and should have little influence on either the trading profits of your company during the current year, or on supplies for the United Kingdom consuming industries for some months to come.

ASSURANCES REQUIRED

The merchanting part of our business, which deals in Indian imported goods, has already suffered a severe blow at the hands of India, who has let down the United Kingdom, her second largest customer; the longer India leaves this country without jute goods the more harm she is going to do to herself. The inter-Dominion dispute has done irreparable damage to the future of jute as a packaging material. India cannot expect to use the United Kingdom as a market for the surplus production which she cannot sell elsewhere. A large quantity of imported goods will always be required, but surely in the national interest the time has come when our Government, having, I hope, learnt a lesson, should give the home producing industry an assurance that manufactured goods will only be imported as a balancing factor to cover the demands which cannot be met by the home producing industry rather than home production being a balancing factor to cover the demands not met by imported goods.

PAKISTAN RAW JUTE EXPORTS—U.K.'S SHARE DISAPPOINTING

This time last year I told you that the port of Chittagong was Pakistan's only outlet for her raw jute exports. The position today is different; the advent of the new anchorage at Chalna has greatly increased Pakistan's potential export of raw jute. Apart from freight, Pakistan is now finding no difficulty in disposing of her raw jute crop. Her export performance for the past few months through Chittagong, Chalna, and Calcutta in bond has been most impressive; the United Kingdom share, however, has been disappointing. Pakistan should be encouraged to look upon the United Kingdom as an expanding market for raw jute.

MODERNISATION AND RE-EQUIPMENT

I referred two years ago to your directors' postwar programme for the re-equipping of three of our mills with sliver spinning machinery. Two of these have been working to capacity on double shift for some time, and the third in Manhattan Works is now operating on the basis of a full single shift; these three mills between them are producing 300 tons of yarn per week. Your directors have also decided to re-equip the factory in Manhattan Works with looms for the production of circular woven cloth. A number of these looms are now running and the bags made from this type of cloth are being well received. This factory will produce 10 million bags per annum when completed.

The modernisation and re-equipment which we have carried out on a wide scale—together with three day nurseries and improved working conditions—has enabled us to recruit our present labour force. Labour-saving machinery and re-deployment have increased production per man hour substantially with a consequent increase in wage earnings. It must be realised, however, that this process of evolution takes time, covering as it does over 4,000 employees in Dundee working in 2,500,000 square feet of manufacturing premises. We have found the advice of industrial consultants of great assistance and the trade unions sympathetic to the schemes which we have already put into operation.

The industry has shown that it has enterprise and initiative and now has a sound basis on which to expand. Expansion on mass production lines, coupled with modernisation, could increase materially the productivity of the industry without a very large increase in the labour force. This expansion can only be carried out if we have a background of standard goods with which to fit in the wide variations of counts of yarn and types and widths of cloth that are a *sine qua non* of a textile industry. We must know our future markets before we can specify machinery—particularly looms—for installation in Dundee or elsewhere.

Your directors have continued to diversify the activities of the company and have recently taken up a proportion of the issued capital of a company manufacturing multi-wall paper sacks. This venture will enable us to meet in a small way the demands of some of our customers who have turned to the use of paper sacks for certain purposes. It is, however, a minor undertaking and must not be looked upon as one which will have a material effect on our future trading profits.

CURRENT YEAR'S PROSPECTS

In spite of the various repercussions that rapidly increasing price levels may have upon our trading, I am hopeful that we shall again be able to place satisfactory accounts before you next year.

Finally, I would like to express my real appreciation to all executives, management, staff and employees, at home and overseas,

for the wholehearted way in which they have worked together over the past year. I want to pay tribute not only to their individual efforts, which have been beyond praise, but even more particularly to the keenness and enthusiasm with which they have tackled the many difficulties continuously arising; this team spirit, a characteristic of your company, is also one of its greatest assets.

The report and accounts were adopted; a dividend on the ordinary stock of 10 per cent., less income tax, was approved.

The retiring directors, Mr Robert S. Walker and Mr James Strachan, were re-elected and the remuneration of the auditors, Messrs Dewar and Robertson, C.A., Edinburgh, having been fixed, the proceedings terminated.

BIRMINGHAM AND DISTRICT INVESTMENT TRUST

DIVIDEND RAISED TO 15 PER CENT.

The sixty-seventh annual general meeting of the Birmingham and District Investment Trust Limited was held on March 13th in London.

Mr H. C. Drayton, chairman and managing director, in the course of his speech, said: Our revenue for the year under review totals £556,155, as against a gross revenue last year of £596,000. It is interesting to take our profit and loss account and see how that income has varied. We have received approximately the same amount in interest from our associated companies; our general investments at £198,000 show a £20,000 increase and our interest on deposits has gone up by £2,000.

Traffic receipts are £1,200 against £67,000 last year and that decrease, less the increase in our general investments, is the explanation of the difference in our gross revenue this year. Last year I told you that our traffic receipts would cease last December. It is therefore no surprise to you to see such a decrease.

When we deduct our expenses and our taxation, which amount to no less than £249,500, and the debenture stock interest, there is a balance available for distribution to the Preference and Ordinary stockholders of £266,000. Before dealing with that sum, there is one other item to which I should like to draw your attention and that is that owing to the cessation of our interest in traffic receipts the reserve for future taxation no longer required, amounts to £77,000. We have brought that into the profit and loss account as a credit, but we are transferring it together with another £100 to general reserve, making the latter £300,000 as against £220,000.

After paying 15 per cent. on the Ordinary stock, compared with 12 per cent. last year, there will be a balance of £145,000 to be added to the undivided profits account as against £200,000 last year.

TAXATION AND OMNIBUS FARES

Stockholders are aware that our holding in associated companies is made up largely of a holding in the Birmingham and Midland Motor Omnibus Co. That company for a great number of years had the proud boast that in spite of increased wages and costs they had been able to keep their charges at the same prewar rate. Last April we had taxation placed upon us of an additional 9d. a gallon on petrol, and it has been very difficult for us, working in the business, to see why that was imposed as the omnibus is the working man's motor-car.

We hoped in our companies that we could absorb the greater part of that 9d. a gallon

but, when we had an increase in wages put upon us in January, we found that we should have either to apply for increased fares or else that our profit would be considerably reduced. I do just sound a note of warning that the results of that particular company may tend to fluctuate and not be as steady as they have been in the past.

We are faced this year with unknown quantities by reason of the taxation which

is likely to arise in the Budget. One would feel happy in facing any increase in taxation which is laid upon the country by the Government if there was a feeling that the taxation would be levied only in the interests of the nation and in a manner which would hurt the nation least, whereas it is likely that political considerations will play a larger part in the imposition of taxation.

The report was adopted.

THE MONOTYPE CORPORATION LIMITED

SUCCESSFUL RESULTS

INCREASED TURNOVER AND PROFITS

SIR GEOFFREY ELLIS'S STATEMENT

The forty-third annual general meeting of the Monotype Corporation Limited was held on March 13th in London, Sir Geoffrey Ellis, Bt. (chairman), presiding.

The following is the chairman's statement circulated with the accounts.

This year's accounts once again show a notable advance both in turnover and consequently profits. Our order book remains full both for home and export. The progress we have made in face of strong competition has been achieved not only by a keen selling campaign, but by the realisation of our customers, both old and new, of what "Monotype" machines and type faces are capable of producing, with wide range and ready adaptability to modern printing needs.

PROGRESS IN ALL COUNTRIES

We have kept in close touch with our friends the Lanston Monotype Machine Company of Philadelphia, and we have to thank them for their help in arranging for Mrs Beatrice Ward, one of our typographical experts, to make an extended tour of printing centres in the United States of America and Canada. As a result of that visit we are experiencing a definite increase in the demand for our special type faces. The same keen interest is being shown by Near and Far East printers who have steadily growing demands for their special scripts.

We are taking every opportunity to develop this part of our business which is the inevitable concomitant of every machine sold. With this new and increasing demand in mind we are now considering building extensions for our Matrix Department.

During the last year, together with our general manager, I paid a long and detailed visit to Holland and the Scandinavian countries. We were greatly encouraged by our reception and found keen interest in developing the possibilities of our machines. We had expected, after rehabilitation was over, to find some diminution in orders, but on the whole we are glad to report continued demand.

In Switzerland there is some halt in machine demand. This was not unexpected because of that country's unusual speed of recovery but we find the demand for, and interest in, our special type faces keener than ever. We have changed our office from Basle to Berne, where larger and more commodious offices, justified by our steadily increasing trade, indicated the need of moving. In addition the new centre is commercially more convenient.

In France we find the same keen interest in the capabilities of our machines and in the type faces used for that fine printing in which many of our French customers now excel. One of our French customers has today the

largest "Monotype" installation in Continental Europe. Thanks to some relief from the vagaries of import control our French company now enjoys a sound and steady business and moreover maintains a large and busy workshop for ancillary purposes.

In Italy trade recovery is continuing and we have many interesting inquiries.

In Spain, now that a too long delayed acknowledgment of the regime is in force, we have arranged to extend our activities.

In Germany, with our new headquarters at Frankfurt and greater freedom and closer touch with German business as a whole, we have steadily improved our position. Our sales of machines have been unexpectedly good. We have been able to make manufacturing agreements in relation to certain accessories and repairs with good friends on the spot which we believe will prove of outstanding value to the printing industry in Germany and possibly in an even wider neighbouring area. This year, for the first time, thanks to a more predictable currency basis, we include the accounts of our German company. Not only have we a profit but our goodwill has been immeasurably increased. We have every hope of further progress.

For the rest of Europe, even if our representatives are barred entry by the Iron Curtain, our machines and their accessories speak for themselves and are still ordered. Our trade there, both for machines, type faces and accessories, is satisfactory.

In Egypt, as in Switzerland, the period of recovery is over, and we are now on a normal trade basis. We continue to receive inquiries, and some orders, from Palestine and Turkey. From our separate organisations in India and Pakistan the demand remains as keen as ever, and we are doing our best to help our friends in those countries in their efforts to establish a scholarly and yet popular basis for new scripts.

In Australia economic conditions leave business somewhat difficult to arrange. In New Zealand we are doing well in a limited demand market.

DEVELOPMENTS AT SALFORDS WORKS

Turning now to our works at Salfords—compared with the prewar days we have trebled our output. To achieve this we have spent £110,000 on new building and £280,000 on new machinery and written off everything that does not correspond with modern conditions of production. In this I may instance our determination three years ago to establish an independent supply of electric power and light, and as a result today there has been no break in production. Our new offices, badly needed, are just on completion, and we have in hand plans for the erection of a new building for matrix pro-

duction and space for research. For some time we have been closely employed on the development of a photo-composing machine which in due course will be ready for commercial experiment. We have to thank certain of our printing friends for the practical help they have given us in our experiments and for the keen interest they are showing in this development. All this we have been able to do out of our own resources and we feel sure you will agree that our policy of strong reserves has been fully justified. The capital expenditure required to complete the work immediately in hand is £75,000.

THE DIVIDEND

We now feel that our shareholders are entitled to some little extra share in our success. We are therefore recommending an increase of 2½ per cent. in the dividend. The majority of our shareholders hold few shares and can justly be described as those of the nation who are savers rather than spenders, and upon whom the provision of future industrial capital largely depends. In the scramble for readjustment following inflation they have been pushed aside and forgotten and by some derided. Yet they are still being enjoined to save. There can be little inflation as a result of such increased dividend since this, in the case of savers, will rather stem the sale of meagre capital than lead to any increase of personal expenditure. The total dividend of 17½ per cent. amounts only to approximately 4½ per cent. on the true capital employed in the business.

THE FUTURE

You will be asking—what of our misadventure? At present we can see good trade ahead for several years to come, but can hardly expect growth at the tempo of the few recovery years. Everything depends now on the international political barometer. When the coming munitions storm will mean specially fine engineering works like our own is uncertain. No doubt we shall in due course be directed. All we can say is, with the experience of two wars behind us, we are ready to do our share in the insurance of peace.

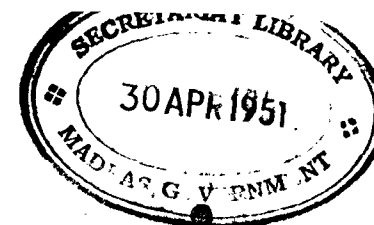
CHAIRMAN'S RESIGNATION

May I end on a personal note. After nearly thirty years on our board, and for nine years in daily touch with "Monotype" production and administration, I feel I am entitled to ask the board for some relief and therefore to accept my resignation. To this they have agreed and have been kind enough to arrange that what experience I have gained will still be at their disposal. I cannot thank my colleagues too warmly for all the ungrudging support they have given me through trying and difficult days. I do not forget, nor can I forget, the strong and loyal support I have always had from Mr Silcock, our general manager, and the staff throughout works and office. I am very pleased to know that my colleagues have invited Lord Ramsden to succeed me in the chair. Lord Ramsden's standing and ability are well known and for many years he has been in close touch with our organisation.

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Poll and Parliament

THAT its moral and political authority is decaying does not prevent a modern government from having several trumps to play in a struggle turning on parliamentary procedure. The methods will have, indeed, to be rather more subtle than the one tried this week—the decision by the President of the Board of Trade to hold up increases in controlled prices because they provide Orders for the Conservatives to oppose in the early hours of the morning. This is simply a confession that the Government cannot govern. No one doubts that the new Orders are necessary to the execution of the Government's chosen policy of price control. By withholding them, Mr Wilson is abdicating his administrative responsibility for the sake of party calculations that should be quite unconnected with the work of the Board of Trade. If Mr Wilson were to stick to his position, the production of utility goods, on which the Government stakes so much, would be gravely disorganised.

On this point the Opposition can afford to hold out longer than the Government. In refusing on Tuesday to discuss procedure with Mr Chuter Ede until Mr Wilson's "threats" were withdrawn, Mr Churchill was taking his stand on perfectly good ground. Indeed, it can hardly be supposed that the Cabinet as a whole ever seriously considered the implications of Mr Wilson's action. Not only is the case bad, but it is also too paradoxical to be presented with any conviction. A more eloquent man than Mr Wilson would be needed to persuade people that it is the Conservatives who are attacking the country's traders by opposing Orders whose purpose is to control their prices.

A skilled Parliamentarian like Mr Chuter Ede, however, can probably find more effective means of defence against the Conservative decision to conduct total war in the House of Commons. Neither side can gain anything from a prolonged struggle of the kind that refusal to compromise would make inescapable, and it must be hoped that something will come of the discussions that Mr Ede suggested on Monday. What is to be proposed is, presumably, that time for the discussion of Orders should be provided earlier in the day; in principle, the Opposition can hardly refuse to accept some change. No one can wish Parliament to remain as undignified and ill-mannered as it has been in the past two weeks. But dignity is not everything, and it will be sensibly restored only if the deeper issues are first frankly faced by both sides. There are no grounds for the moral indignation that the new Conservative tactics of full opposition have provoked. Naturally Labour dislikes being harried. And it is not surprising that prominent Liberals should lavish scorn on the Tory policy. In this matter the Liberals are not independent: they have even stronger reasons for not wanting to fight a general election yet than has the Labour party. But these are matters of party advantage, not of the public interest. It may be questioned whether the Tory tactics are well-judged, whether they will in fact serve their

purpose; but that is very different from condemning them as an affront to democracy.

It is, after all, Mr Attlee who has decided to stay in office in spite of all the evidence that opinion has turned strongly against his party. A year ago everyone agreed that he was right to accept the responsibilities of government with what looked like an unworkably small majority. But this agreement rested on two presuppositions: one was that a fresh election could not be expected to produce an appreciably different result; the other was that, in deference to the closeness of the two main parties in popular support, a one-party government would be constrained to behave much as if it were a national government.

These assumptions are out of date. The Government has in fact tried to go on as if it commanded a clear majority both in the country and in Parliament. From the issue of steel nationalisation downwards, it has clung as far as it dared to its own particular policies. It has ignored the deep distrust in which those policies are undoubtedly held by a very large section of public opinion. It has persisted in them even after the sharp shift in the emphasis of national needs that the defence programme represents. It has, indeed, given up a few things it would like to do but the country does not like. It has not sought to do the things on which a wider area of national agreement could have been commanded. It has been, at best, no more than a somewhat shorn party government. In this way one of the assumptions of March, 1950, has been deliberately destroyed by the Government itself. The other has been taken from it. There is no reason to doubt that in the past few months opinion has turned strongly against Labour; in all probability an election now would produce a firmly-based Conservative Government.

On both these counts the moral basis of Labour's authority has gone. It is the Government that has broken the rules of the game—the rules as they can reasonably be applied to the unprecedented situation created by the 1950 election—and the Opposition has every claim to fight back by any means that accord with the spirit as well as the letter of British parliamentary practice. It is true, of course, that by looking back justification by precedent can easily be found for Mr Attlee's action. Governments have overstayed their welcome before—and after a year or two have generally paid the price in overwhelming defeat. But to call in aid precedents from the beginning of the century, or earlier, is to ignore the new factor in the present situation. That, whether the politicians like it or not, is the public opinion poll. Essentially what this probing does is to make democracy more self-conscious. That may well be bad for democracy, as it often is for the individual. But the ill-effects will not be overcome by continuing to behave as if the polls did not exist. They do exist; they have firmly established their reputation for general (though not necessarily altogether consistent) accuracy, and it is inevitable that political tactics should take account of their evidence. If any purist thinks that the Conservatives ought to ignore the evidence, it is necessary only to get one question answered honestly: Is it conceivable that the Government would be content to remain in office as it is, with all the inconvenience (but no more) that a narrow majority would then involve, if the polls showed their present margin in favour of Labour instead of the Conservative party?

The polls enable the general feeling for or against the Government to be known with some accuracy continuously. It has to be hoped that in most situations the parties will not need to watch this evidence closely. Parliamentary majorities are not often so narrow nor swings of opinion so large as in the past twelve months: few governments have taken so many chances, only to have the unpopular delayed consequences of past policies pile up in a way that has happened lately. But the fact that a situation is uncommon is no reason for ignoring the perfectly plain needs that it creates. With the evidence of the public opinion polls so firmly against it, a Government as insecure as Mr Attlee's is bound to be hesitant and fumbling. Given the rest of its history, it cannot escape being a bad government—and will remain so even if (as is very likely) the spring and summer bring for it the temporary recovery of some of its lost support.

If these points are accepted, it is a peculiarly academic view of politics to go on to argue that nevertheless the Government should be allowed to die in an orderly fashion. The sufferer has too much will to live to make that possible: and the country's immediate need for firm government is hardly so unimportant that nature can unconcernedly be left to take its course. The Conservatives would be failing in the central duty of politics if they did not try to force Labour out by every means that parliamentary government puts at their disposal. There is nothing illegitimate about the prolonged debating of Orders. Far more obstructive methods have often been used for much narrower purposes. What is new is not that Orders are being discussed far into the night, but that if a vote is taken the Government runs a considerable risk of defeat—at great administrative inconvenience to itself. But this was the risk implicit in the terms on which the Government decided a year ago to carry on, and on which it is now determined to stay in power if it can. The Opposition is quite entitled in these circumstances to try to make the terms unpleasant enough for Mr Attlee to be compelled to change his mind.

On its own side, the Opposition is also taking a considerable risk. By its nature, the strategy of concentrating effort on forcing the Government out quickly will leave the Conservatives weakened if after two or three months it has not succeeded. The particular tactics chosen intensify the danger. To harass the Government on petty matters, to hold Parliament in a state of continuous tension, is all right, and will probably not provoke any real public disapproval, if it does not last very long; after a while, unless just the right moment can be found for a change of tactic, it will simply make the Opposition look silly. This is no doubt perfectly well realised by the leaders of the Conservative party. They have decided to take their chance while it exists and if they fail they will have no more reason to complain of the consequences than has the Government to complain of the present consequences of its decision to stick to office if not to govern. In the meantime, the independently-minded section of the public must be tempted to call a plague on both their houses; it cannot, however, refuse to recognise that, given the attitude of the Government, the Opposition is doing what any politicians in its position ought to do. If it is a very doubtful method of securing an adequate Government for Britain in 1951, so is every other practical possibility.

Moral Disarmament

NAPOLEON'S maxim that in war the moral is to the material as three to one has been over-quoted and over-rated. But it has sane truth, and even in the midst of material preparations for self-defence, the moral campaign should not be forgotten. For a period of time, the length of which no one can foresee, both the free nations and the Soviet Empire face a test of the morale of their citizens. A continuous struggle will be waged for the minds of men, which will range across the frontiers between the two worlds. Political warfare will seek to weaken the resistance of the opponent as well as to strengthen the staying power of friendly populations.

Perhaps these phrases seem over-dramatic when applied to Great Britain. Morale to an Englishman is something that only foreigners have—some of them have good morale, some bad. It is true that Great Britain's psychological defences against political warfare are perhaps the strongest in the world. There are few Communists here, and even in the trade unions, as an article last week pointed out, their influence, though by no means negligible, is small. But even in England Soviet political warfare should not be written off; the last six months have shown how many people will dance to a tune composed in Moscow who would be horrified to know that they are helping the Soviets win the cold war. And in other countries, with livelier imaginations and less fortunate pasts, political warfare can be all-important.

In this campaign the Russians have already secured the initial advantages that come to the party that is both organised and unscrupulous. They have in the World Peace Council, the body which directs the Soviet peace propaganda, an instrument for the moral disarmament of the West which is worth serious attention on account of the part which it plays in Russian strategy. There is some danger of under-estimating the Council, which recently held a conference in the Soviet sector of Berlin to deal in particular with the question of German and Japanese rearmament. On the face of it, the Berlin conference seemed to be just another gathering, under the sign of Picasso's preposterous bird, at which insults were hurled at America by the stage army of Signor Nenni, the Red Dean from Canterbury, Mr Kuo Mo-jo from Peking, a Soviet woman agronomist, a black African student, German proletarian poets and Professor Joliot-Curie, *in absentia* because he had once again been refused a visa. Moreover, the Council had mournfully to record that none of its previous demands to the United Nations had been considered by that body. And its latest set of resolutions look on the surface turgid and pretentious.

The Council decided to send a last warning to Uno and to present itself as an alternative where the "people"—especially the people of the colonial territories—can air their grievances; it decided to organise regional conferences in France to oppose German rearmament, in India to oppose Japanese rearmament, in Mexico to oppose "Truman imperialism" in Latin America. It will seek joint action with pacifist societies, the Quakers and others, it will canvass the support of the Churches, it will set up a propaganda office, start its own newspaper with M. Pierre Cot as editor, and

award peace prizes worth 15 million francs through a jury on which the Dean of Canterbury will sit. On the whole, it seemed, the Council might be dismissed as a talking shop.

There are, however, a number of reasons why such a judgment would be wrong. The first concerns the nature of propaganda in general. Mere reiterated talk with the object of hammering in one simple lesson is the basic method of all effective methods of influencing the minds of men *en masse*. Once external circumstances appear to accord with the propaganda, the simple slogans that have so often been half-consciously heard become an explanation of events and a guide to behaviour. Specifically, the sudden threat of American action against China to counter Chinese intervention in Korea for the first time made large numbers of Europeans almost automatically conclude that the United States was a potential danger to world peace. At that moment, the Russian campaign scored a victory.

In the second place, the World Peace Council is relatively potent in comparison with western propagandists because it constitutes a branch of an organisation. Lenin laid down, and Stalin has adopted the principle, that organisation is vital, that once the "correct" policy has been decided upon by the party leaders, everything stands or falls by the extent to which a disciplined organisation is in existence to carry it out. The peace campaign is no exception. Policy is laid down by the Cominform, which represents, in the language of capitalism, a holding company with two principal operating subsidiaries—the World Peace Council with the intelligentsia as its "market" and the World Federation of Trade Unions (WFTU) to corner the labour world. In each case the directing brains are provided by the parent company working through the local Communist parties of the world.

All the Cominform branches have a special task allotted to them. The WFTU and subversive agents everywhere must create civil wars, strikes, mutinies, sabotage and rebellions; and the World Peace Council must see that western governments do nothing about them. The basic aim of all is to bring about "revolutionary situations" in the western camp, following the Leninist tactic whereby the Communist *élite* preserves itself as a general staff, directing the masses into the front line without exposing itself to disastrous reprisals. Behind the peace campaign are the same revolutionaries who seized power in Russia after mutinies of the masses against an imperialist war, following years of underground subversive work. It is, indeed, one of the most disquieting features of the present situation that so much evidence offers itself to prove that the minds of Russia's ageing rulers dwell so much on the experience of their early careers. They appear to be seized with a mortal terror lest any Communist at home or abroad should think that history is not precisely repeating itself down to the last dot of Marxist-Leninist theory and Stalinist practice.

The aim of the peace movement is, then, to aid subversion, not mere pacifism. Quakers and "neutralists"

will be used, but Stalin demands positive actions. The World Peace Council met in Berlin with a directive from the Kremlin, conveyed in Stalin's recent "interview" with *Pravda*. It was to take action, because although war is "not yet inevitable" it can only be avoided if "the people's will" makes itself felt. To aid this process, the World Peace Council has two main tasks. The first is to prevent the United Nations from supporting the western powers if they take action to resist aggression, to subdue rebellions or to arm the Germans and Japanese. The second, related to the first, is to foment the very actions which the western powers are to be hindered from resisting. A resolution at the Berlin conference revealed very clearly the importance which Moscow attaches to unrest in the colonial territories. It was also explained recently by a propagandist speaking to the Russian people. America, he said, would find it hard to start a war until the colonial revolts had been suppressed. In other words, the native rebels are to act as cannon fodder in order to give Russia time to complete its rearmament. This, according to Moscow, is the era of colonial liberation, of the attack on the "rear of the capitalist camp."

The democracies, therefore, are faced with the problem of combating a much more insidious attack than one launched openly by Communists for Communism. They must meet an appeal not to do something unpleasant but—far more seductive—to do nothing. How should they best tackle the task? It is clear from the outset that no success can come of trying to overwhelm an organised campaign designed to win the educated masses of the world by an occasional address from an individual to individuals. Western statesmen, Foreign Offices and broadcasting services must rid themselves of the idea that to make an admirable, weighty rejoinder to Moscow's charges, and to make it once, is enough. If they find it difficult to grasp what is required of them, let them imagine themselves involved in a permanent international general election. No local politician, however inexperienced, is so foolish as to think that he stands a chance at the polls without the aid of an active party machine. There is no reason why Foreign Ministers should be more optimistic in the international contest that is now on. A permanent machine for western

The British Universities—I

The Postwar Boom

THE war caused an earthquake in the nation's estimate of the importance of the universities. The result has been since 1945 to alter both the character and the contours of the university landscape almost out of recognition. Where the universities were, in predominant degree, financially self-supporting, they are now predominantly state-aided. Where three major universities used to overawe the rest (at least south of the Tweed), the lesser ones have so grown in size, importance and distinction that they can now in certain departments outbid and outdo the ancient universities. Where before the war a majority of the 50,000 university students had independent means, now only a minority of some 84,000 students are financed by their parents. It is no longer respectable for the universities to stay in their ivory towers; the danger is now that they may be forced to serve the needs of the nation at too utilitarian a level.

political warfare should be created, and, once in action, it must be used for firing incessantly into the enemy's ranks.

Next to the organisation comes the policy. Successful propaganda needs a consistent theme, to be plugged on every occasion. And the theme, if it is to be really effective, must not be defensive. It is true that the Communist accusations of war-mongering cannot be left completely unanswered. But much the best defence is attack, unceasing attack against the crimes of the Soviet imperialists. There should be a full-scale onslaught on the fraudulent, sinister "peace" campaign of the Soviet Union's rulers and their cynical misuse of the workers and colonial peoples. An unremitting attack should be made on Russian imperialism, with exposures of the "inner contradictions" (to borrow a Marxist phrase) of the neo-Czarist camp. The point should be made over and over again that Communism means economic exploitation, that its first victims are truth and decency, that it is a device for depressing the living standards of the workers.

In such propaganda there is no need to go beyond the truth—indeed, it would be both wrong and foolish to do so. There is plenty of perfectly truthful material to hand. The "peace" campaign itself has created difficulties for Moscow which offer many opportunities for exploitation. To take only one example from recent weeks, when Signor Togliatti, on his return from the Kremlin, announces that the Communist Party of Italy will drop its opposition if the Italian Government will only change its foreign policy, he provides an opening which should be seized at once until neither a patriot nor a Socialist can remain in the party with an easy conscience.

In material rearmament it is possible only to have larger numbers than the enemy of the same weapons as are in his hands. In political warfare the western nations have, in freedom and truth, two most potent weapons which the Communists cannot copy. But, like all other weapons, they need to be mounted, ranged and fired at the enemy to produce any effect. That is the task to which a North Atlantic Political Warfare Executive should be addressing itself.

This upheaval has inevitably caused very severe strains and stresses within the universities. They have undertaken the education of more teachers, dentists, technologists, scientists, veterinary surgeons, sociologists, orientalisks and the like. Whether the sum of these additions implies a sensible interpretation of the function of the universities has been far too little considered. Sir Walter Moberley's "The Crisis in the University," the *Universities Quarterly* and PEP (Political and Economic Planning) have asked some of the important questions. Inside the universities it is difficult to find people who are prepared to survey the landscape as a whole and to criticise on broad principles.

The purpose of this and a succeeding article is to review what has happened at the universities since 1945 and to attempt to ask some of the critical questions for the

next decade. The boom is over. The pressure of the ex-service students is almost at its end. The schoolmen are pouring in. The total population of British universities seems to be stabilising for the moment at about 84,000. The first postwar financial quinquennium ends next year; the universities are at present deeply engrossed in making their estimates and plans for the new quinquennium, and in preparing to persuade the University Grants Committee to give them more money than the Treasury will disgorge. Future university plans are therefore in the melting pot, and the claims of rearmament have made the ingredients of the mixture uncertain.

What are the outstanding changes since 1945? Following the Barlow Report on Scientific Manpower in 1946, the universities undertook to double their student population (other than medical students) within a decade. This would have meant an increase to 88,000 by 1955. In fact, numbers were increased to nearly 84,000 by 1948-9, and in the autumn of 1950 were 83,600. There is no reason to suppose that they will fall further unless the total of state and local scholarships proves insufficient at a time when progressively fewer parents are able to pay for a university education. It seems just as improbable that numbers will increase rapidly. The results of a recent inquiry among the schools suggested that very few, if any, suitable pupils are failing to gain admittance to a university, even if it is not always the university of their first choice. The conclusion is confirmed from other sources. Until the schools can provide more qualified pupils there appears, therefore, to be little case for increasing the number of university students.

*

There has been much argument about estimates of future numbers. Until the current academic year it has not been possible to gauge the situation with any assurance. For five years the universities have been stuffed full of ex-service students fed to the universities by government grants. During this period many people have argued that when the universities resumed their dependence on students straight from school the post-war expansion would be found to be only a temporary bulge; the standard of entry could not be maintained with double the number of arts, science and technological students. Though it is not possible yet to give a categorical assurance, the ex-service students are a tiny minority among this year's entrants and the universities consider that the standard of entry is still steady. It looks as if the pessimists were wrong.

The first table shows how the increase in numbers has been distributed among the universities and university colleges. The proportional increases at Oxford, Cambridge and London have been modest. It is the provincial universities that have swollen out of recognition. It is, therefore, in these that controversy is strongest and the teaching and administrative problems are most acute. By a modest amount of new building and a more economical use of old, Oxford and Cambridge have squeezed in the extra numbers. The staff problems, however, remain considerable and colleges have rightly refused to elect to fellowships more dons than they can reasonably accommodate at the high table or in the Senior Common Room. But this leaves several hundred dons at both universities unattached to any college, and therefore without any of the old traditional roots. The financial pressures that have forced economy on the colleges and made the universities affluent have also increased

this tendency. It is now the university that has the money to make new lectureships rather than the colleges to make new fellowships.

In London the pattern has been different. Most damaged by bombing, London has been the slowest to recover, even though it has had the lion's share of the building resources allocated to the universities. London has also had to wrestle with other difficulties unique to itself. The increasing demands up and down the country for London external degrees, and the equally pressing demands from the university colleges in England and the colonies for internal degrees have laid an increasing burden on the staff, both teaching and administrative. It is

TABLE I—NUMBERS OF UNIVERSITY STUDENTS

	Pre-war	Autumn Term, 1950	Per cent Increase
Oxford.....	5,023	7,194	43.2
Cambridge.....	5,931	7,865	32.6
London.....	13,191	17,807	35.0
English provincial universities...	12,000	26,133*	117.8
University colleges.....	1,288	4,294	233.4
Wales.....	2,779	5,124	84.4
Scotland.....	10,034	15,175	51.2
TOTAL.....	50,246	83,592	66.4

* Nottingham counted as a University throughout.

TABLE II—GRANTS TOWARDS UNIVERSITY EDUCATION (£ Million)

	Pre-war	1948-9	1950-51
1. Direct Exchequer Grants :—			
Recurrent.....	2.03	9.90	14.4
Capital.....	0.10	2.60	8.83
	2.13	12.50	23.23
2. Scholarship Grants from Education Departments (including Scotland) :—			
Further education and training grants.....	nil	7.60*	5.0*
Other grants, including state scholarships and teachers' training and supplemented college scholarships.....	0.54	1.03	1.6
	0.54	8.63*	6.6*
3. Local education scholarships...	0.38	2.15	3.0*
GRAND TOTAL.....	3.05	23.23*	32.83*

* Estimate.

difficult to resist the conclusion that London has now bitten off more than it can properly digest, and that it should either disgorge its responsibilities for external degrees or divide off parts of itself to form separate universities. A student population of 18,000 may be inadequate for a metropolis of 10 million, but a single university of this size is already too big.

The universities' expansion in size has been rapid enough. The growth in public expenditure on the universities has been even more startling. Treasury grants are now running at ten times the prewar figure. Just before the war, Exchequer grants were about £2,250,000 a year. For the current financial year they are some £23 million. Nor is this the whole story. Before the war, some £900,000 a year was being paid to students by the Ministry of Education and local authorities in the shape of university scholarships and grants. By 1948-9,

this sum had risen to £10½ million. Since that date the sharp fall in the number of ex-service students in the universities has reduced the number of grants to them. On the other hand, the number of state and local scholarships has been further increased. It is unlikely that the figure next year will be less than £7,000,000. This means that by direct grants or by scholarships the taxpayer and ratepayer are contributing at least £30 million towards the universities, compared with £3,000,000 before the war. The figures (some of which are necessarily rather rough estimates) are set out in the second table.

The universities have, indeed, been very liberally treated by the state as far as money is concerned. In this condition of affluence, they—and more particularly the provincial universities, which were chronically indigent before the war—can barely recognise themselves. But if money has been freely available, bricks and mortar have not. The limitations on building have affected the universities most cruelly; at the moment when they at last appeared to be making progress, the claims of rearmament have flung everything again into uncertainty. In 1947, the Chancellor of the Exchequer stated that building schemes totalling £40 million had been approved in principle but that national resources would not permit more than £20 millions' worth to be built within five years. A year ago it looked as if the universities might outstrip that £20 million. Now delaying action by the Government departments, rather than outright refusal, has put nearly every project six or nine months behind schedule. For next year all is uncertainty.

The universities have for five years been living under conditions of great austerity in accommodation. Here

and there an excellent new hall of residence has been built, or a new refectory and common room, or a huge new building for nuclear physics. Some universities have done better than others, either because of local building conditions or because of a certain buccaneering spirit on the part of their Vice-Chancellors. But, generally speaking, expansion, if any, has been by means of temporary huts (or even caravans, at Birmingham); lecture rooms, laboratories, staff rooms and refectories are crammed to overflowing. The supposed elegance and spaciousness of university life remain a mirage. Overcrowding can be tolerated for a while, and if the prospects of relief look reasonably close. An indefinite postponement would make them not only much harder to bear, but must bring into question the very assumptions upon which a university education is based.

Taken as a whole, the universities have a great deal to be thankful for and a great deal to be proud of during the past six years. They have shown every sign of vitality. One university college, Nottingham, has grown to full university stature; Southampton is on the verge of the same transformation. A brand-new university, that of North Staffordshire, has sprung straight into all-but-adult status this year with 155 students. A new university college, Leicester, has entered the university family. The universities, and more particularly the civic universities, have not only survived the earthquake; they have used it to good purpose. When the history of the universities comes to be written, 1945 may well appear as the turning point when the civic universities changed from satellites into sovereign states; but for that to be so the work of the past five years will have to be consolidated in the next five.

Britain, Persia and Oil

THE British Government has warned the Persians that there can be no unilateral cancellation of their agreement with that major British enterprise—the Anglo-Iranian Oil Company. Simultaneously, the Persian Lower House, the Majlis, has approved, "in principle" and with acclamation, the nationalisation of Persia's oil industry, and the Upper House, the Senate, confirmed this decision last Wednesday. It has not yet defined exactly what it envisages when it uses the word nationalisation, but some of its members certainly mean expropriation. The situation looks like deadlock.

A pause may now be expected for three reasons. First, Persia's New Year falls this week and every sensible citizen takes a holiday. Secondly, the new Prime Minister, Hussein Ala, has had the courage to moderate the over-excitement that followed upon the murder of his predecessor, General Razmara, by banning inflammatory meetings and, as this was not fully effective, the Shah introduced martial law after the attempted murder of the Minister of Education. Thirdly, the Majlis oil commission has asked for two months in order to formulate detailed proposals for nationalisation.

It is worth examining the reasons why, in a country that is formally wedded to democracy but lives on the edge of the iron curtain, such a dangerous state of feeling has boiled up between a British company and the Persian people. The word "people" is here used with purpose, because successive governments, as they have come to power and had to handle Persia's international and

financial affairs, have seen the virtues of agreement with the company; but they have either met a bullet for doing so, as Razmara did, or else have seceded from their view under pressure from their fellow countrymen.

The present basis upon which the company extracts oil from the Persian subsoil and refines it inside Persia is an agreement reached in 1933. Because the then ruler of Persia was a dictator—Reza Shah—Persians consider this to have been reached under duress. The Persians at the time wanted this agreement because it is designed to protect them against financial loss in years of low production; 1931 and 1932 had been such years, and had hit the Persian exchequer badly. But there were thereafter few or no lean years and before long there was a war boom, with production increasing by great leaps, as indeed did the amounts paid in royalty and tax to the Persian government. Unfortunately, it was plain that successive governments were frittering these receipts on inessentials instead of devoting them to social reform and capital development. This fact gives the company some excuse—though an excuse which it used too freely—for its delay in offering Persia a richer share of the profits than it had been able to pay in 1933. The offer, known as the Supplemental Agreement, was made in 1949 and the Persian government of the time initialled and published it. But its contents have never been understood by the Persian people. For reasons which mystify even the company's warmest admirers, this technically efficient

concern made no attempt to explain the advantages to Persia of the agreement. The details were kept in a drawer, and were hedged about with unnecessary and unwise secrecy. Company officials took the line that advance publicity for the agreement was "for the Persians to do." But the Persians are masters of carping and criticism, so of course they demolished the agreement while the company said nothing in its favour. Meanwhile, the American companies on the far side of the Persian Gulf reached a new royalty agreement with King Ibn Saud which contained the simple and joyous formula of "fifty-fifty." A careful assessment of the very different basis on which the two agreements were conceived would probably show that, in any bad year, the Anglo-Iranian's "supplemental" was the better offer.

★

Critics of Anglo-Iranian must recognise that it has a difficult landlord. It has to contend not only with an excitable populace but also, inside the Majlis, with a small but determined group called the National Front who are bent on "nationalisation" and who admit that they are ready to harness mullahs and fanatics in order to get their way. What is more, their basic conception of nationalisation has the sympathy of many intelligent younger men who, even though they know the desperate state of Persia's national finances, feel that the country has grown up since 1933 and that anything short of a "partnership" basis is now beneath its dignity. So strong are these Persian emotions that they completely dwarf what is, to any outsider, a vital element in the situation. Persia shares a long frontier with the Soviet Union and for years it has kept pressure from the north at bay by a balancing feat which has been achieved largely thanks to the major British interest situated in the southern province of Khuzistan. To chase out this interest would be to upset the balance. Yet such are the passions now aroused by the "nationalisation" cry that any Englishman who mentions the Soviet danger is written off as a producer of red herrings.

The Anglo-Iranian company is not without blame for its day-to-day handling of Persia. It takes the line that "we are busy oil men, with a job of extraction to do, and we have no time for scenes"; too few of its staff speak Persian well, or have been outside the oilfield and refinery areas. Nevertheless, the company does a great deal for the Persian people. For instance, its expenditure in Persia on wages and sales below cost to its employees amounts to nearly one-third of the expenditure of the central government on the civil service. The average wage paid to its Persian labour in Abadan was, in 1950, 64 rials per day, whereas in the Persian textile factories of Isfahan it is easy to find adult workers earning only 12 rials. It is the only industry in the country which pays superannuation or observes the Persian law. Yet it is everywhere reviled—perhaps because it gives too much in secret, for instance in advances that veil the inefficiency of the Persian Government's financial management.

Both Houses of the Persian Parliament are now out on a limb, committed to "nationalisation," though some of their members know they could not extract the oil or market it themselves. There is a shortage of petroleum engineers, and it might be imprudent to part with an excellent team, of a single nationality, for a mixed bag of untried variety and quality. It remains to be seen

whether a "nationalisation" formula can be produced that would retain at least some of the present virtues, including that of paying into the needy Persian exchequer both well and regularly. But who is to make the proposal? The Majlis oil commission, which is committed to proposing something, or the company? In such a situation he who keeps the initiative has the best chance of getting what he wants.

Should the deadlock continue between the partners, they should, in theory, resort to arbitration and each appoint an arbitrator, but in their present mood the Persians may well refuse to do this. The company could then take the matter to the International Court. The greatest danger in the situation will be if the pause does not occur and Teheran temperatures remain at their present height. Since the assassination of General Razmara on March 7th Persians have raced from crisis to crisis. Thus proposals and decisions reached by more sober minds away from the intoxicating air of Teheran have been overtaken by events and rendered useless and out of date. For this reason, and because Persians, like all Moslem peoples, respect power and strength, one or two naval vessels might perhaps usefully manoeuvre in the Persian Gulf near Abadan. The British Government would also do well to ensure that preparations are made to reinforce the RAF bases in nearby Iraq at short notice, should the situation suddenly deteriorate still further. The nationalist virus spreads amazingly quickly in the Middle East.

An additional and important misfortune in this connection has been the dull and often characterless service put over the air by the BBC in Arabic and Persian. In countries where newspapers are so often irresponsible political sheets, the politicians and a large section of the public will listen to the radio if they hear news and even views which are reliable and not available elsewhere. Unhappily the Middle Eastern services of the BBC, which built up so great a reputation during the war, have, largely through overwhelming desire to please everyone all the time, lost their interest and many of their listeners. Irresponsible and sometimes inaccurate messages from foreign correspondents on the spot have further inflamed Persian nationalist passions.

The effects of Persian action are already apparent in Iraq, where a movement to expropriate the petroleum field there is gaining ground. In Cairo a group of Egyptian politicians want to expropriate the Suez Canal. Happily this great international waterway is well guarded by the British army and nothing more tiresome than noisy agitation need be anticipated. There is a similar situation in the petroleum-bearing island of Bahrain, to which the Persians have made loud and renewed claims. The disagreement between the Persian Government and the Petroleum Company is thus no longer a local one. If the Persians expropriate the Anglo-Iranian Oil Company it is likely that other Middle Eastern governments will soon follow their example. It is not without significance that the Russians and the local Communist parties are giving the extreme nationalists their full support. Indeed it may well be part of Moscow's plan to encourage nationalist sentiments in the Middle East in order to deny the free nations the wealth of Middle Eastern petroleum. But it is still possible that a firm policy, pursued from London and supported by Washington, will render more drastic measures unnecessary.

NOTES OF THE WEEK

Birth of the Schuman Plan

The initialling of the Schuman Plan in Paris on March 12th marks a personal triumph for M. Jean Monnet as well as the beginning of an historic experiment in international co-operation. In these days of impersonal governmental powers, it is peculiarly satisfactory to find that the character of one individual still counts for so much. Whatever practical results emerge from the Plan, the weight of his influence on the men from six different countries who have been negotiating it during the last nine months will remain. This is above all true of the German delegation, led by Professor Hallstein who now becomes permanent head of the new Federal German Foreign Office. He has now had the best possible training for his office.

It is well to record M. Monnet's actual achievement, since the future of the steel-coal pool is still far from certain. It has still to be ratified by the parliaments of the associated countries in the teeth of opposition from varied and powerful interests. Dr Adenauer, in particular, is faced by the prospect that the Bundestag may undo all the efforts which he and Professor Hallstein have made to convince America that Germany is ready to sacrifice some of its narrow national advantages for the cause of Franco-German co-operation. It would be well if he were to be helped by a public declaration that the Ruhr Authority will hand over to the Higher Authority of the Schuman Plan, as soon as there is a reasonable prospect that the latter will be effective.

Owing to the unfortunate tactics of the Americans during the final negotiations in Bonn and Paris, the British Government finds itself among those with a grievance about the settlement that has been reached. The American pressure and mediation, which brought about a compromise agreement between the French and German delegations, were necessary and beneficial in themselves; but they were marred by a lack of consideration for the right of the British in the High Commission for Germany to share in decisions regarding the reorganisation of the Ruhr. Since the British Government is already suspected of opposing the Schuman Plan, it would be particularly regrettable if it should now—chiefly owing to an American breach of diplomatic manners—give the impression that the worst suspicions are founded.

However, even if there are no objections from London and the Plan is ratified by all the Parliaments concerned, it still remains to be proved that it will work. Neither goodwill nor admiration for the results so far achieved in Paris can remove scepticism about the practical application of the Plan, if it is to retain the original ideas of its creators.

* * *

Eisenhower's Appointments

The list of the commanders and senior staff officers who are to serve under General Eisenhower is a very satisfactory one. The preponderance of British officers is surprisingly large, but there is not the slightest doubt that on a consideration of merit and ability it is justified. Field-Marshal Montgomery, as the senior of the two Deputy Supreme Commanders concerned with instituting common methods of administration and tactics, will be in a position to do a great deal of good. Air Chief Marshal Sir Hugh Saunders as the Deputy Supreme Commander (Air) is a less-known quantity, but he has considerable experience in co-ordinating the European air forces. Admiral Sir Patrick Brind, who is to command the northern area with an American air commander and a Danish and a Norwegian land commander under him, has made a considerable reputa-

tion as Commander-in-Chief in the Far East. The man who has most to prove himself as a commander of a large force is General Juin, who becomes the commander of the land forces in the central area, for he has never commanded a formation larger than a corps. But given the insistence of the French that the land forces in the centre must be commanded by a Frenchman, he is the best man available.

The Mediterranean Command remains shrouded in obscurity for the reason that the original concept of a southern area of General Eisenhower's command, to embrace solely the Western Mediterranean, has foundered on the strategic impossibility of treating the defence of the Mediterranean—and the Middle East—as anything less than a unity. The Nato governments are now having to consider the appointment of a third Supreme Commander, equivalent in status to General Eisenhower in Europe and Admiral Felteler in the Atlantic, who should defend the Mediterranean and at the same time allot some special force to guard General Eisenhower's southern flank.

In the meantime, General Eisenhower has started to lay down his own lines of communication to the twelve governments whom he serves by appointing Colonel Drexel Biddle as assistant chief of staff in charge of national affairs—that is, political liaison. This in itself does not necessarily mean that the General has decided to dispense with any more complicated arrangements. But the sensible thing would be to leave it at that, with strong wires to the Deputies in London, rather than filling Versailles with eleven more liaison officers who might only cross the wires. In theory, governments should say the same thing, however many people they employ to say it; as this is not always true in practice, the fewer people the better. The only elaboration on the present arrangements that is possibly worth considering is that, if the Deputies are to continue to sit in London, they might themselves appoint a single representative to Versailles.

* * *

Nato Shakes Down

While attempts to reshuffle the production and financial bodies of the North Atlantic Treaty Organisation are well on the way, the Treaty Powers are also trying to shake out the tangled chains of political and military responsibility. The obvious way is to reduce the number of links in the hierarchy; and this, on the political side, is what they intend to do. They are on the point of accepting the gist of a Canadian proposal to resolve the three existing ministerial committees into one, a supreme Atlantic Council on which not only the Foreign Ministers but the Defence and Finance Ministers would be entitled to sit as appropriate. In the ordinary course of business there are at the moment three points at which the recommendations of the working committees can be upset or distorted by politicians: the Foreign Ministers' deputies, the Defence or Finance Ministers (according to subject) and the Foreign Ministers in the Council itself. In future, the line will run straighter and, it is to be hoped, stronger, direct from the working committees to the deputies and thence to the Council.

But cutting out the links is not a panacea to be indiscriminately applied. On the military side there are at present three bodies: the Standing Group of Britain, France and the United States in Washington, the permanent twelve-powered Military Representatives Committee, and the Military Committee where the chiefs of staff of all three services in all twelve countries meet spasmodically in London. Unlike the political hierarchy, there are good reasons why these military

bodies should be so thick on the ground. The point of the Standing Group is strength through concentration, and not even the nine nations which it does not represent seriously want to make it more diffuse. What they do want, however, is that the Standing Group should know all about, and take full account of, their interests. Hence, the military representatives, in constant session, over whom the Standing Group forms an accepted steering committee. The military committee, on the other hand, is to some extent an anachronism, dating back to the days before the military representatives had been invented. It may or may not wither away as the new arrangements get into their swing. It does not matter very much which it does, since it is in no sense a competitor with them. The important thing to establish is that the coexistence of the Standing Group and the military representatives is the only means of ensuring, to everyone's satisfaction, a firm hand in control of military affairs. It would serve no good or useful purpose to swell the Standing Group and abolish the representatives, as was suggested in London last week.

* * *

Egypt and Procedure

Though the Government carried by three votes—its narrowest margin on a major issue in this Parliament—the division at the end of Tuesday's debate on the agreement with Egypt, there is no doubt that the feeling of the House was against it. On a free vote, the Government would certainly have lost the day. The Conservatives would do well to study the fact that a serious discussion on a question of major policy brought the Government nearer to defeat than any of the much publicised wrangles that have developed out of the harrying tactics of recent weeks. It certainly affects opinion in the country more deeply than any parliamentary squabble. The best proof of this is given by the reaction of the Liberals. They have thrown their weight against the Conservatives on the question of late night sittings, but on Egypt they were solidly ranged against the Government.

The vote on Egypt, being formally on the adjournment, cut out the discussion, which had been planned at the request of the Opposition, about the methods of appointing standing committees. Here the dispute had arisen from the Government's insistence that the standing committee, which will have to deal with the recent Conservative private member's bill to amend the Transport Act, should be constituted on a different basis from other standing committees in this Parliament. Until now, these have consisted of 25 Government and 25 Opposition members (24 Conservatives and one Liberal). The Government has insisted that the total should be reduced to 45, giving Labour a majority of one over both Opposition parties. Although the Government made and defended this change very clumsily it is difficult to feel much sympathy for the state of righteous wrath into which the Conservatives have lashed themselves. The standing committee is a device to conserve the time and attention of the House by appointing a body of members, weighted in accordance with the balance of the parties in the House itself, to make a detailed examination of bills between their second and third reading. The relevant phrase of standing orders is somewhat vague, merely stating that appointments to these committees must "have regard to the composition of the whole House." Where any strict proportion between the parties can be expressed only in fractions of a member, the only practicable way is clearly to give the Government the benefit of the fraction so that they may have a majority in the committee, as they have in the House. To do otherwise would be merely to create a great deal of unnecessary labour and waste of time when the bill comes back for discussion by the full House, since the Government would then have to use its majority to reject committee decisions which it was not prepared to accept.

Atom Bombs

A report, issued by the Press Association last Saturday, that Britain is to manufacture the atom bomb, has produced a stunned and embarrassed silence in Whitehall and Washington, but, as yet, no official disclaimer. It is difficult to believe that Britain has undertaken the full scale manufacture of atomic bombs, and if it is true, it is impossible to feel enthusiastic about the idea. There is no strategic reason which makes it imperative for Britain to make its own bombs—an atomic war which did not involve the United States is unthinkable. And if the concept of strategy is broadened to include the balance of economic resources among the allies there are imperative reasons why Britain should not undertake such a task. It would impose a gigantic burden upon the already strained resources of the British engineering and chemical industries. Any British manufacture of atom bombs could not profit from the economies of size, which are enabling the United States to increase the rate of output while keeping cost per unit from rising astronomically. No midnight fears that the rate of Russian production of atomic bombs might overtake or equal that of the United States could justify such a policy at this late stage, and Mr Churchill's repeated suggestion that it should be undertaken has been one of his least responsible acts.

This is not to say that Britain should play no part in the development of the military use of atomic energy. The advances of British scientists in fundamental and applied physics can make contributions in this field which the Americans cannot ignore. If it is felt that British scientists have better designs for atomic weapons—or for their fuses or casings—than those at present being produced in the United States, the proper course is to press for a greater exchange of information and for British scientists to work with the Atomic Energy Commission in the United States. Can it be that the tragedy of Dr Klaus Fuchs has created such barriers between the two countries in this field as to cause a strategically wasteful division of labour?

* * *

What Resources Allow

A brief, bright and belligerent pamphlet on housing* has been published by the Conservative Political Centre. As its author, Mr Marples, is secretary of the Conservative Parliamentary Housing Committee, it can be taken as an expression of official Tory policy on housing. A short preface recognises that no one can yet estimate the effect of rearmament on the output of houses. "As far as is humanly possible we intend to build as many houses as possible." Last autumn's commitment to 300,000 houses a year—adopted as Conservative policy after the defence programme was launched—has, in other words, been very quietly dropped.

Mr Marples has deliberately written less a political than a simple technical tract. He does less than justice, however, to the difficulties and achievements of the Government since 1945. He also aims some shrewd and well-deserved blows. The temperamental changes in housing investment policy, with the consequential disorganisation of the cement and brick industries; extravagance in building standards; delays due to excessive administrative control; failure to amend the rent restriction Acts; the lack of competition and incentives—all these are soft spots in the Government's case and Mr Marples makes the most of them.

On the positive side, Mr Marples says many sensible things about methods of increasing the use of unskilled labour, improving the liaison between architect and contractor, and providing a larger number of houses with a given allocation of labour and materials. His suggestions for increasing the number of two-bedroomed houses, for reducing the size of three-bedroomed houses from 1,050

* *Housing*, by E. Marples, M.P. 6d.

square feet to 850 square feet, and for reducing costs by the omission of trimmings have all been advocated in these pages. The question at issue is whether these improvements and economies would increase the output of houses by 50 per cent, to the Conservative target of 300,000 a year, if rearmament did not take labour away from house building. On this Mr Marples is not convincing. Nor does he grasp a number of the most prickly problems in his way. With more building by private enterprise, what exactly is to be the role of the local authorities? How will an adequate standard of quality be ensured? Would a Tory government be able to prevent the demand for houses from eating up the resources required by industry? At such points of general policy there are gaps in Mr Marples's argument. On the way to get houses built more efficiently he has given good advice reasonably and simply.

Between Strasbourg and Paris

The meeting held at the end of last week by the Committee of Ministers of the Council of Europe shows that the Council has come to stay; it is something to be reckoned with. The nature of the meeting's decisions also confirms the trend that was apparent at the last session of the Assembly in favour of a functional approach. In this, the third year of the Council's existence, it is beginning in fact to develop along lines which will almost certainly continue for some time. At the first session of the Assembly in the summer of 1949, little was accomplished except to meet and see what meeting felt like. At the second session, last year, those who wanted to raise the stature of the Council by bestowing on it wide federal powers were in effect defeated by the realists who sought specific powers over specific subjects. Since then, the two outstanding trends have been the continued emphasis on the importance of the Assembly in relation to the Committee of Ministers, and the attempts to associate more of the work of the Council with detailed planning in Europe.

For the British Government this certainly means that a turning point has been reached. All the minor concessions which it has been able to make, it has made. If the Government's policy of frowning on the Council is to be continued, it can only be done at the practical cost of surrendering more and more of the moral leadership which Britain still retains on the Continent. The change of Foreign Secretaries provides a good opportunity to think again about this problem, particularly at a moment when, if London is not to lose some of its power to influence policy in Washington, it needs the backing rather than the criticism of the Continent.

Of the detailed decisions just taken by the Committee of Ministers in Paris, all the constitutional ones, although significant in themselves, did little more than regularise the position already existing. The progress made, however, in linking the work of the Council of Europe with that of OEEC (the Organisation for European Economic Co-operation) was of real importance. A seven-man liaison committee of the two bodies, meeting first in February and again on March 5th, examined the recommendation for closer contact with OEEC which the Assembly passed last August. One result is that when the Assembly next meets on May 5th it will hear a special report by the OEEC on the economic state of Europe delivered in person by a minister selected from the Committee of Ministers; the Secretary-General of OEEC is also to be present.

These reports will be delivered whenever the Assembly meets. They will certainly enhance the importance of the Council of Europe, while at the same time providing a new focus for the work of OEEC—a prospect already welcome in view of the gradual winding up of Marshall aid, and the eventual risk that this singularly successful European body might be lost in the quickening vortex of the North Atlantic Treaty Organisation. It would be a fine thing for both

Britain and Europe if Mr Gaitskell, the Chancellor of the Exchequer, could be the first minister to deliver an OEEC report at Strasbourg.

* * *

Strike Pressure on France

Just before the French President, M. Vincent Auriol, left Paris for Washington—where he will stay for a week as Mr Truman's guest—France was hit by a new wave of strikes, the most serious since the big coal strike of October and November, 1948. They are at present largely concentrated in the Paris area, where public transport, gas, electricity and water distribution have been affected. But they have created a very difficult situation here; they have begun to extend to other areas and they threaten to spread to other industries. Already some main line trains are not running and there is trouble in the steel plants of Lorraine.

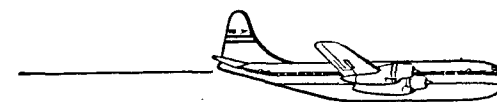
The Communists are undoubtedly exploiting the present conflict. They are certainly happy at the coincidence between the present strikes and the presidential journey to the United States; and they welcome anything that may be harmful to the mutual confidence of the signatories of the Atlantic Pact. But there are, nevertheless, genuine economic grievances behind the strikes. The trouble started in the Paris bus and metro services where the non-Communist trade unions combined with the Communist-controlled CGT to demand higher wages. It is a revealing fact that when the Communists tried to mobilise the workers behind political slogans—for instance against General Eisenhower—they met with failure; but with the rapid rise in the cost of living they have found it easy enough to start a strike about wages. Many enemies of the Communists blame the administration for its failure to deal resolutely with the prices and wages problem. It now finds itself obliged to do in haste and under pressure what it could and should have done carefully and calmly. Meanwhile the National Assembly is still discussing electoral reform, the complexity of which puzzles everybody including the deputies. Once again, France's petty politics stop policy making.

* * *

Confusion in the German Economy

There is every reason for concern about the continued inability of the Federal German Government to cope with the problem of its deficit with the European Payments Union and the general post-Korean economic strains. Confusion still prevails in Bonn. Dr Adenauer has surrounded himself with half-a-dozen different economic advisers, whom he seems to prefer to his Minister of Economics. Dr Erhard himself remains optimistic, though he has come curiously close to the moderate Socialists in demanding controls. Some voices are stating home truths about the lawless and extravagant manner in which the Germans live. Dr Noelting, for the Socialists, has affirmed that evaded taxes amount to DM 3,000 million, and that capital to the extent of some DM 600 million has been illegally exported. The Vice-Chancellor, Dr Bluecher, has bravely warned industrial circles that the Germans are in danger of being called "fraudulent bankrupts" abroad. The steps taken so far to correct the foreign trade weakness have had to be deplorably restrictive. Western Germany proposes to cut imports from the EPU countries to the point at which earnings cover purchases, invisibles and also repayment of the \$120 million credit from EPU. This means that imports will be at the rate of only \$140 million a month, compared with some \$215 million between October and January last. The whole of this amount will be needed to cover licences issued before the recent ban was imposed. No fresh licences will be issued, it is estimated, until June.

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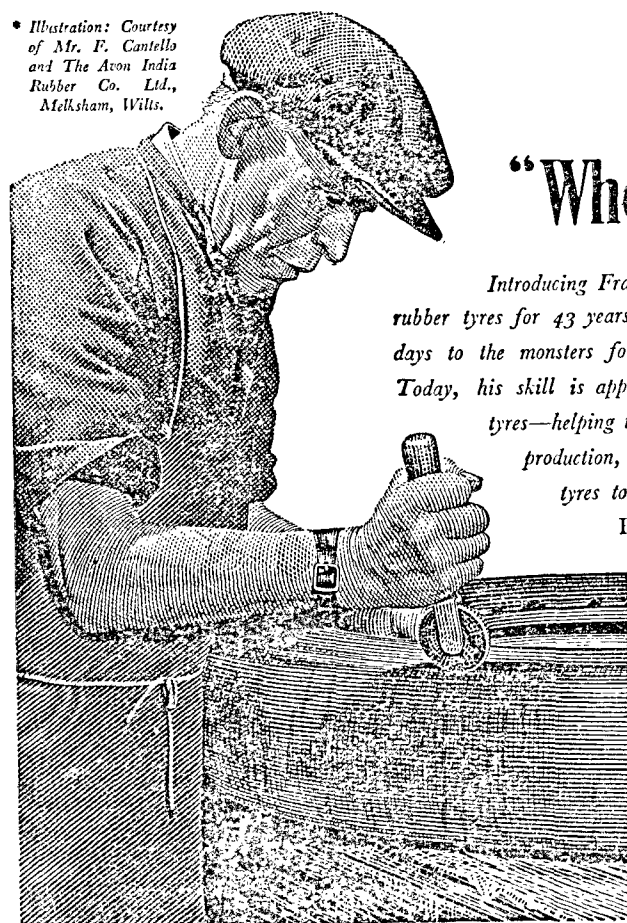


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SELF-RESPECT

IS it really possible that there are even a few railway signalmen who have a slipshod attitude to their work? It is a horrifying thought, but it has been raised by Brigadier C. A. Langley, railway inspecting officer, in reporting on recent mistakes. He suggests that the railways' fine record of safety may have to depend more on fool-proof mechanical devices because the human element cannot be trusted so implicitly as it used to be.

The Brigadier may not be right in suggesting that there is a slackening of self-discipline and the sense of responsibility in such a vital branch of the railway organisation, but there are many people who see these disquieting signs throughout industry as a whole.

Pride in the job, they say, has been diminishing steadily over the years. They trace this to the great mass-production changes which have meant fewer skilled craftsmen in proportion to the huge numbers of semi-skilled, giving rise to an atmosphere of "couldn't care less." The "don't care" brigade, the argument runs, now set the tone of much of the industrial community, and the qualities of character that made British industry are being swamped.

This analysis is certainly far too pessimistic, but there is enough in it to cause thought by everyone who cares for this country and for democracy.

A man without pride in how he does his work is a man without pride in himself and is hardly a man at all. Management ought to do much more to show workers that their part in the scheme is not pointless, but when that is said it remains true that only the individual can make himself a creditable human being.

Democratic liberty is based on everyone taking responsibility for his own job first. "Couldn't care less" is the language of personal decay. It is the language which, if it became general, would spell democracy's death.

Reprinted from the editorial column of the Daily Mirror of 14th March. The Daily Mirror's net sale—over four and a half million—exceeds that of any other daily newspaper in the world.



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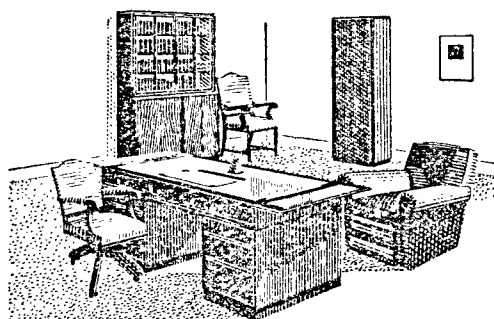
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To save the principles of liberalisation and non-discrimination, Bonn proposes to allocate 60 per cent of the amount of foreign exchange available to imports under liberalised lists, and the remainder to goods on quota. The goods remaining on the liberalised list will be divided into 34 groups and global allocations will be made for their import. An attempt will be made to tighten up the licensing system, which has been out of control.

The Bank deutscher Laender sees the need to cut down internal purchasing power if manufactures are to be deflected from the home market, and if the drastic cut in imports is not to create further inflation. It has revealed that, in spite of the credit restrictions imposed at the time of the first EPU crisis last autumn, the amount of money created by banks has been at the rate of about DM 400 million a month. Short-term credits have risen since Korea by nearly DM 2,500 million. As one, admittedly inadequate, step in the right direction, the Bank has ordered all financial institutions to cut down their short-term credits by DM 1,000 million in the next two or three months. But powerful influences are working against an anti-inflationary and sensibly directed investment policy. The Trade Union Federation demands that nothing shall be done to touch purchasing power, while industrialists threaten a collapse if profits used for self-financing are taxed.

In this sorry situation, the Federal Government can claim that its initial credit with EPU was far short of the needs of its rapidly expanding foreign trade, and that its calculations have been upset by the great increase in prices for raw materials (which, however, have been imported for hoarding as well as current consumption). The figures of trade for January and February this year show that imports were 47 per cent higher and exports 106 per cent higher than in the same period last year. Moreover, Germany still has unused capacity in factories and manpower—a fact which serves as a powerful argument for obtaining raw materials whatever the country's present credit position.

Reforming the Health Service

The conference on administrative problems of the health services, held last week by the Institute of Public Administration, has come at an opportune time—just before the Budget. The national health service is an obvious target for economy. Nevertheless, nothing could be more senseless than the sort of all-round percentage cut in expenditure of which Whitehall is so fond. The real trouble with the health service, as this conference amply demonstrated, is that it is not giving value for money—that wasteful expenditure in some directions is having bad social results, while medical research, for instance, which can yield great benefits for a modest outlay, is, comparatively speaking, skimped.

The trouble again is not, as most people assume, that Whitehall is dictatorial. On the contrary, it has consistently taken the line of least resistance on major issues and has then tried to make good its mistakes by a fussy attention to details. The best-known example is the overpayment of dentists in general practice, which has resulted in such an exodus of dentists from local authority service that, according to one speaker,

only a tithe of the conservative dentistry which school children need is being undertaken, and preventive medicine in the widest sense has suffered a severe setback.

Again, it is impossible, without incurring fantastic administrative overheads, to conduct an efficient check of dentists' and doctors' expenses and chemists' bills, while the economies of bulk purchase of drugs and equipment are still unrealised. The Government has taken little thought of how to stop up the holes through which public money steadily leaks.

Strange social results, which were apparently not foreseen and are still ignored, emanate from a free hospital service.

It is now cheaper for a mother to have her baby in hospital than at home—but it costs the public a great deal more. The hospitals may become a dumping ground—at the public's expense—for aged relatives unwanted at home. The high status given to specialists is known to be undermining the position of the general practitioner, who could, together with the local authority welfare services, take some of the pressure off the hospitals if enabled to do so. A Government which wants to reform the health service must have courage—a willingness to impose some charges on some patients, to reform some of the methods of payment, and to correct administrative and medical defects before the new interests get dug in.

False Teeth

The Government's decision to act on the majority recommendation of the Monopolies Commission's report on dental goods brings to a head the question whether the problem of monopoly should be tackled industry by industry or practice by practice. There is a case for the former approach, the one now being adopted. The Minister of Health made a valid point, though in rather intemperate language, when in answer to the suggestion that he should await the report on three or four industries before taking action, he declared that if a burglar broke into his house he would not ask the police to wait until ten other cases had occurred. If a beginning is not made somewhere it will not be made at all. Moreover, the refusal to incorporate in the original Monopolies and Restrictive Practices Act any criterion of public interest—the reliance, by analogy with the common law, on the accumulation of precedent through successive inquiries—implied from the beginning just that procedure which is in fact being followed. *Solvitur ambulando* is not a hope which can be fulfilled without taking a first step.

This argument may formally justify what the Government is now doing; it does not justify its failure to do what the Lloyd Jacob Report unequivocally recommended, that is, to outlaw over the whole economic field the particular practices—price maintenance backed by collective boycott—that the Monopolies Commission condemned in the dental industry. There is undoubtedly a wide, debatable zone of practices, actually or potentially restrictive in effect, to which the cautious one-industry-at-a-time approach is appropriate; such, indeed, is the conclusion to be drawn from American antitrust experience. About this particular practice there is no doubt at all. To have prohibited it in general would have signalled a genuine intention to attack monopoly. The present move looks less like evidence of such an intention than like discrimination in favour of the dental industry's ultimate customer—the Ministry of Health.

Not So Good for China

"We have let a lot of air out of the inflated Chinese Communist military reputation," said General Ridgway to war correspondents in Korea on March 12th. The military situation is indeed very different from what it was two months ago, and Mao Tse-tung may by now be regretting that he failed to make the show of moderation in the hour of victory which would have enabled him to take advantage of the mood of appeasement in the United Nations after the Communist recapture of Pyongyang and Seoul. Since General Wu delivered his prepared insults at the United Nations instead of trying to negotiate, the Chinese army in Korea has suffered very heavy losses both in men and material.

Unless Peking can reverse this trend by a successful offensive of its own in Korea, it faces the unpleasant choice either of climbing down from the position it took up as

victor at the end of last year, or of carrying on indefinitely a major war which must impose an intolerable strain on China's low-grade economy and may even bring political disaster to the regime itself. A short, successful war is one thing for a revolutionary dictatorship; a long, unsuccessful war is quite another. So far the Chinese press and radio show no sign of any weakening of policy on the Korean issue. They continue the intensive "anti-imperialist" propaganda of which some specimens are quoted in an article on page 691. There are, however, indications that Chinese Communist publicity is already hard put to it to explain why there are no more victories. It has now accused the Americans of using poison gas in Korea and claims that it has been "a long-harboured intention of the American warmongers to use poison gas against peace-loving peoples." Although it is claimed that the American troops in Korea are "doomed," in spite of their resort to chemical warfare, the suggestion that the Chinese army now has to face more than normal and legitimate weapons avoids loss of face for military reverses which cannot be entirely concealed.

The principal device used for whipping-up Chinese popular enthusiasm for the Korean war has recently been propaganda about Japanese rearmament, which awakens memories of the brutalities of Japanese rule in China. Mass demonstrations are reported from many cities expressing "the wrathful voice of the Chinese people against the remilitarisation of Japan by American imperialism." At the same time great prominence is given to Japanese Communist protests against a separate peace treaty with America, in order to show that the Japanese people is really anti-American. There seems, however, to have been a cessation of the charges of French violations of the Vietnam-China frontier which were not long ago building up a pretext for Chinese armed intervention in Vietnam. Peking has perhaps come to the conclusion that one war at a time is enough, and if the first item on the programme turns out to be

Atlantic Crossing

To the Editor of the Economist

Respected Sir,—As a shipowner and constant subscriber to *The Economist* for four years, I return you grateful thanks for all the benefits I have received by perusing it, although I may occasionally dissent from your arguments. I have perused with careful attention your article on "National Rivalry" in your last issue, and conceive you have too strong a leaning to award praise to the competing American steamers, at the expense of our own. Your information appears to be obtained chiefly from American newspapers, which give only the favourable side. You state that the "American steamers have made two of the shortest eastern passages." This is disputed; but even allowing it to be true, they have also made two of the longest eastern passages, being eighteen days, and a third of their steamers, the "Atlantic," was compelled to put back in a dismantled state. Last month, the British steamer "Asia," on the western passage, beat the American steamer "Arctic" thirty-six hours; and the "Africa," which arrived last week, beat the "Baltic," her competitor, twenty hours, and the "Washington," another American steamer, five days. These facts I deem it necessary to lay before you, in order that we may know both sides of the question. We have at present building on Clyde for the Cunard Line, two of the most powerful steamers ever constructed: they will have cylinders of 103 inches, and a stroke of 10 feet, and are expected to have no competitors as its respects both safety and speed.—Thine respectfully, J. H. W.
Scotland, March 18, 1851.

The Economist
March 22, 1851

more costly than was anticipated, the second may have to wait for quite a long time.

* * *

A Bomb in Albania

The report of a bomb explosion in the Soviet Embassy in Tirana about a month ago—which now appears to be confirmed—draws attention once more to Moscow's colony on the Adriatic. Ever since the breach between Marshal Tito and the Cominform, Albania has been almost completely cut off from the outer world; and its neighbours by land and sea are its enemies. Lack of essential supplies has made the Albanian economic plan even more difficult to achieve than those of the other satellites. As usual in Stalinist countries, scapegoats have had to be found for economic failures, and recently the Minister of Industry, Rita Marko, and the Vice-premier, Spiro Spano, were dismissed from their offices. The collectivisation of agriculture has also caused unrest. Though conducted more slowly than in Bulgaria, it is likely to meet with strong resistance from the peasants. It may find some support among the smallholders and labourers of the coastal plains, but it is not likely to appeal to the tribesmen of the northern mountains who have been hostile to the Communist regime ever since it came to power.

Since the Soviet break with Yugoslavia, Albania has been ruled by the Russian military "technical" experts who then flooded into the country from Belgrade. To these colonial officers and officials of the Soviet Embassy, Albania must appear a sort of European Tannu Tuva or Kirghizistan. In the eyes of the "natives," the Soviet privileged caste probably differs little from the emissaries of Mussolini ten years ago. It is to be expected that all the different forms of economic, religious and political discontent felt by the Albanian people should be concentrated against the Soviet Embassy, the symbol of all their misfortunes. An isolated bomb outrage will shake neither the Hoxha regime nor Soviet determination, but the possibility of serious resistance in the mountains cannot be ignored. Albania occupies an important strategic position and deserves more attention than it has hitherto received, not only in the west but also in Athens, where the lamentable tendency to regard all Albanians as barbarians still persists.

It is, of course, possible that the whole affair is a frame-up by the Cominform. It will be remembered that in 1938 the Nazis decided that von Papen, the German minister in Vienna, was expendable in the interests of the *Anschluss*. Whether Soviet diplomats are so regarded by any of the numerous subversive organisations centred in Moscow is not known. But it is possible that the Cominform might exploit an incident of this sort as a means of increasing pressure on Yugoslavia.

* * *

The First R.

The illiteracy of service recruits during the war (like the verminous condition of evacuated children) shook public opinion. Since that time various wild statements have been made about the amount of illiteracy among schoolchildren and adults, and it has been taken to reflect as much on the competence of the schools as on the intelligence of the children. The Minister of Education was therefore well advised to institute a careful inquiry, with the object of discovering how far the ability to read had been affected by the war. The results have now been published by the Ministry of Education. What is perhaps most important is that a standard has been set up against which future improvements or losses can be measured. The standard is not perfect, but it appears to be workable. To have such a standard is particularly valuable when methods of teaching children under eleven are changing. It is possible that the present fashion for "activity" methods and the reduction in formal teaching may slow down the acquisition of certain

skills, whatever they may do to encourage other desirable attitudes. There is a particular danger at a time when the urge to read is diminished by the cinema, television and the "comic."

The tests covered 3,400 pupils aged 15, 2,800 aged 10-11, and 3,000 service recruits; they showed that 1.4 per cent. were illiterate (that is, they could read less than the average child under seven) and 4.3 per cent. were semi-literate (that is, they could read less than the average under-nine). The ability to read of pupils of 11 and 15 was found in the average to be behind that of their fellows ten years earlier by 12 and 22 months, respectively. These schoolchildren had suffered six to ten years of wartime and postwar disturbances, and the amount of retardation is not surprising. What is crucial is that the lost ground should be regained.

A separate investigation of writing ability is now being planned. For the purposes of normal life the second R is less essential than the first, but as a test of schooling it is equally important. The grammar schools are complaining that far too many of their creamed and selected entrants are incapable of writing even the simplest essay, and that they are compelled to teach the rudiments of composition. Here again an objective test of primary school methods would be invaluable.

* * *

Health or Hypochondria?

How much the public should be told about disease and its treatment is an old subject of debate. Many doctors argue that the less their patients know the better, because they cannot be relied upon to use their knowledge sensibly. In practice it is quite impossible to check the public's appetite for news of medical interest, and the right policy would appear to be to try to concentrate on giving information of real value. Education in health matters is not new, and it was greatly stimulated by the Ministry of Health's efforts in the war.

Unfortunately, much of the good work done in the clinics and elsewhere to enlighten people on the basic facts of health and disease is often undone by sensational stories in the popular press and by the publicity given to the discovery of new drugs. The British Medical Association is, therefore, to be congratulated on its attempt to educate the public through the medium of popular journalism. Its new periodical *Family Doctor* (monthly, price 1s.) is designed to instruct, but to instruct the easy way. It is aimed primarily at the housewife—which is natural since she is the family nurse—and a large section of the first number contains matter that will be found in most women's journals (recipes and advice on bringing up babies), though all with a medical flavour. The special features section is of more general interest and contains articles on such varied subjects as eggs, allergy and the training of boat race crews.

It is impossible to prophesy whether *Family Doctor* will be a commercial success, still less whether it will succeed in its aims. Its sponsors hope that as a result of its instruction people will be weaned from their faith in a bottle of medicine—patent or otherwise—and will know when they are really in need of medical advice. The problem of all health education is how to encourage people to seek advice in good time without turning them into chronic hypochondriacs. It will be interesting to see whether the British Medical Association's new technique offers a solution.

* * *

The T.U.C. Blows its Trumpet

If the shy, grey mare of Mr Low's cartoons could read, she would be somewhat surprised by the account of her doings published by her masters this week.* The butterflies

* "What the TUC is doing." Published by the TUC. 6d.

which used to hover so tantalisingly above her nose have gone; if she does not yet gallop to work, she at least seems to move at a good, brisk trot. The past six months have been particularly busy for the TUC. The end of the official restraint on wages in September, the subsequent rounds of wage claims, the problem of rising prices, the rearmament programme, the arbitration Order, trade union developments in the colonies and in international affairs, welfare and education—all these have kept Transport House busy.

There is every justification for Sir Vincent Tewson's claim that "Trade union influence is at work in all the nation's affairs." The trade unionist should feel assured that his interests are being well looked after when he reads that, for example, the TUC has obtained an assurance from the President of the Board of Trade that middle-men will not be allowed to profit from the increased cost of raw materials; that the Minister of Fuel and Power has been asked to co-ordinate the electricity, gas, coal and oil industries; and that the Home Secretary has promised to consider the TUC's views on employing children on the stage and in film studios. The rest of the country may be less pleased to find the TUC exercising so much influence over so wide a field; it may even be alarmed to think what would happen if the grey mare kicked over the traces. The trade unionist may also wonder whether the TUC should devote so much of its time to extra-mural activities when there remain to be settled such pressing questions of union policy as the denial or affirmation of the doctrine of the closed shop and the demarcation lines between rival unions.

* * *

The Spanish Riots

Last week's riots in Barcelona have now given way to an uneasy calm. They were the result of a fortnight's growing tension ending in a general strike against the rising cost of living by some 300,000 workers. The strike was brilliantly organised in secret by word of mouth and spontaneously supported among the mass of the people. Strikes are illegal in Spain, and it took an exceptional combination of courage, desperation, and sense of communal feeling for the crowds to assemble in the *ramblas* and march on the Plaza de Cataluña against the armed police and local militia of the regime. The only comparable occasion in the whole history of the Franco government was the strike of iron-ore workers at Bilbao in May, 1947. Madrid has attributed the strike and riots to the clandestine Communist-inspired United Socialist Party of Catalonia. If this is true—and it is described in Barcelona as nonsense—it is certainly not the whole truth. Members of the Falange itself were among those who took a hand in the demonstrations.

The important question is: what next? There is little that General Franco can do to improve the economic position in Spain, without obtaining money from America on a far larger scale than any so far granted under the recent special-purpose loans. Yet for Washington to pour money into Spain in its present condition would almost certainly be to risk repeating the process of aiding Chiang Kai-shek; some of the funds might never reach their proper destination, and there might be very little to show for those that did. On the other hand, even though the regime has had to climb down on its orders to employers to victimise strikers, a single day of fireworks in Barcelona is a very long way indeed from heralding the overthrow of the Generalissimo. It would be quite wrong to see in this episode the beginning of a serious crack in Spain. Franco's temptation now is bound to be to tighten the reins. The statesmanlike course would be to attempt the reverse, to initiate, in fact, a policy of associating the people more closely with the government, in its task of tackling the appalling economic problems now facing the nation as a whole.

Letters to the Editor

Town Planners' Dream

Sir,—Your article of March 3rd seems to me to confuse the issues. I wholly agree with its opening thesis that the improvement of living and working conditions was the promise on which planning powers were obtained, and that public enthusiasm has flagged because this promise is now less in evidence than the planning restrictions and the development charges. Partly this is due to the fact that the official plans could not appear for three years, and that in the meantime a new administration has had to make interim decisions while the public is in the dark about the relation of restrictions to aims. When the plans appear in the course of this year the public will undoubtedly want to be satisfied that what planning can do justifies the controls that it involves.

It is agreed, as you say, that past mistakes—urban congestion, suburban sprawl and rural spoliation—must not be repeated, and must be set right as soon as possible. That cannot be done except by restrictions on the placing and form of development and redevelopment. The "economic factors" that one part of your article seems to prefer did in fact, and would again, promote urban congestion and sprawl, and sporadic building on the best farm land. And if we restrict these things, elementary fairness demands compensation to owners suffering loss thereby. Thus, while it is most desirable to consider whether the financial clauses of the 1947 Act can be amended, we cannot scrap the principle underlying them without either gross hardship to owners or abandoning the social purposes of planning.

Your article does not distinguish between the rebuilding and modernisation that must go on continuously, and the decisions as to its arrangement on the land. Rebuilding is inevitably costly, and the pace of it must obviously be subject to economic circumstances. Planning as a function does not govern its pace or control its cost; it simply guides its placing and pattern to subserve public interests. Some economic and social-scientific theorists who flutter on the fringe of planning have extended too far the range of considerations that land-planners should take into account. I think your article pays too much regard to these theorists. There is no warrant for the fear that the official development plans due this year will be too ambitious or in any way impracticable. My own fear is that, under current pressures, they may set urban living-space and play-space standards too low to fulfil the main promise in which the masses of people are interested.

I suggest therefore that this is the wrong moment to attack the planning mechanism as a whole. But it would be of great value to have a skilled examination of the undoubtedly vexing question of the land fund and the development charges.—Yours faithfully,
F. J. OSBORN
Welwyn Garden City

Sir,—You state in your issue of March 3rd that "Development charges act primarily as a tax on enterprise rather than a device for scooping off unearned increments in land values." If development has been limited, have not the shortages of materials and other controls on building been the deciding factors? But even assuming that development charges are ruling out the construction of buildings of marginal profitability, it must also be remembered that the tax is inefficient as a "device for scooping off unearned increments" in the other direction. Many purchasers, putting a high subjective valuation on a piece of land, are prepared to pay more than the existing use value as well as a development charge. Owing to the highly differentiated nature of the commodity land, and to the diversity of its possible uses, the land market is far from being the perfect one apparently assumed by the Act. Land using is, moreover, one of those economic activities in which social values may diverge widely from private values and the problems arising under the present Act seem to emanate from the failure to assess this divergence and to embrace private values within the framework of the social valuation of land use.

The main objects of the Act are presumably to prevent indiscriminate development and to nationalise unearned increments. I feel that there is not as much disagreement as to the desirability of these objects as the amount of criticism of the Act would suggest. There is hope, then, that the fate of our (very limited) resources of land may be lifted above party bickering and that these problems may receive the attention of our ablest economists and administrators of all parties.—Yours faithfully,
CARLEEN O'LOUGHLIN
Girton College, Cambridge

The Commonwealth and Malan

Sir,—In your article of March 17th you state "what would be fatal to future relations between the white and other races in the Commonwealth would be for the (membership) line to be drawn on grounds of colour alone." This is undoubtedly true so far as it goes, but surely the question is far wider, for it would be equally fatal to race relations within the Commonwealth—if not, indeed, to the Commonwealth itself—for the line to be drawn on grounds of race alone.

On this basis your further assertion that "there is an increasingly strong case for making the rules of the club more precise if they are to fit the rapidly shifting pattern of the modern world" becomes a dangerous paradox. In a world of revolution "the only golden rule is that there are no golden rules" and even your "logical" criteria of suitability and maturity court all the fictions of prejudice. We agree that Dr Malan is wrong

to view the Commonwealth within the smaller context of the African colour problem. But it may be just as mistaken to conceive the Commonwealth as a body of nations with (in some sense) similar politics, for it implies that narrow view, common among Australians, of a Commonwealth of predominantly "English-speaking" traditions.

The Commonwealth has indeed reached a turning point which cannot be settled until it is agreed where its true interests lie. A Conference has to decide, not so much what the rules of admission should be, as whether there should be any, or whether admission should be on the sole criterion of benefit to the Commonwealth and to the peace of the world. We have still to decide whether ours is a Commonwealth of cases or of code, whether its role in the world should be one of ever-widening reconciliation of national, racial and sectional differences—as the protagonists of admission for European nations appear to hold—or whether it is fundamentally a closed shop, an unshakable combination of power bent on securing a pool of stability in a world of flux. Is the Commonwealth to be an exclusive club or an inclusive community?—Yours faithfully,
J. A. BALDWIN
St. Catherine's Society,
Oxford

The Waiver

Sir,—An article in your issue of March 10th recommended that, preferably as the outcome of a discreet initiative from the other side of the Atlantic, Britain should exercise her rights under the interest-waiver clauses of the American and Canadian loan agreements. Your concluding argument in favour of this course—that it would conduce to "a more realistic approach to the problem of external debts left as a relic of the war and postwar settlement"—is surely open to question.

Since 1945 public awareness of the need for fair shares in the financial burden of the common defence—the principle of joint contributory responsibility of nations and citizens in accordance with income—has grown rapidly. In 1945 it was still possible for statesmen and experts to plan for an increase in the financial contribution to the common cause made by, *inter alia*, the impoverished citizens of India—as witness the proposed cancellation of part of India's wartime sterling balances. Who today, in the atmosphere and arithmetic of Colombo, would urge this course?

Not only the growth of public awareness, but events themselves have made the whole of the 1945 machinery obsolete. To operate any part of it today, instead of installing entirely new plant, would ill serve the productive defence effort now demanded from Britain and the entire Atlantic community.—Yours faithfully,
J. L. GIBSON
Caterham

Books and Publications

The Untidy Pioneer

The Conditions of Economic Progress. (2nd Edition.) By Colin Clark. Macmillan. 534 pages. 50s.

More sheer hard work must surely have gone into the writing of "The Conditions of Economic Progress" than into any other economic textbook of the first rank. It is a pity, therefore, that Mr Clark's untidiness in layout and the lack of definition of units used in his tables makes this second edition also sheer hard work to read. The impression is still that of a brilliant but badly edited scrapbook, in which Mr Clark has managed to collect (and reduce to a common denomination in dollars of 1925-34 purchasing power) estimates of real income, production and consumption patterns, and rates of capital accumulation for an astonishing number of countries over an astonishing run of years.

The greatly increased productivity (and numbers) of official statisticians in recent years has enabled Mr Clark to pour much new wine into his old bottles—and surprisingly well have those daringly constructed containers stood the test. It is inevitable, however, that the main source of interest in the book should have changed. When the first edition appeared eleven years ago, Mr Clark's bold estimates of relative real incomes in different countries were as novel as they were badly needed. *The Economist*, in a leading article in September, 1940, pointed out to a then beleaguered Britain that the annual real value of production in Germany and its satellites was barely half the annual real value of production in the English-speaking world. Some of the same type of news value can be found in this second edition; Mr Clark's estimate of the national income of Soviet Russia, an estimate rather lower than those that have been given publicly elsewhere, puts the real value of Russia's annual production at just over one-quarter of that of the United States in the last year for which figures are available (1940). But the value of this second edition as a unique source of reference is inevitably

lowered since Mr Clark's pioneer estimates in this field are no longer the only, nor indeed the latest, available; he seems to have stopped the compilation of statistics for this book in early 1948, although he intends to carry on emendations made possible since that date in a new periodical entitled the *Review of Economic Progress*.

It is as a guide to probable long-term trends of production, consumption and labour distribution in developing countries rather than as a reference book that the present edition should now have its widest appeal. In this field Mr Clark's statistics seem to have a gloomy tale to tell. His panoply of tables stretch over such extremes of annual productivity as the Bedouin Arab (120 international units per occupied person) and the United States worker (2,566 international units per occupied person)—and then proceeds to suggest that the wit of economic man can do little to hasten the bridging of this gap. Even if capital funds are available and competition relatively free there seems to be no necessary tendency towards the distribution of resources most desirable for progress; labour remains immobile between strata of society and, in any case, the operation of increasing returns (which are very widespread) presents theoretical difficulties. In individual firms there seems to be little tendency towards optimum size—there may indeed, be no one optimum; while in agriculture (where productivity ranges from 2,006 international units per head in New Zealand to 46 international units per head in China) Mr Clark's statistics suggest that

only the shock of migration to a completely new country and circumstances may suffice to shake the agriculturist out of his less efficient traditional methods and enable him to realise the full economic possibilities of his own labour.

Unfortunately, one can hardly develop the backward areas by first depopulating

them. Against all this, however, the figures show that when rapid development really gets under way (as it did in Japan fifty years ago) the marginal productivity of capital and the rate of saving can both rise to astonishing heights. The first lesson of the new technique of factual economics, which Mr Clark has done so much to pioneer, may be to show that economic progress is largely a matter of kangaroo leaps from one pattern of economic impetus to another rather than of the straight ploughing along a single furrow that orthodox marginal analysis has tended to assume.

Battle for Humanity

Warrior Without Weapons. By Marcel Junod. Jonathan Cape. 318 pages. 12s. 6d.

This book is far more exciting and moving than many best-selling novels. It deals with the work of the Red Cross in wartime, not in the form of a dry documentary report, but as seen through the eyes of a leading member of the International Committee of the Red Cross. In 1936 Marcel Junod, a Swiss doctor, went to Abyssinia to organise Red Cross ambulance services for the Ethiopian Army. From 1936 to 1939 he worked in Spain, where he saved many innocent lives by arranging exchanges of hostages and prisoners of war condemned to death, and ran a private news service for prisoners and civilians cut off from their families. In 1939 he went to Berlin as head of the International Red Cross delegation. His various activities included visiting and organising supplies for prisoner-of-war camps and the camps of interned allied civilians, and the provision of food supplies for occupied Greece. In 1945 he travelled via Moscow and Siberia to Manchuria to try to examine conditions in the Japanese prisoner-of-war camps and arrived in Japan itself in time to be one of the first to investigate the effects of the atomic bomb dropped on Hiroshima.

This bald summary gives a slight indication of the width of Dr Junod's experience of Red Cross work. But it can give no idea of the generous and

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imaginative humanity and the indefatigable energy and courage with which he and his colleagues on the International Committee (all Swiss) interpreted and carried out their duties. Even Dr Junod's modest account of his work cannot hide this. He prefers to concentrate attention on all those whom the Red Cross was able to help. And, above all, he is preoccupied with the millions whom it could not help—the thousands of starving women and children in Poland and other occupied countries, the countless inmates of the concentration and slave labour camps, and all the prisoners-of-war who, for one reason or another, were not protected by the Geneva Conventions.

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fell outside the scope of the International Red Cross was not the fault of the organisation but of the lethargy of governments and the inhumanity of man. The authority of the International Red Cross delegates is derived from two conventions, the first concerning the treatment of wounded and sick soldiers, which has been almost universally ratified. The second, which covers the treatment of prisoners-of-war, had by 1939 been ratified by thirty-six governments, but not, however, by either the USSR or Japan. That the scope of these two conventions is quite inadequate in the conditions of modern total warfare has been recognised for some time. In 1934 an international Red Cross conference considered a new convention for the protection of civilians who might be bombed, interned or deported; but in 1939 not a single government had ratified it. Dr Junod's experiences show that ratification of a convention by no means guarantees the observance of it, but they also show how much these legal documents can strengthen the standing and authority of the delegates. During the last war everything that the Red Cross men could accomplish for those not protected by the Geneva conventions was due principally to their own initiative, persistence and courage. What they were able to do in this way may have been small in relation to the total sum of human misery involved, but in relation to the small number available for international Red Cross work and the meagreness of their resources, it represented no mean achievement. As Dr Junod points out, the "spirit of the thing" often worked wonders even when there was no legal authority to back it.

The Nine Lives of H. G. Wells

H. G. Wells. By Vincent Brome. Longmans. 255 pages. 15s.

"We must imagine that which we know," said Shelley—surely the most pregnant statement ever made about creative literature. Biography written by a straightforward narrator who merely knows, and has not creatively imagined, his facts, may be dull or superfluous; it can never be so crashingly and embarrassingly bad as biography whose author aspires to creative reconstruction but lacks the creative gift. Since Mr Brome offers no strictly new knowledge on his subject, he could only hope to score by reason of a more intensely imagined, more profoundly and justly interpreted presentation of the inner, rather than the outer, man. He has resorted to intuitive psychological reconstructions, to speculative analysis, to metaphor and rhetoric, with disastrous effect. The chapter on Wells "the lover" has a teeth-on-edge quality compounded of gossip-column coyness and of what the *New Yorker* calls Rich, Beautiful Prose; and the rest of the book runs it close.

It would be hard to write a dull book about Wells, and this book is not dull. It does present a possibly fruitful hypothesis—that Wells was a multiple, imperfectly integrated personality at once seeking and fearing to find his own essential nature. The quality in him

which made him a liberating force, a voice continually asking "Why not?" stemmed not only from his positive powers, his gifts of illuminating synthesis and presentation, but from something negative. He lacked a sense of limits, he lacked appreciation of continuity, he not merely lacked but actively detested and ridiculed *pietas* in all its forms, religious or civil. He gained for himself the reputation of a cocksure popular prophet blind to everything which could not be fitted into a scientific generalisation. And yet scattered through his writings—in "First and Last Things," as Mr Brome points out, in the early chapter of "The Bulpington of Blup," in which the romantic hero, later to be savagely pilloried, is drawn with as loving and autobiographical a sympathy as Kipps himself—there are explicit intimations of a diametrically different Wells, a mystic whose attitude before the universe is one of worship not conquest, whose search for knowledge is motivated by love not desire for power. Mr Brome's picture of nine or ten different Wellses fighting like Kilkenny cats and "bombinating with complexes" may be ludicrously overdrawn and tastelessly presented, but it does indicate a clue. Buried in a very bad biography, in fact, there is to be found a stimulating essay.

Light and Shade

Winter in London. By Ivor Brown. Collins. 320 pages. 12s. 6d.

London the City. By Claud Golding. Robert Hale. 303 pages. 15s.

These two books on London are as alike as two pictures of Piccadilly Circus painted by a Chinese artist and a London Transport poster artist. One is all mist, a few essential figures and a quirk of humour; the other is so packed with personalities and facts crowding on each others' heels that the spectator is satiated without satisfaction.

Like the wintry atmosphere of London Mr Brown's book emanates a charm which is a little remote, sometimes almost unreal, but illuminated with humour, affection and knowledge. The hideousness of Southwark, Tottenham Court Road or Highgate Cemetery is not denied, but they are made less stark and made more interesting because he sees the details which explain their essential character. Mr Golding may be as knowledgeable but his book possesses no atmosphere at all, nor has he the gift of setting down his information, historical or topical, in such a way as to convey perspective or historical proportion. The effect is of a scrapbook, pleasantly illustrated, full of facts, less dry than the usual guide book, but without conveying the personality of the City or of the author sufficiently to hold the book together.

Mr Brown is of the fraternity of J. B. Morton and James Bone. He wanders with no particular purpose, but with a seeing eye and a voluminous knowledge of past history which he has the taste to display with caution. His meanderings cover a wide field, but each chapter has a reasonable unity of its own. Thus the

reader wanders with a fair sense of direction among, say, London's Wells—Clerkenwell, Muswell or Sadler's Wells—or in the fresh air from Southend to Hampstead Heath or among London's battlements from the Tower to Eltham in Kent. Nor are these wanderings wholly in the past. Mr Brown is equally ready to reflect on a rugger match at Twickenham or the continuity of pantomime. In fact the book is a series of essays, of somewhat uneven quality, on different aspects of London.

Mr Golding deals only with the City, which is a much more compact and recognisable unit, yet he fails to convey this. For an American visitor walking the courts of Fleet Street or the pavements of Cheapside, Mr Golding can offer a series of disjointed stories and historical sketches. To the tourist they can provide useful local colour. Any serious inquirer must feel a sense of irritation at the failure to select the important from the unimportant and at the miscellany of information which results.

Publicity and Generosity

The Lipton Story. By Alec Waugh. Cassel. 277 pages. 12s. 6d.

The biography of any man with so colourful and so powerful a personality as Sir Thomas Lipton could hardly fail to be interesting. Born in 1850, the son of a small Glasgow grocer, he was a millionaire before he was forty, an intimate friend of King Edward VII, and a sportsman of trans-Atlantic renown. He is remembered now chiefly for his successful marketing of tea which he brought within the reach of the poorest family and for the failure of his racing yachts, all of them named *Shamrock*, to win the America Cup. He was also, however, one of the great figures of the age of *laissez faire*, a man whose life brought out the best features of private enterprise and of whom the only harsh thing that seems to have been said was that he was overfond of publicity.

Advertising was indeed the key to his success. He spent the first few years of his manhood in America, and perhaps for this reason he was one of the first businessmen in Britain to appreciate the importance of constant and forceful advertising. From his early successful attempts to improve his father's trade

in Glasgow by driving two fat porkers through the city streets under a large banner emblazoned with "Lipton's Orphans" to the enormous five-ton cheeses which he used to fill with gold sovereigns, like sixpences in a plum-pudding, he led the field of all his contemporaries in ingenious and successful advertising methods.

It was not until he was well in his forties that he allowed his thoughts to turn from work. Until then, he had no pastimes, no relaxation; he never married. In the year of the Jubilee, however, as a result of a magnificent gift to a fund started by Princess Alexandra, he became acquainted with the Prince of Wales who was delighted with his forthright and entertaining personality. He entered Edwardian society where his wealth and his flair for easy, friendly relationships soon established him as one of its leading figures. At the same time, he made the first of those challenges for the America Cup which established him as a figure in American as well as English society. It was the heyday of his life. With work, wealth and pleasure on both sides of the Atlantic in great abundance, he presents a figure that must fill the most generous heart with envy.

Mr Waugh has been fortunate in his subject and has written a most readable and fascinating book.

A Great Memorial

Victorian Years, 1841-1895. By Elie Halévy. Benn. 507 pages. 21s.

When Elie Halévy died, he had completed almost all his life's work, "A History of the English People in the Nineteenth Century," except the volume which were to be the keystone of this great monument of understanding and affection. Having written "England in 1815" before the first war, he then constructed the other end of the arch and traced the transformation of Britain into a popular democracy between 1895 and 1914. The next two volumes carried the main span from 1815 to the fall of the Whigs in 1841. But of the great central volumes which were to bridge the period between the accession of Peel and the retirement of Gladstone, only one was finished at his death, dealing with the period from 1841 to 1852, and that not in a complete form. It was first published

in English in 1948, but in re-publishing it as the fourth volume of the complete edition of the History, Ernest Benn have decided to bridge the missing span between 1852 and 1895 by an excellent essay by Mr R. B. McCallum. This makes no attempt to follow Halévy's range or depth of knowledge, but it is nonetheless a near perfect essay in itself.

There is no doubt of Halévy's place in the first rank of great historians. One sign of greatness was his refusal to narrow his terms of reference for the sake of ease or simplicity, and he was at once a pioneer scholar in social, political and economic history. His contribution to an understanding of the order and significance of political events is enormous. But his description of events, particularly great events, like the Repeal of the Corn Laws, or the failure of Chartism, suffers from a certain Gallic scepticism which does not do adequate justice to the passions and qualities which they evoked. On the other hand, no historian of the nineteenth century has ever had such a delicate nose for the developments which lay behind politics. Halévy had planned to make a pause in this volume and survey the nature of English society in 1852—the moment when the effects of the triumph of Free Trade were clear—as he had done in 1815. He had completed only the chapter on religion—which he always held to be the clue to an understanding of British history in the nineteenth century—and in it his scholarship and his sense of nuance reach great heights. In a sense this fourth volume is Halévy's obituary and memorial, and for all its incompleteness, it is a fitting one.

Shorter Notice

Spicer and Pegler's Income Tax and Profits Tax. 19th Edition by H. A. R. J. Wilson, FCA, FSAA. HFL (Publishers) Limited. 760 pages. 27s. 6d.

Since its first appearance in 1907 the aim of this publication has been to set out as clearly and simply as possible the law and practice of income tax. This, the 19th edition, deals with the provisions of the Income Tax Act, 1945, and includes a supplement on the Finance Act, 1950. The explanations of the principles and practice of the laws are illustrated by cases and examples are of special importance or difficulty.



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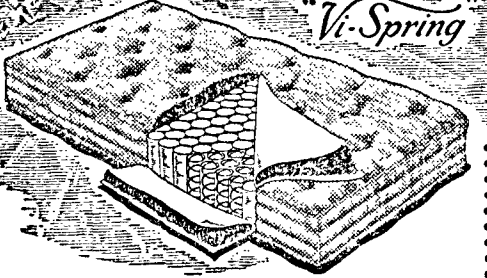
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AMERICAN SURVEY

The Democrats' Dirty Linen

Washington, D.C.

COLUMNS of precious space were given by the British newspapers to the Lynskey Tribunal hearings; but the American press paid scant attention to what was going on in Church House. Now the Americans have been having a comparable public washing-day for the dirty linen of the Reconstruction Finance Corporation, and the situation has been reversed. Some of the discernible differences between washing-day in the average home in Chiswick on one hand and in Chevy Chase on the other are interestingly reproduced on the political plane. The tailor-made suits and bottles of sherry the Lynskey Tribunal investigated look as artless, beside the phenomena Senator Fulbright is dealing with, as the dolly-tub and rubbing-board look beside the standard American electric washer, dryer and ironer. In this technologically advanced nation the political laundry is disposed of in larger quantities, and at a greater rate.

The RFC is itself an institution whose development would have been unlikely anywhere but in the United States. It was established by Congress at the beginning of 1932 and for one year—only one year. It was to lend government money to financial, agricultural, commercial and industrial concerns which were struggling against the collapse of confidence and of credit which had accompanied the great depression. But, as has often been observed, nothing is so permanent as a temporary government agency. Congress, whose sub-committee is now raising its hands in horror at what the RFC has become, extended the agency's life in 1933 and gave it new powers to disburse relief. During the war it was invested by Congress with authority to make large subsidy payments and to invest in war plants and commodities; and in 1948 Congress revised the law to extend the life of the Corporation until 1956 and its lending power until 1954. Since its inception it has authorised 61,022 loans, amounting to \$4.7 billion, to business enterprises; but only about half this total has been paid out and of this only \$435 million is still outstanding. The losses on these loans so far have amounted to \$63.5 million.

The case for the RFC is not difficult to make. It did tremendous wartime work, building and leasing plants, establishing flying schools and in many other ways helping the national effort. It may well perform a similar role during the current rearmament programme. Mr Henry Kaiser's west coast steel plant was acquired after the war with RFC help when financial interests were sure that a depression was coming and that Mr Kaiser was merely laying up excess steel capacity. A lending agency which will not succumb to such fleeting fears is needed. And since it was created the RFC has made a profit for the taxpayers of more than \$600 million.

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

But the case against the RFC, as is now being demonstrated, is much more fun to make and covers more ground. The Council of State Chambers of Commerce has pointed out, for example, that

quite apart from RFC's business lending programme, the extensive use which Congress has made of that agency to by-pass regular Congressional appropriations is fraught with particularly dangerous implications. This is a short-cut method of financing governmental activities. . . .

Congress has not so far shown any conspicuous interest in this phase of the indictment. What is now echoing through the land, in language both more specific and more gaudy, is the Hoover Commission's finding that

direct lending by the Government to persons or enterprises . . . invites political or private pressures or even corruption.

There can hardly be anyone in America who does not now know that a former examiner for the RFC who was the husband of a White House stenographer acquired an \$8,540 "natural royal pastel mink coat" for her which was paid for by an attorney representing a New York furrier then negotiating for an RFC loan. Senator Fulbright's sub-committee, with the enthusiastic co-operation of a free press, has also made it widely understood that various officials have stayed free at a most elegant and expensive hotel in Florida which had been in need of RFC money and that an effort to take over a firm into which the RFC had put \$37 million, but which is now bankrupt, was made by a group which was said to include the husband of the White House stenographer with the mink coat.

President Truman, who began by describing the initial Fulbright report as asinine, and who later sent to Congress a scheme to abolish the board of directors and put the RFC under a single administrator (as the Fulbright group had suggested) last week went to bat for his colleagues, declaring them to be all honourable men. The President had earlier given the whole RFC investigation story a notable lift by sending for copies of correspondence which Senators and Congressmen had addressed to the agency. The delicate hint that pressure for loans might have come from more than one direction did not inhibit Senator Fulbright from further researches; and these in turn brought to light testimony that there had been Senators of both parties who had stayed, free, at the Florida hotel, and that one Senator had recommended the RFC to approve a loan to another Florida hotel which his son, a lawyer, was representing in consideration of a \$21,000 fee.

Senator Fulbright is a Democrat. So is Senator Kefauver, the chairman of the other Congressional committee which, pursuing its investigations into organised gambling in the United States, has made an impression upon the public consciousness during the last few weeks at least as great as that which Senator Fulbright's sub-committee has made and perhaps, all things considered, even greater.

The evidence of law-breaking by a "secret government of crimesters" (as the committee's recent interim report called it) may not be as conclusive as the headlines sometimes

make it appear. But the Kefauver investigations, with their attendant television cameras, have not only made by-words of the men who are alleged to be the Cabinet Ministers in this extra-legal government; they also have implanted in the mind of the average American a conviction, which the committee endorses, that a new need has arisen to seek out the official corruption at federal, state and local government levels without which the secret government of law-breakers plainly would be unable to operate. What is more, Mr Kefauver, like his fellow-Democrat Mr Fulbright, has produced in many minds the feeling that the major blame for the conditions the testimony has revealed is to be laid at the door of the national and local Democratic administrations.

It is true that another inquiry into the methods which were used in Maryland by or on behalf of the newly elected Senator Butler, a Republican, to defeat Senator Tydings, a Democrat, is encouraging the notion that the accusing party may not be altogether without sin. But the Republicans laid a foundation some time ago, when the "five per-centers" investigation was in flower, for the argument that the level of morality on which the Democratic Party can be shown to work is not good enough. Moreover, there may be more revelations to come. It has been charged that federal jobs have been offered for sale in Mississippi.

The Republicans are making a good deal of President Truman's recent statement that he had no evidence that "illegal" influence had been exerted on the RFC. Is the only standard for official conduct to be what is not illegal? Already it is a matter for discussion whether the outline of a domestic issue on which the Democratic party may be defeated at next November's Presidential election has appeared. One school of thought holds that this may well be so. Another is inclined, somewhat sardonically, to note that the Teapot Dome scandal, which revealed, in the days of Republican ascendancy, an official corruption beyond anything remotely approached by any of the present or past disclosures in Washington, did not prevent the Republicans from securing their continuance in power in 1924.

Gun and Butter Boom

[FROM A SPECIAL CORRESPONDENT]

A REMARKABLE acceleration in the tempo of the American economy occurred in the final quarter of 1950, when the gross national product reached a rate of \$300 billion a year. Included was no less than \$90 billion of investment in construction, plant and equipment outlays, additions to inventory and consumers' durable goods. All the details are described in the Department of Commerce's annual review number of the "Survey of Current Business." A comparison, for the chief items, between the final quarter of 1950 and the calendar year 1949 shows how great were the gains:

	Annual Rate in Final Calendar, Quarter, Gain		
	1949	1950	
(In Billions of Dollars)			
Gross national product	255.6	300.3	44.7
Personal consumption:—			
Non-durables and services	154.9	165.8	10.9
Capital formation:—			
Consumers durable goods	23.8	30.0	6.2
Producers durable goods	19.5	25.1	6.6
Gains in inventories	—3.7	11.2	14.9
Construction	17.3	22.9	5.6
Total	56.9	90.2	33.3
Foreign investment deficit	—0.4	3.4	3.8
Government purchases of goods and services	43.3	47.6	4.3

How completely investment and capital formation dominated the American economy in 1950 is revealed by the fact that the gain in such capital formation was three times larger than the gain in output of all consumers' goods of the non-durable classes. Total capital formation in 1950 was equal to the total product of the American economy in 1939. Capital formation measures the output flowing into the "roundaboutness" of any modern industrial economy. That indirect effort to enlarge the subsequent flow of consumable goods is also a measure of the amount of "hard goods" or engines of construction (in peacetime) which can be converted to military hardware or "engines of destruction" in time of war.

In 1950 the volume of output in the United States rose by 7½ per cent and the market value of the total output rose by 9½ per cent. Output per head increased by 5.6 per cent. The large increase in outlays on plant in 1950 is expected by the Department of Commerce to produce another large rise in real output in 1951. In fact, a slightly more moderate rate of war production than is now contemplated could be wholly sustained by gains in output, without in any way entrenching upon civilian production, once the stockpiles and new arsenals have been built. Such a consequence would be entirely in line with American experience during the last war, when extra effort and extra output not only supplied all war needs, but also raised the standard of civilian living.

★

Conversion of industries has no place in American thinking. It may be necessary temporarily to suspend the production of some things, such as automobiles, electric appliances of every type and wireless sets, which disappeared between 1942 and 1945. But this may be avoided and the goal is an economy so productive that it can turn the last war's "guns and butter" into "guns, butter and automobiles and television, too." Other things being equal (for example, levels of taxation), the attempt is sure to produce stiffer inflation in the nineteen-fifties than did the all-out war effort. Then, when there was little to buy, personal savings rose more or less automatically from \$3.5 billion a year in 1940 to \$35.5 billion a year in 1944. Today prices are more likely to be forced up by consumers enjoying increased money incomes at a time of decreasing supplies.

How strong is the stimulus of an enlarged income, so enlarged as to dwarf any likely budget deficit? Because American workers now can expect a continuation and even steady increase in their incomes, the purchases of consumers have been growing rapidly. This growth is revealed by the production of durable goods and homes. It is well known that American homes are almost saturated with washing machines, vacuum cleaners and wireless sets. Yet the market for these "staples" increased very substantially in 1950. The number of homes built last year was almost twice the number of families formed. These are the figures for the output of these goods in the past two years:

	Number of Units Produced		Percent Gain
	1949	1950	
Houses started	1,000,000	1,350,000	35
Automobiles	6,254,000	8,003,000	28
Electric refrigerators	4,450,000	6,200,000	39
Electric cookers	1,056,000	1,830,000	73
Television sets	3,000,000	7,464,000	149
Vacuum cleaners	2,837,000	3,529,000	22
Wireless sets	10,500,000	14,590,000	39
Washing machines	3,033,000	4,290,000	41
Non-durable goods:—			
Rubber tyres	76,369,000	92,700,000	21
Men's suits	19,220,000	23,200,000	21

Another area of investment, that made up of business expenditures for new plant and equipment, was unchanged in 1950 from 1949. Such outlays in the first quarter of 1950 were well below the same period of 1949. But from the early part of 1950 to the end of the year the gain was almost 50 per cent. The boom in the second quarter of 1950 was due to four causes: the continuing stimulus of tax reduction, inventory accumulation, an extraordinarily large disbursement of GI insurance funds early in the year, and the great stimulus to housing flowing from new finance arrangements approved by Congress. The effects of the Korean conflict quickened the pace still further. Because the stimulus to high activity and inflation will continue in 1951, the Department of Commerce estimates that such outlays for additional business plant and equipment in 1951 will rise 20 per cent above 1950.

This expansion is due to greatly improved prospects for profits and high wages. The influence of high wages is very substantial, provided business is at high levels. It might be possible to adduce that expenditures by business in the next five years will be equal to the \$130 billion of gross business investment in the past five years. That much would be economical because of high wages alone; machines now cost much less than men.

Thus the American boom scales new heights. Whether it will be followed by the "bust," in the usual American pattern, will depend upon the duration of the need for war production. But a sharp reversal is unlikely, principally because war production is very deliberately being held far short of what could be produced under an "all-out" effort. The defence effort will no doubt be for two or three years. As a result, once again the 1941-45 economic pattern will be repeated: growth in income, the accumulation of liquid assets, and a great accumulation of demand unsatisfied both absolutely and in relation to the new income and liquidity levels.

American Notes

Latin America's Store Cupboard

When the Foreign Ministers of the twenty-one American republics meet in Washington immediately after Easter the United States will try to get agreement on a number of policies designed to safeguard the Western Hemisphere against the threat of international Communism. The chances of obtaining such agreement are better than they would have been before Mr Edward Miller took charge of Latin American affairs for the State Department, for he has at least stopped the postwar rot in the Good Neighbour policy. But

at the meetings of the Economic and Social Council of Uno at Santiago the US representatives have had a disturbing foretaste of the reluctance of the Latin American countries to accept the view that rearmament must take precedence over economic development.

The United States hopes that some method of checking Communist infiltration and espionage in Latin America will be worked out at the conference and also that the other republics can be induced to apply export controls in order to prevent goods of strategic value from reaching the Soviet Union and its satellites. But what are really essential are the natural resources of Latin America—its copper, tin and lead, its manganese and oil, its abaca and its wool. Output of such minerals and raw materials, Latin America's main contribution in the last war, was then stepped up with United States help, both financial and technical. As soon as the war was over, however, the projects were halted, with what seemed to Latin Americans unnecessarily painful abruptness, and the United States transferred its attention to European reconstruction. So it is not surprising if some Latin Americans regard Washington's sudden revival of interest in its own hemisphere as cupboard love, and are setting their own price for unlocking the doors of their store cupboard.

The Latin American representatives at the conference are expected to ask for assurances that this time any new developments will be carried to completion and will not be dropped if the international tension eases. There will be a demand that such projects include industrial, as well as agricultural and mineral, development, but with United States industry itself embarking upon an unprecedented expansion, the necessary tools and equipment will not be easy to provide. Nor will the consumer goods on which Latin Americans will hope to spend their dollars when they earn them—at least not without some system of export priorities, which might be resented by US residents who would have to go short. Moreover, when it comes to making contracts for strategic materials once again, memories of how dollar earnings melted away last time under high American prices are likely to carry more weight than warnings from US officials about the inflationary effect of high profits on the unstable economies of the other Western Hemisphere republics.

Meeting Labour's Terms

The trade union leaders who walked out of the defence and stabilisation agencies a month ago are still on the picket line, still proclaiming that Mr Wilson is unfair to organised labour. The President has refused to appease them by sacrificing his Director of Defence Mobilisation. But at other levels great efforts are being made to soothe labour's fears and satisfy its demands. Mr Frank Graham, a member, from 1942-45, of the War Labour Board, who enjoys the confidence of the trade unions, has been appointed Defence

Manpower Administrator in the Department of Labour—an assurance that the unions will be consulted on manpower policy and that there will be no conscription of labour unless some great and unforeseen emergency arises. The unions will also have direct access to the President on mobilisation problems—by-passing Mr Wilson—through a new Mobilisation Advisory Board.

The immediate occasion of labour's walk-out was the wage formula adopted by the Wage Stabilisation Board. But the unions also are determined that the WSB should be empowered to decide all labour disputes, as the War Labour Board did. They know that strikes against the rearmament effort will get short shrift from the public, even if a no-strike pledge is not requested, and they are anxious to have some substitute for the economic power they are giving up. The alternative is to continue using the hated Taft-Hartley machinery. The employers have taken the position that to send all disputes to the WSB would swamp the board and would mean an abrupt and unnecessary end to collective bargaining.

Mr Johnston's suggested "compromise" inclines heavily toward the union viewpoint. He would have an enlarged board—of eighteen instead of nine members—empowered to hear all cases if both parties agree to submit them, but also empowered to refuse to consider those in which it believes the possibilities of collective bargaining have not been exhausted. Mr Johnston cannot issue a final ruling; he must await the agreement of management and the unions. And at the moment, both have turned him down. But Mr Johnston's refusal to intervene in the meat packing case and other disputes may encourage a more conciliatory attitude. Here the employers and the unions have agreed on a rise of 11 cents an hour. This violates the wage formula which limits increases in wages to 10 per cent above 1950. The unions involved threaten to strike on March 26th, but Mr Johnston insists that only the Wage Board, revived by the return of its trade union members, can decide whether there is a case for a special dispensation.

Martin for McCabe

Two events last week made it look more doubtful whether the Treasury's decision three weeks ago to issue a 2½ per cent bond, followed by the unpegging of 2½ per cent bonds on the market, was a defeat rather than a temporary strategic withdrawal in its battle to keep money cheap. The two events were Mr Thomas McCabe's resignation from the chairmanship of the Federal Reserve Board and the announcement of a new programme for "voluntary credit restraint."

Mr McCabe has been anxious to resign for some time; and the official explanation is that he felt in a position to carry out this intention because the Federal Reserve Board had at last reached "a satisfactory understanding with the Treasury." No one else seems prepared to regard the long struggle between the Board and the Treasury as so firmly settled. There is little doubt that it is this struggle which made Mr McCabe want to resign, and he probably feels that in the "agreement" with the Treasury he got as near as is possible to establishing the Board's position—that interest rates should not be kept down by credit expansion. But, in stressing that "it is vitally important that this accord be maintained," he may have been expressing more a hope than an expectation.

President Truman immediately appointed as Mr McCabe's successor the Assistant Secretary of the Treasury in charge of international finance, Mr William McChesney Martin. This translation of Mr Snyder's lieutenant is not, perhaps, likely to mean in practice so complete a victory of the Treasury over the Federal Reserve Board as might appear at first sight. Mr Martin is believed to have played a large part in negotiating the compromise with the Board. As a former

president of the New York Stock Exchange, he is acceptable to the business and financial community, and he is probably also the one Treasury official whom the Senate is likely to confirm in the appointment. It by no means follows that there will be no weakening in the Federal Reserve's opposition to cheap money policies. Just before Mr McCabe resigned, the Federal Reserve Board issued a plan for the voluntary restriction of credit that holds out no great promise of effectiveness. Banks and insurance companies are asked to restrict their loans for non-essential purposes; the definition of what are "essential" purposes is vague enough for no one to know what the policy can mean in practice. With the best will in the world it is not easy for lenders to distinguish what loans will "increase or maintain production, processing and distribution of essential goods and services." With rising costs and prices the demands for credit for every industrial purpose are bound to be heavy, and it will be very surprising if a sieve of voluntary examination according to purpose can in fact reduce at all the total volume of credit granted. It is anyone's guess what the next moves by both the Federal Reserve and the Treasury are to be.

* * *

Postman's Round

The postman's round, like the policeman's lot, is not a happy one. A prospective deficit of \$521 million has brought the Postmaster-General knocking once more at the door of Congress for the permission to raise his rates that was denied last year. Mr Donaldson has no moral objection to losing money, if that is what Congress wants and will pay for. But he objects to being blamed for inefficiency when rates set generations ago fail to cover the cost of delivering the mails, and he has to curtail services. Half of the 36 billion pieces of mail posted each year fail to pay their way. For example, the one-cent postcard was established 80 years ago; it now costs 2.8 cents to handle. The really big losses, however, are incurred in carrying free mail for the government (including Congressmen anxious to keep in touch with their constituents) in paying air mail subsidies, and in subsidising the carriage of newspapers and magazines. The first two account for nearly \$160 million of the yearly deficit, the second for \$200 million.

The Administration is not seeking to wipe out the whole Post Office deficit at one blow. It hopes to cut it in half, by raising the postcard rate to two cents, by asking second-class mail—that is, newspapers and magazines—to pay another \$40 million a year, the increase to be spread over three years, and by doubling the rate on advertising circulars, bringing it to two cents. An increase on parcel post rates, which cover book carriage, also is being sought.

This last measure will virtually wipe out the subsidy on book post, but it is the publishers of magazines and newspapers who have raised their voices in Washington in defence of popular enlightenment. When second-class rates were determined, the intention was to subsidise the distribution of magazines and newspapers, as an instrument of public education. What was not foreseen was the eventual size of the subsidy, and the degree to which wealthy advertisers and powerful publishers would profit. It is true that as a magazine or newspaper carries more advertising, it pays a higher rate, but for second-class mail as a whole, even if the new rates are accepted, more than half the cost of delivery will continue to be met by the Post Office.

Although Congress, in the past, has always been enthusiastic about raising the salaries of Post Office workers, who vote in satisfactory numbers, it has been reluctant to pass the cost on to the posting public. The mounting Post Office deficit, coupled with Mr Truman's warning that his tax requests must be raised if nothing is done to reduce it, may produce a change of heart this year.



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Celanese Reports on

1950 in brief with comparisons

	1950	1949	1948
	(in millions of dollars)		
Net Income	40.4	20.6	39.5
Federal Taxes on Income	41.0	13.0	25.6
Net Income Before Federal Taxes on Income	81.4	33.6	65.1
Interest and Other Charges	1.4	1.6	1.2
Operating Income (percentage of sales)	82.8 35.6%	35.2 20.5%	66.3 28.8%
Wages and Salaries	58.3	56.6	66.2
Provision for Depreciation of Plants	11.7	10.8	8.5
Raw Materials and Other Costs	79.7	68.7	89.4
Sales	232.5	171.3	230.4
Dividends	17.1	16.3	15.2
Earnings per Common Share (dollars)	6.38	3.19	6.61
Expenditures for Additional Plant	6.1	7.9	41.1
Research	2.9	3.0	3.2

THE YEAR'S OPERATIONS:

Throughout the year the demand for our Company's products exceeded our capacity to supply. This situation existed in all the major divisions of our Company's operations—chemicals, chemical yarns and fibers, and plastics. Our facilities were operated substantially at capacity, with the exception of a limited reduction in the fourth quarter caused by the occurrence of some raw material shortages.

In an effort to meet the demand, steps were taken to increase production through process improvements, standardization of operations within individual plants, and by adding facilities to our existing plants. As a further step, construction of a new acetate staple fiber unit was begun at the Celriver plant, scheduled to come into production late in 1951.

As another step in our program to assure continuing and expanding sources of raw materials, the cellulose plant near Prince Rupert, British Columbia, was brought almost to completion by our Company's subsidiary, Columbia Cellulose Company, Limited. Production from this plant, which is scheduled to begin operations soon, should go far toward relieving the world-wide shortage of high grade cellulose.

The plant has been designed so as to be capable of expansion as our Company's requirements increase. This de-

velopment ranks along with our chemical plant operation at Bishop, Texas. By these two long-range measures, a supply of our principal raw materials is being provided for use in the manufacture of our finished products, as well as for many defense requirements.

A further development in Canada was initiated late in the year with the organization of Canadian Chemical Company, Limited, with the object of producing cellulose acetate and industrial chemicals on a large scale, near Edmonton, Alberta, utilizing natural gases drawn from the extensive oil fields in the Province. Original processes for the manufacture of chemicals from natural gas, developed by our Company and utilized in the operation of its Texas plant, will be utilized extensively in this Canadian development.

Another significant development was the extension of our operations in Latin-American countries, particularly Mexico and Colombia.

Our Company stands on the threshold of a new era of development, not only for our domestic economy but for the economic growth of Canada and of other countries in the Western Hemisphere.

1950 *marking 26 years of growth and progress*

PLANT EXPANSION:

Plant expenditures for the year were directed largely to completing our Company's long-range program of bringing existing plants to their maximum productive capacity.

Since the war more than \$150,000,000 has been expended by our Company and its affiliates in the expansion of plant facilities; with the bulk of this expenditure falling in the years 1946 to 1948.

In the last two years efforts have been directed largely to rounding out these facilities, bringing them to peak efficiency. Expenditures for additional plants in the United States for the year amounted to \$6,056,064.

Major additions of the year were the installation of fa-

cilities at the Celco plant for the production of acetate staple fiber, resulting in a substantially increased capacity, and additional facilities for the production of acetate filament yarn at the Celriver plant.

Construction was started on an acetate staple fiber unit at the Celriver plant which is scheduled to come into production late in 1951. The completion of this unit will increase the output of staple fiber substantially.

This places our Company in an advantageous position to initiate our new program of plant expansion. Plans have been drawn for new plant facilities which will provide a large-scale expansion of our production.

OUTLOOK FOR 1951:

We are starting a new page in the history of our Company. In addition to meeting the demands of the new markets we are creating, and of those arising from the country's normal growth, we are directly concerned with the pressing needs of a defense economy. With the country facing a shortage of cellulose, chemicals and plastics, all of which are vital to our defense, we are planning to expand our production facilities.

Since June, 1950, the entire output of our present facilities for the production of "Fortisan," our strong yarn, has been allocated for defense purposes. The maximum production possible with our present facilities falls far short of satisfying military requirements.

Plans have been made for additional chemical facilities in Texas to meet the greatly increased demand for industrial chemicals for both civilian and military uses.

In Canada, we plan to proceed rapidly with the construction of the chemical plant in the Province of Alberta through our affiliate, Canadian Chemical Company, Limited. This plant will manufacture many basic organic chemicals never before produced in Canada, which will

have broad applications in defense and peacetime economies and which will contribute to the industrial self-sufficiency of the Dominion. This company will utilize the highly successful Celanese process of direct oxidation of petroleum hydrocarbons in which our Company pioneered. Acetic acid produced in the new plant will be combined with wood pulp from the Prince Rupert plant of Columbia Cellulose Company, Limited, to produce cellulose acetate, the primary material used in the manufacture of acetate yarns and plastics.

As a result of the many additional activities that are planned, an expansion of the cellulose plant near Prince Rupert becomes essential as soon as the plant reaches full production.

This far-reaching program of expansion is directed at meeting the needs of a peacetime economy as well as the requirements of industrial mobilization for defense and the economic development of other countries of the free world.

*...From the President's Report, in the
1950 Annual Report to Stockholders*

A copy of the Annual Report for 1950 will be sent on request without charge. Please address Dept. 152.

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THE WORLD OVERSEAS

The Spirit of the Soviet Soldier

(By a former Soviet Staff Officer)

IN order to understand the nature of the Soviet armed forces it is essential to grasp clearly that they are first the armed forces of a Party and only second those of a nation. It would be misleading to concentrate on the number of aircraft, divisions or tanks, or even on the potentialities of the Soviet war industries, without considering first and foremost the Party, particularly its attitude to war, its writings on war as an instrument of policy, and then the kind of psychological atmosphere which has been created among the millions of people subject to the Kremlin, who are now under arms or likely to be called to the colours in the event of war. For it is only if these points are understood, especially the attitude of the ordinary Soviet soldier, that the strength and weaknesses of the Soviet forces, their strategy and even their tactics, can be assessed.

One of the chief doctrines of the Party which controls the Soviet armed forces is that war is a product of class society; accordingly, so long as the capitalist system (by which is understood everything non-Soviet) continues to exist, so long will there be wars. Further, in the sacred writ which bears the title "A Short Course in the History of the CPSU (B)" it is said that Bolsheviks approve of a *just* war, which has as its aim defence against external attack or the liberation of peoples from capitalist slavery or colonial peoples from the yoke of imperialists. Similarly, the dialectical and historical materialism which serves as a theoretical basis and philosophy of Bolshevism teaches that the liberation of the working class from the capitalist yoke is inconceivable otherwise than through revolution; the class struggle must be developed to its logical conclusion, that is to the violent armed overthrow of the capitalist system—in short, to war.

This philosophy forms the cornerstone of the military thought of the Kremlin. There are many passages in the works of Lenin and Stalin to amplify it. But the important thing to note is, first, that this attitude has become so deeply rooted in the consciousness of the ordinary man in the Stalinist Empire, that any talk about peace which does not imply the forcible destruction of capitalism seems to him to be empty words. When he is asked during his political training whether he wants peace, he gives the following perfectly simple answer: "Of course I do, but for that capitalism must first be liquidated."

The second thing to note is that, according to Soviet doctrine, any war against Britain and America would be a *just* war, because it would pursue the aims stated above; on the other hand, any war against the Soviet Union would be *unjust*. It is on this formula that the whole psychological training of the armed forces of the Soviet Union rests. That is all that Ivan is required to know; that much he has assimilated like a religious doctrine and nothing can convince him, since there are no opposition parties and foreign journals or newspapers are hard to come by. There is not even the flight of his own fancy. If an armed soldier knows that he is doing something just, and that his opponent is doing something unjust, then his strength to fight will be immeasurably greater than it would be if such a conviction were absent. Stalin attaches special importance to this, and he considers that there can be no question of his armed

forces being strong without a thorough assimilation of the principles of the just and unjust war.

The logical result of all this is that the Soviet Union is one of the most highly militarised states that has ever existed. It is probably extremely difficult for the British people who are quite free from war hysteria, to imagine the extent and forms of Soviet militarisation, especially as the Soviet press does not give even a hundredth part of the truth. But, in fact, at endless meetings of the Party, Komsomol, trade union and other organisations the word "war" is driven into people's consciousness without any beating about the bush. In thousands of lectures, reports, films, plays, exhibitions, monuments, placards, books and journals the soldier is portrayed as a physical and spiritual superman, as a very paragon of cleverness, ability, uprightness, strength and of unboasting greatness. The glamour of uniform, the clink of medals and the roll of drums turn the heads of men whose judgment is not burdened by any more weighty considerations. The cult of fanatical devotion to the Party of Lenin and Stalin is being propagated by making use of the heroes of the last war, who are sometimes real, but more often invented. The military profession has become the most honourable in the Soviet Union. From all this propaganda the ordinary soldier and citizen concludes that the aims and tasks of the Red Army are indeed sacred.

A New Style of Patriotism

Parallel to this one must remember the attitude of those in high places. It is reported that when Poskrebyshv told Stalin that the Pope was preparing to send him a Note of protest, Stalin exclaimed in surprise, "A Note of protest from the Pope?; and how many divisions has he in order to send us Notes?" At a meeting of the Politburo Stalin once said to me: "If we have super-powered rocket bombers which are able to fly to New York and Washington, then Mr Shopkeeper Truman can be put in a straitjacket. We live," he added, "in a crazy age, in an age when force becomes the only effective diplomacy." Many comments of the same sort have been made by his son, General Vassili Stalin, who once said: "Problems are decided by bombers and not by Notes of protest."

What, then, is the atmosphere created among Soviet people by all this? It is perhaps a strange term to use, but it could be summed up as "Soviet patriotism." Few people in the west seem to understand what this phrase means, and it should therefore be useful to record a few facts about it. Up to 1922 the Russian Federation was designated in the minds of Soviet people as "our country." Between 1922 and 1939 outer Mongolia and the whole of Turkestan became "our country." In 1939-40 the title was extended to include Eastern Finland, Estonia, Latvia, Lithuania, Western White Russia, Western Ukraine, Bessarabia and Bukovina. Between 1942 and 1946 the title was extended to East Prussia, Memel, the Kurile islands, Dairen, Port Arthur, Southern Sakhalin and the Carpathian Ukraine. What guarantee is there that tomorrow "our country" will not comprise Bulgaria, Poland, Rumania and Czechoslovakia? The Soviet Union is a state whose frontiers have not been finally established. If Turkey becomes Soviet tomorrow,

Ankara will become "our country"; if England becomes Soviet, London will become "our country." Everything depends on the success of the world revolution. From this arise the peculiar implications of the words "Soviet patriotism." It is a means of coercing people of many races to fight for the aims of the Politburo, of creating mass fanaticism, and a blind willingness to die in the name of any aims which the Kremlin may have. The model "Soviet patriot" is the man who cries even on the gallows: "Long Live Stalin!"

One could point to many examples of how, in the last war, hordes of inadequately armed fanatics advanced without crouching, but with cries of "Hurrah," against lines of deadly machine-guns. Such people were robots, machines on two feet. Of course, the whole army does not consist of such robots. Nevertheless, for twenty-four hours a day military commissars are working at the job of creating them; and in the rear the job is being done by Party, Komsomol and trade union organisations. All this must be taken into account along with the tanks, the aeroplanes and the guns.

The Propaganda of Chinese Communism

THE propaganda of Communism everywhere conforms to a pattern determined by basic Communist doctrine and theory of revolutionary method. A few essential themes are ceaselessly reiterated, though with a great variety of application, and the definiteness of the Communist objective, combined with the Communist exclusion of dissenting opinion, ensures that there is always an effective concentration of publicity forces for a psychological offensive at any time, even though there may occasionally be moments of confusion when one of the notorious "somersaults" of party policy is taking place in Moscow. These general characteristics of Communist propaganda are evident today in China no less than in European Communist-ruled countries, but the Chinese propaganda output has some features of its own which deserve study.

The dominant theme is the task of preserving world peace by fighting the Americans, as laid down at the Second World Peace Congress in Warsaw, which was attended by a strong delegation of 65 members from China. The head of the delegation, the writer Kuo Mo-jo, thus reported to the Central People's Government Council:—

What were the circumstances under which the Second World Peace Congress was held? On the one hand, we have the aggression clique led by US imperialism madly engaging itself in an armament programme, intensifying its war propaganda, continuously threatening the world with atomic weapons and actively rearming Germany and Japan. . . . On the other hand, we have the invincible world peace camp led by the great Soviet Union, its strength greatly surpassing that of the aggression clique. . . . As was described by Chairman Joliot-Curie, the Congress was truly a real international council of the broad masses of the peoples of the various countries. . . . the Congress tried its best to dissuade some of the "pacifists at all costs" in order to achieve complete unanimity among the delegates on the overall principle that "to safeguard world peace, aggression must be opposed." . . . We Chinese people are now engaged with great vigour in the sacred campaign to resist America, aid Korea, protect our homes and safeguard our country. This is what the Chinese people have done to carry out most faithfully and effectively the decisions of the Second World Peace Congress.

The war in Korea is thus presented as a struggle in defence of peace, in which China has not only the support of the Soviet Union and the People's Democracies but also the backing of the World Peace Congress representing all the peoples of the world—in contrast to the United Nations,

which is dominated by the American imperialists. Great efforts have been made to build up the Peace Congress in Chinese publicity as the true parliament of mankind. In the principal cities of Manchuria mass meetings were held and addressed by the delegates on their way back from Warsaw to Peking, and at the capital they were welcomed by General Chu Teh, the Commander-in-Chief of the People's Liberation Army:—

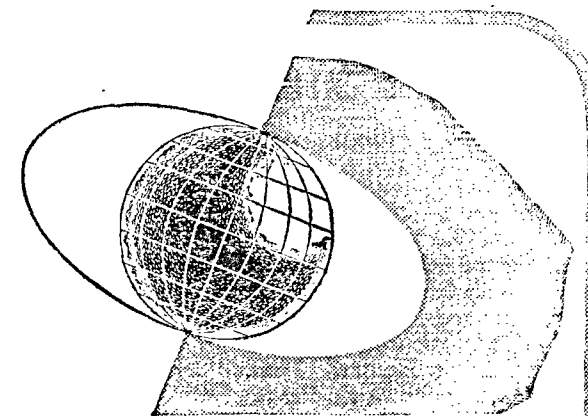
Speaker after speaker urged that a wide campaign be launched immediately to spread the message of the Congress throughout the length and breadth of People's China. They proudly proclaimed that the most concrete and best contribution China could offer to universal peace at this time was in fighting against American aggression in Korea.

Combined with this propaganda of the international struggle for peace is the anti-American hate campaign which lives up to the best standards of Communist invective:—

The American and Syngman Rhee butchers carried out a policy as utterly blood-curdling as the worst perpetrated by the Hitlerite fascists. The war as exemplified by the MacArthur cave-men in Korea is not a war between nations. It is a war between men and beasts in human form.

For those Chinese who still remember American philanthropic activities in China in the medical and educational fields, a special propaganda line is adopted:—

Through their economic exploitation the US sucked the blood and sweat of the Chinese people and then hoped to buy off the Chinese people with a small portion of what they had squeezed from their toil. The US imperialists specially intensified their cultural aggression against China with a view to spiritually benumbing the Chinese people. They made big investments to subsidise religious, cultural and relief bodies in China. . . . But the US imperialists are completely mistaken in thinking that they can really buy the hearts of the Chinese people with a few of their dirty, blood-stained dollars.



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Although America is the principal target, British iniquity is not forgotten. A spokesman of the Foreign Ministry asserted two months ago that the "concentration camps" of Malaya were "filled with innocent overseas Chinese," that many Chinese had been "killed and tortured to death" in these camps, and that 400,000 had been made homeless. He demanded that the British Government "immediately put an end to the policy of persecuting and deporting overseas Chinese," release all those detained and pay them compensation for losses suffered. These demands were adopted in resolutions by youth, labour and other federations.

Fortunately the People's Government is able to assure the people that it has nothing to fear from the imperialist instigators of war. In the words of *People's China*:—

Efficient and brutal in killing peaceful civilians, levelling homes, devastating cities, burning, looting and raping, the American troops have proved themselves impotent and even imbecile on the battlefield when pitted against patriots and democrats. . . . Alarm and despondency spreads among the American satellites. . . . Mistrust grows in the thieves' kitchen, and particularly mistrust between the US and Britain and France

The Chinese people, according to the argument, have for several thousand years been "in the front rank of world culture," but for the past century they were "ruthlessly oppressed" by the capitalist imperialist nations. But Chinese patriots "found the truth of Marxism-Leninism as a weapon to free the Chinese people." This has enabled China "to surpass the Western capitalist nations ideologically, politically and even militarily." With its Russian alliance China is now invincible:—

The alliance of the victorious Chinese people and the Soviet people is not only the alliance of the countries of the largest populations and territories in Asia and Europe; it is also the alliance of the most advanced and most consolidated countries. Therefore, such an alliance is matchless.

Persia in Trouble—I

Murder and the Majlis

[FROM OUR SPECIAL CORRESPONDENT IN PERSIA]

(Delayed) Teheran, March 12th.
If murder in a Teheran mosque becomes a habit in Persian politics, no one will benefit except the Soviet Union. That of the Prime Minister, Ali Razmara, on March 7th was the second of its kind. Like its predecessor—that of the Shah's representative in the cabinet, Mr Hazhir, in the autumn of 1949—it was the work of a religious fanatic. But this time the motive was different. The murderer declared on arrest that he felt bound to rid Persia of a man who had sold the country to foreigners. (Razmara was alternatively dubbed a British or an American stooge according to the local mood of the moment, and according to personal taste.) The murderer struck in a frenzy of religious ecstasy, but the instigator who had told him his deed would carry him straight to heaven was without doubt a mullah named Kashani. So long as Kashani is loose in Persia trouble from the crowd is round the corner. For the moment his potentialities as a troublemaker have been harnessed by the National Front, which is Persia's only semblance of a party; it is the noisy minority of eight deputies led by Dr Mossadegh which has achieved considerable prominence and popular support, thanks to its programme for the "nationalisation of oil." This means, in more specific language, the expropriation of the Anglo-Iranian Oil Company. Few sober Persians go as far as Mossadegh, but all want a bigger slice than has yet been offered of the Company's cake.

The immediate requirement, if tranquillity is to be maintained in Teheran, is a successor to Razmara possessed of the moral courage to banish Kashani and to plod on with the financial and banking changes upon which his prede-

cessor was ineffectually engaged. Otherwise the army threatens to go unpaid, the civil service without its New Year bonuses (due towards the end of March) and the wheels of administration to run down.

High hopes had accompanied Razmara's sudden emergence as a politician last summer. He had been an excellent chief of staff; he was the Shah's nominee; he was above graft and he was a hard worker. People hoped that he would grip the country's problems as he had gripped the army's. But these hopes had crumbled before his death. Out of uniform, he became a less significant figure. He had a disappointing start. His finance minister over confidently took on more than one man could manage and, while on a mission abroad, simply deserted. Then his praiseworthy plans for the decentralisation of local government into provincial hands were smashed, from armchairs in Teheran, by undemocratic critics who prefer to keep all power in the hands of landlords and of the capital. After that, he seemed to lose heart and stamina. He was good at the jobs a soldier understood—improving Teheran traffic control, drafting the flocks of hungry unemployed from the north—whose empty stomachs, aided by Moscow radio, prompted them to invade Teheran last year—on to useful work on roads and railways. But his attempts at progress on a big scale were a failure on account of his inability to manage Parliament—that is, the travesty of responsible government which is the Persian lower house or Majlis.

To understand the powers of negation which the Majlis so frivolously wields, it is necessary to know a few facts about Persia's constitutional and political life. First, a Persian proverb remarks that if companions were to be trusted, Allah would have had a companion. Though proverbs are not evidence, this one throws much light on the noisy scene in the Majlis, and also on the safeguards against individual action which team in the constitution and in practice. Nothing much can get done unless Shah, Cabinet and Majlis push in the same direction and simultaneously. Secondly, the Persian cabinet does not sit in the Majlis; it is formed by some outside personality summoned by the Shah. Thirdly, parliamentary elections are in most constituencies a ramp in which it is easy to hire illiterate voters; therefore few deputies give a thought to responsibility towards the nation at large. Apart from Dr Mossadegh's group, there are no parties; too few people trust "companions." Tudeh, the "mass" party under Russian direction, is forbidden and is chiefly busy in schools and universities. Most Persians, nervously mindful of their experiences in the last years of their arbitrary dictator of the 'thirties, Reza Shah, are so fearful of dictation that, though they decry the Majlis, they lie down under its irresponsibility. It remains to be seen whether the Senate—a new and sober body—can moderate Majlis transports on any major topic.

French Parties in the Paddock

[FROM A CORRESPONDENT IN PARIS]

THE pre-election period in France has begun. The Plevin cabinet fell over the question of electoral reform; and it was to this question that the Queuille government first turned its attention. It managed, last week, to bring the question to a vote in the Assembly. The different parties are beginning to take up their positions on the starting line for the polls. Several dates for the event—particularly June 3rd—have been suggested. But the present Assembly shows little disposition to die so quickly and it could try to last at least until the autumn. Nevertheless, the chances are that the Queuille cabinet will be the last in this Assembly; indeed its appointed task is to prepare for the elections.

The French people will have to choose between three

political forces—Communism, the RPF of General de Gaulle, and the governmental parties (principally the Socialist party, the MRP, and the Radical party). This is, of course, a familiar situation. For several years French political life has been divided between these groups. But what is new is that for the first time the RPF will play a separate part in the general elections, and consequently the French Right will present itself in force to the electorate. This means that the flirtation which has for a long time brought together the RPF and certain elements of the Centre is ended. Both sides have disowned a liaison which they believe to be compromising. The governmental Centre will therefore be more united than anyone would have thought possible a few weeks ago.

The three principal groups in the majority have just reached agreement on the problem of electoral reform. Of these three parties, the MRP has been most afraid of the forthcoming elections because it knows very well that it will be principally at its expense that the new candidate, the RPF, will gain votes. This is why during the last ministerial crisis M. Bidault tried to form a government with the help of the Gaullists, which, however, they refused to give him. This is also why, at the time of the fall of the Plevin cabinet, the MRP wished for proportional representation, or at least for a single ballot which it hoped would protect it against any alliances concluded on its Right between the Gaullists and the Radicals. The agreement which has now been reached should satisfy it. The Radicals, having obtained for one of themselves the Presidency of the Council and the Ministry of the Interior—a most important strategic position during an electoral period—have consented to abandon the two-ballot system in which lay their strength under the Third Republic, and have accepted an extremely complicated system based on a "majority vote by single ballot according to lists for each department," which is designed to allow alliances between the centre parties.

General de Gaulle has contributed to this *rapprochement* between the MRP and the Radicals by his speech at Levallois on March 11th. Not only did he in effect announce his refusal of all electoral alliances, but he made several direct allusions to a "coup d'état" for which "he has not wished" but which he said he could have made succeed "if he had wished." Although hedged about with disclaimers such expressions as these were bound to scare the "old Republicans" of the Radical party. Three days later M. Herriot, the declared enemy of the Radical party, had little difficulty in carrying with him the executive committee of his party. General de Gaulle had made his task much easier for him.

Thus the Centre will have undergone very little regrouping when it marches to battle on two fronts against the Communists and the Gaullists. It is generally believed that the Communists will lose a good number of seats because of the electoral reform; it is after all principally against them that this has been undertaken. General conditions are also less favourable to them than during the last few years. They may regard their "peace campaign" and their propaganda against "the rearmament of Germany" as trump cards; but the fact remains that although the rise in prices has not been stopped it has been better controlled during the last two years than it was in the immediate postwar period.

The real strength of the RPF is not known. Although it was first presented as being "above the parties" it has since become a party just like all the rest. Its authoritarian bias has thereby been strengthened. Moreover the RPF's statutes give to its leaders, and particularly to General de Gaulle, an almost uncontrolled authority, and it is difficult not to conclude that the General thinks of the government and the Republic in much the same way. It is, therefore, those electors who are tired of the parties, perhaps even of the Republic, who might be attracted to the RPF. The cabinet crises, so numerous and so difficult to understand—particu-

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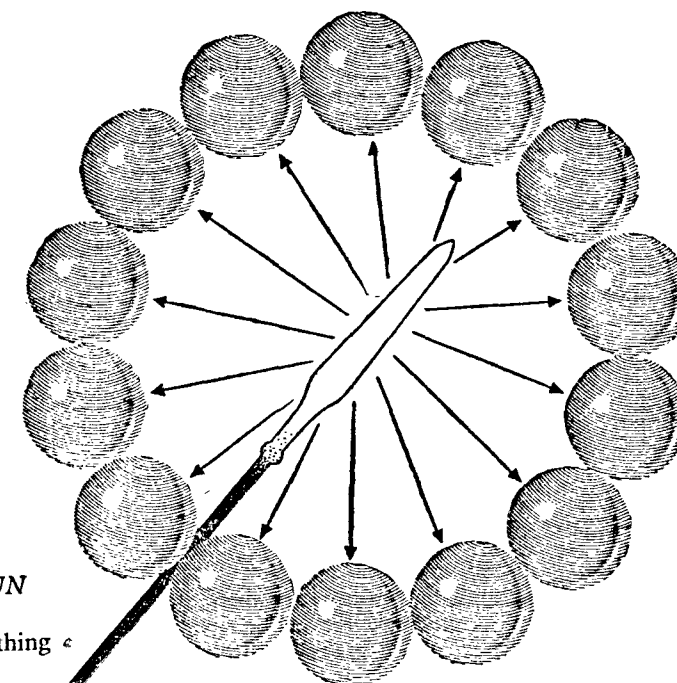
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larly the last—have certainly aroused very strong disgust, and many people feel that the RPF may easily have the most seats in the next Assembly.

By comparison with the two vigorous movements on the extreme right and left the three government parties give the impression of going into battle without much enthusiasm. They have hardly any nice presents to offer the electors. The only basis of their alliance is a common sense of hostility towards the two extremes and their programmes contain nothing very uplifting. But it must not be forgotten that ever since the *Boulangisme* of the end of the nineteenth century French electors have never ceased to show their attachment to those parties which emphasise their "republicanism." The way in which General de Gaulle has begun his campaign at Levallois seems to show that he will be an involuntary, but effective, ally of the governmental parties.

The Indian Budget

[FROM OUR CALCUTTA CORRESPONDENT]

THE 1951-52 budget is a startling revelation of India's increasing financial weakness. In the three-and-a-half years since independence, India has reduced the opening cash balance of Rs. 376 crores left by the British (enough to cover the revenue budget for one year) to Rs. 91 crores. By the end of 1951-52 this would have fallen to Rs. 12 crores if taxation had not been increased. The 1951-52 budget shows a deficit on revenue and capital accounts taken together of Rs. 52 crores, which brings the deficits accumulated in the past five years to over Rs. 500 crores. These deficits have caused a creeping inflation which has sent the wholesale price index from 297 in 1947 to 424 in February, 1951. The consensus of informed opinion is, moreover, that Indian production has not so far been increased by the capital works for which these deficits have been incurred. Every one of these "nation building" schemes has been the subject of public criticism and controversy; for example, while India hopes to import some 8,000,000 tons of food in 1951, the Grow More Food scheme was to have seen India self-sufficient, also by 1951. The prefabricated house scheme has ended in the Indian equivalent of the African "ground-nuts" scandal.

The combined effects of recurring deficits, heavy taxation, and inflation have dried up the capital market for both the Government and industry. The Government's borrowing programmes in the past three years have resulted in the net repayment of Rs. 100 crores. Last year's much advertised Government economy drive has ended with increased expenditure in every item of the budget. Total expenditure on current revenue and capital accounts is no less than Rs. 129 crores higher than the 1950-51 estimates. In order to maintain his cash balances the Finance Minister has imposed new indirect taxation, estimated to bring in Rs. 31 crores, which still leaves an overall deficit of Rs. 52 crores.

Thus the 1951-52 budget implies that expenditure cannot be checked, that inflation is to continue, and that the Government no longer expects to finance capital expenditure by borrowing and has instead to fall back on fresh taxation. The last fact is particularly disquieting both to industry and to the individual taxpayer as indicating that all hope of reduction in taxation has vanished. Fresh savings cannot come from budget deficits nor from overburdened taxpayers. Where are they to come from? Pandit Nehru's public utterances show that he has long ago grasped that half the battle against inflation is increased production; he is constantly adjuring his countrymen to work harder and produce more. But he apparently remains unconscious that the other half is control of public expenditure and that the capital expenditure schemes of his own Government have failed to add to

production, and also are depriving his Government and Indian industry of the sinews of increased production.

The plight of the middle classes is a commonplace in all western countries burdened by inflation and punitive taxation, but if they have an important role to play in the west their function is vital in India, where the economic advance of the illiterate masses numbering some 400 million depends on the administrative and technical skill, knowledge and initiative of a middle class which, according to the number of income tax payers, totals a mere 500,000. The Congress Party was a mass movement only in the sense that the masses were mobilised by the Party's middle-class leaders. The disillusion in this class today is widespread, and owing to lack of economic education is dangerous; the symptoms of India's ills—rampant black markets and corruption—are taken to be the causes. If any of India's political leaders grasp the significance of these facts, they certainly say nothing in press or parliament to educate public opinion.

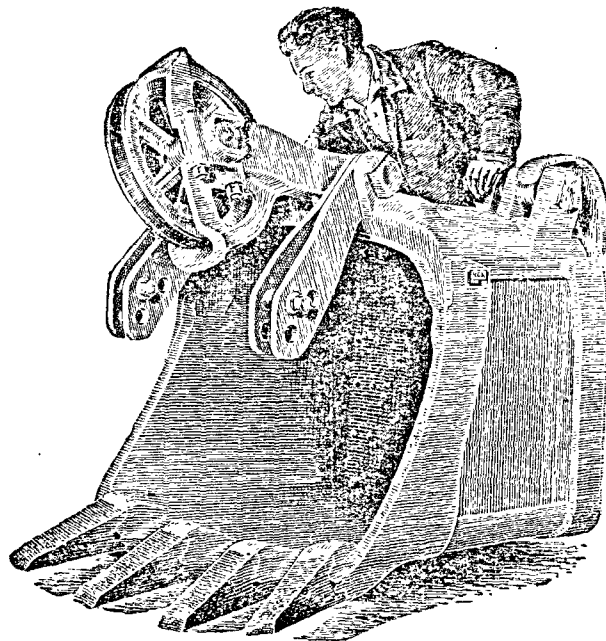
The overall picture that emerges—of a country floundering amidst economic maladies, and politically increasingly disillusioned—does not suggest that India can play any vigorous role on the international stage in the next twelve months—to look no further ahead.

Insubordination Within the Czech Army

THE ramifications of the Sling-Smerova-Clementis conspiracy have been explored and it is now the turn of the Czech army to undergo the upheavals which the Czech Communist party itself has recently been made to suffer. General Rejcin, the deputy Minister of Defence, who used to be regarded as a trusty henchman of Moscow, is the most illustrious of the army officers now known to be under arrest as "accomplices" of Clementis. It is, of course, impossible to say whether disaffected elements in the Czech army have, in fact, been as hand-in-glove with Clementis and Sling as Dr Cepicka, the Minister of Defence, has now made out. But there is no doubt that the army has always been a thorn in the flesh of the Czech Communists and their efforts to bring it into line through constant purgings have seriously affected its strength and efficiency.

Last spring the replacement of General Svoboda as Minister of Defence by President Gottwald's forceful son-in-law, Dr Cepicka, was generally thought to presage an all-out drive to sovietise the Czech army. And, indeed, to all outward appearances, the army did appear to be adopting the characteristics of the Red Army. Czech soldiers put on a Soviet-type uniform, and on October 1st, they became subject to a new disciplinary code based entirely on Soviet military law. But Dr Cepicka has now confessed that this was largely only a facade. He has told a gathering of army officers in Prague that "some orders issued in summer of 1950 have even yet either not been executed or only to an unsatisfactory degree"; and he added that some of these orders were of fundamental importance. They are, for instance, still many commanding officers who do not rely on the army Party organisations and army political workers in exercising their authority and jurisdiction. And the introduction of working-class officers has not been a success, owing to the obstructive and unco-operative attitude of the old guard of officers. This pre-occupation with the political outlook and class structure of the Czech army can hardly help to improve its efficiency as a fighting machine. But since Moscow clearly cannot afford to tolerate a Czech army which is not pro-Soviet, and since the Czech Government must naturally not be anxious to have another Marshal Rokossovsky foisted upon it, political reliability before fighting fitness will probably continue to be the order of the day.

It started 158 years ago



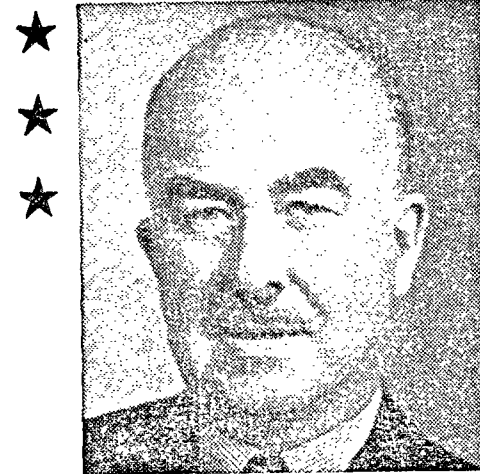
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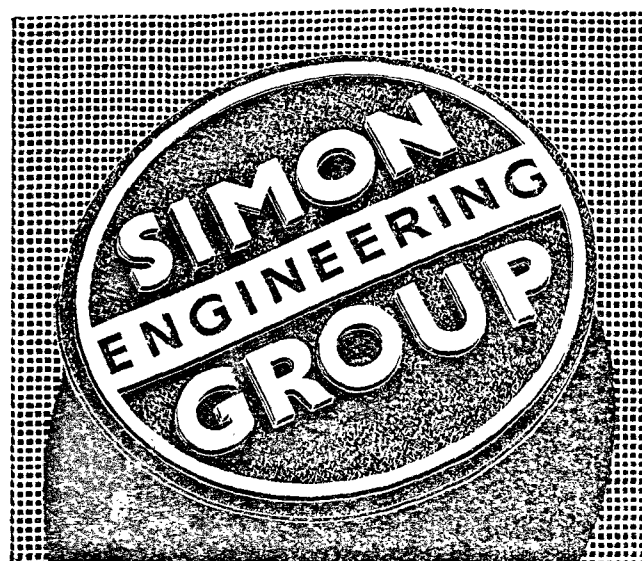
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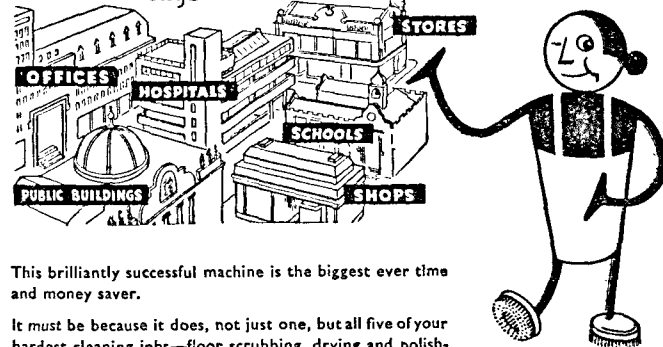
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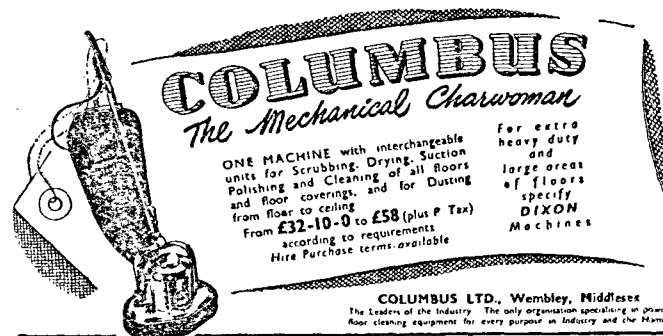


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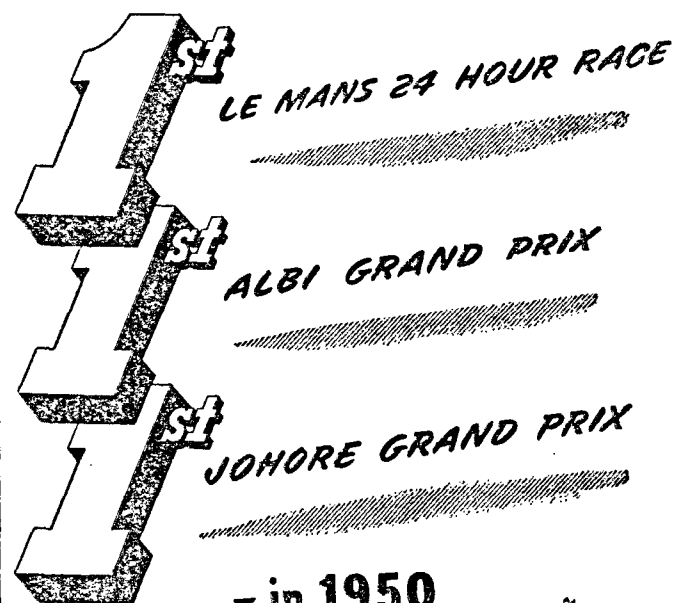
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Report on Gas

NATIONALISATION of the gas industry was carried through with a judicial care that most of the other acts of nationalisation lacked. In the case of gas, the issue was not hopelessly prejudiced or embittered. It followed upon a study made by an independent committee, which had concluded that only public ownership could bring about the changes in structure the industry needed; and the need for these changes, if not the method of effecting them, was conceded by the leaders of the gas industry itself. These former owners, though they opposed nationalisation, did not withhold from the Ministry of Fuel and Power their advice about the form that such a reorganisation, if decreed, should take; and on the vesting day in 1949 the publicly owned industry succeeded fairly amicably to the services of most of the central and local organisations' expert staff. The industry's structure under the 1948 Act, moreover, is happily free from the tendencies towards over-centralisation and empire-building that have characterised other nationalisation measures; its decentralisation arises not from any rethinking of principle, but simply from acceptance of the manifest requirements of the industry itself. Integration in larger units is generally accepted as necessary for the improvement of gas supplies; but equally it is accepted by all who have studied the industry that further concentration of these larger units under any close-knit national system of control would not be justified either on technical or economic grounds. In addition to the responsibilities for promotion, co-ordination of policy, and labour relations that it inherited from former central organisations, the Gas Council is responsible for advising the Minister, for research, and for the capital transactions of the industry as a whole. But the duties of developing and maintaining economic supplies of gas, coke and coal chemicals rest squarely upon the twelve area boards (whose chairmen, under a chairman and deputy chairman from the centre, make up the Gas Council); and the long-term plans for the industry's development are to be framed by them.

The industry's first report and statements of accounts, published last week, display some of the same non-controversial respectability. They are excessively late, and they cover only an awkward eleven-month period from the vesting date in 1949 to March 31, 1950. This initial period was taken up to a large extent with the assumption of powers by the new publicly owned council and boards, the revision of accounting procedures among the diverse undertakings acquired, the maintenance of gas and coke supplies, and the study and prosecution of developments inherited from the former undertakings. Nevertheless, the Council is able to report a start on certain integration projects within the area boards' supply systems; and in the eleven months it just managed to break even financially.

Not too much importance should be attached to the tiny surplus of £2,663 which, subject to certain provisos,

the Council and boards managed to amass from a turnover of £192.5 million. After paying interest of £7,600,000, and contributing £250,000 to the statutory Central Guarantee Fund maintained by the Gas Council, the area boards together showed a net deficiency of £10,579 on eleven months' operations, eight of them having made individual surpluses and four individual deficits. The Gas Council, which drew its income from a levy of 14s. per million cubic feet of gas sold by each area board, achieved a surplus of £13,242 on the period (no provision being made for any liability to income and profits taxes, which is being discussed with the Inland Revenue). The central organisation, therefore, was just able to keep the gas supply undertakings, taken together, out of the red. A more fundamental weakness of the industry's finances disclosed by the report, however, is the failure, common to a number of other nationalised industries, to provide for depreciation of its assets upon a basis remotely approaching the replacement costs of its equipment. By contrast, many of the former gas undertakings operated wholly or partially upon a renewals basis, charging the costs of new equipment to revenue in the years during which they were incurred. The area boards, adopting depreciation accounting, "have it in mind," according to the report, to make appropriate allocations from surpluses for funds to meet such higher costs, but in the initial period none did so. In the event only £9,000,000, or just over 4 per cent, was provided for depreciation upon fixed assets valued at £219.6 million; the bulk of this equipment was installed before the war, and the historical costs upon which depreciation is being calculated may well be no more than one-third of current costs for the same plant.

Striking differences of size, density of population, and standards of consumption between the twelve gas areas have a marked effect upon the different boards' markets, which vary from the North Thames' 208 consumers per mile over 8,497 miles of main to the Southern's 118 per mile over 4,523 miles or the North Western's 151 consumers per mile over 11,216 miles of main. The size and distribution of the undertakings and the efficiency of gasworks owned by the boards vary as widely; of the 1,037 undertakings transferred to public ownership, the deputy chairman remarked last week, some 300 non-statutory companies produced a mere two per cent of the total supply, many being literally run by one man. Some were running at a loss, while in others little provision was being made for maintenance or renewal of plant; certain undertakings had deferred increases in price long after they were due, and in some districts gas was selling at its prewar prices. The boards, apart from their duty of putting these finances upon a sound basis, were faced with an immediate rise in the cost of coal, which took place within a month of the vesting date, while the prices obtained for tar and other chemicals produced at their gasworks tended to decline during the period. During the initial period certain revisions were

made in the diverse scales of prices within areas (the Eastern Area, for example, inherited 444 different tariffs); the immediate need for higher revenue to meet increasing and deferred costs tended to take priority over the need to secure uniformity in method (not necessarily in level) of tariffs within and between areas.

While inadequate provision for depreciation means that consumers are not bearing the full costs of production, the report indicates that the industry is chafing under the restriction of the national investment programme. Its share of capital investment for the calendar year 1949 was £30 million, and in the eleven months reviewed the industry spent £27.8 million; this compares with £114 million allotted for electricity development during the same period. "Even with a substantial increase in capital expenditure," the Council believes, some years would elapse before the demand for gas could be fully met throughout the country. Industrial demand for gas, already 50 per cent more than before the war, is still rising, having passed the wartime peak; it is being applied more widely in specialised industrial processes such as baking, core drying, pasteurising, and ceramics manufacture. A considerable proportion of the industry's capital expenditure, therefore, has been upon plant for carbonisation of coal (and for the production of carburetted water gas, which can be produced quickly to meet the industry's peak loads); some economies have been possible in the dovetailing of different undertakings' plans, but in most places the pressure upon plant is such that no reserve of capacity exists. Some capital expenditure, however, has been possible upon the linking of undertakings by transmission mains, one of the most tangible forms of integration: mains extensions that, for example, have linked Sheffield to Rotherham (eliminating supply cuts in the larger city), Liverpool to Prescot (obviating the reconstruction of obsolete works nearby) and Colchester to Braintree (enabling the closing of the small Braintree works but extending the area

of supplies in Essex) offer a promise of greater savings from such developments in the future.

No useful judgment can be passed, therefore, upon the operations of the gas industry outlined in this laggard report; a few beginnings, and apparently in the right directions, have been made. The task of securing considerable gains in efficiency for the industry, within the circumstances of public ownership and decentralised control that impartial observers have judged necessary, lies entirely before the Gas Council and the area boards. Hard thinking upon the important questions of tariff policy, of recruiting the expert staff of which the industry in the past has been deficient, of evening out peak loads upon the industry's plant, and of developing more efficient appliances, may be going on in the industry, but it is reflected little in the report's pages; and though the Council succeeded, apparently, to an insufficient and unco-ordinated programme of research, its own approach to reorganising this seems rather leisurely. After all, technical developments such as the complete gasification of coal, which is reported to be in the pilot stage, might profoundly disturb the balance of the industry's economy; their effects need close study in advance. In the wider field, the Council's main need may be to disabuse other authorities of an inadequate conception of this important chemical industry. The tendency to think of it as a slightly outmoded, nineteenth-century fuel and power industry still exists (and can be detected even within the industry when the report calls £42 million worth of carbonisation chemicals "by-products"); local and central authorities seem sometimes to be slightly dazzled by the more "modern" glamour of electricity. The gas industry, while carrying through its own internal reorganisation, must take care, in negotiating on central policy with the noisier and better-publicised nationalised coal and electricity industries, not to become too easily the Cinderella of the British fuel and power family.

The roles played by the oil distributing companies and the motor manufacturers in this process of evolution have, in the past, to some extent diverged. Except for short-lived experiments, the oil distributing companies stayed out of the retail market and have, until recently, made little attempt to influence the layout and structure of the filling station. In the years preceding the war some of the major oil companies did seek to uphold reasonable standards by refusing supplies to petrol stations with shoddy premises and unsatisfactory service. In addition the Motor Agents Association laid down standards for its members covering the technical qualification of staff and the equipment and floor-space of the establishment. But the effect of such measures was limited; even now only 15,000 garages, half the total, are members of the MAA. In contrast, vehicle design and the sales and service policy of the motor manufacturer were having a considerable effect on the status of the

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Approx. total distributors and dealers	1,000	3,500	3,000	1,600	1,700	800
Ditto	...	...	...	...	120*	...
Re-conditioning Schemes—						
Engines	yes	yes	yes	yes	yes	yes
Other units	yes	yes	yes	yes	yes	yes
Dealer mechanics trained in factories	yes	yes	yes	yes	yes	yes
Standard charges for maintenance work	...	yes	yes	yes†	...	yes
Ditto	...	...	...	...	yes*	...
Free vouchers for initial servicing	...	yes	...	...	...	...
Ditto	...	...	...	...	yes*	...
Free service works at dealers' premises	yes	yes	yes	yes	yes	yes

* Ferguson Tractor. † At own works.

garage even before the last war. In each sales area an experienced and well-equipped dealer was appointed as the official distributor and acted as a channel for all orders from sub-distributors and free-lance dealers. Mechanics from the main distributors were invited to train in the factory schools; car manuals admonished owners to entrust overhauls only to the approved service stations for their particular model. The close tie between the motorist and his local garage was loosened.

★

The Ford Company carried specialisation further and led a development that is only now exerting its influence on the garage trade in Britain. The Ford system as practised throughout the world is to carry the principle of mass production beyond the stage of vehicle manufacture. Replacement parts are supplied through a network of official, exclusive distributors, and the repair and overhaul of components is largely replaced by their exchange for units reconditioned in the factory.

Although the Ford system is an extreme case even in the United States the attitude there towards car maintenance and fuelling is in line with American practice in cheap mass production. Major repairs are done by repair factories, while a host of smaller establishments specialise in jobs such as relining brakes, carburettor

adjustment and other minor functions. Car dealers rarely do repairs, but handle straightforward trading-in and new car deals; they rarely run a filling station. Filling stations concentrate on their main job of the mass distribution of petrol and oil, supplementing this only by carrying out light routine servicing, stocking batteries and tyres and often providing refreshments. It is not uncommon for the large American stations to have a throughput of up to 500,000 gallons a month—approximately twelve times the highest throughput of service stations in England. Competition in the United States stimulates continuous experiment; self-service stations are the latest innovation.

In Britain, though much more slowly, a tendency has been emerging towards the concentration of repairs at the main car distributors; in this the motor manufacturers with American associations, Ford and Vauxhall, have taken the lead. The war necessarily interrupted this encroachment on the traditional function of the garage. But there are signs that the trend towards specialisation has since been resumed, stimulated by the post-war scarcity of new cars in the home market. The motor manufacturers, conscious of the need to maintain their goodwill at home for the future, have sought to facilitate overhauls by supplying new and reconditioned components for replacements; this is the "canned unit" principle that the conventional repair garage already regards as a menace to its trade. Many companies—Standard, Austin, Morris—have been at pains to organise an adequate supply of reconditioned units, and the dealers are provided with a float so that they can instal, say, a reconditioned engine without keeping a car out of service for more than a couple of days. The Rootes group, recognising the customer's appreciation of trouble-free maintenance, lays special emphasis on its specialised after-sales service with guaranteed factory-rebuilt units, and factory training for the dealer's staff. Vauxhall have followed the Ford system of standardising the charges to be made by their agents for standard maintenance and replacement jobs. The factory maintenance scheme has also been extended to many items of motor equipment that are made by independent specialised firms for the motor manufacturers.

It is evident that the maintenance of motor vehicles is rapidly achieving the quality and speed appropriate to a mass-production industry. At present, however, there are a great number of old cars still on the road that do not fit into standardised repair schemes, and their condition inflates the demand for repair work. Current registrations amount to approximately 2,250,000 and the sum of new registrations made since 1939 is only 730,000, so that, even if one assumes all the cars registered in the last ten years to be still in service, there remains a balance of over 1,500,000 cars that are ten years old or more. It is these older cars that still provide the small garages with the piecemeal work for which their craftsmen mechanics were trained. But when new cars are once more available, the staple business of these minor garages is likely to disappear on the junk heap. Meanwhile, the distributors have probably won over the bulk of the new car trade, in view of the motorist's present need to place his order for a new car with the most influential dealer he can find. What is more, the private motorist, who in the past regarded his car as a hobby, has had his personal appetite for tinkering more than sated by the prolonged need to make do and mend.

The Garage Trade—I

From Can to Pump

EASTER, traditionally, begins the season of motoring for pleasure: and this Easter, unlike any other since the war, that phrase has something approaching its old meaning for the private motorist. He may not have the car he wants; but he can have as much petrol (still Pool, but couponless) as he chooses to buy. His familiar garage, offering again not only the overhaul but the fill-up, is re-establishing a pattern that dates from the early days of motoring. Chemists were the first traders to dispense petrol, but cycle agents, coach builders, ironmongers and blacksmiths saw the potentialities of the trade and took out licences to deal in petroleum spirit. Many of these made themselves specialists in repairs and maintenance for their localities, and began to act as a channel for transmitting orders for new cars to the manufacturers. Last of all the horse dealer adapted himself to the times by setting up as a motor car agent. This combination of services into one trade was a natural development. But it was already subject to certain dividing influences before the second world war put private motoring into cold storage. Today the motorist can descry the beginning of radical changes in the garage trade.

Private motoring in the early years of this century was too thinly dispersed to make it worth while for the petroleum distributor to establish special stations for the sale of motor spirit and oil. It was sufficient for the oil companies to make use of traders associated with the motor industry, with many of whom they were already in contact through sales of kerosene. Indeed, the use of the 2-gallon can as the unit of distribution made it impracticable to tie up particular retailers to any one oil company, since the retailer could afford to distribute his stock easily among competing brands of spirit in accordance with the preferences of his customers. By the time roadside pumps came into common use the system of independent retailers was firmly established; in 1925 about 14,000 sites were retailing petrol for less than a million customers. By 1930 most of the present retail selling points for petrol had been established; there were some 30,000 of them. Two-thirds combined their business with repairs and maintenance, and those who were not official agents for a particular make of car acted as freelance agents.

Business Notes

The Fall in Gilt-Edged

The slide in gilt-edged prices gathered a new impetus towards the end of last week and the beginning of this; on Monday the falls ranged up to $\frac{1}{4}$ point. A more moderate movement in 4 per cent Consols (1957 or after) attracted particular attention, since it carried the net price below par and raised the redemption yield, calculated to 1957, to £4 1s. 1d. per cent. The only new technical factor was the fiasco of the Northern Rhodesian loan, public subscriptions for which, as noted here last week, amounted to a mere 6 per cent; the scrip opened at 2 discount, which later widened to 2 $\frac{1}{2}$. By Monday evening it was apparent that this friendless market was oversold; and on the following day precautionary bear-covering on the approach of the holiday, combined with small institutional buying, produced a sharp technical rally. Even so, prices at the moment of going to press show appreciable further declines on the week. The irredeemable and longer dated stocks have fallen between 3 $\frac{1}{4}$ and 4 $\frac{1}{2}$ points net since mid-January, and most of them have thus lost more than half of the ground gained since 1949. Old Consols now stand only 2 $\frac{1}{2}$ points above their lowest closing price in November of that year—before the dramatic intervention of the Government broker.

The slide since mid-January has thus reached the proportions of a major movement. Its original cause was the impact of steel nationalisation, which is still, of course, exerting a depressing effect. The stream of selling of steel stock is no

GILT-EDGED GROSS REDEMPTION YIELDS
(per cent)

Stock and Redemption Dates	Nov. 10, 1949	End of Korea, June 23, 1950	Chinese Counter-Attack, Nov. 30, 1950	Jan. 17, 1951	Feb. 15, 1951	Mar. 20, 1951
Shorts and Middles	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
21% Nat. W. Bds. 51/53	2 4 11 $\frac{1}{2}$	1 17 11 $\frac{1}{2}$	2 0 11 $\frac{1}{2}$	1 19 9 $\frac{1}{2}$	1 18 7 $\frac{1}{2}$	2 0 0 $\frac{1}{2}$
3% Nat. Elec. 54/58	2 15 3 $\frac{1}{2}$	2 1 8 $\frac{1}{2}$	2 11 8 $\frac{1}{2}$	2 9 10 $\frac{1}{2}$	2 10 3 $\frac{1}{2}$	2 12 2 $\frac{1}{2}$
3% War Loan 55/59	2 16 2 $\frac{1}{2}$	2 5 0 $\frac{1}{2}$	2 10 10 $\frac{1}{2}$	2 10 6 $\frac{1}{2}$	2 11 0 $\frac{1}{2}$	2 11 7 $\frac{1}{2}$
Medium Longs						
3% Sav. Bds. 55/65	3 8 7 $\frac{1}{2}$	2 19 5 $\frac{1}{2}$	3 1 1 $\frac{1}{2}$	2 19 5 $\frac{1}{2}$	3 1 4 $\frac{1}{2}$	3 3 11 $\frac{1}{2}$
4% Funding 60/90	3 14 6 $\frac{1}{2}$	3 1 8 $\frac{1}{2}$	3 4 5 $\frac{1}{2}$	2 9 3 $\frac{1}{2}$	3 7 9 $\frac{1}{2}$	3 11 4 $\frac{1}{2}$
Longs						
21% Sav. Bds. 64/67	3 6 5 $\frac{1}{2}$	2 17 5 $\frac{1}{2}$	2 19 3 $\frac{1}{2}$	2 19 1 $\frac{1}{2}$	3 2 3 $\frac{1}{2}$	3 4 4 $\frac{1}{2}$
3% Sav. Bds. 65/75	3 13 6 $\frac{1}{2}$	3 6 1 $\frac{1}{2}$	3 4 7 $\frac{1}{2}$	3 4 8 $\frac{1}{2}$	3 7 5 $\frac{1}{2}$	3 10 0 $\frac{1}{2}$
3% Brit. Elec. 74/77	3 13 4 $\frac{1}{2}$	3 6 8 $\frac{1}{2}$	3 4 8 $\frac{1}{2}$	3 5 2 $\frac{1}{2}$	3 7 9 $\frac{1}{2}$	3 9 11 $\frac{1}{2}$
31% Brit. Elec. 76/79	3 13 4 $\frac{1}{2}$	3 9 9 $\frac{1}{2}$	3 6 2 $\frac{1}{2}$	3 6 11 $\frac{1}{2}$	3 9 11 $\frac{1}{2}$	3 12 3 $\frac{1}{2}$
3% Trans. Stk. 78/88	3 15 11 $\frac{1}{2}$	3 9 0 $\frac{1}{2}$	3 7 4 $\frac{1}{2}$	3 7 11 $\frac{1}{2}$	3 10 8 $\frac{1}{2}$	3 13 1 $\frac{1}{2}$
3% Gas Stk. 90/95	3 15 7 $\frac{1}{2}$	3 9 5 $\frac{1}{2}$	3 7 5 $\frac{1}{2}$	3 8 0 $\frac{1}{2}$	3 10 7 $\frac{1}{2}$	3 12 10 $\frac{1}{2}$
Undated						
31% War Loan '52	3 19 4 $\frac{1}{2}$	3 14 3 $\frac{1}{2}$	3 14 7 $\frac{1}{2}$	3 14 5 $\frac{1}{2}$	3 16 1 $\frac{1}{2}$	3 18 4 $\frac{1}{2}$
21% Consols	3 16 4 $\frac{1}{2}$	3 10 5 $\frac{1}{2}$	3 10 10 $\frac{1}{2}$	3 10 4 $\frac{1}{2}$	3 12 6 $\frac{1}{2}$	3 14 6 $\frac{1}{2}$
21% Treas. Stk. '75	3 17 3 $\frac{1}{2}$	3 11 3 $\frac{1}{2}$	3 11 0 $\frac{1}{2}$	3 11 0 $\frac{1}{2}$	3 13 1 $\frac{1}{2}$	3 15 3 $\frac{1}{2}$

(e) To earliest date. (f) To latest date. (g) Flat yield.

longer large, but the whole market is very thin, and there is the knowledge that considerable blocks of stock are still held by industrial allottees who may be regarded as potential sellers. It would be wrong, however, to attribute the market's behaviour mainly to this special cause. Investors are realising at last that the defence outlays are almost bound to involve a continuous basic disequilibrium in the nation's capital account, and they are no longer relying upon the assumption—very common last year—that the authorities will use physical controls and other arbitrary devices to prevent this disequilibrium from putting constant pressure on the gilt-edged market. This change of opinion naturally owes much to the marked inactivity of the authorities; and especially to the fact that they have made no attempt whatever to soften the impact of the steel operation. The credit expansion that was permitted last year had seemed, for a time, to lend some support to the earlier view, but now that it is possible to get a better perspective of official tactics, it

becomes apparent that there has been no departure from the post-Daltonian policy of refusing to resist any major trend.

In these circumstances, it is scarcely surprising that more and more people in the City are beginning to ask whether official policy may not become still more orthodox, by taking a tighter hold of the reins of monetary control. In this context, the City has been following very closely the discussions in Washington, and has duly noted their most significant outcome so far—the lowering of the peg for the 2 $\frac{1}{2}$ per cent bonds that are the subject of the new conversion offer into “unmarketable” 2 $\frac{1}{4}$ per cent stock. In this technical sphere, however, the contrast between America's problem and Britain's is probably more notable than the superficial similarities.

* * *

Bigger Table for Commodity Talks

The central group of the international materials conference in Washington originally consisted of Britain, the United States and France. This triumvirate has now been expanded to bring in Australia, Brazil, Canada, India, Italy and representatives of the Organisation for European Economic Co-operation and the Organisation of American States. The purpose of widening the membership in this way is to allay fears on the part of smaller countries that the conference will be dominated by the three initiating powers. It also provides a means of representing OEEC and OAS, and allowing a more effective voice to important suppliers of raw materials in the Commonwealth, including Canada and Australia. The Commonwealth is in fact represented by four, not necessarily unanimous, voices.

The central group will continue to work as a steering committee and its first meeting in this new form is to take place this week. The bigger committee of ten will find it more difficult to co-ordinate the work of the commodity committees than a restricted group of three. This expansion of the central group does, indeed, challenge the conception of the conference. The commodity committees are to remain autonomous and they will discuss their commodities on their own merits. But at some point bargains will have to be struck, and the intention was that, after these detailed commodity reviews, the bargaining would take place outside the conference rooms. Clearly the danger now arises that such bargaining will begin to absorb the attention of the larger central group, under the sacred name of “co-ordination”; if this is so, the separate commodity committees will have no opportunity of doing a useful task. When the scheme was started, the central group was designedly left with no executive power, and Britain, the United States and France still accept the view that their task should be to co-ordinate. It will take a strong chairman to ensure that the work of the larger group is confined to pure co-ordination.

Five commodity committees are at present at work. The three dealing with non-ferrous metals and the one dealing with sulphur have virtually completed their task of getting an agreed statistical picture of supply and demand, and the stage is set for the second act—to discuss means of expanding production and ensuring an equitable distribution of available supplies. The cotton committee is expected to adjourn until the first estimate of this year's American crop is available. The wool committee that meets on April 2nd will have representatives of ten countries—Australia, Belgium, France, the Federal Republic of Germany, Italy, New Zealand, South Africa, the United Kingdom, the United States and Uruguay. The speed at which the conference has gone into operation has not been as great as certain consuming countries would have wished, but the possibility of some form of international allocation for at least some of the commodities seems greater than it did three months ago.

Stockpiling and Commodity Prices

There are growing signs that the general scramble for commodities has begun to exhaust itself and that the American change of front on stockpiling is making markets hesitant. Free market prices for non-ferrous metals have declined quite significantly during the past ten days, although they are still well above the official American quotations. Tin has been hovering around £1,300 a ton, which is nearly £200 a ton lower than three weeks ago. Rubber has also weakened, though at 5s. 2d. a lb. it is much dearer than producers foresaw last November, when the expansion in American synthetic production in the first half of this year was expected to bring the price of natural rubber down to around 4s. a lb. Grain prices have eased slightly in the past two weeks. Tungsten, which declined last week for the first time for twelve months, fell further this week, by 87 $\frac{1}{2}$ s. to 525s. a unit. Egyptian cotton prices have also

COMMODITY PRICES

Commodity.	June 1950	Jan. 3	Jan. 17	Feb. 7	Feb. 28	Mar. 7	Mar. 14	Mar. 20
Cotton								
US middling (cents per lb.)	34.64	44.62	45.01	...	...	46.06	46.06	46.06
Egyptian Komak good (tallies per cantar)	74.4	140.3	167.25	162.55	177.5	187.0	181.0	...
Ashmouni (tallies per cantar)	154.5	126.9	137.5	136.6	137.2	141.6	136.8	...
Wool 56's (d. per lb.)	81	...	220	232	254	266	277	277
Sisal (£ per ton)	130	200	210	220	226	231	233	243
Jute (£ per ton)	120	122	131	147	168	168	168	193
Rubber, R.S.S. spot (d. per lb.)	24	53.0	61	69	72 $\frac{1}{2}$	67 $\frac{1}{2}$	63	62 $\frac{1}{2}$
Wheat (cents per bushel)	216 $\frac{1}{2}$	246 $\frac{1}{2}$	243	256 $\frac{1}{2}$	240	243	241 $\frac{1}{2}$	241 $\frac{1}{2}$
Maize (cents per bushel)	148	176	175 $\frac{1}{2}$	182	174 $\frac{1}{2}$	178 $\frac{1}{2}$	175 $\frac{1}{2}$	175 $\frac{1}{2}$
Copper, electrolytic (cents per lb.)	22.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5
Free market (cents per lb.)	22.5	46.0	46.0	46.0	48.0	49.0	46.0	45.0
Zinc, Prime West (cents per lb.)	15.0	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Free market (cents per lb.)	15.0	...	35/45	...	...	45.0	42.0	40.0
Lead (cents per lb.)	11.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Free market (cents per lb.)	11.0	...	21.875	25.0	27.5	27.5	25.0	25.0
Tin (£ per ton)	600 $\frac{1}{2}$	1,130	1,227 $\frac{1}{2}$	1,425	1,422 $\frac{1}{2}$	1,337 $\frac{1}{2}$	1,325	1,310
Tungsten (s. per unit)	126.9	407.5	480.0	545.0	670.0	670.0	612.5	525.0

* * *

Coal Cheer

In the last three months the coal industry has achieved a surprising spurt in activity, following the disappointing autumn during which a continued loss of mining manpower reached a point at which, in some pits, men leaving ancillary jobs underground had to be replaced by men taken from the coal face. Mr Noel-Baker's congratulations to the industry this week upon its high output in what he called the “little bull” week preceding Easter were justified: a labour force smaller by 5,400 men than that in the corresponding week of 1950, working more shifts per man than for years, mined 4,500,300 tons of coal, 300,000 tons more than last year. Since the eleventh week of the year began, deep-mined output has been 1,857,000 tons more than in the same period of 1950, and total output 1,423,400 tons higher; the “Prime Minister's target” of three million tons “extra” by the end of April seems certainly more feasible now than when it was announced.

The rise in total output for the first eleven weeks of the year, in fact, has just kept pace with the rise in inland consumption: by slashing exports and reducing bunker supplies, total consumption of coal has been reduced by nearly a

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million tons compared with that in the same period of 1950. In the event, it has not been necessary to restrict all industrial customers to the extent that was expected when the emergency measures of fuel economy began; last week, for example, industry consumed roughly what had become its "normal" quantity during this winter—a million tons—and stocks held by electricity undertakings, water companies, and railways rose slightly. Total distributed stocks fell during the week by only 66,000 tons. The industry is now considering stock building for next winter—a problem that is somewhat eased by the readiness to restrict exports to whatever level may be necessary to meet growing home demands. This policy, logical enough, may be financially painful for the National Coal Board; in the long run, however, it will only postpone a return of the major problem—which must be attacked from the side of efficient coal utilisation as well as of efficient production.

* * *

Egypt's Sterling Balances

The threat of the Opposition in the House of Commons to bring up the financial agreement with Egypt on a motion for the adjournment of the House, was duly implemented this week and led to a division in which the Government carried the day by the narrow majority of three votes. The debate brought to light very little fresh factual material on the situation. The Opposition's attack was launched on two fronts: the first on the alleged generosity of the releases from Egypt's sterling balances provided for in the latest agreement, and the second on the undertaking to supply oil to Egypt against payment in sterling and without gaining any *quid pro quo* by way of relaxation of the restrictions now imposed by Egypt on oil traffic through the Suez Canal. The first attack misfired badly. The Chancellor of the Exchequer was able to show that the releases envisaged under the agreement, namely from £10 to £13 million a year, compared with an average of £28 million in the three previous years and was relatively much smaller than the releases agreed to in other agreements with sterling creditors, notably those with Israel and Jordan.

Mr Eden and Mr Churchill brought forward the familiar argument that counter claims should have been put in for saving Egypt from invasion; and Mr Churchill emphasised that it had been repeatedly and solemnly agreed in the War Cabinet that such counter claims would be made at the end of the war. He was, however, unable to assert that this intention had been imparted to the Egyptians, or indeed to any other of our creditors. These sterling credits were accumulated without any condition or qualification; to have introduced conditions *post facto* and by unilateral decisions would have done damage to Britain's credit, financial and political. A request for voluntary cancellation was made to the Egyptian Government in 1947 but was refused then and since. The lesson of this episode is the all too familiar one that nothing is ever gained by postponing a politically inconvenient decision to another day. If the War Cabinet meant what it thought on this issue of counter claims, it should have made that intention quite clear when the debts in question were being incurred. It is now too late to bring these mental reservations into the open.

On the question of oil, however, the Opposition had a stronger case and the Chancellor of the Exchequer, as main defender, a much more difficult task. The main burden of Mr Gaitskell's defence, that this was a "purely financial agreement," carries very little conviction. It was no answer at all to the argument most lucidly put by one of his own supporters, Mr Crossman, that for many months Britain had been deprived of the dollar earning capacity of the Haifa refinery and that it was ironic that the responsible country should be given special privileges to prevent her losing dollars in buying oil. This was an accusation in reply to which the Front Bench was strangely silent except for its

assurance that there was no lack of co-ordination between the Treasury and the Foreign Office and the implication that this was an issue that the Foreign Office had in hand.

* * *

Admiralty Orders

Although a sharp increase in warship construction had been expected under the rearmament programme, the figures given by Mr Callaghan in the debate on the Navy Estimates caused some surprise. He stated that the proportion of the labour force of the shipbuilding and ship-repairing industries engaged on naval work, which in 1948 was 2 per cent, was now 11 per cent and would rise to 30 per cent by the end of 1952. His words were no doubt intended to impress, but they might perhaps have been better chosen: the first impression that they give, that one-third of British shipbuilding capacity will by then be engaged on warship construction, is not altogether correct.

If this were the case, a good proportion of the many orders that shipbuilders have received in recent months would be subject to considerable further delay, and the programme of tanker construction that is the most noticeable feature in shipyards today would be seriously held up. In fact, however, the number of major yards affected by the naval programme will be comparatively small. Of the 218 vessels to be built under the rearmament programme, 24 are frigates and the remainder are coastal minesweepers or smaller craft. Two of the frigates are being built in Royal dockyards; most of the rest will probably be laid down by the firms which normally undertake destroyer construction. Some of these, such as Vickers-Armstrongs and Cammell Laird's, are large firms also building tankers; others, such as Thornycroft's and Yarrow's, build only smaller ships.

Much of the remainder of the programme is being deliberately placed with very small firms, whose capacity would be needed for this work in the event of war. Many of the builders of the first 41 minesweepers, as listed in the Estimates, normally build only fishing vessels and yachts, and in any case have not lately been working to capacity. Thornycroft's have been appointed "parent" firm to this group of small builders. Another important part of the Naval programme is the conversion of 45 destroyers to fast frigates; the Royal dockyards will no doubt take a good deal of this work, but some is likely to go to ship repairers, whose capacity is also not fully occupied at present. The continued refitting of the reserve fleet, as well as the modernisation of some ships, will also form part of the programme; much of this work, too, will go to ship repairers. The dislocation of merchant shipbuilding will thus not be as great as might be imagined; the effect will no doubt be noticeable, but it will not be disastrous.

* * *

Incentive Wage Schemes

Postwar competition for labour has led to an extraordinary growth of incentive and bonus wage schemes that is threatening to defeat their true purpose of increasing output and reducing costs. The Ministry of Labour's new supplement to the *Industrial Relations Handbook** should go some way towards stopping this haphazard introduction of ill-devised schemes that are tending, like bad money, to drive out the good. The supplement gives details, noting the advantages and disadvantages, of a large number of different methods of payment by results and of calculating time rate bonuses for extra work. Those described range from the Halsey system of piecework rates to the less precise profit-sharing and industrial co-partnership ideas that are beginning to gain ground in some industries. Whilst it is recognised that different industries and factories need

* Stationery Office, 1s. 6d.

different schemes, the supplement emphasises throughout the need to adhere to certain principles. The schemes must not be merely disguised forms of wage increases; work-study is essential before fixing piecework rates or basic times; there must be consultation with the unions; quality must not suffer; and incentive payments to groups should be made as soon after the extra work as possible.

The main drawback of wage incentive schemes, however, is that a few bad ones in an area can so spoil the labour market as to destroy the advantages of good schemes in the same area. A method, for example, that makes it possible for every worker in a factory to increase his earnings without much more than a token increase in production inevitably attracts workers away from other factories where real extra work is needed to earn more than the basic rate. Moreover, such schemes increase costs out of all proportion to the results they achieve. It may also be doubted whether, in the present situation of high real wages and full employment, financial incentives mean so much to the worker as is generally supposed. No firm, perhaps, can now afford to be without some sort of wage incentive scheme; but often other methods of better management and organisation hold out more hope of increased output and reduced costs.

* * *

Trends in Trade

An analysis of the detailed trade figures for February provides little relief to the somewhat dismal story revealed by the provisional figures, discussed in these columns last week. Exports of all the manufacturing groups were smaller than in January, partly because of the shorter working month. But some groups actually dropped below their levels of February, 1950, despite the intervening rise in prices. Coal exports, for example, were barely a third of their last year's figure. Exports of machinery, electrical goods and pottery were also smaller than a year ago. Those of wool textiles, however, were nearly 50 per cent larger on the year, and substantial increases were also recorded for chemicals, non-ferrous metals and cotton goods.

The vehicle group (including aircraft and ships) was still by far the largest export category, although shipments to the United States, Canada and South America fell quite sharply during the month. The total number of new cars exported was only 24,093, compared with 28,340 in January; the dock strike in Britain was partly responsible for this decline. Machinery exports to South Africa, India and Brazil were smaller than in January, while shipments to the Soviet Union amounted to barely £50,000, compared with nearly £1,500,000 in February of last year. Exports of cotton goods to virtually all markets declined, but the biggest fall was in those to South Africa, West Africa and South America. In wool textiles the main decline occurred in shipments to South Africa.

The world shortage of raw materials has not yet been reflected in British import figures. On the whole, imports during the first two months of this year have been somewhat larger than in the same period of 1950. But that is no cause for complacency, as last year imports were insufficient to maintain consumption and the deficiency was made good by drawing on stocks. Imports of softwood were substantially larger, and those of raw cotton and raw wool slightly larger than in the first two months of 1950; increased supplies of Egyptian cotton offset the smaller imports of American cotton. Imports of sulphur in January and February were maintained at about last year's rate. Much more aluminium, copper, and tin has been imported this year, and more zinc, manganese and nickel. On the other hand, imports of lead were much smaller, while the amount of tungsten received was about half that imported in the first two months of 1950. Larger quantities of flax, jute and hemp have also been imported. Among the foodstuffs, larger supplies of grain (particularly maize) have been received than a year ago, more

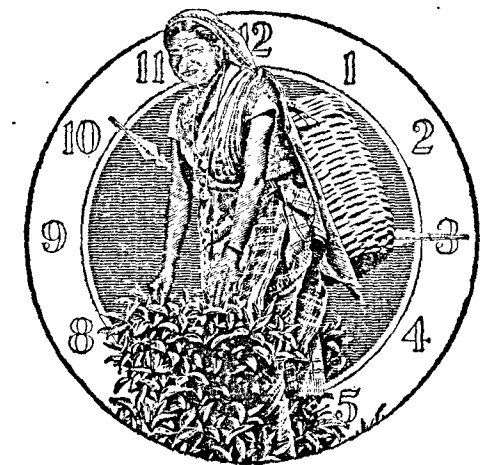
butter, cheese and tea. Meat imports, owing to the hold-up in Argentine supplies and the shipping delays from Australia and New Zealand, have been little more than half last year's quantity. Imports of cocoa and sugar have also declined. On the import side, the picture is not as black as it might be, but it has already a greyish tinge.

* * *

Sugar from Cuba?

Britain's negotiations with the Cuban delegation at the Torquay tariff conference for a possible long-term contract for British purchases of Cuban sugar have raised a storm of protest in the Commonwealth. It is probably true that the negotiations were started before Commonwealth producers were advised. But when the new Commonwealth sugar agreement was signed in London fourteen months ago it was made clear that Britain would still buy a certain quantity of sugar from Cuba. Aggregate exports of sugar from Commonwealth countries were then fixed at 2,375,000 tons a year for the period 1953 to 1957 (the period has since been extended to 1958), and of this quantity Britain undertook to buy 1,643,000 tons a year at guaranteed prices; these prices were to be negotiated annually, but for 1951, which is still under the old contract, Britain has agreed to raise the price from £30 10s. a ton to £32 17s. 6d. a ton. Britain's annual requirements are estimated at 2,325,000 tons, so that something like 700,000 tons will be purchased at world prices from Commonwealth or foreign producers.

Cuba is the largest sugar exporter in the world, and in the past its exportable surplus (that is, the part of its crop that is not sold in the American market) has set the world price. Cuba could therefore undercut any of the Commonwealth producers, and it was to prevent this happening that suggestions were made nine months ago to resuscitate the international sugar agreement, under which Britain would give



Time for Eastern trade

Ten-fifteen in England and the London, Manchester and Liverpool offices of The Chartered Bank of India, Australia and China have already opened to the public. At New York the day's work has not yet begun. In the East at Colombo it is tea-time and in Hong Kong business is finished for another day. But wherever business men engaged in the Eastern trade may be, they will find at the nearest branch of The Chartered Bank up-to-the-minute information, skilled assistance and efficient banking services.

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Cuba a share in its market. The Canadian Government announced some time ago that in future it would buy sugar in the cheapest market, which could mean that it would buy from Cuba rather than from the Commonwealth, despite the tariff preference Canada accords to Commonwealth sugar. Moreover, the Canadian delegation in Torquay has offered Cuba a reduction in its tariff on foreign sugar in return for lower Cuban tariffs on Canadian manufactures. The British move, by contrast, would seem merely to be a way of assuring Cuba some share in the British market—a share that would be accorded in any case under any international sugar agreement; if a long-term contract were agreed between Britain and Cuba, the reintroduction of the international sugar agreement would be a mere formality.

Such a contract would also mean that Britain would be assured of sufficient supplies of sugar to permit the abolition of rationing. Indeed, Lord Lyle stated recently at the annual general meeting of Tate and Lyle, Limited, that 2,500,000 tons of sugar were available to Britain even without any expenditure of dollars. Certainly this year's bumper world crop is sufficient to meet Britain's unrationed needs and to satisfy the demand for private hoarding in the United States. But that does not mean that sugar rationing will necessarily be abolished this year. The fateful experiment in freeing confectionery in 1949 has made the Ministry cautious, and this time it is unlikely to move until it has more than adequate stocks. Moreover, the abolition of the sugar ration would also make necessary the abolition of the sugar subsidy (at present about 14d. a lb.), and that decision would be politically unpalatable to the Government.

Tobacco Supplies and Prices

The Rhodesian Tobacco crop is expected to show a big fall this season. The target was set at 120 million lb, and but for drought this figure would have been reached. But on present indications, the crop is not expected to yield much more than 75 million lb, compared with last year's crop of 104½ million lb. If heavy showers occur in the next two weeks the harvest might be higher by 10 million lb. Last November British manufacturers signed a six-year agreement with Rhodesian tobacco growers under which they undertook to buy 75 million lb this year or two-thirds of the crop, whichever was smaller. They expected to get 75 million lb; but their purchases under the agreement are unlikely to reach much more than 50 million lb, compared with 70 million lb last year. Presumably there is nothing to prevent British manufacturers from buying more if they are willing to bid up prices at the auctions.

Consumption of tobacco in Britain last year increased slightly and was back to the 1948 level. Net clearances from bond, which give some indication of the rate of consumption, fell steadily from 1946, when they averaged 20.9 million lb a month, to 1949, when the average was only 17.6 million lb. The monthly average for 1950 was 17.8 million lb. Imports in the past two years, however, have increased, though they have remained much smaller than before the war, and stocks of leaf have been accumulated. At the end of December, 1950, they amounted to 441 million lb, their highest level since the war; 21 million lb was added to stock during the year. Provided that purchases of tobacco from other sources remain unchanged, the shortfall in Rhodesian supplies could therefore be made up from stocks, without any need for a deliberate cut in consumption.

The higher cost of leaf since the war has not been passed on to the public, though prices of cigars and certain pipe tobaccos have been increased. Sir Robert Sinclair, chairman of the Imperial Tobacco Company, in making this point at the annual general meeting, contended that it was "not only in the national interest but also in the interest of the tobacco trade" to avoid as far as possible any increase in price.

Tobacco prices are determined mainly by the very high rate of duty rather than by manufacturing costs, and Sir Robert hinted that they were already at such a level that any further increase might reduce demand. Such a reduction would, of course, affect the trading prospects of the Imperial Tobacco Company, whose turnover last year amounted to over £500 million compared with a total personal expenditure on tobacco in Britain of £769 million in the same period.

BEA's Helicopter Service

The experimental helicopter passenger service operated by British European Airways in Wales last year will be replaced this summer by a similar service between London and Birmingham. The route has been chosen to get experience of landing helicopters closer to a city centre. The Welsh service was operated from local airfields some miles outside Liverpool and Cardiff, but this summer, although helicopters will leave from Heathrow and Northolt, they will land and take off in Birmingham on a recreation ground about three miles from the centre of the city. A full service between city centres cannot be operated until helicopters with at least two engines are in service—single-engined machines can make a forced landing with comparative safety but neither operators nor manufacturers think this is a risk that should be taken over a heavily populated area.

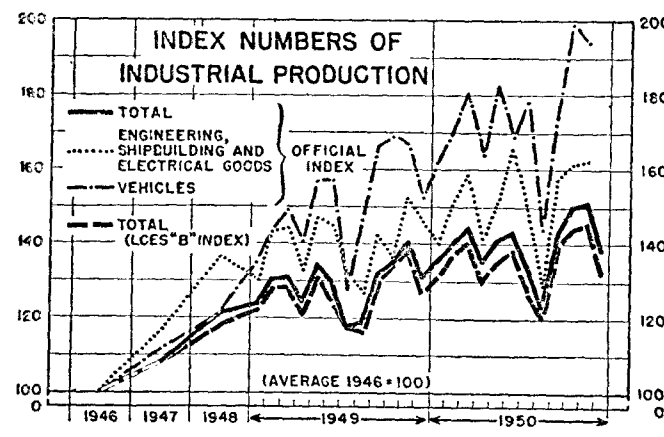
No multi-engined helicopter has yet flown in Britain. In fact, the only British helicopter with a certificate of airworthiness is the Sikorsky, built by Westland Aircraft under licence from American Sikorsky Aircraft, a division of the United Aircraft Corporation. It carries three passengers—a payload that is too small for economic operation. BEA is the one airline running a scheduled helicopter service, but the point at which this ceases to be experimental and becomes a commercial form of transport depends on the date at which machines with an economic payload become available. An interdepartmental committee of the Ministry of Civil Aviation has been studying helicopters since 1948 and in its first report, published this month, suggested that such a machine would have to carry about 20 passengers at a cost of 6d. a passenger mile. A machine of this size raises many problems of design, and even a prototype is not likely to fly for several years. But if 6d. a passenger mile is to be regarded as an economic operating cost, the committee may have reached an unduly pessimistic conclusion. The Bristol Aeroplane Company is developing a twin-engined helicopter carrying 10 to 12 passengers; the prototype will make its first flight within the next two months. Using cost estimates prepared by Bristol in 1948, the committee decided that this machine would cost 10d. a passenger mile to operate and would at that price be uneconomic; it was described in the report as "an indispensable stage in the development towards a fully commercial machine." As the prototype developed, Bristol revised its cost estimates and the company now believes that the machine in its present form will show an operating cost of about 6.5d. a passenger mile. Costs are bound to rise before such a machine is in service, but not in such a way as to change the ratio of cost between the larger and smaller machine. Assuming that development proceeds smoothly, the Bristol helicopter could be in service in three to four years' time.

Helicopter development should proceed more rapidly now that the military value of the machines is becoming recognised. In Korea the American army have used them with great success to transport casualties from the front line and the British Navy has recently carried out successful deck landing trials. The fact that military orders have been placed for helicopters should give British designers the extra experience they seem to need in order to obtain wholly reliable performance in, for example, the rotors and rotor attachments of their machines.

Production in 1950

Industrial production last year can now be reviewed in the light of two almost complete statistical series—the index numbers produced independently by the Central Statistical Office and the London and Cambridge Economic Service. Full official details are not yet available for December, 1950, but provisional figures for the total and main groups have been published. In total, the achievement is impressive. The official index records a total increase of 8½ per cent in industrial output in 1950 and shows an advance of 40 per cent over the 1946 level; in manufacturing industries alone, the increase last year was nearly 10 per cent. The "B" series of the London and Cambridge index (the most nearly comparable to the official index) shows a more restrained rise of 7 per cent in total production last year and an increase of 35 per cent above 1946.

The difference between the two results hardly calls for close analysis. In part it may be connected with the fact that the London and Cambridge index excludes finished munitions, which are mainly included in the official



one, and this will be a factor of increasing importance. Viewed against an increase in employment of only some 1½ per cent, last year's increase in industrial output reflects an impressive rise in productivity, at least in some sections of industry.

Some reservations about the coming year are suggested by a more detailed analysis of last year's changes in production. Those sectors of industry that registered the largest increases last year were: manufacture of non-ferrous metals (11.0 per cent); vehicles, including military and civil aircraft (15.7 per cent); engineering, shipbuilding and electrical goods (8.6 per cent); chemicals (14.3 per cent); textiles (9.9 per cent); and paper and printing (20.5 per cent). These results are all from the official series, taking eleven months of 1950 against the corresponding period of 1949. The same industries in general feature high up in the show-

ing of the London and Cambridge indices. Thus the most important industries in which production rose last year by more than the average rate are those most vulnerable to raw materials shortages and to the disturbing effects of a switch-over to defence production. To sustain industrial output at the end-1950 rate (which is what a 4 per cent increase implies) will need great effort and great good fortune.

The Knockshinnoch Report

Sir Andrew Bryan's report upon the Knockshinnoch Castle colliery disaster in Ayrshire last September, when 13 miners lost their lives and 116 others were cut off underground until they were rescued two days later, confirms certain of the misgivings about local organisation and the safety regulations that the evidence at his inquiry had already prompted. The Chief Inspector finds that the accident was caused by an inrush of peat and moss into a mine heading that was being driven steeply upward to break through to the surface. The presence of this peat deposit, though marked upon the geological survey map of the district, was overlooked; no proper examination of the nature of the ground in the field was made either by the colliery management or by the local planning engineers; and, owing to a weakness in organisation, the engineers were inadequately informed of progress made in working this upward heading, and of its deviation from their development plan for the mine.

Sir Andrew concludes that the regulation governing working under moss, which calls for special precautions when working under a deposit of peat less than 60 feet below the surface (or ten times the thickness of the seam) was contravened. He recommends, moreover, two additions to these regulations: before any working approaches within 600 feet of the surface, geological advice about the nature of the intervening ground should be taken, and secondly, no working should approach within 150 feet until the nature of the covering ground has been ascertained by boring or other approved means. He recommends also that the National Coal Board should clearly define the status and responsibilities of planning engineers and surveyors in relation to those of colliery agents and managers. These recommendations have been accepted by the Board, while the Minister of Fuel and Power announced this week that action is being taken upon Sir Andrew's technical recommendations concerning light breathing apparatus, more heavily protected telephone cable, and rapid surveying methods. The National Union of Mineworkers, however, is to press a £100,000 claim against the Board on behalf of the 13 lost miners' dependants; and miners at Knockshinnoch are demanding changes in their management before the pit is reopened.

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TRUSTEE SECURITIES AND CASH	£38,917,984
RESERVES	£9,597,342

HOME-OWNERSHIP THROUGH THRIFT

Delays in Port

The annual report of the Liverpool Steam Ship Owners' Association, following so closely that of the Chamber of Shipping, brings its own emphasis to bear on a number of urgent problems, including the replacing of obsolescent tonnage and the dangers of the present level of taxation. The Liverpool association, however, speaks principally for the liner companies, and for this reason the special attention it gives to the subject of delays in port is remarkable.

The worst effects are noticed in Australia. There were no fewer than 402 sailings of liners from the United Kingdom to Australia during 1950. Apart from the 47 mail ships engaged in this trade, which handle comparatively little cargo, each ship now takes an average of four weeks longer to discharge in Australian ports than in any other ports of the world. The result is that more than 350 months of unnecessary idleness have been suffered, or the equivalent of one year's trading capacity for 30 ships. The tonnage thus wasted would have amply covered the British coal import programme from the United States, which caused such an upheaval in the freight markets. The retiring chairman of the Liverpool association, Mr C. D. Storrs, speaking at the annual meeting, instanced the experience of his own company's fleet. The average time spent by each ship in Australian ports last year was 82 days, compared with 60 days in 1949, 56 days in 1948 and only 27 days in prewar years. His experience in New Zealand was worse.

There are many reasons for such delays in Australia and New Zealand, but Mr Storrs maintains that the primary cause is one from which United Kingdom ports now also suffer—Government interference with the industry. In Australia and in the United Kingdom, the control of labour has been taken away from the port employers and placed in the hands either of Government officials or of boards jointly controlled by employers and trade unions. Until control and discipline of port labour are once more made effective, indiscipline will continue to cause waste and the efficiency of the industry will deteriorate, causing an artificial shortage of tonnage and adding to the cost of sea transport.

* * *

World Tanker Fleet

A net increase of nearly 1,000,000 tons deadweight in the world tanker fleet during the last half of 1950 is recorded in statistics prepared by John I. Jacobs & Co., Ltd., which give the total at the end of December as 27,615,815 tons dw, compared with 26,677,747 tons at the end of June.

Intelligence

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The British tanker fleet has increased by some 250,000 tons to 5,684,030 tons (20.59 per cent of the total), and the Norwegian by about 275,000 tons to 3,809,476 tons dw (13.8 per cent). United States tanker tonnage decreased during the period by about 90,000 tons to 8,608,082 tons (31.17 per cent), but allowance must be made for the substantial amount of American-owned tonnage registered under the flags of Panama, Honduras and Liberia. Panama, with 2,720,890 tons dw, is the fourth and Liberia with 548,558 tons now the eighth, tanker fleet in size according to registry.

The rate of expansion of tanker tonnage particularly in proportion to dry-cargo tonnage, is accelerating noticeably. Of 5,600,000 tons dw of tanker tonnage under construction or on order in the world at the end of December, more than 2,000,000 tons are due for completion during this year, a similar quantity during 1952 and the remainder in 1953; yet already this year further orders for more than 1,000,000 tons dw have been placed for delivery during 1953. The world tanker fleet at the end of 1953, it is estimated, will amount to some 32,500,000 tons dw on the assumption that the present low rate of scrapping is maintained. This total is more than twice the 1939 total, and represents an even greater increase in carrying capacity, owing to improved efficiency and higher speed. On the other hand, high freight rates are probably keeping in service many tankers which would not be economical to run under more normal circumstances, and tanker owners in future years will have a burden of obsolescence that they have never had to carry before.

For this reason, considerable interest is afforded by the detailed age analysis of the world tanker fleet supplied by John I. Jacobs, Ltd., for the first time. This shows, for example, that tankers amounting to 3,450,000 tons dw (12.5 per cent of the whole fleet) are more than 20 years old and of these more than half are over 25 years old. Owing to the corrosive action of their cargoes, tankers are usually reckoned to have a much shorter life than dry-cargo ships; even the present unprecedented rate of construction is likely only to compensate for deferred replacement, unless the demand for tankers decreases in the next few years instead of expanding. More than 70 per cent of the existing fleet, moreover, is less than 10 years old, and half of this was built during the war. When this block of tonnage becomes due for replacement through obsolescence, more problems will arise. It is not without significance that the British tanker fleet has the worst showing as far as the age of its ships is concerned. More than 16 per cent of the tankers under the British flag are over 20 years old, compared with 14.6 per cent for Panama, 7.38 per cent for Norway and only 4.38 per cent for the United States. On the other hand, 64.25 per cent of the British fleet is less than 10 years old, compared with 86.15 per cent for America and 77.1 per cent for Panama, although only 56.98 per cent for Norway.

* * *

Expansion of Farm Chemicals

The Ministry of Agriculture has published a list of safety precautions to be taken by farm workers handling certain types of weedkillers and insecticides; these are based on the findings of a working party set up to study the hazards of using these chemicals and it is a measure of the urgency of the problem that the Ministry has issued the recommendations in advance of the report itself. The chemicals in question are the di-nitro weedkillers and the newer phosphorus compounds. The latter, which are probably the most dangerous, are being produced in two forms, parathion which makes the sprayed surface of the plant toxic to all insects, and a systemic insecticide which is absorbed into the plant through the leaves or roots and makes the sap toxic. Both types have particular uses, but in a number of applications they are competitive. They were used in this

country on a large scale for the first time last year and are likely to be more prominent in this year's spraying programme.

The chemical industry is taking an increasing interest in the production of farm chemicals. By its recent decision to set up a plant to produce parathion, Monsanto Chemicals is entering the British agricultural market. ICI's subsidiary, Plant Protection, is one of the largest producers of parathion; it was intending to market a systemic insecticide this spring but it is now uncertain whether the chemical will be in production. Pest Control also produces parathion, and is the only firm at present making a systemic form of insecticide. This company has developed a considerably less toxic systemic insecticide which is intended for normal retail sale; by tacit agreement among the producers, none of the dangerous chemicals are sold retail. Since this chemical is less persistent than the highly toxic version, it will have the less interest for commercial growers and for big farmers except for use shortly before crops are gathered. Shell Chemicals is probably the only large undertaking in the insecticide field that is not making parathion.

There is a useful export trade in farm chemicals to Europe and to African territories where they are used for the control of crop diseases spread by insects. For such purposes, the systemic insecticides seem to be particularly promising and they can be applied in ways that avoid the high cost of spraying. It now appears that this type of insecticide is just as effective when it is added to the irrigation water and absorbed through the plant roots. Shortages of raw materials do not threaten the development of these phosphorous compounds, but they may well affect the output of certain chemicals based on sulphur and copper during the course of this year. Production of benzene hexachloride, which has been developed by Plant Protection and is used against wire-worm, may also be affected by the shortage of sulphuric acid; so will the output of DDT.

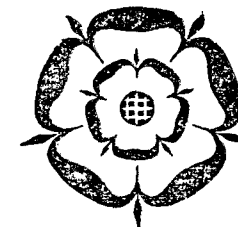
The safety measures suggested by the Ministry for using these chemicals may seem elaborate and irksome, but it is entirely right to take their hazards seriously. Consideration might at the same time be given to safeguards to secure that crops treated by these dangerous new chemicals are marketed in a safe condition. Their main feature is their great persistence in the substance of the plant, and risks could arise if a treated crop were marketed before the poisonous residues in the plants had been reduced to a safe level.

Shorter Notes

Mr John Wilgress, the present Canadian High Commissioner in London, who has been one of the principal foster parents of both ITO and GATT for the last four years, delivered a funeral oration on ITO at a lunch given by the British National Committee of the International Chamber of Commerce this week. He recalled that even in the days of the Geneva conference three years ago it was difficult to instil a sense of urgency into discussions on the ITO charter, which was the product of a compromise between United States free trade ideology, the protective instincts of developing countries, and the views of advocates of more positive planning. The GATT, by concentrating on upholding a code of commercial principles and leaving such things as development and commodity problems to outside bodies, had good hopes of proving to be one of the most useful and enduring of the new international organisations.

*

The International Monetary Fund has announced the establishment of an initial par value for the Pakistan rupee at 3.30852 rupees to the US dollar, thus endorsing the Pakistan Government's eighteen month old decision to maintain the dollar value of its rupee at the level ruling before September, 1949.



I SEE ENGLAND

not dispirited, not weak, but well remembering that she has seen dark days before; indeed with a kind of instinct that she sees a little better on a cloudy day, and that in storm of battle and calamity she has a secret vigour and a pulse-like cannon. I see her in old age not decrepit but young and still caring to believe in her power of endurance and expansion, with strength still equal to the time, still wise to entertain and swift to execute the policy which the heart and mind of mankind require at the present time.

EMERSON (1856)



WHEN EMERSON wrote this wise appreciation of England, Marshalls were eight years old. In Gainsborough the first generation of Marshall craftsmen lived through the days of the Crimean war and the Indian Mutiny. Their sons, grandsons, and great-grandsons were contemporaries of the Boer war and the first and second World Wars. Each one of these three or four generations saw "a little better on a cloudy day" and they also knew in their hearts that it is faith more than fear which has contributed to progress throughout the centuries.



Today in 1951, we in the Marshall Organisation fervently uphold this view. We know that penicillin has saved more lives than the atom bomb has destroyed. And we—in common with our fellow countrymen—face the future with that faith which will enable us to do our duty cheerfully and with confidence.

THE MARSHALL ORGANISATION

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Company Notes

International Nickel.—The report of International Nickel for 1950 fittingly commemorates the death of Mr Robert C. Stanley last month. "It was his vision and courage and capacity for accomplishment which raised the nickel enterprise to its present position in the world of industry." This is indeed a just observation on the work of International Nickel's greatest architect.

The company's progress in 1950 is to be measured by record deliveries of nickel in all forms for any peacetime year, and deliveries of special rolling mill products have also established a new record. Deliveries of nickel in all forms rose from 209.3 million lbs. to 256.4 million lbs., but there was a fall in deliveries of refined copper from 221.1 million lbs. to 212.9 million lbs. Operating earnings rose from \$60,609,692 to \$86,980,227, while earnings per common share, on which the dividend of \$2 per share is maintained, increased from \$2.08 to \$3.21. This was accomplished in a year of rising costs; wages were increased twice during the year so that the average weekly pay, although hours of work have been reduced, is more than double the average paid in prewar years. In order to compensate for the greater burden of costs of all kinds, the price of electrolytic copper was raised to stand at 50½ cents per pound at the end of the year. Although supply costs per unit of nickel have risen by 82 per cent above prewar levels, the price has been increased by 46 per cent, compared with a rise in the price of copper of 120.5 per cent.

Consolidated earnings :—	1949	1950
Operating earnings	60,609,692	86,980,227
Total income	61,855,428	88,260,565
Taxation	17,975,014	27,597,615
Depreciation, depletion	8,195,037	8,963,374
Net earnings	35,685,377	52,699,576
Earnings per common share	2.08	3.21
Paid per common share	2.00	2.00
Common dividends	29,156,338	29,156,338
Earnings surplus	98,698,983	116,374,595
Cons. balance sheet analysis :—		
Fixed assets, less depreciation	134,535,289	144,255,321
Net current assets	137,413,855	150,329,694
Stocks	68,804,666	64,655,128
Cash	25,697,060	27,537,490
Capital surplus	60,606,500	60,606,500
Earnings surplus	98,698,983	116,374,595
Common stock	60,766,771	60,766,771

Common shares at \$73½ yield 4½% per cent.

The company's first responsibility is to complete the programme of expansion of underground mining with all speed and without interruption to the company's current production of nickel. The programme will provide a capacity for hoisting more than 13 million short tons of ore annually. Surface ores will soon be mined out and in anticipation of this fundamental physical change the company embarked more than ten years ago on the enlargement of underground workings and the conversion of metallurgical processes. The programme has absorbed the greater part of \$100 million of capital expenditure in the last ten years; during 1950, capital expenditure amounted to nearly \$18.7 million, of which \$13.4 million was spent on the programme for the expansion of the output of nickel from underground operations, and in 1951 capital expenditure is estimated at \$20 million, the bulk of which will be devoted to the same purposes. In 1950, the mining of underground ores was expanded from 5,000,000 to 5,700,000 short tons, while ore mined from open pits fell from 4,900,000 to 4,100,000 short tons, while the deepening and expansion of existing mines and the sinking of new shafts continued apace.

The rearmament drive has resulted in a general dislocation of commercial markets for nickel and copper, but while rearmament continues, "there will be a need for all the nickel and other metals" which the company are able to produce.

Monsanto Chemicals.—At the end of 1949, some 60 per cent of the manufacturing capacity of the newly constructed Newport factory of Monsanto Chemicals was in production and it was expected that the rest of the company's new projects would be largely completed in 1950. Without doubt the bringing into production of the bulk of this major programme of capital development has played an important part in the striking advance in Monsanto's group trading profits from £959,127 to £1,685,897. The rise in profits and turnover may also have been further assisted by the slackening of the pressure of American competition in the export markets which the chairman noted immediately after devaluation in the last quarter of 1949. It would not be surprising if this factor was of even greater importance throughout 1950 despite the corollary that devaluation increased the group's costs.

Consolidated earnings :—	1949	1950
Trading profit	959,127	1,685,897
Total profit	963,768	1,686,478
Taxation	377,139	669,124
Depreciation, obsolescence	233,664	364,712
Group earnings for ord. stock	264,446	541,240
Ord. divs.	222,750	272,250
Added to c/f	41,696	268,990

Ord. ordinary stock at 61s. 3d. yield 4½% per cent.

Monsanto has been prepared to pass on to equity shareholders an adequate return for the risks that they undertook in financing this extensive capital development scheme. The ordinary dividend has now been raised from 45 to 55 per cent, an increase that is comfortably covered by a considerable improvement in distributable earnings. In addition, there is the satisfactory news that the Treasury has consented to the two-for-one issue of 7,200,000 5s. ordinary shares, credited as fully paid from the share premium account, which totalled £2,414,000 at the end of 1949. This will raise the issued ordinary capital to £2,700,000 and with the proposed issue of £1,500,000 £1 cumulative preference shares the issued capital will be brought more in line with the real capital employed by Monsanto Chemicals. A broader capital basis to support the expansion of the company's operations that is now gathering momentum seems in every way desirable.

Courage and Company.—The past year was one of disappointment for the brewing industry. Apart from those breweries having a considerable share in the manufacture of bottle beers, profits of most brewery companies fell, and in some cases appreciably. This is hardly surprising in view of the decline in consumption of beer. In 1946, consumption per month averaged 2,610,000 bulk barrels; by 1949 monthly consumption had fallen to 2,260,000 bulk barrels, and in 1950 the average consumption each month was no higher than 2,170,000 bulk barrels. The market for brewery shares was further depressed by the figure for production in January, 1951, of 1,580,000 bulk barrels. Courage last year did not escape the unhappy experience of its fellows; group trading profits have fallen from £1,068,419 to £987,709 and the ordinary dividend has been reduced from 20 to 18 per cent. The fall in beer consumption was particularly marked in the south of England, where the company's interests lie. The chairman emphasised in his review last year that only a substantial reduction in the rate of beer duty could possibly mend matters. This seems to be a remote possibility for the coming budget and the comparatively high yield of 4½% reflects these uncertainties.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Mar. 14, 1951	Price, Mar. 20, 1951	Net Yield, Mar. 20, 1951 (a)	Gross Yield, Mar. 20, 1951
War Bonds 2½% Mar. 1, 1951-53	100½	100½	0 17 1	0 7 9e
War Bonds 2½% Mar. 1, 1952-54	101½	101½	0 16 11	0 18 8e
Exchequer Stk. 2½% Feb. 15, 1955	101½	101½	0 15 6	1 16 1
War Bonds 2½% Aug. 15, 1954-56	102½	102½	0 16 0	1 18 11e
Funding 2½% June 15, 1952-57	102½	102½	0 15 9	1 13 1e
Nat. Defence 3½% July 15, 1954-58	103½	103½	0 15 9	2 3 9e
War Loan 3½% Oct. 15, 1955-59	103½	103½	0 19 0	2 5 2e
Savings Bonds 3½% Aug. 15, 1955-65	99½	98½	2 0 11	3 8 10e
Funding 2½% April 15, 1956-61	93xd	97½xd	1 15 11	2 18 4e
Funding 3½% April 15, 1959-69	95½xd	95½xd	2 5 8	3 13 1e
Funding 3½% Aug. 1, 1966-68	98	97½	1 17 8	3 5 6e
Funding 4½% May 1, 1960-90	105½	104½	1 14 5	3 11 4e
Savings Bonds 3½% Sept. 1, 1960-70	95½	94½	2 6 6	3 14 7e
Savings Bonds 2½% May 1, 1964-67	92½	92	2 2 6	3 7 0e
Victory Bonds 4½% Sept. 1, 1920-76	105½	105½	1 15 8	3 10 6e
Savings Bonds 3½% Aug. 15, 1965-75	93	92½	2 6 2	3 14 9e
Consols 4½% (after Feb. 1, 1957)	100½	100½	2 1 5	3 10 1e
Conversion 3½% (after Apr. 1, 1961)	91½xd	90½xd	2 2 5	3 17 1f
Treasury Stk. 2½% (after Apr. 1, 1957)	66½xd	66½xd	2 1 5	3 15 3f
Treasury Stk. 3½% (after Apr. 5, 1966)	79xd	78½xd	2 2 1	3 16 5f
Treasury Stk. 3½% June 15, 1977-80	99½	99	2 0 0	3 12 3e
Redemp. Stk. 3½% Oct. 1986-96	87½xd	86½xd	2 3 9	3 13 4e
War Loan 3½% (after Dec. 1, 1952)	91½	90½	2 2 10	3 18 4e
Consols 2½% April 1, 1968-73	67½xd	67½xd	2 1 0	3 14 6f
Brit. Elect. 3½% Gtd. April 1, 1968-73	93½xd	92½xd	2 1 9	3 10 0f
Brit. Elect. 3½% Gtd. Mar. 15, 1974-77	92½	91½	2 2 3	3 10 9e
Brit. Elect. 3½% Gtd. Nov. 15, 1976-79	100	99½	1 19 11	3 12 4e
Brit. Tpt. 3½% Gtd. July 1, 1978-88	88½	87½	2 5 10	3 15 7e
Brit. Tpt. 3½% Gtd. April 1, 1968-73	93xd	92½xd	2 3 2	3 13 1f
Brit. Gas Gtd. 3½% May 1, 1990-95	88	87½	2 3 3	3 13 7e
Brit. Iron & Steel 3½% Feb. 15, 1979-81	98½	97½	2 1 2	3 13 5e

(a) To earliest date. (b) Flat yield. (c) Assuming redemption in 1957. (d) Flat yield given above. If redeemed, in 1952 net redemption yield £8 9 0, gross £10 9 4. (e) To latest date. (f) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 13 years 5 months.

Last Two Dividends	Ordinary Stocks	Price, Mar. 14, 1951	Price, Mar. 20, 1951	Yield, Mar. 20, 1951
(a) (b) (c)				
60 a	Anglo-Am. 10/	8½	8½	5 10 7
25 b	Anglo-Iran. £1	5½	5½	5 17 1
5 a	Assoc. Elec. £1	85/9xd	83/9xd	4 15 7
71 a	Assoc. P. Cem. £1	91/10½	91/10½	5 19 9
40 c	Austin 5/-	26/9	26/9	6 10 10
15 a	Bass £1	150/-	148/9	6 1 10
40 c	Boots 5/-	48/6xd	47/-xd	4 5 1
8 c	Br. Celanese 10/-	25/3	25/9	3 17 8
12 b	Br. Oxygen £1	94/-	93/6	4 5 7
5 a	Coats £1	57/3	56/6	4 8 6
5 b	Courtaulds £1	41/3xd	41/-xd	4 17 7
20 c	Distillers 4/-	20/-	19/9	4 1 0
15 c	Dunlop £1	56/6	46/6	5 6 2
10 c	Edw. £1	48/1½	48/1½	4 3 2
17 c	Gen. Elect. £1	85/-	85/-	4 2 4
11 a	Guinness £1	133/11	129/4½	4 18 11
15 a	Hawker Sid. 5/-	33/4½	33/7½	4 16 10
7 b	Imp. Chem. £1	43/6	44/-	4 10 11
13½ a	Imp. Tobacco £1	98/9	98/9	6 9 7
5 a	Lanes. Cotton £1	42/6	41/3	6 1 2
10 c	Lever £1	46/3	46/3	4 6 6
15 c	Lon. Brick £1	58/1½xd	57/6	5 4 4
45 b	Marks & Sp. A5/-	81/3	81/9	3 13 5
4 c	P & O Def. £1	57/6	56/-	4 5 9
17½ b	P. Johnson 10/-	37/6	37/6	6 13 4
15 c	"Shell" Stk. £1	86/3	83/9	4 6 10
12½ a	Tube Invest. £1	6½	6½	3 19 2
32 a	T. & Newall £1	88/9	88/9	4 10 2
8 c	Union Castle £1	38/-	37/-	4 6 6
12½ c	U. S. Betong £1	73/1½	74/4½	4 11 2
4 b	Vickers £1	43/3	43/-	3 2 9
15 a	Woolworth 5/-	44/6	44/9	4 15 0

(a) Interim. (b) Final. (c) Whole year. † Free of tax.

EXCHEQUER RETURNS

For the week ended March 17, 1951, total ordinary revenue was £67,701,000, against ordinary expenditure of £77,008,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £19,347,000, the surplus accrued since April 1st is £770,393,000, compared with £648,211,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	April 1, 1949 to Mar. 18, 1950	April 1, 1950 to Mar. 17, 1951	Week ended Mar. 17, 1951	Week ended Mar. 17, 1950
ORD. REVENUE					
Income Tax	138,800,000	138,077,135	135,303,366	34,678	29,770
Sur-tax	120,000,000	108,000,114	104,400,420	4,200	4,100
Estate, etc., Duties	195,000,000	183,200,177	185,000,900	3,900	3,900
Stamps	50,000,000	49,570,516	51,660,1,000	1,200	1,200
Profits Tax	270,000,000	251,960,252	252,800,3,700	3,500	3,500
E.P.T.	500,000	588,560	560,100	15	15
Other Inland Rev.	4,500,000	19,200,4,720	100,80	80	80
Special Contributn.					
Total Inland Rev.	202,800,000	202,835,196	43,964,888	42,565	42,565
Customs	870,650,784	784,700,874	329,16,229	19,961	19,961
Excise	713,150,688	600,701,400	2,400,3,400		
Total Customs and Excise	1,583,800,147	1,385,300,157	729,18,629	23,361	23,361
Motor Duties	55,000,55,434	61,213,...	120		
Surplus War Stores	35,000,78,318	37,508,481	271		
Surpl's from Trdg.	85,000,47,541	80,909,...	...		
P.O. (Net Receipts)	13,000,11,590	7,800,...	500		
Wireless Licences	27,000,19,963	25,876,...	...		
Sundry Loans					
Miscell. Receipts (in Crown Lands)	70,000,71,616	71,032,154	884		
Total Ord. Rev.	3,897,800,378	599,319,386	359,66,152	67,701	67,701
SELF-BALANCING POST OFFICE	172,150,156,600	160,200,2,700	2,000		
Income Tax on E.P.T. Refunds	5,700,11,323	7,934,152	133		
Total	4,075,650,595	399,319,400	444,933,69,004	69,834	69,834

Expenditure	Estimate, 1950-51	April 1, 1949 to Mar. 18, 1950	April 1, 1950 to Mar. 17, 1951	Week ended Mar. 17, 1951	Week ended Mar. 17, 1950
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	490,000,458,803	473,187,2,262	2,472		
Payments to N. Ireland	36,000,34,933	35,362,...	...		
Other Cons. Funds	11,000,9,875	9,478,26	250		
Total	537,000,513,671	518,028,2,288	2,722		
Supply Services	297,132,260,540	252,859,69,564	74,286		
Total Ord. Expd.	3,568,328,311	307,646,619	71,852,77,008		
Sinking Fund Expd.	...	18,713,19,347	...		
Total (excl. Self-Bal. Expd.)	3,508,328,313,778	306,596,61,852	77,008		
Total (incl. Self-Bal. Expd.)	3,686,178,330,578	323,341,74,704	79,141		

After decreasing Exchequer balances by £751,335 to £2,624,587, the other operations for the week increased the gross National Debt by £14,417,941 to £25,795 million.

NET RECEIPTS (£ thousand)

Coal Industry Nationalization Act, 1946, s. 28(2)	193
Cotton (Centralized Buying) Act, 1947, s. 21(3)	6,500
	6,693

NET ISSUES (£ thousand)

P.O. and Telegraph (Money) Acts, 1948 and 1950	875
E.P.T. Refunds	161
Export Guarantees Act, 1949, s. 3(2)	65
Local Authorities Loans Act, 1945, s. 3(1)	9,700
New Towns Act, 1946, s. 12(3)	700
Miscellaneous Financial Provisions Act, 1946	—
s. 2(1) War Damage: Board of Trade	650
Finance Acts, 1946 and 1947: Post-war Credits	404
	12,565

Statistical Summary

CHANGES IN DEBT (£ thousand)	
Receipts	Payments
Treasury Bills	62,358
Nat. Savings Certs.	1,900
3% Def. Bonds	1,080
Other Debt :—	
Internal	11,070
External	1,709
Ways and Means Advances	37,655
Treasury deposits	20,000
	61,990
	76,408

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits	Total Floating Debt
	Tender	Tap	Public Depts. Bk. of Eng. Land	
1950				
Mar. 18	2910.0	1910.0	428.8	5730.8
Dec. 9	3240.0	1951.6	375.1	6111.7
" 16	3260.0	1939.8	410.8	6110.6
" 31	5168.5	384.0	11.5	6077.5
1951				
Jan. 6	3270.0	1861.8	394.7	6026.5
" 13	3250.0	1823.3	406.3	5979.6
" 20	3220.0	1844.6	396.8	5961.4
" 27	3200.0	1801.9	407.8	5809.7
Feb. 3	3190.0	1842.4	385.6	5818.0
" 10	3170.0	1808.1	402.7	5780.8
" 17	3170.0	1801.2	439.8	5771.0
" 24	3180.0	1749.4	419.8	5649.2
Mar. 3	3170.0	1733.8	421.5	5635.3
" 10	3180.0	1737.3	440.7	5678.0
" 17	3180.0	1799.6	396.6	5676.2

IMPERIAL TOBACCO COMPANY

NEED FOR SOUND AND ADEQUATE STOCKS

EFFORTS TO COUNTER UPWARD PRICE TRENDS

LARGER PURCHASES FROM NON-DOLLAR SOURCES

HIGH TAXATION: AN ENCOURAGEMENT TO INFLATION

SIR ROBERT SINCLAIR REVIEWS PROBLEMS FACING THE INDUSTRY

The forty-ninth annual general meeting of the Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held on March 20th in Bristol.

Sir Robert Sinclair, K.C.B., K.B.E., the chairman, who presided, said: You will observe from paragraph 8 of the directors' report that since the last annual general meeting, Mr W. S. Thorn has resigned from the board, and Mr C. H. Clements and the Honourable F. A. H. Wills have been appointed directors. Mr Thorn had a long record of active service with the company—41 years—and for 12 years he has been a member of the board. In expressing on behalf of the board our regret that considerations of health impelled him to tender his resignation, I would like to acknowledge our warm appreciation of the services he has rendered to the company, and on your behalf to extend to him the best wishes of all present.

COMMENTS ON THE ACCOUNTS

Turning to the accounts—I would propose to deal now with what I believe to be the main features, and to amplify the necessarily somewhat restricted comment in the directors' report. The figures which I will quote are those relating to the holding company. As you will have seen the difference between them and the consolidated figures is relatively slight.

The first item to which I would refer is that of stock-in-trade, which shows an increase of some £16,500,000, as compared with the previous year. Stock-in-trade consists mainly of unmanufactured leaf in bond and in transit, leaf in course of manufacture and stocks of our manufactured goods and general materials and stores. The value of the stocks of general materials and stores does not differ significantly from the figure last year. There is a substantial increase in the value of our duty-paid stocks. As I indicated a year ago, the level of our factory and depot stocks at October 31, 1949, was on the low side, and the reason for the increase is that during the year under review we were able to build up these stocks to a satisfactory level at October 31, 1950. The greater part, however, of the total increase in value of our stock-in-trade is due to the increase in value of stocks of unmanufactured leaf. The total quantity is slightly greater, the increase in holdings of non-dollar leaf having exceeded the decrease in those of dollar leaf. The average price, however, is substantially higher, partly on account of the increase in leaf prices in all markets, but mainly on account of the higher sterling cost of dollar tobacco by reason of devaluation.

Having regard to the world situation, it would perhaps have been surprising if the upward trend of prices on the tobacco markets had not persisted throughout 1950. While I think it may give some cause for concern that the price increase in many sterling area markets has been as high as it has been, we must recognize that, to some extent, that has

been a consequence of a world shortage of suitable leaf tobacco. Although we can never forget that tobacco is a crop peculiarly susceptible to climatic risks, there is every reason to believe that over the years the general production position will gradually improve so as adequately to meet the demand.

DOLLAR LIMITATIONS

I should, however, make it clear that our total leaf stocks are still very little better than a bare working minimum. Our purchases from the dollar area are, of course, limited by the availability of dollars; and we have been purchasing all the suitable tobacco we can obtain from non-dollar sources. I look forward to the time when, even at the expense of further increasing our financial commitments, we can increase our stocks again and therefore be more independent of the vagaries of climate and other factors which may affect the value (in terms of quantity and quality) obtained for our expenditure on the tobacco markets.

At this meeting a year ago I pointed out that devaluation must have a considerable effect both on our capital requirements and on our manufacturing costs. Devaluation increased the sterling cost of dollar tobacco by some 40 per cent. on leaf purchased in the United States and 30 per cent. on leaf purchased in Canada. This clearly called for exceptional measures and for some special provision for the increase in replacement costs which is thereby incurred. I think the accounts show that what we have done is consistent with prudent management. Out of profits in the previous year we set aside, after tax, £1,500,000 to leaf replacement reserve, so making a contribution towards the additional capital we should in due course require. During this last year, as is explained in the report and in the notes on the accounts before you, the cost of all dollar tobacco cleared from bond for manufacture has been converted to sterling at post-devaluation rates of exchange. A considerable portion of that tobacco was purchased before devaluation, and what we have done is to exclude from normal trading profit the difference represented by the effect of devaluation on the replacement price of such tobacco. As is stated in the report, however, various manufacturing economies have been effected, and, in the result, we have been able, at the expense of showing a reduction in the balance of net profit of £1,127,000, to provide in our leaf replacement reserve an additional sum of just over £3,000,000 and to go a considerable way towards meeting the full eventual increase in our manufacturing costs in so far as that increase results from devaluation. The overcoming of our difficulties to this extent has been assisted by a somewhat larger volume of sales and by an increase in the proportion of non-dollar tobacco in our operations; but it would be only right that I should pay a tribute to our manufacturing branches, who have shown great skill and adaptability in dealing with the many and varied manufacturing problems brought about in these last few years by shortage of leaf

supplies on the one hand and continually rising costs on the other.

So far, with the exception of cigars and some of our pipe tobaccos, we have avoided any increase in prices to the public. The increase in the prices of certain pipe tobaccos came into effect just after the conclusion of the year under review. At the present time, when the cost of living is so high and tending to rise, and when the rate of tobacco duty is at its present fantastically high level, we conceive it to be important, not only in the national interest, but also in the interest of the tobacco trade itself, to avoid as far as we can increasing the prices of our products to the public—and, where that is impossible, to keep the increases to the minimum.

CAPITAL AND RESERVES

As stockholders will know, your directors have been for a long time concerned at the company's increasing dependence on short-term finance. During the year we issued and offered to our stockholders £20 million 4 per cent. unsecured loan stock, 1960-1970. The issue was subscribed many times over. In such cases the administrative work involved tends to increase in proportion to the popularity of the issue, and I would here like to offer a word of warm appreciation to the National Provincial Bank and our own registration department, who together handled the work so efficiently and so well. Only a quarter of the new money was receivable by October 31st, so that, if other things were to remain equal, we might look forward to an appreciable reduction in our short-term borrowings at the end of the current year. With, however, devaluation having its full effect in the value of our leaf stocks and with other rises in costs, our capital requirements are likely still further to increase. This year's allocation of £3,000,000 to leaf replacement reserve, to which I have already referred, certainly helps to alleviate this position. Nevertheless, even if sterling were revalued so that that reserve was not required for the purpose for which it has been provided, it is quite clear that it would still be needed in the business as working capital.

TAXATION

The charge for United Kingdom taxation in our accounts this year is the very large figure of £12,500,000. This provides an outstanding example of the disability which industry suffers today by reason of the profits tax and the high rate of income tax on sums put to reserve. A year ago I elaborated on the dangers to industry from this aspect of present taxation. Today I would like to say how strongly I support the representations that have been and are being made against the high rate of taxation on sums put to reserve, and, in particular, against the application of profits tax to such provisions.

It is only prudent for a manufacturing business to provide against the charge of increased replacement costs. To make such provision subject to income tax and profits tax so that more than 10s. in the £ is taken away is not only a discouragement to prudence but a positive encouragement to inflation. There is no need to elaborate on the danger of that to our national economy today. I venture to think, however, that it is not sufficiently widely appreciated that in a period of inflation and under present taxation it is, in all cases, difficult, and in some impossible, to make adequate provision from a firm's own resources for increased replacement costs. Moreover, since it is only natural that responsible management should endeavour to make such provision as far as possible, the effect of the taxation is to accelerate or exaggerate raising of prices or otherwise increase so-called profits to a greater extent than would, under a sounder system of taxation, be necessary. In short, high taxation of sums put to reserve has the effect of a levy on

industrial capital; it adds to inflationary pressure at home; and it reduces our competitive power abroad.

I will have something to say later about current rates of tobacco duty.

DIVIDEND

After having set aside £578,000 to write off the discount and expenses of issue of the loan stock, a dividend at the same rate as last year on the ordinary stock is recommended. It will be generally recognised that the current rate of distribution on our ordinary stock, although it appears high in relation to the nominal capital, is yet a modest figure in relation to the capital employed in the business and to our turnover. A total distribution of some £7,000,000, of which a not inconsiderable part is derived from investments, is certainly not large in relation either to working capital of at least £150 million, as measured by book values, or to a turnover of over £500 million. And here let me say that I am sorry that it is not yet possible to recommend even a partial restoration of the cut in dividend sustained a few years ago. We must all realise how heavily taxation presses on the individual in these times and how hardly hit, relatively to other members of the community, have been those whose income is mainly derived from dividends which for many people represent the interest on hard-earned savings. But if we are to make reasonable provision, as your directors feel we must do, for increased costs of replacement, and if we are adequately to conserve our resources and maintain the considerable financial strength of this company in these uncertain times, an increase in the rate of ordinary dividend is not possible this year. I hope, indeed, that stockholders may feel that, in the light of the difficulties with which we have had to contend, the results of the year's operations are by no means unsatisfactory.

GIFT TO STAFF AND WORKPEOPLE

As will be seen from the report, the directors have decided, in accordance with our long-standing practice, to make a gift to staff and workpeople over and above their ordinary salary or wage. The rate of the gift is the same as last year—namely, 15 per cent. of the total salary or wage received from the company during the 12 months ended October 31, 1950. As in past years the directors reserve to themselves a discretion to grant or withhold a share in the gift in any case that may appear to them to require exceptional treatment. The gift is made in recognition of good and loyal service, and I am happy to say that our relationships with our employees are excellent. We have a long tradition in this company of good team work, and those responsible for its management will continue to do everything in their power to maintain that tradition. This gift, particularly when regard is had to the fact that it is paid on salaries and wages which have been substantially increased, may seem very generous recognition. I believe it is generous, but I also believe that the employees themselves so regard it and will continue to make their contribution to that steady increase in productivity which is one of the greatest national needs of our times. It is interesting to record that about one quarter of the company's employees in the British Isles have completed 25 years' service with the company. That, I believe, is an indication of good relationships, good conditions and good service.

THE OUTLOOK

Anything that can be said about future prospects must be conditioned by circumstances over which we, as a company, have no control. The clear necessity for this country to play its full part in defence pre-

parations, so as to reduce the risk of further aggression and avert war, undoubtedly retards our country's economic recovery. As an important unit in the national economy we, as a company, must directly or indirectly feel the effects of that situation. It would be surprising if a number of our costs did not further increase but we have tried to anticipate, as far as we may, the impact of additional expense. There is clear evidence that the level of prices of tobacco goods—a level which is, of course, mainly determined by the very high rate of duty—has been, and is increasingly, affecting demand; and in the aggregate the shortage of supplies in relation to demand is very much less than it was. Since, however, the brands of your company's manufacture stand high in the public favour, and are in every way fully competitive, I see no reason why our trade should not be fully maintained in the current year, provided the duty is not increased.

If it were possible in these critical days to take a long view, there could be no shadow of doubt that the long term interests of this industry and of the revenue would be well served by an immediate reduction in duty that would make possible an appreciable reduction in price to the public. And I feel I must emphatically express that conviction even although what the Chancellor has said about the inevitable cost of defence could hardly be regarded as encouraging the hope that a reduction might be made this year. As I have already indicated, we, for our part, will do our best to avoid any general increase in our prices. But I could not, nor indeed would you expect me to, give any firm assurance on this point—partly because of the considerations I have already mentioned and also because the prospective circumstances and conditions are extremely difficult to gauge.

Nevertheless, I can, without, I am sure, exciting undue optimism, assert my belief in the soundness and strength of this company and in its ability to surmount the difficulties that can be foreseen. Indeed, I know of no reason why the results for the current year should be any less favourable than those that are now before you.

The report and accounts were unanimously adopted and the dividend recommendations were approved.

AUDITORS

The chairman continued: That concludes the part of our proceedings directly related to the accounts, and before passing on to other matters I would like to call your attention to the fact that, as recorded in the directors' report, Messrs Deloitte, Plender, Griffiths and Company have indicated their willingness to continue as auditors and they will therefore automatically be reappointed auditors of the company for the current year in accordance with the provisions of Section 159 of the Companies Act, 1948. It is pleasing to recall that Messrs. Deloitte, Plender Griffiths and Company have been associated with this company since its formation in 1901—and we are very glad to see Mr Godfrey, one of the senior partners, here today.

RE-ELECTION OF DIRECTORS

Ladies and gentlemen,—I would like to have the privilege of proposing a resolution under the heading of "Re-election of Directors," which reads as follows:—

"That the Rt. Hon. Lord Dulverton of Batsford, who is aged 70, having been born on March 28, 1880, and who is retiring from the board by rotation under the Articles of Association, be and is hereby re-elected a director of the company."

You will, no doubt, recall that two years ago I informed stockholders that we have not seen fit to take powers under our Articles to appoint or re-elect directors over the age of 70 without approval by the company in

general meeting. I am sure there is no need for me to elaborate in any detail the great contribution which Lord Dulverton made to the growth and prosperity of this company. He was chairman of the company—and, I may say, a very active chairman—for 22 years. Since his retirement in the spring of 1947 he has been president of the company. The wise guidance he gave to our affairs and his great knowledge of our business provide a background against which his continued attendance at our meetings and practical interest in our affairs are of inestimable value. I am sure that you all share with me and with all his colleagues a sense of very real pleasure that he is willing to continue as a member of the board.

I have the greatest personal pleasure in proposing this resolution, and I will ask the deputy chairman to second its proposition.

Mr G. W. Anson, deputy chairman, seconded the motion, which was carried with acclamation.

The Rt. Hon. Lord Dulverton, in course of acknowledgment, said: Mr Chairman, ladies and gentlemen,—It is very pleasing to me to find myself once again in these familiar surroundings, and to recognise, as I do, many old friends among this audience. I would like to thank you, Sir, with all sincerity for the generous references which you and the deputy chairman have made to my past services for this company, of which we are all so proud and to which we are so devoted. I am deeply grateful to you, ladies and gentlemen, for having accepted his resolution for my re-election.

VOTE OF THANKS

Proposing a vote of thanks to the chairman, Mr B. H. Harrison said that it was indeed a privilege and a pleasure for him to propose this motion. It was four years since Sir Robert had become their chairman, and he had always held that very important office with conspicuous success, following his predecessor, Lord Dulverton, whom the meeting had so sensibly re-elected to the board.

In succeeding to the great traditions of the past, Sir Robert had not only produced the very highest personal qualities needed for that very responsible position, but had also displayed exceptional ability and an almost unlimited capacity for hard and sustained work. It was indeed a further tribute to Sir Robert's ability and capacity that in spite of the many and varied calls on his time he had always managed to pay visits to the manufacturing branches and subsidiary companies, which was appreciated by all sections and grades of employees. This personal touch was perhaps one of the most important of his many attributes.

The proposer concluded by expressing the wish that members would have the good fortune to retain Sir Robert at the head of their company for many years to come.

The motion was seconded by Mr H. S. Burn and carried with acclamation.

In a brief acknowledgement the Chairman thanked the meeting for their reception of the motion, and said that, proud as he was to be the leader of a magnificent team, he regarded the resolution essentially as a tribute to those who share with him the responsibility for directing the company's affairs.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

*The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1*

CO-OPERATIVE INSURANCE SOCIETY LTD.

MR ANEURIN DAVIES ON THE YEAR'S PROGRESS

At the eighty-third annual general meeting of the C.I.S., held at Manchester on Wednesday, March 21st, Mr Aneurin Davies, chairman, said:—

In considering the nature of my comments to the shareholders on the eighty-third annual report, statement of accounts and balance sheet, I am faced with the problem of keeping my statement to a reasonable length and yet at the same time giving an adequate review of the multifarious activities which during 1950 enabled us to increase our premium income by £2,313,512 to £25,980,149, and our funds by £9,830,790 to £108,050,413. You will see that during the year our premium income passed £25,000,000 and our funds passed £100,000,000.

In order to give service to the co-operators and many others who regard the C.I.S. as their insurance society, we have a network of 220 branch and district offices throughout the United Kingdom and Northern Ireland, and a total staff (including 7,360 full-time agents) of over 11,800.

We are proud of the progress we have made in recent years because it has been controlled development. The essential need for economical management and for giving our policyholders prompt and efficient service has been kept always to the fore since otherwise we should quickly lose the advantages which we derive from our association with the Co-operative movement and our co-operative methods of trading.

It has never been the practice for the chairman of the C.I.S. to give his views on matters of national economics or politics. You will appreciate, however, that our regular contact, through our staff, with a large proportion of the population gives us exceptional opportunities for discerning economic tendencies, and long before it was publicly recognised, we were aware that for various reasons, increasing numbers of people were finding it more difficult to save.

This eventually became apparent through the heavy withdrawals which took place in Saving Certificates and from other savings organisations.

Notwithstanding this trend, however, the C.I.S. policyholders as a body have continued to increase their savings, and in my opinion this emphasises once again the importance of the difference between the results achieved by voluntary saving and the saving by people who have contracted to make regular payments, particularly where facilities are provided by regular visits from a collector.

In view of the repeated emphasis by responsible Ministers on the national duty to save and avoid all forms of expenditure which are not absolutely essential, there can be no doubt whatever that the C.I.S. and other similar organisations are playing a most important part in the national life today. Apart from this aspect of our business, we know that saving through life assurance gives protection which no other form of saving can provide.

INVESTMENTS

The foundation of our investment portfolio will always be British Government Stocks, and it will be observed that our holdings of British Government and British Government Guaranteed Securities now total £57,129,918 and form 52.9 per cent. of our assets, which is a slightly smaller proportion than at the end of 1949. In order to raise the average yield on our securities, we have also invested in first-class debentures and in preference and ordinary shares.

Once again, one of our main and more

remunerative avenues for new investment has been our House Purchase Scheme. Notwithstanding a very conservative selection of properties on which to grant loans, gross advances during 1950 amounted to nearly £5,500,000. After allowing for repayments, the net increase in advances was £3,861,000. The amount at present outstanding under our mortgages now totals £18,793,304, secured on 31,934 properties, so that the average mortgage is only £589. Our losses continue to be insignificant.

Our constant aim has been to increase the interest earnings on our funds and we shall continue to select our investments with this in mind, never forgetting the necessity for maintaining the security of those funds.

ADMINISTRATIVE EXPENSES

Despite the continued increase in the costs of all materials which we use, and in overhead expenses generally, I am very happy to record once again that our overall expense and commission ratio has been reduced. This result has been achieved only by a most careful watch on all items of expenditure. Unlike most trading concerns, we are unable to pass on increased charges to the majority of our existing policyholders, and even if we were to increase the rate of premium for new business, it would not be possible in that way to meet the additional charges on existing business.

The class of business in which the expense ratio receives most publicity is, of course, the industrial life section. Our overall expense ratio in that section in 1950 was 28.47 per cent., as against 29.13 per cent. in 1949 and 30.25 per cent. in 1948.

Our industrial life premium income increased by £972,097 to £14,906,533 in 1950, so that you will appreciate that a reduction of 0.66 per cent. in the expense ratio represents a very substantial saving.

LIFE DEPARTMENT

In the ordinary section the new sums assured completed amounted to £20,700,000, and this is the fourth consecutive year in which our new sums assured have exceeded £20,000,000. Very few other offices (including only one industrial/ordinary office) completed more new business during 1950 than the C.I.S.

We have already announced an increase from 24s. per cent. to 28s. per cent. in the rate of bonus on immediate profit policies in the ordinary section.

In the industrial section the new sums assured amounted to nearly £34,000,000, and I am glad to say that we were able to maintain our prewar rate of bonus in this section.

The amount of profit to be distributed to our life policyholders this year as a result of our operations in 1950 will amount to over £2,000,000 divided almost equally between the ordinary and industrial section policyholders.

In addition to this, we are again returning to collectively assured societies practically the whole of their credit balances, the proportion this year being 99.4 per cent., for which the sum of £192,962 will be required.

MOTOR DEPARTMENT

The premium income of this department increased by the very large sum of £429,651 and reached a new record total of £2,325,726.

However, this expansion of business combined with increased motoring as a result of the cessation of petrol rationing resulted in

a 50 per cent. increase in the number of claims reported during the second half of the year as compared with the first half.

The continued high cost of repairs to motor vehicles, and the heavy damages awarded for personal injuries, made it a difficult year for motor insurance. It is gratifying to report, however, that as a result of careful underwriting the account shows a surplus of £65,352. It should not be overlooked that this has been achieved notwithstanding the fact that our premiums for commercial vehicles and motor cycles still remain at prewar levels. Whether we can maintain these low rates is very doubtful, but there can be no doubt that during 1950 we provided the motoring public with a first-class insurance service at a minimum cost.

FIRE DEPARTMENT

The steady progress of the Fire Department has been maintained, net premiums for the year amounting to £1,152,307, representing an increase of £131,691 over 1949.

Fire waste in Great Britain continues to cause anxiety and there have been many serious fires in which the Society has been concerned. The number of claims actually paid during the year was 50,163, representing an increase of 6,727 over 1949.

ACCIDENT DEPARTMENT

I am able to report an increase in the premium income in the Personal Accident account to £113,653 despite the fact that during the year substantial reductions were made in the premiums charged to retail Co-operative Societies for Collective Personal Accident policies for members of their management and other committees. These reductions necessarily affected the total premium income.

The general insurance account shows a premium income of £878,542, an increase of more than £80,000 over the corresponding figure for 1949.

When the Industrial Injuries Insurance Scheme came into operation in July, 1948, employers still required to cover their liabilities to their employees at common law, and it was necessary to prepare schedules of premiums for covering this risk, although there was no means of ascertaining what the claims were likely to cost. In many cases claims are not settled until several years after an accident, so that a considerable time must elapse before the claims experience can be related to premiums for any particular year. It is too early to say with any certainty whether the premium rates fixed in 1948 will prove adequate, but from the experience we have had up to now, it seems likely that the rates at present being charged will need to be increased.

As you know, burglary insurance has been difficult for some years. I am pleased to report, however, that the position seems to be improving, and if this improvement continues, we hope to be able to make some reduction in the premium rates within the next year or two.

CONCLUSION

1950 was a year of considerable anxiety to the nation as a whole, and there is every prospect that the next few years will be even more difficult. Our society, which is so intimately connected with the lives of a large section of the public, cannot hope to be unaffected by the disturbance to our national life which will be caused by the rearmament programme and the increased burden of taxation which must inevitably follow. Nevertheless, there is no doubt that insurance in all the forms which we undertake will still be vitally necessary, and I look forward with confidence to further progress by our great insurance society.

The report and accounts were adopted

THE BOWATER ORGANISATION

SIR ERIC VANSITTART BOWATER'S REVIEW OF THE AFFAIRS OF

THE BOWATER PAPER CORPORATION LIMITED AND ITS SUBSIDIARY COMPANIES

The annual general meeting of The Bowater Paper Corporation Limited was held on March 15th at Caxton Hall, Westminster, London, S.W., when the chairman, Sir Eric Vansittart Bowater, who presided, said:

Ladies and gentlemen, I am confident that, having regard to the wealth of information relating to the corporation and its subsidiaries contained in the booklet of accounts that has been sent to all of you, it would not be your wish that I occupy your time today by delving into a mass of detailed figures.

In my opening remarks at our last meeting I said "there lies before us a period of transition which will not be without its difficulties" and, despite what I believe you will regard as the satisfactory results that I am indeed proud to be able to lay before you today, the period through which we have passed and through which we are still passing has been and is still beset with many difficulties. Referring to the period of transition which then faced us, I used the phrase that it would be "a testing time for all concerned," and this in fact has proved to be the case, while the prevailing conditions and circumstances under which we conduct our affairs today are such that I am not only unwilling but indeed quite unable to give you any reasonable accurate or reliable opinion in regard to the future.

The marked improvement in the corporation's earnings for the year under review was attributable in a large measure to the full operation of the paper mills of the operating subsidiaries in the United Kingdom. For the first time for a decade those mills operated to capacity, whereas it will be within your recollection that in the two previous years they had operated at approximately 67 per cent. and 40 per cent. respectively of their capacity; this improvement in operation, of course, resulted in a higher degree of operating efficiency and a much wider spread for overhead expenses. Moreover, the earnings of our important Canadian subsidiary showed a substantial improvement over those for the previous year, as did also the revenues for our converting subsidiaries, grouped under Associated Bowater Industries.

REVIEW OF CONSOLIDATED ACCOUNTS

The consolidated profits for the year were some £1,700,000 higher than for the previous year, and amounted to £5,395,488. As in former years the larger part of these earnings was attributable to our overseas companies, including, of course, our American, Australian and South African companies, but the margin between home and overseas earnings has appreciably narrowed and the contribution made by our many companies in the United Kingdom was substantially greater on this occasion than has been the case for many years past. Here I think you would like to know, as may also those others who take so keen an interest in this matter, that only about 20 per cent. of the total earnings of the organisation were derived from the manufacture of newsprint in the United Kingdom, the remainder of those earnings being attributable to the manufacture of a wide range of other grades of paper and the many ancillary operations arising thereout and, of course, to our overseas companies.

Of our total earnings of £5,395,488, depreciation has required £1,444,888, the increase of more than half a million pounds over the previous year's allocation in this

regard being mainly attributable to our Canadian subsidiary whose provision for depreciation has been increased by the directors of that company to the full amount allowable under Canadian taxation laws. After deducting depreciation and interest on the loan capital of overseas subsidiary companies, an amount of no less than £1,890,000 for taxation, and the dividends on the Preference stocks of subsidiary companies publicly held, the net profits then remaining amounted to £1,628,028. By far the larger part of this amount, namely £1,084,644, has been retained by the subsidiary companies and applied by them in the manner shown in the consolidated statement of profit and loss, only the balance of £543,384 being brought into the accounts of the corporation as representing its net profits for the year.

ORDINARY DIVIDEND

As is our custom, we gave the fullest and most careful consideration to the rate of dividend that we should recommend be paid on the Ordinary stock and, having taken into account all the factors involved, reached the conclusion that on this occasion some modest increase over the amount distributed for the previous year was fully justified. We are, therefore, recommending to you that the dividend to be paid on the Ordinary capital should be at the rate of 15 per cent.—an increase of 2½ per cent. over that paid for the previous year—with a corresponding participating dividend of 2½ per cent. on the Seven and a-Half per Cent. Cumulative Participating Preference stock.

In arriving at our conclusions in regard to the amount that we would recommend to you for distribution on the Ordinary and Participating Preference capital of the corporation, we had to keep in the forefront of our minds the very substantial sums now required in connection with the general finances of the corporation's subsidiaries, particularly in relation to the great volume of raw materials necessary for their operation and the high level of prices now reached for those materials; then, too, we had to take into account the funds that are and will be necessary for the proper maintenance and development of our many plants in this country and overseas.

INCREASED CAPITAL AND ASSETS

The capital of the corporation was increased during the year by the issue of 300,000 Ordinary and 300,000 Seven and a-Half per Cent. Participating Preference shares which were offered in September to existing stockholders of those classes at 37s. 6d. and 30s. a share respectively. These issues were, I am gratified to say, readily taken up and the proceeds provided approximately £1,000,000 of additional capital, which is, of course, reflected in the item of cash, which at the date of the accounts amounted to £4,207,599, in addition to which £950,000 was held in tax reserve certificates.

The consolidated assets of the corporation and its subsidiaries have increased to £38,000,000, which amount is calculated after deducting approximately £11,600,000 in respect of depreciation. Reserves, you will have noted, now amount to nearly £7,100,000, while current assets have increased by over £3,750,000 and now exceed current liabilities by some £12,750,000.

During the year we decided that the time had arrived when the corporation's investments in its subsidiaries should be valued on a more realistic basis than heretofore. Accordingly, such investments have now been valued by your directors, in consultation with their professional advisers, on the basis of the net tangible assets of the respective companies exclusive of the reserves and undistributed profits of those companies that have arisen since the corporation acquired its interests in them. As a result of this the value of our investments was increased by £740,276, and you will have noted that a corresponding amount now appears in that balance sheet as a capital reserve.

The published accounts of all subsidiaries which have been made available to you, and in which the corporation owns 100 per cent. of the Ordinary or Common stock, as the case may be, show a strong and highly satisfactory liquid position and in every case they have been able to increase the amounts they have distributed either by means of an increase in the rate of dividend or cash bonus paid, or, as in the case of the Canadian subsidiary, by maintaining the same rate of dividend on an increased capital.

DIVERSIFICATION AND DEVELOPMENT

Particularly gratifying are the results of Associated Bowater Industries, which, from the accounts of that company, you will have observed were more than double those of the previous year.

It is largely through the medium of Associated Bowater Industries that we are carrying out our policy of the diversification of our business. In this connection it has recently formed a new subsidiary, Bowaters Multiwall Sacks, Limited, to operate the factory now in course of erection for the manufacture of multiwall sacks, which is making good progress and which, it is hoped, will come into production in the early summer. However, the time now required for any form of building work and the installation of plant and machinery is much longer than in former times; as a result, the completion of the bleached straw pulp plant at our Sittingbourne mills and the extension of our wall-board factory adjacent to our Kemsley mills and the development that is being undertaken by the Bowater-Riegel Corporation have been delayed.

We acquired during the year the whole of the ordinary capital of The Irish Wallboard Company, Limited, which had then only recently commenced the production of wall-board at an entirely new and well-equipped factory at Athy in Eire. However, difficulties were subsequently encountered in regard to adequate supplies of straw—the raw material which the factory had been initially designed to consume, and these difficulties are now being surmounted by the adaptation of the plant to the use of either straw or wood.

THE OVERSEAS MILL COMPANIES

Our Scandinavian mills did not enjoy the same degree of prosperity for the year under review as for the preceding year. This may seem something of an anomaly having regard to the present inflated prices for the ground-wood pulp that they produce, but there was a period at the end of 1949 and during the early part of 1950 when prices for most pulps fell to uneconomic levels, and this, of course, adversely affected the trading results of our mills in Scandinavia for the past year. I think the position of those mills is possibly best described in the circumstances by the phrase I used last year—that they had a relatively satisfactory year's trading. In one respect they may be better situated than the ordinary run of pulp mills in that we are now again able and, of course, will continue at all times to take their entire production, thereby assuring to them a constant outlet at a fair market price.

The trading profit of the Canadian company for the year amounted to \$7,916,972, or nearly 2½ million dollars more than for the previous year.

You are by now all aware of the decision of the Supreme Court of Canada in regard to the Canadian company's tax status. Provision has been made in the accounts of that company for the year under review, as it will have to be in future years for its liability to Federal income tax, which on this occasion amounted to \$1,077,000.

It is important to remember in this connection that the profits the Canadian company distributes to your corporation, as the owners of the whole of its common stock, carry with them the right to the relief from United Kingdom taxation that is allowed by the Double Taxation Convention which exists between the United Kingdom and the Dominion of Canada.

Having regard to the company's new tax status, and the very substantial capital sums that have been expended upon its properties in recent times, the directors of that company decided that the annual amount provided for depreciation should be increased to \$1,828,000 and to make a special provision of a further one million dollars in respect of the year under review. After deducting the provision for depreciation and for taxation the net profits for the year amounted to \$2,977,710—to which must be added the balance of the earned surplus brought forward from last year that remained after the deduction therefrom of the amount of \$1,540,000 capitalised during the year, making an available balance of earned surplus of \$8,027,942.

The directors of the Canadian company again recommended the payment of a common dividend of 8 per cent. on the now increased capital and after providing for this dividend and for the dividends on the 4½ per cent. Cumulative Preference stock, the balance of earned surplus to be carried forward to next year's accounts amounted to \$6,942,242.

The continued satisfactory results of the Canadian company are reflected in a very marked improvement in its liquid position. Bank loans, which at September 30, 1949, had amounted to nearly \$8,300,000, have been entirely liquidated, and despite the inclusion of the provision that has become necessary for Federal taxation, current liabilities have been reduced and are now covered more than five and a half times over by current assets.

HIGH LEVEL OF OPERATIONS

Production of newsprint during the year was the highest recorded in our Canadian company's history. Orders on hand for both newsprint and sulphite pulp are today more than sufficient to ensure full production during the current year and, in respect of newsprint anyway, for many years to come. Similarly, subject to the necessary dollars being made available as they now have been in respect of the current year, a ready outlet should also be assured for the entire production of the export sulphite pulp mill.

The export of pulpwood in the form of logs to our mills in the United Kingdom has also been resumed, and in this connection I think you may be interested to learn that the planned cut of wood for all purposes for the current season has been raised to nearly 650,000 cords—which will be by far the greatest cut ever undertaken by our Canadian company and probably as great as, if not greater than, any other company has ever previously undertaken.

MODEST INCREASE IN U.S. NEWSPRINT PRICE

In September last the Canadian dollar was freed from control and allowed to reach its own level vis-à-vis the United States dollar. This resulted in the advantage that Canadian producers had enjoyed during the preceding twelve months, of what was in effect a premium on their sales to the United States, being substantially reduced overnight. The

modest increase in the price for newsprint for which they subsequently asked by way of recompense in this regard, and towards meeting their undoubtedly substantially increased production costs that had occurred during that period, was, I am satisfied, more than justified.

The increase in price asked by some of the leading Canadian newsprint manufacturing companies had been ten dollars a ton. But there was a great outcry from some of the publishers in the United States against this moderate price increase and subsequently it was reduced by four dollars, making the base price for newsprint 106 dollars delivered New York, at which level it still remains.

A Congressional Committee in the United States has been conducting an inquiry into the newsprint industry of North America and the suggestion has been made by that Committee that there has been deliberate curtailment, or holding down of production, by the Canadian newsprint industry, with the object of maintaining an artificially high price for its product. This contention will not, I think, hold water, for the Canadian newsprint industry in recent years has increased its productive capacity by no less an amount than 600,000 tons per annum.

True, as far as I am aware, only one new newsprint mill is presently projected in Canada, although several projects are said to have reached the "talking" stage. The reasons for this, I think, are plain. Firstly the high capital cost of constructing new plants—and today a two-machine unit, the usual unit of production in the industry, would in all probability cost not less than fifty million dollars, excluding any hydro-electric power development—and secondly the availability of raw materials at a cost which will ensure their economic operation, and this of course will depend on the price structure prevailing in the newsprint industry.

RAW MATERIALS ARE THERE

I have heard it suggested that there is a dearth of the raw materials required for the manufacture of newsprint, but that is a view I do not share. Provided the newsprint industry can be assured of a permanent economic price structure it is my belief that the necessary capital could be attracted into it and the much needed new mills constructed. The raw materials to feed them, in one form or another, would then also be forthcoming, as an assured and adequate price for newsprint would, in my opinion, enable sources of pulpwood supplies to be tapped which are at present regarded as too remote or too costly to develop.

I believe that the solution of the vexed problem of a supply of newsprint sufficient to meet all needs is largely, if not entirely, one of economics, and this fact will have to be recognised by publishers throughout the world if they desire to find a permanent solution to this problem.

If the growth of consumption of newsprint continues only at its present rate, a situation may well develop where even the present meagre supplies available to those publishers outside the dollar area will be still further curtailed. I am convinced that the long-term solution to this problem can only be found in the construction of more newsprint mills, but the necessary encouragement to implement this solution, as I see it, must stem from the publishers themselves.

As a result of the exceptionally wide publicity that in recent times has been given to the problem of an adequate supply of newsprint for the British Press, and for the Press of the Dominions and Colonies, you will, I am sure, be familiar with the gravity of the situation in this respect as it at present exists, and you may be interested to hear from me something of the contribution we have made, or are seeking to make, towards its solution.

INSTALLATION OF NEW NEWSPRINT MACHINE

I have told you of the contribution of our Canadian company in this respect, and here I would remind you that that company is one of the very few that since the war have installed an additional newsprint machine as distinct from speeding-up existing machines. In addition, during the year under review the mills of the Bowater Organisation in the United Kingdom produced upwards of a hundred thousand tons more newsprint than in the previous year. This, in itself, was a substantial contribution to the very tight newsprint situation in this country, but in recognition of our obligations as the largest manufacturers of newsprint in the United Kingdom, we have decided now to proceed with the installation of an additional newsprint machine at our Kemsley mill, where the buildings for the purpose are already in existence. But here I should perhaps make it clear that some part of the production of this new plant, assuming it to be installed, will be in the nature of a replacement of the production of machines at our other mills which were turned over to the manufacture of other descriptions of paper when production of newsprint was restricted.

We are fully cognisant of our obligations to the Press and shall endeavour to meet those obligations, but unless the economy of the newsprint industry in the future can be shown to rest upon a sounder economic foundation than it has done in the past the time may come when we shall, perhaps, be compelled to turn over further machines to the production of those descriptions of paper and board which show a more adequate and steadier return on our investment.

In addition to the new machine we have also decided to install a new steam-raising and power plant at our Kemsley mill, which will much improve the efficiency of that mill, and, what is of the utmost importance, will save a large amount of coal, also nowadays in short supply, and greatly reduce our annual fuel bill, as well as placing us in an even more secure position in regard to a continuous supply of the necessary electrical power.

As I have already indicated to you, the present-day costs of installing new plant and machinery are many times greater than in former years, but provided an adequate return upon the very substantial capital involved can be assured, we do not feel that this alone should stand in the way of the proper development of our enterprise either in this country or overseas.

From the point of view of the economy of our mills in this country, the manufacture of newsprint continues to be less attractive than that of other grades of paper, and here let me say that this is so despite the prices now prevailing for newsprint of British manufacture. The selling price of newsprint in this country continues to be controlled, but obviously the control price must have regard for the cost of raw materials, which in recent times, it is no exaggeration to say, have sky-rocketed.

SCRAMBLE FOR RAW MATERIALS

The whole question of raw material supplies is the cause of very real and very great anxiety to your directors. As a result of a scramble for the available supplies of pulps of every description, and of pulpwood, that has resulted from the dollar situation and the ever-increasing consumption of paper products especially in the United States, prices for these raw materials, and consequently for most grades of paper, have attained fantastic levels and I fear have not yet reached their peak as prices for paper will undoubtedly have to be further and materially raised towards meeting the ever-increasing cost of raw materials; thus is the spiral of inflation given impetus.

Such is the present situation in regard to the prices now demanded for pulp that I

feel impelled to utter a word of warning to the producers. In my view they have adopted an unwarrantable and extremely short-sighted attitude in forcing prices up to their present levels during what, in my belief, is only a temporary situation, thus bringing about the present almost chaotic state of affairs.

Why the owners of pulp mills—I refer particularly to those situated in Scandinavia—should seek to obtain from their old and traditional customers a level of prices which they must be aware that, economically, neither the paper makers nor the consumers of paper in turn can afford to pay, is beyond my understanding or comprehension.

PRICES NOT THE ONLY PROBLEM

I am completely at a loss to understand the present attitude of many pulp and pulpwood producers in relation to deliveries as well as to prices. Deliveries against contracts in all too many cases have not been adhered to and there have even been a number of quite unwarrantable cancellations on one pretext or another; in this connection I would cite the case of the unilateral cancellation of an important contract with Poland for the supply of pulpwood for our Kemsley mills.

The raw material situation has not been helped by the serious shortage of shipping tonnage, which results from Government purchases of coal from the United States and the heavy movements of grain and various commodities for stockpiling by many countries in the world.

We had, as we thought, covered the bulk of our requirements of raw materials for our mills in this country, but so serious is the situation that has developed consequent upon the circumstances that I have just described, that we have recently been compelled to close down plant for lack of raw materials, and may soon have for a period to shut down further plant for the same reason. It is to be hoped that this situation may improve to some extent with the reopening of northern ports to navigation and the easing of the shipping situation, but I fear that these circumstances may further adversely affect the already aggravated newsprint situation.

IMPORTANCE OF OWN RESOURCES

All I have said in connection with the raw material situation will, I think, serve to illustrate to you the wisdom of our having in years gone by adopted the policy of ownership of sources of supply of some part of our huge raw material requirements.

We shall continue to explore every means of increasing our self-sufficiency in respect to supplies of raw materials, but this, of course, is a long-term policy, and necessarily entails substantial capital expenditure. In our endeavours in this connection, I am confident we shall receive the whole-hearted support of our many newspaper and other publisher customers, here and overseas, for it is as much in their interests as it is in ours to protect this position.

OUTLOOK FOR THE FUTURE

I do not want it to be thought from anything that I have considered it my duty to say today that the fortunes of our organisation are in any wise jeopardised, for the contrary is the case. We have a magnificent and expanding business, but at the moment are passing through a testing and difficult time of transition.

As I earlier said, I feel unable to embark upon prophecy in regard to the future, and must be satisfied with repeating the substance of the concluding paragraph of your directors' report, which was to the effect that subject to the factors with which I have dealt at some length today, particularly those relating to raw materials and to the many unpredictable factors inherent in the present international, political and economic situation, it is the opinion of your directors that the

outlook for both the home and overseas activities of the organisation would on the whole continue to appear not unsatisfactory.

So far this year earnings generally have been maintained, and while those of our mills in this country may, and probably will, be adversely affected during the remainder of the year, those of our ancillary and converting companies should continue to be fully maintained. In all probability our Scandinavian companies will enjoy a better year and the level of earnings of our Canadian and other overseas subsidiaries might well be somewhat higher than those for the previous year, and it may well be that in the aggregate this position can be maintained.

The report and accounts were unanimously adopted and the dividends recommended were declared.

At the extraordinary general meeting which followed, the resolution for the adoption of new Articles of Association for the Corporation was carried by an overwhelming majority.

CONSTRUCTORS LIMITED

INCREASED OVERSEAS DEMAND FOR PRODUCTS

MR. H. J. FINER ON EXTENSION OF GROUP'S ACTIVITIES

The twenty-ninth annual general meeting of Constructors, Limited, was held on March 21st, at Nickel Works, Erdington, Birmingham.

Mr R. S. Dyball, deputy-chairman, presided in the absence of the chairman, Mr H. J. Finer, who is at present on the company's business in South Africa.

The following is Mr H. J. Finer's statement which has been circulated: During the last few years I regret to say that my health has deteriorated and recently under medical advice, I have been able to do little more than attend board meetings and to interest myself in the company's overseas activities. I therefore feel that it is only right that I should relinquish the chairmanship and the position of joint managing director, thereby giving effect to the position which has existed for some little time. My colleagues have asked me to accept the office of president of your company, in which capacity I shall always be available for consultation and shall continue to give the company the benefit of my experience in the direction of its future developments and policy.

It will be necessary for the company's Articles of Association to be altered to allow for the office of president. An extraordinary general meeting will be called for this purpose in due course.

PROFIT AND APPROPRIATIONS

In my statement in July last year I refrained from making any forecast on the profit for 1950, and said that "progress to date" had been maintained. You will see from the consolidated profit and loss account that the group profit for 1950, before charging profits tax, is £118,864, compared with £118,433 for 1949. This is regarded by the board as satisfactory, in view of the rises in wages and costs of material during the year.

Charges for taxation and the various appropriations are shown clearly in the directors' report, and after bringing in the balance from last year of £67,246 there is a disposable balance in the group accounts of £110,640, against £79,908 last year.

Among the appropriations you will see a transfer to capital reserve of £6,912. This transfer is made to increase the capital reserve of the parent company to £50,000, being the sum required to effect in 1951 the

capitalisation of reserves to which reference was made in my statement last year.

Regarding the distribution to shareholders, Preference dividends were paid during the year. An interim dividend of 5 per cent., less income tax, has been paid on the Ordinary shares and the board recommends a final dividend of 20 per cent., less income tax, payable on June 1, 1951. The 200,000 new Ordinary shares of 5s. each which it is intended to create on March 15, 1951, and to issue by way of capitalisation of capital reserves, will participate in the final dividend if the board recommendations are approved.

After providing for all dividends and appropriations there is a balance on the group profit and loss account to carry forward to next year of £86,853, against £67,246 brought in.

CAPITAL EXPENDITURE

If you turn to the balance sheet of the parent company you will observe that £12,428 has been expended on the company's freehold factory and there is a note to the effect that the company is committed to further capital expenditure of approximately £23,000. This is in connection with an extension to the company's factory at present in progress, and which should come into production during the current year. The group's liquid resources are sufficient to finance this extension and to provide for the extra working capital.

It is rather early in the year to attempt any forecast of the profit for the current year. The order position of the group today is as good as it was at this time last year. I do not wish to pre-judge the nationalised steel industry, but I sincerely hope that it proves as efficient as it did under private ownership and that sufficient steel will be readily available to convert these orders to sales. While on this subject, I should like to mention the cordial relationship which has always existed between your company and the steel industry, and to thank our suppliers of steel for their very close co-operation in the past.

OVERSEAS BUSINESS

During the year subsidiary companies have been registered in the Union of South Africa and Australia. The demand for the company's products in the overseas markets has increased and it is possible that in the future it may prove beneficial to manufacture some of the company's products in the Dominions. I refer here particularly to the manufacture of your company's Adastra Pole.

With a view to extending the group's range of products, we have recently negotiated, in 1951, the purchase of the share capital and undertaking of Seldex, Limited, a company whose business is the manufacture and sale of office filing systems and the like, which your directors think will combine usefully with the company's present range of office furniture.

As part of the company's policy of providing for the welfare of its employees, the company's pension scheme has been extended, from January 1, 1951, to include all employees in the group.

Finally, on this occasion, I particularly wish to thank your directors, the staff, and employees, who have made their contribution to the past successful year's trading and who have been such help to me during my illness.

The report and accounts were adopted, the proposed dividends were approved; the retiring director, Mr A. N. Waide, was re-elected and the remuneration of the auditors, Messrs Thomson McLintock and Company, was fixed.

At the extraordinary general meeting held on March 15th the necessary resolutions were passed sanctioning the capitalisation of £50,000 of the company's reserves by the issue to the Ordinary shareholders of 200,000 Ordinary shares of 5s. each credited as fully paid.

ENGLISH ELECTRIC COMPANY

SIR GEORGE NELSON ON THE YEAR'S ACHIEVEMENTS

The thirty-second annual general meeting of The English Electric Company, Limited, was held on March 20th in London.

Sir George H. Nelson, F.C.G.I., M.I.Mech.E., M.I.E.E. (chairman and managing director), presided, and in the course of his speech said that the increase in net profit to £928,566 arose from increased production and turnover and was the result of good use of the plant purchased with new capital and money ploughed back into the business since the war. The directors recommend that £500,000 be transferred to the general reserve. Although the earnings of their works' employees and most of their staff had more than doubled and the remainder of their staff nearly doubled, for the same employment as in 1937, the rate of ordinary dividend during the same period had not changed, in spite of the fact that the company's earnings had steadily and substantially increased. The directors therefore submitted for approval that a final dividend of 11 per cent. be paid, making 15 per cent. for the year. This was a very modest return to the ordinary stockholder on the book value of the capital employed in the business. Allocations to depreciation reserves during the year were on the usual Inland Revenue basis, plus a proportion of the initial allowances. He repeated again that he deplored the fact that that department would still not allow depreciation to be calculated on the cost of replacement and thus enable the efficiency of the earning capacity of industry to be maintained from depreciation reserves.

The Government had paid a tribute to the company's design, engineering skill and productive capacity by adopting certain of its products for defence work and by placing substantial orders with the Company. To help in solving the problem of housing extra labour transferred to its works districts, the company had erected more than 1,000 houses of attractive design for its workpeople.

He mentioned that when he left England six months ago he was a warm supporter of the efforts being made to avoid inflation by restraint in dividends, stabilisation of basic wages and the principle that increased reward should come only through increased output. It was indeed a shock, therefore, when he arrived at the other end of the world to find in the countries producing basic commodities employing a relatively small amount of labour as compared with their output and value, that without extra efforts the prices of certain of their commodities had soared to highly inflated levels in a few months. Turning to the subject of the North Atlantic Treaty, he said they should be thankful that appropriate Committees were being initiated by the signatories, and it was to be hoped that the activities of those bodies would cover the whole field of material supply and not be limited to what were known as defence requirements.

CHAIRMAN'S TOUR

A significant piece of work during the year had been the strengthening of ties with the Commonwealth both by the development of overseas factories, the licensing of others to manufacture some of their specialised products, and the carrying out of important contracts for the generation and control of power and for diesel electric locomotives in those territories.

He had recently returned from a five months' tour of Canada, Australia, including Tasmania, New Zealand, India and Pakistan, and during that tour he had visited the company's branches and associated companies

in those countries. He was thrilled and greatly inspired by the loyalty, ability and enthusiasm of those who represented the company in the British Commonwealth. In every country he found that the reputation of British products stood high in the estimation of the people, and particularly was this true of the company's manufactures. The only thing that was not fully understood was the difficulty this country had had to overcome in the postwar years. He had found the warmest feelings for Britain in all the countries of the Commonwealth and he was sure that so long as they were convinced that industry and the Government would work together to ensure deliveries they would buy from this country.

AN OUTSTANDING ACHIEVEMENT

He supposed that the company's most outstanding achievement in 1950 in the public eye had been its twin-engine jet bomber, the "Canberra," which recently had made the flight from east to west in four hours and forty minutes, or 30 per cent. faster than the previous record, and this in spite of the fact that the best weather conditions had not been chosen. The confirmation that this aircraft was to be adopted by the U.S. Air Force was indeed a compliment to this country, and a great achievement by this company. Negotiations for a licence enabling the Glenn Martin Company to manufacture it at Baltimore were in hand. Of the steam plant commissioned by the British Electricity Authority in 1950, one quarter of the total was manufactured by the company; the total h.p. of steam-turbo plant delivered for home and export was twice that of 1949 and ten times that of 1946. The Ontario Hydro-Electric Power Commission of Canada had entrusted the company with an order for a third 60,000 kW. hydrogen-cooled turbo-set, and they and the company were therefore playing their parts to assist dollar balances so essential to both their countries.

In October last Her Majesty the Queen had graciously opened the Loch Sloy Hydro-Electric Power Station, where four of their 32,000 kW. hydro-sets, etc., were installed. In Portugal, they had put into operation what they believed was the most powerful vertical reaction set so far built in Great Britain, of 57,400 kVA., 63,000 b.h.p.

The company's research and development activity had continued at a high level and, in this field, they employed 4,500 people at a total annual cost of £4,500,000.

Their turnover in 1950 was £17 million greater than in 1947, a very great achievement involving an immense effort on the part of their managerial staff. The completed orders of the Group, exclusive of special defence orders, continued to increase in amount and volume, and a substantial portion was for export to dollar and Commonwealth countries. The company's production capacity was adequate to meet the delivery commitments it had entered into.

In conclusion, he paid tribute to the staff and workpeople of the company for their loyal, enthusiastic and splendid efforts during the year.

The report was adopted and a final dividend of 11 per cent. (making 15 per cent. for the year) declared on the ordinary stock.

CABLE AND WIRELESS (HOLDING)

EMINENTLY SATISFACTORY RESULTS

The twenty-second annual general meeting of Cable and Wireless (Holding) Limited was held on March 21st, in London.

Sir Edward Wilshaw, K.C.M.G. (the Governor), in the course of his speech, said: This is the first meeting and presentation of accounts since the company was reconstructed following the distribution of compensation received for the nationalisation of the telegraph part of your business.

The results of the year are generally agreed to be eminently satisfactory. I feel, and I hope you will agree, that the accounts now before you show that we have already gone far towards achieving all that we promised when the directors' proposals for the re-organisation of the company's capital were put before you. When I last addressed you I should have been thought rash indeed to have forecast that it would be possible to declare a dividend of 6 per cent. within so short a period of nine months, although it is the dividend which I had hoped would be possible, and which everyone of us, directors, officials and staff, have striven hard to achieve. We have been able to achieve it, and later in the meeting you will be asked to approve the payment of a dividend of 6 per cent. This I think can be prudently done and at least be maintained in the foreseeable future, subject to economic reactions beyond your directors' control. Further, given reasonable conditions during 1951 it would seem that we shall have even less difficulty in earning at least a similar return this year.

STOCKHOLDERS' CONFIDENCE

It is a remarkable thing that approximately 70 per cent. of the stockholders, prior to the scheme, still remain with us. It may interest you to know that:—

43 per cent. of the stockholders do not hold more than £100, and a further 44 per cent. do not hold more than £500.

This, I think, is a complete justification for the maintenance of an Investment Trust by affording the small investor the opportunity of investing in an organisation which provides them with the security and benefits arising from a world-wide spread of investments covering the widest possible field.

Those who have supported us through nationalisation and continue with us have done very well. Their confidence is both appreciated and is an encouragement. Especially is this so in respect of the large number of stockholders who own only comparatively small amounts in the Company.

TWOFOLD POLICY

The company's policy is twofold. First, to secure and maintain a minimum dividend of 6 per cent., and then to seek for an increase by way of additional income from medium and long-term projects, which should be beneficial not only to you but to the Dominions and Colonies in fostering public works and enterprises in less developed areas.

When we were in the communications field we created a great organisation, and it is still our policy to continue to do something creative rather than be static.

I want to assure you that the directors desire the company's reputation to be on the highest level of security and enterprise. It would be foreign to their policy and ideals if it became to be regarded as speculative. It is the intention that this Trust is a Trust and it will be conducted on those lines.

The report was adopted and at the subsequent extraordinary general meeting the proposed new Articles of Association were approved.

BRITISH HOME STORES LIMITED

IMPROVED RESULTS

The twenty-third annual general meeting of British Home Stores Limited was held on March 21st in London. Mr Horace Moore (the chairman), who presided, reminded stockholders that an extraordinary general meeting would be held on March 28th to consider the directors' proposal to issue to Ordinary stockholders one new unit for every four held.

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

The accounts show profits, before taxation, of £959,239, as against £811,335 in the previous year. An appropriation of £295,830 to general reserve has been made and the final dividend proposed per Ordinary stock unit is 9d., less tax.

TRADING CONDITIONS

In 1950 costs of operation continued to rise and profit margins were lower, but these factors were more than offset by substantially increased turnover. The number of customers served during the year once again showed an increase. During the early part of the year there was a growing tendency for supply to out-run demand in many kinds of goods with consequently improved quality and value. Such conditions continued until the Korean war news broke, since which time the trend has been halted and in most cases reversed.

Once again it is my pleasure to thank our growing list of suppliers for the splendid support they have given us during the year. The mutual approach given to the production of suitable merchandise solves for the supplier the problem of continuity of outlet for a proportion of his output, while we on our side are assured of regular deliveries of goods of a guaranteed standard. During the year many outstanding values have resulted which, when offered on our counters, have met with a reception well beyond original anticipations.

DEVELOPMENT

The increase in selling space during the year has been negligible and we have only one item to report. Our Lewisham store, which was almost completed in 1939 but was never operated, was released from Government requisition in two stages during the year, and we were able to get it into partial operation. The work of completion is now in hand. For this year we are pleased to be able to tell you that a trickle of development has started. We are now rebuilding our blitzed Southampton store which, when completed, will be the largest unit in our chain and we are hoping that it will be in operation during the year. Also, at Exeter, we have commenced work on a section of our large new store there. This consists of a temporary building, but we are hopeful that work will be started on the main store building during the year. We also anticipate that we shall be able to make small extensions to one or two existing stores, and we shall continue with our modernisation programme to several other existing branches. The programme outlined is very modest, but, even so, it has had an encouraging effect on us all.

We are very fortunate in having such a loyal and willing staff. They have the team spirit to the full, and in times of emergency are always willing to give just that extra service which means so much to any organisation. It is my duty, and indeed my privilege, on behalf of the board, and I feel sure stockholders, to thank them one and all for the splendid service they have given.

The report was adopted.

MITCHELL COTTS AND COMPANY

RECORD RESULTS

MR LEONARD ALDRIDGE'S STATEMENT

The thirty-first ordinary general meeting of Mitchell Cotts and Company Limited will be held on April 10th in London.

The following is an extract from the circulated statement of the chairman, Mr Leonard Aldridge, C.B.E., F.G.S.:—

Last year I said that on a short-term basis I considered that our prospects remained good, although I doubted then whether we should be able in 1949-50 to repeat the results achieved during the preceding few years. It is a source of satisfaction to your directors that this forecast has proved conservative. The overall results for the year constitute a record in the company's history.

The profits for the year show an improvement of £120,664 over those of the previous year, being £892,724, compared with £772,060. We have paid the usual preference dividends and two interim dividends totalling 25 per cent. (less tax) on the ordinary shares, which absorbed £150,997, compared with £130,632 in the previous year. We have decided to transfer £150,000 to contingencies reserve, thus increasing it to £350,000. The remainder of the year's unappropriated profit we propose to add to the carry forward, which will then stand at £485,503.

Our shipping companies, which continued during 1950 to suffer from the depression in freight markets, are now benefiting from the recently improved conditions. Our South Africa coal trade has again proved satisfactory, and our relations with the Natal Navigation Group of Companies and the Transvaal Navigation Collieries and Estate Company, Limited, both of which have in their own year's accounts shown gratifying results, have continued to be intimate and cordial. Provided we can successfully meet the difficulties of rail and sea transport, the solution of which we are seeking in close collaboration with our colliery associates, there is every reason to hope for continued prosperity in our South African coal trade.

SERVICES TO COMMONWEALTH

An important section of the Group's activities, of which we are justly proud, consists of services we are able to render to our own Commonwealth and other governments. During the year under review the most noteworthy achievement under this heading was the contract negotiated by our wholly owned subsidiary Mitchell Cotts and Company (Sharqieh), Limited, with the Saudi Arabian Government on behalf of Braithwaite and Company, Engineers, Limited, who, in conjunction with Thos. W. Ward, Limited, has undertaken the building of a modern road from Jedda to Medina. The value of this contract is estimated to be £3,000,000.

Our subsidiary, Fraser and Chalmers (S.A.), Limited, has successfully completed the supply and erection of the new surface plant for the Premier Diamond Mine near Pretoria which has adopted the American Cyanamid Company's modern process of heavy media separation. This plant is the largest of its kind in Africa.

The total value of the group's exports from the United Kingdom for the year under review was nearly £5,500,000—the small decline from the previous year being mainly attributable to the restrictions on imports imposed by the Government of the Union of South Africa.

As to the current year, it is difficult to give a reliable forecast, but we have no reason to be dissatisfied with the results achieved so far. Unless world trade is adversely affected by any new crisis in international relations, we have no reason to fear an unsatisfactory result for the current year.

STANHOPE STEAMSHIP COMPANY

UNPRECEDENTED SHIPPING DEMAND

The sixteenth annual general meeting of the Stanhope Steamship Company Limited was held on March 20th in London, Mr J. A. Billmeir, F.I.C.S. (the chairman), presiding.

In the course of his speech the chairman said: During the year, the two oldest units in the fleet—the "Stanhope" and "Stanland"—were sold, and the fleet now consists of four tankers and twelve dry cargo ships of an average age of ten years.

Our profit on trading amounts to £482,411, as compared with £664,459 for last year. The proposed final dividend, with the interim dividend, makes a total distribution of £55,000, the same as last year.

This meeting is, of course, dealing with a financial year which ended six months ago and covered what was undoubtedly a very difficult year for shipping companies generally, but since September a complete transformation has taken place. In November the balloon really went up when this country was suddenly faced with having to import two million tons of coal from the United States of America, followed by other European countries who also found themselves in a similar position. At the same time merchants throughout the world who had been waiting for lower freight rates rushed to cover their essential needs. The demand for dry cargo ships today is greater than the oldest among us in shipping can remember. This has resulted in a scramble for tonnage the world over.

Rates of freight are today on a sound level and there seems no sign of any change in the near future. Practically the whole of our fleet is now very profitably employed until the end of the present financial year.

The report was adopted.

HILGER AND WATTS

CONTINUED SATISFACTORY DEMAND

The third annual general meeting of this company was held on March 19th in London.

Mr G. A. Whipple, M.A., M.I.E.E. (chairman and managing director), in the course of his speech, said: The net profit for the year amounted to £35,753, or £4,475 less than for the previous year. The directors are recommending a first and final dividend on the ordinary shares of 7½ per cent., the same rate as last year.

Trading in the period concerned was not easy, since the major portion of the company's orders were for export and consequently were subject to the many hindrances attributable to foreign import licence control and to the availability of sterling in the countries concerned.

The demand for our products continues to be satisfactory, the most noteworthy feature being the increase in orders from the United States of America.

I referred last year to the establishment of companies in Canada and South Africa by Scientific Exports (Great Britain), Limited. You will be interested to learn that as a result of this development Canadian business is expanding.

Work in our research and development departments was intensified through the enlargement of facilities at Camden Town. The economic benefits obtained are of continuing value in all our productions.

Your company is best known as makers of high-quality optical and mechanical instruments. It is a sign of the times, and a pointer to the future, to note that the trend of modern development in these fields has required that a substantial and capable electronic section be constituted in our research department.

The report was adopted.

THE ASSOCIATED PAPER MILLS, LIMITED

IMPROVED TRADING RESULTS

STRONG FINANCIAL POSITION

SCARCITY OF RAW MATERIALS

MR L. W. FARROW ON THE INCREASING DEMAND

The 29th annual general meeting of the Associated Paper Mills, Limited, was held on March 16th, at Winchester House, Old Broad Street, London, E.C., Mr L. W. Farrow, C.B.E., the chairman, presiding.

Mr Barrington C. Gain (deputy chairman and secretary) read the notice convening the meeting and the auditors' report.

The following is the chairman's statement which had been circulated with the report and accounts for the year ended September 30, 1950:

I am pleased to be able to put before you trading results much more satisfactory than those for the year ended October 1, 1949.

The improvement is due to a variety of reasons, among them being a greater demand for paper, a larger output, particularly of processed papers, and advantageous purchases of raw materials. The supply of these latter, both wood-pulp and esparto grass, has become increasingly shorter as the year progressed, and prices have risen constantly almost week by week until now, when they stand at very high figures. Selling prices have had to be raised to meet these increases and this, of course, has been of additional benefit to those mills which have had supply contracts at lower prices than those prevailing.

DEMAND EXCEEDS SUPPLY

The demand for all forms of paper, particularly of board for packaging, has been much in excess of that available, and in many cases, in common with other manufacturers, we have had to institute a form of unofficial rationing with a view to disposing of the paper available as fairly as we can. This position is now being accentuated by reason of Government demands for supplies arising out of the international situation. The trade generally has agreed to do its utmost to meet these demands, which is likely to decrease still further the supplies available for industry and the public generally.

With raw materials so scarce and no sign of an improvement in the supply situation there is little encouragement to expand productive capacity; in addition to which, as you will be aware, the delays in obtaining new machinery and the difficulties with regard to permission to erect new buildings to house it are as great as ever. A new factor which has recently come into the picture is the coal situation, the possible effects of which I need not elaborate.

DIVIDEND RECOMMENDATION

I think you will agree that the results for the year ended September 30, 1950, have justified the directors' decision to maintain the ordinary dividend in respect of the year to October 1, 1949, even though this meant drawing on our reserves.

Having regard to all these factors which I have just mentioned, your directors have thought it wise to transfer £50,000 to contingencies reserve. This not only replaces the £35,000 that we drew the previous year but adds an additional £15,000, bringing the contingencies reserve up to £230,000.

If past experience can be relied on in these days, there is bound to come a time when there is a steep and sudden drop in raw

material prices, and just as we are benefiting now from being covered ahead, so in the future we shall have to be prepared for losses when this drop comes.

We have also transferred £25,000 to general reserve, bringing this up to the round figure of £150,000.

You will remember that last year I mentioned that a wages increase was granted by the trade to the workpeople in 1948. In August, 1950, a further increase in wages was granted by agreement with the trade unions, which in a full year will cost the group £25,000.

These increases in wages were made necessary, at least partly, by the depreciated value of our money, and your directors feel that when profits are available it is right that the rate of ordinary dividend should be raised. They have accordingly recommended the payment of a final dividend of 20 per cent., making with the interim dividend of 5 per cent. already paid, a total of 25 per cent. for the year.

I have previously mentioned what a small percentage the ordinary distribution of 20 per cent. (paid for the past three years) represents on the capital originally invested in the company, owing to past reductions of capital, and I will now point out that this dividend amounts to only $\frac{1}{10}$ of 1 per cent. on the capital originally invested.

THE ACCOUNTS

We have endeavoured to further simplify and improve the accounts. We have this year omitted the profit and loss account of the parent company as it is the results of the group as a whole that are material, and these are given in the consolidated profit and loss account.

We have also altered the lay-out of the balance sheets and made consequential adjustments in the figures at October 1, 1949.

If you will turn to the consolidated profit and loss account, you will observe that the trading profit of the group after providing for depreciation is £204,502 higher at £327,691 and that the net profit (before taxation) is £206,638 higher at £306,023.

Taxation on the year's profits (calculated at the current rates) amounts to £157,050 against £71,168, but this time we have a credit to bring in of £10,497 in respect of previous years (mainly in respect of excess profits tax reserve no longer required) against £4,016. Income tax on initial allowances on plant is again dealt with on the conservative basis that I explained in my statement to you last year and results in a charge for the year to September 30, 1950, of £15,065, against £5,677 for the previous year. The total tax charge is £161,618, against £72,829.

I have already dealt with the transfers to reserve and the dividends and after providing for these the balance of profit carried forward is slightly higher at £31,070.

PROFIT ALLOCATION

I give below a table showing how the profits for the year to September 30, 1950, as compared with those for 1938-39 and 1948-49, have been dealt with, taking the total net profits before taxation as equivalent to 100 per cent.

	1938-39	1948-49	1949-50
Taxation	39.6	70.2	47.9
Retained in business	22.8	...	30.4
Dividends to shareholders (net)	37.6	58.9	21.7
Withdrawn from reserves...	...	129.1	...
	100.0	100.0	100.0

From the consolidated balance-sheet you will see that the financial position of the group continues to be strong. Current assets at £1,167,426 exceed current liabilities by over £767,000 as compared with an excess of £685,000 at October 1, 1949.

The increase in the value of stock and debtors is mainly accounted for by the higher prices prevailing in the closing months of the year.

Secured indebtedness has been reduced by £13,798 during the year by the normal redemption of the parent company's debenture stock and the repayment of the Bond of Brown Stewart and Co., Ltd., of £9,000.

THE OUTLOOK

With regard to the results for the current year, the profits for the first four months to January 31, 1951, are in excess of those for the corresponding period of the previous year and provided we can continue to obtain the necessary coal and raw materials and in the absence of any further deterioration in the international situation, I anticipate another successful year.

TRIBUTE TO EXECUTIVES AND STAFF

I would like to express the thanks of the directors, and I am sure of the shareholders also, to the managers, staff and workpeople of the whole group for their continued loyalty and endeavours in the interests of the companies. The good results have not been achieved without a great deal of forethought in arranging and rearranging output programmes, often involving considerable overtime work for all, to deal with such raw materials as were available and to try to meet the increased and varied demands of our customers.

The report and accounts were unanimously adopted and the dividend recommendation approved.

The retiring directors, Mr Barrington C. Gain and Mr J. G. Kipling, were re-elected, and the remuneration of the auditors, Messrs. J. B. Boyd, Wrigley and Co., having been duly fixed the proceedings terminated.

BRITISH ASSETS TRUST, LIMITED

The fifty-third annual general meeting of the company was held at Edinburgh on March 22nd, Mr W. H. Fraser, chairman, presiding.

In moving the adoption of the report and accounts, the chairman said:—

It is a great pleasure to welcome Lord Polwarth as a member of the board, and you will be asked to confirm his appointment.

Our income total for the year under review is an all-time high and shows a very satisfactory increase on that of the previous year. For the first time for some years, after paying the preference dividends, there is over 50 per cent. of the gross income available for the ordinary share capital. After the proposed dividend, 15.1 per cent. of the gross income, or 28.7 per cent. of the amount available for the ordinary, remains undivided and is added to our already large revenue reserves.

The balance sheet calls for little comment. The company had some £500,000 in Steel

Nationalisation stocks and for some weeks prior to the year end we had been anticipating receipt of Government stock resulting from nationalisation and investing when favourable opportunities occurred. This accounts for the increase compared with a year ago in our indebtedness to our bankers. Our investments in the U.S.A. and Canada represent 26.8 per cent. of the total valuation—as in previous years no credit is taken for the London premium.

January 15th is proving an increasingly inconvenient date for the close of the company's financial year and we, therefore, propose to change this to September 30th. This will involve a change in dividend dates. An ordinary dividend for the 8½ months' period to September 30, 1951, will be paid next December, and thereafter an interim dividend will be paid in June and a final dividend in December. Preference dividends for 8½ months to September 30, 1951, will be paid on October 15th, and thereafter the half-yearly dividends will be paid on April 1st and October 15th in each year. Interest on the debentures and debenture stocks will be paid on the same dates as formerly.

The report and accounts were unanimously adopted.

MERGUI CROWN ESTATES

INCREASED PROFIT AND DIVIDEND

The nineteenth annual general meeting of Mergui Crown Estates Limited, was held on March 16th in London, Mr W. J. C. Richards (the chairman) presiding.

The following is an extract from the chairman's statement for the year ended June 30, 1950:

There are, I think, two items in the balance sheet which call for comment. The first is the newly created capital reserve account of £13,611 which represents this company's proportion, less expenses, of the *ex gratia* payment made by H.M. Government to commerce and industry in Burma in respect of capital losses arising out of the Japanese invasion. The second is the strong liquid position which is disclosed. Total current assets amounted to £88,781, from which current liabilities of £28,267 have to be deducted, leaving a surplus, after providing for the dividend now recommended and all taxation on the accounts to date, of over £60,000 against an issued capital at the date of the balance sheet of £65,585.

The profit for the year amounted to £21,519, which is a substantial advance on that of the previous year, and the dividend recommendation is increased to 20 per cent. against the 5 per cent. we have been able to pay each year since rehabilitation was completed. None of our crop realised the prices at present ruling and the average net price obtained was in fact no greater than 1s. 3d. per lb.

Since the close of the financial year we have, with the approval of stockholders, acquired the entire share capital of K. H. Syndicate Limited, which directly owns a rubber estate in the State of Kelantan in Malaya, particulars of which have already been circulated.

For the current year the prospects are favourable. It is true that no worthwhile production has been obtained so far this season from our Palaw division, but this, we believe, be more than offset by the crop which can be expected from our recently acquired Malayan properties, only a small proportion of which has been sold forward. Production from our Milaungchaung areas in Burma is proceeding normally; none of it has been sold for forward delivery and it is realising current prices.

The report was adopted.

DECCA RECORD COMPANY

IMPORTANT NEW DEVELOPMENTS

At the twenty-first annual general meeting held in London on March 19th, the chairman Sir Cyril F. Entwistle, K.C., M.C., said: The net profit for the year, after taxation, amounted to £88,427, against £94,694 for the previous year. Your directors recommend the payment of a final dividend of 70 5/6 per cent., less tax, on the Ordinary shares, bringing the total to 112½ per cent., less tax, for the sixth year in succession.

The most important development during the current year has been the introduction to the home and export markets of long-playing 33½ r.p.m. microgroove records and suitable machines on which they can be played. Our records were introduced under the London mark on the American and Canadian markets in the Fall of 1949 where the sales reached large proportions. In those countries the introduction of long-playing records was a major event and provided a great stimulus to the record industry as a whole. We decided to launch long-playing records here in July of last year and are well satisfied with the progress made. Already the sales of long-playing records represent a significant proportion of our turnover.

In both home and export markets our turnover in records for the current year to date shows a considerable increase over that of the similar period last year. The domestic business is, however, still handicapped by the heavy purchase tax of 66½ per cent.

Decca Navigator hirings continued to expand during the current year, contracts for hirings now exceeding 1,000 installations. Additionally, a large number of receivers are being supplied to the Royal Navy.

FLIGHT LOG

The most important new developments have been in connection with the aviation side of the navigator business, in particular the introduction of the Flight Log. This instrument, which works in conjunction with the normal navigator receiver, enables the pilot to see his position continuously on a map, and actually records the exact course he has flown. This invention has been welcomed in aviation circles as a major achievement. The flight log has been used extensively by the chief test pilots for flight testing by the Air Speed "Ambassador" and the Bristol "Brabazon." A production programme for the flight log is now being planned.

We have recently received a contract for the construction of a Decca Navigator Chain in West Germany. Negotiations for the erection of a Decca Chain in France are virtually complete. These chains will be erected primarily for air purposes and I am confident that in the not distant future the Decca Navigator will become a standard air navigational aid for aircraft operating over this country and a large part of Europe.

Sales of Decca Marine Radar have expanded in a remarkable way during the current year. To date, orders have been received to equip over 800 ships of all types. Every effort is being made to speed up production to meet the growing demand and we believe that already the rate of output is the greatest in the world for merchant marine radar.

A year ago I forecast that profits for the year ending March 31, 1950, would show a recession. This year I am equally confident that results for the year ending March 31st will show a substantial improvement.

The report was adopted.

MAX TELE

The fifty-th this company London.

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The report was adopted.

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PHENOMENAL DEMAND

Mr Charles E. Pettit presided at the twenty-fourth annual general meeting held in London on Thursday.

He stated that the net profit for the year after provision for taxation was £55,616, as compared with £48,377 for the preceding year. The provision for taxation comprised not only income tax but also £30,000 for profits tax and this extra and, in his opinion, unjustifiable burden on the company's earnings, seriously curtailed the amount available for reserves. After the addition of £10,000 to general reserve, the directors recommended a final dividend of 11½ per cent. on the ordinary shares, making a total of 15 per cent. for the year, leaving a balance of £39,573 to be carried forward as compared with £33,557 brought in. The balance sheet again showed a strong liquid position with current assets totalling £725,433, which was over three times the total of current liabilities.

As regards the business, the two outstanding features during the year had again been rising costs of production and record sales, including a substantial rise in export. The company's efforts were being seriously hampered by the world-wide shortage of vital materials, but it was to be hoped that these shortages were only of a temporary nature, and that the company would be able to satisfy the phenomenal public demand for Phillips Superfine Stick-a-Soles, the merits of which were recognised today more highly than ever before.

In referring to his retirement from the board he expressed his warm thanks to all working in the business for their constant support and cordial co-operation.

The report and accounts were unanimously adopted.

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Policy for Korea

FIGHTING has been going on in Korea for nine months and once
again the extraordinary campaign enters a new phase. This is
not just because a hideous winter is past, the iron-hard paddly fields
have melted into track mud, and the heat and dust of another
Korean summer are on the way. Public attitudes about Korea are
changing too; there is a feeling that something new has happened
in the last two months—even though the stalemate in the field con-
tinues, in the sense that neither side has won, or is likely to be able
to win, a decisive military victory. Three events have helped to
create the impression that the situation has changed. These are the
United Nations advance northwards and the huge Chinese losses.
Nearly all along the line, the United Nations forces under Lieutenant-
General Ridgway's command now stand once again on the 38th
parallel—a most striking recovery from the winter setback when
Chinese forces intervened, and an event that General Ridgway
himself said only three weeks ago would represent “a tremendous
victory.” Equally, General MacArthur's self-inspired invitation
to the Chinese commander to call a cease fire, whatever may be
said about its propriety, was at any rate a call from strength, a
summons with more than a hint that if the Communists did not
comply Manchuria would eventually be bombed and the Chinese
mainland invaded. Thirdly, there is renewed activity in the United
Nations to draft a new declaration of policy about Korea; this would
be based on a recognition that the cost in blood and effort of regaining
territory up to the parallel has made the General Assembly's aim of
unifying the country out of date since it was laid down last October.

General MacArthur's latest statement of policy, made as usual
without consulting Washington, has caused the most violent anger in
the Administration. It was at first well received in many parts of
the world—not excluding this country—because it seemed to coincide
with the heartfelt longings of all who want military victory to lead
to peace instead of further war. But it is in reality one of the most
mischievous of all his pronouncements and it cannot be excused by
the argument that General MacArthur has had to make policy for
himself because no one at Washington had sufficient courage to lay
down policy for him. Anyone who could bring the war in Korea to
an honourable end would do unique service to humanity. But General
MacArthur included in his remarks to the Chinese and Korean
Communists two points that were not his to make, and they cut right
across United Nations policy and may do irreparable harm.

Every effort to end the Korean war by negotiation with the
Chinese has rightly emphasised at some point the need to discuss
other Far Eastern problems too—not just, as General MacArthur
proposed, to settle Korea “on its own merits.” Secondly, China's
original armed intervention in Korea was partly due to a groundless
fear of the consequences to itself if it did not intervene. Everyone
in the west knows that there was no intention whatever of the United

Nations forces crossing the Yalu River last December and marching on Manchuria—but the very existence of statements like General MacArthur's latest sally simply confirms the Chinese in their suspicions, and makes good propaganda material everywhere for the enemies of the United States. It is of course intensely galling for any military commander to have to fight a limited war, to see his men suffer and die because one hand is tied behind their backs. Yet the essence of war is often to choose the lesser of two evils, and the price of impatience in Korea may be a lengthening and widening of the struggle.

During the past few months everything possible has been done—and still is being done—to get the Chinese to negotiate a political settlement. But since their arrogant rejection of the United Nations cease-fire proposals in January, no answer has come from Peking. The only possible course for the United Nations has therefore been to press on with military measures in the hope that the Chinese, seeing the stalemate turned into a war of attrition, would eventually talk. In pursuing this policy, the United Nations have been fortunate in the increasingly close and direct touch established between the Pentagon in Washington and their field commander in Korea, General Ridgway; as a long-standing protégé of General Marshall he is not the man to regret the gradual cutting out of Tokyo's influence on the campaign. After two months of skilful and restrained offensive action, General Ridgway is now awaiting a Chinese counter-attack, which is to be expected within the next month. It would be wise to assume that their offensive must be checked and beaten back before the Chinese are likely to change their minds about talking; the Indian ambassador in Peking is, in fact, reported to be advising his government to "wait a bit."

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Both in Washington and at the United Nations in New York, meanwhile, ideas about the nature of a political settlement in Korea have been slowly changing for some time. Even in January Mr Lester Pearson, at that time representing Canada on the Good Offices Committee, felt constrained to apologise for the cease-fire proposals by emphasising that they did not "betray" the principles previously adopted by the United Nations on Korea. These proposals were for an immediate cease-fire followed by consideration of further steps: for all non-Korean forces to be gradually withdrawn; for the Korean people freely to express their own wishes about their future government; for temporary arrangements for the United Nations to administer Korea; and for the establishment of a special United Nations body to negotiate a final settlement. These proposals are still alive. They say nothing about unification and presuppose in effect that the two republics of North and South Korea will be restored.

The fact is, then, that while the long-term problems presented by the Korean dispute have not altered, the position of the United Nations has changed. It is now possible to consider the implications of two months of attrition in the field, and of the shifts of thoughtful public opinion as the Korean campaign has again swung in favour of the forces representing international law. Are the United Nations to go on with a war of attrition and wait indefinitely for the political skies to clear?

If not, what more can they do to end the Korean dispute? Probably the biggest difficulty will be to decide about a policy of continued attrition. For if the coming Chinese offensive fails, the temptation is likely to be very strong to take the opportunity to advance far into North Korea again. If the United Nations forces do not move forward, they will stand with a military vacuum in front of them and commit the cardinal military sin of losing contact with the enemy. What becomes of attrition then? But it is imperative that the United Nations forces should not repeat the mistaken attempt to reach the Yalu; if it is true that the Korean campaign cannot be ended by military action alone, it would be folly to risk the disastrous strategical error of becoming involved in a full-scale war in north-east Asia with overt Russian participation on the other side. Militarily, the United Nations must choose the best defensive line across a narrow part of Korea, preferably around the 38th parallel, and stick to it. It takes two to settle a quarrel, and the Chinese at present hold the political initiative in refusing to negotiate.

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But meanwhile, in the new mood induced by waiting, there are several steps that the leading powers in the United Nations should take. They should see that the Chinese are made absolutely certain of the peaceful intentions of the outside world. It would be advisable for the United Nations to make a new statement of purpose about its aims in Korea, in simple, unequivocal terms, and repeated often. Means should also be contrived, if they do not already exist through the Indian or Swedish ambassadors in Peking, to enable the Chinese to talk privately to Washington, should they want to do so. This is not to raise any question of Anglo-American or any other differences on Far Eastern policy, but simply to emphasise that, after all, the American forces in Korea form the main opponents of the Chinese and that there are severe disadvantages in diplomacy shouted from the housetops. Lastly, if the Chinese do not prefer to negotiate directly and outside the United Nations, Uno must itself seek negotiation by any means in its power.

It does not matter how this is done, so long as the leading members of the United Nations involved in the Korean dispute remain clear about their basic objectives and do not surrender them. These must be to leave Korea honourably, having beaten aggression and bequeathed a workable political framework in which the men of South Korea can live in peace and freedom, with the hope that one day it will also be possible for the North Koreans to do so. To guarantee this security, even if and when Peking has agreed to a settlement, may be next to impossible, but to use this difficulty as an excuse for not taking every proper step to reach a settlement would be unforgivable. In pressing relentlessly for an honourable settlement, the United Nations could do worse than hammer home in the East the fact that at the Cairo Conference of 1943—to which Peking alludes with satisfaction over Formosa—China as well as America and Britain guaranteed that Korea should "become free and independent"; this principle was accepted by Russia at the Moscow Conference of 1945. An attempt must be made to apply it to any eventual settlement in the Far East.

The Defence of Britain

THE naming last week of the subordinate commanders who will serve under General Eisenhower makes it possible to gain a clearer picture of the strategy which he intends to use. General Eisenhower's command is subdivided into three areas of which the central one, which includes Western Germany, the Benelux countries and France, is clearly the most important. It is here that the greatest number of troops and aircraft will be concentrated, and the strategic battle—the co-ordination of air, naval, and land forces—would be conducted by the Supreme Commander himself. The Northern area, which includes Scandinavia, the Baltic and the North Sea, will be commanded by a British Admiral, Sir Patrick Brind, with an American general in command of the air forces, and a Norwegian and a Danish general in command of the land forces of their own countries. The organisation for the Southern area, which presumably includes Austria, Italy, Portugal and North Africa, is not yet determined since there is still a number of political as well as military problems to be settled. It is possible that the defence of the Mediterranean, which is primarily a naval matter, may have to be separated from the defence of south-western Europe.

Whatever final solution is found for the Southern area, enough details have been given to show very broadly what is in General Eisenhower's mind. If war comes, the enemy must be met and defeated in Western Europe. But to make this certain, it is necessary to guard against the possibility of a flank attack. As it is, there is too little depth for manoeuvre in Western Europe, and if the Russians were to gain Norway, as Hitler did in 1940, or begin to gain a secure footing in southern Europe, the difficulty of defending the main continental area would be enormously increased. The flanks will be guarded by the national forces of the countries in that area knit together by a centralised system of command.

But as the framework of Western defence begins to rise above the welter of blueprints and committees, it becomes evident that there is one area—the British Isles—that will not be covered by this central system of command. The defence of Britain remains entirely a British responsibility. At first, this seems so obvious and so sensible an arrangement as to need no comment. Britain is the only country in Western Europe which is guarded on all sides by the sea. Of all the Nato countries in Europe, it is the least vulnerable, and the Russians would have to overrun the whole of continental Western Europe before they could contemplate the launching of a seaborne invasion. Britain has itself recognised that the defence of the continent is vital to its own security by agreeing to station a large number of troops and aircraft in peacetime on the continent of Europe.

All this is true in terms of land warfare. But the increase in the range, diversity and lethal effect of airborne methods of destruction does mean that Britain remains a very vulnerable part of the European defence system. Britain as a whole is the most important industrial target in Europe and there are four areas in Britain—London and the south coast ports, the industrial Midlands, Lancashire and the West Riding, and Clydeside—that are probably more important to the prosecution of a war in Europe than any industrial concentration on the

continent. If the Russians decided to attack Western Europe, it is inconceivable that they would not attempt to destroy or neutralise the industrial output and the communications of these areas. Indeed, it seems almost certain that Russian military planning must have taken account of Hitler's greatest military defeat—the failure to neutralise Britain. As long as Britain survives, no military conqueror can rest secure as the master of Europe. Conceivably, a Russian attack on Western Europe might be preceded by a limited offensive to gain control of either Norway or the Rhine delta in order to establish airfields and rocket launching sites from which to pour a continuous rain of bombs and guided missiles on to British factories and docks. It would be technically possible to launch attacks by airborne troops from the airfields which the Russians already possess in Eastern Germany. In the last war, neither German bombers nor German guided missiles could break the will or neutralise the industrial output of Britain. But no moral drawn from the last war could afford to ignore the size of the Russian air force, the effect of atomic bombing, and the vast increase in the range and power of guided missiles.

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These are familiar facts and they are recapitulated not in any spirit of alarm, but merely to draw attention to the special problem which confronts Britain as a partner in the defence of Europe. To argue from them that Britain should cease to play its part in the defence of continental Europe—that its contribution of divisions and squadrons should be limited to a token force—would be criminal folly. Apart from the moral effect that such an argument would have on Britain's continental partners, who are only too ready to notice signs of isolationism in British defence policy, it would be wholly unsound from a military point of view. If the Russian army is not met and defeated on the continent of Europe, it would eventually have to be met, and would be very hard to defeat, among the fields and hedgerows of southern England. From the most callous calculation of self interest, if for no more important reason, it is essential for Britain to contribute as much as is possible to the joint defence of continental Europe.

Equally it would be unrealistic to argue that the United States or Britain's European allies should contribute to the defence of Britain. The defences of continental Europe are still desperately undermanned, and it is not likely that there will be any margin of safety for some years. There could be no question of demanding that French or Dutch squadrons should be stationed in Britain when they are urgently needed elsewhere. Moreover, there is a strict limit to the forces which the United States can contribute—or which Congress will allow to be stationed in Europe in peacetime—and every radar unit, interceptor fighter or anti-aircraft unit which is sent must be used for the defence of Europe. It is probable that Canada and the other Commonwealth countries would be able to assist in the defence of Britain—as they did in the last war—but, apart from such help as they can give, Britain must bear the full burden of its own defence.

Taken together, these two facts—that the Russians

must attack Britain if they are to be masters of Europe and that Britain alone must be responsible for its own defence—mean that the British chiefs of staff must approach the problems of defending the continent with something of a split mind. The dilemma presents itself in its most acute form in the allocation of the scarcest of all the defensive weapons—fighter aircraft. It is becoming clear that only the very newest types of aircraft—types that are just emerging from the drawing board—are good enough to meet the threat of high level air attack, so that the rival needs of European and British defence will persist for a number of years until the deficiency in the new types is overcome. Another field in which the two demands conflict is in anti-aircraft defence. Anti-Aircraft Command is a very large consumer of manpower, including a lot of skilled trades. The imperative necessity to defend Britain's industrial targets means that a smaller proportion of Britain's mobilised strength is available for service abroad than is the case with any other of the Nato partners.

The allocation of scarce resources is a special problem which can be solved only by the professionals. But there is a wider point which affects everyone in Britain. In theory, military planning has always had to provide for the possibility that Britain itself might have to be defended at a time when a large part of its land and naval forces were occupied elsewhere. In fact, a threat to the islands themselves developed in the past only after British forces had been driven off the continent and back on to their home base. The vastly increased speed of modern war, together with the size of the Russian forces, suggests that an aerial assault on Britain might have to be met when most of the British army and a large part of the RAF were deeply committed in

Europe. Britain is no longer the long stop in Europe. This means not only that preparations for the defence of Great Britain—primarily, of course, air defence—must be highly organised in time of peace, but also that ordinary citizens must be prepared to play an even larger part in their own defence than they did in the last war. Specifically, this means that the organisation for civil defence must be fully established and staffed before any threat of trouble develops. After a slow start, recruiting for civil defence is more encouraging; membership of the Civil Defence Corps rose from 73,000 in November to 122,000 at the end of January, or from 1.69 to 2.8 per thousand of population. Some excellent training courses are now provided, and new techniques are being evolved. But the country cannot feel easy about its own ability to withstand air attack while only three civilians in every thousand are actively studying the problem.

If the organisation of civil defence is making a slow beginning, there is no sign that other preparations are under way. One of the simplest precautions, the creation of a new Home Guard, meets at present only official indifference. It is not necessary at this stage to call out and equip a complete Home Guard unit in every locality. But it would seem both urgent and relatively simple to create a cadre of commanders and staffs in every important area, round which the organisation could be speedily constructed in the event of danger. An airborne attack designed not for military conquest but to destroy vital installations is a real possibility and one which can be dealt with very effectively by a well organised *maquis*. Mr Churchill once observed that "wars are not won by heroic militias." But they may very well be lost for lack of them.

Stalinism and the Peasant

WHEN Stalin decided more than twenty years ago to "liquidate the kulaks as a class," and to force the peasant masses into collective farms, there were independent correspondents in Russia who could report to the outer world the convulsion and horrors that took place; and Soviet statisticians had not yet fully "mastered Marxist-Leninist methodology" in the presentation of their material. Thus it was possible, for example, to learn from official Soviet publications that between 1928 and 1933 the number of horses in the Soviet Union declined from 33 million to 15 million, of cattle from 70 million to 34 million, and of pigs from 26 million to 9 million. Plenty of information was available on the interpretation by Soviet Communist organisers of the word "kulak," the method of his "liquidation," and the scale of starvation in the fertile plains of the Ukraine.

Since the aim to collectivise agriculture was announced for Eastern Europe in the summer of 1948 there has been far less reliable information. From official sources certain facts may, nevertheless, be learned.

The drive for collectivisation in *Jugoslavia*, which was fierce during 1949, slowed down during 1950. At present about a quarter of the country's arable land is collectivised. This process has not been accompanied by "liquidation of the kulaks as a class," and there can be no doubt that collectivisation in *Jugoslavia* has been much more humane than was the original Soviet policy.

At present the *Jugoslav* leaders seem more concerned to increase the efficiency of the collective farms that exist, and to convince the peasants of the merits of the system, than to increase their number.

In neighbouring *Bulgaria*, on the other hand, the speed greatly increased during the last year. At the end of 1949 the proportion of the arable land held by collectives was about 11 per cent: at the beginning of 1951 it had risen to 44 per cent. The Five-Year Plan's target for 1953 of 60 per cent is well on the way to achievement. If recent unconfirmed reports of a further speed-up prove true, the target may be greatly exceeded, even at the cost of earlier plans for industry.

In *Hungary* collective farms hold only seven per cent of the arable land, and state farms a further six per cent. Although these results are still modest, the speed with which they were obtained is striking. In a speech on August 22nd last year, the chief Communist economic expert in *Hungary*, Ernő Gerő, declared:

During these ten days we have to persuade not a few hundreds but a few tens of thousands of men and women and families voluntarily to join the co-operatives.

As a result of the Party's efforts at "persuasion," the Premier, István Dóbi, was able on September 9th to announce that during the last weeks, 35,000 families had joined collective farms in addition to the 70,000 which already belonged. In the last months of 1950 the speed was reduced, but once more rose in January and

February, this year. On March 10th, however, the Government decided to permit no new collectives to be formed until after next harvest.

In *Czechoslovakia* a quarter of the villages contain collective farms, which together possess throughout the country more than 1,000,000 hectares, or nearly 14 per cent of the Republic's arable land.

In *Poland* the number of collectives has increased from 243 at the beginning of 1950 to 2,500 today, but they possess only a small proportion of the land. *Rumania*, with 1,000 collectives holding only two per cent. of the arable, has made least progress in the region. In all the Cominform countries the drive against the kulaks is intense. They are not allowed to join collectives, are expelled from membership of trade co-operatives, and are assessed at disproportionately high rates for both money taxes and deliveries of produce to the state. Even the official press shows that there have been acts of mob violence against them.

The purpose of collectivisation in Eastern Europe is the same as it was in the Soviet Union twenty years ago. In order that the enormous targets of the industrial plans may be achieved, despite shortage of skilled workers and machines, great masses of peasant sons and daughters must be mobilised and directed to the factories, mines and public works. Jobs which could be done by one skilled worker with a machine must be done by two or three or five pairs of bare unskilled hands. The men and women must be brought from the villages, and they must be fed by those who remain on the land. The collective farm is above all a means of administrative—and political—centralisation. Its purpose is to extract from the peasants increased food supplies and a more rapid flow of labour recruits. It is hoped that mechanisation of agriculture will ultimately improve output per acre. But until this is so, the collective farm system provides the means to ensure that, if anyone has to be undernourished, it shall be the peasants. The more backward the country, the more urgent is the need for the new coercive apparatus. That is why collectivisation is being conducted so much more quickly in *Bulgaria* than in *Czechoslovakia*.

The collective farm is administered by a managing committee, in theory elected by its members, in practice appointed by the Communists. The chairman of the committee may or may not be a party member, but will certainly be a person approved by the party. Side by side with the hierarchy of the collective farms is the hierarchy of the "machine-tractor stations" (MTS); they own and operate the tractors on which the cultivation of the

fields will be increasingly dependent. The MTS personnel are closely controlled by the party. A decision of the Polish Politburo in December, 1950, created "political sections" in the MTS whose task was to "combine the strong influence of MTS technology and agronomy with the authority of the Party organisation." These sections are a direct copy of the *Politotdel* set up in the Soviet MTS in 1933-4. In the Soviet Union at present the party's control in the MTS is ensured by a "political assistant-director," who is a party member and is the most important political figure in his area, more powerful than the chairmen of the collective farms which his organisation serves. As the MTS become more important in Eastern Europe—they are not yet adequately supplied with machinery—their party organisations will become, as in Russia, the principal executive organs of the party's will in the countryside.

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Though the political significance of collectivisation is quite clear from the experience of the Soviet Union and Eastern Europe, its economic consequences are uncertain. It is doubtful whether mechanisation has greatly increased the output of Soviet agricultural land. It is doubtful whether great units of land are the best for all crops. The case for producers' co-operation is of course strong, but better results have been obtained in *Denmark*, by voluntary means and with respect for private property, than in the Soviet Union by compulsion, arbitrary standardised plans and onslaught on private property. Soviet policy, which is now being imitated in Eastern Europe, has been doctrinaire, inhuman and wasteful mainly because the supreme planners, for political and military reasons, have set impossibly high targets to be achieved within an impossibly short time. The welfare of agriculture is a secondary aim. Even less attention is given to social justice. The old social stratification of the Soviet village has been replaced by another, within which the contrasts are probably greater. There has appeared a caste of privileged persons: party officials, *kolkhoz* chairmen, book-keepers and administrators in *kolkhoz* and MTS, tractor drivers and MTS mechanics—who live immensely better than the mass of depressed agricultural labourers among whom they dwell. The same social stratification is now being effected in Eastern Europe. It will doubtless lead in time to the same mass of concealed unemployment or under-employment as exists in the Soviet Union, where much labour is wasted in superfluous administrative jobs.

Though knowledge of the course and effects of

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collectivisation of agriculture in Eastern Europe is of necessity limited, there is one general conclusion that can be confidently drawn. It is that the transformation of East European village life will gravely disorganise the whole area. Even if the Communist regimes proceed much more tactfully than their predecessors in the Soviet Union—and it is by no means certain that the international tension and the impatience of their commanders in Moscow will allow this—they will meet with an opposition far fiercer than the Russian peasants, with their heritage of serfdom and their long tradition of communal village organisation, were able to offer. If the Soviet Union had had to wage war during the years of economic chaos and famine between 1929 and 1933, the whole fabric of the Stalinist state would have collapsed. Today the confusion in Eastern Europe is already considerable; it will grow as the process spreads, at increased tempo, to the countries hitherto least affected. At the same time in the Soviet Union the

“third agrarian revolution” is going ahead with the conversion of village *kolkhozy* into “agro-towns” (described in *The Economist* of January 27th). Its physical and moral dislocation will hardly be much smaller than those of the thirties. These vast changes in the Soviet empire will not make for strength.

The west does not intend a preventive war against the Soviet bloc, nor does it regard the people of Eastern Europe as “expendable” in its own interests. To urge these peoples to premature revolts, doomed to bloody suppression, would be criminal folly; but the west cannot disinterest itself in the future of Eastern Europe. Its hundred million people cannot be left as cannon-fodder and factory-fodder for the Stalinist imperialists to use for the destruction of the west. Every means that may present itself should be used to strengthen these forces in Eastern Europe which can one day bring about its liberation. One of the strongest of these forces is the peasant's devotion to his land and to his village life.

The British Universities—II

Money and the Arts

FOR six years the universities of Great Britain have been given great opportunities and have seized them. Prosperity has altered the character of the younger universities and brought much controversy into the old. To these growing pains have now been added the difficulties that rearmament's demands on the national resources must create. Will the universities be forced to retreat from their advanced positions, will they be able to consolidate their present status, or will they be permitted to continue their development, though at a reduced rate?

The problems of the universities in the next five years involve five main issues. Two are concerned with finance. The first is the amount of money the nation can and ought to spend on its universities. Is £23 million or even £33 million an excessive amount of public money to devote to university education at a time of economic difficulty? The second issue is financial control. At present the universities are extraordinarily favoured, for they receive large sums of public money without the elaborate scrutiny of Treasury control. Can this freedom continue? The third issue is concerned with numbers. The universities want to maintain an equilibrium at the present level of some 84,000 students. Does this accord with the long-term interests of the nation? Fourthly, there are the problems that turn on the balance between arts and science. Are the arts being eclipsed? Should the further growth of scientific education take place inside or outside the universities? Fifthly, what of the status of the provincial universities? What can be done to secure their new position and to give them some of the cultural and aesthetic advantages which are so conspicuously lacking in industrial towns?

The financial future is at present uncertain. The quinquennial grant, once given, cannot be tampered with, and money on revenue account is therefore safe until July, 1952. But capital expenditure has already been reduced by the Treasury device of delaying approvals for six or nine months—which is not called “cutting.” In the short run, however, the new Civil Estimates allow for an increase in capital expenditure

for 1951-52 of nearly £2,000,000 (from £5,500,000 to £7,300,000). For the next quinquennium the University Grants Committee has asked universities to make their applications in a new form, distinguishing between “consolidation” and “development.” Money is likely to be available for carrying out plans that have already been set in train; but there is more uncertainty about new developments. Quite apart from the claims of rearmament, there is much to be said for the view that the universities have bitten off about as much as they can chew, and that a period of digestion is required. It would, however, be very bad for university morale if no money at all were forthcoming for the adventurous. Though the universities are taking ten times as much public money as they did in 1939, £23 million is still a drop in the ocean of public expenditure in the welfare state. And no investment, wisely made, can earn higher dividends. The last war forcibly demonstrated the value of university-trained scientists and administrators. Their importance is equally great in the peacetime economy of this country. Liberal provision for the universities—not only for the indispensables of laboratories, equipment and lecture rooms, but also for the civilising amenities of university life—can be justified on good economic grounds.

Freedom from detailed financial control is a more delicate subject. In two successive years the Public Accounts Committee has commented on the universities' exceptional freedom from close financial control. On both occasions this freedom has been ably defended by the Treasury. It would indeed be a catastrophe if the universities had Civil Service methods imposed on them at the centre. It is vitally important that universities should be free to make mistakes, to waste effort in the false starts inseparable from original research; Civil Service methods are designed precisely to avoid mistakes and waste (and consequent Parliamentary questioning). On the other hand, £23 million is a large sum of money, and the universities would be wise to forestall criticism. What has been done with the earmarked grants for oriental studies, for the social sciences, or for educating

dental and veterinary students? From the University Grants Committee it is impossible to obtain any general picture, even for a single subject, except in the quinquennial report—and that is very brief. Some fuller and more frequent method of telling the public how the money has been used is now needed.

The next problem is that of numbers. It was accepted in the previous article that the universities had a good case for marking time with a student population of about 84,000. A rapid expansion beyond this number would probably require a lowering of standards. An immediate expansion would probably produce many graduates unable to find jobs commensurate with their hopes. Reports issued by the Ministry of Labour indicate that, although a continued shortage of chemists, chemical engineers and metallurgists is expected, the universities are, or very soon will be, producing enough scientists and technologists of other types. The output of arts students is also sufficient to fill current openings except in a few subjects.

This, however, does not settle the issue of policy. The demand for graduates is fixed by certain conventions. Conventions can and perhaps should be altered. How many managers in industry should have university degrees? How many teachers? How many farmers? It is clear that the United States has benefited greatly from the wide spread of full-time education to the age of 21. Much of this college education is not of a university standard, at least as that is understood in Great Britain, yet it is none the less beneficial both to the individual and to industry. The question is not whether this country can afford another three years' education for another 100,000 students, but whether it can afford not to give it. This does not mean that another 100,000 should flood into the existing universities. As other countries have demonstrated, universities are not the only form of advanced education.

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At this point the third issue leads on to the fourth. Is it possible, and is it even desirable, to keep anything near the old balance between the arts and sciences? There is no doubt that arts faculties are temporarily at least in the doldrums. Men and money are pouring into the science and technological faculties. Scientific development is news; science professors can justify their demands by arguments of national needs; industry is prepared to lavish money on the universities for equipment and research. This atmosphere makes it extremely difficult for a university senate to tell its scientists that they have had enough. As a result, many projects have been started that will grow of their own momentum. Many are expensive in buildings and equipment—£250,000 for a cyclotron; £200,000 for a new engineering laboratory.

There are three kinds of response to this assault on the universities' resources. There are the defeatists, who say that the arts faculties must decline in importance. There are those who accept the master technologist as a power within the university, but one with which the arts faculties can make reasonable terms. Thirdly, there are those who recognise that the further growth of technological study is inevitable and desirable, but would have it take place outside the universities.

It is difficult to believe that the recent proposals for a Royal College of Technologists with power to confer

degrees on students who take technical colleges will yield a technologists, as distinct from technicians. The crabbing control is not calculated to attract or encourage the independence that a work. Yet the universities cannot burden. As a start, it appears reasonable to create two advanced Institutes of Technology. Their status should be created. They ought to be, but close to, existing universities. They would thus have opportunities for co-operation with sister university, and the governing body, some professors from the university. The scheme is that the institutes should be independent as great as that accorded to the universities. The Manchester College of Technology might be the nucleus of one such body. Cambridge, with its highly developed science and engineering, might foster another. Too much time has already been lost in attempting to placate the local authorities and more omnivorous members of the university. A decision ought to be made.

There are, finally, the special problems of the provincial universities. They hold the big new developments of the future in their hands, for the older universities are full to capacity and already work to very high standards. Several of the provincial science departments can hold their own against Oxford and Cambridge and draw teaching staff out of their magnetic fields. In the arts, this is rare, and the tendency is for all staff to be drawn to Oxford, Cambridge or London as soon as they have earned sufficient laurels elsewhere. Yet it is in the big urban centres that it is particularly important to encourage the study of the humanities and the enjoyment of the arts. In the science faculties, there is money and a sense of urgency and self-importance that overcomes many of the disadvantages of non-collegiate life. A number of things might be done to increase the self-confidence of the arts departments in the black cities. Some universities in an attempt to be universal extend subjects and staff beyond their real capacity. Nothing discourages teachers more than to be part of a “weak” department; nothing stimulates them more than to be one of a good team. The attraction of like minds is part of the magnetism of the older universities. The others, could increase their strength by concentrating more on their better departments and abandoning some of the stragglers. Similarly, if money was spent generously to build up better libraries, to increase research scholarships and travel grants, and to free staff from excessive teaching duties, new life might be put into the arts faculties.

The purpose of this article is not to urge the Government to bestow largesse upon the universities. There are extravagances that should be cut. But the value of the universities to the nation is so great that it would be the falsest of economies to prune them at the moment when six years of careful tending have put the harvest within sight. For six years the universities have laboured against shortages of staff and accommodation. They are greatly in need of the means to spread themselves a little, to establish firmly the new developments they have started. Money spent on higher education, both within the universities and outside them, is the price of cultural and technical advance.

(Concluded.)

NOTES OF THE WEEK

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The storm centre of a turmoil that entire Moslem world from Rabat (in ai (in Pakistan). Much will therefore now happens in Teheran where the rival Great Powers and the laxity, cupidity of local politicians are the main causes in policy in Persia must now be positive and essential and somewhat obvious objectives to The first is the maintenance of public order a Government. This is not easily achieved in mere religious fanatics, nationalists or members eh (Communist) Party can with little effort and financial outlay capture the popular imagination—ant of threats—usually threats of assassination—the security forces from carrying out their duties. y, it must be made quite clear that neither the British ment nor the Anglo-Iranian company will conduct r negotiations under a threat of force; lastly, the British rnement are fully entitled to receive from the Persians an anation of what is meant by “nationalisation,” in order at the new situation may be considered on a realistic basis. his information is needed in order to draw up new proposi- ons in which the popular catchphrase of “nationalisation” may be harnessed with the interests of the Persian people and of the petroleum company, which has vast and complicated activities ranging far beyond Abadan.

The wise introduction of martial law, first in the capital Teheran and later in the area of the petroleum fields, has enabled the Persian police, assisted by the army, to maintain order and to check the activities not only of the extreme Persian Nationalists but of the Tudeh Party which is undoubtedly partially responsible for the recent strike of 3,000 workers in the oilfields. The timely arrival of British warships in the Persian Gulf should strengthen the hand of moderates in the capital and the oilfields.

In view of these stabilising factors it is hoped that the Persian Government will very soon draft a reply to the British Note which was presented on March 14th in order that the situation concerning “nationalisation” may be clarified and new British proposals drafted. It is believed that the Persians would thankfully clutch at any proposal that would save their faces and help them out of their present impasse. There is little hope that the Petroleum Commission set up by the Majlis, which is so anxious to expropriate the oil, will have any idea of what they wish to do next. someone must make a proposal and the party which does so is the one most likely to have its own way.

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How Persia Keeps Solvent

The precarious state of national security in Persia has improved during the past few days and there is a hope, albeit a faint one, that disturbances are over for the moment. Our Special Correspondent recently in Teheran estimates that there is “about a fifty-fifty chance” that the forces of law and order will collapse before the “nationalisation” affair comes to a head. Be this as it may, the future appears to depend to a large extent on the outcome of the present financial crisis, which is discussed in detail in an article on page 746. The army and, even more important, the police have not been paid owing to a shortage of currency. As the Prime Minister's efforts to pass the new finance Bill through the Majlis failed and the compromise one put forward at the

last minute by a private member is unlikely to be effective, the vital question remains: how long will the security forces work without their wage packets? Servants of the Persian crown are well accustomed to receive their pay in arrears, but they like it none the more. The petroleum company workers are not, however, accustomed to be paid in arrears and, although the company may make some emergency arrangements for payment in kind, the situation is not a pleasant one and might in time become menacing if the Tudeh Party should again become active.

National solvency has only been maintained during the past fifteen months by large contributions from the Anglo-Iranian company, which amount to about one-third of the Persian budget. These payments have prevented national bankruptcy, but as they have unfortunately been made in secret few Persians are aware of this particular debt they owe to the company. The figures are enormous. During 1950, in addition to £14 million paid in advance royalties, the company paid a further £25 million; and this year a lump sum of £5,000,000 was paid two months ago which will be followed by further payments of £2,000,000 monthly. It is somewhat surprising that these significant figures appear to be so little known in London or Teheran.

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Pressure for Subsidies

There is probably a majority of Labour Members of Parliament which will regard rearmament as less of an evil the more it can be carried out by the methods of a war economy. It is this attitude that lies behind the recent appeals to the Government to subsidise and ration utility clothing. The Board of Trade issued over the Easter week-end a denial that it was working out any such scheme, but that cannot be taken as the end of the matter. This and similar ideas will recur, and will be pressed with increasing vigour, as the consequences of higher import costs and expanded defence production are more sharply expressed in higher prices and shortages in the shops.

Ministers, as well as their followers, are probably still very far from accepting in full the doctrine that higher prices for raw materials should be allowed to exert their natural force to restrain consumption. But even a Government entirely determined on this as a general policy would be concerned about the price increases now in prospect for utility clothing. The utility scheme was devised and first operated when raw material prices were relatively stable. It was based on the assumption that for a range of standard goods price increases could be kept to modest proportions. If they are now to be rapid the scheme has lost much of its social and psychological point. The proper response would probably be to drop it altogether. But Mr Wilson has already ruled out that possibility, for reasons which have never been adequately explained, and many Labour politicians continue to believe that somehow it is wicked for working-class shops to contain some things too dear for some people to buy.

The same politicians are, of course, earnest in their belief that “inflation” has to be avoided. They do not recognise that the Chancellor can this year manage without a very severe Budget, sharply increasing the taxes falling on the workers, only on the assumption that prices rise to mop up purchasing power while consumption in real terms is reduced. If clothing prices were kept down by subsidies, taxation would have to be correspondingly higher instead. The advocacy of subsidies is something more than vote-catching only if this cost is recognised; if it is recognised, few people can doubt that the lesser evil is to let prices rise.

Instruments and Prayers

It is not yet possible to tell whether the tension between Government and Opposition over the arrangement of parliamentary business will have been at all eased by the Easter recess. Much depends on the extent of the difference of policy between Mr Chuter Ede, as Leader of the House of Commons, and Mr Harold Wilson at the Board of Trade. There is certainly a difference in temperament between them, and that, in these circumstances, may amount to much the same thing as a difference of policy. It therefore remains to be seen whether Mr Ede's ideas for revising the procedure under which delegated legislation comes before the House ever reach the point of public discussion.

In the meantime, it is worth looking at the present procedure. The Statutory Instruments Act, 1946 (which came into operation in 1948) governs the publication and annulment of statutory orders of various kinds. It deals in detail with three classes of “instrument”: those which are to be laid before Parliament when made; those which may be annulled by Parliament within forty days of being made (it is this class which is annulled by a “prayer”); and those which are to be laid before Parliament in draft before they are made. The Act does not apply to those measures which need a positive resolution of both Houses before they become operative (save to direct that all statutory instruments shall be numbered and printed). Its principal limitation, as a piece of constitutional machinery, is that it is passive: it leaves each individual Act to prescribe what kind of instrument shall be issued under it—in particular whether the instrument may be annulled by a prayer or not.

The Opposition has always claimed also that the Act is defective in that it only permits a prayer for the annulment of the whole of an instrument, not for its amendment in detail. In 1949, a Conservative private member's Bill sought to lay down a general rule that all statutory instruments coming into force automatically on signature should be subject to annulment by prayer. The Bill did not reach the statute book. The only other general check on statutory instruments is the Select Committee of the Commons entrusted with the duty of examining them and of reporting to the Commons those which seem, amongst other things, to be an unusual or unexpected use of the power given to a Minister. During the 1950 Session, this Committee examined 632 instruments and reported seven to the House. Its duty is to report when the horse is stolen.

Whatever moral verdict is passed on the recent spate of prayers, Conservative backbenchers' activities are a reminder that a vast stream of statutory instruments emerges each year (the last serial number in 1950 was 2,144), that this is likely to continue under any government, and that in six years the Government has failed to devise any generally acceptable machinery either for their automatic classification by someone other than the department that makes them or for their amendment in detail when it is only a detail that is questioned. It is to be hoped that Mr Chuter Ede's proposals, if and when they are made, will deal with the whole subject and not be confined to a rearrangement of the hour of the day when prayers for annulment are taken. That would be as useful as altering the time of an appointment with the dentist.

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Bill for the Health Services

The absence of any supplementary estimate for the health service in the financial year just ending showed that the Ministry of Health had obtained some control over its total cost, which has risen so fantastically over the original estimate given in the National Health Service Bill of 1946. The new estimates for 1951-52 show that this control is being used to keep total expenditure steady. The net cost of the health service to the taxpayer—that is, after allowance

has been made for the contribution from the National Insurance Fund and other appropriations in aid—will be £398 million, compared with £393 million in 1950-51. If the cost borne by the ratepayer is added, the full burden of the health service in the coming year will be nearly £417 million (against £411 million), which gives it the distinction of being the most expensive of the social services, costlier even than the food subsidies.

In view of the inevitable rise in prices in the next few months, this small increase in the cost of the health service

	(£ Million)		
	1949-50†	1950-51†	1951-52†
Grants to local health authorities	15.4	18.4	18.6
General practitioner service	47.0	48.2	48.4
Pharmaceutical service	35.3	32.0	34.6
Dental service	48.2	46.9	39.9
Supplementary ophthalmic service	24.1	28.1	16.6
Advances to hospital boards	220.7	256.0	273.4
<i>Of which:—</i>			
Maintenance expenditure*	210.0	244.3	259.7
* Less “direct credits” (mainly recoveries from staff for board and lodging.)			
† Actual 1949-50 (except hospitals' maintenance expenditure which is estimated). Estimates 1950-51 and 1951-52.			

means that its demands on the real resources of the country are being slightly reduced. Unfortunately, there is every reason to assume that, as inflation marches on, the Ministry of Health will be faced with fresh demands for wage and salary increases. As is shown in the accompanying table, giving the distribution of health service expenditure between its main branches, no provision has been made for any increase in the capitation fee paid to general practitioners. Yet the long-deferred discussions with the British Medical Association on this question will take place in the near future,

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and the Ministry of Health can hardly maintain any longer its fiction that the betterment factor to be added to the Spens Committee's recommendations—which were made in terms of prewar values—should be only 20 per cent. In the hospital service, even if higher salaries for specialists and nurses are out of the question, there may well be demands for increases from the "other staff," whose salaries in the coming year are estimated at some £65 million. Food, accounting for about £30 million of the hospitals' gross maintenance expenditure, is also likely to increase in cost. Nor does it appear, from the estimates for local health authority services, that any account has been taken of the higher salaries recently agreed on for medical officers of health and dentists in local authority service.

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Some Progress in Paris

It is not Mr Gromyko's personal fault that progress at the Palais Rose is so slow. If it were, it would be strange to find him so stubborn in the conference room and so affable at lunch. The fault lies rather with his masters who, true to form, appear to have kept him on too short a rein for him ever to be able to test the paces of his opponents. The Kremlin wants to discover whether there is any chance of the western powers reconsidering their policy on German rearmament, without themselves having to decide or reveal what inducements or threats might be offered from Moscow.

This has been the significance of the apparently pedantic wrangle over the order of the agenda, which will decide whether the Foreign Ministers are to meet. If they had sat down with the first agenda offered by the Russians, the west would have found itself discussing German rearmament under the shadow either of half-threats (already made in Soviet Notes to Paris and London), or of unspecified inducements to change their course. They would, in fact, have been put in the box to face the charge of rearming the Germans before they had a chance to cross-petition or to explore the mutual advantages of a settlement out of court. If, on the other hand, the Foreign Ministers had worked with the first western agenda, the Russians would have found themselves discussing their whole policy in Europe and pressed to reveal from the outset whether they were really prepared for general negotiations or not. They would have been at liberty to open with the question of German rearmament; but they would also have had to face, and publicly reply to, the west's contention that it was the level of Soviet arms and the violation of the satellite peace treaties that had compelled them to consider the formation of West German divisions.

As *The Economist* goes to press Mr Gromyko appears to have been given another loop of rope from Moscow. He has proposed an opening item for the agenda in a form which makes the following concessions to the western views: it puts the causes of tension in Europe first; it brings the demilitarisation of Germany into a broader context; and the emphasis on fulfilling Potsdam is dropped. The log-jam is loosening, but there remains the objection that the Russian way of raising "the demilitarisation of Germany" constitutes an accusation rather than a proposal for discussion. It is still presented as the first cause of international tension and is given priority in the new Soviet draft over the "existing level of armaments"—which, in the western view, should be the starting point for the Foreign Ministers. Beneath all the arguments lie the two essential, contrasting facts: that the arming of Western Germany has not begun whereas the arming of Soviet Europe goes on apace.

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No Parallel in Germany

Strong nerves and cool heads will be needed in the coming months in Western Germany. The Soviet German

"National Front" organisations have now launched a campaign in the Federal Republic designed to overthrow the Adenauer Government, create economic chaos and rouse the public against the Atlantic defence forces on German soil. Now that the Federal Parliament in Bonn has finally rejected Herr Grotewohl's appeals for all-German talks on "unity," the Communists have reverted to their previous efforts to create a national resistance movement in the west. They are evidently preparing to do so with every means in their power, from organised propaganda and illegal strikes to outright sabotage. The Communist headquarters have reorganised their propaganda machine, and are purging their ranks of the many unsatisfactory members who resent having to collaborate with ex-Nazis and Social-Democrats.

To do their work the leaders of the Communist campaign will rely largely upon fear. They do not even hesitate to put into the public's mind the comparison with Korea, where the rejection by the South of Russian-sponsored appeals for "unity" was followed by a Russian-sponsored invasion from the North. On the contrary, speeches from Eastern Germany attempt to show that the situation is the same as it was in Korea (according to Moscow). The charge is made that, just as "the Americans invaded Korea," so they are preparing to invade Eastern Germany unless they are prevented in time. Following the same propaganda directive, Herr Grotewohl has said that

the Oder-Neisse line is to be Germany's 38th parallel—that is why Adenauer is demanding the extension of the dictatorship of the United States to the Polish territories east of that line. By doing so he is in effect demanding the declaration of a third world war.

Herr Dieckmann, the "Liberal Democratic" speaker of the Soviet People's Chamber, has added a personal threat to the western political leaders. Taking up Dr Schumacher's warning against the "Trojan cavalry" with which the Soviet Germans were trying to capture the west by a flood of organised propaganda and secret agents, Herr Dieckmann threatens that "Herr Dr Adenauer and Herr Dr Schumacher will be struck deaf and blind when this Trojan cavalry does what is necessary to re-establish Germany's unity."

It is evidently hoped that the West Germans have worse nerves than Marshal Tito and his Jugoslavs, who have been given similar treatment by Moscow for several years now. The parallel with Korea is, of course, misleading. Although Russian policies for acquiring control both in South Korea and Western Germany have been basically alike for a long time past, the situation in Germany became entirely different as soon as the United States and its allies decided to build up their forces in that country. The Germans cannot be too often reminded that Communist invasion came in South Korea as the consequence of an American withdrawal.

* * *

Threat of Famine in India

India is heading for serious trouble. This year's famine now looks like exceeding the Bengal disaster of 1943, if not approaching the long remembered horrors of 1897-99. The statistics of stocks show how tragic an emergency is likely to arise in the next few months and there seems little, if any, possibility of the American gift of 2,000,000 tons of grain arriving in time to save the situation. Although President Truman has proposed the gift—in two equal instalments—legislative action has yet to be completed in Washington. Moreover, assuming shiploads of 8,000 tons, it will take no less than 250 vessels to transport the grain; and that is a very tall order in the time available between now and mid-summer, which is the peak of the annual shortage in India.

Sixty years ago India produced in a normal year all the grain it needed although, by modern standards, proteins and vitamins were deficient even then. Today the population has nearly doubled, while food production has gone up by perhaps no more than 25 per cent. At present the average

Indian consumes only about 1,500 calories a day, which is appreciably less than the Chinese who are estimated to get a little over 2,000 calories. The immensity of the problem is shown by the fact that America's two million tons of grain would in any case raise average daily consumption only to about 1,800 calories.

In a bad year when the monsoon fails, as it often does in some parts of the country, the danger of actual starvation is very near. This year's special crisis is due to two things. There has been a phenomenal run of bad luck during the past nine months, in which floods, drought and the Assam earthquake have between them destroyed six million tons of food. In addition the government, hoping for too much from its grow-more-food campaign, in view of the encouragement it has given to the cultivation of cash crops in order to beat the shortage of raw jute imports from Pakistan, has failed to purchase enough food abroad, particularly Burmese rice.

The real trouble, of course, is the perpetual increase in the population. Drought has made the problem particularly acute at the moment, but unless some means can be found to restrict this endless growth the Indian outlook is grim indeed.

* * *

Plimsoll Line for Employment

The British Government has acted on the resolution passed last year by the Economic and Social Council of the United Nations, suggesting a full employment "standard." In reply to a Parliamentary question the Chancellor of the Exchequer announced last week that the United Nations had been told that the British standard was 3 per cent of unemployment at the seasonal peak. This is regarded as the level to which unemployment can be kept consistently with the avoidance of inflation. The figure is reached by taking the seasonal maximum of 2 per cent apparent during the last few years and adding to it a "small allowance" for external factors beyond national control, such as shortages of raw materials or a decline in the demand for exports. "It must be stressed," said the Chancellor's statement, "that the choice of this standard does not mean that the Government would allow unemployment to reach 3 per cent without taking vigorous counter measures." The practical effect is that the Government still regards the state of employment during the past three years as the standard to maintain.

There are circumstances in which the declaration of a standard would be genuinely useful. If the avoidance of inflation, overt or repressed, were really regarded as a *sine qua non* of policy; if unemployment figures took account, in inflationary conditions, of the wastage of manpower in semi-idleness on full pay; if the choice of a standard percentage were uninfluenced by any desire to display a superior economic morality before less security-minded or less fortunately-placed neighbours—then the public definition of each country's Plimsoll line for employment would indeed provide a framework of possibilities within which international measures could be rationally shaped. As a matter of hard reality all institutional and political forces, not only in Britain but elsewhere, now push towards inflation; warning lights are needed not to make governments realise that unemployment is rising too high but to show that it is falling too low. In taking the British unemployment figures of the last few years as an example of what can be achieved compatibly with "the avoidance of inflation," the Government displays either a remarkable unwillingness to use words in the sense generally understood both by economists and by the public or something which it would be kind to call blindness to the facts. Although much of the previous inflationary impetus was unexhausted, prices had already risen by 20 per cent since 1945 before the new impetus of rearmament took over.

Only too evidently, in fact, unemployment index of less than 3 per cent; and the policies designed to maintain a maximum if unemployment rose above 3 per cent. Mr Gaitskell's statement is either intended strictly for home consumption or as a declaration of an indefinitely accelerating, depreciation of the value of money.

* * *

The Closed Shop

The debate on the second reading of the member's bill on the closed shop—which was introduced before the Easter recess—should be much more than that on the action of Durham County Council. Nigel Davies, who has presented the bill, seeks to make it illegal for any local or public authority to insist on membership, or non-membership, of a trade union as a condition of employment. The bill is blessedly concise, and concerned only with the membership of trade unions, that of any other organisation. It does not, therefore, interfere with the Government's policy of refusing to negotiate with Communists on confidential state business.

As it stands, the bill meets the wishes of the large number of opinion that objects to the principle of the closed shop in general and to its application by Durham County Council in particular. It should receive a wide measure of support and not only from the Conservatives and Liberals. Most trade unions today would like to see the principle of the closed shop established, but few indeed relish the idea of their work being done for them by the employers. A man who is forced to join a union against his will seldom makes a good member and may well become a disrupting influence. Moreover, if an employer is entitled to insist on membership of a union as a condition of employment, another employer may be equally entitled to insist on non-membership of a union.

There is nothing in the bill to stop trade unions from continuing to campaign for a closed shop if they wish to do so; it aims only at preventing discrimination by local or public authorities—the only employers likely to attempt such discrimination today. But the bill avoids making an issue of the principle of the closed shop in general, and such a limited and necessary measure ought to receive the support of the Government as well as of the Opposition.

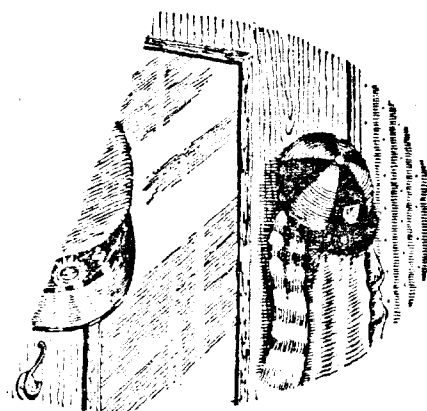
* * *

The Rate of Progress

The article in the January issue of the US Department of Commerce's *Survey of Current Business*, giving estimates of the American national income from 1929 to 1949 on a constant-value-of-money basis, was mentioned in the "American Survey" of *The Economist* of February 10th. The wider implications of the figures, however, justify a return to the subject.

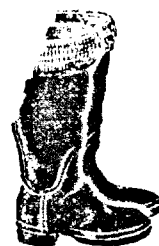
The gross national product of the United States, in terms of 1939 dollars, was \$85.9 billion in 1929, which was a year of reasonably full employment. It fell to \$61.5 billion in 1933—a fall of 29 per cent from the top of the boom to the bottom of the depression. Then there was a steady rise, interrupted only in 1938, to \$115.5 billion in 1941. The war took the total to \$156.9 billion in 1944 and after the decline immediately after the war, the total recovered to \$142.3 billion in 1949.

Over the twenty years this represents an average annual rate of increase in the real volume of national production of about 2½ per cent. But there was a large increase in population. On a per-head basis (leaving out the sphere of



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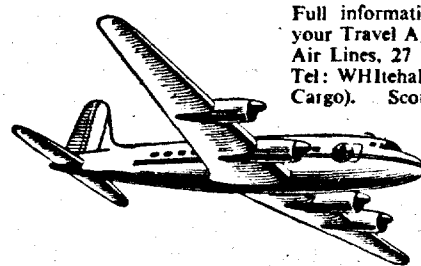
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government activity, which is difficult to "value"), the rate of increase in "real product per person engaged" was about 1½ per cent per annum. There are two further corrections that might be applied to this figure, but as they amount to about ½ per cent per annum each and work in opposite directions, they can be forgotten. (One of these is the correction for the fact that average hours of work were lowered in the twenty years; the other for the fact that part of the improvement is simply due to a migration of labour from low-productivity agriculture to high-productivity industry.)

The salient conclusion is, then, that the rate of progress—the rate of increase in what the average man can produce and therefore the rate of increase in what the average family can consume—is still, as nearly as can be measured, 1½ per cent per annum compound, the rate that seems to have prevailed in the industrial communities of the west, with remarkable consistency, for some two hundred years; there is no speeding up in the rate of material progress. And if that is true in America, it must be at least as true in other countries where less attention is paid to productivity. It is true that the period of the calculation covers the Great Depression. But that can be made the basis for more optimistic conclusions only if governments can be trusted not merely to abolish depressions but also to do so without putting brakes on the growth of productivity—which, as things stand now, is a very large double assumption. The prudent conclusion is that any plan or programme for future material progress should be looked at with great scepticism. If it assumes, over a long period, any rate of increase in total national income more rapid than 1½ per cent. Planners, please note.

Baghdad Follows Suit

A group of eighteen Iraqi deputies, including a majority of the right wing Istiqlal (Independence) party, have introduced a bill into Parliament demanding the nationalisation of all petroleum companies in Iraq. "Nationalisation" means expropriation, and the demand as well as the use of the word have been inspired by events in Persia. There is as yet no evidence that the proposal is receiving strong left wing support; but, to judge from the tone of recent broadcasts in Arabic from Moscow and the Iron Curtain countries, there is little doubt that the Russians mean to exploit the situation in Iraq as they did during the period when left and right worked together in noisy agitation to prevent ratification of the Portsmouth Treaty with Britain.

The Iraq Petroleum Company, which works the petroleum concession in Iraq, is owned by Anglo-Iranian (British), Compagnie Francaise des Petroles (French), Royal Dutch-Shell (Dutch-British) and Near East Development Co. (American), each holding 23.75 per cent of the shares; the remaining five per cent are held by Mr C. S. Gulbenkian, a British subject now normally resident in Lisbon who was a citizen of the former Ottoman Empire, was prominent in the original negotiations with the Porte for the Kirkuk field concession. The IPC was the first petroleum company to operate on a large scale in the Middle East, and it has the enterprise to construct the first large pipe line in the Western Hemisphere which runs from the Kirkuk fields to the Mediterranean—one branch terminating at Haifa in Israel and the other at Tripoli in the Lebanon. The original 12-inch pipes have recently been augmented by a second 16-inch pipe line, but since the beginning of the Palestine war the Haifa line has been cut by the Iraqis in an effort to prevent petroleum reaching Israel. Thus the large refinery at Haifa, with which IPC is associated through its Anglo-Iranian and Shell connections, has been virtually out of action for the past three years.

The IPC is moderately enlightened and senior posts have, in the past few years, been opened to Middle Eastern

nationals on terms of social and economic equality with Europeans and Americans. The Iraqis would do well to note that executive positions are not open to educated Arabs working for certain American companies in the Persian Gulf. Nuri Said Pasha, the Prime Minister, can be expected to be tough with agitators, for he wants no disturbances likely to endanger the long-term irrigation and draining projects for which he needs technical and economic help from the West. But Nuri Pasha will drive a hard bargain with the petroleum company, and already he has stated that he wants royalties for Iraq to be "no smaller" than those received by its neighbours. It is not without significance that Nuri Pasha is the chairman of the Iraqi Air Line, which is a subsidiary of BOAC. While he remains in office the Nationalists will have little chance of success, especially if the company puts forward new proposals to cover the remaining forty-nine years of the concession.

Germans Query the Defence Bill

It is psychologically unfortunate that Federal Germany's first contribution to western defence should have to be demanded in the form of an increased estimate for Allied expenses, labelled "occupation costs and mandatory expenditure." However, the Allied High Commission, which recently presented their estimated bill for 1951-52 to the Bonn Government, have done their best in a covering memorandum to remove from it the stigma of occupation. They point out that the increase is due to Allied troop reinforcements carrying out the security guarantee given by the Foreign Ministers last September to Dr Adenauer at his own request.

The Allies also stress that they will still be bearing the major part of the expenditure on their forces in Germany, and that they have made big economies in the part borne by the Germans. Moreover, new construction, undertaken to avoid requisitioning of buildings, accounts for DM 1,600 million out of the total of DM 6,600 million. In days to come the Germans will benefit from this expenditure, as well as from such projects as civil aviation. Estimated expenditure in the British Zone is about two-thirds that in the US Zone, in part because the cost of maintaining a British division is far less than the American minimum.

Though Dr Adenauer is conscious of the need to make a defence contribution in face of growing American displeasure, Dr Schaeffer, the Federal Finance Minister, has publicly complained about the size of the increase. He puts it at 2½ times the High Commission's figure; he also voiced resentment at the dictatorial manner in which the bill has been presented, and the wasteful expenditure of the Occupation Powers. He declared that the German Government would not consent to the demand until they had examined it from the point of view of international law, and of its social and economic consequences. The final expenditure would, he estimated, be several thousand million marks more than the Allies forecast, whereas the German taxpayer could never provide more than DM 6,000 million. By counting Germany's probable loss of Marshall aid, expenditure on refugees and various other irrelevant items, Dr Schaeffer manages to prove that Germany is already providing its share in western defence.

Juggling is not needed to argue that Germany is in no position, economically or socially, to stand the payment of 6.3 per cent of its gross national income on occupation and defence. Capital has been largely destroyed and no less than 12 million people are receiving state aid, out of a total population of 47½ million. This extraordinary figure includes the unemployed, together with 4,000,000 disabled ex-soldiers and dependants of the killed of two wars. Allied experts, on the other hand, have noted that gross national income has been, and still is, rising by leaps and bounds. Moreover, a reformed taxation system could certainly do much to prevent the new charge from increasing the already



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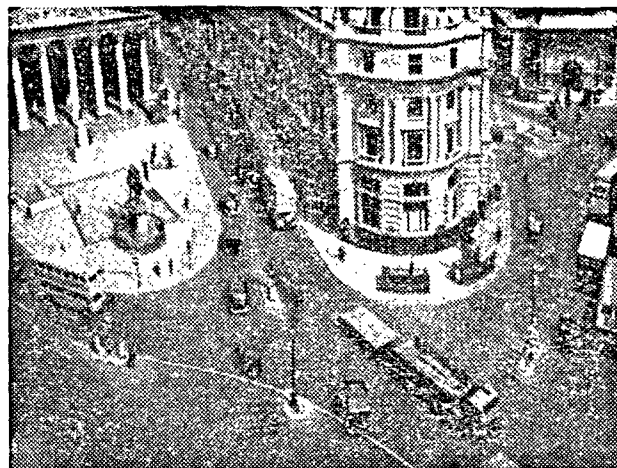
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dangerous inequality in its distribution. Given ideal conditions, in fact, the money could be raised. It would be wise, however, not to count upon the Germans to behave ideally in the cause of the west.

* * *

Communists and the Unions

The first of this year's annual conferences of the big trade unions has resulted in a major defeat for the Communists. At Blackpool this week the executive council of the Union of Shop, Distributive, and Allied Workers received overwhelming support for its rejection of a Communist-sponsored motion calling for a change of British foreign policy towards Russia and Communist China. The debate on a subject so foreign to normal trade union matters was particularly significant because it is likely to be repeated at the annual conferences of other unions—and, eventually, to influence the policy of the TUC and the Labour Party.

The Communist argument is cleverly put. To defeat it the non-Communist union leaders have to steer a wary course between traditional Labour pacifism and the real need for adequate defence preparations. In demonstrating Communist motives and methods to their members, union leaders have to be very careful not to fall into the trap of also appearing to denigrate genuine pacifists. The executive council of the distributive workers' union found an admirable way out of the dilemma in a resolution that deplored the threatened use of military force by any country; that saw no solution in the Communist "peace" campaign which ignored Soviet intransigence in international affairs; and that called on all governments to seek a compromise solution to avert war. It is the sort of resolution to which no one can object and which at the same time clearly establishes some degree of Communist responsibility for the present situation. It can only be hoped that the leaders of other unions in their turn reveal the same skill in dealing with the Communists.

* * *

Appeals by Assisted Persons

"Assisted Persons," a phrase that only a civil servant could have decided to use, are those people who are given financial assistance in the courts under the Legal Aid Act. In a recent case before the Court of Appeal, the Lord Chief Justice commented rather sharply on the results of the new Act as shown in the appeals coming before the court. In dismissing the appeal by the assisted person, he said that the result would be that the state paid the appellant's costs while the respondent, given a favourable verdict, had no hope of recovering his costs from anyone—and he had had to pay, amongst other things, £100 for the cost of a transcription of the shorthand notes of the evidence given at the trial itself. The Lord Chief Justice suggested two lines of possible remedy, one that the committees which authorise the granting of legal aid should give a closer scrutiny to the merits of each case, the other that there should be no right to appeal unless the trial judge or the Court of Appeal itself allowed it.

This comment is of wide interest. No one yet knows what proportion of cases before the court will be brought or defended by assisted persons. In some branches of law it is likely to be surprisingly high; after all, the majority of the population has not a "net disposable income" of £420 a year, which is the upper limit of those who may be given some help. The purpose of the scheme is to see that those who cannot pay the full costs of an action get a chance of having their complaint heard by the courts of the land, including the Court of Appeal. It would be most unfortunate if the committees of lawyers who make the first investigation were told, in effect, that it is for them to make a

careful assessment of the chances of success and to refuse aid to anyone who they thought might lose his case; the assisted person's complaint would then be judged, not by the courts, but by an informal committee of anonymous lawyers. The second remedy would be much the better; indeed, there is really no reason why it should be limited to cases in which one of the parties is an assisted person.

* * *

New Party in Indo-China

With the renewal of what is probably a major Viet Minh offensive against Hanoi comes news of a fundamental change in the Viet Minh political organisation: the formation of a new Workers' Party, the Lao Dong. Its programme represents the most correct Communist party line yet heard in Indo-China, and therein lies the importance of the event. Here is a really skilful mixture of the most orthodox Stalinism with the great pearls cast before the people of Asia by Mao Tse-tung. Hitherto there has always been some doubt whether the Party regarded the line taken by Ho Chi-minh as reliable; now, however, he is named as the leader of the Lao Dong. For the past nine months there has been a sharp struggle for power within the rebel Viet Minh movement, and the aim of the strict Communists has been to gain full control by merging the Viet Minh and the Lien Viet (or National Front). This was scheduled to take place by the

Unhallowed Monopoly

No class of men have benefited more by the abolition of the Corn Laws than the millers. It brought to their mills corn of all descriptions, from all quarters, while it in no way lessened the market for their produce. At the same time it permitted the flour from other countries to be brought in, that they might not have a monopoly of the manufacture both against the corn-grower and against the consumer. . . . By the repeal of those laws the millers had at least 1,500,000 more quarters of wheat to grind than they would have had had those laws been continued. This great boon does not satisfy them, because it is shared by others; and they now propose to get up a Millers' League, in order to prevent the competition of foreign millers, and exclude the people from the benefit of cheap flour. . . . The art of milling, for want of competition, has not gone forward like other arts in this country. The backwardness has only been discovered since competition began; and since then the best of our millers have introduced many improvements from France into their own mills. . . . The object of the proposed League is foolish as well as wicked, and the more brilliant the success of the millers, the more completely they excluded foreign flour from our market, or the higher they raised the protecting tax, the more intense would be the competition amongst themselves, and the less in the end would be their gains. We advise them to confine themselves to honest industry, and not take up the despised game of beggaring their neighbour. The field is open and free to them and to others; what more can they want? They have the advantage of cheap coal; they have cheap corn; they have admirable wheelwrights at their service. . . . It would be better for them to improve their gear and their grinding than to employ themselves in devising a tax on the people. . . . The scheme seems so monstrous, that we are half inclined to believe that the circular is a hoax. . . . Under this supposition, however, the scheme is worth notice as a specimen of the unhallowed things about us, awaiting only the glow of Protection to warm into loathsome and destructive activity.

The Economist
March 29, 1851

12/GN/21

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end of last year, but the "final" conference for this purpose has only just been held this month.

The question therefore arises whether the new offensive and the formation of the new party represent signs of strength or of weakness in the Communist camp. The first impression that these events represent confidence and strength is not proven. An offensive has been expected for some time but, so long as the Chinese do not intervene, General de Lattre is confident that he can hold it; his success last week in obtaining from Paris the promise of reinforcements may have encouraged the Viet Minh to strike at once. As to the Lao Dong, it may well be that the Communists, having failed to hustle through the merger between the Viet Minh and Lien Viet which they considered necessary to get full control, have decided to go ahead with a new party. The fact remains that there are still many waverers in Viet Nam, undecided between Bao Dai and Ho Chi-minh. This new Workers' Party may be expected to turn the heat on them, and whoever in the end wins the political struggle in this sector of the 'cold war' will have to gain their support. For the time being, the most effective counter to the Communists' new party would be another resounding Viet Minh military defeat.

* * *

French Financial Crisis

The French Government has succumbed to the pressure of the strikes and has decided, in principle, to raise wage levels in the nationalised industries and in the Civil Service while at the same time allowing increases in the price of coal, electricity and other basic commodities. This decision sent the strikers back to work except those in the Paris transport services where the strike wave started. Even here, however, the right to work has been respected and the strikers have made no attempt to upset the emergency services which have been put into operation. There is, in fact, a noticeable lack of the revolutionary fervour of 1947-48. For this reason it would be all the more pity if the Government failed to redress the legitimate economic grievances of the workers.

At the time of going to press the Cabinet is still wrestling with the exact details of the wage and price increases and with the appalling problem of how to finance the additional expenditure to which it must commit itself. The estimated increase in the state's wages bill will add up to 100 billion francs to the estimated budget deficit of about 470 billion francs—only 320 billion of which is covered by loans. The Government, therefore, has in any case an uncovered deficit of about 250 billion francs on its hands. And if it follows the advice of those who wish to moderate the increased price of coal, electricity, etc., by larger subsidies, it will be faced with an even greater deficit. In fact, however, subsidies will probably be kept to a fairly moderate level. Even so, the Government seems bound to make an effort to raise additional taxes. In a pre-electoral period this will go even more against the grain with the politicians than usual; but M. Petsche, the Finance Minister, has announced his firm determination not to become a "Minister of Inflation." Paradoxically, the absence in Washington of M. Auriol is a steady influence as no one is anxious to resign in his absence.

The present financial plight of the French Government is, of course, principally due to the failure of successive governments to tackle resolutely the problem of fiscal reform. But it is also due to the enormous rise in the cost of raw materials following the Korean war. Whatever its budgetary policies the French Government could not hope to cope successfully by itself with the increase in international prices. It is felt in Paris that this problem of securing a fair distribution of raw materials at reasonable prices must be tackled immediately and effectively if the unity of the western powers is to be preserved.

Letters to the Editor

What Resources Allow

Sir,—On March 24th you discussed my pamphlet on "Housing" and I write about two points. First, you state that last autumn's Conservative policy on housing has been "quietly dropped." Not at all. Last autumn Mr Churchill said:

You have demanded that the target that we should put in our programme should be 300,000 a year. I accept it as our first priority in time of peace. No one can tell how the rearmament burden may strike our industry and finance, but however our fortunes may go and from whatever angle the pressure of life may come, the Tory Party puts homes for the people in the very forefront of all schemes for our development.

And page 1 of "Housing" says that the Conservatives "set their target at a minimum of 300,000 houses a year, subject to Defence requirements." The difficulty is that even the Government does not know what it is going to build for defence purposes. On March 20, 1951, the Minister of Works was unable to estimate how many bricks and how much cement is wanted for defence.

Secondly, you ask if private enterprise builds more houses "how will an adequate standard of quality be ensured?", and you say I have not grasped this "prickly problem." You must have overlooked page 20 of the pamphlet, which reads:

There are those who accuse private enterprise of jerry-building. They claim that prewar "speculative" building was inferior and sub-standard. But who passed all the plans? Local Authorities. Who supervised the execution of the work? District Surveyors. If the local authorities did their work before the war so inefficiently that the quality of the houses was poor, what has happened to make them qualified, as agents, to build almost all the houses for which permission is granted?

The only way to ensure satisfactory building is to settle a standard which shall be observed; then the industry itself must apply the discipline to enforce it.

And I then go on to advocate an expansion of the scheme worked out by the National House Builders' Registration Council. This scheme is working well in practice.—Yours faithfully,

ERNEST MARPLES
House of Commons, London, S.W.1

Moral Disarmament

Sir,—I was surprised and disappointed to find your article of March 24th reaching the same woolly and ineffectual conclusion which so many articles on this subject in the last year have reached. After an admirable analysis of the roots of Communist propaganda, you conclude that "a permanent machine for Western political warfare should be created." You go on to say that the theme of our propaganda, "if it is to be really effective, must not be defensive." The double negative is a horrible warning of what is to come. For your idea of attack is "a full-scale onslaught on the fraudu-

lent, sinister 'peace' campaign," and, again, "an unremitting attack . . . on Russian imperialism."

This is not the stuff of attack at all. It is a purely defensive attitude. The Russians say they stand for peace, and we say they do not, and the point to note about this simplification is that the initiative is permanently with them. By this negative and defensive attitude, by the familiar emphasis that comment attaches to the analysis and exposure of Communist aims, all we are succeeding in doing is giving further publicity to the whole Communist ideology (including, of course, the "peace" campaign). In matters of propaganda, he who shouts first shouts loudest: the denials and exposures never have the force or persuasion of the original contentions. It is not by any means wasted effort to examine and refute Communist propaganda. But let us do this for what it is—an intellectual exercise—and not delude ourselves into thinking that it is a bold and imaginative attempt to convince great populations of the superiority of the Western way of life. Refutation, denial and exposure will convince no one of this.

If we really want to convince the world of the superiority of the democratic way of life—and we shall not survive unless we do—we must proceed quite differently. We must start differently, and instead of analysing Communism we must analyse democracy. Why and in what respects is our way of life superior? In what does its virtue consist? Why do its practices offer the citizen of any country a greater chance of happiness than the practices of any other way of life? How does it work and progress, and why has its standard of living, over the years, continually risen? Are there practical and topical proofs of the superiority of our system?

What is stopping us from a planned and aggressive policy of this sort? I very much hope that you will use your influence to haul down this wretched banner of the double negative and put something constructive and positive in its place.—Yours faithfully,

London ALASTAIR SCOTT

Sir,—It is good to find you supporting, in your issue of March 24th, a theme which I first advocated in the House of Commons over two years ago. Since then the same theme has been taken up by Mr Truman in America and Mr Spender in Australia. But we and the rest of Europe lag sadly behind.

Truth, pursued with equal vigour and determination, will in the end defeat the lie; and it is upon the lie that Communism largely relies. But truth must be pursued with equal vigour and determination, and that is exactly what we have not been doing. Consequently, many otherwise reasonable people among my constituents come to me to protest their desire for peace; as though anyone could disagree with that.

If the cold war is to be fought by hot air, let us at least have plenty of it; and let the organisation diffusing truth be as strong and active as the Cominform. But they are the simple truths about life behind the iron curtain which are needed: the illegality of the strike, the forced labour camps, the denunciation of one member of a family by another, the low standard of wages.—Yours faithfully,
J. R. H. HUTCHISON

House of Commons, S.W.1

Sugar from Cuba

Sir,—The article in *The Economist* of March 24th under the heading "Sugar from Cuba" calls for a reply.

It will suffice, perhaps, to point out that during the negotiations for a Commonwealth Sugar Agreement and apropos the International Sugar Agreement:—

It was not "made clear that Britain would buy a certain amount from Cuba";

It was not "agreed that something like 700,000 tons of sugar would be purchased at world prices from Commonwealth or foreign producers"; and

It was not "to prevent Cuba underselling any of the Commonwealth producers that suggestions were made nine months ago to resuscitate the International Sugar Agreement."

Again,

It is not correct to say that "a share of the British market would be accorded to Cuba in any case under the International Sugar Agreement"; and

It is not correct to say that "a contract with Cuba would mean that Britain would be assured of sufficient supplies of sugar to permit the abolition of rationing."

In fact, the Commonwealth Sugar Agreement is intended to secure a preferential market for some 2,375,000 tons of Dominion and Colonial sugars, leaving a residual market of some 300,000 tons per annum in the United Kingdom for free market suppliers—e.g., Cuba, the Dominican Republic, Peru, Brazil, and continental Europe.

The fears and misgivings of Dominion and Colonial sugar representatives regarding these negotiations, between the United Kingdom and Cuba on the one hand and Canada and Cuba on the other, were expressed in a resolution passed at a meeting held in London on March 20th. As the representative of the Commonwealth of Australia on the International Sugar Council, and speaking on behalf of the Australian sugar producers, I am in entire accord with the terms of that resolution.—Yours faithfully,

L. H. PIKE, Agent-General
Queensland Government Offices,
London, W.C.2
This letter is referred to on page 761.—
EDITOR.]

The Virtue of Obstinacy

Sir,—Surely your condemnation of any meeting between "someone really persuasive and authoritative" and Stalin in the Kremlin overlooks one important fact.

Even if such talks were foredoomed to failure they would be worth while because they would convince the British public that everything possible had been done to prevent a drift into war and therefore would make more acceptable the heavy sacrifices that rearmament must involve.

That would be a great gain and you never know, the talks might not fail, so what harm could there be in trying?—Yours faithfully,

CYRIL OSBORNE

House of Commons,
London, S.W.1

The Record on Korea

Sir,—Your analysis of the record on Korea rests on two silent assumptions which I feel I must challenge. The first is the assumption that the United Nations are entitled to employ force to achieve what is described as "the establishment of a unified, independent and democratic government of Korea" against the resistance of a large minority of the inhabitants. If that were so there would be no moral objection to advancing up to the Yalu River a second time. Secondly, there is your implicit identification of "a unified, independent and democratic government" with the

government of Dr Syngman Rhee. The real choice facing the Koreans is not between two ill-defined political theories but between the rule of the North Korean government and the no less tyrannical rule of Dr Syngman Rhee—just as China was forced to choose not between communism and democracy but between Mao Tse-tung and Chiang Kai-shek. It is these confusions and false identifications which still leave many who are "far from being Communists" unhappy and unable to accept your assurance that "there is no obscurity about the moral or legal position."—Yours faithfully,

MAGNUS T. WECHSLER

London, W.11

The Importance of Tito

Sir,—I would like to answer Mr Keller's letter of March 3rd, with which you "entirely agree" and with which I do not agree. There are two matters concerning the naming of Communist China as an aggressor which Mr Keller overlooks, and which throw a different light on the picture.

First, the British Government refused to sign the American resolution to condemn China not because it named her as an aggressor, but because it also called for economic sanctions to be imposed. To impose these sanctions would have been absurd. The world has already had one or two examples of an attempted imposition of sanctions under conditions far more favourable than are found in China. These attempts failed miserably.

The failure would be even more miserable in the case of China since not one of the countries on her north, west or southern frontiers would be able or willing to impose the necessary restrictions. The sanctions would have two results: they would compel China to throw herself into the arms of Russia, and they would make the United Nations the laughing stock of the world. The British Government's restraint resulted in the removal of this ridiculous and dangerous appendage to the American resolution condemning Communist China as an aggressor.

The second matter which Mr Keller overlooks, and which prevented the Commonwealth from hurriedly signing the American resolution, was that the Commonwealth Cease Fire Committee was negotiating with China at the time in an attempt to bring about a cessation of hostilities. The Commonwealth could hardly have condemned Red China as an aggressor while these negotiations were continuing, and while there was still a slight hope for an agreement.

I have spent the past ten years in the United States and have become an ardent admirer both of the country and of the people. However, I believe that the United States often tends to be impulsive and over-hasty. In this particular case the British Government acted wisely in restraining this impulsiveness and in preventing a move which would have been regretted as soon as it had been made.—Yours faithfully,

HUGH NOYES

Ventnor, Isle of Wight

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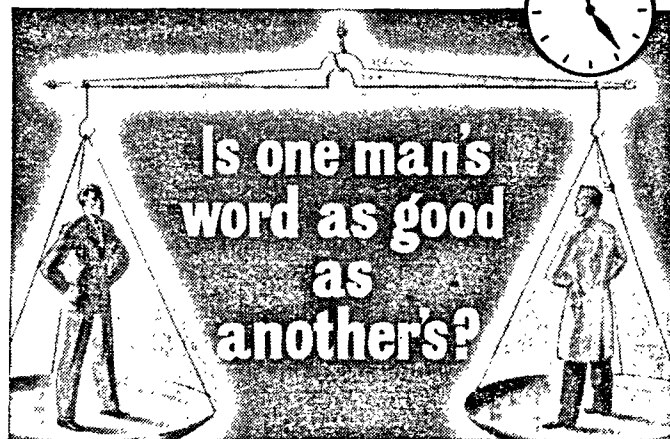
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Books and Publications

Far Ahead of the Ant

Of Societies and Men. By Caryl P. Haskins. Introduction by Vannevar Bush. New York: W. W. Norton. 282 pages. \$4.50.

Here the biologist comes to the aid of the liberal philosopher with his observations of ants, lichen and jelly-fish; and the biologist is himself rescued from the limitations of his lenses by his study of human institutions and ideas. To the layman's surprise, the specialist's message is of hope and intense faith in the individual and in democratic society. By comparing the associative activities of man—for example, his behaviour in the family or the locality—with the integrative activities of the culture within which he works and examining both in the light of biology, paleontology, and genetics Mr Haskins reaches some conclusions of the utmost importance. If he seems once or twice to tremble on the brink of saying that the end of evolution is the Constitution of the United States, that in no way detracts from the weight and insight of his argument. And if his style falls here and there into transatlantic Teutonic he must be forgiven; for he is trying to be precise in his terms and clearly "ideation" to the biologist is not quite what the philosopher understands by "thought."

When one has finished this fascinating volume one realises that the scientist will be content to read it in the order of chapters prescribed by the writer, whereas the layman should start at chapters 12 and 13, entitled respectively "The Society of Human Culture" and "The Modern Scene." For him to start at the first chapter is to plunge into a surfeit of comment on insect life without any clear idea of where it is leading to. Then suddenly it becomes clear that the question disturbing Mr Haskins is this: accepting the fact that societies like species develop towards ever greater complexity, is it inevitable that the totalitarian state should be the final form of political society? Is the free society old-fashioned, inefficient, and in conflict with the processes which can be observed in the animal world? Most emphatically No, says Mr Haskins. The totalitarian state is "a wave from the past"; it is based, moreover, on a profound misunderstanding of analogies from the animal world—for instance, with the ant or the Portuguese man-of-war.

Man as a social organism—in the free "associative" grouping of family and locality—is at a low state of integration, and his basic biological nature is satisfied. On the other hand, as a member of the culture society—in which ideas take the place of genes, and change proceeds at a much faster pace—man shows an "integrating trend" which may reflect the integrative properties of his own mind. This has brought him far ahead of the ant and its highly developed society: in 10,000 years man has "equalled and exceeded the whole experience of the highest social insects which took 50 million years." Three

hundred generations of men have outstripped the social efforts of ten million generations of ant queens. There is in human culture an "immense evolutionary dynamism" working through the individual.

It is a tribute to Mr Haskins' treatment that during his early chapters one feels very puny indeed beside the intricacy of the jelly-fish society and the struggle for existence of the lichen. And then one comes to the point of exclaiming "What a piece of work is man!" and is delighted that this re-statement of faith should come to old Europe from young America. Mr Haskins will gravely disturb such Professors as Joliot-Curie and Bernal when he says that the Leninists and Stalinists

neglected to point out that in the development of an integrated society, selection and evolution of its members take place, not on the basis of their individual merit and advantage, but in a pattern to promote so far as possible the welfare and success of a few individuals within that society—the queens of ants and bees, the rulers of a totalitarian state. They omitted any mention of associative social forms or of the manner in which these evolve. They neglected the duality of human civilisation.

Oxford Studies

Oxford Studies in the Price Mechanism. Edited by T. Wilson and P. W. S. Andrews. Oxford University Press. 274 pages. 21s.

This book is divided about equally between new essays and reprints or summaries of articles that appeared in the earlier issues, now out of print, of "Oxford Economic Papers." Students and others will be particularly glad to have in book form the reports and essays arising from the well-known inquiry into the effects of rates of interest. The reprinted material is accompanied by a new essay by Professor Sayers, attempting to reassess its significance. His view is, broadly, that the more sweeping conclusions drawn from the inquiry were mistaken. He is "inclined" to think that "changes in the interest rate may have considerable effect on business activity through their effects on both capital outlay and consumption outlay." In general, "the efficacy of the interest rate has changed and will go on changing continuously, some forces tending to dull its edge while others sharpen it." This is a victory for common-sense over too simple a faith in direct questioning of business men as a means of establishing economic truth, and Professor Sayers' case is well and stimulatingly argued.

Professor A. J. Brown contributes an essay on the attempts made in recent years to calculate some of the most important elasticities of demand and supply

in international trade. It is accompanied by a reprint of his theoretical study of the conditions, as regards elasticities of demand and supply, required for exchange stability. Probably the most important article in this collection, however, is still the well-known "Hall and Hitch" study of the policy adopted by businesses in fixing prices and output. It is a pity that here there is no postwar investigation or theoretical reappraisal to accompany the reprint. Mr Andrews provides a useful review of industrial theory since Marshall and pleads for what amounts to a restoration of the Marshallian theory of competitive industry; he claims to offer an equilibrium analysis for the individual firm that is consistent with this approach, and rejects the prewar theories of monopolistic competition.

Also new is an oddly disjointed essay by Mr B. D. Giles on the ways in which the price mechanism works in agriculture. It challenges effectively some orthodox but unfounded assumptions about the behaviour of farmers. Finally, Mr H. W. Robinson summarises skilfully the prewar studies of the mobility of labour made by the Oxford Institute of Statistics, and follows it with a suggestive analysis of war and postwar manpower movements. He shows that mobility in the early war years remained very low, and makes shrewdly some familiar points about postwar policy.

The quality of the essays in this collection necessarily varies greatly, but it is disappointing to find the prewar work on the whole much better than the postwar. If only for the sake of the reprints, the book serves a useful purpose.

Discipline or Information

The Scope and Methods of Geography and the Geographical Pivot of History. By H. J. Mackinder. London: The Royal Geographical Society. 44 pages, maps. 2s. 6d.

The Spirit and Purpose of Geography. By S. W. Wooldridge and W. G. East. Hutchinson's University Library. 176 pages, maps. 7s. 6d.

Sir Halford Mackinder's continuing relevance is amply attested by those lurid vulgarisations of his "heartland" maps so popular in the United States, and doubtless (with arrows reversed) in the USSR. "The Geographical Pivot," written on the eve of the Russo-Japanese War, has even a prophecy of the Korean bridgehead, admittedly with the emphasis reversed. One may however feel that there are unstated, probably unrealised, assumptions which detract from objectivity; one might even query whether the true pivot of world history is not rather the overlap between land and sea power in South-west Asia—an area which itself is brilliantly analysed. The over-simplification and under-valuation of Asia was natural in Mackinder's day; even when he appeals to us "to look upon Europe and European history as

subordinate to Asia and Asiatic history" he remains Europe-centred. Asia is a mere catalyst, a negative force. Yet the continent, whence we obtained, amongst other things, that system of numeration without which it is difficult to conceive of *The Economist*, has surely played a more positive role. That this is not merely "reviewer's hindsight" may be attested by reference to Meredith Townsend's "Asia and Europe" of 1901.

Nevertheless anything which Mackinder wrote on this theme displays such grasp and insight that it is rightly regarded as compulsory reading for students of world affairs. This reprint, admirably introduced by Mr E. W. Gilbert, is accompanied by an earlier paper which has had comparable significance in the more limited sphere of British academic geography. This excellently reasoned manifesto of "The New Geography" of 1887 asks, and answers with a convincing affirmative, the question, "Can geography be rendered a discipline instead of a mere body of information?" Yet 64 years later Professors Woodbridge and East still find it necessary to ask the same question; their reply is no less convincing.

The close linkage of modern geography to so many arts and sciences spells both delight and danger to the intellectually curious undergraduate; he is not likely to find a surer or more stimulating guide than "The Spirit and Purpose of Geography." Academic colleagues or inquiring laymen will find a rewarding survey of a study central to the understanding of our world; the initiate will seize upon many points of debate, particularly perhaps in the incisive discussion of the place of the physical basis in geographical discipline. No book so short and addressed to such diverse quarters can escape pitfalls or inequalities in the plane of argument; one doubts if there should be a place in an introductory survey for what are virtually hints on how to make a dot-map. Conversely, allowing for enforced brevity it is yet a little surprising to find no mention of recent genetic classifications of boundaries, or of Unstead's regional hierarchy. But these are small criticisms in comparison with the author's generally high level of exposition; the chapters on economic geography and on regionalism, for in-

stance, are little masterpieces of methodology. In this book geography definitely is what Mackinder said it ought to become: "a standing protest against the disintegration of culture." No higher praise, surely, could be given either to the study or the book.

Swedish Portrait

Background to Sweden. By Terence Heywood. Constable. 332 pages. 25s.

For the English-speaking world Sweden in the last two decades has suffered in the literary field from the excessive attention of experts—or of those who popularised what the experts disdained. Sociologists, architects, social reformers and brassy reporters have come, seen and written. Few stayed any length of time, fewer spoke Swedish; and not many got beyond Stockholm and a small number of show places. The result is that there is an unsatisfactory sameness about both contents and illustrations of the majority of books on Sweden in English. The material and superficial are stressed because they are obvious, but little insight is given into Swedish life and history.

Mr Heywood's is a well-written, well-informed, and sensitive book, for it has a richness and depth quite unusual in writings about the North. An Oxford graduate, who studied at Upsala immediately before the war, Mr Heywood arrived in Sweden without *idée fixe*. Wide interests led him on many fascinating excursions into out of the way places and topics. A perceptive observation and practised literary style enabled him to note and record his impressions for the instruction and delight of the reader. One cannot help thinking, moreover, that Mr Heywood was fortunate in that he apparently found his feet in the mellow atmosphere of Upsala before being exposed to the self-conscious and hygienic modernity of Stockholm.

The book describes travels in the centre, south-east and south-west of Sweden, and illustrates them with excellent photographs. The crayfish suppers and the peasants of Dalarna are there as usual. Unusually, they are in perspective as merely one, although a spectacular, facet of Swedish life. But Mr Heywood raises questions far more interesting than why the Gustavian

era is barely reflected in English drama; how the English proselytised the North; the extent to which Swedes participated in Viking raids on England (Mr Heywood's speculations have received interesting confirmation in the Sutton Ho ship-burial finds); and the early history of steam-baths or of ski-ing. It is indicative of the high quality of the work that it gains rather than loses from the fact that it deals with Sweden before the war.

For the Wide-awake

The Magic People. By Arland Ussher. Gollancz. 158 pages. 10s. 6d.

One of the deplorable concomitants of the modern situation of the Jews is that they are increasingly considered as a "problem" rather than as human beings. No other people is so hedged about with caveat, veto and sweeping diagnosis, and Mr Ussher's brilliant but over-complicated psychoanalysis accentuates the very self-consciousness which hinders that quiet integration sought by liberal minded Jews and Gentiles alike. Even while his flashes of insight illumine rarely perceived aspects of the dilemma, he declares that he talks to his Jewish friends "not in my personal idiom but in the lingua franca of culture, the language of the better magazines." How impossibly artificial! The first and indispensable step towards resolving the greatly fomented tension between Jew and Gentile is that each should consider the other, not as a member of an alien group, but as an individual who either possesses or lacks the qualities of loyalty, dependability, sensitiveness and intelligence necessary in a friend.

It must be stressed, however, that this study is a *tour de force*. Mr Ussher's hypotheses are irresistibly provocative, and his sincerity and wit compensate for the maddening irruption of parentheses which pepper his pages with dash, bracket and footnote, so that reading him is like a conversation with several people—all interrupting. This sometimes obscures the issue and engenders exasperated fatigue; but at the end, we are left in no doubt that we have been in the company of one who deplores prejudice, hates anti-semites, and loves "the races that walk alone." Torpid people should not attempt this book. It is written for the wide-awake.

AMERICAN SURVEY

Freeing the FRB

Washington, D.C.

THE agreement between the Treasury and the Federal Reserve Board, announced early this month, may be the means of enabling the FRB to escape from a ten-year servitude to the Treasury during which, with growing reluctance, it pegged the price of government securities and thus encouraged the "monetisation" of the federal debt. Yet the agreement does not make future Treasury financing unduly costly, nor does it make it impossible to maintain an "orderly" market in government securities. But, more important than the actual provisions of the settlement, is the fact that any agreement has been reached at all—the more surprising in the light of the bitterness of the preceding dispute. Now there is the prospect of a systematic fiscal and monetary programme jointly conducted by the two agencies. Without that, all else would have been futile. No possible legislative mandate, no righteous assertion of independent action by the FRB, or, on the other hand, no Presidential ukase vesting exclusive power in the Treasury, could have ensured an effective monetary policy or inspired public confidence in it.

The principal specific step to be announced was the Treasury's offer to refund \$19.6 billion of two bond issues maturing in 1972 but callable in 1967, carrying 2½ per cent interest and not eligible for bank investment. In exchange, the Treasury offered an issue of longer maturity (1975-80) at 2½ per cent, also not eligible for bank holdings and in addition not directly marketable. A holder who wants to turn these bonds into cash has first to convert them, par for par, into a new issue of five-year 1½ per cent notes; these will be saleable on the market in the usual way—but probably only at a small discount and therefore at a slight penalty.

The purpose of the offer is to create a more permanent home for the long-term issues, and thus to strengthen the market. The obvious hope is that this will be strong enough to maintain bond prices close to par without further open market buying by the FRB.

In the past, when the FRB had to support these issues by standing ready to buy them at the stabilised price, the differentiation between cash, short-term issues and long-term obligations had been minimised, if not completely obliterated. Given a sure, immediate market and no penalty for selling, the long-term 2½ per cent bonds were simply "interest-bearing cash." Investors bought them almost as if they were short-term notes and sold them, without risk of loss, whenever they needed cash for something else. The hope is that the added one-quarter of 1 per cent interest will be a sufficient payment for non-marketability to make the exchange a success. It is too early to be sure of this, but present indications are encouraging.

An integral part of the Treasury-FRB accord, unannounced but soon obvious, is that the FRB will no longer peg the price of government bonds at a precise figure. The Federal Reserve Board continues its traditional and unexceptionable function of assuring an "orderly" market. But on at least half of the trading days since the agreement was announced

the FRB has been out of the market entirely. For the first time since the early days of the last war there has been free dealing in government bonds.

As a result, there has been some decline, up to 1½ to 2 points for some of the longer-term issues. The professional shar, pencil dealers have for a decade been making a nice profit, automatic as clockwork and as safe, from movements in bond prices of two or three thirty-seconds, and a fall of two points seems by contrast an enormous drop. Actually it is nothing of the sort, either in terms of prices or of changes in yields. There is, moreover, some basis for believing that the free market will maintain prices around the present levels and that the FRB will no longer have to absorb surplus offerings and therefore will no longer be compelled to monetise the public debt.

The Treasury faces the prospect of having to refund the staggering total of \$39 billion of maturing obligations during the last half of this year. Admittedly, the operation presents many problems unless, as some economists predict, opportunities for private investment dry up so rapidly in the next few months, as a result of shortages of materials, that money will have no place to go except into government securities. But even if investment does not fall, there is no reason to suppose that the Treasury's task cannot be carried out without a heavy addition to the interest charges on the Federal debt.

★

The principal architect of the agreement, on the Treasury side, was its Assistant Secretary in charge of international finance, Mr William McChesney Martin, the "boy wonder" who became president of the New York Stock Exchange at 31. Soon after the agreement was reached the chairman of the FRB, Mr Thomas B. McCabe, resigned his post and prevailed on President Truman to name Mr Martin as his successor. Mr McCabe resigned not because of disappointment or disagreement with the settlement; on the contrary, the agreement he helped to create, by restoring harmony on monetary policy, provided the opportunity for Mr McCabe to realise a long-cherished desire to return to his home and private business. Mr Martin's appointment to the chairmanship of the FRB cements the accord. But, although Romeo marries Juliet and the Capulets make peace with the Montagues, neither house takes over the other. The Federal Reserve Board remains much more than a mere adjunct of the Treasury.

It is not yet clear, however, how, if at all, the agreement affects the basic monetary problem. Commercial banks, with \$60 billion of federal obligations bought during the war in their portfolios, may still be all too capable of expand-

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


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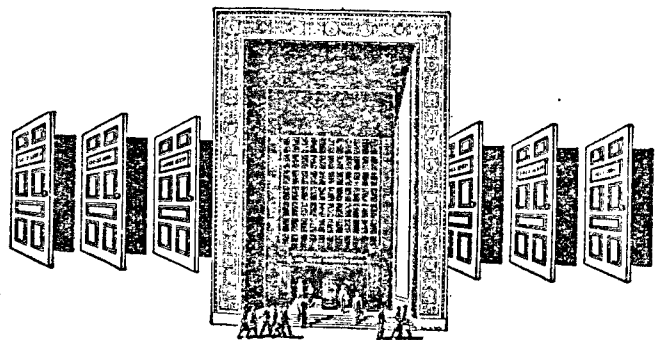
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ing credit. Obviously, if the FRB is still committed to buying short-term securities whenever short-term interest rates tend to rise, commercial banks will equally be able to sell their holdings at will to get reserves against which to make new loans whenever an attractive opportunity offers.

There is still much debate about whether this practice, formerly so freely indulged in, can be sufficiently discouraged by permitting a still greater flexibility in the market for short-term government securities, as some economists contend. A bank, it can be argued, must scan a loan application with a much more hesitant eye if it is uncertain about the price at which it can cash a Treasury security in order to make the loan. But a new committee including the Secretary of the Treasury, the chairman of the FRB, the chairman of the Council of Economic Advisers and the Director of Defence Mobilisation has been charged with investigating more direct restrictions on the inflationary expansion of bank credit, should it continue.

Four methods could be used. One is a programme, already under way and certain to be intensified, to curtail loans by voluntary methods such as exhortation and joint agreement. A second is the creation of a capital issues committee, to examine applications for new finance. A third method would be to seek Congressional authority to raise the reserve requirements for commercial banks or, more accurately, to require the creation of a special additional reserve. The fourth method, to be avoided if possible, is direct limitation of bank credit by government order. Legislation has long existed that provides sweeping authority for such a step, but if direct government control of lending is inevitable, the Administration almost certainly will have to go to Congress, make its intent abundantly clear, and request specific new authority.



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Farmers Under Pressure

[FROM A CORRESPONDENT IN THE UNITED STATES]

As he put one more weld in a patched-up machine near the end of the last war, many an American farmer swore never to be caught short of equipment again. As a result, agriculture is well prepared for the new period of pressure for more production. During the brief interval of consumer plenty a dream-like quality has been imparted to many a farm home: some 90 per cent of all farms are connected with a central electric power station, as against only a third in 1941, and into the new outlets are plugged substantial numbers of deep-freezers, washing-machines and radios.

The business side of the farm enterprise has been even more strikingly mechanised. Since 1941, tractors on farms have increased from 1,700,000 to 3,800,000, automobiles and lorries from 5,400,000 to 8,000,000. Milking machines have replaced the half-gallon bucket and the personal touch on most farms where milk is the major product: there are 710,000 in use now as against 210,000. On the grain farms the number of combines has nearly tripled; mechanical maize and cotton pickers have come into use at a still faster rate.

This mechanisation, together with the use of fertiliser—more than doubled since 1940—increased total farm production by more than a fifth between 1941 and 1950, despite an 8 per cent drop in the number of workers. Man-hour output is up by 28 per cent. A third important factor in increased output has been the improvement in animals and seeds, and in farm practices: land and water conservation, reforestation, contour ploughing, cover crops and diversification, particularly through the addition of livestock. Hybrid maize has come into use so fast that more than three out of four acres planted to maize last year used these varieties; yields have risen in the past decade from 28 to 37.6 bushels an acre. The 1950 model hen produced four eggs for every three laid by her 1940 counterpart. Milk production has been expanded less rapidly, but now averages over 5,000 pounds a cow compared with 3,800 in 1909 (these averages owe something to such records as that of Carnation Milk's prize Holstein, Carnation Ormsby Madcap Fayne, with 41,943 pounds in one year).

This modernisation of the farm enterprise has been made possible by earnings from prices sustained by a very high level of consumer demand. In 1947 net farm income was \$17 billion; from that peak it dropped to \$13 billion in 1950; estimates run some \$200 million higher for 1951. The 1939 figure was \$4 billion.

But the farmer now engaged in spring planting has serious problems, for all his new equipment—largely, in fact, because of it. He is now as dependent on the city as the city is on him. The horse and the mule are going and gone, and he is raising cash crops on the acres formerly devoted to keeping them. But the petrol pump beside the machinery shed has to be filled; no deliveries, no farm power. Farm motor fuel consumption last year was about 10 billion gallons. With electricity, the story is the same: farm use went up 25 per cent last year, as new farms were connected with central supplies, and more farm equipment consumed more kilowatts everywhere.

Even sharper is the farmer's competition for minerals and chemicals. Fertiliser shortages this year, especially of phosphate, are certain. While the output of nitrogen will

be up by over a fifth, demand will still exceed supply, since current livestock numbers can only be sustained by expanded production of feed, and two pounds of nitrogen, properly applied, can increase maize yields by a bushel an acre.

Chemical spraying of commercial orchards, defoliation of crops such as cotton, dusting by airplane, use of DDT and 2,4-D, put the farmer into the centre of the struggle for such scarce items as benzene and chlorine. He competes for metals, too: steel for containers for the new chemicals, steel for parts for the machinery that he has, steel for the machinery that he lacks and wants to buy.

Sharpest of all is the farmer's competition with the services and the cities for men. American farms have traditionally produced the country's major crop of children as well as animals and food; and the former, like the latter, have traditionally moved towards the city. In times of high employment the movement is accelerated. Moreover, now that farms are mechanised, the very mechanical skill that makes the son or the hired man difficult to replace gives him a premium value in the factory. So many a prudent farmer has already had a word with the draft board about his highest-skilled man, and is making private calculations as to the pay or the perquisites necessary to keep him. Farm wage rates rose about 7 per cent last year.

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In the effort to stabilise the economy, agriculture has a special position. Under existing law, farm prices cannot be controlled as long as they are below "parity" (the price assumed to give the farmer a fair return), and a considerable number are below, some of them well below. But the prices of the items most in demand—meat among foods and cotton among fibres—are well over parity and are feeling the strains which come with regulation. Actually, meat supplies will be greater this year than last; they may reach some 151 pounds a head compared with 148 pounds in 1950. But even so, demand will be greater than supply. It was consumer impatience for meat which broke the back of price control at the end of the last war; uninspected slaughter at the back of the barn by the light of the moon channelled meat away from normal distribution into black markets. Mr DiSalle, the Price Administrator, advised by his wartime predecessors, has, he hopes, devised means by which meat will move along orderly lines this time, with price ceilings fixed one stage beyond the farm. If these work, and if man and weather succeed in securing large feed supplies for the record number of animals, it may be possible to avoid both rationing by coupon and rationing by the purse.

So far man does not seem to be doing his utmost in this direction: at the beginning of the month farmers were not planning to plant as large acreages to feed crops as the Department of Agriculture had hoped, but there is still time to spur them to greater efforts. Weather remains the biggest unknown in the farm equation; beneficent year after beneficent year has smiled on American fields for twice the Biblical seven, and farm economists with memories of 1934 and 1936 in America, and statistics before them of India now, Yugoslavia last year and France in 1945, hesitate to calculate what a drought might do to such numbers of livestock as the United States now boasts.

In fighting inflation by increased production, this year's farm output will be a crucial factor. Food now takes the largest single slice of the consumer's dollar and, in addition, as the supply of durable goods is reduced through diversion of basic materials to defence, many of the dollars usually spent on them will compete for foodstuffs.

American Notes

Screening Crime

In its last two weeks of public hearings the Kefauver Committee, investigating the nation-wide ramifications of organised crime, played to the largest audience that has ever assisted at this or any other performance. There was room for only a few members of the public in the court room, but in twenty cities owners of television sets and their friends could (and some 20 million did) see and hear the proceedings in their own homes. Beds went unmade, food purchases were crowded into the midday recess of the hearings, Easter bonnets drooped unbought in shop windows, children were excused from school and as many office hours were spent before the television screen as at the desk.

The witnesses who were screened were nearly all alleged to be concerned in the influencing of the New York City government by bookmakers and other illegal gamblers. By the end of the hearings their replies, or refusals to reply, to the harsh questioning of the committee's counsel had left little doubt that the allegations had at least some basis in fact. Action is already being taken against some of the minor players: the deportation of one of the more notorious is being discussed and a city official has been forced to resign. He has now been indicted for perjury on three counts; one of the charges is that he denied receiving a "good-will gift" of \$55,000 from the local firemen's association.

One of the stars of the show, Mr O'Dwyer, once Mayor of New York and now Ambassador to Mexico, is also involved in this charge, for he has denied receiving \$10,000 from the same source. The fireman who claims to have handed over the money in a red envelope is perhaps more likely to have committed perjury than is the Ambassador, but Mr O'Dwyer's own admissions on the witness stand have given rise to suggestions that he may not be a suitable representative of his country abroad. The other star of the hearing, Mr Frank Costello, sheltering behind laryngitis, refused to admit much, but nevertheless it is now accepted by almost everyone except himself that he is indeed the king of the book-making world. Whether this can, or will, be proved in the courts is another matter, but the federal authorities are trying to get at him, and nearly 2,500 other supposed racketeers and criminals, through the traditional loophole of income tax evasion.

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Governor Dewey, asked to give evidence about gambling at Saratoga Springs, has shown an understandable reluctance to take the cruelly revealing spotlight away from the Democrats who administer New York City, by putting in an appearance himself. Since that light has been consistently turned on Democrats, the Republicans are naturally anxious to give the Kefauver Committee a new lease of the life which is due to end this week. But Mr Kefauver would like to have more time for his neglected constituents; furthermore, he considers that his committee has obtained all the evidence required to prepare legislation, and that the further investigation which is certainly needed should be carried out by a permanent federal commission.

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Citizenship by Television

The Kefauver hearings had all the qualities that make a first-class television programme: an exciting plot with plenty of light relief and frequent climaxes; two gallant leading men, Senators Tobey and Kefauver; a chief villain, Mr Costello, and a number of runners-up, including Mr "Greasy Thumb" Guzik; an accomplished actor, Mr O'Dwyer; and lively feminine interest in the shape of Miss

Virginia Hill, the gangsters' girl-friend. It would be unrealistic to suggest that the record television audiences were attracted or held by anything but the entertainment value of the hearings. Nevertheless some at least of the audience must have gained a better understanding of the possible manifestations of corruption in local government and of how it might be checked. Since the only effective answer to the conditions revealed by the hearings is a greater readiness on the part of the public to undertake the responsibilities of citizenship, there can be little argument that in the present instance the televising of the proceedings was justified.

But whether this particular example should be made the basis of a general rule is questionable, and Senator Wiley is asking Congress to consider and make recommendations on the problems that would arise if the proceedings of either house or of their committees were televised regularly. Those in favour point out that this would merely be an extension of the right of individual citizens to attend open hearings and of the principle of a free press. They contend that the public interest demands the fullest possible coverage of Congressional proceedings by all available means of information. In practice, however, it is unlikely that all Congressional investigations would be televised, since the broadcasters would be interested only in the more sensational; publicity-seeking legislators would therefore be tempted to initiate inquiries not so much because they were needed as because they would attract a television audience, and to conduct them in such a way that they would hold that audience. Already Senator Kefauver, almost unknown a year ago, is mentioned as a possible Presidential candidate without any effort on his part.

Of more fundamental importance is the threat to the constitutional rights of the witnesses themselves. Some of them refused to testify before the television cameras, and it is thought the courts might uphold this refusal on the grounds that a witness unaccustomed to television appear-

ances might fail to do himself justice through nervousness. After such an appearance it would be even more difficult than it usually is to find an unprejudiced jury, should the witness be brought to trial. Some of the witnesses refused to answer the questions put to them on the grounds that they might incriminate themselves, a refusal which may also be upheld by the courts. The wide range of questioning at present permitted in Congressional inquiries, which pay little attention to the legal rules of evidence, and the fact that those accused are not allowed to call witnesses in their own favour, is another objection to the televising of the hearings.

* * *

A Check for Inflation

Even though the cost of living rose in the month ending on February 15th by 1.3 per cent, in spite of the price freeze, to a record high level, there are signs that inflation is now being checked for the first time since the Korean war began. The wholesale price index held steady during March and the index for sensitive commodities has been falling. Household appliances, including television sets, are being offered at cut prices and clothing sales are likely to follow the poor Easter trade. Housewives, squeezed between the high price of food and heavy instalment payments on washing-machines and refrigerators bought last autumn, evidently decided to do without spring suits this year—and the cold weather over Easter justified their decision. With the shops fuller of goods than they ever were, customers are waiting for clearance sales instead of buying against future shortages. Shopkeepers are in turn reducing their purchases from manufacturers and living off their inventories. As a result the next few months may bring a noticeable business recession.

The country has in fact been taken by surprise by the huge amount of civilian goods that have continued to flow from the factories, in spite of restrictions on raw materials and the growing volume of defence orders. Military contracts are now at last really moving on to the production lines, and by the early autumn civilians will have reached the end of their unexpected months of plenty. For this reason the recession, if it comes, can hardly be either severe or prolonged: textile manufacturers, for example, who are likely to be the hardest hit, will have more than enough to do before long making cloth for uniforms. But it is possible that such a recession would give the stabilisation officials time to catch up with the inflation which they have been chasing ever since last autumn, and to put strong enough reins on it to keep it from getting out of hand again.

However, the check that may give the stabilisers this opportunity also makes it unlikely that they will succeed. For one of the reins they need is a new Tax Bill and Congress's reluctance to give it to them will be strengthened by any signs of recession, however temporary. It will be further strengthened by the probability, now almost a certainty, that the present fiscal year will end on June 30th with a budget surplus, instead of the deficit which was foreseen in January, in consequence of the lag in military spending and the unexpectedly heavy yield of existing taxes.

* * *

Labour on the Sidelines

The great indignation meeting summoned by the United Labour Policy Committee in Washington last week suggests that the trade unions, which are still boycotting the mobilisation agencies, will not be easy to mollify by a few concessions on specifically trade union matters. As Mr Walter Reuther said, what is sought is not the satisfaction of a number of small grievances; what labour wants is an "entirely new contract" based on equality of sacrifice. It demands effective price and rent controls, the plugging up of holes in the Defence Production Act, more flexibility in

wage controls, fair distribution of the new tax burden, and an authoritative voice for the unions, consumers, small businessmen and farmers in the defence programme. All those who attended the rally—the first joint mass meeting of the American Federation of Labour and the Congress of Industrial Organisations since the latter split off in 1936—were instructed to go home and spread the gospel and to bring pressure on their Congressmen and Senators through letters, the press and the radio.

The "Declaration of Principles" adopted announced significantly that labour's support for any wage stabilisation policy could only be temporary, since the authority to stabilise wages and prices in the Defence Production Act expires on June 30th. A short-term settlement may be in sight; the Administration is considering the calling of a labour-management conference to discuss the jurisdiction of the Wage Stabilisation Board over labour disputes. Under the Production Act, a formal agreement between management and labour must precede the creation of any new disputes machinery, and management seems reluctantly prepared to concede to the Board the right to hear disputes of all kinds, rather than merely those which concern wages and wage policy.

But the Administration has been warned, in effect, that if it does not display a new energy in trying to secure from Congress a better deal for labour and consumers, it may be faced with another labour walk-out in a few months' time, and will not be able to count upon the whole-hearted support of the unions at the next election. Both Mr Johnston, the Economic Stabiliser, and Mr Wilson, labour's *bête noire* at the Office of Defence Mobilisation, agree (though they were denounced as tools of big business at the rally) that without more effective control of prices and profits, wage stabilisation is hopeless. Consequently Mr Truman, within a week or so, is expected to ask Congress not only to renew the Act, but to add to it authority to fix all farm prices

and food processors' margins, to enact tighter rent control, and to reorganise the Wage Board. But Congressional, and particularly Senatorial, enthusiasm for price controls is waning as the need to fix prices on the farm becomes more apparent and as signs of checks to higher prices appear. The Administration will be hard put to it to fight off demands for exemptions from its present powers; to extend them it will need all the pressure the embattled trade unions can bring to bear on Congress.

Shorter Notes

A special Bill, correcting one of the most publicised inequities in the Internal Security Act, has just been signed and "involuntary" members of Nazi, Fascist or Communist organisations will now be allowed to enter the United States. This means that American servicemen will be able to bring home German brides who joined Nazi youth groups when at school, and it will also make it easier for Italian musicians to undertake concert tours in the United States. It also means that Senator McCarran will no longer be so liable to ridicule for the Act that bears his name, which presumably explains why he was so ready to facilitate passage of the new Bill.

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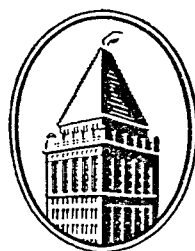
The creation of a National Science Foundation, delayed for three years by disagreements between Congress and the President, became a reality this month with the appointment of Dr Alan Waterman as its director. The function of the Foundation is to co-ordinate private and governmental projects in basic research in physics, chemistry, and medicine, to avoid duplication and fill in any gaps which may be left. The foundation will stimulate research through loans, grants and scholarships.

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THE WORLD OVERSEAS

Persia in Trouble—II

Living from Hand to Mouth

(From Our Special Correspondent in Teheran)

AN article in *The Economist* of last week dwelt upon the mistrust that riddles Persian politics, and the consequent paralysis of government action. An outstanding example of this mistrust occurs monthly over the budget. Since 1943, no Majlis has entrusted any cabinet with a full year's funds; each pursues the grudging and pernicious course of voting a month or two's expenditure at a time. The financial straits described below are the fault as much of the Majlis as of successive cabinets, and the remedies for them—all distasteful, and all shouted down by those out of office as soon as proposed—will have to be pushed through by someone; if not, the country will continue on its present long, slow, downward slide towards bankruptcy, unpaid servants and chaos.

The Persian financial year ends in March and an optimistic budget for 1951-52, balancing at about 10,000 million rials by dint of intended economies in civil service salaries, had been drafted before the murder of Razmara. Figures for actual government expenditure and revenue are given with some reserve because they are seldom published in detail. But up to 1948-49 the balance of actual revenue and expenditure was favourable. In 1949-50 a different story began. The preamble to the 1950-51 budget Bill complained that "All reserves and resources capable of facilitating the payment of current expenses during the year have been exhausted." The downward slide continued in 1950-51 when, after reaching the limit of capacity to borrow from the National Bank, the government raided other government agencies including—it is said—the pensions fund. The cash deficit in the year now ending is, at a guess, somewhere between 1,000 and 1,500 million rials, of which perhaps one fifth represents stocks, and is reimbursable.

There are two causes of this sudden unbalance since 1949. The major one is that in that year the government inaugurated a capital works programme, known as the Seven Year Plan, which it intended to finance from extraordinary sources—larger oil royalties, National Bank advances, World Bank loans. But when the first and third of these did not materialise because the Persian Government disliked the terms on which they were available, it pursued the plan by drawing off from the ordinary budget some 12 per cent of the revenue available. There was nothing against this act provided that steps were taken to reduce ordinary expenditure or to collect fresh revenue to replace the loss. But in 1949 the government and Majlis had passed a new tax law which was less progressive than the old, which allowed more exemptions and which characteristically established a higher rate of tax for earned than for unearned incomes.

The second cause of unbalance is consequent on the first. Once arrears set in they gather momentum as men whose salaries have not arrived compensate themselves by slacking off or else awarding themselves some perquisites. Current expenditure in 1950 was met only thanks to borrowing advances on royalties—first £6,000,000 then £8,000,000 and finally £25 million—from the Anglo-Iranian Oil Company.

This unsatisfactory state of affairs is aggravated by a simultaneous serious and urgent internal currency crisis. The ceiling of the Persian note issue is fixed by law, and so is

provision for 100 per cent cover. The disease of mistrust, added to fear of an inflation such as was caused by the incursion of the Allied occupiers during the war, causes all those who are ignorant of modern currency practices to set store by both rules. An ex-director of the bank of issue, which is a well-run organisation, tried to establish elasticity to meet the expansion and contraction of business in a fast-developing economy; but he was shouted down. Now a combination of a greatly expanded economy, of undue government drawings on the bank without compensatory in-payments, and of increased exports of wool and cotton since the Korean war (which has put notes into the pockets of peasants who do not bank them), has rendered a change imperative. The new Bill, which is less good than its predecessor in that it simply raises the fixed ceiling from 7,800 million to 10,000 million rials, still at 100 per cent cover, had been well explained by Prime Minister Razmara, and was being queried by the Majlis largely out of personal dislike for him. Unless it is pushed through by his successor, the National Bank may shortly not be able to meet its obligations.

Unpalatable Remedies

Four possible remedies for the current unbalance in the budget present themselves. Unfortunately all are unpalatable. One is to tax the rich; the disinclination to do this on the part of a Majlis composed of the local *deux cent familles* has already been mentioned. Another is to reduce the civil service, which is most grossly overstaffed with underpaid and underworked people. Ninety per cent of national expenditure goes on payrolls if the army (40 per cent) is included. Official figures just published admit to an 82 per cent increase in eight years. Successive prime ministers and would-be prime ministers express their readiness to do the necessary weeding; but no one dare set afoot the grumbling and Tudeh-joining that would ensue if townsmen were sent to farm the provinces. No one takes even the obvious step of removing redundant staff from the offices in which their chatter interrupts business.

Short of taking these internal measures, the next best solutions are two: one is to come to an agreement with the oil company—a vexed question which will be discussed in a separate article. The other is to borrow abroad. The only possible leaders are the western states or bodies that see in improvement of Persia's economic and social conditions a way to combat Communism. But they have many calls on their purses; and in view of the state of the country's internal management, even they prefer small, experimental beginnings. Persia, which had expected milliards as a rightful reward for services in the war, tends to spurn such conditions. At the moment, a \$25 million line of credit, waiting to be opened by the Export-Import Bank, is held up because the Premier said he could not give an assurance that it would be serviced in accordance with the Bank's wishes; and the Majlis is too preoccupied with a Bill for nationalising oil to have time for balancing the budget. The Persian genius for putting off parliamentary action that is unpleasant or unpopular triumphs everywhere. With every day that it continues to do so, it deals another trump to the banned but active Tudeh (or "Masses") Party.

Malaise among the Princes

[FROM OUR INDIAN CORRESPONDENT]

THE Indian princes are fretting. In 1947, when India became independent and British paramountcy over the states lapsed, the rulers surrendered their sovereignty to the Government of India in exchange for certain privileges such as legal immunity, exemption from taxation and privy purse. It was truly a bloodless revolution in which some 400 odd princes, of which a dozen perhaps mattered, were liquidated gracefully. The man to whom all the credit for the integration goes is the late Sardar Vallabhbhai Patel. Patel had no intrinsic love for feudal autocrats, whom he did not even credit with any real bargaining power with their own people, or with the capacity to organise themselves effectively against the new India. But Patel was a strong opponent of confiscations, and feared that if India began by penalising the princes instead of compensating them, the same principle would be applied to zemindars and industrialists, when India was not in any way equipped to run nationalised industries. Therefore Patel fought the princes' battle for them and succeeded in including the guarantee of their civil lists given by the covenants in the constitution. Article 291 refers to the tax-free privy purse, but Article 363 says that disputes between a ruler and the Government over provisions of the covenant are not justiciable. In any case a prince is only a "ruler" under the constitution by presidential recognition.

The Government of India is paying out over £4,000,000 a year in tax-free political pensions and it is therefore understandable that the princes feel an undefinable malaise in the anticipation of things to come. Many things may come: the Government may, as it ought to have done already, introduce death duties (only the privy purse itself is exempt from taxes, but not the income derived from its investment); privy purses themselves may one day become taxed—it is enough to have a two-thirds majority in the Parliament to change the constitution. But the princes are, as always, fretting in vain. Now that Patel, their only champion, has gone, they worry in case the Government decides one day to cut or tax their privy purses; they scrutinise constitutional clauses with a magnifying glass while failing to see the obvious fact that the constitution is after all nothing but the legal expression of the will of the people and in a democracy, especially in a democracy short of money, people will not for long pay taxes while some privileged persons do not, especially once the privileged class has lost its purpose. The grace with which the princes surrendered their powers cannot be eternally held to their credit.

But Patel's death is not the only cause for the vague nostalgia and frustration that have caught hold of princely fancies. The princes, with the exception of Bhopal and Jodhpur, had primarily at heart the welfare of their country; and it is wrong to assume that a prince, with a long tradition of rule behind him, is less of a patriot than a congressman whose tradition is at the very best 60 years old. The princes would like to do something—what they do not always know—but at any rate something for their country. They are full of good intentions—but few have the mental or the cultural equipment to make them really useful.

The Government of India has tried its best to give positions to the abler princes who could also be trusted not to intrigue against the Government or belittle the Congress to outsiders. The Jamsaheb of Jamnagar has been made not only Rajpramukh of Saurashtra (integrated Kathiawar) but is also being made the fullest use of both at Lake Success and London, on the occasions when it is felt that his horse-sense, charm, cricket connections and sensitive palate are assets; in fact, whenever the austerity of India's High Commissioner in London becomes heavy a dose of the Jamsaheb has a soothing effect on the British press, and Americans are invariably more impressed by the jovial bonhomie of an

authentic prince than by the graceful saris of a Mrs Pandit. The Jamsaheb is not the only ruler to hold office in Congress India. The Maharaja of Bhavnagar is the Governor of Madras, while Jaipur, Gwalior, Patiala, Mysore, Travancore and the Nizam are Rajpramukhs. Of the younger princes, 40 were interviewed for the Foreign Service and 25 selected. None of them has the academic qualifications required for the Civil Service.

The States Ministry—the Political Department under another name and another flag—fully realises that to keep the princes happy it must keep them occupied. Owing to retrenchment it cannot absorb more princes in the diplomatic service this year and so it consoles itself with the thought that two younger princes have successfully sat for the Indian Administrative Service. And the princes have been wisely advised by the State Secretary to give their sons a solid education which will make them able to stand on their own feet and compete for jobs in open competition. The army is equally a suitable channel; there has already been one high ranking prince in the Indian Army for some time, General Ragendrashinji. Some princes, like young Bikaner, are thinking of going into business and bringing honesty and tradition into a sphere of life still sniffed at in India. Some princes would like to stand for the coming elections, Pataudi among others; but it has been pointed out to them that if they stand they will perforce lose their political immunity, as there can be no legal discrimination between candidates. This has been taken by many princes as an indirect blackmail aimed at their privy purses. The real reason behind the States Ministry's reluctance to see the princes stand so soon after integration is the very understandable fear that many a skeleton may be brought out of the election cupboard by Congress candidates; and there are discreditable, as well as creditable, skeletons in the past of almost every prince. It is quite true that it might be unwise for the princes to stand at this juncture. But next time there should be no reason why they should not share in the burden of state as full citizens of the Indian Union.

Some Weaknesses in the Soviet Army

[BY A FORMER SOVIET STAFF OFFICER]

THE Soviet Union is an empire with 200 peoples whose histories, lives, cultures, languages, and religions are quite different. The second world war showed that many non-Russian people, those of the north Caucasus for example, were not only not resolved to fight for the Kremlin but actually rose in revolt in the rear of the Red Army with the slogan: "Down with both Hitler and Stalin!" It is not surprising therefore that in the Ministry of War, in the main political departments, in Germany, Austria and other occupied areas, commanding staffs are drawn almost exclusively from officers of Russian nationality. In the Politburo for example 197 out of the 200 peoples of the Soviet Union are not represented. This is not because the non-Russian peoples have not trained personnel; quite the contrary. And if one takes into account the fact that the non-Russian peoples form a very large proportion, if not the majority, it is easy to understand how much potential inflammable material there is in all this. It is significant that in the army by far the greatest number of repressions for political reasons are inflicted on people of non-Russian nationality.

It should also be remembered that in the recent war several million men left the Soviet army. Moreover since the war officers and soldiers in occupied Europe have seen with their own eyes that Soviet propaganda has lied shamelessly. This contact with the free world infected them so powerfully that even the fanatics began to think. The units of the Soviet army which have served abroad are the most unreliable ones.

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There are significant weaknesses also in the reserves of food for the Soviet army. The root of the matter lies in the fact that the collective farm peasant is concerned only with quantity fulfilment of the plans and this prompts him to deliver to the state grain which is insufficiently ripe, or which has been deliberately moistened; sometimes he even puts stones in the grain; and the State's representative cannot check every individual. Secondly there is a serious lack of good grain store houses, a deficiency which includes efficient elevators. And thirdly the bad state of the roads and the bad conditions under which grain is transported lead to heavy losses. As a result the Soviet soldier receives not more than 50 per cent of the rations he is supposed to get. Herring, coarse black bread, salted fish which has lain a long time in the stores, cabbage and potatoes provide the basic diet of the Soviet soldier. Normally the first course consists of soup (potato, fish, beetroot, or cabbage); whatever was boiled in the soup is served as a second course.

The Soviet soldier receives about 20 roubles which is enough for his membership contributions to the Party or the Komsomol, and the rest goes to the Treasury as a state loan. Junior commanders are better paid, but not so well as their British or American counterparts. Officers of middle rank are perhaps fed as well as an ordinary soldier in the west. But a senior officer or a general gets very rich rations for ridiculously low prices and is excellently fed. Pay varies from 1,000 roubles for officers of junior and middle rank to 6,000 roubles for senior officers. I myself, for example, used to get 4,000-4,400 roubles a month. A general also receives first class materials in quantities sufficient to provide for his whole family. A senior officer is dressed probably better than a British general but only in the central garrisons; in the provinces he is dressed worse than a British soldier.

There is probably no other country in the world where the soldier has as few rights as in the Soviet Union. The generals and officers have the legal right to shout at him, to abuse him in unprintable language, to subject him to one insult after another, and to treat him as though he were an animal. It is clear from an endless flow of secret orders that the practice of corporal punishment and striking flourishes in the army. The soldier has not the right to show himself in a Red Army House, in a cinema or theatre, in a park or other public place unless he is in formation or under command. There is no worse experience for a soldier than to go with his girl friend to a place where his superior officers are to be found; he dare not smile or enjoy himself or even sit down. If his girl friend or his wife happens to please his senior officer, the soldier has no right to make any objections. In short, little remains of the human dignity of the Soviet soldier. And since not all soldiers are at the bottom of their hearts fanatics, it may perhaps be assumed that all this may some time assume ominous and far-reaching proportions which bode ill for Stalin's empire.

Who Will Buy Balkan Tobacco?

[FROM OUR GENEVA CORRESPONDENT]

A WORKING part of the Organisation for European Economic Co-operation has been discussing the vexed question of Balkan, and particularly of Greek, tobacco. Before the war Turkey and Greece primarily depended on Germany and the United States for outlets for their tobacco. Half of the Greek exports went to Germany and one-fifth to the United States, and for Turkey the corresponding figures were about 40 per cent and 35 per cent. The importance of the trade was very great; tobacco accounted for just under half the total value of Greek exports and for about a fifth of Turkish. The disappearance of Germany as an importer in the years immediately after the war therefore naturally

tended to cause serious difficulties for both countries, and these were accentuated by the continuing trend of European taste away from chewing and pipe tobacco in favour of American type cigarettes. For Greece these problems were further and enormously complicated by the disorganisation resulting from the civil war.

Not all the factors, however, were unfavourable. World consumption continued to expand, and in some countries the dollar shortage limited imports from the United States in spite of the shift in taste and the generous pressure of ECA

BALKAN TOBACCO EXPORTS ('000 Metric Tons)			
	Average 1934-38	1948	1949
Bulgaria	24.2	34.0	n.a.
Greece	43.8	18.5	28.1
Jugoslavia	4.2	18.6	13.5
Turkey	29.0	49.1	77.6
TOTAL	101.2	120.2	160.0*

* Estimated.

financing, reinforced by the arguments of the tobacco lobby in Washington. The United Kingdom and France encouraged production in Rhodesia and Algeria respectively, but the increase there could not fill the gap between the domestic demand and the dollars they were willing to spend. In the event, most of the Balkan countries have been able to expand their exports of tobacco since the war. The United Kingdom and France together, for example, bought 19,300 tons from Greece and Turkey in 1949, as against an annual average of about 1,500 tons before the war.

Greece's Problem

The problem is thus essentially a Greek one. Bulgaria will be looked after by its Cominform partners, tobacco exports are not particularly important for the Yugoslav economy, and Turkish experts expect that their production will be stabilised at about 100,000 tons, which would leave 70,000 to 75,000 tons, or rather less than the 1949 figure, available for export. For Greece, however, the problem is extremely important, if it is ever to become independent of external aid and free itself from the political difficulties and the feeling of national inferiority which attend such aid. Greek exports in 1949 only paid for about a quarter of its imports, and, as before the war, tobacco accounted for nearly half their total value. Production, which reached a maximum of 82,000 tons in 1936, has risen from 19,000 tons in 1945 to 53,000 tons in 1949, but domestic consumption, although it has risen considerably, is still only about 10,000 tons a year, and in the last few years large unsold stocks have accumulated.

The OEEC working committee is thus faced by a marketing problem on whose solution depends the livelihood of about a million people in the politically vital areas of Thrace and Macedonia. The average holding is very small, and they cannot get round their difficulties by shifting to other crops. Some contribution to a solution must be made by the Greeks themselves. They must offer their tobacco at a price competitive with the Turkish, and must come nearer to Turkish standards of grading and packing. The remission of the export tax on tobacco in 1948 and the devaluation of the drachma in 1949, have helped greatly on the price side; but the administrative arrangement required to ensure proper grading and packing, where so many small producers are concerned, are bound to be difficult to work out.

Meanwhile the importing countries can help by entering into long-term contracts and by increasing the proportion of Balkan tobacco in their American type cigarettes, in order that Greek salvation may not be achieved solely at Turkey's and Yugoslavia's expense. Recent technical developments

in the utilisation of tobacco should make this easier. The expansion of German exports, and the return of the control of Western Germany's trade from American to German hands should facilitate German purchases, and, indeed, a Greek-German trade agreement has been concluded. It is difficult, however, to co-ordinate national policies, when in some countries the import of tobacco is in private hands and in others is reserved to a state monopoly, and the OEEC working party has made little, if any, progress. For Greece, however, the problem is urgent, and if the OEEC cannot help it will have to turn elsewhere. It has already made tentative enquiries of the Economic Commission for Europe as to the possibility of holding an *ad hoc* tobacco meeting on the lines of the grains conference in Geneva last year, which might enable it to sell tobacco to the East as well as to the West.

Plan for Europe's Farmers

The French Government has asked the Council of Europe to act as convener of a meeting on the Pflimlin Plan—the project to rationalise West European agriculture and to liberalise trade in agricultural products. The Secretary General of the Council has accepted this responsibility and no doubt welcomes it as the first occasion on which the organisation has been requested by a European government to carry out a very specific assignment. Invitations to the conference will be sent some time in May or June to the members of the Council plus Austria, Switzerland and Portugal.

The agricultural scheme is likely to prove even more difficult to handle than the Schuman Plan. Many of the West European countries have made themselves more or less self-sufficient in foodstuffs, in part by holding down the standard of living and in part by maintaining behind tariff and quota barriers a high-cost agricultural industry; in some cases the wind has been tempered for the industrial consumers by subsidies.

Supporters of the Pflimlin Plan have in mind two main objectives. They wish to increase the output of European agricultural producers: first, as a dollar saving measure and, secondly, as a means towards raising the standard of living of the European urban worker. In the past the peasants and farmers of Western Europe have stolidly resisted the temptation to raise output. Most of them know that expanded output on their part necessitates as a first step increased capital expenditure and also the bringing into production of high cost land. They are fearful that higher output would lead to a fall in agricultural prices, and this, in conjunction with higher costs, would mean losses.

In short, on the Continent as in Britain, a larger volume of agricultural production depends upon increased government subsidies to help meet higher costs and on government guarantees of selling prices. Apparently one of the central threads running through the Pflimlin Plan is the aim of creating for all the member countries a co-ordinated subsidy and price maintenance programme. Without such co-ordination it is feared either that some countries will take no steps to stimulate agriculture or that each of them acting separately will subsidise the same branches of agriculture—for example, sugar beet growing or wheat farming.

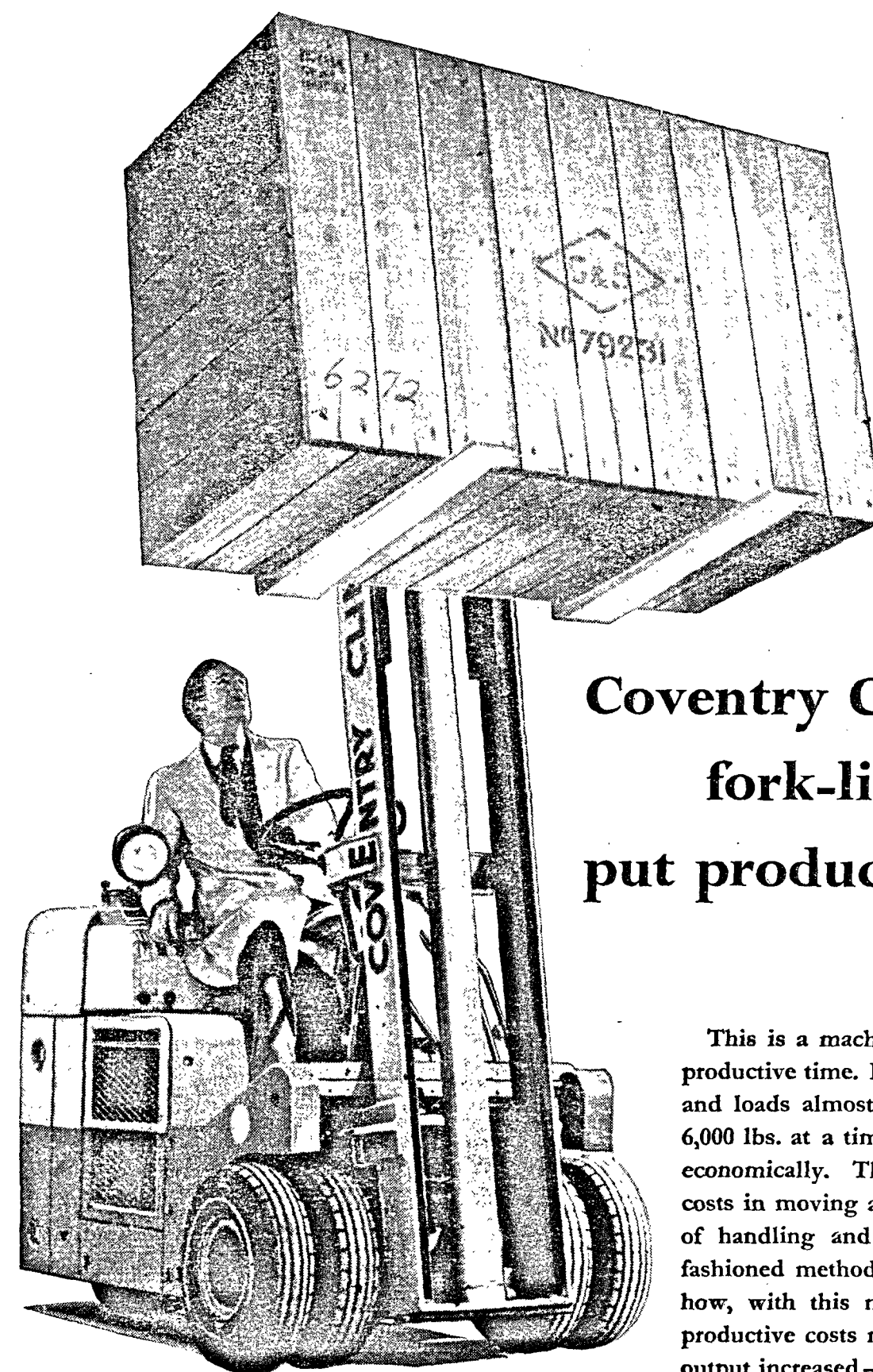
Critics of the plan have concentrated most of their fire on two objections. They feel that the authors exaggerate the dollar famine in the post-Korea world and they deplore the whole idea of devoting Europe's limited resources to increased production in an industry where costs are in general above the world level. They recognise that for political, social and strategic reasons European agriculture cannot be reduced to a size determined by competitive world prices—with

tremendous effort it is occasionally possible to close down high-cost coal mines, but the history of European politics shows that it requires a bloody revolution to liquidate high-cost peasants. The critics are not convinced that the dollar shortage is so acute that it justifies an addition to the existing burden of uneconomic farming; nor do they consider that much rationalisation could be accomplished under these circumstances.

Britain and the Japanese Peace Treaty

The British Government has now communicated to Washington its views on the American proposals for a peace treaty with Japan. Although there is general agreement between the two Governments on the need for preventing the formation of a power vacuum in Japan, there are still considerable divergences of view on Japan's economic future, particularly the revival of Japanese shipbuilding. The American policy over the last two years has been to foster Japan's industrial recovery as a means both of relieving the American taxpayer of the burden of supporting an insolvent nation and of reducing social unrest within Japan; the Korean war has now produced boom conditions in Japan, since such a large part of the supplies for the American forces in Korea are drawn from Japan. The prospect of a renewal of Japanese commercial competition on a pre-war scale is, however, a cause of some alarm in this country. Britain also has to take into account the attitudes of other members of the Commonwealth, and Australia in particular is far from being definitely reconciled to the pro-Japanese trend of American policy; Mr Menzies indeed appears to have been largely won over to the American point of view by Mr Dulles's recent visit to Canberra, but Mr Evatt remains extremely hostile to it, and Labour is expected to make Japan a major issue in the forthcoming election campaign—which may have important international repercussions, even if Labour does not return to office.

In Tokyo there is an expectation that a peace treaty with the United States may be signed in July, as the American Government is reported to be anxious to get a treaty without further delay and to have given up all hope of a general conference. Here, too, it seems that there is a difference between British and American attitudes, as the British Government is very reluctant to contemplate a final settlement in which Communist China has no part. Within Japan there is now also a danger that the peace treaty will become an explosive political issue, with the Communists doing everything possible to make trouble. The Communists have been trying to form a united front with the Socialists for opposing a "majority peace" (i.e., one without Russia and China) and demanding an "overall peace"; the line is further to condemn both Japanese rearmament and the lease of military bases to America and to dedicate Japan to perpetual unarmed neutrality. The Socialists have adopted this programme and have also put it through a national convention of the General Council of Trade Unions; there is thus a serious amount of opposition to the proposed treaty, which might be rendered inoperative if the Socialists were to increase their strength greatly at the next general election. On the other hand, the new Social Democratic Party has come out in favour of Japanese rearmament, and a Communist-Socialist combination in Japan need be no more fatal to American-Japanese co-operation than the similar front in Italy has been. Some anti-American effervescence is only to be expected in Japan with an early prospect of an ending of the occupation regime, but there is a solid basis of common interest for the projected post-treaty relations, and the risks of restoring full sovereignty to Japan are of a kind which it is reasonable to take.



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THE BUSINESS WORLD

Building Societies' Boom

THE role of the building society movement in the national economy since the war has been radically different from its prewar role, and the change has been both unexpected and paradoxical. No one in the movement would have ventured to predict, during the war, that a postwar quinquennium in which the completion of new houses by private builders was restricted to an annual average of 26,000—or only one-tenth of the 1938 rate—could be a period of unprecedented boom for the building societies, whose prewar lendings were founded upon the finance of private building of homes for owner-occupiers. Yet in both 1949 and 1950 the movement's aggregate new advances on mortgages were approximately £275 million, or almost exactly twice their annual level just before the war. It is true that this increase has not been quite proportional to the increase in the price of houses. Recent estimates by the Co-operative Permanent Building Society have suggested that the average price of modern medium-sized houses is over three times the prewar average; and, to take another test, the average price of all houses on which the Halifax Building Society has recently lent money is apparently about 2.4 times its surveyors' valuations in 1939. Another sign that the real volume of business financed may be rather smaller than before the war is that the number of borrowers from building societies, at one and a half million, is fractionally below the number on their books in 1939. But in view of the fact that new advances in one war year fell as low as £10 million, and in view, too, of the harrying to which the private house-owner has been subjected, both as a species and as a class, the progress since the war is certainly greater than any building society leader could reasonably have foreseen when Mr Bevan's housing policy was first formulated in 1945.

The explanation of the paradox lies, of course, in the fact that the main stream of the societies' lendings has perforce been diverted from its original purpose of financing the purchase of newly constructed houses to the financing of purchase of existing properties. The name of building society, like that of the Marylebone Cricket Club, is becoming one of those pleasing archaisms in which the English language abounds. The movement's postwar customers have come from three main groups. First, there have been those "sitting tenants" who, in the words of the advertisement, have ceased to "rent their houses because it is cheaper to rent the purchase money." The pressure of rent restriction—and of taxes on income but not on capital gains—has kept the supply price of many rent-restricted houses (relative to the prices of uncontrolled houses and of most other goods and services) down to bargain levels; and the accumulation of war savings by working-class tenants, who would not otherwise have considered buying their houses, has enabled some of them to take sensible advantage of this fact. The second main class of postwar customer has been the existing house-owner who has painlessly converted the appreciation in the

money value of his house into cash by borrowing on mortgage and spending the proceeds. The third, and most important, type of transaction financed has been the normal turnover of secondhand houses. It was natural that there should be a boom in this sort of business immediately after the war, but it was scarcely expected that demands on the movement from this source would have remained so high once resettlement was complete.

The changing pattern of demand for mortgage advances, and the high prices at which most sales are now taking place, have given rise to some uneasiness in building society circles. It has been argued that the sitting tenant, who has been tossed almost unconsciously into the role of house-owner by the accident of inflation and rent-restriction policy, may not be as thoroughly grounded in the traditions of husbandry as the man who has deliberately set out to buy his own house. The same fear applies, with even more force, to the existing house-owner, who has turned mortgagor to cash in on the inflation. While real incomes have been expanding, albeit slowly, mortgage and interest repayments have been well maintained, as the accompanying table shows. It has been suggested, however, that in the coming year, when real incomes begin to fall owing to the pressures

BUILDING SOCIETIES' PROGRESS
(Year-end Figures)

	1938	1945	1948	1949	1950
	(£ mn.)	(£ mn.)	(£ mn.)	(£ mn.)	(£ mn.)
Liabilities					
Balance due to shareholders	548	605	768	856	966
Balance due to depositors	156	155	192	202	204
Reserves and other liabilities	55	64	77	84	89
Total Liabilities	759	824	1,037	1,142	1,259
Assets					
Balance due on mortgages	687	573	836	954	1,062
Investments, cash and other assets ..	72	251	201	188	197
Total Assets	759	824	1,037	1,142	1,259
Receipts and Payments					
Repayments of principal and interest	119	113	194	196	205
New advances on mortgage	137	98	264	276	273
Number of Accounts					
Shareholders	2.15	2.07	2.11	2.18	2.28
Depositors	0.80	0.75	0.70	0.68	0.65
Borrowers	1.48	1.34	1.38	1.44	1.50

Source: Registry of Friendly Societies up to 1949.
Estimates by Building Societies' Gazette for 1950.

of rearmament, building societies may find that borrowers are becoming less punctilious in their repayments. This fear may be as illusory for the immediate future as it is real for the long-term prospect. The trouble that a fixed-charge industry, such as the building society movement, most needs to fear is an old-fashioned recession in which real incomes and money values are declining simultaneously. The second of these conditions is not now in prospect; though real incomes will fall, money values will continue to rise.

The pattern of borrowing by building societies has also changed very noticeably since prewar days, though perhaps not so radically as the pattern of their lending. The continual increase in share holdings and deposits in the last few years, while most other forms of saving have been lagging, has sometimes been read as a sign that those who do their saving through building societies have miraculously proved more able to be thrifty than those who save through such channels as the National Savings movement. The increase in shares and deposits, however, is in large part a mere switch in accumulated savings. It is a reflection of the entry into the building society field of the more sophisticated investor who would have gone towards the Stock Exchange in days when taxes on profits were lower and ordinary shares had no ceiling as well as no floor. With income tax at its present level, the customary 2½ per cent tax-free return on building society shares is equivalent to a gross yield of 4.1 per cent at the standard rate of tax.

Several considerations, however, are leading the societies to question whether they can count much longer on the ease of borrowing they have enjoyed in the recent past. The first is the fear that stock exchange money is "hot" money that might flow back to Capel Court if a stock market boom set in; if this were to happen, however, it would probably be as a result of the sort of political and social change that should enable the movement to put up its own lending rates—and finance more new construction. It is also argued that the new character of part of its funds makes the building society movement, like the Stock Exchange, now more vulnerable in the event of a "liquidity crisis" caused, for example, by international fears; perhaps all that can be said here is that such a crisis at the moment would probably frighten as much stock exchange money into building society shares as it would frighten holdings of such shares into cash. The second, more immediate, fear is that the coming Budget may "regularise the position of the surtax payer" as Sir Stafford Cripps forecast it would do. This might remove some of the attraction of building society shares to surtax payers, who might henceforth be called upon to gross up their income from such investments at the standard rate of income tax (or possibly at the special building societies' composite rate, now equal to 5s. 2d. in the £). If surtax payers' money is to be impelled out of the building societies as a result of such legislation, however, it is not very clear where it will want to fly to. A third fear in many building society boardrooms is that the standard rate of income tax will be raised in the coming Budget, and that the building societies' composite rate will be raised correspondingly.

If this happens, it seems inevitable that either the 4 per cent mortgage rate will have to go up or the tax-free interest paid to shareholders will have to go down. In judging all these possibilities, however, it would be unwise to exaggerate the extent to which building societies' resources do now consist of "hot" money. After all, there are now over 2,900,000 shareholders and depositors in the movement, a figure that is broadly the same as in the peak year of 1938.

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Differing opinions within the movement about such influences as these (and about their impact on individual societies) have led to considerable diversity of building society practice since the war. The accompanying table shows that the liquidity ratio of the movement as a whole (i.e., the ratio of cash and investments to total assets) is now about 15½ per cent, compared with under 10 per cent in 1938 and with the very high figure of 30 per cent attained at the end of the war, after six years of virtual closure of the normal outlets for the societies' funds. This average liquidity ratio for the whole movement, however, conceals very considerable divergences in individual practice. For example, the largest of the building societies, the Halifax, has a liquidity ratio of 23.5 per cent and has expanded its balance of mortgages outstanding by only 20 per cent since 1938. The second largest society, the Abbey National, has a liquidity ratio of 13.7 per cent and has expanded its balances of mortgages outstanding by nearly 32 per cent since 1938. Some of the smaller societies have expanded their advances even more rapidly. In the last two years, however, there has been a tendency towards greater uniformity, and the varying rates of expansion may have been to some extent merely a reflection of differences of timing in the reviews of mortgage portfolios that many boards have recently been undertaking.

For the future, the building societies must look to the possibility—perhaps the probability—of substantial changes in the official housing policy that has developed since the war. They can feel reasonably sure that the demand for home ownership by the British public has not been impaired by the big changes that have occurred in income distribution. But it is equally clear that the policy of rent restriction and of concentration of new building on local authority houses has not promoted "fair shares" in housing; all that is happening now is that some landlords and all ratepayers are subsidising those who have been lucky enough to find themselves in a restricted house or to secure a new subsidised house.

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The policy cannot reasonably be defended on grounds of equity. Partly for this reason, the weight of housing subsidies, now running at some £70 million a year (quite apart from the hidden subsidy involved in the low lending rates to local authorities), is precisely the sort of ballast that the overburdened ship of state should jettison as it sails into the rough weather of rearmament. The implication of all this is that the official policy of favouring the tenant at the expense of the house owner must, sooner or later, be modified. When steps are taken in this direction the prospective closing of the gap between

demand and supply of new houses for sale might bring existing house prices fairly rapidly down towards a more reasonable relation with the prices of other things—whether money prices come down or not. The effect that such a change of policy would have, both on the market in secondhand houses and on the volume of “sitting tenant” business, is a subject that the building societies would do well to ponder. The fact seems to be that a movement towards the kind of housing policy that most building society leaders now rightly advocate would not be without its troubles for the movement itself.

The Garage Trade—II

How Many Filling Stations?

THE first of these two articles on the changing structure of the garage trade described the “servicing” side of the business, as distinct from the retailing of motor spirit. It showed that major repair work is tending to be increasingly concentrated in the larger units linked with the manufacturers. The service station on the main traffic arteries is already well on the way to being primarily a petrol and oil supply depot, selling no more than a limited range of accessories and providing a minimum of facilities for greasing, tyre repairs and other light maintenance. The prosperity of this type of station depends on the volume of business that can be attracted by offering a high quality of these simple services; its siting in relation to the main plan of traffic is all-important. The major obstacle to the development of efficient filling stations with a large and economic flow of business is now, as it was before the war, the excessive number of pumps and stations. Many of the smaller garages attract only haphazard trade. Comparatively little capital was needed to enter the garage trade in the nineteen-thirties—enough, perhaps, to put up a shed, buy a minimum of tools, and acquire pumps and storage tanks on hire purchase.

When, as often happened, the trade in motor fuels and repairs failed to come up to expectations, they looked for ways of filling in slack periods by dabbling in some other business activity. Supplying the motorist's need soon became only incidental, and this sometimes led to a distressing lack of service for petrol and oil and an inability to deal with urgent requirements for even such key items as fuses, lamps and plugs. The high incidence of this practice of combining other business activities was revealed by surveys undertaken in 1947 in Birmingham, Bristol and rural Somerset for a committee set up by the Minister of Transport, under the chairmanship of Lord Waleran. It was found in the two towns that, quite apart from such activities as haulage, hiring cars or coaches, and agricultural engineering, 33 per cent of the petrol stations carried on a range of business activities not connected with the motor trade—general engineering, hardware, accommodation and refreshments, general store, radio dealer, and so on. In the rural areas of Somerset the proportion of petrol stations carrying on extraneous activities was as high as 38 per cent.

Many garage owners hung on stubbornly, long after the pressure of competition had made their business unprofitable. A survey of petrol pump facilities made for the Waleran Committee showed that the trunk roads

had on an average one service station to every 1.7 miles of road, or 2.6 pumps a mile. On Class 1 roads the average frequency of the filling station was 2.2 miles, and even on Class 3 roads there was a station to every 4.2 miles of road. At the same time, the Committee was able to show that the frequency of petrol stations was not sufficiently related to the volume of traffic on particular sections of road. Consequently, the Waleran committee gave the following guidance as to the number of stations needed for different degrees of traffic density.

Number of Vehicles likely to Need Petrol Facilities	Miles per Station
Over 2,000 daily.....	2.5
Over 1,000 but less than 2,000.....	3.0
Up to 1,000.....	5.0

The recommendation that there should not on an average be more than one station every 2½ miles on roads with fairly heavy traffic does not seem revolutionary. Yet, in the course of the survey made in 1947, only one road in the first category of traffic density—the trunk road from Manchester to Liverpool—fulfilled these conditions. On this route the number of miles per station was 2.54, and the daily traffic amounted to 4,300 vehicles likely to need petrol facilities. As a result the average throughput per filling station amounted to nearly 90,000 gallons a year, against the average of 51,000 gallons for all sites on trunk roads. In contrast the Preston-Lancaster road, which has a mixed traffic with a good proportion of light vehicles totalling some 8,500 vehicles per day, has as many stations as one to every 0.76 miles of road. The throughput per site on this route falls in an almost direct relationship to the number of sites, i.e., to some 32,000 gallons a year. The gross profits provided by these throughputs give a good idea of the excessive dispersion of petrol fuelling in this country. At the standard retail margin of 3½d. per gallon 90,000 gallons a year brings in £1,300 per site before costs are met; a throughput of 32,000 gallons a year means less than £470 per site.

Not only does this state of things make the cost of retailing petrol high; it also makes the distribution by the oil companies costly, because of the frequent calls that have to be made to deliver small quantities. It was, in fact, the great economy of distributing petrol by means of full road-tanker loads making only one or two

“drops” that impelled the distributing companies in the United States to develop exclusive sites marketing the products of one company alone. Actual figures of the saving to be derived from this system are not often quoted, but one American company calculated in 1939 that the extra delivery cost of serving “split” dealers (as found in England) instead of exclusive sites amounted, on a time basis alone, to more than a sixth of a penny a gallon at 1939 price levels.

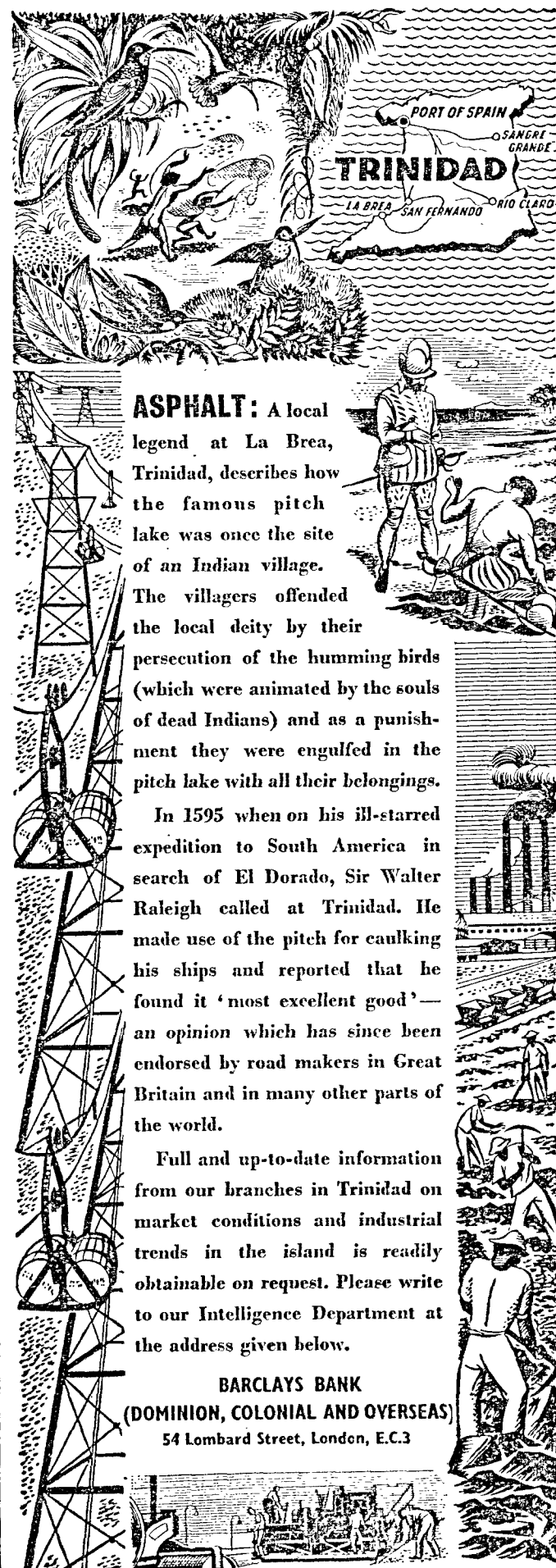
The Waleran committee also found that the dealer's gross margin of profit on motor spirit, 3½d. a gallon, was higher in Britain than in any of the other countries investigated except Switzerland and parts of the United States. The Committee did not consider that a reduction of the dealer's margin was a suitable method of relating the number of filling stations to the potential business in the locality. Holding that a reduced margin would ultimately lower the standards of service, it concluded that the desired result could best be achieved by enforcing reasonable standards of services and equipment for three different categories of filling station.

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The enforcement of the Waleran recommendations could bring substantial improvements in three ways. The motorist could then be confident of certain standards of service. The control of frequency of stations and the requirement of adequate storage capacity would reduce the number of small drops per road-tanker load of petrol and so reduce distribution costs. Careful location of new stations would avoid the creation of danger spots.

But whatever the extent of regulation imposed on the garage trade, competition will play a vital part in remoulding the industry. The turnover of the motor retail and repair section of the trade in 1949 is estimated at £300 million, exclusive of sales of petrol and oil. With the addition of these sales, unrestricted by rationing, the turnover in 1950 was probably over £500 million. The motor retail and repair trade employed in 1946, in its 25,000 establishments, more than 150,000 people, or as much as 50 per cent of the total manpower employed in the motor manufacturing industry. Something like half the labour force of 150,000 is employed in less than 2,000 establishments, but the great majority of the remaining 23,000 establishments employ less than ten men.

It seems reasonable to expect that the repair side of the industry will ultimately be concentrated in well-equipped factories working 24 hours a day, fed by nominated garages and probably financed by the motor manufacturers, who will erect their own associated establishments in a few selected towns to be supplied with their own units and spares from the main manufacturing works. Garages will then be enabled to give literally overnight service on engine exchanges and other major replacements. The petrol station, shorn of its ancillary trades, will depend for its prosperity on its siting in relation to the main stream of traffic and on the quality of service it offers to the motorist. In the same way as motor manufacturers are concentrating on assisting the repair side of the trade, one can expect that the oil companies will become far more closely associated with methods of retailing petrol and oil: some of the larger companies are already moving in this direction.



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ASPHALT: A local legend at La Brea, Trinidad, describes how the famous pitch lake was once the site of an Indian village. The villagers offended the local deity by their persecution of the humming birds (which were animated by the souls of dead Indians) and as a punishment they were engulfed in the pitch lake with all their belongings.

In 1595 when on his ill-starred expedition to South America in search of El Dorado, Sir Walter Raleigh called at Trinidad. He made use of the pitch for caulking his ships and reported that he found it ‘most excellent good’—an opinion which has since been endorsed by road makers in Great Britain and in many other parts of the world.

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Business Notes

Higher Railway Freights

Before Parliament rose for the Easter recess the Minister of Transport went through the guarded ceremonial forms that precede an increase in railway charges. The British Transport Commission puts the deficit on net revenue account in 1951 at £25 million (a rather lower sum than had been expected), and it has asked the Minister to use his powers under Section 82 of the Transport Act to authorise an "immediate increase" of 10 per cent in railway freight charges, parcel rates and dock and canal charges. Such an increase, if granted, would yield £20 million, and that only in a full year; thus even assuming that the deficit is as small as £25 million this year (and that would seem to lean heavily on the chances that substantial operating economies can be secured this year) the anticipated yield of the 10 per cent increase would still be insufficient by £5,000,000 to balance the books—apart from the accumulated deficit of £40 million.

Mr Barnes's statement made it quite clear that no public inquiry into the proposed increase is intended. The Act requires him, when he exercises his powers to make transitional increases in charges, to "consult with, and consider the advice of, the permanent members of the Transport Tribunal, acting as a consultative committee." Such consultations are in train, but in his reference to the Tribunal the Minister has taken occasion to emphasise the urgency of the application and to recall that a public inquiry was held just over a year ago, when the 16½ per cent increase in railway freight rates was examined. "There has," said Mr Barnes, "been no substantial change in the circumstances"—which might be paraphrased in the statement that the old difficulties have become more serious.

It is not possible to accept the decision not to hold a public examination of this application without misgiving, even granted the substance of the Minister's arguments. On what ground has a 10 per cent increase on freight rates been chosen? Is it the intention to do nothing about passenger fares until the long-awaited passenger charges schemes have been considered by the Tribunal (not on this occasion offering advice, but acting as final arbiter) and put into operation? Certainly the comparative levels of freight and passenger charges (assuming that the increase in freight rates now sought is granted) will be rather widely separated, and even after making full allowance for the sensitive response of passenger traffic to changes in fares and standards of service, a large divergence between the two scales—after taking account of differences in operating costs, would not be economically justified.

Commodity Conference Becalmed

The international materials conference in Washington has reached the doldrums. The newly expanded central group met for the first time last week, but did not agree on a permanent chairman: it discussed the relationship between the group and the individual commodity committees, but here again reached no conclusion. It is now more or less generally accepted by member countries that the real function of this central group is to establish a procedure for the various commodity committees without limiting their autonomy. But it remains to be seen whether such a large central group, drawn from major powers, can restrict its endeavours to such a small compass.

Three of the existing five committees (the copper, lead and zinc committee, the sulphur committee and the cotton and cotton linters committee) have completed their preliminary organisation. Each has passed an almost identical resolution to the effect that non-member countries may put their own

requirements of a particular commodity before the appropriate committee. Such a policy had initially been suggested by the three convening powers, and it is now apparent that this formula will be adopted by all the committees. One point of procedure has therefore been determined. But others remain. Is, for example, the quantity of a particular commodity available for export to be determined by the exporting country or by the commodity committee? In other words, is allocation to embrace total production or merely exportable surpluses? The same applies, of course, to importing countries; is their domestic production of any particular commodity to be considered in fixing their import requirements? Clearly the policy adopted must be uniform for all commodity committees, and it should be settled first by the central group. But would not such a step imply restricting the autonomy of the committees?

The negotiations on tin in Washington, at which Britain, the United States, the Netherlands, Belgium and Indonesia were represented, have apparently met with little success. Their primary purpose was to decide whether or not to set up a tin committee within the larger materials conference. This decision depended on whether it was feasible to introduce an allocation scheme for tin, a point on which no agreement has been reached. Certain reports have suggested that the negotiations have broken down completely, while others state that they have merely been adjourned. But unless these five countries can agree about allocation there seems little value in straining Washington's already limited accommodation by setting up yet another committee.

Miners' Hours

Saturday shifts in coal mining, which helped to avert the threatened fuel crisis, have been worked under the terms of an agreement upon extension of hours negotiated in 1947 between the National Coal Board and the National Union of Mineworkers. This week, when board and union representatives met the Minister of Fuel and Power to consider coal production in 1951, the renewal of the agreement for a further year was discussed, and the NUM is to convene a special delegate conference next week upon the matter. Such an extension should not prove difficult; the recommendation, perhaps slightly modified, seems likely to pass fairly smoothly through the union's usual channels. Acceptance of the principle, in the last three years, has been easy: but the extent to which miners have worked longer hours in the pit has varied from time to time and from coalfield to coalfield. Before the special appeal at the end of last year, only about half the pits in the industry were operating Saturday shifts; in recent weeks nearly all have been doing so. Renewal of the agreement, therefore, would not guarantee that miners will continue to work as many shifts a week as they are doing at present; and Mr Noel-Baker has already conceded that they should not be expected to do so indefinitely.

The production targets that the Minister this week set before the industry (it is significant that the NCB has steadfastly refused to hazard any itself) allow for something less than the latest extra efforts. He asked for a minimum of 210 million tons of deep-mined coal during the year, or rather less than the 4 per cent increase compared with 1950 achieved so far. With opencast production, this should mean a combined target of 220 million tons or slightly more. From this total Mr Noel-Baker hopes to build home stocks to 18 to 19 million tons by the beginning of the coal winter, a level considerably higher than the figure that has been considered adequate in recent years. That would require 3 or 4

million tons more for stocks from the year's current production than was conserved last year. Inland consumption, which should have been slightly curtailed by the economies decreed, has in the first eleven weeks of the year been roughly 3 per cent higher than in the same period of 1950; industrial dislocation through shortages of materials might limit this rate of increase a little later, but it would be prudent to budget for home consumption in the region of 208 to 210 million tons. Heavy inroads must therefore continue to be made upon the residue of supplies still available for export; apart from the financial consequences of this for the Board, there will also be an unwelcome effect upon the balance of payments, particularly in conjunction with the price paid for imported American coal. Another import from America this week was the knowledge garnered by a coal mining productivity team, who arrived back eager with comments. These included the impression that highly efficient American methods might not be widely applicable in the different geological and technical conditions of British coal mining, and the confident belief that "British miners work harder." One of these impressions may be right, and the other wrong; but neither is new. No doubt the team will impart more interesting data than these points in its report.

South Africa's Mining Taxation

The budget that Mr Havenga, the South African Finance Minister, introduced in Cape Town last week, was marked by lenient principles of finance that may arouse envy in the apprehensive minds of British taxpayers. On the basis of taxation for the old financial year, he was confronted with a probable deficit of £13,690,000 for 1951-1952, but elected to finance two-thirds of this from expected collection of tax arrears (£5,000,000) and from sales of surplus war

stores (£4,000,000). Only £5,250,000 is to be secured by increases in taxation, but on this basis of calculation there remains a prospective surplus of £560,000. The additional taxation falls over a fairly wide field but does not touch personal income tax. There are to be higher excise duties on wines and spirits; the tax on base metal mining profits is increased from 4s. 6d. to 5s. in the £; the tax on undistributed profits is abolished but this is offset by increasing the income tax on company profits from 4s. to 4s. 6d. in the £; the total tax on diamond mines is raised by 10d. to 4s. 6d. in the £, and, last but not least, the taxation on gold mining profits is increased by a return to the earlier formula.

In the past financial year the percentage rate of tax on gold mining profits, which is a variable one intended to hold the balance fairly between mines working differing grades of ore, has been determined by the formula $60 - \frac{360}{x}$ (where x represents the percentage ratio of profit to revenue). The formula now reverts to $63 - \frac{378}{x}$. This change is expected to bring in an additional £925,000 of revenue in 1951-52. This added burden on the South African gold mining industry is no doubt intended to take account of the additional income that is being secured by sales of gold at a premium. Mr Havenga announced that these premium sales had given the industry an additional income of £2,185,000 during 1950 and he added that, if existing prices and scope of sales were maintained, this extra revenue would amount to "much more" than this figure during the current year. In this context Mr Havenga anticipated pressure by the International Monetary Fund on South Africa to reduce the scale of premium sales; but he made it quite clear that any such efforts would be strongly resisted, since South Africa regards these facilities as a partial and very poor compensation for the maintenance of the official price of gold at what it considers to be an artificially low level. The increased burden on the gold mining industry has had scarcely any effect upon the share market. The gold mining taxation

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formula is so designed that the main impact will fall on mines with a high ratio of profit to recovery. Some of the outstanding examples of these high-grade mines, such as Blyvoor, are to be found on the western extension of the Rand where the recent West Driefontein development results have been so favourable as to neutralise completely the effect of the budget. The increased burden of the separate tax changes on diamond and base metal mines has, however, been reflected in modest falls in the prices of the shares concerned—De Beers in the diamond group and Messina and Consolidated Murchison in the base metals.

* * *

Thaw in Insurance Dividends

Until last October the insurance companies had observed dividend limitation to the letter. The Commercial Union was the first to break the ice when it increased its interim dividend from 37½ per cent to 40 per cent. It was followed in November by the Prudential, which distributed 3s. 6d. net per "A" share out of its "special dividend reserve"—the reserve set up in 1949 to receive that part of the profits accruing to "A" shareholders under its Articles of Association that could not be distributed if the dividend freeze was to be maintained. The example of these two companies has now been followed by other offices. All the insurance dividends so far declared this year have been higher than in 1950. The Sun declared a second interim dividend in January, making payments on account of 1950 so far 3s. 10d., compared with 3s. 4d. per share for the whole of 1949. More recently, the Britannic and Pearl have both raised their 1950 dividends to 55 per cent net compared with 50 per cent net in 1949, the Sea raised its dividend to 22½ per cent (against 17½ per cent), and the Equity and Law to 6s. per share (against 4s. 6d. per share). The Prudential raised its 1950 dividend to 17s. net per "A" share (against 15s. 5d. net), and announced its "present intention" to distribute before the end of the year not less than 2s. 6d. net per "A" share from the special dividend reserve; the dividend on the Prudential's "B" shares (which receive non-life profits only) has also been stepped up from 1s. 6d. net to 2s. net per share.

The 1950 final dividends of the composite offices have not yet been declared: it will be surprising if most of them are not increased. Although the bumper profits of the composite offices in 1949 are unlikely to have been repeated last year, there is no doubt that earnings are high enough for more liberal dividends to be paid and maintained.

* * *

Extra Sulphur—Or Not?

The Washington announcement that Britain would receive an "emergency allocation" of 19,000 tons of American sulphur was gratifying, if not entirely clear. It is not yet known whether this amount is in addition to the first quarter's allotment of 81,000 tons, or whether it will have to be considered as part of the second quarter's supplies, which have not yet been announced. This extra, or advance, sulphur, in any case, represents the lion's share of 30,000 tons that will similarly be made available to countries in Western Europe. It may be that this is the first result of the statistical survey of world supply and requirements that has now been completed by the sulphur committee of the materials conference in Washington. But if it is, the United States Government has not said so.

Sulphur consumption in this country has been cut by a third, following a similar cut in American exports to Britain; though full import requirements for 1951 are officially estimated at 460,000 tons, the supply of 100,000 tons a quarter that this new announcement may indicate would provide some relief to consuming industries. The Board of Trade has prepared a system of priorities for distributing

whatever quantities of sulphur may become available during the coming year, but until it is sure what total supplies it can count upon it is unlikely to put this into operation. If the quarterly allocation remains at 81,000 tons, the present cut in total supplies will have to be maintained, and the difficulties already besetting industrial users will be accentuated.

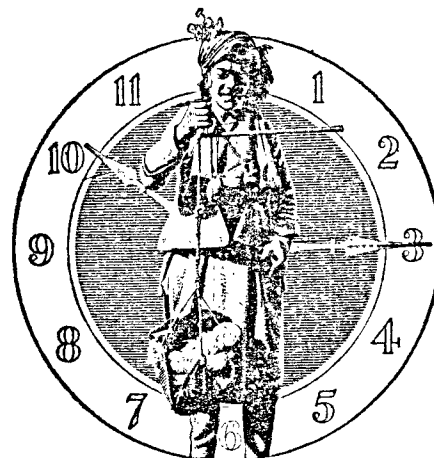
Emergency shipments or higher quarterly allocations, however, will relieve only the immediate threat to British industry. The sulphur shortage is a long-term phenomenon; if Britain gets larger supplies of regular sulphur from the United States now, less will be available in future. The British Government has approved this week the erection of a large plant to produce sulphuric acid from anhydrite, and although the process will be more costly than producing acid from elemental sulphur it has the advantage of using indigenous raw material. The plant will take at least two years to construct and will be able to produce about 150,000 tons of sulphuric acid a year; total British production of acid from all sources last year averaged 150,000 tons a month. Two American experts, Mr F. J. Curtis, of Monsanto Chemical Company, and Mr E. B. Lopker, of Blockson Chemical Company, who are consultants to the Economic Co-operation Administration, are at present in Britain to discuss with the Board of Trade, the Ministry of Supply, and representatives of the British chemical industry, ways and means of increasing British supplies of sulphur and sulphuric acid from alternative sources.

* * *

Record Rise in Bank Advances

The three months to the end of February are always the season when bank advances show their biggest quarterly rise. This time, however, the rise was a record one. Members of the British Bankers' Association increased their advances by £123.6 million to £1,807 million in the quarter; this increase was £10 million more than that in the same quarter of 1949-1950 (which held the previous record for expansion) and some £35 million more than in the equivalent quarters of 1947-48 and 1948-49. Although the latest rise was spread over twenty-two of the twenty-five groups of borrower in the Association's classification, the main source of increased demands upon the banks has been those industries that use raw materials that are still available but have lately soared in price. Thus the wool industry shows the biggest increase of all; advances to it have jumped by £17.6 million to £38.6 million. Other textile industries (except cotton), together with the leather and rubber industries, have also increased their borrowing by more than they did a year ago, but the cotton, non-ferrous metal and chemical industries have not shown a commensurate increase—partly, no doubt, because their purchases of raw materials have been restricted by difficulties of supply. The first impact of the rearmament programme can be seen in the £6,500,000 increase in advances to the engineering industry, which was repaying bank loans fairly steadily throughout 1949 and early 1950 and had not been a substantial net borrower since. The four biggest groups of borrower in the Association's classification—"personal and professional," "other financial," retail trade, and agriculture and fishing—all show increases in borrowing outstanding, though not on the same relative scale as the big raw material using and rearmament industries; indeed the personal and professional group now accounts for only 23.8 per cent of the loans outstanding (against 24.8 per cent at the end of November) despite the pressure that the season of heavy tax gathering usually lays upon this group.

It is difficult to guess whether the recent pace of expansion of bank advances will persist. Last year, when the effect of post-devaluation price increases was still seeping through the economy, advances continued to rise (by £70 million) between February and May; they then dropped by £31 million between May and November, largely as a result of



Time for Eastern trade

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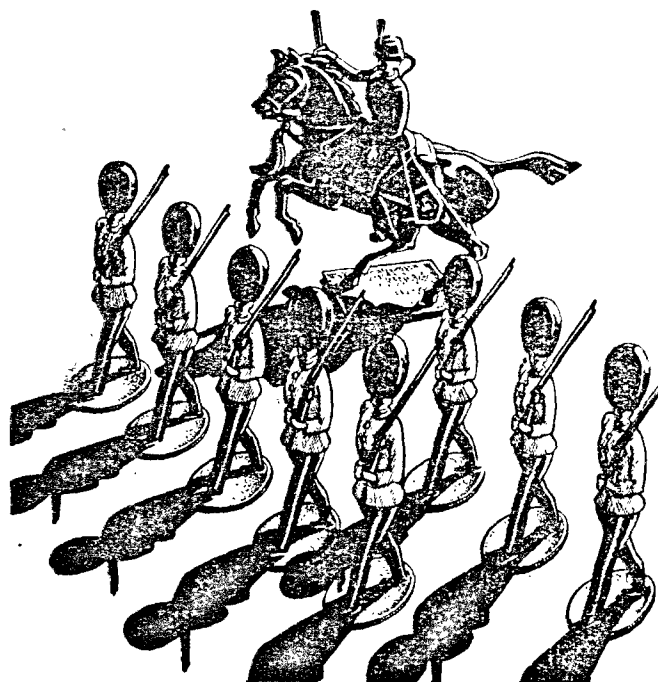
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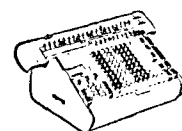
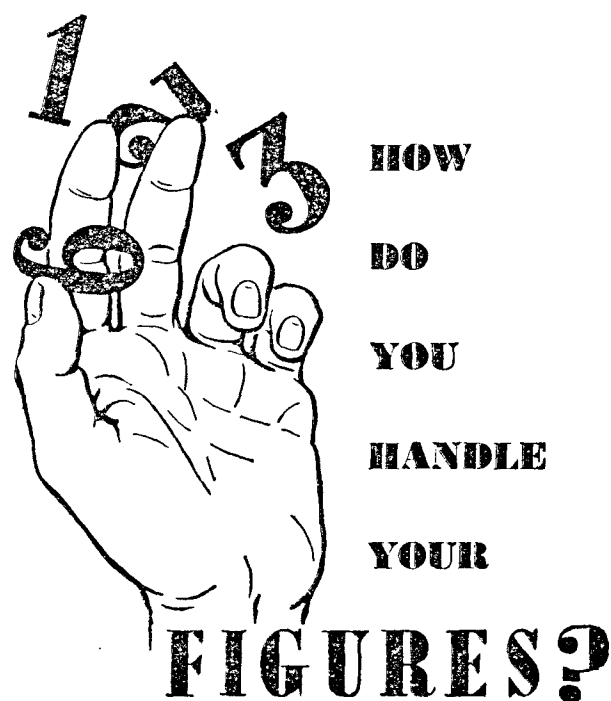
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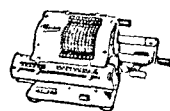
LEAD, one of the heaviest of the elements, is found in many parts of the world as galena or sulphide of lead. It is still mined in Northern England and in Wales. Lead was one of the first metals to be worked by Man. The baths of ancient Rome were supplied with water through pipes made of lead, and for centuries it has been used as a roofing material. Soft, easy to shape and resistant to corrosion, lead is still employed for these purposes, but today it has many other important uses. Large quantities alloyed with antimony are now used to make plates for electric accumulators and to protect insulated cables. Soft solder is an alloy of lead and tin, and alloys of copper, tin and lead are used for bearings. Litharge, an oxide of lead, is used in making flint glass, pottery glazes and in the processing of rubber. Red lead, another oxide, and white lead, or lead carbonate are well known in the manufacture of paint. In the chemical industry, plant and equipment for the manufacture and storage of sulphuric acid are lined with lead because of its resistance to corrosion. I.C.I. makes wrought lead products such as sheet, pipes, tape and wire for a wide variety of purposes. It also makes the compounds, lead-azide and lead-styphnate for the detonators used with blasting explosives in mining and quarrying.



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repayments of past loans out of the £150 million Electricity loan and other new issues. This year the pressure exerted by higher raw material prices on the demand for bank finance is likely to be greater than in 1950—for the full force of price increases already recorded has yet to be felt—but the banks themselves may feel that many users of unduly expensive raw materials are nearing the upper limit of their legitimate credit lines.

Sugar and Cuba

The news that Britain was discussing with Cuba the possibility of a long-term contract for sugar has raised a storm of protest from Commonwealth sugar producers who maintain that such a contract would be contrary in spirit, if not in letter, to the provisions of the Commonwealth sugar agreement negotiated twelve months ago. A letter on this subject on page 737 calls for a reply, since it flatly questions certain statements made in these columns last week.

The British Government has two obligations to consider in its negotiations with Commonwealth producers. The first is to see that an adequate supply of the particular commodity is obtained for the British public at a reasonable price, and the second is the indirect obligation to help the producing countries to maintain economic viability. The Ministry of Food considered that it had fulfilled these two obligations in its offer to Commonwealth sugar producers last year, when it guaranteed a market for a substantial portion of their export surplus at reasonably remunerative prices to be negotiated each year, while at the same time leaving a part of the British market uncommitted. Cuba is the largest exporter of sugar in the world and can fairly claim that Britain is one of its traditional markets. It was therefore clear that part of the British market was being reserved for Cuban sugar—in the sense that Cuba would be free to sell to Britain if it wanted to and if Britain would pay the appropriate price. Further, by keeping part of its market uncommitted, Britain could get a fairer estimate of what is a "reasonably remunerative price," since the intention was to buy the additional supplies at world prices.

The question of resuscitating the international sugar agreement has been under discussion for some time. Last summer the British West Indies sugar producers based their claim that Britain should guarantee a market for 725,000 tons of sugar a year instead of the offered 640,000 tons on the grounds that Cuba could dispose of its exportable surplus on the world market at prices that bore little or no relation to costs of production. It was this fear that made the prospect of an international agreement attractive, since such an agreement would prevent signatory countries from "dumping" their supplies on the world market. It is true that an international agreement would be based on export quotas and not on import quotas, but the agreement would make it possible for Cuba to have a share of the British market if it wished.

The real question at issue is not so much whether this particular long-term contract for Cuban sugar would be advantageous to Britain—on the face of it, it would seem to be distinctly disadvantageous—but rather whether the system of long-term contracts is the best method of procuring sugar. The protest against the contract should come from British consumers rather than from Commonwealth producers, on the grounds that it is likely to keep the price of sugar at a relatively higher level by restricting competitive trade. But such a protest would apply equally to the Commonwealth long-term contract. Clearly, if Britain contracts with Cuba for, say, 500,000 tons of sugar a year, this country would be assured of a supply (provided there are no payments difficulties) that would permit the abolition of rationing. But it has never been suggested in these columns that sugar rationing in Britain could be abolished only by signing such a contract.

Outside Finance for Ships

Order books in the British shipbuilding industry, which at present has contracts for more than two years' output even apart from rearmament demands, do not yet suggest that its business is being seriously affected by shipowners' inability to finance replacements and new construction. But spokesmen of both industries have recently emphasised that the problem would soon make itself felt, so that the formation of a new and specialised corporation, the Ship Mortgage Finance Company, Ltd., which is designed to provide outside finance for this purpose, will be welcomed. Though British companies have a fair amount of new tramp tonnage on order, much of this represents the purchase of a few ships that may be written off more quickly than usual at present high freight rates, rather than orders for steady replacement and expansion of their fleets; and there is some evidence that the smaller companies, needing both dry-cargo ships and tankers, are already being restrained by their lack of liquid resources.

The new company, with a capital of £1,000,000 to be subscribed privately by insurance companies and other City institutions, and by the Shipbuilding Conference, will make medium-term loans on first mortgage on completed ships constructed in the United Kingdom, financing itself by the issue of up to £10 million of debenture stock. Since the war, the building of new ships has been partly financed by the grant of initial credit and extended payment terms by British shipbuilders; the new company's loans will generally be limited to 50 per cent of the cost or value of the completed vessel, and will normally be for five or six years, with a maximum term of ten years. Apart from helping to bridge the difficult interval that must elapse before shipowners can hope to gain any results from their industry's plea for tax reliefs to the Royal Commission upon Income and Profits taxation, the company should be of permanent value. Its success will naturally depend, however, upon how far the principle of limited spreading of risks makes its debentures more attractive to lenders than direct and individual ship-mortgages would be. But if the superiority of the new security can be clearly established, it should then be possible to tap wider sources of savings by creating a market in the debentures. The company's loans will not be confined to British shipowners; since the extension of credit has been in the past more general in Continental yards than in British, it may be of assistance in bringing orders to British yards from foreign owners such as the Norwegians, who have been hampered in placing orders here by financial difficulties.

Germany and EPU

The Ministerial Council of the Organisation for European Economic Co-operation, when it meets towards the end of next week, will have high on its agenda the problem of Germany's balance of payments. This has eased considerably during the month of March, in consequence of the German retreat from trade liberalisation. The March compensations, which will be worked out by the European Payments Union early in April, will, however, reveal another deficit for West Germany; this will probably exhaust the special credit of \$120 million that was put at Germany's disposal to supplement its exhausted EPU quota. The managing board of EPU has drawn up a report on Germany's balance of payments and this will form part of the documentation put before the Ministerial Council of OEEC. The report is understood to emphasise the need for further tightening of the credit control mechanism in Germany. It also suggests that German fiscal policy has not yet attuned itself to the emergency. It requires of Germany a greater sense of urgency in meeting its current payments difficulties. It does, however, also recommend certain measures designed to minimise the repercussions of Germany's quantitative import

restrictions upon certain neighbouring countries, notably the Netherlands, Denmark and Norway.

Since the report was tabled in Paris, Germany's neighbours have been busy whittling away at any recommendations that might conceivably affect them adversely. It is doubtful, therefore, whether the coming OEEC meeting will achieve the necessary consensus of opinion on the German problem to make effective action possible. The Benelux and Scandinavian countries are, naturally, incensed at the sudden curtailment of German imports. The British are finding some fault with the Dutch for importing sterling area goods that are then resold to Germany. The preoccupation of each country with its own reactions to the German difficulties will hinder a truly objective approach to the problem. It may be assumed, however, that the German situation will now be kept under more continuous supervision by EPU than hitherto. One point on which unanimity is likely to be reached is the need for further United States assistance to meet the German deficit between now and the end of the year. Whether that unanimity will include the United States itself is a matter on which there must, at present, be considerable doubt.

* * *

Army Orders for the Motor Industry

The Secretary of State for War said during the debate on the Army Estimates early this month that orders for £5,000,000 worth of vehicles for the Army had been placed. Nearly all the orders are for combat vehicles; that is, vehicles that have been specially designed for use in forward areas. About 16 per cent of army vehicles will eventually fall into this class. Their specifications call, among other things, for first-rate cross-country performance and for water and dust proofed engines, requirements that bring their costs above that of the average army vehicle. The new range mentioned by Mr Strachey has been developed since the war; the four, six and eight cylinder Rolls-Royce engines have interchangeable components to simplify the supply of spare parts. The vehicles in question consist of a cross-country jeep being built by Austin Motors, a one-ton lorry being built by Rootes, and a three- and a ten-ton lorry, orders for which have not yet been announced; the engines have also been tested in vehicles of up to 60 tons.

The Army Estimates include provision for an expenditure of £26 million on "mechanical transport." Tanks probably account for the greater part of the expenditure under this heading, because, apart from combat vehicles, large military orders are not likely to be placed with the motor industry in the coming financial year. Stocks of commercial-type lorries are being reconditioned from store—some of them for the second time—but they will not be replaced for another year or so. The Army is more interested in the development of a third class of vehicle, prototypes of which are being built by a number of motor manufacturers and should be completed in a few months. The specifications are midway between those of a combat vehicle and an ordinary commercial vehicle; that is, they call for refinements such as multi-wheel drive, but not for the same standards of water-proofing and cross-country performance. Since it will take some time to test the various prototypes, orders for these vehicles will not be placed this year, but subsequently they will form the bulk of military requirements.

*

In the last war an army division contained as many as 27 different makes of engine, and the supply of spares is so complicated that an excessive number of recruits have to be trained in store-keeping. The Army hoped to reduce the number of different engine spares by adopting the standardised Rolls engines for all its vehicles, but the Treasury did not approve this; most members of the motor industry, more-

over, were opposed to building engines to designs not their own. Some of the leading firms have declined to co-operate in the development of the new combat vehicles, to which the standardised engines have been restricted. In one case, the Ministry of Supply has been able to carry simplification a stage further by placing the entire order for each type of combat vehicle with a single manufacturer. But in the case of other types of vehicle it will not be possible to avoid putting a number of different makes in service, and the orders that will eventually be placed for these non-standardised, "general purpose" vehicles will be much larger than those for the standardised combat vehicles. Both engines and chassis for these general purpose prototypes are being built to their manufacturer's own design. The difficulty of ordering such vehicles in peacetime is that the manufacturer who develops an approved prototype is not likely to have the factory space or the available labour in his district to build more than a proportion of the army's requirements, and the Ministry is at present unable to induce other manufacturers to build to that design in preference to their own.

* * *

Car Exports and Prices

The motor industry is one of the country's leading exporters and if it has big defence orders, shortage of materials, labour and factory space will inevitably curtail the production of passenger cars and commercial vehicles for export. Falling output and lack of shipping space are already reducing export shipments. In February the number of cars and chassis dispatched was smaller than it has been for some time—24,093 cars and 3,023 chassis compared with 28,340 cars and 5,795 chassis in January. This effect upon valuable export trade is causing the Government to consider alternative, foreign suppliers for the motor vehicles needed for defence. Some manufacturers have spare capacity in Belgium, France and particularly in Italy, where the Fiat works were recently re-equipped under Marshall aid. The Ministry of Supply has been investigating the possibility of placing orders in those countries, a step that would conform to the policy laid down by the North Atlantic Treaty Organisation but one that is not easy to carry out in practice. The most satisfactory course would be for foreign manufacturers to build vehicles to British specifications, but there seems to be little chance that Nato countries, including Britain, would be prepared to standardise their vehicle requirements in the same way that they have standardised those for aircraft. The Ministry's envoys have therefore also been instructed to see whether, for example, the existing designs of Fiat vehicles would meet British army requirements; the main difficulty would be to provide spares for a foreign design. An alternative policy would be for the Ministry to place orders for vehicle components abroad—in this case some could certainly be obtained from Germany. Supplies of electrical equipment for vehicles have been scarce in Britain for some months and will become even scarcer as manufacturers have to meet growing aircraft orders. It will take about eighteen months to two years to extend British capacity for making these components.

Tenders from European manufacturers may also be lower than those from British firms—at the recent Geneva motor show their prices appeared to have risen less than those for British cars. Model changes make it difficult to compare prices from one year to another, but the price of the Hillman, 1,027 of which were sold in Switzerland in 1950, has risen from 7,700 Sw. Frs. to 8,200 Sw. Frs., and the price of the Austin A.40 from 7,200 Sw. Frs. to 8,250 Sw. Frs.; 761 Austin cars were sold in Switzerland last year and 987 Morris cars. German manufacturers took the largest share of the Swiss market with a total of 7,943 new German registrations. The Volkswagens, of which 3,598 were sold, now range in price from 5,450 Sw. Frs. to 8,600 Sw. Frs. compared with a lower price of 5,500 Sw. Frs. twelve months ago. All but



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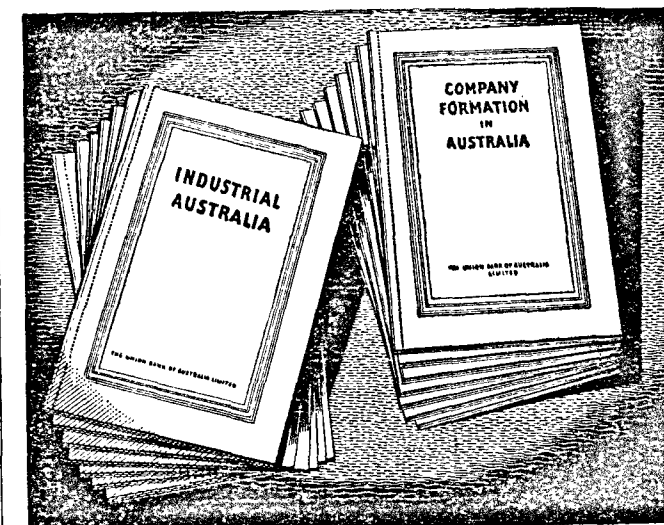
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ADMINISTERS NATIONAL SAVINGS

ABRIDGED REPORT

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)
SEVENTIETH ANNUAL REPORT OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 1950

TO THE SHAREHOLDERS:

The year 1950 was marked by the final decision on the application of Canadian railways launched in July, 1948, for a 20% increase in freight rates; by the completion of the hearings of the Royal Commission on Transportation; by a strike of non-operating employees for higher wages and shorter hours, and the settlement of that dispute by compulsory arbitration. Notwithstanding that the volume of traffic handled was lower than in 1949, net earnings from railway operations, while much below those of the war years, were greater than in any year since 1944. This resulted from higher freight rates which corrected, in some measure, the serious lack of balance between rates and costs which had developed progressively since the end of the war. Other income was slightly less than in 1949. Net income available for dividends on Ordinary Stock and for surplus amounted to \$44 million, or \$3.32 per share, compared with \$26 million, or \$1.93 per share, in the previous year. The Board has been asked to undertake an audit of the investment in railway property of your Company, either by the staff of the Board or by independent experts to be appointed by the Board, the cost of which your Company has undertaken to bear. The income and Profit and Loss accounts of your Company show the following results for the year ended December 31, 1950:

INCOME ACCOUNT			
Gross Earnings	...	...	\$378,576,688
Working Expenses	...	...	340,556,331
Net Earnings	...	...	\$ 38,020,357
Other Income	...	...	23,236,264
	...	...	\$ 61,256,621
Fixed Charges	...	...	13,389,610
Net Income	...	...	\$ 47,867,011
Dividends:			
Preference Stock	...	...	
2% paid August 1, 1950	...	\$ 1,741,565	
2% payable February 1, 1951	...	1,647,093	
	...		\$ 3,388,648
Ordinary Stock	...	...	
2% paid October 2, 1950	...	\$ 6,700,000	
4% payable February 28, 1951	...	13,400,000	
	...		20,100,000
	...		23,488,648
Balance transferred to Profit and Loss Account	...	...	\$ 24,378,363
PROFIT AND LOSS ACCOUNT			
Profit and Loss Balance December 31, 1949	...	...	\$206,730,777
Final dividend of 3% on the Ordinary Stock, declared from the earnings of the year 1949, paid March 31, 1950	...	...	10,050,000
	...	...	\$196,680,777
Balance of Income Account for the year ended December 31, 1950	...	...	\$24,378,363
Portion of steamship insurance recoveries representing compensation for increased cost of tonnage replacement	...	...	229,741
Excess of considerations received for sales of properties over book values	...	...	2,791,713
Miscellaneous Net Credit	...	...	555,666
	...	...	27,955,483
Profit and Loss Balance December 31, 1950, as per Balance Sheet	...	...	\$224,636,260

RAILWAY OPERATIONS

Gross earnings increased \$15 million, or 4.2%, as compared with 1949. Freight revenue in 1950 was approximately \$14 million higher than in 1949. This was entirely the result of increases in freight rates which produced approximately \$23 million more revenue. The volume of traffic handled was lower, and there would have been a reduction in freight revenue of some \$9 million but for the increases in freight rates. The average revenue per ton mile for the year was 1.33c, an increase of 0.13c over 1949. Tonnage carried amounted to 53.9 million tons, a decrease of 2.5 million tons, and the average haul decreased by 4 miles to 426 miles. Railway tax accruals increased \$10.6 million, of which \$9.7 million was for income taxes. Railway net earnings for the year were \$38 million and represented a return of 3.5% on the net investment in the rail property of your Company at the end of the year.

GENERAL BALANCE SHEET, DECEMBER 31, 1950

ASSETS			
Property Investment:	...	...	
Railway, Rolling Stock and Inland Steamships	...	\$1,002,596,954	
Improvements on Leased Property	...	117,312,306	
Stocks and Bonds—Leased Railway Companies	...	134,909,063	
Ocean and Coastal Steamships	...	65,410,370	
Hotel, Communication and Miscellaneous Properties	...	103,968,324	
	...		\$1,424,197,017
Other Investments:	...	...	
Stocks and Bonds—Controlled Companies	...	72,227,794	
Miscellaneous Investments	...	47,435,355	
Advances to Controlled and Other Companies	...	6,572,319	
Mortgages Collectible and Advances to Settlers	...	1,057,744	
Deferred Payments on Lands and Townsites	...	7,731,393	
Unsold Lands and Other Properties	...	10,845,779	
Maintenance Fund	...	7,600,000	
Insurance Fund	...	13,188,540	
Steamship Replacement Fund	...	23,512,103	
	...		190,172,027
Current Assets:	...	...	
Material and Supplies	...	37,930,438	
Agents' and Conductors' Balances	...	16,455,922	
Miscellaneous Accounts Receivable	...	23,383,779	
Government of Canada Securities	...	39,818,360	
Cash	...	44,214,875	
	...		161,803,331
Unadjusted Debits:	...	...	
Insurance Prepaid	...	488,750	
Unamortized Discount on Bonds	...	2,967,989	
Other Unadjusted Debits	...	1,307,020	
	...		4,763,759
	...		\$1,780,936,184
LIABILITIES			
Capital Stock:	...	...	
Ordinary Stock	...	\$ 335,000,000	
Preference Stock—4% Non-cumulative	...	137,256,921	
	...		\$ 472,256,921
Perpetual 4% Consolidated Debenture Stock	...	\$ 333,552,729	
Less: Pledged as collateral to bonds and equipment obligations	...	38,114,500	
	...		295,438,229
Funded Debt	...	...	85,709,000
Current Liabilities:	...	...	
Pay Rolls	...	9,401,052	
Audited Vouchers	...	12,272,206	
Net Traffic Balances	...	3,828,099	
Miscellaneous Accounts Payable	...	6,619,090	
Accrued Fixed Charges	...	726,685	
Unmatured Dividends Declared	...	15,047,093	
Other Current Liabilities	...	24,352,777	
	...		72,245,992
Deferred Liabilities	...	...	3,040,010
Reserves and Unadjusted Credits:	...	...	
Maintenance Reserves	...	7,600,000	
Depreciation Reserves	...	489,866,749	
Investment Reserves	...	4,068,165	
Insurance Reserve	...	13,188,540	
Contingent Reserves	...	4,118,819	
Unadjusted Credits	...	6,241,495	
	...		525,083,768
Premium on Capital and Debenture Stock	...	34,458,562	
Land Surplus	...	68,066,442	
Profit and Loss Balance	...	224,636,260	
	...		\$1,780,936,184

ERIC A. LESLIE,
Vice-President and Comptroller



A kangaroo is all very well . . .

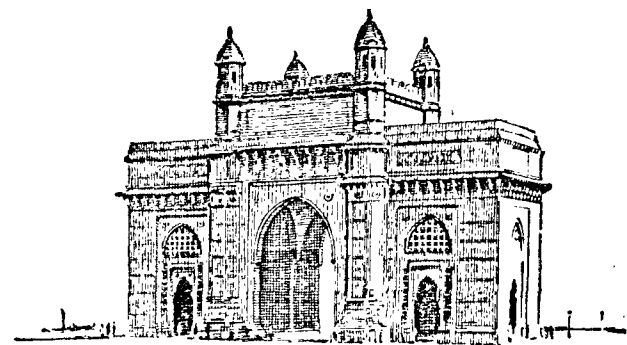
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122 of the 3,222 Italian cars sold in 1950 were Fiats; the cheapest model now costs 4,700 Sw. Frs., only 100 Sw. Frs. more than it did last year. The cheapest Renault shown at Geneva this month cost 4,656 Sw. Frs.; last year the cheapest cost 4,850 Sw. Frs. Switzerland is not a large car market, but it is one of the few remaining markets in which manufacturers from all countries are competing freely. Although car sales increased there in 1950, when 28,248 new cars were registered, the number of British cars sold during the year, about 5,700, was the same as in 1949. In spite of their higher prices, more American cars were sold in 1950; 1,602 of the total of 5,574 were Chevrolets, the cheapest of which cost 12,950 Sw. Frs.

★ ★ ★

Freights Still Rising

The Chamber of Shipping index number of sterling tramp shipping freights for February, at 164.7, compared with 151.9 for January, clearly measures the continued rise in tramp shipping freights. The March figure, when it is announced, may show a further rise. Although much of the present shortage of shipping space can be traced, directly or indirectly, to the British coal crisis at the end of last year, there is little likelihood that the completion of the Government's coal importing programme will be followed by any drastic fall in freight rates. A great deal of business has been held up by the high level of freights in recent months, and as the movement of coal begins to slacken and rates show signs of declining, much of the tonnage released will be absorbed by the demands of other bulk cargoes awaiting shipment, or taken on time charter by liner companies. The importation of American coal to Europe is not by any means the only unusual movement at present.

The paradoxical nature of some of the voyages undertaken by tramp shipping today is well illustrated by a recent instance: a vessel was chartered from Calcutta to Denmark with coal at a time when it was in fact engaged in carrying coal from Poland to Pakistan. When this sort of thing is ended by the recent trade agreement between India and Pakistan the effect on freight rates might be immediate; a similar effect would result from the restoration of normal working conditions in Australian and New Zealand ports. The withdrawal of about 85 ships from the United States Reserve Fleet, to be operated by the newly established National Shipping Administration, will doubtless have a quicker effect on the freight market. But as these ships are to be used to carry increased United States shipments of wheat, their effect will be to prevent further rises in rates rather than to reduce them.

★ ★ ★

Productivity and Print

"The one factor which more than any other has made for the high productivity of the United States is the attitude of its people towards work." This quotation, from the report* of the productivity team that recently investigated letterpress printing in the United States, might equally have come from the reports of any of the productivity teams that have been published. In printing, where the skilled craftsman and his craft practices have a dominating influence upon output, it is particularly applicable. The printing report stresses the important influence of American unions in fostering "productivity-mindedness," and their willingness to accept new methods and machinery even at the risk of displacing labour. Output per man in the American printing industry is far higher than in Britain, but the team concluded that this higher output does not entail an expendi-

* Letterpress Printing. Anglo-American Council on Productivity, 21, Tothill Street, London, S.W.1. Price 2s. 6d.

ture of physical effort proportionately greater than that exerted by the average British printer.

The skilled worker in America concentrates his efforts upon that part of the work that requires his skill and is willing to leave the remainder to unskilled and semi-skilled workers; the British skilled worker, by contrast, tends to regard the whole of the job, including the unskilled portion, as falling within his craft. The attitude towards female labour in American printing is equally different: women are found in many occupations that are closed to them in Britain. Women keyboard operators, proof-pullers, readers, and even hand compositors, are found among the members of the International Typographical Union; they take their turn on shift work, and receive the same rates of pay as the men.

Although the attitude of printing labour is vitally important in establishing the causes of higher productivity in American printing, almost equally important is the care given in American plants to planning the job. In the most efficient plants printing is no longer regarded as a craft; it is considered as a production problem and is often given to a production engineer to solve. This approach naturally results in a lower general standard of printing than prevails in Britain; but it has often been argued that the standard of much of the print produced in this country is unnecessarily high. The report rightly emphasises the important part played in American printing by the designer, whose skill masks from the layman the small imperfections that are inescapable if high productivity is to be reached.

Of the team's recommendations, those dealing with technical matters may be the most easily implemented. On the fundamental question of labour relations, none of the recommendations is strikingly novel and almost all would require something of a revolution of thought in the unions before they would be accepted. It is not very encouraging to read that "the team feel strongly that the unions and the employers, through their respective organisations and the Joint Industrial Council, should initiate campaigns to stress the need for greater output and the gains which high productivity must bring to all." This suggests a faith in the efficacy of such campaigns. But would they be needed if these self-evident propositions about productivity already commanded any appreciable measure of agreement?

★ ★ ★

Dearer Non-Ferrous Scrap

It was to be expected that the maximum prices for non-ferrous scrap that came into operation on February 3rd would not encourage a free flow of supplies to industry. They were fixed substantially below the open market prices ruling just before the regulation was introduced, and the order contained a number of anomalies. It has recently been amended. Certain definitions have been clarified, and prices of some types of scrap have been raised. Copper scrap, for

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THE ECONOMIST, 22 RYDER STREET LONDON, S.W.1.

example, has been raised by about £10 a ton and lead scrap by about £5 a ton. Prices for certain types of brass and cupro nickel scrap have also been increased. The alterations in the definitions make a direct comparison of prices in the two schedules difficult, but presumably the authorities have come to realise that their first attempt fixed the maximum prices too low.

The main adjustments, however, have been made to trade margins. The maximum commission on material other than lead has been raised from 2 per cent to 3 per cent. The maximum charge for bagging has been increased from 9d. to 1s. 6d. a bag or 25s. a ton whichever is less; a charge for "briquetting" not exceeding 25s. a ton has also been authorised. The basis of lead prices has been changed from "delivered buyer's address" to "ex depot"; if the seller delivers the lead scrap he may charge up to £2 a ton for delivery.

It is still problematic whether even the amended order will do its intended job of encouraging larger supplies of scrap. The basic objections to the maximum price schedule remain as before. The new limits are still below prices ruling three months ago and there is still no control on prices for secondary ingots. The Ministry of Supply apparently hopes that the higher trade margins will induce scrap merchants to be more industrious in gathering supplies together.

* * *

India's External Assets and Liabilities.

India shows signs of trying to rival the United States in the comprehensiveness and complexity of its official financial statistics; it is unfortunate, therefore, that its ideas of promptness tend to conform rather to British official practice than American. Nevertheless, the two latest volumes from the research department of the Reserve Bank of India—the "Census of India's Foreign Liabilities and Assets in June, 1948" and the annual report on banking trends in 1949—set down in a profusion of tables and charts, a mass of data of the sort that is all too often lacking or withheld in Britain. The Census shows that India's external liabilities amounted to about £785 million at the end of June, 1948, and its external assets to about £1,790 million. Some £485 million of the external liabilities, however, were "official" liabilities such

as those to Britain for payments for pensions and war stores (which have since been adjusted) and the nominal non-interest bearing rupee securities held in favour of the International Monetary Fund. The greater part of India's real external liabilities still outstanding consists of just under £300 million of liabilities in the "private sector." These liabilities include foreigners' direct investments in India, foreign holdings of Indian stocks and shares, bank balances held by foreigners and so on. Over £185 million of this £300 million was held by United Kingdom subjects, over £37 million by those of Pakistan, and about £19 million by the United States.

Approximately £1,650 million of India's £1,790 million of external assets in June, 1948, were held in the "official sector" and more than £1,125 million of these represented the Reserve Bank's gross sterling assets; most of the rest consisted of debts due from Pakistan and Burma. Between June, 1948, and June, 1949, however, the sterling balances were depleted by no less than £400 million; although they recovered slightly in the next twelve months, it is believed that by mid-1950 India's net sterling assets were in the region of £620 million. Quite a substantial part of this reserve is needed as ordinary backing for the currency.

The report on banking trends for the year 1949 is the first of the annual reports required from the Reserve Bank by the Indian Banking Companies Act, 1949. When the terms of this Act were first published, they excited some criticism as they appeared to impose a vast amount of paper-work on the commercial banks and to give the central bank undesirable powers of control over their advances—even individual advances. It seems, however, that the main use of these powers has been the blameless one of providing a check on the propensity of certain small Indian banking companies to grant large unsecured advances to their own directors, their directors' relations or their directors' firms; as so often happens, laws that might be classed as illiberal in a Western context look less so in the East. The report reveals that India was one of the only two important countries in the world where the level of bank deposits was falling fairly steadily during 1949 (the other was South Africa); this fall was due to the large adverse balance of payments (since corrected) and the decline of savings held in the form of bank deposits.

Shorter Notes

During the year beginning on October 1st next, cinema exhibitors will be obliged to select 30 per cent of the features they show, and 25 per cent of the supporting programmes, from among British films. The exhibitors' quota, set annually by the Board of Trade, is thus unchanged from the level to which it was reduced for this year: in 1949-50, when it was set at 40 per cent, more than half the cinemas in the country, including the three major cinema circuits, failed to fulfil their obligation. Among the film technicians and actors, an increase in the quota would have been welcomed; but the quota must depend upon the state of film production, not the other way round, and there is no reason to believe that the production side of the industry, even with present Government assistance, is likely to turn out enough good films to justify a higher figure.

*

Motor insurance premiums for private cars, motor cycles and commercial vehicles (excluding agricultural vehicles) are to be increased by 12½ per cent from June 1st by all members of the Accident Office Association. Since the abolition of petrol rationing, the number of motor accidents has increased substantially and the cost of repairs and of third party claims is now from two to three times as great as in 1939, while present premiums are only some 25 per cent above the pre-war level; even after the new increase, motor insurance in this country may be unprofitable to many offices.

Company Notes

Swan Hunter.—The fall of 5s. to 62s. 6d. in the £1 ordinary units of Swan Hunter measured the sharp disappointment in the market in the company's conservative dividend policy, coupled with the setback in group profits from £2,150,678 to £1,929,171. The ordinary dividend has been maintained at 16 per cent since 1946, and, although distributable earnings have fallen in the latest year, the cover is still ample. After allowing for nearly £648,000 retained in the business, the distribution of 16 per cent represents a little more than 3 per cent on the real equity capital, and as the prospects for the shipbuilding industry are good, there seems to be some reason for the market's disappointment. The appropriation of £250,000, against £200,000, to the reserve for replacements and special repairs suggests that the inadequacy of the normal depreciation provision to meet fixed assets replacement costs is still causing concern.

	Years to December 31, 1949	1950
Consolidated earnings:—		
Group profit	2,150,678	1,929,171
Taxation	1,120,013	1,020,761
Group earnings for ord. stock	631,035	548,222
	(71%)	(63%)
Ord. divs.	150,574	150,574
	(16%)	(16%)
Replacements reserve	200,000	250,000
Added to carry forward	24,143	55,963

£1 ordinary stock at 62s. 6d. yields £5 2s. 5d. per cent.

Until the full accounts are published, it would be advisable not to attempt to dogmatise about the trading problems which have led to the fall in profits. Increased development and reconstruction expenditure, which is charged before striking trading profits, may provide part of the answer, and the chairman's statement that high costs of building are "a severe deterrent to a larger flow of contracts" might also be relevant, although Swan Hunter should secure its fair share of shipbuilding orders in the future. But shareholders will be disappointed if this does not allow a higher return on their venture capital.

*

Ford Motor.—The excellent results shown in the preliminary statement of Ford Motor, published this week, accord with the best expectations. Admittedly, the increase in dividend from 10 per cent to 12½ per cent had been more than taken for granted (15 per cent was considered a possibility), but that group net profits, after tax, should have soared from £2,447,526 to £3,773,657 is a remarkable achievement, more especially as tax absorbed the formidable total of £4,729,394, as compared with £2,735,743 for the previous year. Before tax and other charges, actual gross profits are up from £6,030,300 to over £11 million. Among noticeable items in the statement are the increase in depreciation

	1949	1950
Group profit, after tax	2,447,526	3,773,657
Taxation	2,735,743	4,729,394
Assets replacement reserves	500,000	2,000,000
Contingencies reserves	—	400,000
Preference divs.	—	66,772
Ordinary div.	495,000	618,750
Carried forward	9,126,455	4,717,952

charged to the profit and loss account from £732,518 to £1,683,558, and a special provision of £1,224,292 (nil for 1949), representing an expansion of employees' benefits—a generous sum when viewed in relation to the £618,750 of gross ordinary dividend, 59 per cent of which goes to the Ford Motor Co. (USA). Some £2,000,000 (£500,000) is allocated to assets replacement reserve, and £400,000 (nil) to contingencies.

What may seem a conservative and almost cautious distribution policy is explained by a note from the Chairman, which explains that the 1950 profits resulted from exceptional production and from the consequent spread of overhead charges. Sir Rowland Smith adds: "It is now evident that such profits

are unlikely to be repeated in 1951, a year during which we have to experience the introductory stages of our new models, substantial further changes in layout, and shortages of sheet steel and other materials. It was, in fact, in anticipation of these coming adverse factors that we aimed at a high profit in 1950."

The ordinary shares have shown little change on balance at 49s. 9d., at which price the yield on the new dividend is just over 5 per cent.

*

Footwear Profits.—Trading results of some of the leading footwear companies (summarised in the accompanying table generally) reflect the general experience of lower profits, despite the achievement of increased turnover. The greater part of these companies' total sales no doubt consisted of utility shoes, on which maximum prices have been fixed by the Board of Trade although control on retail profit margins was relaxed last May. Such was the force of competition in the trade, however, that selling prices were effectively reduced below the permitted maximum levels. Rising costs, particularly of raw materials, further squeezed these already competitive profit margins.

The almost universal rise in stocks of footwear companies is in part a consequence of an expansion of raw material stocks, as distinct from manufactured stocks. Almost the whole of the increase in the stocks of Freeman, Hardy and Willis is attributable to raw materials and over 25 per cent of the stocks of J. Sears (True-form), valued at £3,219,839, represented raw materials. Whether these value figures correspond with a physical expansion of raw material stocks is less clear; they must be greatly affected by the substantial rise in hide prices since the middle of 1950.

	Years to December 31, 1949	1950
Drevitt:—		
Group trading profits	232,850	246,912
Stocks	271,582	436,819
Freeman, Hardy and Willis:—		
Trading profits	404,505	720,267
Stocks	1,491,877	1,562,853
Lotus:—		
Group trading profits	681,914	644,406
Stocks	1,368,060	1,248,904
J. Sears (True-form Boot):—		
Group trading profits	1,410,710	1,247,392
Stocks	2,891,714	3,219,839
Stead and Simpson:—		
Trading profits	507,717	427,937
Stocks	639,168	912,383

Stocks may provide something of a cushion against sharp increases in retail prices in the current year—so long as they last. Mr D. R. Church, chairman of J. Sears (True-form), has commented: "Fortunately we carry very large stocks of leather and we have been able to maintain our present price ranges. As and when this stock is exhausted, the higher prices of all our raw materials will inevitably be in the retail price of boots and shoes." As the price of leather continues to rise, the search for substitutes continues and the chairman of Lotus, Mr H. J. Bostock, quotes an estimate that more than one-third of the shoes made today have other soles than leather. In view of this statement, it is hardly surprising that group trading profits of Phillips Rubber Soles for the year ended November 30, 1950, rose from £143,340 to £190,787.

Leather substitutes, however, are not the complete solution to the problem of rising costs, for their prices can be expected to increase in turn. Further rises in the prices of boots and shoes seem inevitable in the current year, and if consumers' resistance to higher prices grows, the outlook for the footwear companies is likely to remain uncertain.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Mar. 20, 1951	Price, Mar. 28, 1951	Net Yield, 1951 (a)	Gross Yield, Mar. 28, 1951
War Bonds 2½% ...	100½	100½	£ s. d.	£ s. d.
Mar. 1, 1951-53			0 16 4	0 3 10½
War Bonds 2½% ...	101½	101½	0 16 4	0 19 7½
Mar. 1, 1952-54			0 16 8	0 17 11½
Exchequer Stk. 2½% ...	101½	102½	0 15 4	0 19 6½
Feb. 15, 1955				0 16 0
War Bonds 2½% ...	102½	102½	0 13 10	0 16 11½
Aug. 15, 1954-56			0 18 10	0 2 1 7½
Funding 2½% ...	102½	102½	...	0 12 8½
June 15, 1952-57			1 4 7	0 12 4½
Nat. Defence 3% ...	103½	103½	0 14 4	0 2 2 7½
July 15, 1954-58			1 5 1	0 11 8½
War Loan 3% ...	103½	103½	0 18 7	0 2 4 10½
Oct. 15, 1955-59			1 5 1	0 2 11 5½
Savings Bonds 3% ...	98½	99½	1 18 5	0 3 6 5½
Aug. 15, 1955-65			1 14 10	0 3 2 3½
Funding 2½% ...	97½	97½	1 15 10	0 2 18 5½
April 15, 1956-61			1 11 10	0 2 14 6½
Funding 3% ...	95½	96½	2 3 8	0 3 11 2½
April 15, 1959-69			1 18 2	0 3 5 9½
Funding 3% ...	97½	97½	1 16 9	0 3 6 6½
Aug. 1, 1966-68			1 16 5	0 3 4 2½
Funding 4% ...	104½	104½	1 13 5	0 3 8 1½
May 1, 1960-90			2 0 8	0 3 15 6½
Savings Bonds 3% ...	94½	95½	2 4 10	0 3 12 11½
Sept. 1, 1960-70			1 19 3	0 3 7 2½
Savings Bonds 2½% ...	92	91½	2 2 3	0 3 5 8½
May 1, 1964-67			1 19 9	0 3 3 2½
Victory Bonds 4% ...	105½	105½	1 15 1	0 3 9 11½
Sept. 1, 1920-76				
Savings Bonds 3% ...	92½	92½	2 4 10	0 3 13 5½
Aug. 15, 1965-75			2 0 7	0 3 9 1½
Consols 4% ...	100½	101½	2 0 9	0 3 17 7½
(after Feb. 1, 1957)				
Conversion 3½% ...	90½	91½	2 1 11	0 3 16 3½
(after Apr. 1, 1961)				
Treasury Stk. 2½% ...	66½	67½	2 0 11	0 3 14 4½
(after Apr. 1, 1975)				
Treasury Stk. 3% ...	78½	79½	2 1 9	0 3 15 11½
(after Apr. 5, 1966)				
Treasury Stk. 3½% ...	99	99½	1 19 4	0 3 11 6½
June 15, 1977-80			1 19 3	0 3 11 5½
Redemp. Stk. 3% ...	86½	87½	2 3 0	0 3 12 5½
Oct. 1986-96			2 1 5	0 3 11 0½
War Loan 3½% ...	90½	91½	2 2 4	0 3 17 6½
(after Dec. 1, 1952)				
Consols 2½% ...	67½	68½	2 0 4	0 3 13 4½
Brit. Elect. 3% Gtd. ...	92½	93½	2 2 8	0 3 10 10½
April 1, 1967-73			2 0 9	0 3 8 11½
Brit. Elect. 3% Gtd. ...	91½	92½	2 1 7	0 3 10 0½
Mar. 15, 1974-77			2 0 9	0 3 9 3½
Brit. Elect. 3½% Gtd. ...	99½	100	1 19 3	0 3 11 7½
Nov. 15, 1976-79			1 19 2	0 3 11 6½
Brit. Tpt. 3% Gtd. ...	87½	88½	2 5 0	0 3 14 8½
July 1, 1978-88			2 2 6	0 3 12 3½
Brit. Tpt. 3% Gtd. ...	92½	93½	2 2 10	0 3 11 0½
April 1, 1986-73			2 2 11	0 3 12 5½
Brit. Gas Gtd. 3% ...	87½	88½	2 2 1	0 3 11 9½
May 1, 1990-95				
Brit. Iron & Steel 3½% ...	97½	98½	2 0 5	0 3 12 7½
Feb. 15, 1979-81			2 0 4	0 3 12 6½

(a) To earliest date. (b) Flat yield. (c) Assuming redemption in 1957. (d) Flat yield given above. If redeemed, in 1952 net redemption yield £7 16 10, gross £9 17 6. (e) To latest date. (f) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 13 years 5 months.

Last Two Dividends	Ordinary Stocks	Price, Mar. 20, 1951	Price, Mar. 28, 1951	Yield, Mar. 28, 1951
(a) (b) (c)				
60 c	Anglo-Am. 10/-	8½	8½	3 10 7
25 b	Anglo-Iran. £1	5½	5½	5 17 1
5 a	Assoc. Elec. £1	83/9xd	86/3xd	4 12 9
7½ a	Assoc. P. Cem. £1	91/10½	93/1½	5 18 1
40 c	Austin 5/-	26/9	26/9	6 10 10
15 a	Bass £1	148/9	148/9	6 2 3
40 c	Boots 5/-	47/-xd	47/-xd	4 5 1
8 c	Br. Celanese 10/-	25/9	27/-	3 14 1
12 b	Br. Oxygen £1	93/6	93/6	4 8 6
5 a	Br. Coats £1	56/6	56/6	4 5 7
5 b	Courtaulds £1	41/-xd	41/9xd	4 15 10
20 c	Distillers 4/-	19/9	20/6	3 18 1
15 c	Dunlop £1	56/6	57/8	5 4 4
10 c	Ford £1	48/1½	48/9	5 2 7
17½ c	Gen. Elect. £1	85/-	85/-	4 2 4
11 a	Guinness £1	129/4½	129/4½	4 18 11
15 a	Hawker Sid. 5/-	33/7½	33/4½	4 17 6
7 b	Imp. Chem. £1	46/3	46/3	4 6 6
13½ a	Imp. Tobacco £1	98/9	98/9	6 9 7
5 a	Lanes Cotton £1	41/3	41/10½	5 19 5
10 c	Lever £1	46/3	46/10½	4 5 4
15 c	Lon. Brick £1	57/6	57/6	5 4 4
45 b	Marks & Sp. A 5/-	81/9	83/-	3 12 3
4 b	P & O Def. £1	56/-	55/6	4 6 6
17½ b	P. Johnson 10/-	37/6	37/6	6 13 4
15 b	"Shell" Stk. £1	83/9	87/6	4 3 1
12½ a	Tube Invst. £1	6½	6½	3 19 7
3½ a	T. & Newall £1	88/9	91/3	4 7 8
8 c	Union Castle £1	37/-	37/-	4 6 6
17½ c	U. Sualbetong £1	74/4½	71/3	4 10 8
4½ b	Vickers £1	43/-	42/6	3 3 6
15 a	Woolworth 5/-	44/9	44/9	4 14 11

(a) Interim. (b) Final. (c) Whole year. (d) Free of tax.

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Statistical Summary

EXCHEQUER RETURNS

For the week ended March 24, 1951, total ordinary revenue was £63,805,000, against ordinary expenditure of £77,077,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £19,347,000, the surplus accrued since April 1st is £757,122,000, compared with £648,755,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand)			
		April 1, 1950 to Mar. 25, 1951	April 1, 1950 to Mar. 24, 1951	Week ended Mar. 24, 1951	Week ended Mar. 24, 1951
Ord. Revenue	£'000				
Income Tax	138,800	140,656	137,585	25,848	22,749
Sur-tax	120,000	112,000	117,500	4,000	3,100
Estate, etc., Duties	195,000	187,300	182,750	4,100	4,900
Stamps	50,000	50,270	52,960	700	1,300
Profits Tax	255,360	255,020	3,400	2,200	...
E.P.T.	270,000	35,200	9,350	200	...
Other Inland Rev.	500	608	560	20	...
Special Contribut.	4,500	19,400	4,800	200	80
Total Inland Rev.	202,800	206,670	199,875	38,468	34,329
Customs	870,650	798,257	887,736	13,557	13,407
Excise	713,150	696,000	708,200	7,400	6,800
Total Customs and Excise	1,583,800	1,494,257	1,595,936	20,957	20,207
Motor Duties	56,000	55,434	61,213	...	...
Surplus War Stores	35,000	79,114	45,355	796	...
Surpl's from Tradg.	85,000	47,541	80,905	...	...
P.O. (Net Receipts)	13,000	11,590	11,900	...	...
Wireless Licences	27,000	20,244	25,876	281	...
Sundry Loans	70,000	76,109	76,754	4,493	5,722
Miscell. Receipts (in Crown Lands)	389,780	385,091	390,164	64,995	63,805
Total Ord. Rev.	172,150	159,200	166,700	2,600	6,500
SELF-BALANCING Post Office, Income Tax on E.P.T. Refunds.	5,700	11,595	8,098	272	164
Total	407,550	402,176	407,462	67,867	70,459

Expenditure	Estimate, 1950-51	Issues out of the Exchequer (£ thousand)			
		April 1, 1950 to Mar. 25, 1951	April 1, 1950 to Mar. 24, 1951	Week ended Mar. 24, 1951	Week ended Mar. 24, 1951
Ord. Expenditure	£'000				
Int. & Man. of Nat. Debt	490,000	470,267	475,227	1,404	2,040
Payments to N. Ireland	36,000	36,663	37,284	1,730	1,922
Other Cons. Funds	11,000	9,875	9,754	...	275
Total	537,000	516,805	522,265	3,134	4,237
Supply Services	297,328	266,717	260,131	61,316	72,841
Total Ord. Expd.	350,328	318,523	312,396	64,450	77,077
Sinking Funds	...	18,712	19,347	...	...
Total (excl. Self-Bal. Expd.)	350,328	320,235	314,043	64,450	77,077
Total (incl. Self-Bal. Expd.)	368,617	337,303	331,784	67,322	83,741

After increasing Exchequer balances by £35,449 to £2,660,036, the other operations for the week increased the gross National Debt by £19,277,038 to £25,815 million.

NET RECEIPTS (£ thousand)	
P.O. and Telegraph (Money) Acts, 1948 and 1950	6,050

NET ISSUES (£ thousand)	
E.P.T. Refunds	200
Export Guarantees Act, 1949, s. 3(2)	85
Housing (Temp. Accom.) Acts, 1944 and 1947	150
Local Authorities Loans Act, 1945, s. 3(1)	5,200
Cotton (Centralised Buying) Act, 1947, s. 21(1)	3,000
Miscellaneous Act, 1946	3,000
War Credits	385
War Case can be	12,020

CHANGES IN DEBT (£ thousand)	
RECEIPTS	PAYMENTS
Treasury Bills	1,934
Nat. Savings Certs.	500
3% Def. Bonds	850
Other Debt	902
Internal	25,830
Ways & Means Advances	30,016
	10,739

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bk. of Eng. Land		
1950 Mar. 25	2910.0	1925.5	447.4	2.3	465.0	5750.2
Dec. 16 1951	3260.0	1939.8	410.8	11.5	530.0	6152.1
Jan. 6 1951	3270.0	1861.8	394.7	...	500.0	6026.5
" 13 1951	3250.0	1823.3	406.3	2.5	470.0	5952.1
" 20 1951	3220.0	1844.6	396.8	...	445.0	5906.4
" 27 1951	3200.0	1801.9	407.8	...	420.0	5829.7
Feb. 3 1951	3190.0	1842.4	385.6	...	420.0	5837.9
" 10 1951	3170.0	1808.1	402.7	...	395.0	5775.8
" 17 1951	3170.0	1801.2	439.8	...	360.0	5771.0
" 24 1951	3180.0	1749.4	419.8	...	340.0	5689.2
Mar. 3 1951	3170.0	1733.8	421.5	...	339.0	5664.3
" 10 1951	3180.0	1737.3	440.7	...	314.0	5672.0
" 17 1951	3180.0	1799.6	396.6	6.5	294.0	5676.7
" 24 1951	3170.0	1811.6	428.9	...	284.0	5694.5

TREASURY BILLS (£ million)

Date of Tender	Amount			Average Rate of Allotment	Allotted at Min. Rate
	Offered	Applied for	Allotted		
1950 Mar. 24	230.0	294.8	230.0	s. d. 5-84	70
Dec. 22 1951	230.0	301.7	230.0	10 2-93	67
Jan. 6 1951	230.0	302.4	230.0	10 3-50	83
" 12 1951	240.0	301.4	230.0	10 3-35	70
" 19 1951	230.0	319.4	230.0	10 2-75	60
" 26 1951	230.0	321.3	230.0	10 2-79	60
Feb. 2 1951	230.0	337.8	230.0	10 2-92	61
" 9 1951	230.0	336.4	230.0	10 2-52	54
" 16 1951	250.0	334.5	250.0	10 4-51	22
" 23 1951	260.0	337.7	260.0	10 4-00	69
Mar. 2 1951	250.0	331.4	250.0	10 3-04	67
" 9 1951	260.0	346.2	260.0	10 2-87	65
" 16 1951	260.0	339.3	260.0	10 2-97	63
" 23 1951	250.0	332.7	250.0	10 2-96	66
" 30 1951	250.0	332.9	250.0	10 2-94	66

On March 22nd applications for 91 day bills to be paid from March 27 to March 31, 1951, were accepted dated Tuesday to Saturday at about 66 per cent at 299 17s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for March 30th. For the week ending March 31st the banks will be asked for Treasury deposits to a maximum of £35 million at 154 days.

NATIONAL SAVINGS (£ thousand)

	Week Ended		Total, Apr. 1 to Mar. 17, 1951
	Mar. 17, 1950	Mar. 17, 1951	
Savings Certificates	2,000	6,000	123,500
Receipts	2,000	4,100	129,400
Repayments	Dr 100	1,900	Dr 5,900
Defence Bonds	330	1,545	25,270
Receipts	889	950	46,540
Repayments	Dr 559	595	Dr 21,370
P.O. and Trustee Savings Banks	11,790	11,750	632,876
Receipts	11,684	15,403	691,006
Repayments	106	Dr 3,653	Dr 58,130
Net Savings	Dr 553	Dr 1,158	Dr 83,400
Total Net Savings	445	963	29,059
Interest accrued	2,379	2,417	121,156
Change in total invested	+ 1,391	+ 295	+ 6,587

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT	
Notes Issued:	£
In Circulation	1320,050,420
In Bankg. Department	30,305,403
Govt. Debt	11,015,100
Other Govt. Securities	1334,711,981
Other Secs.	762,121
Coin (other than gold)	3,510,784
Ant. of Fid.	1350,000,000
Gold Coin and Bullion (at 248s. per oz. fine)	356,821
1350,356,823	1350,356,821

BANKING DEPARTMENT	
Capital	14,553,000
Res.	3,932,548
Public Depts.	28,444,761
Public Accts.	13,816,420
H.M. Treas. Special Acct.	14,923,341
Other Depts.	391,658,723
Bankers	302,378,229
Other Accts.	89,280,493
438,639,132	438,639,132

COMPARATIVE ANALYSIS (£ million)	
1950	1951
Mar. 29	Mar. 14
Mar. 21	Mar. 28
Issue Dept.	1267.3
Notes in circulation	1300.3
Notes in banking department	1313.0
Government debt and securities	1320.1
Other securities	1345.8
Gold and Coin	1345.7
Value of s. per fine oz.	0.7 0.7 0.8 0.8
Banking Dept.	248.0
Deposits	248.0
Public Accounts	12.1
Treasury Special Account	13.3
Bankers	14.6
Bankers	160.0
Others	11.3
Total	11.3
Securities	283.5
Government	291.6
Discounts, etc.	302.7
Other	302.4
Total	83.9
Banking dept. res.	88.1
" Proportion "	420.1

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

COMPARATIVE ANALYSIS (£ million)

Issue Dept.	1950		1951	
	Mar. 29	Mar. 14	Mar. 21	Mar. 28
Notes in circulation	1267.3	1300.3	1313.0	1320.1
Notes in banking department	33.1	50.1	37.4	30.3
Government debt and securities	1299.3	1345.8	1345.7	1345.7
Other securities	0.7	0.7	0.8	0.8
Gold and Coin	0.4	3.9	3.9	3.5
Value of s. per fine oz.	248.0	248.0	248.0	248.0
Banking Dept.	248.0	248.0	248.0	248.0
Deposits	12.1	13.3	14.6	13.8
Public Accounts	160.0	11.3	11.3	14.6
Treasury Special Account	283.5	291.6	302.7	302.4
Bankers	83.9	88.1	86.1	83.3
Others	539.9	395.0	414.7	420.1
Securities	474.5	319.4	361.5	357.3
Government	12.3	19.1	8.5	12.3
Discounts, etc.	32.7	24.1	25.0	27.7
Other	519.5	362.6	395.0	407.3
Total	38.5	50.9	38.3	31.5
Banking dept. res.	7.1	12.8	9.2	7.4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,375 to £1,350 million on January 10, 1951.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 21, 1950	Mar. 6, 1951	Mar. 20, 1951
Cereals & Meat	148.4	158.7	159.0
Other foods	148.6	172.4	174.1
Textiles	218.3	338.3	341.4
Minerals	264.7	335.4	332.2
Miscellaneous	155.6	195.8	195.9
Complete Index	177.4	225.0	225.4
1913=100	214.2	309.6	310.2

GOLD AND SILVER

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

1951	SILVER		GOLD	
	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
Mar. 21	78.5	90.16	193.2	113.0
" 22	78.5	90.16	192.12	112.13
" 23	Markets Closed	193.0	112.5	112.5
" 24	Closed	192.10	112.12	112.12
" 25	Closed	191.16	Markets Closed	...
" 27	78.5	90.16	191.14	112.8
" 28	78.5	90.16	191.14	112.8

COMPANY MEETINGS

THE STANDARD LIFE ASSURANCE COMPANY

CONTINUED PROGRESS

GREAT STRENGTH

The one hundred and twenty-fifth annual general meeting of The Standard Life Assurance Company was held in Edinburgh on March 20th with Captain The Hon. Sir Archibald Cochrane, G.C.M.G., K.C.S.I., D.S.O., R.N., in the chair.

The manager and actuary having read the auditor's report, the chairman said:

Ladies and Gentlemen.—May I take it to be your wish that the directors' report, which is in your hands, be held as read?

I am happy to say that during the year under review no changes have taken place amongst our directors at home or overseas. The local boards of directors in Canada, the West Indies and Uruguay have rendered very valuable service and I should like to take this opportunity of putting on record our thanks for their assistance. During the course of the year we had the pleasure of visits from Mr G. C. Heward, of our Montreal Board, and Mr S. H. Banning, of our West Indies Board. Soon after the annual meeting a year ago I visited Canada to renew my acquaintance with our colleagues on that side of the Atlantic, and was accompanied by my co-director, Mr Watson. Another director from the Head Office Board, Mr Harrison, was also able to pay a visit to some of our Canadian offices last year.

You may, perhaps, have seen that the extension to our Head Office building is making progress. Shortage of materials, shortage of labour and exigencies of the weather make the maintenance of a time schedule somewhat hazardous; but, if the present rate of progress is continued, I hope that this time next year we shall be in occupation. It may also be of interest to members to know that we are reconstructing our office in Dublin. During the process of rebuilding there we have occupied temporary premises, but we hope to return to our old address in the course of a few weeks.

You may already have seen from the figures of our new business which appeared in the Press some weeks ago that the company has once again enjoyed a successful year. The report now in your hands shows that our new life assurances total £23,385,000. Included in this is an amount of £8,813,000 of group life assurances effected on the lives of workers in industry, commerce and the professions, to whom we have in addition contracted to pay pensions amounting to £5,574,000 per annum when their working days have drawn to a close. I am glad to say that every country in which we operate has contributed a record amount of life assurance business. Throughout the United Kingdom and the Republic of Ireland, in Canada, the West Indies and Uruguay, the advantages of a policy with the Standard are becoming more and more appreciated and it is encouraging to think that in all these countries an increasing number of new members are joining with us in mutual association.</

NEWTON CHAMBERS AND COMPANY, LIMITED

EXCELLENT TRADING RESULTS

BONUS TO EMPLOYEES

INCREASED DIVIDEND TO SHAREHOLDERS

SIR SAMUEL ROBERTS'S REVIEW OF ACTIVITIES

The ordinary general meeting of Newton Chambers and Company, Limited, was held at the Royal Victoria Hotel, Sheffield, on March 29th. In the absence abroad of the chairman, Sir Samuel Roberts, Bt., the managing director, Sir Harold West, presided. The secretary (Mr Andrew W. Grogan) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year to December 31, 1950:

The following statement is sent out with the accounts in lieu of a speech at the annual general meeting. This will enable shareholders to study the accounts and my comments on them and on the year's working at the same time. It is thought that it is convenient to shareholders to study these matters together, and not with an interval of one month between receiving the accounts and the print of the speech.

The directors much regret the resignation of Lt.-Col. H. W. Woodall, C.I.E., M.I.C.E., owing to ill-health. They wish to place on record their great appreciation of the valuable services rendered by him to the company and two subsidiary companies for the past 21 years.

They welcome to the board Mr A. M. Holbein, C.B.E., M.I.C.E., B.Sc., F.C.G.I., D.I.C. Mr Holbein is a director of Demolition and Construction Company, Limited, also of D. and C. and William Press, Limited, civil engineers and contractors, vice-president of the Federation of Civil Engineering Contractors, member of the Building Research Board, chairman of the technology committee of the City and Guilds of London Institute and a member of the National Advisory Council on Education for Industry and Commerce. Mr Holbein is keenly interested in apprentice training. He is also a member of the committee appointed by the Government to inquire into the cause of unofficial strikes in the London docks.

PROFIT

The gross profit of the year was £394,235 as compared with £393,011 for the previous year. This profit has been charged with the sum of £52,182 as an addition to the reserve for the replacement of fixed assets raising this reserve to £395,668.

The net profit amounts to £147,574 as compared with £167,446 in the previous year. This slight reduction in the net profit is accounted for by increase in profits tax and of income tax deferred in respect of initial allowances.

EXCEPTIONAL YEAR BONUS TO EMPLOYEES

The excellent trading results have been secured by the united efforts of the employees of the company who have applied themselves most conscientiously to their respective jobs, be they large or small, and your directors have provided in the accounts the sum of £25,000 for distribution in the form of an extra week's wages to all employees of the company. You have for many years expressed thanks to the managers and all our

employees at the annual general meeting for their services, and I am sure you will be equally pleased to approve this innovation in view of the exceptionally good trading results of the past year.

SUPPLEMENTARY PENSIONS FUND

We have this year transferred £25,000 to the supplementary pensions fund, of which £3,047 became available in respect of lapsed policies, the remaining £21,953 being set aside from current year's profit. When I explained to you the reason for the creation of the supplementary pensions fund four years ago, you may remember that I said it was the intention of the board to build up a fund on the advice of our actuary, so that our staff might have complete confidence in the safety of their pensions even under adverse economic conditions. The transfer of £25,000 is therefore to strengthen the fund on which depends the supplementation of the pensions contributed for by the employees of your company. It may be necessary for further small transfers to be made in the future.

DIVIDEND

It is proposed to increase the dividend for the year from 15 per cent. to 20 per cent. This increased dividend, which is equivalent to 4½ per cent. only on the capital employed in the business, is moderate and reasonable, and certainly due to the shareholders.

CAPITAL

The nominal capital of the company is £650,000, which is far less than 25 per cent. of the actual capital employed in the business, the reserves alone amounting to over three times the capital, and it is obvious that the capital structure of the company needs alteration. Unfortunately, it is not practicable to do this until the compensation money for the collieries and coke ovens (now nationalised) has been ascertained. In the meantime, as a small instalment, it is proposed to capitalise £50,000 of the reserves. This will mean that each shareholder will receive one new share for every thirteen now held, and the necessary resolution will be submitted at the meeting. There is one matter on the balance sheet to which I would draw your attention. The amount expended by the company on the Newton Chambers Sports Ground, £34,494, has been added to the value of freehold and leasehold property, but as this is let at a nominal rent to the Thorncliffe Social and Recreational Association, the whole amount has been added to depreciation as a special provision, so although the company owns the recreation ground, the net value of the fixed assets of the company do not show any increase.

Another point of interest is the extent to which money has been provided out of our own resources for the rehabilitation and extension of buildings, plant and machinery, in recent years. During the past five years over £800,000 has been expended on capital items and further capital expenditure of £200,000 has been authorised, including the provision

of up-to-date foundry baths. Expansion of the excavator buildings and machinery and the provision of more machines for the heavy castings department has also been authorised.

CHEMICALS BRANCH

The Chemicals Branch, although achieving a higher sales turnover than in 1949, had to face very substantial increases in the prices of the raw materials used; in view of the need to combat inflation, selling prices were not increased in 1950 although a still further rise in the price of materials has since made this unavoidable and, despite the record sales turnover achieved, a reduction in the profits of this part of the company's business was inevitable. Full use has been made of the new production facilities throughout the year in order to deal with the increased sales.

HEAVY CONSTRUCTION DIVISION

The Heavy Construction Division has a very full order book. By means of improved methods and increased efficiency it achieved the most satisfactory results, both in sales turnover and profit, in spite of the increasing difficulties of iron and steel supplies which developed in the latter part of the year. For management purposes the Enscofe department was, during this year, merged with the heavy construction division.

LIGHT CASTINGS DEPARTMENT

The Light Castings Department has continued to make most satisfactory progress and both sales turnover and profit are again substantially improved. The mechanised foundry has been well occupied throughout the year and a satisfactory share of competitive contracts for heating apparatus has been secured. It is pleasing to report that our "Redfyre" stoves business has greatly increased.

MOBILE ENGINEERING DEPARTMENT

The Mobile Engineering Department has had an exceedingly busy year and appreciation of the quality of the N.C.K. Excavators has shown itself in a steadily increasing demand. Orders for our excavators have been obtained from many new overseas markets, including a considerable proportion from hard currency areas.

The increasing demand for these machines has made extensions to our factories and additions to the machine tools and equipment necessary. It is expected that a larger type of N.C.K. Excavator will be in production this year.

SUBSIDIARY COMPANIES

Some progress has been made with claim for compensation for our subsidiary companies. Thorncliffe Coal Distillation, Limited, and N. C. Thorncliffe Collieries, Limited. Full details of the claims have been prepared and members of the valuation boards have made inspections both at the collieries and the coke ovens. It is, however, impossible to say when the compensation will be assessed. Thorncliffe Coal Distillation, Limited, has paid the full preference dividend and the customary ordinary dividend of 1s. per share for the 12 months ended December 31, 1950. N. C. Thorncliffe Collieries, Limited, showed a small loss for the year ended December 31, 1950, which has been carried forward in the books of that company.

The company, well equipped with buildings, machinery and finance, can face the future with confidence. Our thanks are due to our managing director, Sir Harold West, our local directors, managers and all who have worked loyally under his guidance to achieve this very satisfactory result.

The report and accounts were adopted and the final dividend of 12½ per cent., making with the interim dividend of 7½ per cent. 20 per cent. for the year, was approved.

THE ECONOMIST, March 31, 1951

The retiring directors, Mr L. W. Bickford Smith and Mr A. M. Holbein, C.B.E., M.I.C.E., were re-elected, and the remuneration of the auditors, Messrs. Blackburns, Rebsom, Coates and Company was fixed. Resolutions were passed approving the capitalisation of £50,000 of the reserves and a bonus distribution of one new share for every thirteen now held.

SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY

A YEAR OF NOTABLE ACHIEVEMENTS

COL. HUGH B. SPENS' REVIEW

The 125th annual general meeting of the Scottish Amicable Life Assurance Society was held on March 28th in Glasgow, Sir J. Milne Barbour, Bt., D.L., M.P. (President of the Society), presiding.

In moving the adoption of the report and accounts, Col. Hugh B. Spens, C.B.E., D.S.O., D.L. (chairman of the ordinary board of directors), said that for the Society the year 1950 had been notable in at least three respects. In the first place, it had established fresh records in almost every aspect of the Society's business. Secondly, it had brought to a close another quinquennium for which most satisfactory results were now reported. Thirdly, it had completed the first quarter of the Society's second century and had carried their long history forward to another important milestone.

RECORD NEW BUSINESS

Dealing first with the Society's operations during 1950, it was noteworthy that the year's net new business under individual life assurances had exceeded £6,000,000 for the first time and showed an increase of more than £1,000,000 over the corresponding figure for 1949. New group life assurance and pension business transacted during 1950 was also far in excess of all previous records. The premium income increased last year by £500,000 to approximately £2,700,000—in addition to which annuity considerations amounted to £800,000. Thus, in this one year, the record sum of £3,500,000 had been entrusted to the Society by its members for safe investment and to obtain those forms of protection that could be secured only by means of life assurance and annuity contracts. In the mortality experience during the past year, the rate of mortality was exceptionally favourable and the rate of interest earned on the funds was slightly higher than in the preceding year. The record increase of £2,250,000 in the Society's funds had been well spread over the principal groups of investment, with the sole exception of British Government securities, which remained virtually unchanged in amount. The margin of appreciation on Stock Exchange investments, consisting of the excess of net values over balance-sheet values, had been substantially during the year.

SATISFACTORY OUTCOME OF QUINQUENNIAL VALUATION

Turning to the results of the quinquennial valuation as at December 31, 1950, the liabilities had been valued on a conservative basis, while the assets had been subjected to a detailed review which showed their value to be substantially in excess of the amount appearing in the balance sheet. In the result, net liability under all life assurance and annuity contracts was £22,401,006—the amount of the fund being £23,773,387. The surplus as at December 31, 1950, was therefore £1,372,381, of which the directors had decided to apply £1,229,430 to declare a compound reversionary bonus of 32s. 6d. per cent. per annum in respect of the past quinquennium.

This bonus represented an increase of 2s. 6d. per cent. over the rate declared for the preceding ten years. In the light of present conditions, both in this country and in the world at large, the directors had thought it prudent to leave the rate of interim bonus payable on claims during the current year unchanged at its former level of 30s. per cent. per annum—this practice, however, being reviewed from year to year. It was noteworthy in this connection that, in respect of every year since the Society was founded in 1826, a compound bonus of at least 30s. per cent. had been declared. This record was believed to be unique in the history of British life assurance.

SERVICE OVER 125 YEARS

This led to the third subject, the century and a quarter of service to the community which now stands to the credit of this old Society. It was on January 1, 1826, that the Society was founded in Glasgow. From these early beginnings the Society had grown and prospered. Branches were opened in other cities and in 1850 a most important step was taken when the Society's London office was opened and an influential London board was appointed. Looking back to the centenary meeting, one was struck by the expansion which had taken place in every phase of the Society's activities during the past quarter-century. The annual premium income was then £600,000; it was now over £2,600,000. The funds were then £9,000,000; they were now over £24,000,000. The new business in the whole quinquennium 1921-25 was £6,000,000—a figure which was comfortably exceeded in the one year now under review. Thus, on this 125th anniversary, it could justifiably be claimed that the Society was not only venerable but virile and was worthily upholding its long tradition in the world of life assurance.

The report and accounts were adopted.

GENERAL INVESTORS AND TRUSTEES

MR S. S. LAMERT'S STATEMENT

The forty-fourth annual general meeting of the General Investors and Trustees, Limited, was held on March 29 in London, Mr Sidney S. Lamert (the chairman) presiding.

The following is an extract from his circulated statement:—

Despite nerve-racking news from the Far East, and in face of gloomy forebodings regarding the coming Budget, markets have maintained a firm front throughout. They have been helped, no doubt, by the stream of dividend increases which numbers of industrial companies have felt themselves justified in declaring.

Your widely distributed portfolio of investments has had its full share of the dividend increases to which I have referred. In the result our "normal" income from dividends and interest has increased from £128,208 in the previous year to £140,592 in the year under review, enabling us to recommend the payment of a bonus of 2 per cent. in addition to the final dividend of 7 per cent. on the Ordinary Stock.

We have securities valued at £2,703,569, against an issued amount of share and loan capital of £1,671,200. We also have £85,461 on current and deposit accounts at the bank.

We propose in future to pay the basic dividend of 10 per cent. in two equal parts. You may, therefore, expect to receive 5 per cent. in October and with the final of 5 per cent. in March of next year, perhaps a bonus repetition.

A preliminary survey indicates that the present year's income should not be less than that of the year under review.

The report was adopted.

SCOTTISH MUTUAL ASSURANCE SOCIETY

A YEAR OF OUTSTANDING ACHIEVEMENT

The sixty-eighth annual general meeting of the Scottish Mutual Assurance Society, Limited, was held on March 28th at Glasgow, Sir John Craig, C.B.E., D.L. (the chairman) presiding.

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

Although this is the sixty-eighth annual meeting of the company, it is the first to be held under our new name, the Scottish Mutual Assurance Society, Limited.

The year 1950 has been one of outstanding achievement in the new business field. The new ordinary sums assured, gross and net, are record figures and have exceeded £2,000,000 for the first time. Under the group life and pension schemes the group sums assured and group pensions are also record figures. The total net new sums assured amount to £2,655,260.

THE ACCOUNTS

For the first time our gross premium income exceeds £1,000,000, the amount of the life assurance fund exceeds £10,000,000 and our total assets exceed £11,000,000. All these figures are satisfactory in themselves and are further evidence that the company is giving good service to the assuring public.

The gross and net rates of interest earned on the life fund are a few pence lower than in the previous year. The slight fall is accounted for by the fact that the directors throughout the year kept substantial sums of money on deposit at short call and were thus able to take advantage of suitable investment opportunities as they arose. Since the beginning of the year most of the available money has been invested at a satisfactory rate of interest.

On the outgo side claims by death are £50,000 more than in 1949 but are still less by a good margin than the amount expected according to the mortality table used in the valuation. Sums payable on maturity are down by £45,000. Payments under surrenders are up to the highest figure since 1939.

The life assurance fund has increased by £440,000 a record in any one year and as I have stated is now over £10,000,000.

The capital redemption fund is a small one and shows a small normal increase following the unusual fall in the previous year.

The accident and general fund continues in a healthy condition, premiums being up slightly and claims pleasingly low.

BALANCE-SHEET FEATURES

On the liabilities side of the balance sheet the only substantial change is in the item life claims outstanding, where the figure is rather lower than usual this year. On the assets side the amount of mortgages on property is up by nearly £200,000, and has increased further since the date of the balance sheet. British Government securities have been reduced by nearly £600,000, but part of this has been replaced following on the nationalisation of the steel industry. Debentures, Preference and Ordinary stocks all show substantial increases, as does the item money at short call and cash in bank, to which I have already referred. Over the year there has been on the whole a rise in Stock Exchange security values, and there is a comfortable margin between the book value and the market value of the securities held by us. The company is in a sound financial condition and the directors have every confidence in its continued success.

The report was adopted.

INDIAN JUTE MILLS ASSOCIATION

IMPROVED OUTLOOK FOR RAW MATERIALS

MR J. R. WALKER'S SURVEY

The annual general meeting of the Indian Jute Mills Association was held at the Royal Exchange, Calcutta, on Friday, March 9th.

Mr J. R. Walker, F.T.I., M.L.A., the chairman, said: Though some relief is in sight our position in regard to supplies of raw material became more precarious as 1950 progressed. It is the Indian jute industry, more than any other sector of the economy, which has paid the price of the prolonged deadlock between the two rupees, which we rejoice to know is now at an end. Our troubles are primarily due not to mismanagement, speculative influences, greed or ineptitude, but to the physical partition of the sub-continent in which the industry had for nearly 100 years grown up as a homogenous whole. In the last analysis more than eighty per cent. of our troubles are on the physical plane and are the direct outcome of circumstances over which we have never had any kind of control. We had of necessity to resort to shifts and expedients which could not but be distasteful to all concerned, and it is a matter of gratification that we have done as well as we have. When we are able to see the events of the past twelve months in their proper perspective we shall look back on the tempestuous times from which we are now emerging as a period in which we acquitted ourselves reasonably well and with profit to the country which so greatly depends upon our products for its earnings of foreign exchange.

We are living in another wave of world inflation and, whereas a year or two ago our fear was that we would be priced out of our traditional markets, the position is today that the prices of competitive and substitute materials have risen comparatively and substantially more than the prices of jute manufactures. Imperfect as our controls may have been in other respects they have at least prevented a run-away price inflation in our own industry. To this extent our customers have reason to be thankful, though we all sympathise with them in their inability to purchase all the goods they would like to.

TRADE PACT WELCOMED

What is required for the industry to put its house in order is a period of stable economic relations between India and Pakistan, and we warmly welcome the recently concluded trade pact. So far as the jute industry is concerned there can be no two opinions as to the value of the pact. It has come just in time to save us from a prolonged stoppage of work. Even now much will depend upon the spirit in which it is carried out. The transport problem has already been accorded high priority in official discussions, and we have secured the approval of Government to our working in direct contact with the Pakistan Jute Board to ensure expeditious movement of ten lakhs of bales from that country. Under the pact we are promised 1 million bales of raw jute between now and June 30th and for the subsequent twelve months we are to receive a further 2,500,000 bales. This represents approximately half our total requirements of

raw jute material and then only if we continue to work our present somewhat restricted programme of hours and machinery. The rest will have to be made good by Indian grown jute and the industry's real margin of safety lies in maintaining the Indian crop at a figure of not less than 3,500,000 bales (exclusive of Mesta and Bimli) and many of us would like to see a good deal more.

DEARER RAW JUTE

Our jute, from whatever source it comes, is going to cost us more. So far as Pakistan jute is concerned we have to make good the difference in the exchange value of the two rupees and the price of Indian jute has got to bear some relation to that of the imported fibre. In a sense the industry is making a deferred part payment for the benefits of devaluation which the country has otherwise enjoyed since September, 1949. In the altered circumstances, following recognition by India of the Pakistan rate of exchange, we reviewed our position and urged upon Government that controls should now end. I am now able to tell you of Government's decision to end control over prices of raw jute and jute goods. Government have insisted, however, on the retention of those powers of directioning under which I as Jute Controller have since 1949 been empowered to act. We must accept that decision and hope that events will work so that resort to these powers will be dictated solely by overriding necessity. Liaison between Government and the Association will ensure that raw jute prices will not get completely out of hand.

The Association have accordingly been appointed by Government as nominees for the receipt and distribution of the first 350,000 bales of Pakistan jute constituting the direct Government to Government purchase, and it is hoped by the end of this month that the jute in question will have been moved into the mills. The price will be, I reckon, somewhere in the region of Rs. 58 per maund (1.06 shillings per lb.). Details of licences for the import of the balance of the jute due from Pakistan are being worked out, and it is agreed by Government that nothing should be allowed to impede the free and rapid movement of jute to the mills through normal trade channels.

MARKETS AND DIRECTIONING

Principal consuming markets have not had all the goods they would have liked. But the following is a summary of how they have fared under "directioning" as compared with normal offtake. America leads as a consumer of hessian cloth and on a five-year average prior to World War II she took over 53 per cent. of our exports of these goods. In the jute year July, 1949, to June, 1950, we exported to America 58 per cent. of our total exports; in the six months July-December, 1950, the figure was 62 per cent. On the five-year prewar average we shipped to Argentina almost 14½ per cent. of our total hessian exports. In 1949-50 we shipped 15 per cent., and in the six months July-December, 1950, we shipped just over 12½ per cent. In the matter of sacking goods India is our biggest market, and after that comes Australia which normally takes about 14 per cent. of our sacking exports. In the jute year 1949-50 we shipped there practically 17 per cent. and in the six months July-December, 1950, practically 28 per cent. of our total exports.

ANGLO-FRENCH EXPLORATION COMPANY, LIMITED

INVESTMENT POLICY

The sixty-first annual general meeting of The Anglo-French Exploration Company, Limited, was held on March 29th in London.

The chairman, Mr F. R. Cottell, A.C.A., in the course of his speech, said: Our investments stand in the books at £929,853 and are valued at £1,085,782. We have widened somewhat the range of our holdings in Orange Free State gold mining companies. Our preponderant interest in the Rand gold-mining industry remains in the mines along what is generally known as the West Wits line, and I am hopeful that within the next year or so your company will begin to reap the benefit of its long-term policy of investment in mines in this area. Our other investments include our holdings in Apex (Trinidad) Oilfields, Anglo-Burma Tin Company, Apex Mines and Rooiberg Minerals, and carefully selected holdings in the Northern Rhodesian copper and Malayan tin mines.

The amount available for appropriation is £69,143. We recommend a dividend of 7½ per cent., which requires £30,938. The profit carried forward is £28,945.

PRICE OF GOLD

No change has occurred in the world official price of gold but there is increasing evidence that official policy is out of line with realities. The gold mining industry in South Africa has benefited from sales of gold in the form of fully fabricated and semi-processed articles, but it is now clear that a large part of these sales has found its way into free markets at premium prices over and above the amounts received by the gold mining industry.

It has recently been revealed that on world markets the present turnover of premium gold sales exceeds by 50 per cent. the total gold production of South Africa. Moreover, the International Monetary Fund has announced that such sales have recently been increasing at a rate which indicated that at least part found its way into private hoards, and the Fund has issued a directive that consultations should be held with member countries to draw up more effective methods of implementing the Fund's policy on gold sales. However, other gold producing countries are likely to follow South Africa in obtaining similar facilities for selling gold above the official price, and the question arises as to how long the International Monetary Fund can continue to maintain this artificial position.

Is it not time that the price of gold, like wheat, wool, cotton, base metals and other commodities should be allowed to reflect something nearer its real value in the much over-valued currencies of the world? As long as gold is kept at an artificially low price it cannot fulfil its true functions and the currencies of the world will continue to be suspect. As I have indicated on the last two occasions on which I have addressed you, a change in the value of the currencies of all members of the International Monetary Fund is required in order to bring currencies into line with their real value in terms of gold. I am in no doubt that events will, in time, force the International Monetary Fund to face the realities of the situation, but in the meanwhile the world will suffer from the restrictions which their policy imposes upon the functions of gold.

The position of the company is a strong one and there is no reason to expect that the revenue for the current year will not be at least maintained.

The report was adopted.

CENTRAL LINE SISAL ESTATES

SUBSTANTIALLY IMPROVED RESULTS

MR E. W. BOVILL'S STATEMENT

The fourteenth annual general meeting of Central Line Sisal Estates Limited was held on March 14th in London, Mr E. W. Bovill (the chairman) presiding.

The following is an extract from his circulated statement:—

The accounts now presented show a profit of £141,625, after charging all London expenses and depreciation on buildings and machinery and after providing for rotation planting. Taxation will absorb £79,030. You will note that as a matter of prudence we have made full provision for United Kingdom income tax in dispute amounting to £15,700.

The general reserve has been increased by £30,000, bringing it up to £70,000. As a result of the sale of Kiwege and Mguide Estates, our capital reserve has been increased to £59,418. The board have therefore felt able to recommend the payment of a final dividend of 20 per cent., less tax, making with the interim dividend paid on June 30, 1950, 25 per cent., less tax, for the year.

Our production of fibre and tow totalled 3,499 tons against 3,724 the previous year. The totals are not comparable because from the end of February we were operating only two estates instead of four. But allowing for this the results for 1949-50 were a substantial improvement on those for the previous year.

The improved results were due to a better labour supply and less mechanical trouble in our factories. Against these favourable circumstances must be set the severe drought of 1949 which persisted during the first half of the year under review, and we are still suffering from its adverse effects.

Our costs of production were unduly high, which was partly due to a 50 per cent. increase in the cost of foodstuffs, which affected every operation on the estates. In the middle of the year the Tanganyika Government imposed a wholly unexpected export tax of 5 per cent. on the f.o.b. price of sisal.

As I told you last year, we have rented from Government 2,000 acres of land for the growing of food crops for our labour force. This we call Wami Farm. During the year we planted about 200 acres with maize and beans, and cleared or partly cleared a further area of about 200 acres. During the current year we hope to increase the area under crops to 600 acres, the produce of which should materially reduce the cost of feeding our labour force.

SALE OF KIWEGE AND MGUDE ESTATES

A notable event was the sale of our Kiwege and Mguide estates, which as shareholders were informed was negotiated towards the close of the financial year. These estates, while having considerable merits, were not as good as Pangawe and Kingolwira, and their comparative remoteness from our headquarters at Pangawe made them difficult to control, especially when, as sometimes happened, the communicating road became impassable. We appear to have timed the sale wisely, and I hope that shareholders will regard the price of £200,000 as eminently satisfactory.

Shareholders will recollect that our Kingolwira estate has been leased from the Custodian of Enemy Property since September, 1939. Although it had always been our hope that we might ultimately be able to purchase this very fine estate, which most conveniently adjoins Pangawe, there was never any certainty that we should be able to do so. After the close of the year under review the company was offered Kingolwira for the sum of £161,200, about a third of

which, £58,900, was payable on a royalty basis. The price appeared reasonable to the board and the offer was accepted. The estate was taken over on January 1st last by a wholly-owned subsidiary company, called Kingolwira Sisal Estate Limited, which we formed for this purpose and which will be controlled in East Africa. The accounts of this subsidiary will be incorporated in consolidated accounts.

Last year I warned you that the high prices for sisal then ruling, averaging about £120 per ton c.i.f. for all grades, were not a matter for unqualified congratulation on account of the encouragement they were giving to substitutes for sisal fibre. Since then the price has risen to over £220 per ton for No. 1 grade, so the warning I then uttered is more than ever necessary. That a time of stress is in store for us cannot be too firmly impressed on the mind of every shareholder. To meet it the board are making every effort to improve the efficiency of the company's estates; and they trust that shareholders will appreciate the need to pursue a very conservative dividend policy.

The report and accounts were unanimously adopted.

THE INVERESK PAPER COMPANY, LIMITED

RESULTS EXCEED EXPECTATIONS

MIR B. H. BINDER ON THE OUTLOOK

The twenty-eighth annual general meeting of The Inveresk Paper Company, Limited, was held on March 29th in London. Mr B. H. Binder, F.C.A., the chairman, in the course of his speech, said: Your directors are gratified that the results are better than had at one time seemed possible. Last March the outlook was unfavourable owing to a general reduction in demand through the natural reluctance of buyers to purchase on a falling market. The subsequent recovery in the profits for the whole year are largely due to the increased demand during the latter part of the financial year resulting in increased production at a more remunerative margin of profit. Although general operating costs continued to rise, they were offset by higher sale prices and the cumulative effect of improvements and economies arising from the continued group capital expenditure which has amounted to nearly £2,000,000 during the last three years and is continuing.

PROFIT AND LOSS ACCOUNT

The group's trading profits amounted to £1,391,000, about £480,000 more than the disappointing results of the previous year. It should be noted that these profits are about £80,000 less than those for the year 1948. After charging taxation, the net consolidated profits amounted to £587,595. Practically all group companies comprising some 30 companies have contributed to these improved results which, in particular, have been assisted this year by the recovery in the earning capacity of the Inveresk Mill, whose operations were dislocated in the preceding year during the installation of the new power plant and mill improvements.

Your directors felt justified in recommending an increase in the dividend to 20 per cent. This increase represents only a small return on the £2,000,000 of capital expenditure made during the last three years of which nearly £1,800,000 has been accumulated during that period by provision for depreciation and increasing reserves. This dividend only represents 3.1 per cent. on the present capital and reserves attributable to the Ordinary stockholders, which is a modest return.

The total current assets amount to £6,781,000 and exceed current liabilities and

provisions totalling £2,361,000 by £4,420,000, an increase of £50,000 over last year notwithstanding the large amount of capital expenditure.

RESERVES EXCEED £3,550,000

The group's reserves, excluding future taxation, now total £3,556,000, an increase of £390,000. The stock reserves have been increased by over £200,000 to £408,000 as a safeguard in case of our having to write down the value of stocks on a falling market.

THE OUTLOOK

The future is overshadowed by the international situation and prospects for the current year will be affected by many factors beyond our control. In particular we are faced with a world shortage of materials.

Profits for the first five months of the current financial year have been satisfactory. Prices of all materials have risen sharply and are continuing to rise owing to increased demand and have reached dangerous heights which are causing us grave anxiety. General operating costs also continue to rise but every effort is being made to effect economies in working. In fact our capital expenditure programme has always been inspired by this objective.

We are now beginning to reap the benefits of much of our capital expenditure which will stand us in good stead to meet future competition and difficulties. Since the end of the war our capital expenditure has totalled £2½ million and commitments still outstanding will absorb a further £1½ million, but it should be appreciated that these large capital outlays will necessitate increased provision for depreciation. This capital expenditure programme has so far been financed entirely out of our own resources which amply justifies our policy of ploughing back substantial surplus profits into the business.

All our existing resources will be required to finance our present capital expenditure programme and to provide the additional working capital now needed, particularly if raw material prices are maintained.

Gradually during the years the present strong financial position has been built up and we feel confident that the reserves we have accumulated will enable us to overcome future difficulties, including the effects of further inflation or a fall in commodity prices.

The chairman concluded with a tribute to the managing director, management, staff and workpeople.

The report was adopted.

CHURCHILL AND SIM LIMITED

ACTIVITIES MAINTAINED

The thirteenth annual general meeting of Churchill and Sim, Limited (Timber Brokers), was held on March 28th in London.

The accounts for the year ended December 31, 1950, show a net profit, before taxation, of £91,051; £20,000 has been placed to reserve, bringing the total of reserves to £170,000, and a final dividend of 9 per cent. has been paid on the ordinary shares making an unchanged 15 per cent. total for the year 1950.

The following is an extract from the statement by the chairman, Mr A. Chatterton Sim, which was circulated with the accounts.

It is with the deepest regret that I have to report the death of one of your directors, Mr B. E. A. de Maré, who died in Stockholm during July last. In addition to being a founder director of your company, Mr de Maré had occupied an eminent position in the trade both in this country and in Sweden. Numerous expressions of esteem and regret were received when he died.

Our profits for 1950 are less than for 1949. Notwithstanding that the total U.K. imports

of sawn softwood declined by about 27 per cent. compared with the previous year, your company's trading activity has been well maintained, and the reduction in profits can be attributed mainly to the unusually large volume of contracts the shipment of which has been deferred from 1950 to 1951 owing to shortage of sea transport strikes and other circumstances over which we have no control.

The first full year of private trading in imported hardwood has been of benefit to your company and has created a demand for bill credits. This resumption of one of our normal functions is reflected in the balance sheet by the reduction in our holding of gilt-edged securities.

Partial decontrol of the softwood trade was initiated in the autumn of 1950, but the bulk of the softwood continues to be purchased solely by the Timber Controller. Given favourable conditions there is some hope that the whole of the national purchasing of sterling softwoods may be restored to private enterprise, perhaps some time during 1951.

The rising price tendency has continued and a pronounced upwards movement began last summer and has resulted in softwood prices reaching record high levels—at present over 50 per cent. higher f.o.b. than in mid-season 1950 and with a continuing rising trend. These high values represent five or six times the prewar value of the timber, and although satisfactory from the viewpoint of earnings on commission are likely severely to tax the financial resources of the trade.

The course of the timber market during 1951 is so dependent upon the political situation that I do not feel qualified to make any forecast.

The report and accounts were approved, and new articles of association were also adopted.

LONDON AND LOMOND INVESTMENT TRUST

THE HON. W. B. L. BARRINGTON'S STATEMENT

The twentieth annual general meeting of London & Lomond Investment Trust, Limited, will be held at 116, Old Broad Street, London, E.C.2, on April 11, 1951.

The following is the statement by the chairman, the Hon. W. B. L. Barrington, circulated with the report and accounts:

The gross revenue from investments amounted to £126,052, an increase of £15,514 which arose partly from the fact that the funds were more fully invested, but in the main represented increased dividends received from investments held. The amount earned on the ordinary stock was equivalent to 27.16 per cent. The directors recommend that the dividend on the ordinary stock in issue during the whole of the year should be raised to 17½ per cent. by a final payment of 12½ per cent. The additional £20,000 ordinary stock issued last autumn also ranks for this final dividend. £10,000 has been transferred from profit and loss account to general reserve which now amounts to £160,000. After the appropriation to general reserve and provision for dividends there will remain £5,428 of surplus net revenue to be added to the amount carried forward at the credit of profit and loss account.

If these recommendations are adopted the disposal of the net available revenue after expenses and income tax will be as follows:

	per cent.
Debtenture stock interest	20½
Preference stocks dividends	15
Ordinary stock dividends	40½
Retained by company	24
	100

INVESTMENT POSITION

At January 31, 1951, the total value of the investments as stated in the balance sheet was £2,414,675 which was £443,502 more than the aggregate amount of their book values at that date. My usual summary shows the position this year to have been as follows:

Appreciation in value of investments	£ 443,502
Share premium account	40,000
Capital reserve	533,331
General reserve	160,000
Profit and loss account	24,777
	£1,201,610

which means that at January 31, 1951, after providing for the final dividend recommended, each £100 of ordinary stock was represented by net assets of approximately £529. This compares with £427 at the close of the previous financial year.

ISLE OF THANET BUILDING SOCIETY

PROGRESS MAINTAINED

Addressing the one hundred and first annual general meeting of the Isle of Thanet Building Society at Ramsgate on March 15th, Mr H. J. D. Fuller (chairman) said that, although this was the last occasion on which they would meet as its members, there could be little cause for regret. Indeed, the meeting might well be regarded as a preliminary celebration of May 1st, when they would unite with their old friends and good neighbours, the Hastings Permanent.

Referring to progress, Mr Fuller said that during 1950 investment income reached £1,300,000. Although not quite so high as the corresponding figure for 1949, this represented a great achievement, and came from all parts of the country. Over the same period £1,670,000 had been advanced, chiefly to those buying houses for owner-occupation, and to sitting tenants.

Total assets had increased by over £500,000 to reach £7,875,120, and the substantial sum of £23,000 had been added to reserves. Trustee securities stood at a higher figure than the value shown in the society's books, and in addition to these investments there was a bank balance of £350,000.

In view of the priority given to rearmament, it seemed obvious that they could not expect any increase in the housing programme. However, there was every justification for the new Minister to review the ratio of houses to be built for sale, so as to provide that substantial section of the community with the opportunity of home-ownership for which they sought. At present, such people were practically compelled to accept council tenancy. Quite apart from restoring the freedom of individual choice, such a measure would help to arrest the growing burden of local and national taxation imposed by the large subsidy required for every council house.

It should not be beyond the wit of their planners, said Mr Fuller, to make this overdue adjustment, and so provide builders with the incentive to erect more houses, possibly at less cost. He hoped, therefore, that the new Minister would review the problem impartially and dispassionately, and give "fair shares" to would-be home-owners as well as to would-be tenants. They realised, of course, that the proper development of their country must be subject to planning at both national and local levels, but surely it was never intended that this should create conditions wherein the skill and enterprise of the private builder was frustrated and almost sterilised.

The report was adopted.

BOWMAKER LIMITED

CONSIDERABLY IMPROVED RESULTS

The twenty-third annual general meeting of Bowmaker Limited was held on March 29th in Bournemouth, Mr Tom H. Hewitt (the chairman) presiding.

The following is an extract from his circulated statement: It is with pleasure that I am able to report that the accounts for the year ended October 31, 1950, show considerable improvement. The consolidated profit before taxation amounts to £165,204 compared with £126,535. Our trading profit has increased by no less than £74,264. Your directors recommend a final dividend of 7½ per cent. on the ordinary shares, thus maintaining a rate of 10 per cent. for the year.

The consolidated balance sheet reflects the general improvement in the company's strength with capital and revenue reserves and undistributed profits now totalling £207,814.

Bowmaker (Ireland) Limited carries on precisely the same type of business as the parent company. To some extent, its activities are limited by restrictions similar to those experienced by the parent company, but it has built up an excellent goodwill.

Bowmaker (Plant) Limited has now been appointed distributor for the products of the Caterpillar Tractor Company of Peoria, U.S.A., covering a large territory in the Midlands and South-West of England and Wales. "Caterpillar" tractors and other products have a world-wide reputation for quality and performance and Bowmaker (Plant) Limited is well experienced and equipped to handle this important agency. Your directors are confident that this association will prove a successful and worthwhile move.

Norcon Limited manufactures concrete pipes and other concrete products. It is well established in the trade and its products are in increasing demand.

The report was adopted.

JEREMIAH ROTHERHAM AND COMPANY, LIMITED

CAUSES OF LOWER PROFITS

The fifty-third annual general meeting of Jeremiah Rotherham and Company, Limited, was held on March 28th in London, Mr Joseph Hockley (chairman and managing director) presiding.

The following is an extract from his circulated statement:—

The trading for the year shows a reduction of profit of £15,280 as against the previous year. Although sales for the first four months showed an increase, the unreasonable spring and summer weather had an adverse effect on the fashion side of the trade. This, together with a further reduced margin of profit by the Board of Trade on Utility goods, is accountable for the lower profit.

The burden of purchase tax on certain non-Utility goods still creates a resistance by retailers and the public to purchase goods bearing the tax. I sincerely hope that the Wholesale Textile Association, which is pressing the Chancellor of the Exchequer for a reduction of the 6½ to 3½ on certain non-Utility household goods, will have a favourable result.

The net trading for the year amounted to £97,525, as against £112,805. The directors recommend a dividend of 6 per cent. and a bonus of 4 per cent., making 10 per cent. for the year on the ordinary stock.

It is impossible to attempt to forecast for the future. Orders for later deliveries are coming in satisfactorily, but the indications are of further increases in prices and a reduced volume of available goods. We are still faced with increased expenses and a still further increase in carriage costs.

The report was adopted.

NOTICES

NATIONAL COAL BOARD—EAST MIDLANDS DIVISION ECONOMIC STATISTICIAN

Applications are invited for the position of Economic Statistician in the East Midlands Division.

The successful applicant must have considerable skill in sifting statistical data and in higher statistical analysis.

Salary will be in accordance with qualifications and experience of the successful applicant.

Applications, giving full details of age, experience and qualifications should be addressed, not later than fourteen days after publication of this advertisement, to: The Secretary, National Coal Board, East Midlands Division, Sherwood Lodge, Arnold, nr. Nottingham. Envelopes to be marked "S.V.72."

THE BRITISH IRON AND STEEL RESEARCH ASSOCIATION

Economist required by the above Association to carry out Operational Research in the Iron and Steel Industry. Good degree in economics and knowledge of statistics essential.

Age range 23–28.

Salary according to age, qualifications and experience.

Post is superannuated under the F.S.S.U.

Location of work London.

Written applications only, giving full curriculum vitae to the Personnel Officer, B.I.S.R.A., 11, Park Lane, W.1.

BALLIOL COLLEGE, Oxford, proposes to elect an Official Fellow (or appoint a Lecturer) in Politics as from September 29, 1951, and invites applications to be received not later than April 30, 1951. The choice of the College will not necessarily be confined to those who apply. Details may be obtained from the College Secretary.

YOUNG MEN of good education between 20 years and 24 years of age required by The Eastern Bank Ltd., for service in their London office. Apply by letter only, giving full particulars and experience to The Accountant, Dept. A, The Eastern Bank Limited, 2 and 3, Crosby Square, London, E.C.3.

GRADUATE in Economics and Law—B.A. Cantab Hons. Econ., with first class honours, LL.B.—aged 30, at present director of firm engaged in specialised construction and with previous commercial and financial experience including four figure position with group engaged in wholesale and retail distribution, is anxious for personal reasons to obtain a full time, permanent administrative or financial position in London with a large or well-established company.—Box 596.

A WELL-KNOWN Industrial Organisation with world-wide interests manufacturing electric welding equipment has a vacancy for a personal assistant to the managing director. University degree, preferably a works and general technical background, administrative ability essential.—Apply giving details of age, qualifications, experience, etc., to Box No. 589F, A.K. Adv., 212A, Shaftesbury Avenue, W.C.2.

INFORMATION Bulletins, Journals of Societies or Institutions: editing, design, layout and finalisation of text for printer. Moderate fees. Inquiries from Embassies, literary, social and industrial bodies.—Box 589.

ACCOUNTANT-STATISTICIAN, F.I.A.C., wide practical experience, administration, budgetary control, standard costs, and statistics, requires position of greater scope and responsibility.—Box 600.

LEARN Languages without Translation. The Pelman Languages Institute teaches French, German, Spanish, Italian without the use of English; the method is explained in four little books, one for each language; write for book and specimen lesson sent gratis, post free. (Reduced fees for serving and ex-Servicemen members of H.M. Forces.) Pelman Languages Institute, 87, Norfolk Mansions, Wigmore Street, London, W.1.

SOLE owner small British Export House with background knowledge experience connections and current trading experience U.S.A. and Canada would like to contact British Manufacturers unlikely to be affected by Re-armament who are contemplating development in the North American Market. All communications will be treated as strictly Private and Confidential.—Write Box 604.

NO Capital Depreciation and a return of 2½ per cent. (Income tax paid by the Society) are the terms offered for Share Investments by the 73-year-old Chelsea and Walm Green Building Society. Write for Leaflet F to 110-112, Kings Road, Chelsea, S.W.3.

STATISTICAL ASSISTANT: Young lady of good education required by important commercial organisation in London to assist with analysis work, card index records, etc. Reply stating age, previous appointments, experience, and salary required to Box 612.

CHIEF Accountant required by well-known group of scientific Publishing and Bookselling companies. Age between 35-50. Must be qualified and have sound business experience including final accounts, budgetary control and Company Law requirements. Knowledge of German would be an advantage. Good salary and conditions according to qualifications and experience. Reply with full particulars to Box 610.

THE ECONOMIST, complete but unbound, from 1936 to 1950 inclusive, and *Records and Statistics* complete from First Issue, January, 1947, to March 24, 1951.—Box 615.

BOOK Lists: Please ask for our lists of secondhand and new books, specifying your subjects.—W. Heffer & Sons, Ltd., Petty Cury, Cambridge.

REQUIRED urgently back numbers of *Economist* and other specialised Journals.—Stechert-Hafner Inc., 2, Star Yard, Carey Street, W.C.2.

ECONOMIST Vols. CL-CLIX inc., CXXXVI, CXXXVIII (all complete, with indexes) in uniform green binding. Offers.—Box 608.

UNIVERSITY OF ST. ANDREWS

The University Court of the University of St. Andrews invites applications for appointment as Lecturer in Political Economy in the United College, St. Andrews. Preference will be given to a candidate with special knowledge of industrial and commercial organisation. The salary payable is £550 per annum together with F.S.S.U. benefits. The University operates a scheme of Family Allowances and a grant towards expenses of removal may be made. Further particulars of the appointment may be obtained from the undersigned with whom one copy of the application together with testimonials and/or the names of three referees should be lodged not later than April 30, 1951.

DAVID J. B. RITCHIE, Secretary.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the posts of Senior Lecturer and Lecturer in Social Anthropology. Salary scales per annum: Senior Lecturer £1,150 to £1,500, Lecturer £500 to £1,100. Membership of the F.S.S.U. and Children's Allowance Scheme. Initial salary according to qualifications and experience. Applications should be sent not later than April 21, 1951, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF LEEDS

DEAN SCHOLARSHIPS

It is intended to appoint one or more suitably qualified graduates to Dean Scholarships, of an annual value of £300, ordinarily tenable for two years. Scholars are required to undertake research on the history and economics of the wool textile industry.

Applications should reach the Head of the Department of Economics and Commerce, The University, Leeds, 2, not later than June 1, 1951.

UNIVERSITY COLLEGE OF HULL

Applications are invited for a Lecturer in Economics. Salary range £550 (or for initial University appointment £500) x £50-£1,100 with superannuation benefits and children's allowances. Particulars from the Registrar to whom applications (four copies) should be sent not later than April 28, 1951.

UNIVERSITY OF BIRMINGHAM

DEPARTMENT OF SOCIAL STUDY

Applications are invited for the post of Assistant Lecturer in the Department of Social Study tenable in the Faculty of Commerce and Social Science. Special qualifications in Social Psychology and some experience in practical social work would be an advantage. The appointment will be in Grade III (£400-£500). Applications, accompanied by the names of at least three referees, should be sent to the undersigned, from whom further particulars may be obtained, by Monday, April 30, 1951.

C. G. BURTON, Secretary.

The University, Birmingham, 2, March, 1951.

NEW ENGLAND UNIVERSITY COLLEGE

(University of Sydney)

NEW SOUTH WALES, AUSTRALIA

Applications are invited for the position of Lecturer in Economics. Commencing salary will be within the range—£A650 to £A1,000 per annum according to qualification, with annual increments of £A50. There is also a cost of living adjustment, at present £A70 for males, £A55 for females. Salary is subject to deductions under the State Superannuation Act.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is April 30, 1951.

WOOLLEN AND WORSTED TRADES' FEDERATION. A vacancy exists for the post of Secretary of the Woollen and Worsted Trades' Federation. This is an important post and carries with it a high degree of responsibility covering industrial and commercial relations.—Applications to President, Woollen and Worsted Trades' Federation, Manor Buildings, Manor Row, Bradford.

THE ECONOMIST Intelligence Unit requires assistant research workers aged 20-24; salary to begin at £375-£450 according to qualifications.—Please send full particulars to 22, Ryder Street, St. James's, S.W.1.

HIGH Grade Executive, aged 40, wishes to become associated with established industrial undertaking at director's level. Experienced and subtle negotiator; well-informed on international trading conditions, marketing, advertising, and sales problems. Possessor of exceptional personal connections at the highest level in business and government circles, both in the U.K. and overseas. Would be prepared to manage representation from London of substantial foreign or provincial company, or similar responsible task. Write Box 607.

SECURITIES Dealer required by Merchant Bankers. Must be experienced or willing to be trained in arbitrage business. Write stating age, experience and salary required to Box 605.

B. SC. ECON. (ECONOMICS) requires temporary work, full or part-time.—Box 614.

FOR SALE—Complete set *Economist* Sept., 1944, to Dec., 1950. Offers.—Box 601.

FOR SALE—*Economist* July, 1942-December, 1950, without indexes and records.—Offers to Box 603.

A FAMOUS London food manufacturing firm will shortly appoint two University men to its Production Department. Applicants should be aged 22-25, have completed National Service, possess (or obtain this summer) good degree. Common-sense, intelligence, mechanical aptitude and an open mind are essentials. Salary not less than £450 p.a.—Write, giving personal and educational record, to Box 616.

WANTED copies *Records and Statistics Supplement to The Economist* dated January 13 and 20, 1951.—Box 617.

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UNIVERSITY OF BELFAST

The Senate of the Queen's University of Belfast invites applications for the Chair of Applied Economics. The appointment dates from October 1, 1951. Salary £2,000 plus F.S.S.U. Applications should be received by April 20, 1951. Further particulars from G. R. Cowie, M.A., LL.B., Secretary.

ANGLO-IRANIAN OIL COMPANY require one Mathematician, one Mathematical Physicist and one Physicist with some mathematical ability, with 1st or 2nd class honours degrees, for posts at a new research and development centre on the Nottinghamshire Oilfield. The work will involve theoretical investigation of the movement of fluids in oil reservoirs and problems connected with recovery of oil. Methods and equipment will be developed for electrical recording at surface of a wide range of physical observations on oil and gas bearing formations penetrated in deep wells. The observations include resistivity of formations, radio-activity, temperature, pressure, fluid velocity, well diameter, etc. The equipment will also be used for actuating sample devices and special bottom hole instruments. The mathematician will be concerned with oil reservoir future production performance and the mathematical physicist with the allied survey research and development work. The physicist will be responsible for interpretation of records and laboratory experiments, both electrical and physical, bearing on interpretation. Men with some years practical experience of electronics preferred for the two latter posts.

Applicants aged from 27-35 years should be prepared to go abroad for periods extending to six months. Write, giving full details and quoting Department M.1415, to Box 6171 at 191, Gresham House, E.C.2.

THE Civil Service Commissioners invite applications from men and women for the following permanent and pensionable posts in the Inspectorate of the Home Office Children's Department:

(1) One post of Deputy Chief Inspector. Preference will be given to candidates who hold a university degree or equivalent qualification with a post-graduate diploma in social work or education or have had other comparable training, and have had such practical experience as fits them for a responsible administrative post. The post carries a fixed salary of £1,750 for a man or £1,575 for a woman.

(2) About eight posts of Inspector Grade II. Preference will be given to candidates between the ages of 23 and 40 who hold a university degree or a diploma or certificate in social science or domestic science or institutional management, or who have taken other recognised training in social or educational work; account will be taken of experience of residential establishments for children, of boarding out, of work in child guidance clinics, and of family case work or health visitors' work. The salary scale in London for a man is £700 to £25,490, and for a woman £575 to £25,475. Entry will be at the minimum of the scale. Salaries for posts outside London are somewhat lower.

The main duty of the Inspectorate, which is organised in six regions in England and Wales, is inspection of the arrangements made for the care of children in foster homes, children's homes, and residential nurseries, and in approved schools.

Further particulars and application forms from the Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1, quoting No. 4017/51. Completed application forms must be returned by April 26, 1951.

CHARTERED SECRETARY (37) with first-class commercial experience seeks administrative appointment with substantial prospects. The post which is sought would offer scope for enthusiasm and initiative with the possibility of development into a top ranking executive within a few years. Initial salary is secondary to the prospects attached to the post.—Box 613.

Postal Tuition for B.Sc.ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical, research, and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the three examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable, and may be paid by instalments, if desired.

Prospectus from the Director of **WOLSEY HALL, OXFORD** Studies, Department P17.

GLASGOW SCHOOL OF MANAGEMENT STUDIES
THE ROYAL TECHNICAL COLLEGE, GLASGOW
The Department of Industrial Administration offers a fifth full-time nine-weeks' course in
WORKS MANAGEMENT
and
LABOUR RELATIONS
Commencing April 2, 1951
Fee, £18 18s.

The Course is primarily intended for persons of 25 years of age and over, who have been nominated by their firms and who are expected to take increasing responsibility in the future. Further detailed information as to the aim, scope and content of the Course can be obtained from the Head of the Department of Industrial Administration at the Royal Technical College.

NORWICH EDUCATION COMMITTEE

THE NORWICH CITY COLLEGE AND ART SCHOOL
ST. GEORGE STREET, NORWICH.
Principal: FRANK BRIERS, D.Phil. (Oxon).

Wanted as soon as possible, and at latest by September 1, 1951, Lecturer for teaching Advanced Commercial and Management Subjects in the Department of Commerce and Languages. Teaching and business experience essential.

Salary will be in accordance with the 1951 Burnham Award for Teachers in Establishments of Further Education, namely, £999 per annum rising by £25 to £1,000.

Application forms, which may be obtained from the Director of Education, City Hall, Norwich, on receipt of a stamped addressed envelope, should be returned to the Principal as soon as possible.

INCORPORATED STATISTICIANS

EXAMINATIONS, JUNE, 1951

The Association of Incorporated Statisticians, Ltd., announce that their examinations for Registered Statistical Assistant, Intermediate and Final will be held on June 18, 19 and 20. Applications on the prescribed forms must be forwarded to the Secretary, 54, New Broad Street, London, E.C.2, not later than Monday, April 16, 1951.

APPLICATIONS are invited from graduates, preferably in Science, Textiles or Economics, for the position of Lecturer in the Department of Education of the International Wool Secretariat. Lectures are given on various aspects of wool in all types of schools, training colleges and clubs throughout the country. Lecturers are illustrated with filmstrips and the work entails considerable mid-week travelling. Training will be given after appointment. Salary from £140 (men) and £400 (women) with superannuation (after qualifying period), subsistence allowance and first-class travelling expenses. Applications should be made to the Director of Education, International Wool Secretariat, Dorland House, 18-20, Regent Street, London, S.W.1, within 14 days of the appearance of this advertisement.

THE United Africa Company, Limited, invites application from men and women for training in its Buying Department in London. Candidates should have determination, considerable powers of observation, initiative out of the ordinary and a high level of practical intelligence. Applicants without previous experience should not be less than 23 or more than 28 years old, and their commencing salary will be between £375 and £475 per annum. For those who have good commercial or other relevant experience, these age limits can be extended; appointments in such cases would be made at an initial salary fixed according to qualifications and experience. Preliminary selection will be made on the letters of application, which should be framed accordingly, and addressed to Staff Dept. (UAC), Unilever House, Blackfriars, E.C.4.

PHILIPS Electrical Ltd., require a thoroughly competent Buyer in their Purchasing Organisation at Mitcham. The main essential qualifications are: (a) Full experience in mass production buying; (b) Thorough knowledge of the supply problems inherent to the Electronic Industry; (c) A forceful personality with a keen analytical mind. Familiarity with economics and international markets would be an asset. Age limit 32-42.

The above position has large scope for development into a Senior Purchasing Executive. Persons not fully answering the above description should not apply. Applications giving full details and salary required to be addressed to: The Personnel Officer, Philips Electrical Ltd., New Road, Mitcham Junction, Surrey, quoting reference "JA".

PRODUCTION Executive. A large light Engineering Works on the outskirts of Coventry has a vacancy for a Production Executive who can show evidence of outstanding ability in the application of modern management and also of having achieved results as a higher production executive. The position is intended to be progressive and the successful applicant must have had a comprehensive apprenticeship, have high technical qualifications, a history of continuous promotion on the production side and preferably be between 35 and 45 years of age. The salary will not be less than £80 per month with participation in profit sharing and pension schemes. Application, which will be treated as confidential, must state age, salary required, qualifications and chronological statement of experience and appointments held.—Box 609.

COMPANY Secretary required for large engineering concern in Lancashire. Must be chartered accountant and have had considerable secretarial experience preferably with a group of companies. In addition to accountancy training. Age 35/45; University degree desirable but not essential. Salary dependent on qualifications and experience. Candidates should give full details and salary required.—Reply to Managing Director, Textile Machinery Makers Ltd., 60, Huddersfield Road, Oldham.

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The Economist

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First Instalment

THE Government's Economic Survey for 1951 has not converted to certainties any of the previous guesses about what the Chancellor of the Exchequer will do next week. It has narrowed the range of Budget possibilities. If he bases himself on the Survey's analysis, Mr Gaitskell can hardly raise less than £150 million from increased taxation. The official planners estimate that if taxes were to remain unchanged, further inflationary pressure would be avoided only if personal saving was £110 million greater than it was in 1950. They recognise with proper candour that in 1951 people are, in fact, likely to save less, not more. The factors involved in these tenuous calculations of the nation's capital account are discussed in more detail in an article on page 808. Here, it is sufficient to say that Mr Gaitskell may conclude that he needs between £150 million and £250 million in new taxes to close the threatened gap.

In any normal year, this would appear as a formidable burden. But for a country grown accustomed, in mood if not in behaviour, to a crippling and dispiriting level of taxes, it seems a surprisingly small price to pay for rearmament on an unprecedented scale in peacetime: if he chose to play for popularity, Mr Gaitskell could cheer the Labour Party with the belief that defence may, after all, be combined with business as usual—on the postwar model. But the Chancellor can be expected to avoid the temptations of such unreality. What is directly obvious in extra taxation will represent only a part of the cost of rearmament. The main burden will fall, as the Survey emphasises, in the form of higher prices for consumer goods. Even so, the conclusion that an extra £150 million of taxes might be enough—for the first Budget of the expanding three-year defence programme—depends on four assumptions for which the Chancellor would hardly claim any degree of certainty. The first is that the transfer of resources to defence production can be made, in spite of the shortage of raw materials and labour, without major industrial dislocation, and without any loss of output as a whole. This assumption seems optimistic: and the survey freely admits that it will not be justified if supplies of sulphur, zinc, copper, cotton and other basic materials are no bigger than those at present in prospect.

The second assumption is more acceptable, though not very palatable. It is that in 1951 Britain will run down the surplus in its overseas payments—last year's proud achievement—and use part of its exchange reserves to pay for such stocks of strategic materials as can be accumulated. The Survey admits that "the need for a substantial surplus is not in principle affected by the new defence programme"; the country has heavy debts abroad, and responsibility for aiding economic development in backward areas. The cold war makes this aid not an expendable luxury but a more than usually pressing necessity; in Asia and Africa the psychological struggle between Communism and the West has to be fought largely in terms of what they promise towards material progress. A Britain incurring heavy, fresh debts to some of its partners

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in the sterling area will not give the impression of strength or inspire the confidence among weaker allies that is part of the immediate purpose of rearmament. The Government is probably right to accept an overseas deficit this year as part of the price of immediate action: given the economic background, the defence effort can make a quick start only if an overseas deficit is tolerated this year. But that cannot be allowed to continue. Next year it will be necessary to re-establish a surplus, and this will be another extra demand on British resources at a time when the direct calls of defence are still rapidly increasing. It certainly cannot be assumed that economic policies which are adequate this year, because an overseas deficit is accepted, will remain adequate for the three-year programme.

About the third of the Government's assumptions the Economic Survey inevitably says very little. It is that wages will rise much less quickly than prices. The work required of higher prices, in the Government's scheme of things, is to absorb the increase in purchasing power that has already taken place, and so hold down the volume of consumption. This purpose will be defeated if the effect is in fact to swell still further, by additional wage increases to offset the cost of living, the flow of money incomes chasing the available goods. There is no prospect of deliberate wage restraint being restored. A further round of advances is almost certain to occur during this year. The question is whether the advances will be large and fast enough to offset the rise in prices. If they are, the Government's intention that this year rising prices will impose most of the sacrifices for the defence effort will be frustrated.

*

Of these three assumptions, on which the possibility of a fairly mild Budget rests, the first—the increase in production—is optimistic; the second—the deficit in the balance of payments—is acceptable only in the short run; and the third—the outpacing of wages by prices—is very doubtful. There is a fourth assumption that cannot be much more than a matter of faith. It is that the grounds, such as they are, for making the first three assumptions will not be removed by an increase of £150 million or more in taxation. It presumes that the Government can levy more taxes without risking any further weakening, at any rate in the short run, of the incentives to hard work, inventiveness and industrial mobility (on all of which, as well as on the supply of raw materials, the assumption of increased production depends). It presumes, too, that wages will lag behind prices not only as the situation is now but also as it will be after the Chancellor has imposed extra taxes on wage-earners. And it assumes, finally, that people will pay the extra taxes largely by spending less, and not by saving even less than the Government assumes as a basis for its estimate of the amount of extra taxation needed.

These are the critical questions for Mr Gaitskell. The Government is accepting the defence programme as a net addition to the state's economic activities, without attempting the slightest cut in its civilian expenditure. The assumptions about production and the rest amount, in essence, to the belief that this extra burden can be shouldered without any appreciable economic disturbance. That assumption will be justified, the welfare economy can become (for a time at any rate) the armed

welfare economy, if Mr Gaitskell can find taxes which in themselves satisfy the same condition. His taxes must not upset the delicate balance: they must not encourage wage claims, they must not make people refuse to work overtime, and they must not reduce savings still further.

It is certainly not easy to find taxes that satisfy such conditions. Mr Gaitskell may, of course, ignore the conditions: he may yield to the pressure from behind him and make a political attack on profits. But such taxation would be paid mainly at the expense of company savings, for which the Survey has already taken full credit. Taxation that is relevant to the economic purposes of his Budget cannot be aimed at profits alone; it must fall on the community as a whole, and the Chancellor will fail in his duty if he refuses to recognise this fact.

*

If the red herring of profits is resisted, Mr Gaitskell's choice lies between the income tax and a fairly narrow range of indirect taxes. Both will almost certainly reduce savings; higher income tax may weaken the incentives to work, and higher indirect taxes may encourage wage demands. Mr Gaitskell's problem is to balance the two evils, and conceivably he may regard the first as the lesser. There is, it is true, one indirect tax that he will be strongly tempted to increase. Petrol is about the only thing that can be paraded as a luxury (though it and the other light hydro carbon oils are very far from being luxuries) that is not already taxed to the point of diminishing returns and that could be made dearer without offending any large section of wage-earners. An increase in the duty might, in the Chancellor's view, meet the conditions of the Budget better than anything else; a repetition, say, of last year's ninepence would provide a ready-made £75 million. It is hard to see any other indirect tax of any importance that would meet them at all.

Indirect taxation in this country is already elaborately graded: the system of tax-free utility goods, combined with the different rates of purchase tax on various categories of "non-essentials," does all that well can be done to minimise its regressive effect. There is no more revenue of substance to be raised from luxuries. Extra indirect taxes would have to fall on things that are widely consumed; they would, that is to say, have to press more heavily on the poor than on the rich. That does not destroy the case for some specific increases, particularly on durable goods that will in any case become very scarce as rearmament progresses. Mr Gaitskell may offset the worst effects of higher prices by increasing old-age pensions and some family allowances. But to do so would increase his tax requirements by perhaps £50 million or more, and it is difficult to imagine that even so he would be bold enough to attack working-class consumption by a broad increase in purchase taxes.

It is conceivable that from petrol and some other indirect taxes Mr Gaitskell might scrape together more than £100 million of revenue without doing great harm either by reducing savings or by provoking wage increases. But if he sets out to get £150 million from new taxes, and certainly if he chooses the higher estimate of £250 million, he has little choice but to raise income tax, either by reducing allowances or by adding sixpence to the standard rate. In terms of social justice, the last is the least of the evils; no one can pretend to know how effective—in reducing spending rather than saving—it

would be in the short run. In economic terms, the case in its favour is chiefly that the other ill-effects, of weakening incentives, would probably make itself felt only after a time.

Such, in essentials, are the budgetary problems that Mr Gaitskell faces. It would be foolish to be dogmatic about the right answers. The question is rather whether there are answers, whether taxation can be increased in any ways that will avoid inflation and make the British economy healthy while it carries out the rearmament programme. The problems that Mr Gaitskell has to meet are not those of finding an extra hundred million or so in his Budget, but of producing the where-

Mr Morrison's Debut

MORE than one British Foreign Secretary has learned in the past that the small party meeting in the provinces is a bad setting for his more serious utterances. There is something demoralising in its atmosphere. People come to such meetings—especially to those of the Labour Party—wanting to carry away a cosy feeling about the present and a measure of illusion about the future. About foreign affairs they want to be told that all foreigners are at bottom reasonable fellows, that all problems can, sooner or later, be settled around a table, and that the British are, anyhow, strong enough or lucky enough to get their own way in the end. This, roughly speaking, is the prescription for a successful party meeting on foreign affairs; and Mr Herbert Morrison followed it only too closely in the speech he made last Monday at Dudley—in the Baldwin country. Doubtless he did so in the belief that he would do well to make some impact on the party and the public in his new role of Foreign Secretary before tackling the problems of peacemaking elsewhere. The intention was sensible; but the execution was in several respects regrettable. Both in mood and in scale the speech was inappropriate to present circumstances; it gave a misleading picture of the world outside Britain; and its tone was bound to be misunderstood abroad. For it combined traditional principles and fashionable bromides in almost equal proportions.

The statements of principle were sound enough. Mr Morrison spoke of the Government's duty "to sustain the interests of the British people throughout the world"; of its loyalty to organisations for international co-operation; of its interest in the well-being and security of the Middle East; of the "goodwill and material support" that will be at the disposal of the peoples of South and South-east Asia; and of peace as something greater and more vital than the mere absence of war. He reaffirmed the British Government's readiness to "seek a reasonable and genuine settlement of differences by negotiation" and its determination to show by its defence programme that war will not pay any would-be aggressor. These axioms as they stand are impeccable; but their value can be judged only by the Foreign Secretary's application of them to particular problems. It was here that the bromides for backbenchers appeared.

What evidence is there, for example, that the rulers of the Soviet Union want to "join with the rest of the world in the great constructive tasks which await us all"? In fact—and it must be said with the greatest regret—

withal for rearmament out of the mouths and off the backs of the private consumer.

It is already clear that the Government is not prepared to throw in a single penny of its spending for peacetime purposes. Mr Gaitskell's first Budget will be judged not solely by what he does in this year, but by the attitude of mind that he brings to bear on the problems of 1952 and 1953, when the burdens of defence and the Government's civil commitments will be still bigger. He cannot afford to give the impression, despite the expedients suggested in this year's Economic Survey, that adequate defence is something that can be added on top of welfare as usual.

there is none. On the contrary, all that they say to the Russian people and to their allies emphasises the great destructive tasks of world revolution now made possible, as they believe, by the power of the Soviet Union and Communist China. Again, where is the evidence that the Soviet Government does not wish to discuss the "smaller differences" but wishes to "go to the heart of the whole problem" of present tensions? Was it not Moscow that insisted—and still insists through Mr Gromyko—that discussion of specific and detailed Soviet grievances must not give way to the more general talks sought by the Western Governments? Again, Mr Morrison declared, "this is a psychological moment to see if we cannot bring the fighting in Korea to an end." What evidence is there for this statement? It is true that everybody in the free world wants an end to the fighting on just terms; but it is no good pretending that Peking gives any sign of sharing that desire. To believe in negotiation as a means of settling differences it is not necessary to pretend that opportunities for it exist when they do not. Likewise, Mr Morrison's gentle references to China made no mention of the aggression against which 22,000 British and Commonwealth troops are fighting in Korea, or of the great commercial interests which are being abandoned in China, or of the humiliations to which British diplomacy has been subjected there.

Mr Morrison dealt with these matters in a manner which made no distinction between things he would like to happen and things that are likely to happen. His audience at Dudley must have felt that things were not so bad in the outside world after all. There was a kind word for everybody; the cold war was not mentioned by name; the Foreign Office was described as the "Department of Peace"; and the Foreign Secretary seemed to be in amazing good humour. None of these things was objectionable in itself; indeed, if one could feel certain that Mr Morrison intended nothing more than a first run on the nursery slopes of diplomacy, a tumble or two would have called for no comment. But his purpose was more ambitious: he said specifically that he wished to set out "a few of the main principles by which I propose to be guided in our relations with other members of the human family"; and an examination of what he said confirms the misgivings expressed in these columns three weeks ago—that Mr Morrison might be pliable where Mr Bevin was stubborn, ingenious where Mr Bevin was forthright, and optimistic where Mr Bevin was merely patient.

What, then, was most conspicuous by its absence from this survey? First, there was no firm avowal that he is aware of the special dangers of 1951. For Mr Morrison it is Festival Year; for many millions of people on the Continent it is danger year—the year which will show whether the Soviet Union will or will not allow the west to build up the strength to defend free Europe. Second, there was no reaffirmation of belief in the strength and supreme importance of the partnership with the United States. There can be no adequate statement of principles of British foreign policy without this, and it is necessary that such declarations should be made with full emphasis before Labour audiences. Third, there was little recognition or explanation of the huge and dangerous task of British foreign policy in the face of Asian and African awakening. Deep and widespread changes in the world over which the Commonwealth is scattered are inevitable. Some will be for better, some for worse; but it will always be a British interest to see that such changes take place peacefully and not by force. To achieve peaceful change in the world as it is likely to be in the years ahead will demand for an indefinite period a wise, patient and resolute exercise of national power, both alone and in company with allies. There is no smooth and easy prospect ahead; what Mr Morrison calls the human family will remain quarrelsome. That is, perhaps, the fact that democratic politicians are most loth to explain to their followers—that, and the further fact that reasonable prosperity and living standards will be maintained only if that power is efficiently exercised.

It would be foolish to assume that Mr Morrison, after more than ten years in the Cabinet, is unaware of these realities of the international situation. Doubtless he will deal with them in due course and their omission from his first major speech must be judged deliberate. But his failure to say anything about the relation between British and American policies was serious. An opportunity had been offered to clear up some, at least, of the misunderstandings of recent months. First, Mr Acheson in his letter to a GI in Korea; then Dr Jessup three weeks ago in a speech to the students of Union College, New York; and then Mr Kennan, formerly one of the chief planners of the State Department—fresh from a rest for thought and reading—have been setting a new course for American policy and opinion. They have

been stressing that the United States is morally and by treaty bound to oppose all idea of preventive war and to exercise patience and restraint in its dealings with foreign powers—even to feel and show sympathy with the Russian people. They have been calling on Americans to prepare themselves intellectually and morally for something more than the present convulsive heave back to a quarter-war footing—to prepare, in fact, for the long haul of the political and economic struggle between two rival systems. As Dr Jessup put it, the United States aims at attaining a position where it can be certain of success if the Soviet Union makes war inevitable, and at the same time remain ready to negotiate a general settlement if the Soviet Government shows a desire for it. In other words, American statesmen have been stressing a point that has more than once been urged in these pages: that arms and diplomacy must work together, that rearmament and readiness to negotiate are not incompatible. Until lately, it is true, the American emphasis has been on rearmament; but now that the process is well under way the emphasis has switched quite properly to the peaceful hopes and defensive intentions that inspire this policy.

Here, then, was a trend—so far almost unnoticed in this country—that Mr Morrison should have singled out and reinforced, as Mr Bevin once singled out and supported a hint from Mr Marshall. To have done so in a week that has seen General Eisenhower beginning his duties as Supreme Commander and the celebration of the anniversary of the Atlantic Pact would have been a genial gesture. Instead, Mr Morrison ignored altogether the subject of relations with the United States and missed the opportunity of pointing how far American policy statements have lately come towards meeting the British point of view. Was this the way to make the task of the western deputies in Paris easier or to rebut the belief of Moscow and Peking that the western diplomatic front can eventually be split? Mr Morrison may have succeeded in leaving his audience with a vague idea that he has some prescription for peace that Mr Bevin had overlooked, and this rosy impression will please some of the backbenchers of his party. But it is not a good omen for the real business of diplomacy among allies and opponents that the Foreign Secretary must now undertake.

Bases of Soviet Power

INFORMATION about the economic strength and progress of the Soviet Union depends on the foreigner's technique of analysing Soviet official material. Lately he has improved his detective skill and Moscow itself has made his study easier. With the completion last year of the first five-year plan since the war, new information about Soviet recovery has been appearing, some of which has already been examined*. At the beginning of March, the financial budget for 1951 was presented to the Supreme Soviet. These Soviet disclosures leave many dark corners, but they do accord some general conclusions about the economic bases of Soviet power.

An accurate assessment of the strength and quality of the Soviet war machine would be too much to expect. But western observers can form, from available facts

* (See *The Economist* of February 24th, March 3rd and March 10th.)

about Soviet peacetime economy, some estimate of its ability to sustain a war once started, and this is the crucial test. Stalin, no less than Mr Charles E. Wilson, believes that military strength must be built on a properly geared economic machine. Defence potential means for him far more than the capacity to turn out tanks; it means, above all, a powerful heavy industry and an agriculture that can support industrial workers as well as soldiers. In 1946, Stalin gave his own explanation of why Hitler was defeated:

The Party rightly decided to concentrate on heavy industry and collectivised agriculture; it knew that war was coming . . . and that to be too late in this task was to lose.

There is every reason to believe that, in 1951, Stalin's intentions for peace or war are heavily influenced by Soviet progress in these two fields.

Two major conclusions about the Soviet economy can

be stated at once. First, it seems reasonable to assume that the Kremlin has not yet put it on a war basis, though Stalin may well be revising his time-table in the light of developments in the west. Neither the fulfilment of the five-year plan nor the 1951 budget reveals anything decisive about the state of Soviet armaments; but both the shape of the plan and the degree of its achievement indicate that reconstruction rather than rearmament has, so far, been the major preoccupation. The significance of the new budget is even less positive, for it shows only that the proportion which Stalin is prepared to acknowledge as spent on defence has stayed fairly constant since 1945. Figures can, of course, be cooked, but the trend of the budget tends to confirm the evidence of the plan. It will be easier to tell how well this first conclusion will hold for the future when the prevailing silence about the next five-year plan has been broken.

The second conclusion is that "defence" has remained a basic object of Soviet planning since the peace. If war has not so far been Stalin's immediate intention, long-term preparation for a war economy has received his constant attention. Even in 1946, Mr Voznessensky, the Soviet chief planner (now retired), was explaining that:

It is our task to improve further the defensive ability of the USSR . . . the Soviet Union wants to see its armed forces still more powerful to insure the country for every eventuality and to guard peace . . .

So when the rest of the world was disarming and slashing its military expenditure (the United States cut its defence spending by 87 per cent between 1945 and 1948), the Kremlin reduced its disclosed payments for arms by a mere 20 per cent. Even in 1946, Soviet planning concentrated upon the development of heavy industry. It is true that for an under-developed and devastated economy such as that of the Soviet Union, a flourishing heavy industry is as much the condition of a prosperous peace as of military power; but the extent to which the Russians have been obsessed with heavy industrial expansion at the expense of the consumer and the countryside suggests that something more than peaceful prosperity has been at stake.

The emphasis of the last five years can thus be summarised as reconstruction accompanied by every practical preparation for a war economy. What can be said of the achievement of individual industries? Heavy industry, having received the greatest attention, has made the greatest leaps in production and has brought success for the completed plan as a whole. The output of machine tools, intensified during the war, has been trebled since 1945; production of electric motors has increased by five or six times; lorries (which were desperately scarce during the war, until lend lease came to the rescue) by four times, and tractors (the capacity for which had been virtually destroyed by the end of the war) by fourteen. All these increases, except for tractors, were well above the planned targets, though the general over-fulfilment of the 1950 targets undoubtedly conceals particular failures. Output of tractors, for instance, may have increased by fourteen times, but there are still fewer of them than in 1939; and, even on a generous estimate, there cannot be more than one machine, and that probably of uneven quality, to 500 acres of sown land.

In the production of basic materials there has also been impressive progress. Outputs of pig iron, steel, coal, electricity and oil have, broadly speaking, doubled

since the end of the war (slightly less for coal and oil; considerably more for steel). The original targets for the five-year plan were easily passed; but by the beginning of 1950 it was clear that they had been set too low and they were raised by about 10 per cent. Even these targets probably still underestimated industry's real needs, and no confident claims have been made that they were reached. Oil appears to have been particularly short, a fact that may explain the somewhat surprising exhortation to the power industries that "the foundation of mechanised production is electrification."

Direct comparisons with western production of these key materials are bound to be fallacious. The private consumer in the Soviet Union has little or no chance of competing for them, since the requirements of Soviet industry are paramount. The Soviet soldier uses them far less extravagantly than would the GI. It would, therefore, be misleading to conclude, as many people are tempted to do, that the Russians cannot be strong enough to fight because they produce only a quarter of the steel output of Britain and America. Nevertheless, Stalin himself has given some measure of the real inadequacies in this field. In 1946 he announced the ultimate "targets for reconstruction"—prefaced by an analysis of how to win wars. These are given below with the results achieved in 1950 in brackets:

50 million tons of pig iron a year (20 million tons),
60 million tons of steel (26 million tons),
60 million tons of oil (37 million tons),
500 million tons of coal (264 million tons).

Whatever the Soviet industry's capacity for expansion may be, and by western standards they remain phenomenal, Stalin's "reconstruction" would still appear to be some way off.

*

If planning in industry has on the whole been successful, in agriculture there has been a story of failure. Production of livestock and grain is openly admitted to have fallen far short of the targets. Though success has been claimed for sugar, cotton and wool, circumstantial evidence is heavily against it. If, as it appears, the towns have really fed well and the supplies of cattle to state abattoirs have really risen, it can only mean that the villages have suffered proportionately. This is born out by many signs that the Kremlin respects neither the peasant nor nature in its efforts to increase the consistently low yield from Soviet farms.

The crux of the problem is that the amount of arable

Commercial History and Review of 1950

This week's issue of the *Records and Statistics Supplement* to *The Economist* includes the third part of the Commercial History and Review of 1950.

Part III of the Commercial History contains reviews of economic developments in all important overseas countries. Production, finance and foreign trade in these countries are surveyed in detail. Part III of the Commercial History completes the review of 1950; earlier parts dealing with British financial and industrial developments were published on February 17th and March 3rd.

The *Records and Statistics Supplement* is obtainable by subscription only, at £2 10s. a year; a combined subscription to *The Economist* and *Records and Statistics* costs £5 a year.

land in the Soviet Union can vary only within narrow limits. The peak of cultivation reached in 1913 is being approached at the present time, but even this means that less than one-third of the country's total area—or about 250 million acres—can be used for grain crops without costly effort. As a result, an enormously swollen population is now living on less grain than was produced in Tsarist Russia early in this century. There is no evidence that bread is scarce; but the problem of strategic grain stores and the need to have more for political exports, are clearly causes of constant anxiety. This is why Stalin has risked the disruptive consequences of the "Agro-town" policy, and has put his name to a "Plan for Changing Nature" in waste places. As most of the places have no railways either in fact or in prospect, the transformation will take some time.

As for the other consumer industries of the Soviet Union, they have manifestly been sacrificed to the needs of capital development, although they have shown some recovery from the primitive levels of 1945. So far the Russian consumer has also been cushioned from complete austerity by the contributions of the light industries in the satellite countries, except in one important respect: the shortage of urban housing remains as intractable as ever, with incalculable consequences for industrial efficiency and morale. In Moscow, for instance, less than half the housing target was reached.

The consumer's prospects for the future seem little brighter. The already overburdened satellites are now being exhorted to concentrate on heavy industry, and so they may cease to provide incentive goods such as

textiles and footwear. Any acceleration of the Soviet's own time-table for heavy industry—whether for peaceful or military purposes—can only mean that light industry will continue to get the worst of the bargain. How much this will affect the productive efforts of the Russian consumer it is difficult to say. He is clearly much less sensitive to these things than the worker in the west; but differential wage rates are used at least as much in the Communist as in the free world to influence output, and it can be assumed that if supplies of consumer goods fall below a certain point these wage incentives will cease to be effective. It would seem that, by all independent calculations, Soviet productivity per man-hour appears to have risen by only 10 per cent since the end of the war; whereas the British Government claims for the British worker an increase of more than 45 per cent in the same period.

In short, the main weaknesses in the Soviet economy, which emerge even from Moscow's own figures and comments, are to be found in the production of such key raw materials as coal, oil, grain and timber. By western standards the shortages are serious indeed; but Russian ability to make do with a minimum is greater than anything known in the leading capitalist countries. Stalin's economy has an amazing resilience. Thus, the picture at the end of the first postwar five-year plan is not that of a country fit and ready to go into the ring. Its muscles have been and are being systematically trained, and it has no surplus fat; but it is still far from that peak of condition which would entitle it to make a bid for the world championship.

Farming Merry-Go-Round

THE Government has at last completed its annual negotiations with the farmers' organisations, and has announced a new schedule of agricultural prices. Only the most summary details of the new arrangements were published last week, and full comment must await the promised White Paper which is to elucidate them. But the broad character of the Government's decisions is plain enough.

This is the last year of the four year expansion programme for British agriculture launched in the autumn of 1947. For 1950-51 the net output of British agriculture has climbed to about 21 per cent above that of 1946-47 (when the weather was bad). At 40 per cent above the prewar output it is higher than ever before. This increase of output has been achieved by price inflation. In accordance with the provisions of the Agriculture Act, the Government every year fixes such a schedule of farm prices as will provide a satisfactory level of remuneration to those engaged in the industry. During the past four years the Government's interpretation of this duty towards the farmers has been deliberately generous, with the object of getting them to grow more food. In addition, and as a novel way of financing new investment, a special bonus of £40 million a year has since 1947 been included in the fixed prices, to provide farmers with additional working capital.

The result of these policies is that net income from farming, which was £60 million in 1938, reached about £300 million in 1950. To get on the average five times his prewar income for less than one and a half times his

prewar output cannot be considered a bad bargain from the farmer's point of view. It is true that the value of money has been approximately halved. It is also true that British agriculture was not nearly so important to the national economy before the war as it is today. All the same, farmers have achieved a greater improvement in their standard of living than any other section of the community—not excepting farm workers and coal miners. Today the income (before tax) of the average farmer can be estimated at about £830. This, perhaps, does not sound overmuch like "featherbedding." But the average figure is kept down by the large number of small family farmers, whose standard of living (and level of skill) is traditionally not much above that of the farm worker. The medium scale farmer, employing two or three workers, must be earning appreciably more than this average figure; and he is generously treated for income tax purposes.

In any case, the policy of high prices has now achieved its immediate object of increasing production. It is not physically possible to bring about a further rapid increase in the output of British agriculture—and if it were possible, it is doubtful whether the nation should go on using methods that procure comparatively little extra food for a very high cost. This is not, of course, to deny that it would be useful to get more food from British farms. There are some products, meat in particular, of which the output could and should be considerably expanded to meet a large unsatisfied demand. But domestic meat production cannot be quickly or specu-

larly raised; probably it cannot be raised at all without some diversion of resources from other agricultural production. The marginal costs of production in British agriculture—that is, the cost to the nation of procuring each extra unit of home grown food—were high in 1947. They are higher still now that the possibilities of quick expansion are almost exhausted. To stick to the policy of fixing prices that generously cover marginal costs would achieve very little at a rapidly rising cost. In future, the farmers' task (unless war plunges Britain back to a subsistence economy) will be a slow, uphill struggle to improve the supply of certain livestock products; and the Government's duty will be to facilitate this process without making home grown food impossibly burdensome to the taxpayer or impossibly costly to the consumer. In short, circumstances have changed; the Government's agricultural policy would need amendment even if it had been perfect in the past; and this price review was the right occasion for amending it.

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But other considerations, of a more immediate and pressing character, had to be reckoned with in the price negotiations. The farmers have been faced during the past year by a steady rise in costs of production, affecting labour, feeding stuffs, fertilisers, and farm machinery. They have even instanced the burden imposed by a rising level of agricultural rents—which is in fact the inevitable concomitant of their own prosperity. The Minister had already promised that prices would be adjusted to cover the increase of 6s. a week in farm workers' wages awarded last autumn. The farmers demanded that their other increases in costs should be recouped in the same way. The Government, on its side, had obvious and powerful reasons for resisting this pressure.

In the main it is fair to say that the farmers have had the better of the tussle. There is to be a general increase in farm prices, applying to livestock products from this month and to crops at the 1952 harvest. The increase in farm costs has been estimated as £73 million a year. Against this, about £43 million a year will be paid out to farmers in higher prices. On the face of it, therefore, farmers are left to find about £30 million in higher costs out of their own pockets. But this impression of shared sacrifices is a little misleading for two reasons. In the first place, most—and perhaps all—of the deterioration in the net income earned by the farmers per unit of output should be offset—as it has been during the last year—by the rising level of their production. In the second place, prices were due in any case to be deflated this year by the removal of the special bonus for financing capital expansion. In fact this bonus has been cut by only one quarter; the remaining £30 million is to be eliminated in three further annual stages. This year the farmers are fully recompensed for the reduction in their profit margins by the continuation of a special payment after its original purpose has been exhausted. All in all, they have done better than they had any right to expect.

It is known that the Government originally hoped to avoid price increases of this order. What has caused it to change its mind? The reason can hardly be found in calculations of electoral interest; Labour will lose more votes through higher prices in the shops than it will gain through higher prices on the farms. The real reason lies simply in the nature of the price fixing

machinery. The Government is formally responsible for fixing the new season's prices. But in point of fact they are worked out in negotiations between the Ministry of Agriculture and the National Farmers' Union. Before these negotiations start, representatives of the Treasury, the Ministry of Food and the Ministry of Agriculture try to decide jointly just how far the farmers' claims can be met. They set the brief for the Ministry of Agriculture. But in the past that brief has not always been adhered to very strictly. It is difficult for an agricultural department to adopt a "take-it-or-leave-it" bargaining attitude with its own farmers.

Within the framework of the price increases, the Government has offered a special incentive to meat production. But here again its policy is vitiated by a too tender regard for established farming interests. It is well known that the profitability, quick return and convenience of milk production act as a deterrent to the production of more meat; also, the public is now consuming all the milk it can afford at prices that are already very heavily subsidised. Despite these obvious considerations, the Government has raised the farmers' price for milk by almost 5 per cent, and is also offering favourable prices for fat cows. Dairy farmers have protested that even so their increased costs will not be fully covered. But are consumers never to have first consideration? They are unlikely to be willing to pay another £10½ million a year in milk bills (so that this sum will presumably have to be added on to the £103 million or so already spent on milk subsidies and welfare schemes). The increase in liquid milk consumption is a great nutritional achievement, but it has been bought at a high price. The Government has become much more anxious to safeguard the prosperity of milk producers (who are now responsible for a third of the value of British agricultural output) than it is to give consumers a wider choice of foods than they are prepared to pay for.

A critical question about the effect of the price review has still to be answered. Where will the extra £43 million a year to pay the farmers be found? The obvious and only sensible answer is to find it by raising prices to consumers. But within a fixed subsidy bill of £410 million, the Ministry of Food has ample scope for manoeuvre as between different foodstuffs. The higher cost of, say, home-produced beef could, for instance, be masked by raising the retail price of butter or bread or margarine. The Ministry of Food will no doubt perform such juggling with the individual subsidies in order to make the rise in the cost of living index as small as possible.

This may, from the Government's point of view, be a convenient way of mitigating the immediate blow of the price increases. What matters in the long run, however, is that the Government has failed to seize this year's opportunity to open a new chapter in agricultural policy. It should have made the end of the expansion programme the occasion for preventing a further increase in the total purchase price of home-grown food and for redistributing the resources of British agriculture along the lines indicated by consumer's demand. It has tackled neither objective effectively. Instead, the Minister of Agriculture has taken another turn on the agricultural merry-go-round, in which rising costs and rising prices chase each other in annual cycle around the fixed point of "safeguarding" both the level and the distribution of farm incomes.

NOTES OF THE WEEK

Peace at Westminster

The House of Commons has calmed down remarkably this week. The chief reason may well be simply the ten days' rest that members got over Easter. The edge of Tory enthusiasm may also have been a little blunted by the evidence of the latest Gallup Poll that the Conservatives have recently lost rather than gained ground in relation to Labour. As, however, the poll was conducted between March 13th and March 20th, and measures the change of opinion since the middle of February, it cannot be taken to express a public verdict on the tactics of harrying the Government in Parliament. The more important factor is that this week both sides have had an obvious interest in saving their shot for the battle of the Budget—of which the increase in Post Office charges announced on Wednesday was regarded as a foretaste.

Whatever the cause, amiability has been the general rule on both front benches, and the brisk correspondence flowing between Mr Ede and Mr Churchill has cleared the way for discussions about late night procedure. As *The Economist* went to press it appeared probable that Mr Wilson would next week resume his suspended negotiations about price increases, and as a result talks between the three parties in the Commons would also begin. Meanwhile, four Prayers were disposed of in an hour and three-quarters on Tuesday evening after a debate which showed some signs of being concerned at least as much with the contents of the regulations as with the chances of keeping Ministers out of bed. What will happen when the Budget provides more solid ground for controversy is, however, another matter.

* * *

Political Tipsters

Even the Prime Minister's habitual calmness is not altogether proof against the political tension of recent weeks. His broadcast last Saturday contained a few effective thrusts at the Opposition. But, in its attack on Mr Churchill, it fell short of the dignity that is one of Mr Attlee's political as well as personal assets; and, in its emphasis on the unremarkable theme that things have changed in the past 130 years, it was uncommonly remote from current controversy.

The broadcast also made it plain that what really worries the Labour party is not the Opposition but the public opinion poll. In his evident discomfort at their evidence Mr Attlee put the polls on a level with the students of racing form. The analogy is patently false, but if it were sound it would still provide no basis for the sensational conclusion that

I do not think a Prime Minister should be influenced by political tipsters.

Every reasonable politician always has taken, and always will take, account of the best evidence about public opinion that he can get. It is his business. The importance of the polls is simply that they have given rather accurate evidence. In the past the practical politician could not neglect, and no sensible democratic theory asked him to neglect, the erratic (and often misleading) straws provided by by-elections.

The public opinion poll tests the general verdict for or against the Government regularly and much more accurately, but it is a new tool for an old job and not a repugnant and ridiculous monster which in some strange way will run the country if it is allowed to have any influence at all. No one suggests that Mr Attlee ought automatically to hold a general election because the polls show a majority for the Conservatives. The argument is that—for a variety of

reasons, but chiefly because the country's verdict in its favour thirteen months ago was so narrow—Labour now has too little authority to govern well in the present Parliament. The polls provide merely part of the evidence for that judgment, and abuse of them can hardly do anything but confirm it.

* * *

Professional Freedom

Durham County Council has to admit defeat. The teachers' decision to strike crystallised their resistance to its attempt to enforce the closed shop. The decision also gave the Minister of Education the necessary grounds for direct intervention in the dispute. On Monday the six teachers' unions called upon the teachers in two of the county's divisional areas to hand in notices to end their engagements. On Tuesday the Minister sent a directive to the county council instructing it to reverse its closed shop policy on the grounds that to insist on trade union membership would result in a breakdown of local education.

This is a victory for firmness. The 1944 Education Act gives the Minister wide powers: under it he has authority to "give such directives . . . as appear to him to be expedient" if he is satisfied that a local education authority has acted unreasonably in the exercise of its powers and duties under the Act. If the authority were to refuse to obey the Minister's directive it would be breaking the law. More important still, the Minister can withdraw his Exchequer grant, which covers about 60 per cent of local education expenditure. This is a sanction which brooks no argument.

This is also the first time that teachers have carried the threat to strike so far. With the backing of the Minister it is extremely powerful, and should be repeated only in issues raising the highest principles. Both teachers and Minister must have been encouraged by the strong line taken at the annual conference of the National Union of Teachers, which immediately preceded their action. Political and professional freedom was the chief subject of debate at the conference, and the county councils, both of Durham and Middlesex, were roundly condemned—the one for its attitude towards the closed shop and the other for its decision not to appoint Communists as head teachers. Whatever may be said on a conference platform, teachers themselves have not reacted similarly on the two issues. The closed shop has been resisted by every possible means. Middlesex County Council's decision not to appoint as heads of schools teachers who are members of the Communist party or closely associated with it is working smoothly, in spite of an initial protest by the National Union of Teachers. Candidates are signing the necessary declaration of non-association and no troubles have arisen. It is possible that Middlesex teachers may take some action as a result of the resolution passed at the conference. More probably they appreciate more clearly than their union leaders the risks of putting Communists into positions of authority in the school.

* * *

The Americans and Persia

Mr Morris, on and senior Foreign Office officials have spent two days in intensive but inconclusive discussion on problems with Mr McGhee, the US Assistant Secretary of State, who has just returned from Persia and the Middle East. The Foreign Secretary was anxious to learn the latest American views on the strategic dangers which may be arising—or neglecting—British interests. These conferences form an important prelude to petroleum talks

which are to take place next week in Washington. A delegation of officials and oil experts has already left London, briefed to discuss Anglo-American policy in the Middle East in the hope of reaching an unofficial agreement on the general lines of action to be taken in Persia. The delegation will consider with Mr McGhee the economic consequences of any new deal likely to be negotiated between Teheran and London. No attempt is being made, on either side of the Atlantic, to minimise the gravity or urgency of the situation. But full measures to maintain the stability of the area have yet to be finally decided. Meanwhile, the Persians have privately invited American experts and technicians to advise and assist in the process of "nationalisation"—a move which is, to say the least, premature.

* * *

Teheran and Treaty Rights

Any attempt that the Russians might make to interfere in Persia as a result of action by the Nationalists or Tudeh (Communist) Party would be made under a cloak of legality. What then are Persia's Treaty commitments with the two great powers?

The Persians are free of any treaty obligations with Britain and America outside the United Nations Charter. The Soviet Union, however, considers the Soviet-Persian Treaty of 1921 still binding. This was made clear on January 31, 1948, when a Note was handed to the Persian Government accusing the latter of "lending itself to alleged American plans for converting Persia into a military-strategic base." It demanded that the Persian Government should take immediate steps "to eliminate the existing abnormal situation" which it considered incompatible with the state of good neighbourly relations outlined in the Treaty of 1921.

The Note referred to article five which prohibits the presence of "organisations," "troops" or "armies" whose object is to engage in acts of hostility against the Soviet Union and article six which states that if a third party should use Persian territory as a base of operations against it, and

if the Persian Government should not be able to put a stop to such a menace, after having once been called upon to do so by the USSR, the USSR shall have the right to advance its troops into the Persian interior for the purpose of carrying out the military operations necessary for its defence.

In the exchange of Notes with the Soviet Union in December, 1921, the Persian Government, after seeking clarification of these two articles, was informed that they were intended to apply only to cases of a "considerable armed attack" by those foreign powers who are in a position to assist the enemies of the Workers' and Peasants' Republics and make Persia a base for counter-revolutionary forces. In other words the treaty was directed against the White Russians of thirty years ago. But it is being kept alive for contemporary use.

Persia is also a signatory of the Saadabad Pact of July, 1937, which is a treaty of non-aggression between the Moslem states of Turkey, Iraq, Persia and Afghanistan. Recently this agreement has received but scant attention though it provides through Iraq a contact between member states of the Arab League and the non-Arab Moslem States. The Anglo-Russian-Persian Agreement of 1942 which made the necessary arrangements for the wartime occupation and administration of Persia terminated automatically when foreign forces evacuated the country after the war.

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Europe's Two Tasks

Mr Foster, head of the Marshall Plan organisation in the United States, has been telling Europeans much the same

optimistic story that the American public has lately been hearing from the men who run its mobilisation effort. What Mr Foster said to Europe this week was, in effect, "You can carry a heavy defence burden and at the same time maintain or even raise your standards of living. Europe can have guns and more butter."

Theoretically the six-point programme which Mr Foster advanced would do much to achieve this goal. Western Europe, he suggested, should create a mass market and adopt mass production techniques. Restrictive practices should be eliminated. With the savings thus made, European industry could afford both to reduce the price of goods to the consumer and to raise wages. Managers and workers should be trained in methods which will bring greater efficiency and the programme of American technical assistance must be expanded. All of these measures will have to be accompanied by "vigorous" fiscal policies on the part of European governments.

If Western Europe is not again bombarded, overrun and exploited by alien forces, Mr Foster may well prove right and European industry may emerge in many ways strengthened by rearmament—just as American productive capacity was greatly expanded by the vast effort of the last war. There is, however, one important proviso which is missing from Mr Foster's statement. The shortage and the rising prices of raw materials threaten not only rearmament programmes but also the living standards of the ordinary consumer. Until some equitable plan is devised for sharing raw materials and until concerted action is taken to expand their supply to all members of the non-Communist world, talk of higher living standards will only raise false hopes. It may even, in the long run, deepen the "pessimism, doubt and neutralism" which Mr Foster seeks to ward off, and to which General Eisenhower, too, has referred.

* * *

Politics in the Survey

The fifth of the Government's annual Economic Survey provides about the way in which Whitehall is looking to announce than any of its predecessors. The outlines of economic policy for 1951 were given in the defence programme. What is new in the Survey is the working out of some of their implications; and the things that matter most in this respect are not the figures—which are of necessity more than usually tentative—but the evidence that the Survey provides about the way in which Whitehall is looking at the details of policy.

This evidence is moderately encouraging. The tone of the Survey is generally frank and firm, particularly in its insistence that prices have got to rise—which is obvious economics but still rather dangerous politics. It is this general sobriety that makes the occasional political intrusions stand out so clearly. Recent history is treated with a remarkable smugness, apparently intended to suggest that everything would be wonderful if only the Russians were less difficult. At some points, indeed, the authors look back to the middle of 1950 almost as a new (but already remote) Golden Age. It is certainly not objective economics to suggest that, because production has increased in the past two years, the rise would remain as rapid as ever if only "we were assured . . . of adequate material supplies from overseas." Again, it is a little difficult to know what the Survey is supposed to convey to the inexpert reader by the statement that the shortage of sulphur "stems from" controls imposed by the United States (though "designed," it is added, "to safeguard its diminishing reserves").

There should surely be no place in the Survey for a cheap sneer to the effect that rearmament in the thirties was paid for "by reducing previous waste." At one point, distortion of fact goes beyond the ordinary gloss over mistakes of past

policy: British stocks of food and raw materials are said to have fallen in 1950 "because world scarcities developed." Had the dollar import cuts, whose continued necessity Mr Gaitskell was defending late in the year, nothing to do with it?

Such blemishes are, however, few: in general the Survey's factual analysis is clear and sensible. But no one could claim that it offers anything in the nature of a plan. The extreme of ineffectiveness in government by exhortation is surely reached in the declaration that "While some adjustments to wages have been necessary and some are still taking place, there should be no unreasonable increases in wages, salaries or profits."

* * *

Festival Extravagance

Mr Stokes, the Minister of Works, has only recently taken over responsibility for the Festival of Britain from Mr Morrison. Perhaps if he had been in charge from the beginning his business sense would have prevented Festival Gardens, Ltd., which is organising the pleasure gardens and fun fair in Battersea Park, from getting into financial difficulties. As it is, it looks as if one more example will be added to the list of Government failures in commercial enterprise. Mr Stokes said this week that an independent inquiry will take place to find out why the company needs an additional loan of £1,000,000 to carry out its task. Until this inquiry is completed, blame must be withheld. But the Government cannot get away with Mr Morrison's statement, made on March 19th, that the main reasons for the additional loan are bad weather, labour troubles and the "worldwide forcing up of prices." As recently as last December it was thought that the financial commitments of Festival Gardens would not exceed £1,500,000. On March 6th Mr Morrison gave a warning that its expenditure would be higher than this, but he thought that it would not amount to more than £1,625,000—which, assuming that the fair was open for six months in 1951, would leave a deficit on this part of the Festival of £572,000. A fortnight later he had to revise this estimate of the loss by a million pounds.

It would have needed only ordinary prudence to recognise the red light long before this, and to re-examine thoroughly the original estimates of costs. But a Government-sponsored concern appears always to think that the essential thing is to push blindly on towards its target—whether that target is groundnuts, eggs or see-saws—regardless of costs because the taxpayer can always be relied on to foot the bill. And if the taxpayer demurs, there is always the argument that more money would be lost in abandoning the project than in completing it at the extra cost.

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One sidelight on the Festival's finances deserves notice. The taxpayer will have to bear any loss that is incurred. Nevertheless, private concerns that decorate their buildings are informed—to quote the words of one chamber of commerce—that "the cost of such decorations is permitted as deductible expense by the income tax authorities."

* * *

Refurbishing the Blunderbuss

Advocates of the capital levy are so frequently addicted to emotional opinion, so usually illiterate in the very elements of common sense, that it is a genuine relief to find the case stated in reasonable and realistic terms. In a recent pamphlet* Mr Roy Jenkins MP. Tribune

* Fair Shares for the Rich. By Mr Roy Jenkins, MP. Tribune Publications, Ltd. 16 pp. 6d.

possibly be made. The levy, in his view, is not primarily desirable as a means of easing the burden of the national debt, still less as a way of dipping into private capital to meet current national expenditure, which would clearly be inflationary and improvident. Its merits lie elsewhere. In the short run it is the only way of preventing the large property-owner from supplementing, by progressively using up his capital, the consumption possible on his post-tax income—and so both frustrating the national plan which sets a limit to consumption for the benefit of investment and defence and increasing the burden on the non-property holder. In the long run, Mr Jenkins argues, it is the indispensable means to the establishment of an economically just, classless society.

About the long-run effect one may well feel some scepticism. Those rich men who are consuming their capital will, on Mr Jenkins's own showing, run down their fortunes in any case. Moreover, a once-for-all levy (and Mr Jenkins is very firm that it should be once-for-all) would do nothing to prevent the rebuilding of fortunes by those means which escape the tax-collector's net. Mr Jenkins regards an adequately redistributive capital gains tax as impracticable.

But the crux of the argument turns on the short-term effect: the merits of the levy as the only remaining way of cutting present consumption by the rich. Mr Jenkins's case would have been stronger had he given some estimate of the amount of dissaving that would be prevented by the levy, and thus given a quantitative weight to the economic gain which he expects. The arguments by which he seeks to minimise the importance of the ensuing dislocation of market values are distinctly unconvincing; and his preference for payment in "a wide range of assets" to be held by the Government "for the income they produce" opens up a prospect—appealing to him—of a virtual extension of nationalisation regardless of the suitability of the enterprises concerned for public control in any form. For all its merits, his pamphlet leaves untouched the conclusion reached by his fellow-Socialist Mr Cooper-Willis (in the Fabian pamphlet "Towards Equality") that the levy is a "blunderbuss," uncertain in aim, destructive out of all proportion to its positive achievements, and likely to recoil uncomfortably upon those who use it.

* * *

Heads Roll in China

Many months ago, when the clemency and moderation of the conquering Chinese Communists were winning for them golden opinions among the more foolish of both Chinese and foreign residents, a saying gained currency among the more wary: "First heads will be nodded, then they will be shaken, and then they will be chopped off." Time has now brought fulfilment of this prediction which might, indeed, have been made in other words by anyone familiar with Communist political technique. Terror is an essential part of it, but not at the beginning, especially when "Popular Front" tactics are used to obtain power. Nowhere have Communists made their front so broad as in China; they have been all things to all men, so that in the first stage of their rule hardly anyone except the "Four Families" was excluded from their benevolence. But this political honeymoon could not last, and the steel-hardened cadres round Mr Mao did not expect it to; while their popularity waned, and the revolutionary wave began to ebb, they were building up a nation-wide secret police organisation for the day of liquidation.

The decree which assigned the death penalty to a wide and vaguely defined range of offences was promulgated on February 21st; since then the Peking Government and its publicity organs have been making no secret of the numerous exemplary executions which have been taking place. Miss Shen, a steel-hardened cadre who is President of the Supreme

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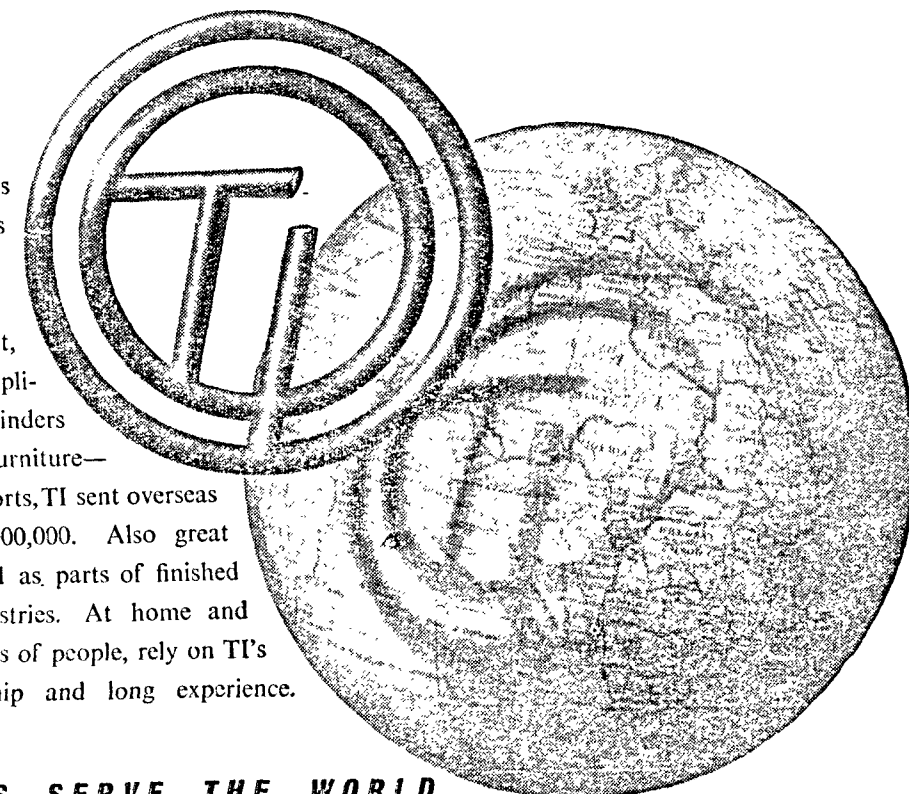
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CONTROL OF DEFENCE

THERE is much muddle and misunderstanding in the discussions of the appointment of an American admiral as Supreme Commander in the North Atlantic. What should be pointed out is that neither this nor the exactly similar appointment of General Eisenhower in the West gives to the United States control over the other eleven Powers who are joined in the North Atlantic Treaty Organisation with her. *Any idea that America will have a bigger share than others in sea, air or land decisions can be dismissed.* There is no comparison between Atlantic Treaty control arrangements and those in Korea.

The Supreme Commanders are in fact not supreme. Then who is boss? The answer is that the Governments of the twelve nations boss the show through the Atlantic Council. They boss their Defence Ministers, who consult together as the Committee of Defence Ministers.

The Committee of Defence Ministers bosses the Military Committee, which consists of the chiefs of staff of the twelve nations. The Military Committee bosses its offshoot, the Standing Group, which is established in Washington and consists of three men—a Briton, an American and a Frenchman. The Standing Group in its turn bosses the Supreme Commanders. The chain of control is thus:

Governments of twelve nations
Atlantic Council
Defence Ministers' Committee
Military Committee
Standing Group
Supreme Commanders

The Atlantic Treaty control is too complicated and ought to be streamlined, but there is no question whatever that Britain has full say in anything that is done. The rights of all nations are safe-guarded; it is for them to act for the good of the team.

That does not alter the fact that national pride is involved in the choice of operational commanders, and is of real importance. If command in the air under Eisenhower and in the Mediterranean fall to Britain, we should have small reason to be dissatisfied.

Reprinted from the editorial column of the Daily Mirror of March 20. The Daily Mirror's net sale—over four and a half million—exceeds that of any other daily newspaper in the world.



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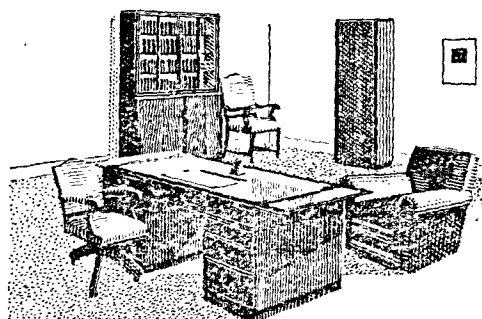
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Court, has rebuked local judicial authorities for excessive leniency towards counter-revolutionaries and has demanded retrials in some cases. The good work is now apparently proceeding briskly in all parts of China. In Kunming 31 persons described as "local despots, special agents and bandits" were executed in two batches; in Taichow eight members of the "Peasant Self-defence Army" were shot for "plotting rebellion, spreading rumours and undermining the 'Resist America, Aid Korea,' movement"; in Tichling and Suichung twelve leaders of "reactionary religious sects" have been executed for subversive activity.

It may be argued that these measures are consequences of the Korean war and of the Communists' fear of foreign intervention in support of counter-revolution. It must be pointed out, however, that the Korean war is being fought entirely outside China, that no part of Chinese territory is under attack, and that the only effect of American "aggression" in Formosa on the mainland of China has been to put a stop to the Nationalist bombing of coastal cities. No large rebel army is at present in the field against the Peking Government within continental China. When Danton and Robespierre organised terror in Paris, or when the Russian Bolsheviks did the same in 1918-20, they had at least the excuse that large areas of the national territory were in the hands of counter-revolutionary and hostile foreign forces. The Chinese Communists cannot claim any such degree of justification. If, nevertheless, it is held that the current ferocity is an unpremeditated effect of alarm and panic, then the growth of discontent against the regime must be far more serious than has hitherto been supposed.

The Japanese as Trade Rivals

The prospect of a peace treaty with Japan does nothing to quieten the nerves of British business men who fear increased competition in overseas markets. For, whatever be immediate political and military effects of removing allied occupation, it can hardly fail to put the Japanese in a stronger position to try to expand their foreign trade. At the moment, however, in spite of last year's sharp improvement on 1949, Japan's foreign trade position is neither healthy nor, as yet, a serious menace to competitors. The small surplus of \$70 million in 1950 was only achieved after \$400 million of American aid had been received, bringing the total of direct American aid of this type since the war to some \$1990 million.

It is true that the Korean war has led to a flood of American orders in Japan; but this sudden boom has a warning, and beneath it lie several reasons for long-term Japanese anxiety. At home inflation is once more rampant, and some Japanese exporters are actually losing foreign business because their prices are not competitive—compared, for instance, with Italian textile exports to Africa. Nor, even now, has the index of industrial production yet risen above 65 per cent of 1937.

What worries British industrialists is the future pattern of Japan's overseas trade. There the prospect is less promising. Before the war Japan imported virtually all its raw materials from Manchuria, Korea, China and Formosa. They were largely paid for with direct manufactured exports, with dollars earned in America, and with the sale of textiles and consumer goods to South-east Asia. Nowadays, Japan is desperately short of raw materials owing to the great reduction in trade with China. And so long as this situation continues, Tokio is bound to seek new sources of raw materials by making a determined effort to open up new markets and expand old ones. In spite of all its difficulties, Japan re-established itself last year as the world's leading tile exporter; cotton cloth shipments, for instance, rose around 1,000 million yards. And under a three-year plan now being studied by the government in Tokio efforts are to be made to raise textile exports by 25 per cent by 1954. This certainly spells trouble for Lancashire, since the idea

is to achieve these results in order to run a sterling surplus—which is necessary if Japan is to pay its way without American aid. For the free world as a whole, however, there is much to be said for pouring Japanese consumer goods into the backward areas. New times need new methods. If Britain cannot produce the goods cheaply and quickly enough it will be difficult—indeed, most unwise—to attempt to stop the Japanese from doing so.

Mechanics of the Census

Next Sunday's Census, the fifteenth since 1801, is expected to cost some £1,250,000 for Great Britain, spread over about five years. For the 1931 census the cost was £460,000, but 6d. per head of the population is still not excessive. Nor indeed is the fee of £10 paid to each of the 60,000 people—mostly civil servants, local government employees and school teachers—who are delivering and collecting the forms. The enumerator has had to master an elaborate brief. He must call until he finds people at home, for he himself has to fill in details of their accommodation; and he must check the forms with those who have made obvious errors—which will be frequent, for the census form is not light reading. Nor does the enumerator's work finish with collection. From his own records he must add up the numbers of men, women and children, of structurally separate dwellings, of rooms separately occupied or vacant. He must make out cards for those who live or work in local government areas other than the one in which they are "enumerated." All this for £10 plus the liability to severe penalties—a fine of £10 for giving up the job in the middle, and two years' imprisonment, or a fine, or both, for improperly disclosing information. Yet in England and Wales there were three times as many applications as there were enumerators' jobs to fill. No doubt this reflects in part a healthy desire for democratic service; but it is also a mark of the poverty of the lower middle classes.

On the basis of the enumerators' count, preliminary population figures will be published within about eight weeks. Meanwhile the schedules will be sent to Southport where personal particulars become holes punched in nameless cards, to be sorted in a hundred ways by the machines of Messrs Powers-Samas, who have done this work since 1911. (Scotland and Northern Ireland are running their own censuses.) The results will come out in stages, with a volume for each county, followed by general volumes on housing, occupations, industries and so forth. Last will come a general report, reviewing and summarising earlier volumes. The full information eagerly awaited by planners, businessmen and actuaries will thus not be available for four or five years. Meanwhile, however, partial answers will be provided on the basis of a 1 per cent random sample from each enumerator's returns, the results of which will be published within a year or so.

New Light on Britain

As a "snapshot of the population" on the night of April 8th the Census will be larger than that of 1931, but here and there somewhat blurred. Population figures will include all foreigners in the country on that night (although most of the more detailed tables will exclude them), and will exclude British residents, including servicemen, who are abroad. Housing statistics will remain ambiguous about what constitutes a structurally separate dwelling. The enumerator is told that a structural subdivision is "a portion of a house or building which has been structurally designed or adapted as a self-contained unit. Its distinctive feature is that it has a separate front door of its own apart from the street door." Must it also have the "usual offices" behind its front door? If it has all modern conveniences to itself but no front door, does it rank as shared accommodation

while a hovel standing in isolation is recorded as a separate dwelling?

Also blurring the deficiency of houses in relation to the number of families is the definition of a household, the criterion of which is that the people eat together. Thus a couple living with their parents for want of other accommodation would not be regarded as "doubling up." In the sample, however, an attempt will probably be made, by inference from the data on relationship, to sort out real families from miscellaneous households; and the information on the possession of piped water, stove, sink, wc and bath, and whether these are shared, will be important. The opportunity to find out how many dwellings are owned and how many rented has been missed.

The new questions on education will permit interesting cross-tabulation between the length of people's education and their present occupations. It is a pity that this inquiry could not be extended to cover the type of education. Age is only a rough guide to this; for example, a group completing full-time education at 21 could include the shorthand-typist, the technical diplomat and the university graduate. It was felt, however, that it would be too much to expect people to classify their own education.

Another new feature of the census is that it will provide facts about travel to work. There will be no measurement of distances, but the analysis will show the numbers of people who cross a local government boundary to go to work and specific results such as the number who live in Brighton and work in London, or who work in London and live outside it.

Mr Shaw's Newspeak

It is often regrettable when the benevolent intentions of a testator are frustrated by death duties. The financial crippling of Mr Bernard Shaw's posthumous propaganda campaign for a new English alphabet is, however, a matter for general rejoicing. Were it to result, in fact, in the introduction of the forty-letter alphabet and the phonetic spelling which this would make possible, certain advantages might indeed accrue. Typists and scribes might save time; teachers and schoolchildren might save effort; and a major obstacle to the use of English as the universal world language might be removed. The savings in time and effort would, it is true, require a very large initial investment in both, and the unpredictable idiomatic English use of prepositions might still disqualify English as an acceptable *lingua franca*. But the case against the Shavian alphabet does not rest on second thoughts about the magnitude of the gains which it would bring.

Even its disastrous effect in blurring the structure, and obliterating the historical overtones of the language is a comparatively minor disadvantage. The really appalling implication of the Shavian alphabet is that it would relegate our whole written heritage to an inaccessibility as absolute, for all but specially trained or exceptionally assiduous explorers, as that dividing the modern reader from Chaucer and his predecessors. Of course transliterated reprints would rescue the classics. But contact with the mind, the feelings, the ways, the characteristic savour of the past down to the year of adoption would be strictly rationed. Over the great domain of English letters a few trunk roads would remain open—which roads, Authority and the future economics of book production would settle between them; the rest would revert, so far as future generations are concerned, to almost impenetrable jungle. And along with literature proper would go all the factual records now open to the casual reader, the newspaper and periodical files, the private letters and diaries, the whole complex miscellany which links the generations; a clean sweep, only less effective than Mr George Orwell's "Newspeak," and as unmistakably useful to future tyrants concerned to mould men's minds to their own use.

Here, rather than in any saving of typists' time, can be found the only sufficient motive for the Shavian alphabet. Were it really desired to save time at the expense of a mere aesthetic predilection, a more promising line of inquiry could be directed to the discovery of a reliable and harmless depilatory which, used on the heads of both sexes, would produce a permanent, hygienic and enormously time-saving baldness. Distasteful as this prospect might appear, it would at least affect only the outside, and not the inside, of the human head.

Investment in the Schuman Plan

As realisation dawns that the Schuman Plan may become a real and permanent institution, many economists and businessmen in this country have begun to take a closer look. Much of their inquisitiveness is directed at the investment policy which will prevail under such a regime. Any project concerned with the efficient operation of the west European coal and steel industries must make provision for new investment, indicating how fresh capital will be raised and what considerations will govern its allocation.

The previous postwar attempt to co-ordinate European heavy industry was made by the Organisation for European Economic Co-operation (OEEC), whose efforts came to very little. Its failure sprang in part from the fact that OEEC was merely a collection of sovereign national delegations assembled to guide the spending policy of an external benefactor; its advice, therefore, often tended to be the outcome of horse-trading between the delegations, and where this was not the case American funds were frequently applied to those programmes that seemed more important to the ECA authorities.

In its present form the draft treaty of the plan is not very explicit on the subject of investment. Article 54 declares

Obstructives in Parliament

Everything in nature has its uses, even the obstinate adherence of the obstructives to old errors and old abuses. In the flight of the ball, the gravity that in the end brings it to the earth plays just as important a part as the explosion which gives it impetus. So in the moral world, the explosive passions of youth that hurry forward society are neither more nor less important than the mature reflections of age which hold it back. We are quite ready, on these principles, to acknowledge that the obstructives were only performing their allotted part in the great system of society when they resisted, on Thursday evening, Lord John Russell's motion for the House of Commons to go into a committee to consider the disabilities of the Jews. At the same time, their opponents only did their duty in carrying the motion by a majority of 68, in a House of 264 members. . . . Though we admit that the obstructives only perform a duty, we can but admire their courage and devotedness. Successive defeats never dishearten them. They stick to their object with the pertinacity of instinct, and hold fast while there is any hope to hold by. Experience never alters their views. As their predecessors were defeated in opposing the Dissenters, the Catholics, reform of Parliament, extending the freedom of the Press, so they are defeated in giving freedom to trade and equal rights to the Jews. So they will, of course, on all such questions be in the end always defeated. They will nevertheless continue to resist, as they always have resisted. To war against progress is their ordained vocation, and society would lose one of the elements of its perfection were they as yet to drop aside.

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April 5, 1951

that the High Authority may help to carry out investment programmes either by granting loans to individual enterprises or by giving its guarantee to loans that they may obtain elsewhere. Again, in order "to encourage a co-ordinated development of investment" the High Authority may call on all firms to submit their investment programmes before proceeding with them. On receiving these programmes, it will not only judge them but will pass on its opinions both to governments and to the public at large. Where any new investment runs counter to the non-discriminatory aims of the plan, the High Authority can forbid the use of any but the firm's own funds.

There is nothing in the draft treaty to prevent an undertaking from devoting as much of its own resources as it wishes either to economic or uneconomic investment. This latitude, however, may well be illusory. In the next few years any sizable investment in any branch of the European coal or steel industries is likely to require the flotation of public loans or large-scale American assistance. And it is possible that the investors, whether European or American, will come to regard the High Authority's stamp of approval as an essential item in any prospectus. Thus, if the High Authority makes the most of the opportunities written into the draft, it may well plan and direct the greater part of all new investment; but it will only acquire this role if it is manned by people of the highest calibre.

New Freedom for German Industry

The western Governments have never followed a sensible, clear-cut policy towards Germany; and as soon as the Germans realised that they were a key factor in the quarrel between east and west, it became virtually impossible to do so. The long-delayed decision on April 4th to relax restrictions on German industries—with the important exception of arms production—is a case in point. It comes too late and is too hedged about with exceptions to induce the Germans to do anything but ask for more. "Where," they will still demand, "is the equality we must have as the price for our aid?" At the same time, it restores formidable industrial might to a country which is still not firmly anchored in the western harbour. Nobody, and least of all the Germans, can assume that those restrictions which are still maintained will not later go the way of the rest, or that the methods by which they are to be enforced in the meantime are adequate.

The chief cause of German disappointment lies in the retention of control over capacity in certain industries. The steel capacity of the Ruhr is still subject to the Allied High Commission, despite the Schuman Plan, and output is still limited to 11.1 million tons a year, plus whatever is needed for the purposes of western defence. It is small consolation for the Germans to hear that they could not in any case produce more steel, since they are bound by the Ruhr Authority to export so much coke. They feel that they should have been better rewarded for joining the Schuman Plan. Dr Schumacher, who has called for "the mobilisation of all forces against the Plan," will doubtless continue his irresponsible campaign with added fire.

There are some branches of production, notably of synthetic rubber and oil, in which manufacturers are reluctant to take advantage of the raising of the ban. Many works have turned over to a different type of output, and there is uncertainty whether the boom in world prices will continue long enough to justify reconversion. Moreover, the Germans are now out-of-date in some processes of which they were once justly proud; though there are instances where opportunity is now offered for renewed production, possibly in collaboration with British and American manufacturers. German shipbuilding, without question, will gain by the raising of restrictions. Lack of capital stands in the way,

but the past few years have shown that German enterprises have an astonishing way of overcoming this handicap. They can be trusted to make full use of their new freedom.

Bonn in Economic Straits

The Council of Ministers of the OEEC will once again be at grips with the problem of German bankruptcy when the report from the managing board of the European Payments Union (EPU) reaches them in Paris on Friday. The Ministers' immediate concern will be not so much with western Germany as with the effect of the German position on its trading partners in Europe. The Danes, the Dutch, the Austrians and the Greeks—countries whose trade with Germany was an important part of their economies and who are themselves in debt to the EPU—have appealed against the impact of the interim measures which Bonn has had to take to keep itself afloat in the next two months. It makes no sense, they claim, for Germany to be kept swimming if they have to sink in the process.

Though the German position has improved in the last six weeks, there is still no doubt that they will have only just enough money to cover their outstanding licences till June 1st, if they do not assume any new ones. There are, therefore, only two ways in which the stricken countries can be relieved: the Germans can—at the cost of breaking industrial contracts—delay the incidence of payment on, or refuse to renew, some of the outstanding licences and thus make room for a little new trade from the smaller countries; and the bigger countries, Great Britain in particular, can import more of the goods that would normally have gone to Germany. The trouble here is not capacity but price. The British, for one, would be delighted to buy; but they claim, with some justification, that they cannot afford what they believe to be the inflated prices that Germany has been paying while it was building up its deficit with the EPU.

On the trade problem, as opposed to the internal financial situation, the Ministers cannot for the moment go much further. They cannot consider what is to happen after June 1st, when the Germans will begin to relax their import embargo, as the Germans have not yet produced a draft import programme. They have already been sent off home by the managing board of the EPU to prepare one, but one of the things which has made progress so slow and cumbersome has been the consistent German inability to produce hard facts and figures—about anything, from their raw materials stocks to the content of their outstanding liabilities.

The programme is to be prepared on a commodity, not on a country, basis; once the Ministers have collectively approved it in principle, there will be a rush to drive bilateral bargains with the Germans. At this stage, the EPU creditors will have to agree to allow some measure of discrimination on a commodity basis. Britain is, in the meantime, awaiting the German reply to the offer it has made to include Germany in the Transferable Account area; this, it hopes, will increase the inflow of sterling to Germany and thus ease its EPU position. The reply will come after a German cabinet meeting this month, and is expected to be favourable.

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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1

Letters to the Editor

Post-mortem on Wheat

Sir,—In your analysis, on March 17th, of the British-Canadian Wheat Agreement you drew attention to the effort being made by some in this country to insist that Britain has defaulted on the contract.

Many of us do not agree with this view as far as its legal aspect is concerned, and which is the view the Canadian Government takes. Whether there is a moral obligation on Britain to pay compensation to prairie farmers is, however, a different matter. Certainly for four years the people of Britain secured wheat from Canada at far less than the world's market price, and at much cheaper prices than Britain was purchasing wheat from the United States, Argentina, Australia and, it is said, Turkey and some other countries.

Your article implies, I think, that because the sales of class II Canadian wheat were relatively small—amounting to 196 million bushels over the four years—perhaps all Canadian wheat could not have been sold at the class II price had there been no contract with Britain. Experienced merchants and students of marketing here do not take this view, for we notice that during the same period close to 3 billion bushels were sold on the world's markets by the United States, Argentina, Australia, Canada (class II wheat) and from some other countries, and all at prices as high as, or higher than, class II price. During this time the world was badly short of food, to the extent that world buyers were eagerly purchasing Canadian rye at \$4.83 a bushel and even Canadian registered seed wheat to be used not as seed but for making into flour and bread, at \$6.00 a bushel. What reason, then, is there to suppose that an additional 140 million bushels for each of the last two years of the contract would not have commanded the same high price as class II wheat sold to some 65 different countries? This price can, therefore, be truly regarded as a world price.—Yours faithfully,

H. G. L. STRANGE
Searle Grain Company, Winnipeg

Walter Bagehot

Sir,—I am engaged on a biography of Walter Bagehot (1826-1877), the literary critic, economist and author of *The English Constitution*, who was also the second Editor of *The Economist*.

If any of your readers have any unpublished letters or other material concerning him, I should be most grateful if I could see them. I would, of course, take the greatest care of any documents entrusted to me.—Yours faithfully,

ALASTAIR BUCHAN
Elsfield Manor, Oxford

Tobacco Supplies

Sir,—Your note of March 24th on "Tobacco Supplies and Prices" said that "Presumably there is nothing to prevent British manufacturers from buying more [than two-thirds of the crop] if they are willing to bid up prices at the auctions."

This is not the case. The entire Rhodesian crop is allocated to the various markets by the Tobacco Marketing Board, and the allocations are policed by the operation of strict export control. Thus only two-thirds of the marketed crop will be given export permits to Britain and under the agreement Britain could only issue import permits for this amount.—Yours faithfully,

J. M. WADSWORTH
Southern Rhodesia

Arabic and Persian Broadcasts

Sir,—In your leading article on "Britain, Persia and Oil," published on March 24th, you described the BBC services in Arabic and Persian as often "dull and characterless" and argued that they had "lost their interest and many of their listeners."

I think it is fair to assume that an increase in letters from listeners means an increase in the total number of listeners. The rise in the number of letters from Persian listeners has been startling; they have increased from 400 letters in 1948 to over 2,000 in 1950, and

in the first three months of this year already 2,500 letters have been received. Arabic letters have been rising steadily by 1,000 each year since 1946; the number was 6,000 in 1950 and in the first three months of this year they have been coming in at the rate of 900 a month or 10,000 a year. These letters from Persia and from the Arab world show that there is great interest in the transmissions; suggestions or criticisms are made, and there are many questions about life in Britain and about the international situation.

The news is followed closely; Arab and Persian newspapers make use of the BBC news and many listeners check the news given out by their own broadcasting station by listening to the BBC; this is especially the case in times of crises, such as the Arab-Israeli war or the recent dispute between the Sultan of Morocco and General Juin.—Yours faithfully,

GORDON WATERFIELD,
Head of BBC Eastern Service
London, W.1

[Unhappily Persians who can write, and especially those who are able to address an envelope to the BBC in Latin characters, are not in such need of an entertaining and informative news service as the ninety per cent (or more) illiterates.—EDITOR.]

The Defence of Britain

Sir,—In your article in *The Economist* of March 31st you say,

Britain is the only country in Western Europe which is guarded on all sides by the sea. Of all the Nato countries it is the least vulnerable. . . .

I suggest that this country would be one of the most vulnerable in Western Europe in any future war. Any invasion in the future would inevitably be preceded by a thorough softening-up process, a new and terrible "Blitzkrieg." We are the ideal target for that form of attack. We are not only "the most important industrial target in Europe," but also the most highly concentrated. Of all the industrial communities in Western Europe ours would be the easiest to paralyse with the new weapons.—Yours faithfully,

ROGER HUNT
Lincoln College, Oxford

Books and Publications

The Liberty to be Human

Liberties of the Mind. By Charles Morgan. Macmillan. 252 pages. 12s. 6d.

Here is something less formal than a book, more shapely than the usual collection of essays; a series of variations on a theme indicated by the title, all coloured more or less deeply by alarm and despondency; all, on the other hand, lit by personal faith and informed by the highly deliberate and civilised style which is Mr Morgan's trade mark. Liberty is endangered not merely in its manifestations—freedom of speech and assembly, freedom from arbitrary arrest, and the like—but in its essential source, the mind itself; to the familiar conditioning pressures of public opinion and education there is in process of being added something more, which Mr Morgan provisionally labels "switch control," of which he sees evidence in successive Soviet trials: the technique of "annihilating in a man his national identity and substituting for it another identity which shall not have the faculty of individually willing and choosing." This technique may not yet have passed the laboratory stage; but everywhere man is being prepared to acquiesce in it.

Prepared by whom? By a personal Devil using materialists as his instruments. Having reached this point a good many readers by no means unsympathetic to Mr Morgan's outlook on life will feel, not like putting his book in the waste-paper basket—he is far too urbane and delightful a stylist for that—but like relegating his ideas at once to the realm of fantasy. In fact it is not necessary, in order to appreciate and weigh those ideas, to accept Mr Morgan's Devil, any more than it is necessary to accept the view, so thoroughly disproved by the lives of so many agnostics, that no sense of, and loyalty to, eternal values is compatible with a disbelief in personal immortality. One may refuse to follow Mr Morgan either in his imputation of motive or in his derivation of that motive from a diabolical source, and still share his alarm; a plague is no less disastrous because it has resulted not from malignity but from the random migration of rats.

These essays, writes Mr Morgan in his introduction, "seem to have selected themselves and to have indicated my book's subject by their convergence upon it." They are indeed richly various. The theme is stated in the first two chapters; thereafter Mr Morgan wanders widely, discussing the Dark Ages, what makes a good teacher, the Lost Generation, the *douceur de vivre*, the historical imagination as it may be applied to the present, romantic and classic writers, poets and saints—to name but a few of his topics. The connecting thread, however, is unmistakable. Always it is either the essence of liberty which is illustrated, or the essence of the threat to liberty, the

sources of strength, or the techniques by which strength is sapped.

Mr Morgan presents in some ways an easy target to criticism. Personal devils apart, he appears so self-consciously a Superior Person, so confidently one of the *élite* and the *élus*, so well aware of his dramatic rôle as champion of the Good, the True and the Beautiful against the materialist power-seekers and grubbers among statistics, so . . . One tails off, looking for the verbal equivalent of a ripe tomato to launch at this impeccability. The epithet "Pharisee," perhaps? But the missile goes wide. Self-consciousness is not the same thing as insincerity; there is no exclusive virtue in that casual understatement which flatters the reader with an illusion of equality. If a tocsin can be sounded harmoniously, so much the better—and if the danger is real the tocsin should be heeded. About the reality of the danger which Mr Morgan illustrates with such virtuosity there can be, unfortunately, no doubt at all.

Pleasure, Profit and Pain

The People of South Africa. By Sarah Gertrude Millin. Constable. 324 pages. 20s.

Mrs Millin is already well known as a novelist, and for her earlier book *The South Africans*, published in 1926. The present book is a revaluation which takes into consideration the vast postwar changes which have influenced the already complex situation:

Here we all are, a heterogeneous collection of Europeans; an imported and established population of Indians; a man—rather than a God-created nation of half-castes; a ghosthood of yellow aboriginals and a flood—a strong, spreading flood—of dark-skinned peoples. And, since we are not alone on the planet, and, so small as we are, cannot control our own destinies, the problem that chiefly concerns us is how, being here together, we may live and grow with the least unhappiness and enmity.

The approach is dispassionate. The six races that inhabit the Union are presented from their beginnings, through their development, to their situation in the interplay of political and social forces that make the modern South African scene. Boers, Englishmen, Jews, Indians, half-castes and Africans, each follows a destiny conditioned by the powerful thrust and riposte of temperament and circumstance, and Mrs Millin builds them up in their hopes and fears, meannesses and generousities, cruelties, greeds and stubbornness, with a patient acceptance of human frailty, kindled at times to a wry irony but never to condemnation. She writes with an

immense pity for lost ideals and false aspirations, and a sense of amazement that men should so destroy each other and their own inheritance—but no reproach.

Interwoven with the argument are vignettes of the men who influenced South African development. Rhodes, the superman "with enough vice in him to keep his virtues earthbound," creating and destroying with boundless arrogance, but unable to live down defeat; resting at last beside the Kaffir warrior Moselikatze, in the vast desolation of the Matoppos Hills, saluted, alone among white men, as a king by the black men he had won and betrayed and saved. Hertzog, frustrated by conflicting passions, but perhaps "the greatest Afrikaner of all times." Hofmeyr, the wonder-child who died too soon and left Smuts unfulfilled. Smuts, the idealist, tilting at the windmills of party strife; the lost leader who forgave too soon and so became a prophet without honour in his own country while loaded with honours abroad. Malan, his bitterest opponent, who now faces the conflict between Asians, Africans and Europeans alone, with the weapon of *apartheid* which began when the first ditch was dug to separate the Dutch from the Hottentots in the seventeenth century and remains the compromise of reason against feeling in a continent of four million whites and a hundred and sixty million blacks.

This is an enthralling book, sombre in implication, colourful in presentation, and those who are interested in travel, world politics and humanity will read it with pleasure, profit—and pain.

Latin America

The Economic Development of Latin America. By Raul Prebisch. United Nations Publications. 59 pages. \$3.

There has been a spate of books about Latin America in all its aspects—often by authors with an axe to grind. The present informative pamphlet, written for the Department of Economic Affairs of the United Nations, is the attempt of a Chilean economist to find

a solution to the basic problems confronting Latin America, the correct presentation of which has become a matter of immediate concern.

It is refreshing reading, because it is objective, sincere and constructive. A skilful avoidance of the mention of any individual country by name lifts the discussion out of the potential exasperations of the parochial into the realm of world planning.

Professor Prebisch considers Latin America as part of the periphery of the world economic system whose centre is the great industrial countries, and he maintains that the benefits that these derive from increased productivity due to technical progress have not, in the past, reached the periphery in com-



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parable measure. The response of the new countries to this disequilibrium is industrialisation. The author is fully aware of the difficulties ahead. The crux of the matter is the need for capital goods from the United States, and the lack of dollars to pay for them—which lack cannot be supplied by increased trade with Europe unless the United States is able to increase its import quota for European goods. Moreover, the industrial development of Latin America, and its rapid adoption of modern technology, depends to a large extent upon foreign investments, and these must be paid for by exports in the same currency. The problem is complicated by a natural eagerness to assimilate quickly ways of life which technically more advanced countries adopted gradually as their productivity increased. Professor Prebisch gives a warning that the raising of the standard of living of the masses depends not only on abundant capital, but also on the ability to use it well.

Sound rules of monetary behaviour for these countries are still in the making, and can only be evolved by means of adapting the universal truths of the theories expounded by older countries to the regular and intensive economic development of the new. For there is no longer a choice between industrialisation and the export of primary materials in exchange for manufactured and capital goods. Events in Europe during the last thirty years have broken that pattern, and industrialisation has become a prime necessity for the well-being of these countries.

Trivialities of Travel

Invitation to Morocco. By Rom Landau. Faber, 309 pages. 18s.

At a time when Morocco is very much in the news and a book, in English, giving some idea of the particular problems that now face the French administrators would have been most welcome, it is unfortunate that Mr Rom Landau should expend his knowledge and his industry on producing 309 pages filled entirely with slightly uninteresting trivialities. He claims (page 72) to have "known the Arab world most of his life" and he has obviously passed some of those 52 years in Morocco, yet he describes his last visit to North Africa in the manner of a missionary's wife after her first visit to the east.

One soon tires of his inclination to fall in love with Moroccan towns from which, for no apparent reason, he is obliged to drag himself away, and his pen-pictures of the country's leading personalities are as insubstantial as his appreciation of their problems. Passages such as the following, which occur throughout the book, with no further comment or extension, can only seem an utter waste of everybody's time:

Mogador was the first Moroccan town I visited that is administered by a civilian and not a soldier. The official residence of the *Contrôleur Civil* is in one of the largest and most historic houses in town, and one most typical of the local style: very high, with a small patio inside and galleries running round

it on each successive floor. But when I dined there, what impressed me far more than the beauty of the house or the excellence of the food—what artists the French are in culinary matters!—was the great love my host and his wife had for the Moors.

Mr Landau certainly travelled extensively in Morocco, and he seems to have had the right introductions to the right people, Moroccan nationalists and French administrators, but apart from reporting what they looked like, what they gave him to eat, how unfailingly charming everybody was to him, he tells us nothing at all. Problems in Morocco? Banish the thought! Let's go and have a cup of mint tea and watch some dancing-girls.

The Lesson of Defence

Fortress Tobruk. By Jan Yindrich. Ernest Benn, 214 pages. 21s.

Tobruk has the misfortune of being at one and the same time a symbol of disaster and of defiance. The epic of its resistance in 1941 was overlaid, and has been to some extent obliterated, in the public mind by the shock of its collapse in 1942. No good book has yet emerged to give a full account of both these actions. This present volume by Mr Yindrich, who was a war correspondent in Tobruk in the 1941 siege, gives us some useful eye-witness material, particularly in his interviews with troops, but contributes little in the way of military evaluation and is not well enough written to re-create the atmosphere of those fantastic early days when the fate of the fortress depended at times literally on the action of a single platoon or company. Major-General Birks, one of the British commanders during the siege, contributes a valuable foreword which underlines one of the most important facts about Tobruk—that its defences were essentially thin and brittle. He points out that the inner-perimeter defences in 1941 were virtually non-existent and the outer-perimeter had fallen into neglect. Why then did Tobruk not fall in 1941, when its defences were in disrepair, and yet did fall a year later when they had been greatly strengthened? The answer to this paradox is given in part by another addendum to Mr Yindrich's book, an epilogue by General von Ravenstein, who commanded the 21st Armoured Division under Rommel. It lay in the character of the attacking Axis forces. In 1941, as von Ravenstein points out, Rommel's forces against Tobruk during the first crucial days consisted only of one German division, plus some Italians, and though they broke through the defences they could not exploit their opening. But in 1942 Rommel was able to hurl against a disorganised Tobruk command the full weight of the Afrika Corps.

The military moral of Tobruk is indeed old and elementary enough, but one of which we could do well to remind ourselves in our present situation in Korea and Europe—that a resolute defence may produce results beyond all expectation. It can be as dangerous to over-estimate the enemy as to under-estimate him.

Reference and Text Books

Economics and Public Welfare. By Benjamin McAlester Anderson. Macmillan and Company, Limited. 602 pages 42s.

The tone of this financial and economic history of the United States from 1914 to 1946 is set by its explanation of the 1930-1939 depression as "due to the efforts of the governments, and very especially of the Government of the United States, to play God." In the opinion of the author, governments actually play the devil, and as a result his review of the performance can hardly be described as unbiased; he does not pretend that it is. But as economist to the Chase National Bank, and later as a professor of banking, he was standing in the wings, and sometimes in the prompt box, throughout most of the exciting period covered by this book and his account of what he saw is both interesting and valuable.

An Introduction to the Theory of Statistics. 14th Edition. By G. Udny Yule and M. G. Kendall. Charles Griffin. 701 pages. 34s.

This standard work, which first appeared in 1911, was given a complete revision in 1937. Now, in its latest edition, there have again been some substantial alterations, mainly in the way of additional material. The analysis of variance is given a somewhat fuller treatment and some of the problems of practical statistical sampling are discussed. New chapters on index numbers and time series will be particularly welcome to students of economics. A warning is given against many of the claims made for the existence of periodic cycles in economic data. Professor Kendall asserts that probably none of these cycles are periodic in the strict sense of the word. This statement is made here without any analytical proof but there is some discussion of the famous example of the Beveridge periodogram analysis of wheat prices over 300 years.

The book, as now amended, aims at covering the theoretical part of the syllabus laid down by the Royal Statistical Society for its Certificate.

Register of Research in Social Sciences. The National Institute of Economic and Social Research, London. Cambridge University Press. 174 pages. 15s.

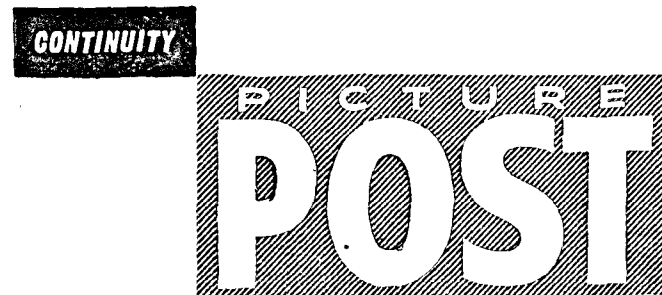
This register is published annually; it is described as a cross-section of work in progress and not a complete record. The information is collected from the individuals or institutions engaged in research and no attempt has been made to evaluate the work. The register is arranged so that it is possible to find out the work being done by a given institution, by any individual and on any given subject. A Directory of Research Institutions is also included.

Post Office London Directory for 1951. Kelly's Directories Limited. 2835 pages. £5.

The 152nd annual edition of this directory continues to provide as much information about the streets and occupants of London as may reasonably be expected in one book. The street directory, the most useful since it is the most complete section, contains references to very clear large-scale maps. Commercial and professional names are given in alphabetical and classified lists. Other sections include Parliamentary, postal, municipal, legal and clerical and transport information. A general index as well as a guide to the principal contents makes it easy to find the items required.

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AMERICAN SURVEY

Troops for Truman

Washington, D.C.

THE "Great Debate" has wound wearily to its close—satisfying nobody and clarifying almost nothing. The American public, which was supposed to learn from it some of the more pressing facts of international life, is probably more mystified than it was when Mr Hoover first introduced Gibraltar into the strategy of the atomic age. Most Americans long ago gave up trying to understand the intricacies of Paragraph Six of the Senate Resolution, which, as Senator McMahon asserted during the first day of the debate, "means different things to different members of the committee." They turned instead to the simpler pleasures of watching Mr Greasy Thumb Guzik on Senator Kefauver's television programme. There has been less and less talk lately of the boost which the whole discussion would give to European morale and the help it would be to General Eisenhower.

The final vote, when it came at last, was numerically impressive enough (69 for and 21 against) had the resolution itself had any substance left in it. The original idea of adopting a resolution which would show the world that Congress and the American people are behind President Truman, General Eisenhower and the Atlantic Pact had long ago given way to one which would tell the President what Congress did not want him to do, although it was unable to stop him doing it. What the Senate said in effect was, as the *Washington Post* pointed out:

We are with you in carrying out your present policy of sending four divisions to Eisenhower. But we resent your assumption that you can carry out major policies of this sort solely on your own authority and your statement that you consult Congress only out of politeness. If you want to send any more troops to Europe, come and ask us first.

This, as the *Post* observed, is "a long way from saying that no more American troops will be committed to the Atlantic army if needed." Only a few Senators were prepared to say that and to agree with Mr Hoover.

Everything that has happened since the controversy began in December has been nicely calculated to destroy domestic confidence in the elected representatives of the American people; but its effects should be much less discouraging in Europe. The speeches of those who drafted the original resolutions and the amendments which, it was hoped, would clarify them show that the hesitations, the quibbles and the compromises which have been so evident are but one more by-product of the disintegration of the present Administration. The opposition to sending troops to Europe was little stronger than the opposition to the Marshall Plan or to the ratification of the North Atlantic Treaty. The opposition to the idea of letting Mr Truman have too much rope was considerable. The problem was to find a way of approving the policy which the Defence Department had recommended

to the President without at the same time expressing unlimited confidence in his judgment. The problem was never solved, but it lay behind all the muddle.

Senator Wiley, who has taken Senator Vandenberg's place as the leading Republican on the Foreign Relations Committee and is making a gallant attempt to fill his shoes, took the view that "the North Atlantic Pact is very definitely not self-executing." He believed that it required Congressional implementation but, unlike most of the mid-westerners, who used this argument in order to avoid implementing it all, he added that "there is, at least, a moral obligation, if not a legal obligation, for the Congress to implement the Pact." And Senator Saltonstall explained the result of the deliberations of the committees by asserting that "by means of this resolution we simply say to the President: 'You now interpret the treaty differently from the way you interpreted it two years ago. We back you in this new interpretation.'"

★

Despite all the efforts of the Administration to pretend otherwise, the dispatch of troops to form part of an international army in Europe is in fact a new interpretation of the North Atlantic Treaty. Many Senators voted for the treaty because of the definite assurance (however unrealistic such an assurance might have been), given by Mr Acheson to Senator Hickenlooper, that the United States was not "going to be expected to send substantial numbers of troops over there as a more or less permanent contribution to the development of these countries' capacity to resist." They now wanted an opportunity either, like Senator Saltonstall, to register their approval of, and agreement with, the decision that changed conditions needed new policies or, as in the case of a minority, to show that they had only voted for the Atlantic Pact in the belief that it was a more or less meaningless gesture. And one and all were aggrieved at Mr Truman's easy assumption that he need not consult them at all.

Senator Taft tilted away, right up to the last moment, at the technical constitutional issue, and it is quite clear, though the Senator pressed his point, that, as the Court of Claims once explained in simple language, "Congress may increase the army or reduce the army or abolish it altogether; but as long as we have a military force Congress cannot take away from the President the supreme command." But the Constitution was not written with a situation like the present one in mind and the President would have been more tactful, and would have got a better resolution in quicker time, had he recognised the fact. Hardly anyone disputed his right to reinforce the army of occupation if he wanted to do so—or denied that he could have provided General Eisenhower with the necessary forces on this pretext—but nobody was prepared to accept the idea that the establishment of an international army was a routine departmental matter about which Congress need not trouble itself, and for which the drafters of the Constitution had provided specific authority.

Even in spite of Mr Truman, a strong resolution might have come out of the committees which spent so long in listening to evidence and such care in drafting unintelligible resolutions if Senator Lodge and Senator Smith of New Jersey had not involved themselves in the dubious project of trying to get everyone to go along. It was the attempt to get an overwhelming majority for the Pact itself two years ago which led Mr Acheson before the Foreign Relations Committee, and Senator Connally during the debate in the Senate, into the error of denying the possible implications of some clauses which had been drafted with considerable clarity. The two Republican Senators, in their efforts to stick their party together again, after it had been badly split by the attitudes of Mr Hoover and Senators Taft and Wherry, produced a clause so obscurely worded that everybody could vote for it without knowing how far it was intended to go. It was no doubt this timidity which encouraged the opposition to try to emasculate the resolution still further.

But, flat and unprofitable as the whole affair may have been for the United States, it should not be allowed to obscure a number of facts of importance to the rest of the world. The debate was begun by Mr Hoover's urgent cry that the Western Hemisphere should become a fortress and that American strategy should not contemplate sending troops to Europe. In those terms the debate never even reached the floor of the Senate. Senator Smith, who split most of the hairs about which there has been so much complaint, explained that Article 5 of the Atlantic Treaty was not involved. He said:

There has been no question whatever in the mind of anyone that, if there should be an armed attack upon one of the parties to the North Atlantic Pact, there are no restrictions of any kind, character or description upon the President's power immediately to send such armed troops as he, under the advice of his military advisers, might deem to be needed in order to meet the situation.

It was the "continuous and effective self-help and mutual aid" in Article 3, which included the possible establishment of a collective force, that was the subject of the resolutions and they, while approving the policy of sending four additional divisions to Europe, added the advice "when you come to a change in the policy, come to the Congress." This simply means, as the *Washington Post* pointed out, that "the Senate would like to hobble the President in carrying out a basic policy of which the Senate approves," or, perhaps more accurately, that it does not trust him to carry out an approved policy, and such a revolutionary one, with the blending of imagination and caution which they think it needs.

The nineteen Republicans who voted against the resolution in the end are the full strength of the "retreatists"; Senator Fulbright presumably joined them because he would have preferred no resolution at all to such a restrictive one. The full strength of those who have no confidence in Mr Truman as President and wanted to show it is the forty-nine who voted for the McClellan amendment which provided that "it is the sense of the Senate that no ground troops in addition to such four divisions should be sent to Western Europe without Congressional approval." On other amendments the strength of two other groups was on display—those like Senator Taft who prefer a narrow interpretation of the President's powers regardless of the merits of Mr Truman himself, and those friends of Mr Taft's who hoped, by defeating or weakening the resolution, to improve his presidential chances and hurt those of General Eisenhower. A motley crew they were and they nearly scuttled the ship of state.

Industry's Expansion

[FROM A CORRESPONDENT IN THE UNITED STATES]

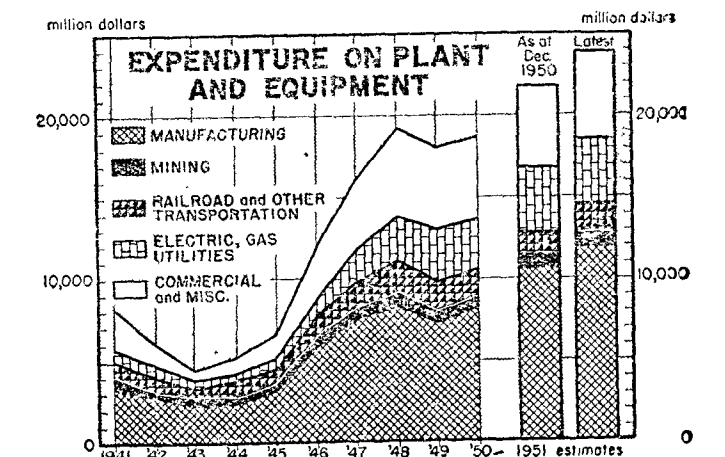
AMERICAN industry is in the midst of an unprecedented effort to expand its capacity. The largest expansions are planned by the industries participating directly in defence production, but the effort is not confined to these fields. The aims of this expansion, as laid down by the President and by his advisers, are threefold:

1. To provide, by July 1, 1952, the equipment for an armed force of 3,500,000 men, including a 95-group air force.

2. To provide additional capacity on a scale sufficient to turn out rapidly the arms which would be needed to expand these forces in the event of total war.

3. To supply the civilian economy with the essential minimum of goods during the emergency period, and to raise the level as soon as possible to somewhere near a normal standard.

All this calls for an expansion of the gross national product by 20 per cent in the next five years. In keeping with this



The estimates for 1951 in the above chart are based on surveys, conducted jointly by the Securities and Exchange Commission and the Department of Commerce, in December, 1950, and March, 1951, of the amounts which businessmen planned to spend on capital goods during 1951. These surveys are not exactly comparable to the McGraw-Hill survey, mentioned in the accompanying article, but confirm its conclusions.

aim, the Government has offered businessmen liberal inducements to increase the capacity of their plants. These inducements include advance payments by the military procurement services, direct or guaranteed loans by the Government, and the authorisation of accelerated depreciation, for tax purposes, on new facilities. The Government has also set goals for the additional capacity in such key defence industries as aircraft and tank manufacturing, steel, aluminium and electric power. There can be no question that this combination of carrot and stick has spurred private industrial expansion to an unprecedented extent.

It would be incorrect, however, to say that this is an investment programme directed by the Government. Free market incentives have been even more powerful in recent months than have government policies. Corporate profits are running at an annual rate of \$25 billion, even after the recent increase in taxes. Consumers, as well as the Government, have been buying industry's wares with an avidity seldom matched before. And businessmen are haunted by the memory of the second world war, when new equipment for factories

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

became unobtainable for many of them. With plenty of cash on hand, the biggest market of the century before them, and the costs of construction and machinery rising rapidly, increasing numbers of industrial companies are rushing to complete new facilities before it is too late.

It is still not possible to separate, in any precise fashion, the general surge of industrial expansion from such strictly defence activity as the manufacture of tanks and aircraft. Expansion in the steel, electric power, chemical, aluminium and machine tool industries is largely encouraged by, and related to, the defence effort. In the case of machine tools, particularly, the Government will place advance orders for up to \$600 million worth of tools, which will then be distributed to defence contractors as needed. In all these industries, however, plants and equipment serve civilian, as well as military, needs. Until more definite details of military requirements are known, neither the managements nor the Defence Production Administration itself can say how much of the output of a new plant will go directly or indirectly into military products.

Preliminary indications of the scope of this industrial expansion come from the fourth annual "Survey of Business Plans for New Plants and Equipment," conducted by the Department of Economics of the McGraw-Hill Publishing Company in January. It shows the plans for capital expansion which industrial companies—at least the larger ones—had at that time. American manufacturers hope to raise their total capacity by at least 9 per cent in 1951, on top of a 7 per cent increase in 1950, and a 75 per cent increase since 1939. Heading the list, as might be expected, is the aircraft industry, which is planning to expand its facilities by more than 40 per cent. Next comes the automobile industry, which is getting ready to make tanks and military trucks, as well as aircraft and parts, and anticipates an increase of 17 per cent in capacity. The electrical firms are also among the leaders, largely because of the enormous military electronics programme. Chemicals, steel and non-ferrous metals and the machinery industries also have major expansions under way. Altogether, industry's current plans add up to a greater growth than almost anyone had expected, or even hoped for.

*

Whether all this expansion can be achieved is another question. As a rough estimate, the plans reported in the McGraw-Hill survey might call for putting a third more finished steel into industrial construction and machinery during 1951 than was so used in 1950. This much steel could conceivably be made available by drastic cutbacks in the

output of consumers' durable goods, but it seems most unlikely that there would be enough steel in the necessary forms (chiefly shapes and plates), or that enough of it would be alloy steel, which is vital both for many tools and for the military programme. As yet, Washington has placed no direct restrictions on industrial expansion. However, more complete allocation of steel and copper is scheduled to begin this summer, and the Defence Production Administration will then have to decide how much can be used for various types of capital equipment. No one will be greatly surprised if production of some items, such as textile machinery, is curtailed in order that the steel may be used to make such things as machine tools. Even the size of the expansion proposed by industries directly connected with defence has been questioned in some quarters. For example, a number of experts have pointed out that the proposed increase in steel ingot capacity may be greater than the increase in supplies of iron ore which can be achieved within the same period. Moreover, the construction of fully integrated steel facilities may require more finished steel out of current supply than can be justified by the gains to be achieved in late 1952 or 1953.

Business expansion also involves political issues. It is a political maxim in the United States that defence work should be spread among small businesses, to the greatest extent possible. Unfortunately, the products for which new capacity is most needed—tanks, aircraft, electronic equipment, steel and aluminium—are typically the products of very large firms. Labour leaders, as well as spokesmen for small business, have been quick to accuse Mr Charles Wilson, the Director of Mobilisation, of favouring "Big Business," and of leaving small companies out of the defence programme. One of the hottest arguments is over the award of certificates authorising accelerated depreciation for tax purposes; relatively few small firms appear to have received such certificates. Mr Wilson's position is that, if certificates were handed out too freely, it would encourage indiscriminate expansion, which would cost more in scarce materials than it would benefit the defence effort. This is a logical viewpoint, but it remains to be seen whether it is politically tenable.

Perhaps as formidable as these short-run problems is the long-term question of what the United States will do with its greatly expanded industrial capacity once the emergency is over. There has long been a school of economists which contends that more steel capacity is needed if full employment is to be sustained in the metal-working industries. The same reasoning can be applied, of course, to the expansion of aluminium, power and other basic resources. If this con-

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tention is correct, then the post-emergency economy of the United States will operate at a very high level, for there will be tremendous capacity in both the basic industries and the fabricating lines.

It should be pointed out, however, that production of durable goods in the United States—and this is primarily a durable goods expansion—has seldom remained at such high levels for very long. If the production of consumers' durable goods is halted during the emergency, all the new metal-working capacity may indeed be fully employed in meeting the backlog of demand for automobiles and other such products. However, if consumers are able to obtain reasonable quantities of durable goods during the emergency period, which comes after the huge volume of purchases between 1947 and 1950, demand may be much less than it was after the second world war. Then the American economy would face the severest let down it has experienced since the nineteen-thirties, and the very firms which expanded most during mobilisation would be the victims, a thought which has worried the president of more than one company. Nevertheless, private industry will provide all the capacity America needs, for defence products and for civilian products as well. There has been no hesitation. In fact, the current expansion is the most spontaneous, as well as the largest, in the history of American industry.

American Notes

Rearmament Gets into its Stride

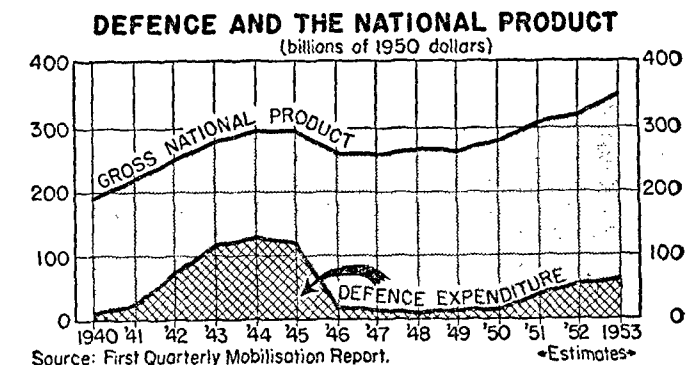
The optimism of Mr Wilson, whose job as Defence Mobiliser deals primarily with production, made a noticeable contrast last week with the pessimism of General Marshall. The Secretary of Defence, who knows that even a little good news can take the edge off the public's eagerness for sacrifices, declared that, despite the favourable turn in Korea, international tension was greater than it had been in November, and that any let down could be disastrous. Mr Wilson, on the other hand, in his first quarterly report, surveying the "miracles" on the production lines since the attack on Korea, concluded that the safety of the country has been measurably increased, that next year American strength will be formidable in many respects, and that by 1953 reasonable safety against aggression should be assured. He paid a handsome tribute as well to Western Europe's contribution to the growing security of the free world. In Washington, the Defence Department has now placed contracts for \$23 billion of the \$32 billion at its disposal; more than half of this has been committed in the past three months. A third supplementary request for this fiscal year is expected shortly, to prevent any interruptions as rearmament gets into its stride. Actual expenditures, which of necessity lag far behind the placing of contracts, are, at \$2 billion monthly, twice what they were at the time of Korea.

Consumers, who have been enjoying an Indian summer of plenty, cannot expect it to continue. But, as the chart shows, the defence programme, carved out of a steadily increasing national product, is not, even at its height in 1952, expected to take more than 20 per cent, compared with 40 per cent during the war. By 1953, given smooth sailing, stocks of weapons and defence capacity will be sufficient to enable the United States to wage an all out war, if one is thrust upon it, and civilian supplies will be able to resume their upward march.

Metals and men will be strained before this point is reached. In his first press conference in three months, Mr Wilson overcame his fears that civilian production might be hampered, and finally announced that outright allocation of steel, copper and aluminium—a limited con-

trolled materials plan—must take the place of priorities in order to guarantee supplies to defence industries. But supplies of manpower, he made clear in his report, will be recruited only by voluntary means—an assurance which, with the departure of General Clay from Mr Wilson's staff, may end the suspicions of the unions that direction of labour is a card up Mr Wilson's sleeve.

The Defence Mobiliser is responsible, however, not only for production, but for stabilisation of the economy, and on this score he was far less optimistic. He is strongly supported by the Joint Congressional Committee on the Economic Report, which for the first time since 1947 has come to a unanimous conclusion: that to curb the present



"galloping inflation," from which both consumers and the defence effort suffer, cuts must be made in federal spending—even defence spending—to hold it to a maximum of 28 per cent of the national income, and that not even military spending should be authorised until the revenues to cover it are in sight. The existence of a temporary budget surplus, which has forced the Secretary of the Treasury to lower his tax sights from \$16 billion to \$10 billion, may make it hard to convince Congress of this need for financial austerity.

* * *

Latin-American Defence

The first resolution approved by the Foreign Ministers of the twenty-one American republics, who expect to finish their conference by the end of this week, was the Declaration of Washington, affirming the hemisphere's determination to resist Communist aggression and to support the United Nations. Nevertheless there was a strong feeling amongst the Latin-American representatives that both President Truman and his Secretary of State, in their opening addresses, put too much stress on the links between, and obligations of, the Organisation of American States to the United Nations and too little on Latin-America's own difficulties.

This feeling lies at the root of the dissension on the first item on the agenda—co-operation for the defence of the Americas. The United States proposed that the Inter-American Defence Board should draw up plans by which the Latin-American republics would make themselves collectively responsible for the defence of the hemisphere below the Rio Grande, and that the troops set aside for this purpose would also be available to fight on behalf of the United Nations. But the second part of the proposal was unacceptable to many of the Latin-American representatives. Countries participating in this mutual defence scheme would be helped out of the sum of about \$80 million which has been set aside by the United States for military assistance to Latin-America; countries which held aloof would have no hope of receiving such aid.

It is expected that Argentina would be one of the latter, for the uncompromising attitude of its representative at the conference, the self-satisfaction of its atomic energy claims and, above all, the *La Prensa* affair, show that Argentina is determined to walk by itself as far as the hemisphere is concerned. The Argentine situation makes many Latin Americans feel that they are in more danger from totalitarianism at home than they are from Communism abroad. Furthermore, they are convinced that Communist aggression, as far as they are concerned, will take the form, not of a direct attack, but of the gradual infiltration which would thrive on unsatisfactory economic conditions.

For this and other reasons the Latin American ministers were more interested in long-term economic assistance than in the emergency measures on which the United States would have liked to centre the arguments—arguments which could not come down to brass tacks until 46 individual resolutions on various economic questions had been sorted out. The United States has offered a number of fairly satisfactory concessions on such matters as purchases of basic materials. But so far nothing has been done to satisfy the Latin Americans that the amounts they can earn by their exports will not be reduced by price controls in the United States, or to guarantee that the purchasing power of their dollar balances will not be diminished by inflation before they can be spent.

* * *

Crime Goes to College

When an Ambassador is shown to have had shady dealings with known criminals, and White House stenographers a failing for mink coats, and the President shows no sign of ordering a house-cleaning, the average citizen is inclined to look with some leniency—perhaps too much—upon the 16 college basketball players now under arrest in New York for accepting bribes to “fix” games. That toleration does not extend to the professional gamblers who tempted them; Governor Dewey has just signed a Bill doubling the penalty for such gentry to a maximum of ten years in jail. But it is argued that these poor boys are the victims of a general lowering of moral standards and of the lengths to which colleges will go to build winning teams. If the players stand in the dock, so should the community which demands its circuses.

Basketball, today the most popular spectator sport, attracted audiences of 100 million or so last year, and earned nearly half a billion dollars. College games began to interest professional gamblers when, to cash in on their popularity, they were moved to the big public arenas, such as Madison Square Garden. The invention of the points system also encouraged betting—and corruption. To “throw a game” today need not mean to lose it, but to win it by a smaller margin than was expected. In the last three seasons, 20 games at the Garden are said to have been fixed.

The basketball scandals have begun to draw some attention to the other evils of commercialised college sport, which may be less dramatic, but are more pervasive, and create a climate favourable to bribery. The *New York Times* has conducted a survey of 40 institutions which shows that, while some have seen the danger in time, others have succumbed to the theory that, without a winning football or basketball team, they have failed in their mission. The University of Chicago twelve years ago took the then startling step of abandoning inter-collegiate events and has not regretted it. But others find it a profitable source of income in hard times: Ohio State University, for example, earned over a million dollars last year from five games. Others find that basketball receipts build new stadiums (which in turn require more winning teams to keep filled) or pay for less remunerative sports. Still more find that the most effective way to maintain the interest and tap the pocketbooks of old students is through semi-professional sport. In Ohio some indignant

legislators recently demanded an investigation to discover why the state university did not win more games.

The practice of bidding for promising players and making life easy for them in college is forbidden by the big college leagues. But it continues under cover and in institutions which are not members, particularly in the south, generous “athletic scholarships” are awarded openly. In most colleges easy jobs are found for deserving forwards and centres, either by the college itself, or by local enthusiasts. Academic standards are shaded in their favour, and some courses of study, such as physical education, seem tailor-made for the brawny who have not the brain for mathematics or Greek. The recent scandals will have served some good purpose if they direct attention to the devaluation of a college degree and the distortion of values involved in the over-emphasis on competitive events.

* * *

Making Shipping Pay

Senator Fulbright's investigation into the Reconstruction Finance Corporation unearthed a number of unwanted bones which have been thrown to other committees. The Senate Commerce Committee is now gnawing at a surplus ship transaction which proved amazingly profitable for a group of shareholders, including, amongst many others, the late Mr Edward Stettinius, Mr Julius Holmes and Admiral Halsey. The prime mover in this affair, ex-Representative Joseph Casey, in 1947 chartered five tankers to an oil company and then, on the strength of the charter, borrowed the \$10 million needed to buy the tankers from the Maritime Commission—a carefully synchronised negotiation of which he confesses himself proud. The charter fees were paid to a Panamanian company, and thus escaped income tax. As a result the loan was paid off out of earnings and, when the tankers were sold in 1950, the partners had a clear profit of about \$2,800,000, less only the 25 per cent capital gains tax, on an initial investment of \$100,000.

There is no suggestion that there was anything illegal about the affair, apart from possible laxity in the Maritime Commission itself. Fresh attention has, however, been drawn to loopholes in the tax laws, especially since the tankers' earnings are still apparently tax free. For the ships seem now to be owned by a charitable organisation, the China International Foundation, which uses the charter fees to help Chinese students in the United States.

*

These tankers turned out to be so lucrative largely as a result of the sudden shortage of shipping caused by the Korean war. This has meant that the Economic Co-operation Administration has recently had difficulty in finding enough bottoms for its bulk cargoes. It has been forced to fall back on uneconomic Liberty ships from the reserve fleet. These will be operated by the new National Shipping Authority, which has now been set up in the Maritime Administration, to provide for the most effective use of the merchant marine in the present emergency. In the event of war it would become a full-fledged War Shipping Administration, with requisitioning powers, and would represent the United States in the international shipping pool.

While insisting that the NSA has no intention of interfering with private shipping business in general, the government is splitting every legal hair it can find in order to maintain its hold on one particular company. This is the old Dollar Line, renamed the American President Line; its chief shareholder gave his 92 per cent of the stock to the government in 1938, in return for loans and subsidies which set the failing company on its feet again. The subsequent shipping boom enabled the loan to be recouped long ago, but the government maintains that the stock was handed over outright, not merely as collateral, and still refuses to surrender its profitable holding, in spite of two adverse decisions from the Supreme Court.

THE WORLD OVERSEAS

The Screw Turns on Soviet Germany

EVERYTHING that is being done in the Soviet zone indicates that Moscow still intends it to be, politically, a base from which to win the West German Republic and, economically, a valuable source from which the Russians can secure the products of Germany's skill in the field of heavy engineering, precision instruments and chemicals. There is nothing in recent developments in the Soviet zone to suggest that the Russians intend to offer any serious concessions in order to establish German unity, whatever propaganda says to the contrary.

By and large, the People's Republic has not so far proved an effective political base for acquiring Western Germany. This is largely due to the gross contrast in the standards of living which still exists between the two parts of the country. In spite of improvement during 1950, the indigenous population has only half as many goods, including capital equipment, at its disposal as the West Germans. The Soviet Union still takes about one-third of the total production. There has been only a negligible change since 1949, when 25 per cent of the zone's industrial output was in the hands of the Soviet A.G.s, the Russian-owned key enterprises. According to the estimates of Dr Gleitze of the Berlin Economic Research Institute, over 50 per cent of chemical production, 46 per cent of the metallurgical industry, 41 per cent of electro-technical, and 36 per cent of mining production is owned by the Soviet companies. The Soviet Union also takes reparations from the current output of the nationalised factories to the extent of about 1,500 million marks a year, as well as occupation costs for the maintenance of over 20 divisions. In addition, uranium from the mines on the Czech frontier operated by the notorious Wismut A.G. is channelled to the Soviet Union.

Direct trade deliveries to the Soviet Union from the Soviet zone, apart from reparations, are believed to amount to about \$300 million a year. Furthermore, the Russians also secure from their German outpost another advantage which is impossible to assess, but which is certainly very great—that is, a hole in the fence through which strategic goods may be smuggled. Though controls have been tightened, the illicit traffic through the free ports of Western Germany and through Berlin, still continues. Only last week, the director of a Berlin iron and steel firm was arrested on a charge of delivering many thousands of tons of steel to the Soviet zone. Against this, it may be noted that the Soviet

German authorities are seriously concerned about the smuggling of valuable goods and machinery out of their grasp to the West. In spite of savage sentences imposed for this crime, the Soviet zone has undoubtedly suffered a considerable loss of high-class machines and—even more important—technicians.

Targets are very high, and have not been fulfilled in the most important branches of industry. In January, Herr Selbmann, one of the Communist economic “bosses,” revealed that, owing to a serious drift from the mines and absenteeism, hard coal production had fallen short of the target in 1950 by no less than 500,000 tons—a big proportion in view of the small total output in the zone. Serious weaknesses in engineering were also admitted. A drastic reorganisation of methods was ordered to eliminate faulty planning and inefficient administration. Engineering output is supposed to be 35 per cent higher this year than last, partly in order to reduce dependence on the West. Chemical plant is to increase by no less than 70 per cent. These targets can only be reached by a 20 per cent increase in productivity. Workers, said Herr Grotewohl, must realise “the magnitude of their task.”

Of the twenty-four key factories in the zone, twenty are producing heavy machinery, most of which is exported. Herr Ulbricht has declared that East Germany's foreign trade would be doubled in 1951, and imports of pig iron, coal and coke would be greatly increased. It is, however, clear that large imports of steel from the Ruhr will also still be required; although steel production has increased, and a big new plant on the Oder is in its initial building stage, there is still a wide gap to fill.

There has been much ominous talk of “sabotage” in the zone's steelworks. In fact, it is evident that the “young activists” upon whom the Communists rely have been overzealous and have caused serious breakdowns by forcing output. But this drawback to Communist policy of pushing on young workers will be offset by the SED Politbureau against the advantage of securing the allegiance of the rising generation. In the meantime, the prevailing inefficiency is met chiefly, according to the Communist formula, by establishing a party network in the factories for the purpose of “raising political consciousness.” In time—and the Communists are looking far ahead—this method will probably show dividends. Boys who have, for instance, been given

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the authority to run a shipyard will learn by their mistakes, and will—so it is hoped—graduate from the Youth Organisation to the Party, loyal servants of Stalin as well as good technicians. The West German Government and employers who have failed, because they have scarcely tried, to cope with the problem of the 600,000 young people who leave the Federal Republic's schools every year, would do well to learn something from the East in this field.

Nowhere has the failure of the Soviet German planners been so marked to date as in agriculture. The days are long past when Soviet propagandists dared to boast about the land reform of 1945. Now they have to admit that the big state farms, which were supposed to prove models for collectivisation, have been losing money, and must pay their way somehow by the end of this year. They also admit that the drift from the land of peasants who cannot meet the exorbitant delivery quotas continues. References to "unused land" are constant and revealing. In an effort to remedy this trend, peasants have now been told that quotas will not be raised this year, even if they produce more, and smallholders with 2½ acres will not need to deliver anything. Talk of coming collectivisation is denounced as sabotage; and, to assuage discontent, the organisation of "People's Control Committees" has been told to listen to complaints and henceforth to send in accurate reports to Government headquarters.

To sum up, therefore, it may be said that, from the standpoint of the Cominform leaders, the People's Republic does not yet qualify for the title of "People's Democracy," and will not do so until the SED, purged of Social-Democrats, becomes a militant "party of the new type." On the other hand, it is an extremely valuable source of industrial strength to the Soviet Union, and has a high nuisance value *vis-à-vis* the West, which will grow as the indoctrinated German youth take over the reins.

Persia in Trouble—III

Roots of Agitation

[FROM OUR SPECIAL CORRESPONDENT RECENTLY IN TEHRAN]

FOR the moment a combination of martial law and the national holiday of No Ruz (the Persian New Year) seems to have stopped panic in Teheran. At least such is the claim of General Husain Hijazi, the town's military governor, who has been firm enough to arrest several of Mullah Kashani's crusading gunmen, allegedly after a plot on his own life. A much publicised strike at Abadan—though it may be symptomatic of the uneasiness felt by the Persian oil workers at being so persistently reviled in the national press—has been declared on a minor issue affecting some 10,000 out of 55,000 workers. The atmosphere is more conducive to sobriety than it was before the holiday. Yet the political situation remains balanced on a knife edge. Public business, notably financial business, the imperative nature of which was described in *The Economist* of last week, remains at a standstill. Mullah Kashani, threatening bullets for all who deal with foreign dogs, is still at large. The Cabinet can keep threats of violence at bay so long as it swims with the stream of public fervour. But can it get any serious state business done? Here is its immediate problem in the weeks ahead.

Direct Soviet propaganda had little to do with last month's sudden upsurge of public emotion against Britain and in favour of nationalisation of the "southern oil." Persians do not so easily dance to tunes piped by the Soviet Union; they do not like the Russians. If they join, or sympathise with, the Tudeh party, they do so not for love of Moscow but for a chance that they are beginning to think is otherwise unobtainable—the chance to rid the country of a situation in which 200 or so wealthy families live off a

penurious population of peasants and workers. (There is no Persian bourgeoisie; even civil servants are so badly paid that they have to find other means of livelihood—for instance, to compose slander on foreigners for opposition newspapers—with which to make some money in the afternoons.) The basic fear in any Persian mind is that of pressure along the 2,500 kilometres of frontier exposed to the Soviet Union. It is safe to affirm, therefore, that had Soviet pressure in favour of nationalisation of the southern oil been exercised it would have checked the impulse which caused so many responsible men to vote for ousting the British oil company. The Russians, though not direct instigators of the outbreak, are, however, benefiting immensely from it. Their direct influence is at present chiefly exercised in the universities and among secondary school students—the school teachers of the future. It is said that at least 25 per cent of Teheran university students are Tudeh party members, and that a further 50 per cent are sympathisers. But the best job that is being done on their behalf is not being done directly. It is the handiwork of the wealthy politician who does not dream of paying tax, of the landlord who rails against the Shah's recent small effort to start distributing crown lands as smallholdings, and of the rich nationalist who is shouting for the downfall of the West.

Compensation Condemned

What does this last mean when he votes for nationalisation of the Anglo-Iranian Oil Company? This topic, much discussed behind closed doors and in low voices, has not yet been thrashed out in public. Premier Ali Razmara was shot for venturing, in what was virtually his last speech, the cautious remark that "expressions of personal opinion cannot be of much value unless technical groups have studied and clarified the situation. . . . We cannot, under present conditions, endanger the future of a large number of people simply on the opinion of a few." Yet the number of theories that are advanced whenever doors are shut suggest that quite a number of responsible persons hold this view. It is easier and may for the moment be physically safer, to march behind the extremists who shout for expropriation and who, turning a blind eye to the state's financial plight, shout: "What matter if we lose money; better be paupers than take a foreign rental for our black gold." Persians are not thinking in terms of compensation. They suggest that the company and shareholders have profited excessively already. The attitude of the majority in the Majlis amounts to a jungle grab. Another group of senators and deputies know that the Persian nation lacks the technicians to run even the extraction of oil much less its refining and marketing. The change they want is a share of the financial proceeds that is demonstrably as high as that enjoyed by other and newer concession-givers in the Middle East—notably by Saudi Arabia. They also want a greater sense of partnership in their sole national enterprise of consequence than is afforded by the company's present slow if steady "Iranianisation" policy. It is less the gifts than the manner of the giving that has touched off their emotion.

Few or none are ready to argue (as Razmara was shot for arguing) that the Persian oil known to exist in the south-east and in the north is already in the hands of a national company, and that the exchequer would do best to take what it can from the going foreign concern in order to make the Persian company a working concern. Most are feeling for some solution that would impart a sense of nationalisation or at least of partnership. But who dares to speak of compromise in public? Here, then, is Persia's dilemma. Who dares to say that the advocates of expropriation are wreckers who will bring down not only the oil company but the whole of Persia's flimsy social fabric with it. But Persians must realise that their irresponsible actions will effectively prevent any foreign bank or government from lending money in order to bolster their national finances or pay for schemes of social improvement. The Iraqis and Syrians, who advo-

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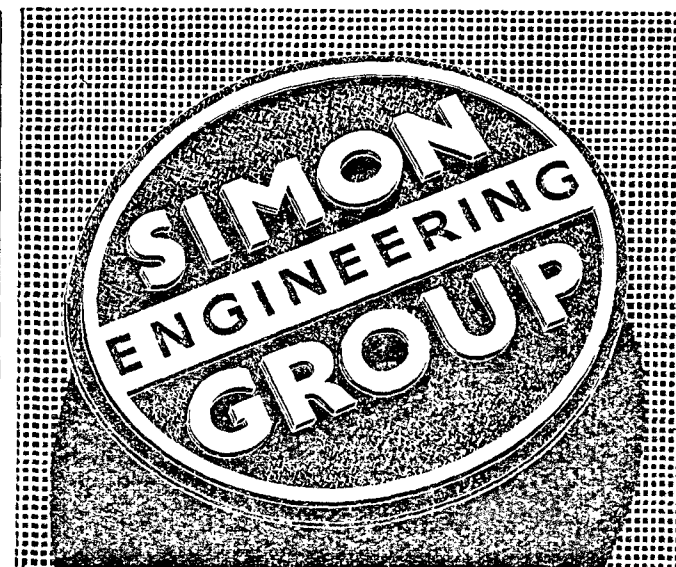
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Communists in the Austrian Police

[FROM OUR VIENNA CORRESPONDENT]

THIS week Herr Helmer, the Austrian Minister of the Interior, has fallen foul of the Soviet occupation authorities because he refuses to reinstate three hundred officers dismissed from the Austrian police. This conflict has arisen because of Herr Helmer's determination to cut out completely a canker which has existed in the Austrian police force ever since the first Austrian State Secretary of the Interior, Franz Honner, who was a Communist, managed to infiltrate some 15,000 of his co-believers into the various sections of the force. Herr Helmer, who is a Socialist, asserts that most of this *Putsch*-fodder has already been eliminated. Nevertheless, enough individual Communists still remain to have caused a considerable shock at the elections of Civil Service Trade Union officials which were held early in March. When the results were counted, the Communists were found to have polled 1,070 votes out of 6,617 in the Vienna Security Police, 310 out of 889 in the Secret Police (or Criminal Investigation Department), 23 out of 113 at Police Headquarters and 31 out of 67 among the so-called State (Political) Police. In the country as a whole, the Communists got nearly twice as many votes in the police as their general voting strength seems to justify, the increase being due entirely to the size of their vote in Vienna and Styria.

The publication of the figures for Vienna was not unnaturally greeted by the Communists with much delight coupled with expansive claims that, had it not been for gross intimidation, the votes of "the opposition" would have been much more numerous. Somewhat rashly, perhaps, non-Communist newspapers immediately started a campaign for the complete elimination of Communists from the police. They pointed out, with justification, that, in the event of industrial or political unrest, the Communists in the force could not be relied upon to obey the orders of a government representing the wishes of the majority of the population. With considerably less justification some of them accused Herr Helmer of having failed to do his duty. He himself has suggested it was perhaps a mistake for the People's Party and the Socialists to present a joint list of candidates to the voters, because this left the voter no alternative but to vote Communist if he disliked either of the two coalition parties. This argument seems to have considerable force especially as the Union of Independents did not put forward any candidates in either Vienna or Styria.

Causes of Success

The Communists claim that their successes are the result of dissatisfaction at the wage-price agreement last autumn and the increase in unemployment which has just begun to go down again after having risen above 200,000 in February. They claim considerable increases in membership and in the circulation of their newspapers since the beginning of the year. They may also have gained merit—though they do not claim it—through the cheap goods in the USIA retail shops which are increasing somewhat rapidly in numbers and are now to be found in almost every large village in the Soviet Zone.

But however much ground the Communists may or may not have gained—or lost—the fact is that Communist strength in the police dates back nearly six years and has nothing whatever to do with recent developments. The continued presence of what can only be a subversive and unreliable element in a vital department of state administration well illustrates the difficulty with which the Austrian Government is faced when dealing with any issue which

cate nationalising various enterprises, have grasped these points. They will pay compensation, which is, however, considered inadequate. The best that most Persians hope for is that the company will provide them with a new proposition which affords a bridge of compromise over which they can walk. Otherwise they are stuck on the pinnacle of hyper-nationalism up which they dashed three weeks ago, and from which few dare descend so long as Mullah Kashani and his gunners lurk round the corner.

Peking Finds Food for India

[BY A CORRESPONDENT]

THE Chinese Government has offered to supply India with a million tons of food grains at "competitive rates" in addition to the 50,000 tons of rice which it has already contracted to supply. The Chinese Embassy in Delhi allowed this to leak out last Tuesday. Peking and Moscow will no doubt now make a good propaganda point out of this as they have already out of the fact that shipments of Chinese rice have already reached Calcutta, while the prospects of American wheat arriving in time to check the threatened famine in India are diminishing daily. Some Indian newspapers are providing just the reaction that China's gesture was meant to obtain; the Lucknow vernacular paper "New Dawn," for example, declares that the contrast shows "who has a genuine concern for the welfare of the Indian people." It has already been pointed out that India's vast deficit will scarcely be affected by the 50,000 tons of rice which China is sending in exchange for jute and jute goods. But, apart from the Indian Food Minister's expressed hopes of obtaining more Chinese grain, the mere fact that a country which previously imported so much food can now export it even in fairly modest quantities is a good propaganda point. Sections of the Indian Press are telling their readers that land reform has enabled China to solve its food problem in one year.

Evidence to the contrary is provided by Peking's own published statistics, which show that the increase of 10.5 per cent in food production achieved in 1950 fell short of the Government's target by over a million tons, while the more modest 1951 target of a 7.1 per cent increase will still leave total production well below the pre-war average. The Chinese Communist radio has recently admitted the existence of several serious local famines, one of which occurred on Hainan island and another in northern Kiangsu; in neither of these cases can it be argued that cross-country transport problems might have prevented the timely arrival of food even if adequate stocks had been available. While land reform has, doubtless, stimulated production in many areas, its effect has sometimes been to dislocate rather than to inspire; a sharp public rebuke was delivered in March to local Communist leaders in two Honan districts, whose doctrinaire insistence on putting through the reform at a time of food shortage had led to the flight of thousands of people and reduced many to begging for their food. The Government's policy of giving priority in fertiliser supplies to cotton, tobacco and other industrial crops, and the recent epidemics of cattle plague, which killed at least 10,000 draught animals and seriously impeded spring cultivation, are two more factors which make it unlikely that China is already free from hunger. Against such a background the rice shipments to India and the new offer of much larger supplies have an unpleasantly familiar character. A Communist government which exports food for political reasons while its own people go hungry is not acting without precedent.

touches, or seems to touch, the interests of the Russians. During the disturbances which followed the new wage-price agreement last September the Ministry of the Interior tried to dismiss or transfer a number of police officials in Vienna on charges of having helped the rioters instead of obeying orders. With one exception they are still there, though the Control Agreement places the duty of maintaining law and order in the hands of the Austrian Government and only authorises the Allied Council (not an individual occupying power) to intervene if the Austrian Government fails to carry out this duty.

Before this latest conflict Herr Helmer had pointed out that the Soviet authorities continually interfere in Austrian affairs "even to the point of preventing the dismissal of officials who have violated service regulations." Some of these interferences are by local Soviet commanders and are subsequently overridden by the Soviet High Commissioner—provided they have not been over-publicised so that questions of prestige are involved. He has also said that the Austrian police are the backbone of the state and do not provide a basis for Cominform plans for a totalitarian *putsch*. In this he is undoubtedly right. The elections, moreover, told the authorities little they did not know already. They only brought the facts to the notice of the newspapers and the public in a way which has perhaps made Herr Helmer's task of reducing the Communists in the police to negligible proportions more difficult.

The Outlook for Whales

[BY A NORWEGIAN CORRESPONDENT]

THE high price now being secured for whale oil is threatening to tempt newcomers into the industry to an extent that may prove uneconomic to all concerned. In the last few months there have been reports of the preparation of new expeditions in a number of countries, including Italy, which have never before engaged in whaling. All these expeditions are intended to operate in the Antarctic, which is now the only region still offering opportunities for large scale whaling. In the last Antarctic whaling season which ended on March 9th, nineteen expeditions took part, the largest number since before the war. In some prewar seasons this number was surpassed, but the capacity of the individual expeditions is much larger today, with larger and more elaborate factory ships and more catcher boats and auxiliary aids.

The capacity of the whaling industry has probably never been greater than it is today. Certainly it is already much larger than is necessary to catch the maximum quota of whales permitted by the International Whaling Convention of 1944. Proof of this is the successive shortening of the whaling season year by year since the war. The last season began as late as December 23rd, and the whole quota of 16,000 blue whale units was caught in the 77 days up to March 9th. The capacity of the industry is under-employed. Although this represents an economic loss to the community at large, it has not yet affected the prosperity of the whaling companies, who have enjoyed an unsurpassed demand for their oil since the war. There is serious concern, however, about the consequences if Japan, Holland, Italy and possibly other countries all try to join in.

A further increase in the number of expeditions will mean a further drop in the share of each expedition in the quota of whales. A paradoxical situation may arise in which more expeditions will produce less oil, as the full quota of whales will be caught earlier in the season when their content of oil

is smaller than it is later in the season. The alternative might be to lift the present restrictions on catching. This would probably mean the virtual elimination of whale stocks in the Antarctic in a few years. This has happened on other whaling grounds after unrestricted catching. There were already signs of such a development in the Antarctic in the 1930s, but the war brought a much needed respite. There were attempts before the war to restrict catching, more for commercial than biological reasons, but no effective system was achieved until the London Conference of 1944. The agreement reached then has been maintained successfully ever since, but whether it can continue to be enforced now that the whaling fleets have been rebuilt and expanded is open to question.

The necessity for maintaining a maximum catching limit seems clear. Even though practically no whales were caught during the war, the stock has markedly deteriorated. The number of whaleboat days expended per whale caught has risen steadily, and the ratio of rich oil bearing blue whales to other poorer types has declined steeply. It is obvious that the slow breeding whale has not yet recovered from the enormous and unrestricted depredations of before the war. From a biological point of view a reduction rather than an expansion of the present quota is clearly necessary.

Protests from Norway

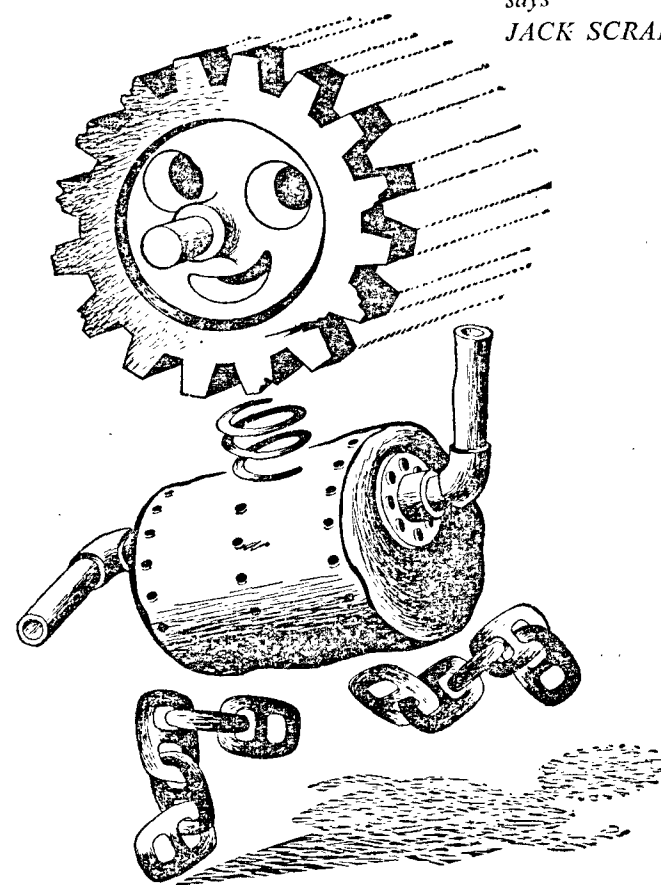
The veteran whaling nation, Norway, is anxious that the present quota should not be exceeded, for it is concerned about the biological basis of an industry of vital importance as a currency earner. Norway sent ten of the nineteen expeditions engaged this last season, and also provided most of the men for the three British and one South African expeditions. The Norwegian authorities have pursued a policy of discouraging new expeditions. Norwegians are forbidden to take employment on any but Norwegian and British expeditions. A licence has been withheld from a Norwegian whaling company which wanted to operate a new factory ship, and this valuable vessel is having to be used as an oil transport ship.

There were strong protests by Norway when General MacArthur allowed Japan to resume whaling after the war with two expeditions. Norwegian workers were withdrawn from the one Russian expedition after the first postwar season; and the one Dutch expedition has been completely boycotted. A stubborn resistance was maintained against the new Olympic expedition which was sent to the Antarctic for the first time this last season. This cosmopolitan enterprise has a factory ship converted in Germany, registered in Panama, and manned by Germans. Last summer an offer to disband the expedition in return for a payment of \$730,000 or £300,000 by the Norwegian Whaling Companies' Association failed, because the Norwegian currency authorities refused to grant either sterling or dollars for the transaction. It is now reported that the expedition's oil production has been sold at an exceptionally high price, considerably more than the £100 a ton received for the advance sale of the bulk of the Norwegian and British expedition's production to the Ministry of Food last autumn. At Belfast a factory ship, *Juan Peron*, has been under construction for an Argentine company. It appears that in this case Norwegian non-co-operation in providing personnel has created difficulties, and there have been various rumours concerning the disposal of this vessel.

Norwegian whaling leaders view the present expansion plans of other countries with considerable alarm, and are pessimistic about the ultimate outcome of the increasing competition for the limited supply of whales. It appears certain that the next international whaling conference, to be held in South Africa this summer, will have to make recommendations of vital importance to try to protect this industry which, in the Antarctic alone, produces over 300,000 tons of whale oil annually.

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THE BUSINESS WORLD

Economic Survey for 1951

"The problem is how to rearm as fast as we can, while maintaining a strong and healthy economy." The economic prospect for 1951 "is in many ways harsh and unpleasant . . . even so, many of the assumptions on which the Economic Survey is based may well prove to be optimistic." The task is presented explicitly; whether it can be successfully achieved is hedged with doubts. Will industry be able to secure an increase in output sufficient, as the Survey hopes, to provide more than three-quarters of the extra goods that the Government needs for defence? Will it be possible to increase export earnings sufficiently to pay for the big rise in the cost of imports that is in prospect this year? Will the stiff rise in internal prices that is implicit in the Survey's reasoning be acceptable to the community or will it delude itself into thinking that the real burdens of defence can be side-stepped by another bout of inflation?

I—Prospects for Output

MANY of the Survey's calculations are based upon one already familiar and hopeful assumption—that production in the industries covered by the official interim index will be 4 per cent higher during 1951 than it was during 1950. This implies no considerable rise beyond the level reached by the end of 1950, which was 4 per cent above last year's average, though it probably implies a slightly higher increase in the production of manufacturing industries (which in recent years have risen rather more than have the "mining, building and public utilities" components of the index). It is difficult to assess the possibilities of achieving—or approaching—these objectives. The factors that will contribute to the assumed increases—manpower, fuel and power, steel, and other raw materials—and the output of manufacturing industries in general, are examined in the document with a degree of circumspection that allows of far less detailed "estimates" or "forecasts" than were contained in previous Surveys.

Manpower.—Concentration upon the labour requirements of the defence programme has entirely replaced the discussion, in earlier years, of attempts—generally unsuccessful—to divert manpower from employment such as distribution to essential industries short of workers, including coal, agriculture, textiles, and pottery. Indeed, the record and forecasts of manpower within individual industrial groups have now disappeared from the Survey. Its statistics, as Table I shows, are designed to cover broad divisions that convey little impression of manpower logistics for defence, while such detailed estimates as it provides in the text are heavily swathed in qualifications.

It appears that rather less than half a million workers were engaged upon defence production in mid-1950: and that by the peak of the programme in 1953-54 this figure will have to be "more than doubled." During the next two years increasing numbers serving in the armed forces will offset the small increases expected in the total population of working age, leaving total civil employment practically constant. Not all of the extra half-million required for defence production will need to change their jobs, since many employers will switch to defence orders: but the aircraft and ordnance factories

will require 175,000 extra workers, and manpower will have to be found for the additional capacity to be created to produce aero-engines and tanks. The first difficulties to be faced will be in finding sufficient draughtsmen, jig-makers and tool-makers to prepare the production lines for defence contracts. In general, the Government will rely upon existing methods within the Ministry of Labour to assist the changes it has outlined: "special attention" to the labour requirements of

TABLE I.—MANPOWER IN GREAT BRITAIN, 1948-52
(Thousands)

	Mid-1948	End-1949	End-1950	Forecast	
				End-1951	End-1952
Total working population..	22,904	23,000	23,225	23,350	23,450
H.M. Forces	846	725	752	850	900
On release leave	92	11	—	—	—
Total industrial population	21,966	22,264	22,473	22,500	22,550
of whom:					
Men	14,913	15,116	15,191	15,125	15,100
Women	7,053	7,148	7,282	7,375	7,450
Registered unemployed ...	282	360	328	300	250
Total in civil employment..	21,684	21,904	22,145	22,200	22,300

defence work in engineering, whatever that may signify, is mentioned, as are "the system of labour preferences," training, up-grading and dilution. The Survey touches upon one form of diversion of labour—as distinct from formal "direction" which, according to a statement by Mr Bevan this week, will not be restored unless or until actual war appears to be imminent.

In some cases the allocation of scarce materials and control over output will make it impossible for particular firms to keep their existing labour fully and usefully employed. Release of labour under such circumstances will help in providing workers needed for defence production, so long as it is in the right areas and the labour is of the right type.

The qualifications are formidable: while much of the labour thus forcibly "released" may be in areas where defence production needs workers, its suitability for defence work may be more doubtful. The Government holds that such passive measures "seem likely to be adequate" for the present, which is to say that labour may be attracted to defence work by the normal, un-

planned economic incentives: following its failure since the war to influence the flow of labour within industry in desired directions, the Ministry of Labour appears to have despaired of "manpower planning" in a peaceful economy.

Coal.—The Survey is rather less specific in its estimates of what "may be looked for" from the coal industry this year than the Minister of Fuel and Power was in the previous week: its hopes of production almost coincide with his, but it has little to say about inland consumption, stocks, or exports. It holds that a total production of 219 to 222 million tons may be achieved this year (deep-mined 208-210 million tons, and open-cast 11 to 12 million tons): this appears reasonable on the basis of the favourable trend of production during the first quarter of this year. The Survey hopes that manpower may continue to increase, but recognises the counter-attraction of industries engaged in rearmament; it is not easy to be confident that this recent rise of the labour force in mining can long continue, but the industry's present numbers are consistent with the production target. It is expected that inland consumption will rise by between three and four per cent, as it did last year; and there is a somewhat pious observation that "It is no less important to begin to increase our exports, if we prudently can, from the low levels of the winter"—on the basis of which Britain's allies in Western Europe must presumably make their own plans.

Electricity.—There is a note of complacency in the Survey's single paragraph upon electricity generation. It remarks that the "better balance between supplies of different types of equipment" permitted more generating capacity to be brought into service; but as this new capacity was not enough to offset the growth of demand for electricity, consumers remained as short of power during peak periods as they had been, and apparently no nearer satisfaction of their needs. Co-operation is requested from domestic consumers to avoid power shortages that would interfere with industrial production, but no hint is allowed to appear that special measures might be taken to render this co-operation more likely.

Steel.—Difficulties in supplies of raw materials, particularly imported scrap and iron ore, are mentioned in the Survey as being likely to affect steel output; but their full importance may not appear to have been accepted. From the increased capacity becoming available this year under the industry's development

TABLE II.—STEEL OUTPUT AND MATERIALS CONSUMED
('000 Tons)

	1948	1949	1950	1951 Forecast
Pig-iron production:				
Total	9,276	9,499	9,633	10,000
For steel-making	7,011	7,039	7,290	8,000
Scrap for steel-making:				
Total consumption	9,045	9,776	10,251	9,350
Steel production (ingots and castings) ..	14,877	15,553	16,293	16,000-16,250
Imports (crude, semis and finished)	404	884	454	—
Exports of finished steel	1,448	1,735	2,350	—
Deliveries of finished steel to home market	9,674	10,471	10,200(a)	12,250

(a) Includes the equivalent of 100,000 ingot tons obtained by drawing on producers' stocks.

plan, it states, a crude steel output of 17.75 million would be possible if full supplies of materials were available, but in present conditions "it would be unwise to rely on" more than 16 to 16.25 million tons, as shown

in Table II. Even this, it is admitted, might prove to be an optimistic forecast (though it is one of the few concerning materials or production that the Survey is prepared to include in a statistical table). But on this basis 12.25 million tons of finished steel would be available for home needs and for exports, which will be reduced (supplies of imported steel, also expected to be lower, are left out of the sum). There seems by now little doubt that this forecast is distinctly optimistic: the assumption of an output almost unchanged from that of 1950 is not easy to reconcile with the reductions in output that have already been forced upon certain producers by the running down of stocks of raw materials.

Raw Materials.—Discussion of the shortages of other raw materials that are now besetting the economy contains little that is new, and it reveals no considerable degree of prescience on the part of the planners. It is significant that sulphur, which was scarcely mentioned in the 1950 Survey, this year ranks first in importance among the critical shortages. Reference is made to the projects for producing sulphuric acid from other materials and for recovering sulphur from gas-works, coke-ovens, and oil refineries; but it is admitted that these cannot be expected to yield large amounts for at least two years. On non-ferrous metals, wool and softwood, the story is again familiar. The running down of material stocks during a period in which official quarters were claiming credit for the enhancement of the gold and dollar reserves is attributed to the development of "world scarcities"; there is no admission that in certain cases at least it may have been due to a wrong calculation of market prospects by official purchasers.

Defence Production.—The main burden of rearmament will fall upon what the Survey calls "the metal-using industries"—a heterogeneous group including engineering, vehicles, aircraft, hollow-ware, cutlery, shipbuilding, jewellery and drop forgings. It is this group that has shown the greatest increases in output since the end of the war: and in 1950 it was responsible for roughly half the country's exports. The Survey holds that the output in 1951 of this group of industries will be limited by steel and non-ferrous metal supplies, and assumes that it will not rise above the level achieved in the last quarter of 1950—which implies a rise of perhaps 7 per cent in the yearly average. With this "modest increase" in output, and cuts in civilian consumption, it hopes to meet most of the direct defence demands (£350 million in the present financial year) upon these industries; total supplies for export and investment should not, it estimates, be seriously reduced, though exports of certain varieties of plant and machinery will have to be cut. "The aim must be" to increase exports of other metal goods, and maintain the total volume of exports from the group in 1951 at the average level of 1950 though less than that at the end of that year. Plant, machinery and vehicles for home investment, again, should be maintained in total volume, though a larger proportion will be needed for defence production. On specific defence needs, some anxiety is expressed about supplies of machine tools; at the time that the Survey was completed, at any rate, the substantial imports of tools from the United States and from Europe with which it is hoped to supply a very large part of the defence needs were "not yet assured," and the need to cut exports as well as civilian supplies of tools is clearly accepted.

Textiles.—The Survey promises considerable burdens for the textile industry. Rearmament demands, it records, will "fall with particular severity upon the cotton industry"; at the same time, "a new export drive by the textile industries is called for." Though no export targets appear in the Survey, it is stated that these are now being worked out in conjunction with the textile and other industries. It is recognised that "it may not prove possible to achieve more than a moderate increase in the volume of textile exports," but owing to the fact that prices of these goods have advanced by much more than those of other exports, it should be possible for textiles, and particularly wool goods, to earn "very much more." Supplies to the home market in 1951 will be subject to "some reduction"; but the authors of the Survey are able to temper this prospect with the assurance that a substantial part of home supplies

II—The Balance of Payments

The theme of rearmament dominates the balance of payments section of the Economic Survey as completely as it does the others. The Government reaffirms its determination to ensure that in the cold war the defence burden will not, as in shooting wars, be met by measures that would mortgage the future, that is, by further liquidation of overseas assets or accumulation of overseas debts. The aim, therefore, is to achieve approximate equilibrium in the overall current balance of payments during 1951 apart from any purchases for the strategic stockpile, for which £100 million is estimated for the calendar year.

In facing this task in a year of steeply rising import costs, the nation has, however, something in hand. In 1950, the United Kingdom achieved an overall surplus of £229 million in its balance of payments. This is the largest surplus, in terms of money values, to be achieved for thirty years. It compares with revised estimates of a current surplus of £30 million for 1949 and of a deficit of £30 million for 1948. The improvement as between 1949 and 1950 has been wholly due to the invisible account. The balance of visible trade in each year is surprisingly the same—a net deficit of £153 million. The surplus on invisible account, however, which amounted to £183 million in 1949 had risen to £382 million in 1950. There was an increase of one-third in income from tourists and a substantial, though relatively smaller, increase in shipping earnings. The dominant factors were, first, the earnings of overseas investments (mainly those connected with the production of raw materials such as rubber, tin, and other non-ferrous metals) and, secondly, the overseas operations of British oil companies, which enjoyed both higher prices and higher sales in 1950.

The changes in the United Kingdom balance of payments are shown in greater detail in Table III, which is based on the new definitions of the current account surplus and of the United Kingdom's sterling liabilities used in the latest Balance of Payments White Paper. It will be seen from this table that during 1950 the United Kingdom's sterling liabilities to the rest of the sterling area increased by no less than £382 million. There was, however, a reduction of £27 million in liabilities to non-sterling countries. The divergence of these movements is partly accounted for by sales to Europe by the United Kingdom; the sterling countries receive payment in

1950 went into stocks. Supplies available on the home market may, therefore, turn out to be "not much less" than in 1950: and in any case, the consumer is reminded, their prices will be such that he will not be able to buy as much as he did last year.

The Survey plainly reveals the Government's fears that the rise in production may be prejudiced by the shortages of materials and dislocations in the switching of many factories to defence production. It points out that in many cases the first of these difficulties may be countered by the substitution of less scarce materials; and that the rise in prices of such materials may drive demand away from products containing them. But in its final section it frankly states that "we cannot count on getting the raw materials required for a 4 per cent increase in industrial production."

sterling, thereby adding to their balances, while the European countries pay for their purchases either by running down their own sterling balances or, more usually, by borrowing from Britain through the European Payments Union. The Economic Survey points out that the big rise in prices of some of the most impor-

TABLE III.—UNITED KINGDOM BALANCE OF PAYMENTS (£ million)

	1948	1949	1950 (provisional)
Current Account:			
Imports, f.o.b.	1,790	1,971	2,374
Exports and re-exports, f.o.b.	1,583	1,818	2,221
Balance of visible trade	-207	-153	-153
Invisibles (net)	+177	+183	+382
Balance of current transactions (credit, +; debit, -)	-30	+30	+229
Investment and Financing Account			
Grants, etc. (to U.K., -)	-138	-154	-139
Overseas investment, borrowing, etc. (investment by U.K., +)	-2	+382	+15
Sterling liabilities, etc. (increase, -):			
(a) Dollar area	-3	-12	-49
(b) Other non-sterling countries	+240	-192	+297
(c) Rest of Sterling Area	-73	+9	-332
TOTAL	+164	-195	-221
Gold and dollar reserves (increase, +)	-54	-3	+576
Total of investment and financing	-30	+30	+229
of which: net change in capital account, (investment, +)	+108	+184	+363

tant sterling area raw materials, such as rubber, tin and wool, must be expected to produce a "further considerable rise" in the external sterling assets held by the overseas sterling area in 1951.

The regional accounts reveal radical changes in Britain's balance of payments with some of the other sectors. The direct deficit with the dollar area has been reduced from £303 million in 1949 to £111 million in 1950. The account with OEEC countries, which showed a deficit of £8,000,000 in 1949, had changed to a surplus of £118 million in 1950. With the rest of the sterling area the total surplus was reduced from £284 million in 1949 to £225 million in 1950, and the Economic Survey suggests that it will be difficult for the United Kingdom to prevent a further decrease.

defence work may be more doubtful. lateral trade is again holds that such passive measures "as in the United adequate" for the present, which is to say, the light of attracted to defence work by the payments.

The complicated pattern of multi-lingual evidence when the figures of change in the United Kingdom's sterling liabilities are viewed in the light of the sterling area's gold and dollar balance.

Details of this are given in Table IV, which shows the remarkable improvement that took place in payments with the dollar world between 1949 and 1950. It is an improvement in which the overseas sterling area has played the major part, converting a deficit of \$132 million for 1949 into a surplus of \$788 million for 1950. But Britain's performance, in reducing its own dollar deficit to nearly one quarter of what it was in 1949, is certainly remarkable. Mr Gaitskell revealed in the House of Commons this week, however, that in the first quarter of 1951, while the sterling area's dollar earnings

TABLE IV.—STERLING AREA GOLD AND DOLLAR SURPLUS OR DEFICIT (U.S. \$ million)

	1948	1949	1950 (provisional)
United Kingdom			
Imports, f.o.b.	1,623	1,566	1,192
Exports and re-exports, f.o.b.	771	688	882
Invisibles (net)	-213	-209	...
Current balance	-1,065	-1,117	-310
Capital transactions (net)	-255	-6	+304
Total U.K. surplus or deficit	-1,320	-1,123	-6
Rest of Sterling Area			
Surplus or deficit with dollar areas:			
(a) Dependent overseas territories	+173	+162	+438
(b) Other Sterling Area countries	-473	-528	+76
Subscriptions to I.M.F. and Bank	...	...	-7
Gold sales to U.K.	+222	+234	+281
Total R.S.A. surplus or deficit	-78	-132	+788
On Whole Sterling Area Account			
Net gold and dollar receipts from, or payments to, other countries	-312	-276	+23
Total net gold and dollar surplus or deficit	-1,710	-1,531	+805

continued to boom, Britain's own dollar deficit persisted and its overall balance of payments deteriorated substantially.

The financing of the gold and dollar surplus or deficit and the concurrent changes in the gold and dollar reserve, are shown in Table V. This table brings the story up to date by including the end-March figures, which do not appear in the Economic Survey. In this last quarter the gold and dollar reserve has risen from \$3,300 million to \$3,758 million. The Survey, referring to the gold and dollar reserves, points out that they are still insufficient to meet Britain's essential long-term requirements. Of the latest quarterly increase of \$458 million, only \$98 million is due to ERP reimbursement, while \$76 million was earned through EPU; in March, however, the total surplus in EPU dropped to \$5 million (against \$33.6 million in February). If the ERP

III—Investment and Savings

ALTHOUGH the task of maintaining a bare equilibrium on the external balance of payments is now expected to be much more onerous than had been assumed by earlier official estimates, the Economic Survey firmly reiterates the Government's determination to ensure, so far as possible, that the burden of rearmament does not fall upon the maintenance and development of domestic capital assets. Despite the large demands that defence work will make upon the building, civil engineering and machinery industries, and despite the dislocation to be expected from shortages of raw materials, it is estimated that the volume of fixed investment, including repairs, may show "a very slight increase."

element is excluded, the latest quarterly gain is only \$38 million smaller than that for the last quarter of 1950—and this despite the fact that about three quarters of the \$130 million net of dollar capital that flowed in in anticipation of sterling revaluation in the second half of last year is believed to have been used for current payments in recent months.

This past history, however, is far from being the most striking feature of the balance of payments chapter in the Economic Survey. Its outstanding feature is the estimate that the rise in import prices alone will add no less than £700 million to the import bill in 1951. Hence, on the assumption that an extra £150 million of goods can be secured for restocking—apart from strategic stockpiling—it estimates that the total cost of imports will reach £3,200 million, or £850 million more than

TABLE V.—BRITAIN'S GOLD AND DOLLAR RESERVES (U.S. \$ million)

	Net deficit or surplus	Canadian credit	Purchases from I.M.F.	E.R.P.	Reserves at end of period
1949					
1st quarter	-330	30	32	324	1,912
2nd quarter	-632	30	—	341	1,651
3rd quarter	-359	29	—	284	1,425
4th quarter	-31	27	20	247	1,688
1950					
1st quarter	+40	27	—	229	1,964
2nd quarter	+180	18	—	240	2,422
3rd quarter	+187	—	—	147	2,756
4th quarter	+398	—	—	146	3,300
1951					
1st quarter	+360	—	—	98	3,758

for 1951. It hazards the guess that the surplus on invisible account in 1951 should be of the order of £450 million (after allowing for payment of the first annuities on the American credits) compared with £382 million in 1950. On this basis, the exports required merely to achieve a balance will be about £2,750 million, or £530 million more than in 1950. It is reckoned in the estimates that the physical volume of exports will be £100 million larger, implying that £430 million will be found from the increase in export prices. The tone of the Economic Survey does not suggest that these targets can be reached. It admits that a large contribution towards increased export earnings may be looked for from higher prices, but it points out that "too large or too rapid an increase in export costs would endanger long-term trading connections." The Survey also suggests that there will be growing difficulties in selling certain types of exports in the face of the recovery in German and Japanese production.

This seems to be a distinctly optimistic assumption—even if it can be presumed that firm steps will be taken, by budgetary and other controls, to reduce the volume of resources absorbed by consumption. It is based on the hope that output in the building and civil engineering industries (which account for over half the total of fixed investment) will "go on rising at least as fast as in recent years"—in which the increment of productivity is estimated to have averaged 4-6 per cent. Most of the outlay on defence works and buildings, which is put at £80 million in the calendar year 1951 and at £145 million in 1951-52, is included in the estimates for the defence programme, but work on Government-

owned factories, research establishments and storage, estimated at £30 million in the fiscal year, is classified as investment. Allowing for this, it is admitted that the volume of civil investment will decline—though the Survey wisely declines to guess “how large the cuts will be, or where they will fall.”

This year, therefore, the usual forecasts by industrial categories are omitted, and so is the detailed appendix

TABLE VI—CHANGES IN REAL OUTPUT AND EXPENDITURE IN 1951
COMPARED WITH 1950
(£ Million at 1950 Prices)

<i>Increase in resources:—</i>	
Increase in national output	325
Increase in imports for current use	125
Less increase in exports and re-exports	-100
Increase in resources available for use at home	350
<i>Required for:—</i>	
Increase in expenditure by public authorities	400
Increase in home investment	—
<i>Consequence for consumption:—</i>	
Fall in personal consumption	50

on investment that has been customary in recent years. These omissions need not be regretted, for this is a sphere in which estimation is prone to very wide error; figuring in earlier years has tended, by its very detail, to lend an air of unjustified reliability to the whole series of forecasts. It certainly is to be regretted, however, that in giving classified figures for previous years (1948 to 1950), the statisticians have once again changed the basis of classification and definition, thus making it impossible to reconcile either the totals or the details for 1948 and 1949 with the figures previously published for those years.

The estimates of floating investment are even more tenuous. It is expected that the volume of stocks of imported food and materials will, apart from strategic stockpiling, be at least maintained (in 1950 they fell “substantially,” but no quantitative estimate of the fall is given), but that the addition to work-in-progress will be smaller, because of the decline in the rate of increase of industrial production. On this basis, it is assumed that the physical volume of total home investment (fixed and floating, and including some defence outlays) will be roughly the same as in 1950, but that its monetary value will rise from £2,277 million to £2,315 million, excluding £100 million that it is hoped to spend in this calendar year on strategic stockpiling and excluding, too, the appreciation of existing stocks.

Notwithstanding the virtual certainty that stocks of non-essential consumption goods will run down, and despite the probability that building and constructional work will be held back by shortages, home investment is not expected to afford any net relief to the national economy. A slight relief is, however, expected from the external account: it is assumed, with distinct optimism, that the physical volume of exports can be raised by £100 million, but against this it is estimated (with equal optimism) that the volume of imports will be raised by £125 million—apart from stockpiling. If industrial production were to be increased by 4 per cent, and if there were “an associated increase” in other production, the additional resources would amount to £325 million. This, with the net inflow of £25 million of overseas goods, would provide £350 million towards the additional requirements of Government expenditure;

for the calendar year these are put at £400 million, in real terms. These calculations, all at 1950 prices, therefore imply that the required cut in the physical volume of consumption would be no more than £50 million.

Up to this point, the analysis, though subject to many debatable assumptions, is reasonably straightforward. But it becomes more complex, and much more questionable, when an attempt is made to translate the “real” changes into monetary terms. The expected increase in the monetary value of the gross national product, allowing for price changes attributable to the rise in costs now foreseeable is, of course, much greater than the assumed increase in “real” output; it is put at £900 million. As Table VII shows, the gross product at market prices is estimated at £14,500 million in 1951, compared with £13,572 million in 1950 and £12,933 million in 1949; the corresponding figures for net national income at “factor” cost would be £11,760 million, £10,846 million and £10,426 million respectively. On this basis, after providing for Government current expenditure on goods and services and for the investment outlays, the monetary value of resources available for consumption would be £9,675 million at market prices, compared with £9,041 million in 1950 and £8,567 million in 1949.

TABLE VII—NATIONAL PRODUCT AND EXPENDITURE
(£ Million)

	1948	1949	1950	1951 Forecast
<i>Production and trade:—</i>				
Wages and salaries	5,464	5,813	6,144	12,070
Profits, depreciation and other income	4,180	4,348	4,726	—
Less stock appreciation	9,644	10,161	10,870	12,070
Production and trade, excluding stock appreciation	—250	—40	—350	—800
<i>Government services:—</i>				
Armed Forces	9,394	10,121	10,520	11,270
Other	246	246	250	300
Total	836	909	977	1,040
Other*	1,082	1,155	1,227	1,340
	176	177	223	270
<i>Gross national product at factor cost</i>	10,652	11,453	11,970	12,880
plus indirect taxes	2,036	1,999	2,081	2,105
less subsidies	—564	—519	—479	—485
<i>Gross national product at market prices</i>	12,124	12,933	13,572	14,500

	1948	1949	1950	1951 Forecast
Govt. current expenditure on goods and services	1,830	2,039	2,025	2,510
Gross investment at home:—				
Fixed investment	1,920	2,082	2,162	2,230
Increase in stocks and work in progress	200	215	115	85
Strategic stockpiling	—	—	—	100
Total	2,120	2,297	2,277	2,415
Overseas surplus or deficit	—30	30	229	—100
Personal consumption	8,204	8,567	9,041	9,675
<i>Gross national expenditure at market prices</i>	12,124	12,933	13,572	14,500

* Domestic servants' wages, output of private non-profit making bodies and income from abroad.

In other words, although it would cost consumers £630 million more (even in the absence of an inflationary rise in prices) to buy these goods, they are expected to get £50 million less in real terms.

The Economic Survey emphasises, as several recent articles in *The Economist* have also done, that the task of maintaining equilibrium “may not be so great as at first sight might appear”—because part of the increase of £900 million that is assumed to occur in money

income will accrue, not to consumers, but to industrial profits, while a large part of the addition to consumers' spending power will be mopped up by the higher prices they have to pay for their purchases. The official estimates in the so-called “combined capital account”—which relates the investment demands to the prospective flow of savings created without the aid of inflation—

TABLE VIII—THE FINANCE OF INVESTMENT
(£ Million)

	1948	1949	1950	1951 Forecast
Gross domestic investment	2,120	2,297	2,277	2,415
Overseas surplus or deficit	—30	30	229	—100
Total sums required to be set aside	2,090	2,327	2,506	2,315
Surplus on current account of Central Govt. War damage payments and other transfers from Central Govt. to private capital account	310	313	481	15
Less Death duties and other taxes on capital	204	238	145	130
Surplus of local authorities and National Insurance Funds	—214	—253	—188	—185
Depreciation allowances	135	189	195	180
Increase in business tax reserves	845	1,027	1,124	1,120
Undistributed profits	154	—15	118	530
Less Provision for stock appreciation by companies and public authorities	524	467	569	780
Total other than personal saving	—185	—17	—270	—700
Personal saving required	1,773	1,969	2,174	1,870
Personal saving	317	358	332	445
Total sums required to be set aside	2,090	2,327	2,506	2,315

* Assuming 1950-51 tax rates.

plainly show that the rise in prices of consumers' goods attributable to increased real costs will not by itself exert a sufficient restraint upon consumption. The estimates of the flows of savings are, however, particularly difficult to interpret. Despite the big rise that is expected in prices and in the money value of consumption, and despite the gains in productivity achieved last year, it is

IV—Budgetary Implications

The net result of this complex figuring (displayed in Table VIII) is that personal savings would need to rise from an estimated £332 million in 1950 to £445 million in 1951 if the whole process of financing were to be achieved, at existing rates of taxation, without a further dose of inflation. Since personal savings, as the Economic Survey points out, are much more likely to fall than to rise, these estimates imply an inflationary “gap” of the order of, say, £150 million. But it is admitted that the whole reckoning is based on flimsy assumptions. The most important of these is that industrial production will rise by 4 per cent; and the Survey bluntly states that Britain cannot count on getting the flow of raw materials necessary to make this possible. It points out that a shortfall of even 1 per cent would mean that available resources would be £80 million less than the notional estimates assume—and “the aim would be to concentrate this reduction, so far as possible, on consumption.” In other words, the required volume of additional “disinflationary” taxation would be further increased, though not correspondingly, since net spendable incomes would also fall short of the estimate. Finally, it is emphasised that the disequilibrium in the fiscal year 1951-52, to which next week's budget will be related, will be greater than in the calendar year 1951 (to which the Survey's figures refer) because defence expenditure will be expanding rapidly.

For these reasons, it is clear that if the budget were to be strictly related to the calculations and arguments

estimated that Government revenue at present tax rates would be only £87 million higher in 1951 than in 1950; of this rise income tax and surtax would provide only £44 million. After allowing for the rise in Government expenditure on current account (including an extra £50 million for debt service, because of the first annuities that will fall due on the North American loans), the estimated true surplus for the calendar year drops to only £15 million, in contrast with £481 million realised surplus in 1950. It should be noted that this surplus is computed after providing for war damage and other capital transfers; if these are added back, the prospective surplus becomes £145 million, compared with £626 million in 1950.

★

Business savings, however, are expected to rise substantially. Depreciation allowances have apparently risen much more sharply in 1950 than was expected twelve months ago; and no further increase is assumed for 1951. But undistributed profits and business tax reserves are estimated at £1,310 million in 1951, in contrast with £687 million in 1950. No less than £700 million of this expected surplus of business profits (and £270 million of the 1950 surplus) would, however, represent profit arising from the money appreciation of stocks. Since the corresponding increase in the money value of stocks is excluded from the investment side of the account (as well as from the estimate of national income) these stock-appreciation elements in profits have to be excluded from the available savings arising from companies. This reduces the expected rise in available business savings to slightly below £200 million.

presented in the Survey, the additional fiscal burden required to be imposed for 1951-52—in higher taxation, cuts in subsidies or specific charges for social services—could be reckoned at £200 to £250 million. And it is difficult to see how, even on the most sanguine assumptions, any honest attempt at disinflation could put it at much less than £150 million, with perhaps some delay in the impact of part of it.

But, whatever the Chancellor decides, it is clear that the greater part of the burden to be borne by the public will be imposed by the rise in prices—a rise so large as to change quite radically the character of the problem of inflation. It is estimated that the average rise in price of consumer goods during the year will be about 7½ per cent; this implies, of course, a much bigger percentage rise from the beginning to the end of the year. The risk of a spiral movement is very much greater now than at any previous postwar period. The Government therefore appeals again for “commonsense and restraint,” but it is noteworthy that its references to its “personal incomes” policy are much more cautiously phrased than in the past. The declaration that “there should be no unreasonable increases in wages, salaries or profits” clearly implies a recognition that mere exhortation cannot any longer be expected to exert much effect. The greater is the need, therefore, for more courageous standards of disinflationary policy than those followed in previous budgets—and also for a new approach to monetary policy.

Business Notes

Pre-Budget Markets

The City's first reflections upon the Economic Survey—rather muddled ones in some instances—have shaken the relative calm with which, only a few days ago, the stock markets were approaching the budget. Despite the Survey's indications, for what they are worth, that the Government may be taking a reasonably "tough" attitude towards the problem of inflation, the City seems to have concluded from its study of the figures that inflationary pressures are bound to keep several steps ahead of any counter-measures the Government may essay. That, at least, is the conclusion to be deduced from the behaviour of the markets. Whereas industrial equities, broadly speaking, have shown a further net gain, gilt-edged have been flat. The paradoxical firmness of the gilt-edged market that set in before the Easter holiday continued until Monday last. During that fortnight there were price increases on virtually every working day, with gains on Monday ranging up to $\frac{3}{8}$. Consols $2\frac{1}{2}$ per cent had risen by nearly 2 points from their mid-March level, while 4 per cent Consols, the net price of which had dropped below par, recovered to a shade over 101. On Tuesday and Wednesday of this week this trend was violently reversed; on each day there were losses of up to $\frac{3}{8}$. On any discerning view of the longer-term prospect, this behaviour of the market is more rational than its earlier strength; but, in the light of the City's recent attitude, and of the fact that this week it has been worried about the possibility not only of an increase in profits tax but of new measures to reinforce dividend limitation, the reaction in gilt-edged was unexpectedly sharp.

Industrials, too, were rising until Tuesday last, when the *Financial Times* index, at 121.9, was a full point above its level at the end of last week and 2.3 points above the nadir of the mild recession that started in mid-February. This recovery was apparently founded upon the realisation that this year a much larger part of the financial burden of rearmament will be thrust upon the public by higher prices than by higher taxation—a fact that is very clearly driven home by the estimates and arguments in the Economic Survey. These arguments, however, served to dispel the widespread illusion that any consolation can be found in this prospect, and thus provoked a setback in industrials at the opening of business on Wednesday—as well as a tendency to seek refuge in companies, such as South African gold mines, registered outside the United Kingdom. The early losses in industrials, however, were generally regained, thereby demonstrating afresh the City's present inability to take the measure of this year's financial problem or to guess the Chancellor's intentions in coping with it.

* * *

The Budget Surplus

The financial year 1950-51 came to an end last Saturday with the large overall surplus that had been shown in previous weekly Exchequer returns unimpaired by any last minute surprise. As the accompanying table shows, ordinary revenue exceeded Sir Stafford Cripps's estimate by £80 million, while ordinary expenditure fell short of his original estimate by no less than £197 million. The ordinary surplus, at £720 million after provision for sinking fund, was therefore £277 million higher than that expected last April; since £43 million of defence supplementaries and £24 million of civil supplementaries had been introduced during the year, the improvement over the revised estimates was even greater than this. The "below the line" accounts did not make such a good showing, for net payments here were £23 million greater than originally expected; net lending to local authori-

ties exceeded the estimate by £34 million and there was an advance of £23½ million to the Raw Cotton Commission still outstanding at the year's end. Nevertheless, the overall surplus for the year, taking current and capital transactions

BUDGET OUTTURN AND ESTIMATE (£ million)			
	1949-50 Actual	1950-51 Budget Estimate	Actual
<i>Above the Line</i>			
Inland Revenue	2,111	2,023	2,038
Customs and Excise	1,520	1,584	1,630
Other Revenue	295	286	310
Total Ordinary Revenue	3,924	3,893	3,978
Consolidated Fund Expenditure*	538*	537	545*
Defence Expenditure	741	761	777
Other Supply Expenditure	2,096	2,137	1,936
Total Ordinary Expenditure	3,375	3,455	3,258
Ordinary Surplus	549	443	720
<i>Below the Line Payments (net.)</i>			
Loans to Local Authorities	258	271	305
War Damage	173	100	94
Other Payments (net)	46	79	74
Net Below the Line Payments	487	450	473
Overall Surplus	62	-7	247

* Including Sinking Funds.

together, came out at £247 million—a notable turn-round from the overall deficit of £7,000,000 for which Sir Stafford Cripps had budgeted.

All this, of course, does not have any major bearing on the prospects for next week's Budget. This is not simply because the surplus shown in 1950-51 has already been used for repayment of debt. It is mainly because the attainment of this surplus in the old year is little or no guide to the chances in the new; most of the unexpected gains on estimate were attributable to the performance of expenditure and it is already known that in 1951-52 expenditure will greatly exceed even last year's estimates. It should be noted, too, that in any case the Chancellor's approach to the budget is, or should be, conditioned by all the complex factors entering into the nation's capital account (discussed on pages 812-14 of this issue) rather than by the particular income and expenditure flows that happen to find their way through the budget accounts. The main question aroused by last year's Budget outturn is whether the substantial shortfall in expenditure below the estimate is partly a symptom of genuine Government economies or merely a sign that the trading departments have been living off stocks and that other expenditure has been delayed by physical shortages.

* * *

Living Off Stocks

On this point, evidence is accumulating that any real economies in Government expenditure have been only very modest ones. Estimates of the physical fall in 1950 of stocks held by the Ministry of Food were given in *The Economist* on February 24th; it is difficult to assess the reduction in Ministry of Food expenditure that will have been caused by this liquidation, but it must certainly have been large. The Economic Survey also reveals that there was a "substantial fall" in stocks of imported food and raw materials last year; it shows, incidentally, that current Government expenditure on goods and services was only £34 million lower in 1950 than in 1949. And, finally, the civil estimates for 1951-52 show no sign of any decrease below the original estimates for 1950-51; the new estimates have pre-

sumably been drawn up on the Economic Survey's formula that stocks of imported raw materials and food in the present year "should be at least maintained." The rather surprising shortfall of defence expenditure below the original estimate (and well below the original estimate plus the supplementaries) is apparently due to delays in getting work started; it is accounted for by a £16 million shortfall in Ministry of Supply expenditure on defence.

The £80 million excess of ordinary revenue over estimate was largely due to an excess of just under £35 million in customs receipts and of just under £12 million in excise receipts; these increases may have been due partly to the end of petrol rationing, partly to intra-European trade liberalisation, and partly to higher import prices (which automatically boost the yield from *ad valorem* duties). Among other tax yields, income tax brought in only £16 million above estimate despite the rise in earnings, while the yield of profits tax was actually £2,300,000 below estimate. Receipts from sales of surplus war stores were £10 million and from motor vehicle duties £5,000,000 higher than had been expected, but death duties were £10 million below estimate while the yield from surtax was little changed.

* * *

Meatless Months?

Reports from Argentina suggest confidently that the meat negotiations are likely to be settled soon. The cause of this sudden swing of expectations from deadlock to settlement is not yet known. But settlement, if it came, would certainly mean that Britain would have to pay substantially more than the average of £104 a ton offered to Argentina three months ago; an average price of £125 a ton has been mentioned, which itself represents an advance on the £120 a ton asked by the Argentine Government last

February. Price, however, is now almost of secondary importance. The vital question is whether, even if a successful conclusion emerges from the negotiations, any sizeable quantity of meat can be shipped from Argentina to this country in the next two or three months.

Last season the severe drought in Argentina forced farmers to market a large number of light, unfinished cattle, and although pastures have improved considerably this season and cattle are likely to be well finished, total cattle numbers have declined from 45 million to 43 million. In addition, domestic consumption of meat in Argentina has reached a new record level, while shipments of canned beef to the United States in 1950 were double those of 1949—88.5 million lb. against 44.5 million lb.—and this high rate of export is continuing. Another factor reducing the supply of Argentine beef is the Argentine Government's restriction on the marketing of young cattle. This decree has encouraged the export of live cattle to neighbouring countries, chiefly Chile; in 1950 some 130,220 head of cattle were exported, representing an increase of 40 per cent. on the 1949 figure.

The chances of large shipments to this country in the next month or so therefore seem slight. The present restricted meat ration requires 18,500 tons of carcase meat a week; so far this quantity has been provided from stocks and imports from Australia and New Zealand. Stocks are now down to their barest minimum. For the past month shipments from New Zealand have been held up by the dock strike, and New Zealand farmers have decided, particularly in view of the high price of wool, to keep their lambs over the winter and to shear them in the spring. Thus imports from New Zealand between April and July will be greatly reduced; imports from Australia this year have been barely a half of last year's quantity, so that even eightpennyworth of meat is clearly in danger. Supplies this month and next will be augmented by home killings. But unless an agreement with Argentina is signed quickly and unless a minimum shipment of

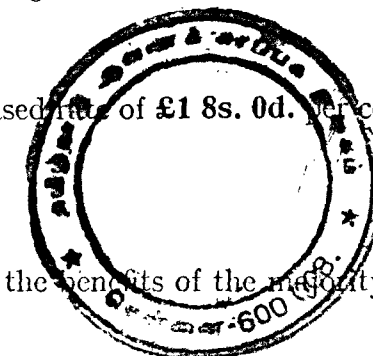
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20-25,000 tons a month is immediately forthcoming from Argentina, the meat ration could conceivably vanish in June or July.

* * *

Failure at Torquay

Although the tariff negotiations at Torquay are supposed to have been held in the closest secrecy and the results are not due to be published until May 12th, it is now clear that there will be no agreement between the United States and Great Britain. Other Commonwealth countries—including Australia, South Africa and possibly New Zealand—will also be unable to reach any new agreement with the Americans. These failures are unlikely to be compensated by the positive achievements of the Torquay conference, which can therefore already be written down as a failure. Although it is true that spectacular results were never expected from Torquay—since the previous rounds of tariff negotiations at Geneva in 1947 and Annecy in 1949 had skimmed much of the cream off the potential concessions—the complete deadlock that has been reached in the negotiations between the United States and most of the Commonwealth countries is a sad disappointment on both economic and political grounds.

No details of the difficulties that led to this deadlock can yet be divulged, but it seems clear that the negotiations were mainly wrecked on the rock of Commonwealth preferences. The Americans' dislike of preferences has always been deeply rooted and their desire to secure impressive concessions on this front has lately been enhanced by the difficulties that the United States Administration has been encountering in obtaining Congressional approval, not only for the International Trade Organisation Charter but also for the Reciprocal Trade Agreements Act. The State Department has long believed that no concessions would do more to sweeten the present rather sour outlook of Congress on trade liberalisation than sizeable reductions or eliminations of the margins of imperial preference. When the United States offers of concessions were announced to Britain and the other Commonwealth countries at the beginning of the Torquay conference, therefore, they were found to include a large number of items on which Britain had made no requests and which were in fact of little value to the Commonwealth countries. The United States price for this unexpectedly large package was a demand for considerable reductions in margins of preference within the Commonwealth. To this demand most of the Commonwealth countries felt unable to accede. Britain appears to have pleaded its "uncertain future" as one of the main reasons why it could not at present retreat from the preferential system at the price offered by the United States.

* * *

Repercussions of the Deadlock

This failure has had wide repercussions on other negotiations at Torquay. Britain had very substantial secondary interests in some of the negotiations conducted by the United States with other countries (especially those with Germany) and it is probable that some of the concessions that the Americans originally offered to these countries will now be withdrawn, since the Americans would be obliged to extend such concessions to Britain under the rules of the conference. The negotiations between the United States and the Commonwealth group have also been complicated by the fact that a Commonwealth country that grants a reduction or an elimination in a margin of preference does so not so much at its own expense as at the expense of the third party that enjoys the preference. This has set up a criss-cross pattern of interests and the Americans have repeatedly complained that they are being called to pay twice for their concessions, once to the country granting the reduced

margin and after that to the country that previously enjoyed the preference. The United Kingdom has argued throughout that in these matters the Commonwealth has to be regarded as a single group. There have in fact been suggestions that a Commonwealth conference should be convened to restate the view of the Commonwealth on this issue in the light of such international obligations as Article 7 of the Lend-Lease Agreement and the General Agreement on Tariffs and Trade. These suggestions have, however, been opposed by Canada, which, almost alone among the Commonwealth countries, has succeeded in completing a satisfactory agreement with the United States. Canada wants at all costs to avoid the obligation to make a definite choice at this moment between closer economic adhesion to the Commonwealth and freer trade with the United States.

When the results of the Torquay conference are announced, it is likely to be stressed that at least a hundred separate agreements have been negotiated and that some of them (especially those that involve Germany, which was appearing for the first time at a GATT conference), are likely to yield considerable benefits. Britain's own agreements include those with Germany, Peru, the Philippines, Turkey and France. These, however, are very "small beer" in relation to what the conference might have provided. The blame for failure cannot be attributed until more is known of the specific differences on which the talks foundered; but wherever the blame may lie, there seems to have been a surprising blindness to the wider political issues that were at stake at Torquay.

* * *

Steel Output and Prices

Steel output figures for March, which will appear shortly, should not reflect the influence of raw material shortages upon the industry by more than perhaps a slight decline. But production in the industry is now beginning to be affected fairly generally. From Scotland, the North-East coast, Lincolnshire, Sheffield and South Wales there have been reports of local interruptions in the output of individual firms; and the industry as a whole is probably reducing its stocks of scrap and iron ore.

These difficulties, unfortunately, seem certain to be accentuated in the next few months. Supplies of imported iron ore continue to be affected by the shortage of shipping, apart from the competitive demand now being experienced from America; coal shipments to Europe are still taking a considerable amount of tonnage, and other bulk freight movements are also competing for space. While the recent fuel economy measures have been in force, it has generally been possible for the industry to obtain just sufficient coke to smelt the ore it was receiving; but further switching to lower-grade domestic iron ores would require larger coke supplies, and these are not likely to materialise. While the supplies of iron ore seem unlikely to improve, those of imported scrap are certain to deteriorate; Germany is likely to cut its supplies from two-thirds of the 1950 rate to nearer a half. The industry's drive for steel scrap at home is being pursued vigorously, but there may not be much greater supplies to be had than are already being obtained. And it is virtually certain that another increase in the price of steel will soon have to be imposed to meet higher costs of materials and transport—perhaps as much as £3 a ton.

For many steel consumers the shortage has already become acute. In the lighter engineering industries there is already a considerable amount of short-time working, though managements are for the moment reluctant to dismiss redundant workers; in a few areas workers are changing over to companies whose steel supplies are for the present assured by their possession of defence contracts. But even these are expecting the conflict of demand for steel between defence and civilian production to make itself felt much earlier than was expected. Official forecasts of steel consumption this year

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were based upon the assumption that with the economy in a state of full employment, even a switch to rearmament could not greatly increase the national steel consumption per head; whatever the validity of this formula, it was originally allied with the hope that steel output could be maintained at roughly last year's level (a belief also expressed, with characteristic caution, in this year's *Economic Survey*). That does not at present seem likely to be fulfilled; and the possibilities of some closer control over steel supplies, at least for ensuring supplies to defence producers, are correspondingly greater.

Rise in Bank Advances Continues

Between mid-January and mid-March bank advances in this country were rising by about £12.5 million a week, compared with a less steady average rise of about £8½ million a week in the same period last year. The clearing banks' statement for March mirrors the same trend as did their statement for February. Once again the fall in net deposits, at £27.1 million, is significantly less than the fall recorded a year before, when it was £58.9 million. Once again the Government's net repayment of indebtedness to the banking system was broadly the same as in the previous year; the clearing banks' holdings of cash, floating debt and call money fell by £87.7 million this March compared with £87.1 million in March, 1950. And once again, therefore, the smaller rate of fall in net bank deposits has been mainly due to a greater increase in advances, which rose by £50.9 million this March compared with £29.1 million in March, 1950. In addition there have again been some fairly substantial net purchases of investments by the Midland bank; this bank bought just under £12 million net of investments last month, although the other clearing banks sold about £3,500,000 on balance.

It seems probable that bank advances will continue to rise in the next few months unless the pace of repayments out of the proceeds of new capital issues rises still further. The *Economic Survey*, in a reference to the £120 million rise in bank advances in 1950, argues that the expansion of credit last year was probably not excessive in view of the increase in output and prices. This year, although output will rise by less than in 1950, prices are likely to rise by much more. In fact the authors of the Survey estimate that the value of stocks and work in progress, which is one measure of the likely trend of industry's demand for bank advances, may rise by £885 million in 1951 against £465 million in 1950. The trend of Government borrowing from the banking system will depend on how far the inevitable decline in this year's overall surplus offsets the monetary repercussions of the deterioration in the balance of payments; it will be surprising, however, if such borrowing does not represent a somewhat lower proportion of bank assets at the end of this year than it did at the end of 1950. This fact, together with the news that turnover in the Bankers' Clearing House was some 21.3 per cent higher in the first three months of 1951 than in the same period of 1950, suggests that this may be a year of higher current earnings for the banks. It is also, however, likely to be a year of rising expenses and of the rising risks that always accompany price inflation.

Associated Electrical Reverse

The abandonment of the projected issue by Associated Electrical Industries Ltd. of Ordinary shares to employees at £2 per share, because the recipients would be liable to tax assessment on the notional bonus involved, is an odd ending to an odd story. Was the AEI, with the Austin and Standard cases so fresh in memory, surprised by discovery of the tax difficulty? The board can hardly have supposed that the intended two-year

embargo on sale would introduce any difference of principle. On the other hand, what is the distinguishing feature, if any, between an issue to employees on the lines intended by AEI and the privileged subscription rights that figure in so many profit-sharing schemes? If there is none, how do the bonuses represented by such issues rank for tax, especially those made in the past two years? What particular assessment of the public interest by the CIC can reconcile (a) the permission granted to issue 699,228 Ordinary shares to employees at £2 with (b) the refusal of the company's proposal last month to issue 1,000,000 shares at the same price to Ordinary stockholders? There is more in all this than merely the frustrations of a surprisingly open-handed gift by the proprietors to the employees of a substantial portion of the equity of the company. It is time that the authorities realised the damage to entrepreneur morale wrought by this sort of financial *Kriegspiel*. The part of the capital scheme concerned with the conversion of the 8 per cent Preference capital to a 4½ per cent rate and the issue of 800,772 Ordinary shares at par in connection therewith is to proceed.

Commodity Bargaining

The difficulties that have beset the talks on international allocation of rubber and tin give a fair indication of the problems confronting the commodity committees in Washington. Officially, neither rubber nor tin has been brought within the scope of the international materials conference. The rubber talks were held in London eight weeks ago and are to be resumed in Rome next Monday. The tin discussions were held in Washington but they were adjourned last week and so far no new meeting has been fixed. Both producing and consuming countries agree on the need for some system of international allocation for tin; producers fear that present high prices presage a sharp fall some time later on, while consumers object to present high prices.

There are two fundamental points of disagreement. The first is the price to be fixed for the immediate period and the second is the period during which producers would be given a guaranteed market.

On the first point the gulf between what producers and consumers consider to be a reasonable price for tin is so great as to be outside the scope of bargaining. Prices for both tin and rubber during the past three months have remained substantially higher than before Korea despite the American price freeze, despite the institution of bulk buying and despite the suspension of stockpile purchases. Producers quite naturally cite this experience as evidence that the buoyancy of the markets is not wholly dependent on the United States. The United States, on the other hand, believes that the firmness is of a temporary character and that the cessation of stockpiling has not yet had time to show its full effect on prices. Again, producers of both rubber and tin have claimed that the agreed price must be related to the cost of the goods they have to buy from abroad, whereas the consumers argued that raw material prices were at present unduly inflated and that their present relationship to prices of manufactured goods cannot be maintained.

As regards the period of security to be given to producers, the United States has been thinking in terms of one or two years. Producers are more anxious to get a guarantee for as long a period as five years, on the ground that the existence of strategic stocks presents a threat to the future stability of the commodity markets. Clearly this point is closely related to that of prices. If consumers were willing to give a long-term guarantee they might have to pay dearly in the first year, but they would have a chance of obtaining supplies more cheaply in the later years. The tin producers put forward a scheme incorporating a maximum and minimum price somewhat akin to the wheat agreement. But this was rejected by the American delegates.

The possibility of international allocation is once more receding. The present series of meetings has brought forth no fresh ideas on the subject, nor has it shown any change of heart on the part of the major producing or consuming countries. If agreement is to be reached, the only way open may have to be direct bargaining of dollar against sterling commodities.

Armament Production in 1951

The Ministry of Supply estimates that were published last week give a clearer picture of the size of the year's armament programme than do those of the fighting services. All Army, Air Force and a proportion of Admiralty orders are placed through the Ministry, which makes progress pay-

ments during the year to government contractors. Its expenditure, therefore, bears a direct relation to work in hand. Service estimates relate only to equipment that will be delivered during the financial year and that may have been ordered some years before. Thus, while the air estimates provide for an expenditure of £81 million on aircraft during 1951-52, the Ministry estimates provide for an expenditure of £108 million on the same item during the same period. This is an increase of £38 million on last year's figure. It will cover progress payments on the big supplementary orders for standard jet fighters, bombers and anti-submarine aircraft that were placed last autumn, and a varying amount of assistance to companies preparing to put into production new aircraft that have been ordered off the drawing board.

Development work on all aircraft and engines will be paid

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LIABILITIES

CURRENT LIABILITIES:		Frs. (1)
Preferred or guaranteed creditors:		
Banque Nationale de Belgique	21,722,767.80	
Other creditors		
Balances due to banks	21,722,767.80	
Head Office, Branches and Banking Affiliates	959,640,949.87	
Acceptances	287,813,057.81	
Other short term liabilities	2,136,704,338.61	
Creditors for bills in course of collection	477,312,731.63	
Deposits and current accounts:		
on sight or at one month's notice	17,819,408,587.78	
time deposits	2,658,269,805.87	
	20,477,678,393.65	
Amounts callable on securities	323,118,495.00	
Other liabilities	241,465,847.75	
	25,645,364,354.61	

CAPITAL AND RESERVES:

Capital	500,000,000.00
Legal reserve fund (Royal Decree of 1850 art. 13)	50,000,000.00
Available reserve	595,671,175.33
Reserve deriving from revaluation of investments	154,328,824.67
	1,300,000,000.00

PROFIT AND LOSS ACCOUNT:

Balance brought forward	18,816,001.24
Balance for 1950	160,115,420.55
	178,931,421.79

Frs. 27,124,295,776.40

(1) £1=140 frs. belges

CONTINGENT ACCOUNTS:

Assets pledged as collateral:		
for own account with Banque Nationale (credit unused)	2,110,000,000.00	
for account of others	12,690,007.00	
	2,122,690,007.00	
Securities pledged for own account	16,250,000.00	
Guarantees received	8,930,676,290.04	
Guarantees given for account of others	2,755,558,289.35	
Bills rediscounted	2,732,747,274.17	
Forward exchange	1,982,988,638.45	
Securities held in safe custody	52,472,880,225.12	
Monetary reform loan (Law of 14-10-1945 art. 1):		
(a) for private holders	7,635,961,623.17	
(b) for tax-collectors	691,540,914.48	
	8,327,522,537.65	
Other accounts	2,848,106,904.76	

Principal Correspondent in London: BANQUE BELGE POUR L'ÉTRANGER (OVERSEAS) LIMITED, 4, Bishopsgate, E.C.2.

ASSETS

CURRENT ASSETS:		Frs. (1)
Cash in hand, with the Banque Nationale and Postal Cheque Office	860,946,348.16	
Money at call	415,000,000.00	
Balances due from banks	919,581,030.34	
Head Office, Branches and Banking Affiliates	508,085,349.52	
Other short term assets	780,908,740.44	
Bills portfolio:		
Trade bills	1,944,002,628.54	
Government bills rediscountable with the Banque Nationale	2,900,000,000.00	
Government bills mobilizable up to 95% with the Banque Nationale	8,396,500,000.00	
	13,240,502,628.54	
Loans and advances on securities	200,394,842.28	
Customers liability for acceptances	2,136,704,338.61	
Accounts receivable	4,655,485,510.82	
Securities portfolio:		
Legal reserve securities	50,000,000.00	
Belgian government securities	2,332,082,960.55	
Foreign government securities	1,928,513.50	
Bank stocks	590,627,851.00	
Other securities	240,333,618.00	
	8,214,972,943.05	
Other assets	70,714,042.64	
	27,003,295,774.40	
FIXED ASSETS:		
Bank premises	121,000,000.00	
Participation in real estate subsidiary companies	1.00	
Amounts due from real estate subsidiary companies	1.00	
	121,000,002.00	
	Frs. 27,124,295,776.40	

for out of the £76 million allowed for "research and development." Some of the most important military work of the Ministry comes under this heading. Expenditure was already high last year at £63 million, but the current estimates are £13 million higher. Development work done by industry, which besides aircraft development includes a large proportion of the work on guided missiles, radio and radar and army vehicles, accounts this year for £45 million and work at Ministry establishments for a further £30 million; this sum includes the expenses of the Atomic Energy Research Establishment. Under another heading, more than £3 million has been allowed for new buildings for research projects, which will ultimately cost £34 million; a large proportion of this is presumably intended for new AERE plants.

Estimated expenditure on armament and vehicles is put at £113.7 million, an increase of £56.6 million. Nearly half this total will go on "mechanical transport": that is, tanks and a relatively small proportion of army vehicles. Tank output at existing factories is increasing and two new tank factories are being prepared, one an existing Royal Ordnance Factory that will be tooled up solely for tank production, and the second a completely new building. The estimates show that work is due to start this year on new ROF buildings that will eventually cost £3,000,000, while another £4,500,000 million has been allowed for grants to contractors for factory buildings; for example, one of the new Rolls Royce engine factories in Scotland is being built by the Ministry. A further £10 million has been allowed for grants towards equipping these factories and retooling others, among them, presumably, the new production lines for aero engines being laid down by a number of manufacturers. This is in addition to the £30 million for a proposed pool of machine tools and compares with expenditure last year of only £1,000,000 upon buildings and a similar amount for equipment. This need for new factories follows upon the policy of attempting to implement an expanded armament programme with the minimum disruption to civilian production: with so few empty factories in existence, even those now authorised may not prove sufficient.

The third large item for the services is the provision of clothing and general stores, £56 million compared with £26 million last year. Orders for clothing and textiles, estimated at £38 million, have more than doubled. During the year the Ministry will receive £314 million from the services for equipment delivered; this, with other appropriations in aid, will reduce the total estimate from £525 million to £160 million.

* * *

Income Tax Consolidation

Before the limelight is turned on the first report of the Tucker Committee and next week's Budget Statement, a word of tribute should be paid to the draft Income Tax Consolidation Bill that has been laid before Parliament. This is a far more important measure than its charmingly modest preliminary note would suggest. It is true that its purpose is limited to the consolidation of the Income Tax and Finance Acts, rather than to codification in the wider sense of the incorporation of practice and case-law and the removal of ambiguities and anomalies. But even consolidation has very great advantages in matters on which, as in the case of the income tax, the law has to be traced among more than fifty Acts spread over thirty years.

Reference to the table of contents proves at once how great a simplification can be achieved; and if, for any reason, the Bill was never enacted it would remain an invaluable aid to all concerned with the interpretation and administration of the fiscal code. It will undoubtedly be a major tool of the Cohen Commission and its appearance is an encouragement to those who believe that tax reform is possible. As a piece of parliamentary draftsmanship the consolidation represents a considerable achievement. The existing Income

Tax Acts turn the scales at more than six pounds, but the Draft Bill weighs less than a pound and a half. One can perhaps perceive in this the operation of a new legal principle of *de maximis curat lex*.

Patient taxpayers and their professional advisers have waited far too long for this consolidation. They have until the end of July to make suggestions for any improvement of an already admirable draft. Examination may reveal other small points besides the misprint in Clause 223, but not, it would seem, changes of great substance. Is it too much to hope that the draft will be quickly enacted and that its advantages and economies will persuade the Revenue that a quinquennial consolidation is worth while?

* * *

Advisory Committee on Purchase Tax?

The FBI's closely reasoned study of the impact of purchase tax and the utility programme on exports deserve to be clearly differentiated from the spate of "count me out" proposals that has lately been directed towards the Chancellor. The most immediate proposal that emerges from this study is that a Purchase Tax Advisory Committee should be set up to hear cases where it is alleged that the present level of tax involves a net disadvantage to the national economy. Although it is probably true that such a committee would become an all-too-general coconut shy, the fact must be faced that the present system, whereby the level of purchase tax on each category of product tends to be determined largely by some planner's assessment of how "essential" it is, is leading to some unforeseen distortions of production, tastes and design.

The most harmful effect of the present system, as the FBI sees it, is that it is tending to force some manufacturers to make an entirely artificial distinction between non-utility goods, which are subject to purchase tax and therefore have only a limited sale on the home market, and utility goods, which enjoy booming sales in Britain but only limited sales abroad. In some industries this division of production into two water-tight compartments reduces the economies that can be gained by spreading overheads over long runs; in other industries (where economies of large scale are not so important), it is having the opposite effect of hampering the desirable degree of differentiation of product; goods of qualities slightly above utility levels, which were profitable before the war because they sold well both at home and abroad, now fall between two stools. In many industries, too, the risks involved in experiment and new design are too heavy to be undertaken now that the fickle export market is the only testing ground; this problem is perhaps even more serious in the long term than in the short since Britain's former leadership in many fashion trades is being gradually undermined by the steady growth of the British habit to consume utility goods alone, as well as by the decline in the intake of recruits to the ranks of skilled craftsmen. There is some evidence that the slower rate of growth since the war of exports of consumer goods (relative to those of capital goods) may have been due to factors of this sort as well as to the discriminatory effect on consumer goods exports of import restrictions abroad. Provided the floodgates are not opened too wide to everybody's complaints, an advisory committee of the sort proposed would seem to have a useful job to do.

* * *

Magnesium Production Again

The Ministry of Supply's decision to reopen a magnesium reduction plant near Manchester is a logical consequence of rearmament both in Britain and abroad. Since 1947 British production of this ultra-light metal has been at a standstill, and industrial demands have been met by

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Drawn by A. R. THOMSON, R.A.

Backroom Boy with a bucksaw Although his name never appears Halloran is one of the most important contributors to the newspapers. In fact, it is on his bucksaw that the publication of the newspaper depends. For Barney Halloran* is a Newfoundland logger, on the pay roll of the largest paper mill in the world — Bowater's at Corner Brook. His job is to fell and cut the trees into four foot logs, using the length of his bucksaw as a measure. They are then ready for the journey to Corner Brook by sleigh, truck, train, ship or most usual of all, floating down by river, there to be pulped and processed into newsprint. Halloran stands five foot eleven in his socks, and weighs 200 pounds, according to the Medical Officer who runs the foot rule over every logger at the start of the season. According to the camp cook, his appetite is built in proportion! "He'd eat a cow between two biscuits." But Barney just smiles tolerantly, knowing that a logger without an appetite is as useless as an axe without a handle.

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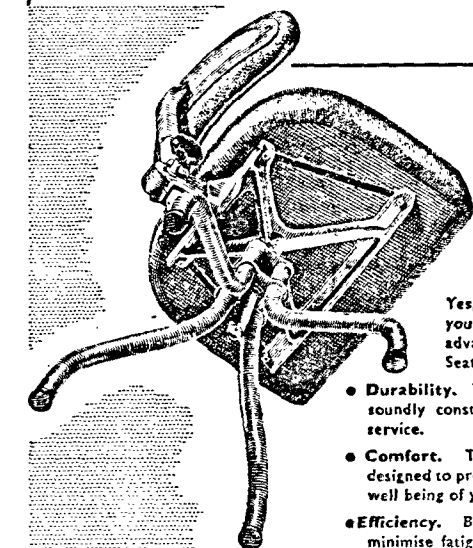


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running down the considerable stocks that the Ministry retained from wartime deliveries. But since the first announcement of the new defence programme, demand for the virgin metal here has almost trebled, partly through increased production of aircraft but also presumably through the building of stocks by manufacturers expecting defence contracts. The aircraft industry is the largest consumer of the virgin metal, for incorporation in special alloys; but it seems likely that this year it may be compelled to meet more of its requirements from secondary magnesium.

Demand in the middle of last year was running at about 2,000 tons of virgin metal, with perhaps 3,000 tons of secondary metal, of which the largest consumer is probably the Ferguson tractor. This year demand for the virgin metals alone seems likely to reach 6,000 tons, and this will be difficult to supply. A long-term contract has been concluded with Canada, and other imports are being sought from Norway and from France, which is a high-cost producer; but even with the production from the reopened British plant—perhaps a thousand tons this year—it will be difficult to obtain enough virgin metal to meet requirements, and the Ministry has therefore assumed control of the supply and distribution of all virgin magnesium.

The Clifton Junction plant, which is owned by the Ministry on a site belonging to Magnesium Elektron, Ltd., is one of the extensions erected during the war to the company's original electrolytic reduction unit there. Its raw material is magnesite produced from sea water by a plant at West Hartlepool: this has not been closed, since the material is used for refractory bricks, but its output will probably be increased. Magnesium Elektron were the first producers in this country, and their plant was the last to be placed on a care and maintenance basis; during the war the Clifton Junction plant and another near Burnley produced nearly 50,000 tons of magnesium for war production. The country's peak war production was between 20,000 and 30,000 tons from these electrolytic plants and from thermal reduction plants operated by three other companies. The thermal plants, however, were closed very shortly after the war as uneconomic; and in 1947, with electric power—the most important factor in magnesium, as in aluminium, production—costing roughly four times as much as when the plant was set up in the late thirties, Magnesium Elektron also closed its electrolytic plant. At that time the price of magnesium was down to some 1s. 2d. to 1s. 6d. a pound; today, with the price in the region of 2s. and certain to rise higher, commercial production might again be a sound proposition, even apart from the operation of Government plant for strategic purposes.

* * *

New Prices for Base Metals

The Ministry of Supply is gradually being forced to adopt an independent policy on non-ferrous metal prices. Since July, 1949, the Ministry has assiduously pursued its self-imposed policy of keeping selling prices of copper, lead and zinc closely aligned to those ruling in the New York market, altering its prices upwards or downwards according to changes in official American quotations. This week, however, although American prices of the three metals have not altered, the Ministry has increased the price of copper from £202 to £210 a ton, and has put up zinc from £151 to £160 a ton and lead from £136 to £160 a ton. In Britain zinc and lead are now selling at the same price; in the United States zinc is officially £4 a ton dearer than lead and the difference is greater on the "grey" market.

According to the Ministry's announcement, the increases for zinc and lead are necessary to cover the higher prices it has to pay for some of its supplies. It may be recalled that the Minister of Supply recently asserted that the Ministry would not pay more than "official prices" for its metals. This week's price increases suggest that the Ministry

is now more concerned with procuring supplies, even if this means paying prices above those ruling in the New York market. The increase in the price of copper is said to be due to higher freight and handling charges, but the fact that it is as large as £8 a ton suggests that the Ministry might also be attempting to improve its own profit margins. The corresponding maximum prices for non-ferrous scrap have also been raised.

It may not be a bad thing at this stage for Britain to pursue an independent price policy for base metals, for the American official market during the past nine months has failed to reflect the dearth of spot supplies of copper, zinc and lead. The shortage of metals in this country is more acute and the hold-up in shipments from Australia is making lead more scarce than either copper or zinc, though the scarcity is likely to be only temporary. For that reason, exports of semi-manufactures of lead have not yet been restricted. This week the Board of Trade announced that exports of semi-manufactures of copper and copper alloys in the second quarter of this year would be limited to approximately half the rate prevailing in the first half of 1950, while exports of zinc semi-manufactures will be permitted "only in exceptional circumstances." In the first half of last year some 21,200 tons of copper semi-manufactures were exported and 11,800 tons of brass and other alloys of copper; exports for these two groups were together worth £7½ million. Exports of zinc manufactures were small, amounting to only 2,600 tons in the six months period. The new order will thus save some 1,750 tons a month of copper semi-manufactures and 1,000 tons a month of copper alloys; over a year, such quantities would not be insignificant.

Shorter Notes

In his annual address to members of the Halifax Building Society, Mr Algernon Denham was able to look back on a record increase of assets—by nearly £11 million to £165.5 million—in the year ending January 31, 1951. Of the 30,793 new loans made by the society last year, however, less than 1,000 were for new homes financed during erection. The Halifax has continued its policy of cultivating the small investor and only £1,335,000 of the money invested with it is either limited company money or in a sufficiently large block (i.e., over £5,000) to attract the standard rate of income tax. The expected legislation in the coming Finance Bill to "regularise" the position of the surtax payer who invests in building societies should, therefore, have little effect upon the Halifax.

*

The Shell Petroleum Company and Anglo-Iranian have together organised an exhibition of the petroleum industry which opened in London this week and which will later tour a number of universities. It represents an attempt to explain a highly technical industry to the public, largely by means of photographs, diagrams and flow sheets covering every process from prospecting to the final stages of petroleum chemical production.

*

More insurance companies have announced modest increases in their dividends this week. The Royal is paying 5 per cent more for the year, raising its final dividend from 3s. 9d. per £1 unit to 4s. 9d. The Royal's subsidiary, the London and Liverpool and Globe, is paying 10 per cent more for the year with a final dividend of 17s. 6d. per £5 share (against 13s. 6d. last year). The Caledonian is paying 3s. 6d. per £1 share in equal half-yearly instalments against 3s. per share last year, and the North British and Mercantile is paying 8s. 6d. per £1 5s. share against 7s. per share last year. The dividend on the Prudential's "B" shares was stepped up from 1s. 6d. net to 1s. 9d. net per share in 1950, not to 2s. as stated in *The Economist* last week.

Company Notes

British Aluminium.—The question posed by the British Aluminium preliminary statement for 1950 is how far the substantial recovery in profits shown is due to the first fruits of the company's heavy programme of capital expenditure and how far to the dramatic change in the trading situation during the year. It will be recalled that combined profits reached their peak of £2,341,944 in 1947 (struck after providing an additional reserve for fluctuations in stock prices); they fell in 1948 to £1,845,677 and in 1949 to £1,538,359 owing broadly to the decline from sellers' market conditions and the exaggerated effect on profits when mills change from running at very high pressure to merely normally full production. For 1950 the combined profit figure shows a 37 per cent advance on the previous year at £2,089,259. This year the company will have the benefit of its largely expanded capacity coinciding with sellers' market conditions all the way—a combination which may well boost gross profits spectacularly. Apart from rearmament the substitution demand for aluminium in place of copper is likely to be an important factor.

	1949	1950
Group trading profit	1,538,359	2,089,259
Total income	1,803,595	2,112,771
Taxation	478,262	720,547
Depreciation, plant replacement, hydraulic works maintenance	610,459	589,492
Contingencies	30,860	9,690
Group earnings for ord. stock	323,200	404,706
Ordinary dividends	165,000	198,000
(10%) (10%)		
Added to general reserve and c/f	158,200	206,706

As a result of the issue last November of 2,000,000 new ordinary shares at 34s. the issued ordinary capital now stands at £5,000,000. The new shares are entitled to half the final dividend of 6 per cent (making the total dividend for the year 10 per cent, as before). To maintain the 10 per cent rate on the present capital would call for an increase in the gross distribution of £140,000. The position shown by the 1949 balance sheet suggested that the £3,400,000 raised by the new issue would by no means exceed the probable needs of the development programme and the increasing burden of current finance. The £1 units are quoted at 43s. 1½d. to yield £4 12s. 9d. per cent.

*

British-American Tobacco.—Under existing world conditions the affairs of such a vast international trading organisation as B.A.T. can hardly be rendered realistically with a consolidated sterling account. However adequate the presentation may be as a feat of accountancy, the shareholder who attempts to interpret the consolidated figures in terms of dividend prospects is at once confronted by such factors as the massive provision made in the current accounts of the group to correct distortions due to currency depreciation, exchange transfer restrictions, and the vagaries of the incidence of taxation. The preliminary statement for the year to September 30, 1950, shows that the group has taken direct to fixed asset and stock replacement reserve £4,832,775, being the surplus due to devaluation arising on pre-devaluation stocks of dollar leaf used during the year and the senior company itself has added to the same account £1,000,000 from provision for British taxation no longer required (owing to progress made in settling E.P.T., etc.) as well as a further £1,300,000 out of the free profit balance available for appropriation.

The fact that the company's general reserve gets nil against £1,500,000 last year raises the question whether the fixed asset and stock replacement reserve is of the character of a free reserve or a specific provision. If the latter is the case, the dividend

is barely covered, and the directors' decision to restore the rate to 15 per cent tax free against 14½ per cent tax free would be a surprising gesture. In fact, shareholders can safely take this as a faithful indication that those best qualified to judge consider that the group's affairs are moving in the right direction without spending too much time on the elaborate accounting notes and explanations which, no doubt, will again be found in the full accounts.

	1949	1950
Group net profit	15,328,761	15,157,824
U.K. taxation	7,274,003	7,059,428
Preference dividends	321,750	321,750
Ordinary dividends	3,365,683	3,563,664
(14½% t.f.) (15% t.f.)		
Fixed asset and stock reserve	195,884	2,300,000
General reserve	1,500,000	Nil
Carried forward	3,806,580	3,896,239

(a) After deducting all charges, including foreign and U.K. taxes, also after transferring to fixed asset and stock replacement reserve £4,832,775 (nil) devaluation surplus on stocks of dollar leaf. (b) Includes £1,000,000 tax provision freed.

The market seemed a little disappointed at these figures, possibly because some optimists had hoped that B.A.T. might deal less conservatively than Imperial Tobacco with the devaluation surplus. The most interesting factor in the outlook, which, however, can hardly affect the accounts until 1951-52, is the prospect of the end of the freezing of Brown and Williamson's profits under the conditions of the R.F.C. dollar loan. In the meantime the gross yield on the ordinary stock of approximately 5 per cent at the current price of 5½ indicates that there is no disposition to discount a further dividend increase in the near future.

*

British Oxygen.—The preliminary figures of British Oxygen for 1950 show that the group's earnings have resumed their secular upturn—as foreshadowed on the occasion of the placing last November of £4,000,000 3½ per cent Unsecured Loan stock and the rights issue of 693,820 ordinary shares. The group trading profit is actually up by almost 30 per cent, from £3,264,022 to £4,225,584, a most satisfying achievement against the fact that the capital for the next stage of the large development programme has already been provided. The final dividend of 12 per cent is payable on the increased capital, and there is ample cover for the present 20 per cent rate to judge from the current level of profits. In the circumstances, the increase in earnings which it seems reasonable to expect from the company's expanding capacity, the upturn in prices and the secondary consequences of rearmament represent a valuable equity.

	1949	1950
Group trading profit	3,264,022	4,225,584
Taxation	1,290,673	1,712,167
Depreciation	966,624	1,212,220
Minority interests	101,678	166,199
Retained by subsidiaries	251,919	319,899
Preference dividend	67,375	67,375
Ordinary dividend	381,602	427,394
(20%) (20%)		
General reserve	350,000	150,000
Carry forward	200,463	370,793

(a) On increased capital.

The final dividend with the interim Ordinary dividend and the Preference dividend absorbs a net amount of £494,769. Although the allocation to general reserve is reduced by £200,000, the carry forward is increased by £170,330 and the profit retained by subsidiaries by £67,980, so that the forthcoming balance sheet should show a large increase in net resources apart from the proceeds of last year's issues. At their present price of 94s. 6d. the ordinary shares show a gross yield of £4 4s. 8d. per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Mar. 28, 1951	Price, Apr. 4, 1951	Net Yield, Apr. 4, 1951 (a)	Gross Yield, Apr. 4, 1951
War Bonds 2½% ...	100½	100½	£ s. d.	£ s. d.
Mar. 1, 1951-53			0 16 4	0 3 3½
War Bonds 2½% ...	101½	101½	0 16 0	0 15 10½
Mar. 1, 1952-54			0 16 0	0 15 10½
Exchequer Ssk. 2½% ...	101½	101½	0 14 10	1 15 7
War Bonds 2½% ...	102½	102½	0 13 3	1 16 4½
Aug. 15, 1954-56			0 18 5	2 1 3½
Funding 2½% ...	102½	102½	...	1 12 2½
June 15, 1952-57			0 14 6	2 10 3½
Nat. Defence 3% ...	103½	103½	0 14 9	2 3 3½
July 15, 1954-58			0 14 6	2 12 0½
War Loan 3% ...	103½xd	103½xd	0 18 8	2 5 0½
Oct. 15, 1955-59			1 5 2	2 11 7½
Savings Bonds 3½% ...	99½	99	1 18 11	3 7 1½
Aug. 15, 1955-65			1 18 11	3 7 1½
Funding 2½% ...	97½xd	97½xd	1 16 6	2 19 2½
April 15, 1956-61			1 12 2	2 14 10½
Funding 3% ...	96xd	95½xd	2 4 2	3 11 8½
April 15, 1959-69			1 18 5	3 6 0½
Funding 3% ...	97½	97½	1 16 9	3 4 6½
Aug. 1, 1966-68			1 16 4	3 4 1½
Funding 4% ...	104½xd	104½xd	1 13 9	3 8 7½
May 1, 1960-80			2 0 10	3 15 8½
Savings Bonds 3½% ...	95½	95½	2 4 0	3 12 1½
Sept. 1, 1960-70			1 18 9	3 6 9½
Savings Bonds 2½% ...	91½xd	91½xd	2 1 10	3 5 3½
May 1, 1964-67			1 19 5	3 10 10½
Victory Bonds 4% ...	105½	106	1 14 8	3 9 6½
Sept. 1, 1920-70			2 4 2	3 12 8½
Savings Bonds 3% ...	92½	93½	2 0 2	3 8 7½
Aug. 15, 1965-75			1 19 11	3 16 11½
Consols 4% ...	101½	101½	1 19 11	3 16 11½
(after Feb. 1, 1957)				
Conversion 3½% ...	91½xd	92½	2 1 8	3 15 11½
(after Apr. 1, 1951)				
Treasury Ssk. 2½% ...	67½xd	67½	2 0 10	3 14 3½
(after Apr. 1, 1975)				
Treasury Ssk. 3% ...	78xd	79½	2 1 4	3 15 2½
(after Apr. 5, 1966)				
Treasury Ssk. 3½% ...	99½	99½	1 19 3	3 11 5½
June 15, 1977-80			1 19 2	3 11 4½
Redemp. Ssk. 3% ...	87½xd	88½	2 2 6	3 17 10½
Oct. 1986-95			2 1 0	3 10 5½
War Loan 3½% ...	91½	92½	2 2 0	3 16 11½
(after Dec. 1, 1952)				
Consols 2½% ...	68½xd	68½	2 0 4	3 13 5½
Brit. Elect. 3% Gtd. ...	93½xd	93½	2 2 4	3 10 6½
April 1, 1968-73			2 0 6	3 8 8½
Brit. Elect. 3% Gtd. ...	92½	92½	2 1 4	3 9 9½
Mar. 15, 1974-77			2 0 7	3 9 0½
Brit. Elect. 3½% Gtd. ...	100	100	1 19 3	3 11 8½
Nov. 15, 1976-79			1 13 1	3 12 1½
Brit. Tpt. 3% Gtd. ...	88½	88½	2 4 9	3 14 5½
July 1, 1978-88			2 2 4	3 12 1½
Brit. Tpt. 3% Gtd. ...	93xd	93½	2 2 6	3 10 8½
April 1, 1968-73			2 0 8	3 8 10½
Brit. Gas Gtd. 3% ...	86½xd	87½xd	2 2 8	3 12 2½
May 1, 1990-95			2 1 11	3 11 6½
Brit. Iron & Steel 3½% ...	98½	98½	2 0 5	3 12 7½
Feb. 15, 1979-81			2 0 4	3 12 6½

(a) To earliest date. (b) Flat yield. (c) Assuming redemption in 1957. (d) Flat yield given above. If redeemed, in 1952 net redemption yield £7 8 4, gross £9 9 3. (e) To latest date. (f) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 15 years 5 months.

Last Two Dividends	Ordinary Stocks	Price, Mar. 28, 1951	Price, Apr. 4, 1951	Yield, Apr. 4, 1951
(a) (b) (c)				£ s. d.
60 c 20 a	Anglo-Am. 10/-	81	81	5 10 7
25 b 15 a	Anglo-Iran. £1	86½xd	86½	5 10 4
5 a 15 b	Assoc. Elec. £1	26/9	27/3	4 12 9
7½ a 20 b	Assoc. P. Cem. £1	93/11	95/-	5 15 9
40 c 35 c	Austin 5/-	26/9	27/3	6 8 5
15 a 120 b	Bass £1	148/9	152/6	5 19 3
40 c 10 a	Boots 5/-	47/-xd	47/-	4 5 1
8 c 10 c	Br. Celanese 10/-	27/-	27/3	3 13 5
12 b 8 a	Br. Oxygen £1	93/6	92 6xd	4 6 6
5 a 7½ b	Coats £1	56/8	56/6	4 8 6
5 b 5 a	Courtaulds £1	41/9xd	42/-	4 15 3
20 c 15 c	Distillers 4/-	20/6	20/9	3 17 1
15 c 15 c	Dunlop £1	57/6	59/-	5 1 8
10 c 12½ c	Ford £1	48/9	48/9xd	5 2 7
17½ c 17½ c	Gen. Elect. £1	85/-	85/-	4 2 4
11 a 21 b	Guinness £1	129/4	131/3	4 17 7
15 a 17½ b	Hawth. Sid. £1	33/4	34/4	4 14 6
7 b 3 a	Imp. Chem. £1	46/3	46/7½	4 5 9
13½ a 18½ b	Imp. Tobacco £1	98/9	98/9	6 9 7
5 a 7½ b	Lancs. Cotton £1	41/10	41/10½	5 19 3
10 c 10 c	Lever £1	46/10½	46/1½	4 3 1
15 c 15 c	Lon. Brick £1	57/6	57/6	5 4 4
45 b 15 a	Marks & Sp. A.S. £1	83/6	84/9	3 10 9
4 b 8 a	P & O Def. £1	55/6	56/-	4 5 9
17½ b 7½ a	P. Johnson 10/-	37/6	38/6	6 9 10
15 b 15 a	"Shell" Ssk. £1	67/6	68/4½	4 1 4
12½ a 12½ b	Tube Invest. £1	61/6	61/6	3 19 3
3½ a 16½ b	T. & Newall £1	91/3	92/1½	4 5 7
8 c 8 c	Union Castle £1	37/-	37/6	4 5 4
17½ c 50 c	U. S. Debent. £1	71/3	75/-	13 6 8
4½ b 2½ a	Nickels £1	42/6	42/6	3 3 6
15 a 27½ b	Woodworth 5/-	41/9	44/9	4 14 11

(a) Interim. (b) Final. (c) Whole year. †Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended March 31, 1951, total ordinary revenue was £77,661,000, against ordinary expenditure of £114,277,000 and issues to sinking funds £10,000. Thus, including the sinking fund allocations of £19,357,000, the surplus accrued since April 1, 1950, is £720,515,000 compared with £548,739,000 for the financial year 1949-50.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	April 1, 1949 to Mar. 31, 1950	April 1, 1950 to Mar. 31, 1951	6 Days ended Mar. 31, 1951	Week ended Mar. 31, 1951
ORD. REVENUE	£'000	£'000	£'000	£'000	£'000
Income Tax	138,800	143,386	140,464	31,821	28,579
Sur-tax	120,000	114,700	121,100	2,700	3,600
Estate, etc., Duties	195,000	189,600	185,250	2,300	2,500
Stamps	50,000	51,470	54,460	1,200	1,500
Profits Tax	260,760	258,420	258,420	5,400	3,400
E.P.T.	270,000	36,200	9,550	1,000	...
Other Inland Rev.	500	638	595	30	33
Special Contribut.	4,500	19,600	4,850	200	50
Total Inland Rev.	202,800	211,135	203,389	44,651	39,664
Customs	870,650	813,334	905,216	15,077	17,480
Excise	713,150	706,400	724,800	10,400	16,600
Total Customs and Excise	1,583,800	1,519,734	1,630,016	25,477	34,080
Motor Duties	56,000	55,772	61,357	338	144
Surplus War Stores	35,000	79,138	45,355	25	...
Surpl's from Tradg.	85,000	47,541	80,995	...	...
P.O. (Net Receipts)	11,000	12,600	13,600	1,010	1,100
Wireless Licences	27,000	20,244	26,876	...	1,000
Sundry Loans	70,000	77,648	80,964	1,539	4,211
Miscell. Receipts (in Crown Lands)	389,780	392,403	397,825	73,040	77,661
Total Ord. Rev.	172,150	162,100	171,088	2,900	4,388
SELF-BALANCING Post Office	5,700	11,893	8,347	238	249
Income Tax on E.P.T. Refunds	407,560	408,024	415,770	76,238	82,739
Total	407,560	408,024	415,770	76,238	82,739

Expenditure	Estimate, 1950-51	April 1, 1949 to Mar. 31, 1950	April 1, 1950 to Mar. 31, 1951	6 Days ended Mar. 31, 1951	Week ended Mar. 31, 1951
ORD. EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Int. & Man. of Nat. Debt	490,000	472,206	477,827	1,939	2,600
Payments to N. Ireland	36,000	36,963	37,688	300	405
Other Cons. Funds	11,000	10,607	9,859	732	101
Total	537,000	519,776	525,371	2,971	3,106
Supply Services	297,132	283,793	271,252	17,007	11,151
Total Ord. Expd.	350,832	335,569	327,953	17,304	11,425
Sinking Funds	...	18,723	19,357	10	10
Total (excl. Self-Bal. Expd.)	350,832	337,522	327,931	17,305	11,425
Total (incl. Self-Bal. Expd.)	368,617	354,925	346,745	17,625	11,894

After increasing Exchequer balances by £63,031 to £2,723,067, the other operations for the week increased the gross National Debt by £54,100,161 to £25,869 million.

NET RECEIPTS (£ thousand)	
New Towns Act, 1946, s. 12(5)	44
Cinematograph Film Production (Special Loans) Act, 1949, s. 8(1)	78
Cotton (Centralised Buying) Act, 1947, s. 21	4,000
Miscellaneous Financial Provisions Acts, 1946 and 1950, Civil Contingencies Fund	30,000
Total	34,122

NET ISSUES (£ thousand)	
Export Guarantees Act, 1949, s. 3(2)	175
Armed Forces (Housing Loans) Act, 1949, s. 1(1)	7,370
Local Authorities Loans Act, 1945, s. 3(1)	20,900
Overseas Resources Development Act, 1948, s. 17(1)	162
Overseas Food	2,000
Miscellaneous Financial Provisions Act, 1946, s. 2(1) War Damage: War Damage Commission Finance Acts, 1946 and 1947: Postwar Credits	292
European Payments Union (Financial Provisions) Act, 1950, s. 3	20,350
Total	51,554

CHANGES IN DEBT (£ thousand)	
Receipts	
Treasury Bills	28,337
3% Def. Bonds	590
Tax Reserve Certs.	7,572
Other Debt	...
Internal	3,195
Ways & Means Advances	17,960
Total	57,624
Payments	
Nat. Savings Certs.	100
2% Def. Bonds	445
3% Ter. Annuities	1,191
Other Debt	...
External	1,283
Treasury deposits	500
Total	3,525

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits	Total Floating Debt
1950				
Mar. 31	4842.5	497.8	465.0	5715.3
Dec. 31	5168.5	384.0	525.0	6077.5
Jan. 6	3270.0	1851.8	394.7	6025.5
" 13	3250.0	1823.3	405.3	5952.1
" 20	3220.0	1844.6	395.8	5905.4
" 27	3200.0	1801.9	407.8	5829.7
Feb. 3	3190.0	1842.4	385.6	5829.7
" 10	3170.0	1808.1	402.7	5772.0
" 17	3170.0	1801.2	439.8	5771.0
" 24	3180.0	1749.4	419.8	5839.2
Mar. 3	3170.0	1735.8	421.5	5654.3
" 10	3180.0	1737.3	440.7	5672.0
" 17	3180.0	1739.6	395.6	5676.7
" 24	3170.0	1811.6	429.9	5691.5
" 31	3009.9	445.8	...	5450.2

TREASURY BILLS (£ million)

Date of Tender	Amount	Average Rate of Min. Rate	Allotted at Rate
1950			
Mar. 31	230.0	273.5	230.0
Dec. 29	250.0	302.4	250.0
Jan. 6	240.0	301.4	230.0
" 12	230.0	319.4	230.0
" 19	220.0	321.3	230.0
" 26	240.0	337.8	240.0
Feb. 2	230.0	336.4	230.0
" 9	230.0	331.5	250.0
" 16	280.0	331.7	260.0
" 23	250.0	337.4	250.0
Mar. 2	260.0	346.2	260.0
" 9	260.0	339.3	260.0
" 16	250.0	332.7	250.0
" 23	250.0	332.9	250.0
" 30	250.0	332.4	250.0

On March 30th applications for 91 day bills to be paid from April 2 to April 7, 1951, were accepted dated Monday to Saturday as to about 66 per cent at £99 17s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for April 6th. For the week ending April 7th the banks will be asked for Treasury deposits to a maximum of £80 million; £40 million at 154 days, and £40 million at 182 days.

NATIONAL SAVINGS (£ thousand)

	Week Ended Mar. 25, 1950	Mar. 24, 1951	Total, Apr. 1 to Mar. 24, 1951
Savings Certificates:—			
Receipts	1,800	5,500	123,077
Repayments	2,600	5,000	134,400
Net Savings	Dr. 800	500	Dr. 5,400
Defence Bonds:—			
Receipts	335	1,200	25,470
Repayments	1,165	650	47,290
Net Savings	Dr. 830	550	Dr. 20,520
P.O. and Trustee Savings Banks:—			
Receipts	11,589	12,370	645,246
Repayments	12,005	15,785	706,792
Net Savings	Dr. 417	Dr. 3,416	Dr. 61,543
Total Net Savings	Dr. 2,617	Dr. 2,365	Dr. 87,766
Interest on certificates repaid	551	1,175	30,244
Interest accrued	2,373	2,417	123,575
Change in total invested	...	...	1,124

BANK OF ENGLAND RETURNS

APRIL 4, 1951
ISSUE DEPARTMENT

Notes Issued:—	Govt. Debt	Other Govt. Securities	Other Secs. (other than gold)	Issue	Am't. of Fid. Issue	Gold Coin and Bullion (at 248s. per oz. base)
In Circulation	1321,707,179	11,015,100	1334,730,792	742,550	3,511,553	1,350,000,000
In Banking Department	28,649,644	...	...	...	...	356,825
Total	1,350,356,823	...	...	...	...	1,350,356,823

BANKING DEPARTMENT

Capital	Govt. Secs.	Other Secs.	Discounts and Advances	Securities	Notes	Other Assets
14,535,000	371,475,441	39,031,427	14,972,329	21,059,093	28,649,644	731,738
Rest	5,995,208	...	...	...	...	...
Public Deps.	28,620,268	...	...	...	...	...
Public Accts.	15,991,927	...	...	...	...	...
H.M. Treas.	14,623,841	...	...	...	...	...
Special Acct.	392,719,824	...	...	...	...	...
Bankers	392,719,824	...	...	...	...	...
Other Accts.	89,811,223	...	...	...	...	...
Total	439,899,300	...	...	...	...	...

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

COMPARATIVE ANALYSIS (£ million)

Issue Dept.:	1950	1951
Notes in circulation	1282.1	1313.0
Notes in banking department	18.3	37.4
Government debt and securities*	1299.3	1345.7
Other securities	0.7	0.8
Gold and Coin	0.4	3.9
Value at s. per fin. oz.	248/0	248/0
Banking Dept.:		
Deposits	9.3	14.6
Public Accounts	150.0	11.3
Treasury Special Account	285.4	302.7
Bankers	83.4	85.1
Others	533.1	414.7
Total	439.3	351.5
Securities	12.2	8.5
Government	23.5	25.0
Discounts, etc.	532.0	235.0
Other	23.8	33.3
Total	4.4	9.2
Banking dept. res.	...	...
" Proportion"	...	...

* Government debt is £11,015,100, capital £14,535,000. Fiduciary issue reduced from £1,375 to £1,359 million on January 10, 1951.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	April 4, 1950	Mar. 20, 1951	April 5, 1951
Cereals and meat	143.1	159.0	151.7
Other foods	143.6	174.1	174.1
Textiles	220.5	341.4	340.5
Minerals	255.0	352.2	353.1
Miscellaneous	157.9	195.9	195.3
Complete Index	181.5	225.4	227.1
1912=100	240.8	310.2	312.5

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 372s. 3d. to 248s. 0d. per fine ounce of September 13, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

	SILVER	GOLD
1951		
London	per ounce	per 100 tolas
New York	per ounce	per 100 tolas
Bombay	per 100 tolas	per tola
Mar. 23	78.5	90.15
" 30	78.5	90.15
" 31	78.5	90.15
April 2	78.5	90.15
" 3	78.5	90.15
" 4	78.5	90.15

REFUGE ASSURANCE COMPANY LIMITED

LIFE ASSURANCE AND SAVING

TOTAL SUMS ASSURED £285,000,000

BONUS INCREASED TO £1 8s. 0d. PER CENT.

MR J. WILCOCK HOLGATE'S REVIEW

Mr J. Wilcock Holgate, the chairman, presiding at the eighty-seventh annual ordinary general meeting of the Refuge Assurance Company Limited, held at the Chief Office, Oxford Street, Manchester, in the course of his speech said:—

Once again I am happy to put before you accounts which reflect continued progress by your company. During the year we issued over 375,000 new policies assuring a total sum of some £23,000,000; we paid in claims a total sum exceeding £8,500,000; our affairs continue to be economically conducted; and our bonus in the ordinary branch has been increased to £1 8s. 0d. per cent. This is a record of service to our policyholders—and, I may add, of assistance to the economy of the country—which the founders of your company, so long ago, could hardly have imagined.

TENACITY OF EARLY INSURANCE PIONEERS

It is a far cry indeed to those days in the 1850's when the Refuge first entered the field of industrial assurance and set itself gradually to overcome the difficulties confronting any new venture under private enterprise. Recently when reading of some of the happenings in the very early days of your company, I have marvelled at the tenacity and the singleness of purpose which characterised the pioneers of those days. There was little to encourage and much to discourage them. But life assurance, being—as you well know—not a business in the ordinary sense so much as a service to one's fellow men, found its strength in the hearts of men, and strength from such a source is indomitable. What was true then is no less true today. The insurance man must still have his heart in the right place.

Naturally, enthusiasm and industry were not sufficient in themselves to enable us to attain success; the fact is, of course, that we have had to give satisfaction in order to survive—that is a characteristic of private enterprise. Moreover, throughout the years, we have had to face the keenest competition; but I have never regarded that as any other than a spur and a potent influence towards success, and I very much doubt whether, without it, we should have progressed as we have done.

OVERCOMING "SALES RESISTANCE"

We have always enjoyed an advantage in that we satisfy a very real and general need, and the service we render is the greater in that this need is so often not realised or is at least faced with reluctance. You may call this attitude of mind "Sales resistance." I suppose it is; but it is a special form of sales resistance which requires a most sympathetic approach by our representatives. Old age or death are not inviting prospects, and most people prefer to keep them out of mind: and it is always a ticklish matter to remind a man of his duty, which is, quite frankly, what we do when we induce a man to provide for the future of his dependents. But it is a rewarding experience to see with what appreciation the payment of the claim

moneys is received, and to realise how great is the comfort they invariably are. Our numerous representatives are no strangers to this experience; indeed we pay in claims, on the average more than £28,000 each working day. Without our efforts where would that money be?

A CENTURY OF PROGRESS

I have remarked upon our long history. A hundred years is a long time; and during the years how many changes—what unexpected and sudden changes—have we not seen! We have emerged successfully through booms, slumps, wars, civil disturbances, alterations in our modes of life. But it is an essential feature of the operations of a life office that it should, as far as is possible, provide against the unforeseen. Indeed, how else should it conduct its affairs when the very reason for its being is to enable individuals to secure themselves against "the slings and arrows of outrageous fortune"? For that is precisely what it seeks to do. In the early days of its history it envisaged provision only for a man's dependents, creating for him an estate which otherwise would have taken him years to accumulate. Later on, however, this provision was extended so that in his later years a man could himself enjoy the fruits of his thrift, by the sum assured being paid during his lifetime. Still later, to secure him still further against the risks attending the private investment of money, different forms of pension policies were devised whereby an income could definitely be assured throughout the remainder of his life.

What this really means is that as times change, so the needs of men are modified; and it is our function to move with the times, to anticipate these modified needs, and to provide for them. In these days, when it is reputed that "Whitehall really does know best," it is a pleasant thought that a man is still free to protect his dependents or to provide for his old age as he himself, and no one else, may think fit. The individual himself knows precisely what he wants to do in either of these connections: it is his own money he is saving; and, fortunately, he can still choose as to how, and with which financial institution, he may provide for his need which only he can foresee. It would be an ill day for him and for thousands like him, if political considerations should so contrive as to remove from him this essential freedom of choice.

"MUTUALISATION"

Since the last Election we have heard very little of the word "mutualisation"; but we are not reassured by that, and shall not be until we are convinced that the harsh reality of facts has, at last, convinced the planners that theory alone is a fatal basis upon which to conduct a business. We have learned in a hard school that the customer is always right: and for nearly a hundred years we have sought to satisfy him, knowing well that if we did not there would be no future

for us in the business. Dr Johnson said something to the effect that if a man knew he might be hanged in five minutes, the knowledge wonderfully sharpened his intellect: just so as our knowledge that we depend solely upon our own abilities kept our minds alert, and impelled us to the most thoughtful and economical administration of our affairs.

PUBLICITY

Until recent years we have regarded our business as hardly one which called for advertisement. We were content to rely upon the traditional excellence of our services to make ourselves known amongst an ever-growing circle. Recent events, however, have caused us to alter our views. We are today much discussed in public; and it has been felt that it would be well to publicise our business on our own account, in the Press and by other means, in order that the services we render and the manner in which we render them should be made known more widely than amongst merely our

cent. to 13.05 per cent. In the industrial branch the expense ratio remains practically unaltered at 28.32 per cent.

VALUATION

In the ordinary branch the life assurances valued were as follows:

Policies	Amounts Assured	Premiums
529,800	£122,031,205	£6,310,087

The number of new policies effected was 28,706, assuring the total sum of £10,236,831. The premium income increased by £166,360 to £6,552,411 and the net interest amounted to £1,715,861. The life assurance fund now amounts to £54,155,981, in addition to which there are investments reserves of £2,900,000.

The basis of valuation as regards the life assurances was more stringent than a net premium valuation by the A24/29 ultimate table of mortality, with interest at 2 per cent. The annuities were valued with interest at 3 per cent. The resulting surplus was £1,546,775, which included £222,646 brought forward from the previous year.

In the industrial branch the policies valued were as follows:

Policies	Amounts Assured	Premiums
8,739,249	£163,612,809	£9,105,768

The premium income was £8,685,727, showing an increase over that of the previous year of £201,730. The life assurance fund now amounts to £54,264,821, having increased by over £2,278,000 during the year, in addition to which there are investments reserves which now amount to £4,575,000.

The valuation was made by the net premium method using the English life table No. 10 males, with interest at 2½ per cent. The resulting surplus was £1,267,364, which included £113,174 brought forward from the previous year.

DISTRIBUTION OF SURPLUS

The above surpluses have been dealt with as follows:

	Ordinary Branch	Industrial Branch
	£	£
To policyholders.....	1,222,239	932,000
To investments reserve.....	100,000	125,000
To profit and loss account..	100,000	105,000
Carried forward	224,536	105,364

The sum of £250,000 has been transferred from profit and loss account to general reserve. The directors recommend that £165,000 net be distributed to shareholders as dividend for 1950.

ALLOCATION OF PROFITS TO POLICYHOLDERS

In the ordinary branch it has been decided to declare a reversionary bonus in respect of with-profit policies, at the increased rate of £1 8s. per cent. on the sum assured, and until further notice an interim bonus of the same rate will be allowed on policies becoming claims by death or survival. The corresponding rate for the previous year was £1 6s. per cent.

In the industrial branch the policies are, in form, non-profit, but as I have already stated an amount of profit has been allocated to policyholders, and out of this sum it is proposed to grant additional benefits to existing premium-paying policies (with certain exceptions) dated prior to January 1, 1946, and certain paid-up policies. The sums assured under such policies where death or survival of the endowment term occurs within the twelve months commencing March 20, 1951, will be increased by amounts varying from £3 per cent. of the sum assured upwards. Certain additional paid-up policies will also be granted on whole-life assurances.

INVESTMENTS

In financial matters, the past year has once again, unfortunately, been fruitful in its problems, particularly those arising from the unsettled international situation with its reflection in the rise in commodity and retail prices. The attendant repercussions demand extreme care on the part of those responsible for the investment of such large sums as those with which we are concerned.

The discriminatory taxation levied on risk-bearing capital and the insufficient tax allowances for replacement of fixed assets during a period of increasing prices, make investment in ordinary stocks of less value than formerly as a protection against the effects of inflation. Nevertheless, such securities remain of service in this connection, and we have therefore increased our holdings by over £1,250,000 during the year, making a total of £6,000,000 invested in the equity shares of a carefully selected cross-section of British industry.

The total value of our stock exchange securities based on middle market prices at the year-end reflected a substantial increase over those of the previous year. An addition of £125,000 has been made to the industrial branch investments reserve fund.

During 1950 there was a revival in the capital issues market to provide the additional sums required by industry for expansion and replacement of plant, and for the financing of stocks. The opportunity was taken to effect an advantageous exchange of securities in a number of cases with a beneficial effect upon the rate of interest secured. These transactions did not, however, materially affect the amount of our holdings in British Government and British Government guaranteed securities, which now stand at £59,017,469, representing 61 per cent. of our stock exchange securities and 50 per cent. of our total assets.

It will be observed that both gross and net interest revenues in the industrial branch exceeded £2,000,000 for the first time in our history, reflecting not only the growth of the fund but also the improvement in the rate of interest obtained, which was £4 0s. 10d. per cent. gross and £3 17s. 2d. per cent. net. In the ordinary branch, where the effect of taxation is rather heavier, the corresponding figures were £4 2s. 11d. per cent. gross and £3 5s. 11d. per cent. net.

HOUSE PURCHASE

One of the unfortunate features of the postwar existence of so many people in this country is their tragic housing situation. It is hardly possible to exaggerate the unhappiness and domestic unrest it can cause; and I am glad that we are able, through our house purchase scheme, to help them to secure that aim common to all of us—a place of one's own. It is largely the result of our activities in this connection that our investments in mortgages on property increased during the year to nearly £10 million, the amount actually advanced as new house purchase loans during 1950 being over £2,735,000.

In justice, of course, to those whose funds we are lending, that is to say, the other policyholders who are not in themselves borrowers, it is necessary that we should ensure that the loans are well secured and that the terms on which they are granted are no less favourable than those available to us in other directions. It was for this reason that last year I remarked that we were keeping a close watch over the changing financial conditions, and that we deemed it wise to exercise particular care in the acceptance of mortgages under our scheme. Although we have not as yet felt it necessary to increase the rate of interest charged on house purchase advances, which remains at 4 per cent., the more attractive avenues of investment which

have become available to us in other quarters have necessarily accentuated the need for care.

TRIBUTE TO STAFF

I would like particularly to express our thanks to the staff of the company both at chief office and in the field for their loyalty and support during a year that has been far from easy for any of us. We have always been fortunate in the number of our employees who have identified their interests with those of the company, and who have been happy in their association with us. Of one thing I am sure—that the real and very human interest taken in the staff by the management is an important factor in encouraging and maintaining that cordial relationship which means so much to the success of any undertaking and of those dependent upon it. In this respect an important part is played by our two staff associations, which have ready access to our officials whenever questions affecting the welfare of the staff arise. We have been in contact with them now for over 30 years: and despite our differences of opinion, which quite naturally arise from time to time, but which are never left undiscussed, we maintain a cordial understanding. I know quite well that this ready contact has been productive of much good; and I trust it will continue to operate to such effect.

The report and accounts were adopted.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

A MOST SUCCESSFUL YEAR

ALL PREVIOUS RECORDS BROKEN

MR CHARLES R. MUNRO'S REVIEW

The annual general meeting of The Scottish Life Assurance Company, Limited, was held on April 4th in Edinburgh, Mr Charles R. Munro, C.A. (chairman of the board of directors), presiding.

In moving the adoption of the report and accounts for 1950 the chairman said:—The company, as you will have seen from the annual report, has had a most successful year, but since its close has suffered a most grievous loss by the death of Mr James Harrower Guild, who died on March 8th. Mr Guild joined the board in 1924, and during this period of twenty-seven years he was one of the company's most active directors. In him the company has lost one of its greatest servants and we, his colleagues, and all the staff, one of our best friends.

THE YEAR'S RESULTS

The financial year just ended broke all previous records, and the net new business of £4,167,328 shows an increase of over £500,000 as compared with that written in 1949. The aggregate net new business of the quinquennium amounts to over £18 million, which far surpasses the business of any previous quinquennium in the history of the company.

The life premium income has increased from that in 1949 by £143,000 to £1,132,000. Five years ago the corresponding figure was £631,000, so that during the quinquennium an increase of nearly 80 per cent. has been registered. The gross rate of interest earned in 1950 on the life fund was £4 9s. 3d. per cent. as compared with £4 5s. 6d. per cent. in 1949, and the net rate after deduction of income tax was £3 14s. 7d. per cent., against £3 11s. 4d. per cent. Claims by death are

lightly higher than last year, being 76 per cent. of the amount expected by the valuation mortality table as against 69 per cent.

The book value of the invested funds, less reserves, at £11,927,856 is about £300,000 more than in the previous year. In some sections, particularly in government securities and preference shares, there has been a reduction, while, on the other hand, there are increases in mortgages on property, in debentures and in ordinary shares. Your directors hold the view that in an inflationary period such as the present, the proportion of the fund invested in equities can with advantage be, and indeed ought to be, increased; and their present investment policy is framed with this principle in view. The market values of our assets have improved since last year and the margin over the values at which they stand in the balance sheet has therefore increased.

SATISFACTORY OUTCOME OF QUINQUENNIAL VALUATION

I come now to the very satisfactory results of our quinquennial valuation as at December 31, 1950. The liabilities under life assurance contracts have been valued as in 1945 on a 2½ per cent. interest basis and an additional reserve made which is more than sufficient to cover a reduction to 2¼ per cent. Annuity contracts have been valued, as previously, at 3 per cent. with an additional reserve against increased longevity of annuitants. You will have noticed from the annual report that your directors have decided to increase the bonus from 30s. per cent. to 32s. per cent. on full profits policies. It is perhaps appropriate that I should remind you that your company since its incorporation has never failed to declare a bonus to its policyholders at each valuation, a distinction which very few life offices can claim. This, then, is the company's proud tradition which has been maintained throughout two world wars and which it is your directors' special care to preserve.

Interim bonus additions on full profits policies which become claims during the current quinquennium will be at the same rate as that declared, 32s. per cent., subject, in the case of claims by death, to alteration at any time by resolution of the board of directors.

THE OUTLOOK

The outlook for this country, and indeed for the world, is obscure. Increased taxation, and rising costs of even the bare necessities of life, seem inevitable. Nevertheless, the premiums now being charged for life assurance show little change from those charged in 1939. Adequate provision for dependants by way of ordinary savings has become impossible, and life assurance is the only way by which this can, under present conditions, be achieved. Consequently you will not be surprised when I tell you that in the first few months of this year the flow of new business has been more than maintained.

The appointment by the Government of a committee under the chairmanship of Mr J. Millard Tucker, K.C., to consider the taxation treatment of superannuation and similar schemes, was indeed timely. Firstly, because of the anomalies which exist under present legislation between the taxation treatment of different types of scheme; secondly, because of the disadvantages facing "self-employed" persons and directors of director-controlled companies in providing for old age, as compared with employed persons. The problems before the Tucker Committee are both complex and intricate, but there is every reason to believe that the committee will devise a satisfactory solution to overcome the existing anomalies.

The report was adopted.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

ONE HUNDRED AND TENTH ANNUAL GENERAL MEETING

SUBSTANTIAL PROGRESS

CLAIMS PAID EXCEED £49,000,000

HOUSE PURCHASE—RECORD ADVANCES

The annual general meeting of the members of the Wesleyan and General Assurance Society was held on April 3, 1951, Mr A. H. Sayer, M.C., J.P., the Society's chairman, in the chair.

The General Manager (Mr D. R. Woodgate, M.Com., F.I.A.) presented the reports and statement of accounts for the year ended December 31, 1950.

The chairman, in moving the adoption of the reports, said:

It is my privilege and pleasure to welcome the members of this Society to the one hundred and tenth annual general meeting. Before I comment upon the achievements of 1950, I should like to refer to three points of interest, namely: (1) Since 1928 the premium income of the Society has more than doubled and now stands at over £3,500,000, and (2) the assets have increased in the same period by over three times and now stand at over £27,000,000, and (3) the total paid in claims since the establishment of the Society exceeds £49,000,000.

Every year through which we pass seems at the time to be the most difficult and to give rise to more perplexities than all previous years of which we have experience. Last year, which began with the flurry and uncertainties of an expected General Election and ended with the even graver uncertainties of the war in Korea and the effort for rearmament, was no exception. It is a tribute to the firm foundations of the finances of the Society that it has come through the year in the thoroughly satisfactory manner as demonstrated by the accounts which are before you today, and to which I shall refer in some detail.

INVESTMENTS

The marked rise in the prices of all raw materials has posed before many trading companies the serious problem of how to finance their stocks of goods in course of manufacture. High taxation has made it impossible for them to accumulate sufficient reserves for the purpose and they have had to come to the market for fresh capital. Unwelcome though this may be from the national point of view, nevertheless the opportunity has been afforded to Institutions such as the Society for a profitable investment of their funds. The influence of this factor is shown in the rise of £270,000 in the Society's holding of debenture stocks. Another marked rise is that of £763,000 in mortgages on property within the United Kingdom to a total of nearly £5,500,000, which reflects the success of the Society's popular House Purchase Plans and also the opportunity which presented itself during the year of making substantial mortgage advances on other suitable property. On the other hand, the Society's holding of British Government and British Government Guaranteed Securities fell by over £600,000.

RATES OF INTEREST

The gross rate of interest earned on the Society's funds was £3 14s. 11d. per cent., and the corresponding net rate of £3 9s. 6d. per cent. was only 1d. lower than that for the previous year. I am hopeful that we have seen the end of the fall in the rate of interest

earned which has been a feature of recent years and which was the result of a cheap money policy on the part of the Government and the nationalisation of many of the basic industries in which the Society had invested policyowners' funds.

Notwithstanding the more favourable investment opportunities of 1950, the market values of Stock Exchange securities as at December 31, 1950, were on the whole higher than those for a year earlier. The directors have, nevertheless, deemed it wise and prudent to augment the investments and general reserves, and the accounts show that £126,000 has been transferred out of the year's surpluses for this purpose. During the year, £26,000 had been applied specifically to writing down the book values of certain Stock Exchange securities, the reserves now stand at the substantial total of £1,550,000.

HOUSE PURCHASE

The Society's House Purchase Plan proved extremely popular last year; in fact, a record amount of new advances was made. That there is still a field for further expansion is indicated by the fact that only 35 per cent. of dwellings in this country are owner-occupied.

The programme of rearmament on which the nation has embarked may cut down the number of new houses which it is possible to build. It is vitally important, therefore, that houses now in use, which are all too few in number, should be kept in good order. However conscientious a tenant may be, he will never have the same pride in a house or take as much care of it if it belongs to someone else, as he would if it belonged to himself. Even the most willing owner of a house may find it financially embarrassing at times to effect repairs to his house when they become necessary. His difficulties are taken care of under the Society's Maximum House Purchase Plan. Under this plan a cash payment is made to the owner every five years to enable him to pay for repairs, decorations, etc. The usual advantages of all the Society's House Purchase Plans apply in full, namely, should the owner die before the period contemplated at the outset, the advance made by the Society is discharged and the owner's dependents or legal representatives receive the deeds of the property, freed from the loan. Furthermore, under the "maximum" plan an annual payment from the date of death to the end of the original term is made to the widow or legal representative. There is no other plan which covers so completely the needs of the man who wishes to buy his own house and its advantages are becoming increasingly known.

NEW OFFICES

I am pleased to be able to say that the Society is opening new offices in Haverfordwest, Pembrokeshire, and in Scarborough, Yorkshire. These areas present an opportunity for expansion of the Society's activities. I feel sure that existing policyholders in the areas will welcome the closer contact which will result from the presence of responsible officials in the locality.

The report and accounts were received, approved and adopted.

BRITANNIC ASSURANCE COMPANY LIMITED

INCREASED BONUSES TO POLICYHOLDERS

FUNDS OVER £70,000,000

Mr J. A. Jefferson, F.I.A., presiding at the eighty-fifth annual general meeting, said:

Ladies and gentlemen, the company has again made considerable additions to its funds and income. The total funds for the security of our policyholders, at the end of the year, amounted to £70,545,000—an increase of £4,446,000. Our premium income in the two life branches amounted to £9,952,000—an increase of £297,000—and for the first time the fire and accident premium income exceeded half a million pounds. We were again able to report larger surpluses in both life branches and to declare increased bonuses to policyholders.

GREATER APPRECIATION OF WORK OF INDUSTRIAL LIFE OFFICES

The threat of state interference with our business has had at least one gratifying result. It has caused us as an industry to tell the world just what we are doing for our policyholders and the part we are playing as an important savings medium in the field of national economy. Our policyholders have always recognised the worth of our work, but during the hundred years of this industry's existence we have made little effort to bring to the notice of people other than our policyholders the benefits of the services which we have been rendering—in other words we have in the past neglected what is now termed "public relations." Today, as a result of our efforts to bring knowledge of our business to a wider audience, there is everywhere a greater appreciation of the work of the industrial life offices. We are proud of our achievements and we are satisfied that if we are left free from interference we shall achieve even greater progress, to the mutual benefit of policyholders, staff and stockholders.

ORDINARY BRANCH

The ordinary branch premium income of £3,260,000 showed an increase of £140,000, and there was an increase of £1,748,000 in the fund, bringing it up to £25,571,000. The net rate of interest was £3 2s. 5d. per cent. Death claims, although up by £51,000 at £337,000, were well within the expectation by the mortality table employed in the valuation. Maturities at £1,093,000 were £134,000 less than in 1949. Expenses were again moderate at 11.91 per cent., compared with 12.03 per cent. last year. Our new business at £7,031,000 was slightly better than in 1949, and there was a further increase in the average sum assured to £477.

INDUSTRIAL BRANCH

Industrial branch premiums at £6,691,000 were up by £157,000 and the funds increased by £2,291,000 to £38,516,000. The net rate of interest was £3 13s. 9d. per cent. Death claims showed an increase of £32,000 at £1,554,000, and maturities increased by £77,000 to £1,573,000. The expense ratio of 25.72 per cent. was very moderate in a time of rising prices, and indicates the efficiency with which our business is run.

Cases on which policyholders were unable or unwilling to continue payment of premiums were actually fewer in number than in 1949, and it may interest you to know that in 39 per cent. of these cases we gave a paid-up policy for that proportion of the sum assured which the number of premiums actually paid bore to the total number

of premiums payable—a very generous settlement. In 33 per cent. of the cases we paid a cash surrender value which was nearly always greater than that fixed by Parliament.

In the remaining 28 per cent. of the cases, less than one year's premiums had been paid, but on all of these we gave life assurance cover for a much longer period than the period of the premium payments; indeed, in a large number of cases we received only two or three weeks' premiums but gave cover for as long as twelve or fifteen weeks. The company does not profit from these very early lapses, and if it were possible at the outset for our agents to identify proposals which were likely to lapse, they would not put them forward. It is of course possible for any proposer to become unable to pay his premiums, or to change his mind or experience a change of circumstances.

In the ordinary branch the surplus was £1,041,530, inclusive of £256,638 brought forward. The directors have allocated £582,769 to with-profit policies which has enabled them to declare a reversionary bonus of £1 8s. per cent. of the sum assured, which is 2s. per cent. higher than in the previous year.

In the industrial branch the surplus was £2,128,049, inclusive of £654,888 brought forward. The directors have allocated £740,000 for bonuses to Britannic policies, against £700,000 in 1949. The vested reversionary bonus scheme has again been improved, and inclusive of those previously declared the bonuses on premium-paying policies on which 10 years' premiums had been paid will be 6 per cent., increasing by 1 per cent. for each additional year's premiums paid, up to a maximum of 27 per cent. Formerly, the bonus rose from 5 per cent. to a maximum of 25 per cent.

FIRE AND ACCIDENT BRANCH

In the fire and accident branch the premium income for the first time exceeded half a million pounds. At £514,000 the premiums were over £36,000 greater than in the previous year. We are hopeful that this branch will continue to make steady progress.

In the ordinary branch the interests in the divisible surplus are contractually fixed at 90 per cent. to the policyholders and 10 per cent. to the stockholders. In the industrial branch there is no contractual right by which the policyholders share in the surplus, but by voluntary action over many years we have established the principle of bonus distributions, and today the major share of the surplus is allocated to policyholders in this branch. This year's allocation of £800,000 brings the total sums voluntarily allocated to industrial branch policyholders for bonuses to over £6,300,000.

DIVIDEND POLICY

With the growth of the business and surpluses, a gradual increase in the transfers to profit and loss account would normally accrue and would benefit the stockholders. In August, 1947, your board was considering a modest increase in dividend and proofs of the dividend warrants had been printed. In the very week in which we had fixed our board meeting for formal decision, Mr Attlee made his appeal for the wage-freeze and its complementary partnership of dividend limitation, and we immediately decided not to increase our dividend. Since 1947 the

wage-freeze has been allowed to thaw, and limitation of dividends has been replaced by moderation and restraint. By holding our dividend unaltered until now, we consider that we have been exceedingly moderate and restrained.

HOUSE PURCHASE SCHEME

The steadily growing popularity of our house purchase scheme is reflected in the increase of £1,852,000 in mortgages. Our experience in this field goes back to 1908, and we now have a steady stream of repayments. Last year the total repayments amounted to nearly £1,000,000. In cases which terminate through maturity of the policy or by the death of the borrower, not only are the deeds of the property handed over to the borrower or his dependants free from debt, but in addition substantial bonus payments have accrued on the with-profit policies. Actual new advances during the year were 2,835 in number for mortgages of £2,838,000—an average of just over £1,000 for each advance. There is no doubt that this scheme is of great benefit to our clients who are purchasing their houses out of income and who over so long a period have proved themselves to be thrifty and credit-worthy borrowers.

INVESTMENTS

Debentures, which include the unsecured loan stocks now being issued by leading public companies, have increased by £731,000. No longer can the successful company finance its growth out of profits, facing as it does high taxation coupled with high replacement costs of plant and raw materials. Whilst we are glad to play our part in financing industry, I am concerned at the heavy increase in fixed charges with which industry is being loaded. If we are called upon to face a recession of trade at any time, such charges may seriously retard recovery. Risk-bearing capital has the elasticity and resilience to absorb shocks and should be given greater, not less, encouragement by any government seeking to lead a prosperous industrial nation. If you wish to limit the rewards for success, you should also be prepared to limit the losses of failure, and the result of this policy would surely be stagnation.

Ordinary shares have increased by nearly £1,000,000. In selecting our investments in this class we have assumed that difficult times lie ahead, and we have therefore concentrated on companies whose soundness has been proved in the past and whose present financial position appears capable of weathering any such difficulties.

STAFF PENSION FUND

We are again proposing to transfer £175,000 to the Staff Pension Fund, and I am certain that this will be approved by you. The amounts allocated to the fund now amount to over £3,000,000 and the staff, through the Staff Pension Fund, is today the biggest Britannic ordinary stockholder. As you all realise, it would be quite impossible to produce such excellent results year after year without the hard work and co-operation of a grand staff, and the transfer to the Pension Fund is our tangible form of thanks.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

*The Reporting Manager,
The Economist,
22 Ryder Street, S.W. 1*

NATIONAL PROVIDENT INSTITUTION

NET INTEREST RATE 4½ PER CENT REDUCED NON-PROFIT RATES

The annual meeting of the National Provident Institution for Mutual Life Assurance will be held at 48, Gracechurch Street, London, E.C. on Tuesday, April 10th.

The following are extracts from the address to be submitted by the chairman, Mr Vincent W. Yorke:—

Members will have had our report and I feel sure that they will have found much ground for satisfaction in the achievements which we record and for confidence in the future growth and progress of our Institution. During 1950 we did—though by a small margin—establish yet another record of new business.

It is well known that life assurance per head of the population in Great Britain is smaller than that in some other countries such as the United States, Canada and Australia and that the percentage growth also of sums assured in force in those three countries during the past ten years has been greater than in Great Britain. Admittedly an important factor may be that the three countries that I have mentioned are at a more active stage of development than Great Britain.

A cause of this is the great demand for "genuine" life assurance in those countries, by which I mean whole life assurance, and policies providing an income for widow and children of the type that we call "family protection." We are doing our best to encourage this by attractive forms of policies. Many of us somewhat regret the modern preference of young men for endowment assurances for comparatively short terms regardless of their real needs, and we know well that the same amount of premium could have been used to better purpose for a longer term policy and perhaps some "family protection" income for the family that is left behind.

For the young man taking out his early policies while his family are still young, I say "Put your premiums to the best use by obtaining the largest possible cover." We are doing our best to encourage this by offering appropriate forms of policy in attractive guise.

Our claims experience continues to be light—over the last four years the claims by death have averaged only 75 per cent. of the amount expected according to modern assurance mortality tables.

HIGH INTEREST EARNINGS

The rates of interest earned on our fund were £5 14s. 11d. per cent. gross and £4 5s. 6d. per cent. net, after deduction of tax. In a widely-spread portfolio of investments I think we may well be proud of such remarkable figures.

Most life offices, like ourselves, write down the book values of securities when necessary. We satisfy ourselves that no individual holding stands in our books at more than its market selling price at the triennial valuation. The effect of this gradual writing down of book values is reflected in an increase in the apparent rate of interest earned.

In the case of most offices the same general principle is applied, with a corresponding effect, and you may well be pleased when you compare the rates quoted in our report with those of other offices. Our considered investment policy is active and forward-looking and we believe that it is the best to adopt in the interests of our members, especially in an inflationary period.

For there are many signs that inflation is gathering pace. At such a time investment in ordinary shares, both at home and overseas and in real property, is a prudent method of trying to maintain the real value of capital and of income.

On various earlier occasions I have spoken of the substantial margin between the market value of our assets and the written down figure at which they appear in our balance sheet. The existence of this hidden reserve is well known to you and the present position is one which gives us every confidence in facing the future.

INCREASED INTERIM BONUSES

After reviewing the position disclosed at the end of the first two years of the current triennium, we feel we can properly increase the rates of interim bonus which we allow on full profit policies which become claims by death or maturity, and we have announced the following increased rates as from April 1, 1951:—

Whole Life Assurance: 45s. per cent. per annum—increase in the case of certain policies of long duration.

Endowment Assurances: 32s. 6d. per cent. to 45s. per cent. per annum, according to the maturity age.

We have also reviewed the rates of premium that we charge for without-profit policies, under which a larger guaranteed sum assured is available for a given amount of premium.

Our new scales of premium for policies effected since March 1st last are very attractive, and I would remind you also that we charge reduced rates of premium for policies of large amount. Those people who prefer the certainty of a guaranteed policy and are prepared to forego the right to share in profits should consider our new terms.

I reserve my final words for the staff, and would like to express in the board's name—and I am sure in yours—high appreciation for their sustained efforts at all times. Their task is two-fold, namely to give efficient service, and with the help of members, agents, and other connections to increase the membership of the Institution.

BANK OF SCOTLAND

SATISFACTORY RESULTS

LORD ELPHINSTONE'S ADDRESS

The annual general meeting of the Proprietors of the Bank of Scotland was held within the head office, Edinburgh, on April 3rd. The Right Hon. Lord Elphinstone, K.T., governor of the bank, presided.

In submitting the directors' report, the chairman said:—When I addressed you last year the outlook at home and abroad was clouded by uncertainty, an uncertainty which was the more disturbing because of the improvement which seemed to be taking place in our trading position as a nation. The fear that the efforts which were being made to restore our balance of trade might be frustrated by the need for expenditure on defence was always present. It is therefore satisfactory that during the last twelve months we have been able to maintain our world trade and at the same time bear our share in the strengthening of the defences of the peace-loving nations.

We would warmly associate ourselves with the recent expressions of appreciation by bank chairmen of the assistance which this country and other nations have received from the United States of America. Their generosity has helped to preserve the freedom of democratic countries and to restore to some extent their standards of living.

Once again we contemplate an economy dictated by defence requirements and the heavy additional burden of rearmament may require higher taxation. No doubt our people will accept this in the proper spirit provided they can be assured of the urgency of the need and of the equity and wisdom of the measures proposed. They are, however, entitled to expect the most stringent economy in the administration of government. Re-

armament and defence should as far as possible be financed on a "pay as you go" basis: maximum productivity should be the accepted and universal rule and the utmost economy demanded from all departments of governmental administration. There is need for public policies which will counteract the erosion that has been taking place in the value of our money through the insidious process of inflation.

The Royal Commission instituted to inquire into the present system of taxation of incomes and profits will, it is hoped, press forward with their investigations and recommendations.

While there was justification for a cheap money policy during the war and in the early postwar period it would seem to be of doubtful advantage now in face of an intensified inflationary threat. Existing rates of interest are somewhat unrealistic and appear actually to aggravate the inflationary trend. In the past the fluctuating bank rate proved its efficacy as a corrective and we believe it could again operate beneficially.

LOANS AND ADVANCES

We are pleased to record an increase of £4,000,000 in our loans and advances. These are spread over a wide range of industries and the increase occurred largely in the last quarter. We continue to find that we are frequently asked to grant facilities for purposes which normally would be financed out of the borrower's own resources. This is only one reflection of the excessive burden of taxation which makes the provision of sufficient working capital and the accumulation of adequate reserves for replacements and renewals very difficult and indeed, in many cases quite impossible. The steep rise in costs of raw materials is another explanation of increased borrowings from the banks.

The bank's extensive branch system enables us to keep closely in touch with all branches of industry, particularly agriculture, in which we have a substantial stake through our advances to farmers. Shipbuilding—another very important industry in which we are much interested—is experiencing satisfactory trading and we are glad to think that the immediate outlook there is favourable.

LIQUID ASSETS

It is very necessary that a strong liquid position should be maintained and throughout the year, as always, we have observed orthodox principles with a good margin to spare. Assets in cash, bank balances, cheques in transit, money at call and short notice and in bills discounted (including £1,500,000 of Treasury bills) amount to £35 million—equivalent to 31 per cent. of our total liabilities to the public. When there is added thereto our holding of Treasury deposit receipts and our investment portfolio of over £53 million we have liquid resources of £91,961,000, equal to 80 per cent. of our public liabilities. The value of the investments, which are practically all British Government stocks, is greater than the amount at which they appear in the balance sheet.

RESULTS FOR THE YEAR

After allowing for taxation and making provision for contingencies the net profits are slightly lower at £303,948. Adding the balance from last year, £191,431, there is available £495,379. Out of this there has been transferred to reserve for contingencies £100,000, to trustees for officers' pension fund £30,000, to Bank of Scotland widows' fund £15,000, and after payment of a dividend of 12 per cent. for the year (less tax) taking £158,400, there is left to be carried forward £191,979. In all the circumstances I think you will agree that these results are satisfactory.

The report and accounts were adopted.

THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

HIGH BONUS RATES RESUMED

The one hundred and twenty-first annual general meeting of this Society was held on April 4th at the head office, 39, King Street, London, E.C.

Mr Kenneth A. E. Moore, F.C.A., the chairman, presided.

The actuary and manager, Mr G. H. Recknell, F.I.A., F.F.A., read the notice convening the meeting, the minutes of the previous annual general meeting and the report of the auditors.

The chairman, in the course of his speech, said:—The report and accounts which are before you today, read in conjunction with the actuary's valuation report, show in effect how the Society has fared during the two years which have elapsed since the last valuation, and the financial position at the end of that period.

You will see that the Society has emerged from that very troublesome period financially strong, with a reserve fund restored to £1,000,000, and able to repeat the high rates of bonus which we had paid in earlier years. The increase in the reserve fund is made up of £259,000 transferred from revenue account, and £241,000 representing investment profits earned during the past year.

The last two years have included many disturbing events and trends ranging from the collapse of the Dalton technique of over-cheap money, the devaluation of the pound and the loss of remunerative investments through nationalisation, to the Korean war and the immensely increased expenditure on defence. It is quite remarkable that through this depressing time the British life offices in general and the Society in particular, have contrived to remain sound and flourishing and more active in new business than in any corresponding period in the past.

ADVANTAGES OF LIFE ASSURANCE

The fact is that the trend of economic events has greatly strengthened the case for life assurance. The decline in the ability to accumulate personal savings and the inability of whole classes of the population, due to the pressure of economic changes and of taxation, to make adequate provision for their old age has led to a keener realisation of the advantages of life assurance as a means of saving and of providing for old age and dependants.

The Society has in being an active and well-equipped department covering pension schemes and is particularly concentrating on meeting the individual circumstances of smaller businesses and firms. Many representations are now being submitted by professional bodies to the committee appointed by the Chancellor of the Exchequer to consider, among other things, the anomalies which arise from the barring by existing legislation of professional classes and self-employed persons from income tax advantages which are enjoyed by their own employees where superannuation schemes are in existence. If these representations bear fruit the Society will be well placed for a substantial extension of its activities and usefulness.

In this year we celebrate our coming-of-age in the second century of our existence. The work of the board and of our staff is not becoming less arduous with the passing of the years but it is an encouragement for the future to know that we have such a long and splendid history behind us. Our most sincere thanks are due to Mr Recknell, our actuary and manager for many years past, and to his officials and staff for their stewardship.

The report and accounts were unanimously adopted.

THE BRADFORD DYERS' ASSOCIATION LIMITED

RECORD GROSS TRADING FIGURES

MR JAMES EWING'S ADDRESS

The fifty-third annual general meeting of The Bradford Dyers' Association Limited was held at the Midland Hotel, Bradford, on April 4th. Mr James Ewing (the chairman), who presided, in the course of his speech said:

The gross trading figures are a record in the history of the Association, but the net figures, after meeting heavy depreciation and severe taxation, are not the highest. The total yardage of wool, cotton and rayon piece goods processed during the year by the Association was 520,000,000, of which nearly one-third was processed by our foreign companies. Since 1948 the yardage has increased. In the consolidated profit and loss account we have introduced a division of the gross trading profits as between our home branches and our overseas companies, from which will be seen that the latter are responsible in a marked degree for the improvement in and for a substantial proportion of our profits. Part of this is dollar earnings.

TRADING RESULTS

Our gross trading profits, as shown by the consolidated profit and loss account, amounted to £2,836,523, an increase of £1,063,280 on the previous year. Of this increase, £600,000 was provided by our overseas companies and £464,000 by our British branches and subsidiary companies.

In the last four years, our group of companies has spent over £2,000,000 on additions and replacements of buildings, plant and machinery, and outstanding commitments amount to £785,000.

Your Board has decided that the charge for depreciation must be increased to provide for the wearing out and obsolescence of our equipment, on a basis commensurate with the current level of values. In 1948 the total provision for depreciation was £389,000. This was increased to a total of £652,000 in 1949, and has been further increased to £792,000 in 1950. Similar considerations have led to the retention by subsidiary companies of a large proportion of the net profits they have earned during the year. Further, increasing turnover at rising price levels demands more working capital. In two years, as shown by the consolidated balance sheet, customers' outstanding accounts have risen by £930,000; our overseas companies, in particular, have found it prudent to conserve their resources in order to meet this demand of present-day conditions of trade.

After making these necessary provisions and deducting £752,000 for taxation—£208,000 more than the previous year—and also deducting the share of minority shareholders in profits of subsidiaries, debenture interest and directors' remuneration, there remains £492,891 as the profit available. Adding the amount brought forward, we have £612,000 for disposal. £200,000 has been added to general reserve account, and £60,000 provided for staff and workpeople's pensions.

DIVIDEND RECOMMENDATION

Since the resumption of payment of dividend on the ordinary stock with a modest

4 per cent. for the year 1943, we have restricted the rate of distribution to 5 per cent. until last year, when 7½ per cent. was paid. These dividends represented only a proportion of our earnings, and could have been increased but for the necessity of rebuilding our reserves and meeting the request of the Chancellor for "moderation and restraint" in dividend payments. This year, we feel amply justified in raising the rate to 10 per cent., the largest dividend we have paid since 1928. The parent company's general reserve now amounts to the sum of £1,000,000, while our properties and plant are carried in our balance sheet on an extremely conservative basis. It is of interest to note that, while the total Preference and Ordinary dividends for the year, before deduction of income tax, amount to £353,000, we have received the equivalent of gross dividends of £312,000 from our overseas companies—an indication of the conservative policy of your Board in strengthening the Association both financially and technically, to enable it to face the future with confidence when competitive conditions return such as the market in textiles experienced in the decade before 1939.

As commission dyers and finishers—selling our labour, skill and services—we fortunately have not to carry the risks of the fantastic prices of cotton and wool; but the repercussion of these prices may be felt in due course in decreased volume. There is grave danger that wool and cotton fabrics may rise in cost beyond the purchasing power of the community.

OVERSEAS COMPANIES

BRADFORD DYEING ASSOCIATION (U.S.A.)
RHODE ISLAND, U.S.A.

This company has had another satisfactory year, having processed several million yards more in 1950 than in 1949, in spite of keen competition from the Southern States, where wages are much lower, and from the large vertical concerns. This is a creditable achievement on the part of both management and employees. Large expenditures have been made by the company in the past few years on the modernisation of its plant and on research, and these have greatly helped the company to enhance its already high reputation.

Research is continually being carried on, particularly in the field of the new synthetics such as Nylon, Orlon, Fortisan, Amilar (Fibre V), etc., and the company is capable of meeting the demands likely to be made upon it whether for civilian goods or for the Defence Programme.

During the current year the company will have to meet substantially increased labour costs, under the provisions of an agreement which has recently been entered into with the union, rising costs of fuel, chemicals and dyestuffs, and a higher rate of taxation. On the other hand, the volume of business is increasing, and includes several contracts for the dyeing and finishing of cloths intended for the various branches of the U.S. armed forces. Under the efficient management of the resident Board, which has recently been augmented by the election of three new directors from the company's personnel and given a continuation of the existing cordial relations with its employees, there is no reason to anticipate any serious diminution in the earnings of the company in 1951.

BEIDA DYERS, S.A.E. ALEXANDRIA, EGYPT

In this company we have the majority holding. The yardage of cloth processed was in excess of that in any previous year. Units No. 1 and No. 2 are running steadily, and the output of prints from No. 3 unit is increasing as new machinery is brought into production. The high quality of its output has assured a ready market for all the cloth this printing unit has been able to process. Although the majority of fabrics produced at Beida are for local consumption, a very encouraging start has been made with an export trade. Overseas buyers have given a most favourable reception to Beida qualities, and appreciable quantities have been shipped to various parts of the world.

In view of the development and expansion, and owing to rising prices of raw materials, labour, etc., the capital of Beida Dyers, S.A.E. has been increased from half a million to one million Egyptian pounds. A new issue of shares has therefore been made, one new £E4-share being offered to existing shareholders for every share already held, at par, plus 10 piastres to cover expenses of issue. Your Board has subscribed for its entitlement in the new issue at a cost of £282,092. The increase in capital reflects the further progress of the company and prepares the way for still expanding business. We are indebted to the Exchange Control Department of the Bank of England for the helpful and expeditious manner in which they approved our application to make this investment abroad.

BRADFORD DYEING ASSOCIATION (CANADA) LIMITED, MONTREAL AND COBOURG

Our acquisition of this business in August, 1949, was followed in September, 1949, by the devaluation of sterling, which had an unfavourable influence on the Canadian woollen and worsted trade. In 1950 conditions still remained unpropitious.

Prompt steps have been taken to improve the company's position. One small branch has been closed, the building sold at an advantageous figure, and the machinery transferred to the remaining two branches without loss of productive capacity. Installations of the latest types of machinery from the United Kingdom and the United States have been made and the company is now equipped to cater for lightweight dress flannels and dress crêpes imported in the grey from the United Kingdom and for the larger range of domestically manufactured goods such as mixture suitings, piece dyed suitings, serges, gaberdines, etc. The company is in a position to give patented shrink resisting finishes suitable for all washable wool goods, and in a short time will be equipped to apply many of the specialised finishes available in the United Kingdom, with special attention to the dyeing and finishing of a variety of mixture cloths composed of wool and viscose, wool and nylon, wool and ardil, etc.

Our aim is to enable this company to offer the best dyeing and finishing of wool types and to provide in the Canadian market service equal to that we give in the United Kingdom.

BRADFORD DYEING ASSOCIATION (AUSTRALIA) PTY. LIMITED, SALE, VICTORIA

Last year I reported to you that we had decided to erect, at the City of Sale, Victoria, a works for the dyeing and printing of all types of rayon woven fabrics, and that we had formed a company in Australia with a capital of £A500,000 to carry out that project. It is our intention that this company should provide service not only for Australia's domestic producers but also for our customers in the United Kingdom who cater for that market. Some delay has been caused by difficulties in regard to the supply of steel, but all preliminary arrangements have

now been completed and the contracts for the buildings and other constructional work will be let shortly. We are hopeful that the works will be in production in the latter part of next year.

RESEARCH AND DEVELOPMENTS

Mention of several of our main developments during the past few years might be interesting. Recognising the need for unshrinkable and stabilised finishes in both natural and synthetic fibres, we have devoted a great deal of research to that objective. As finishers we believe we are unique in offering to the trade the latest developments in unshrinkable and stabilised finishes in cotton, rayon and wool. Our trade names "Rigmel" for cotton, "Maxifix" for wool, and "Quintesse" for rayon, are household names in the industry and are a guarantee of the newest developments in these important fields. In printing we have continued to expand in both roller and screen printing. An ancillary to our printing is our subsidiary company "Roll-Phot," and we are now producing completely new styles of printing.

Our "Rigmel" shrunk finish for cotton cloth ranks as one of our most prominent achievements and is the most outstanding contribution to the finishing of cotton textiles since the discovery of mercerising. During the last three years an already large turnover has been almost doubled. "Rigmel" is now one of the best known trade names in textiles. Today it is advertised in about 400 papers throughout Great Britain, with a monthly readership estimated at 115 million; and B.D.A. has become the leading advertiser in this field. Already 4,000/5,000 shops regularly display goods with the "Rigmel" mark. Demand on us for garment tabs and tickets has reached the impressive figure of 15 million in a year. As a result, some of the most influential shirt-makers are now realising that it is in the public interest to identify "Rigmel" on their garments, and this is resulting in more and more collaboration with them.

Despite the general encouragement given to research, the Government has as yet seen no way of helping to relieve the dearth of University graduates who are indispensable for present-day research teams, the size of which suffers under the continued impact of military service requirements. Although our research effort is, for this reason, much below the degree of intensity that we would like to see, we have been successful in uncovering a number of new and interesting finishes, which are the subject of patent applications and will improve your company's competitive position by their future exploitation.

SUPPLIES

May I say a few words regarding the important question of supplies of raw materials? The world shortage of sulphur is yet another of the many difficulties likely to affect our industry. Although in comparison with other sulphur consumers our requirements of the country's sulphur commodities are small, the extent to which they have permeated our industry and dominate certain processes is perhaps not generally realised. Owing to the shortage, the Board of Trade has found it necessary to control sulphur itself and sulphuric acid. In this difficult situation your company is endeavouring to reduce the use of acid, but any worsening in acid supplies might well have a serious influence on the output of carbonised wool piece goods and of dyed wool pieces generally. In other sulphur containing materials, and notably sodium hydrosulphite and related products vital to the application of the highly important fast dyes, neither economy nor substitution appears feasible. Additional economy by a company already working at a high degree of efficiency is rarely possible.

and a rationing system hits it the harder. As stocks of these commodities are non-existent and use is on a hand-to-mouth basis, the future of vat dyeing and printing is precariously balanced. Through the appropriate Trade Federations, which provide a necessary and powerful voice when the occasion demands strong representations have been made to the Board of Trade, and it is hoped that the threat to production may not materialise.

It is realised that the outcome depends on the world distribution of sulphur, which, along with other vital basic commodities, must be discussed at the highest international level. Nevertheless, our own mineral wealth must not continue unexploited. Combined sulphur is available to us in our island soil. Its winning involves great capital expenditure and use of vital steel. With taxation at its present levels it is too much to expect the whole burden of capital requirements to fall on private enterprise; it should rather appeal to the Government as a prudent and wise long-term investment, affecting the national well-being.

SULPHUR SHORTAGE AND THE RAYON INDUSTRY

Yet another result of the sulphur shortage is that which faces the rayon producing industry, in the products of which we are so closely interested. I referred last year to the growing importance of manufactured fibres in the nation's economy. Their importance has increased substantially because of the high and advancing price of natural fibres. It is all the more tragic, therefore, that at a time when expanded output of viscose rayon is required, the shortage of sulphur has imposed a reduction in output. The future of both viscose and acetate rayon is bright and they will continue to loom large in your company's finishing production.

As for fibres from synthetic polymers, there is unfortunately little immediate change in this country, whilst both volume and variety in U.S.A. continue to expand and develop. Announcements of projected new American fibres are fairly frequent. Nevertheless, we are convinced of the important part these classes of fibres will play in our textile industry, and in a pioneering spirit we have re-equipped a works solely to deal with these fibres. Much valuable experience is being gained, leading to development of new and novel finishes, and in this work we are fortunate in having access to the latest developments in U.S.A. through our subsidiary company there.

Other vital supplies for our industry are coal and chemicals. During the past few months we have had to draw upon our stocks of coal to maintain our production. We record with appreciation the assistance we have received from the local officials of the Coal Board during a very difficult and trying time. I also wish to express our thanks to British dyestuff suppliers for the very adequate support they have given us. But for the protection afforded to the Dyestuff Industry by the Dyestuffs Import Regulation Act, which enabled this industry to be built up so that it was capable of meeting all U.K. requirements, today we would have been faced with a position not unlike that during the World War No. 1.

SURPLUS CAPACITY IN THE PIECE DYEING AND FINISHING INDUSTRY

I have repeatedly urged that the finishing sections should take action to reduce in an orderly manner the surplus capacity which exists in their industry. The Cotton Industry Working Party Report of 1946 made the plain statement:—

"There is in the Finishing Section the most clear case of 'unbalanced' redundancy in the sense that its capacity is much greater than could be required for handling the

potential output of the other two Sections (Spinning and Weaving). . . ."

The bleaching and the printing sections of the Finishing Industry have approved and have put into operation agreements designed to correct this state of affairs as it affects them. In the cotton and rayon piece dyeing industry a company—Dyeing Industry Reorganisation Limited—has been formed to promote and administer a similar scheme. Copies of the Memorandum and Articles of Association of the company have been circulated to all firms in the trade, together with copies of a levy agreement which they were asked to execute. The arrangements embodied in these documents would bring into being, under a continuing scheme, administrative machinery by means of which the industry could from time to time acquire the businesses of those who were willing to sell.

If one takes the long view, confidence in the stability of the industry cannot be felt until the capacity of the piece dyeing industry is brought more into conformity with the potential output of the complementary spinning and weaving sections. It is true that production of cotton cloth in the United Kingdom last year showed a further recovery and that the increase in the production of rayon cloth was impressive. But comparing these figures with the production in earlier years, and remembering that this was the level of production which governed the size of the piece dyeing capacity which has not since been materially reduced, it is made apparent that the "unbalanced" redundancy stressed in the Working Party Report still remains. This is illustrated by the following table:—

Year	Cotton	Rayon	Total	Index Figure
1912	8,050	n.a.	8,050	100
1924	5,590	n.a.	5,590	70
1937	3,640	482	4,122	51
1947	1,622	388	2,010	25
1948	1,895	498	2,393	30
1949	2,003	588	2,591	32
1950	2,125	706	2,831	35

The fall in exports of cotton cloth from the United Kingdom in 1950 as compared with 1949, contrasted with increases in exports from India and Japan, demonstrates that cotton textiles are not a sheltered industry.

JAPANESE COMPETITION

Two years ago I stressed the latent menace to the economy of the United Kingdom of Japan's re-emergence as a textile exporting nation. Events in 1950 have demonstrated that such fears were not groundless. The United Kingdom's production in 1950 of cotton piece goods increased by 6 per cent., and her production of rayon and rayon mixture cloths by 20 per cent. in comparison with 1949. Japan's output in 1950 of cotton piece goods increased by 55 per cent. and her output of rayon cloths by 200 per cent. (estimated) in comparison with 1949. Despite this very marked increase in production, the volume of Japan's output of cotton cloths and rayon cloths combined still amounted to only 75 per cent. of the volume produced in the United Kingdom; but her exports exceeded United Kingdom exports by 28 per cent. Japan has exported in the past two years nearly 75 per cent. of her total production of cotton cloths.

The United Kingdom's lower volume of exports of cotton piece goods in 1950 compared with 1949 was attributable more to insufficiency of production than to competition from Japan and other exporting nations. Whatever the cause, Japan is gaining a grip on consumer markets which it will be practically impossible to loosen. It must be realised that many of Japan's former markets are now closed to her, and this will intensify her efforts to penetrate into British Colonial and other markets.

At the time of the visit to Japan, in May, 1950, of the Anglo-American Cotton Textile Industries Mission, labour costs there were reported to be one-fifth of those in Britain; machinery was being worked two shifts of 48 hours per week (they are now stated to be contemplating the adoption of a 7-day week system of operation, with an increased labour force so as not to violate the Labour Standards Law). In contrast to the United Kingdom they have an almost unlimited supply of labour, consisting mainly of young girls of between 16 and 21 years of age.

It is patently impossible for any country with Western European standards of living to compete with the costs of production possible under the conditions ruling in Japan. The position of the United Kingdom has not been made easier by S.C.A.P.'s removal of the limitation on Japan's spindleage, nor by the inadequate allocation of American cotton to the United Kingdom in contrast to the much more generous treatment accorded to Japan—an ex-enemy country.

THE COTTON BOARD

As provided under the Industrial Organisation and Development Act, 1947, the Board of Trade has been reviewing the Cotton Industry Development Council Order, 1948 (which put the wartime Cotton Board on a peacetime footing as The Cotton Board 1948) and has consulted the organisations of workers and employers in the industry. The representatives of the Finishing Employers' Organisations have recommended, without reservation, the continuation of the Cotton Board on the same basis as at present. The new proposals to allocate the costs of the Board between the different sections of the industry cannot logically be assailed; but I question whether it would not be more economical to revert to the method of levying the cost directly upon cotton, preferably in the raw state. The Cotton Board has played a major part in the recovery that has been made by the industry from its shrunken state in which concentration and the shutting down of its export trade had left it at the end of the war. Because of its fundamental importance, the rebuilding of the industry's labour force may be counted as the Cotton Board's outstanding achievement. To this task it has applied itself with energy and imagination, with the result that the employees in the industry have reached a number well above that which was thought to be possible at the end of the war, even though the pre-war number has not been recovered. It has served to fuse the activities of the several sections of the industry and, being a body established by Statutory direction, it has been able to represent the industry authoritatively to an extent which would have been beyond the power of any sectional organisation or combination of organisations. As the representative body of the industry in negotiations with the Government, it has saved the different sections much frustration and delay which could not have been avoided if they had been left to deal directly with the various Government departments—a form of decentralisation which could, with much advantage to industrialists, be extended. It was the first development council to be established in any industry, and it will serve as a model to any that have been or may be established later.

MONOPOLIES AND RESTRICTIVE PRACTICES ACT, 1948

Much has been heard of late of this Act and of restrictive practices in industry. It is very right and proper that there should be an inquiry into such matters, but it requires a true and balanced perspective. In modern society the citizen is governed by a large number of restrictive practices devised by the State for his own well-being, and similarly in industry, practices, apparently restrictive, may in fact be the attempts of an industry

to enforce a self-discipline which redounds to the common good. It is by this criterion that such practices must be judged.

Collective price maintenance is a much-maligned and misunderstood term. It is commonly regarded as a device for keeping prices up. Rather is it a method of preventing prices from falling to levels which are disastrous to employee and employer alike and to the community. In short, it is to prevent competition in its most vicious forms. It is this principle which has resulted in collective price maintenance to provide security and a fair reward both to worker and industrialist. Indeed, it is the very essence of the Board of Trade Utility Scheme, which fixes prices to provide a reasonable return to all involved in production and distribution of utility articles. The maintenance of an economic price level not only ensures to the worker and the employer their due reward, but it removes the serious danger of degradation of quality, which is the usual corollary of unbridled price competition.

The Monopolies Commission has useful work to do, but it may suffer because of the narrowness of its terms of reference. An inquiry into monopoly should consider the whole field of industrial activity, whether private or public and irrespective of whether the activity emanates from organised capital or organised labour. Only such a comprehensive review can be justified.

THANKS TO MANAGEMENT, STAFF AND WORKPEOPLE

Once again I express on your behalf thanks to our management, staff and workpeople for their loyal and devoted service. No company could be better served. If I might sum up the objectives of the Association, they are threefold: to give to our customers the most up to date and efficient service and reliable workmanship; to earn for our stockholders a reasonable return on the capital provided; and to provide for our employees good wages and conditions of employment. These three objectives, I believe, we are today fulfilling.

THE OUTLOOK

Last year I endeavoured to forecast our immediate prospects. Today the future is too obscure because of the uncertainty of the raw materials supply position to which I have already referred. All I can say is that our branches today are fully occupied and I can foresee no immediate diminution in volume of work. We are fortunately placed in having interests in substantial producing units in Egypt, U.S.A. and Canada, which will not be affected to the same degree as the United Kingdom in procuring supplies. For the first quarter of this year our figures compare favourably with the corresponding period of last year, and our stockholders may rest assured that the Board is fully alive to the situation and that nothing will be left undone to ensure a further year's satisfactory trading.

Demands of the Defence Programme on the engineering and metal using industries mean that exports by these industries, which have expanded greatly in recent years, will be reduced. If we are to maintain our overall balance of payments, the consumer goods industries, and in particular the textile industries, must increase their exports to fill this gap. It is unfortunate that at this time they have to face additional handicaps imposed by the shortage of raw cotton, high prices of wool, and shortage of sulphuric acid for the making of rayon. The situation demands renewed effort by all sections of the textile industry, both management and employees, directed towards obtaining expanded and more efficient production and towards keeping our products competitive in quality and in price in the international markets. I believe the industry will rise to the occasion.

The report and accounts were adopted.

THE STEETLEY COMPANY, LIMITED

INCREASED PRODUCTION AND SALES

EXPANSION OF DOLOMITE BUSINESS

MR N. M. PEECH'S STATEMENT

The twenty-first annual general meeting of The Steetley Company, Limited, was held on March 30th, at the Royal Victoria Hotel, Sheffield, Mr N. M. Peech (chairman and managing director) presiding.

The acting secretary (Mr G. M. Norledge) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1950, and was taken as read:

In submitting the annual report for the year 1950, I should point out that the group production and sales were again higher than in any previous year.

DIVISIONAL REPORTS

In the Dolomite division, the main re-equipment of the management has been the re-equipment of the Coxhoe (Co. Durham) and Taffs Well (South Wales) works. The former was completed by the end of the year and some progress was made with the latter but it will be the summer of 1952 before this work is completed. Simultaneously with rebuilding large sections of these plants on restricted sites, high productions had to be maintained at both works, and this factor, coupled with delays in delivery of machinery, retarded progress.

In the refractory brick division, a measure of re-equipment proceeded at the Oughtibridge and Worsnop brickworks. This work will continue for two or three years and will be financed from year to year out of current resources. New and larger machines will be installed and an improvement in working conditions obtained. The capacities of both the Oughtibridge and Steetley brickworks were increased during the year.

In the magnesia division, the extension to the Hartlepool works of the Ministry of Supply, for whom we act as managers, is now coming into operation. This extension will increase the capacity of the works by 40 per cent. A notable feature of the year's work was that we established an export market for British magnesite of which a considerable proportion went to the United States and the output for this year is fully sold.

PRODUCTION EFFICIENCY AND SELLING PRICES

Many shareholders are aware that the new Cadeby works and the re-equipment of the Coxhoe and Taffs Well works are part of a long term development programme entered into several years ago. That programme had two principal objectives, namely, an increased production of dolomite refractories (heat resisting materials) and greater efficiency in the works operations. We were anxious to ensure our ability, particularly in winter weather, to meet an increasing demand for this product. The Cadeby works, which bears some resemblance to a small but modern blast furnace plant, has been successful in achieving these objectives. It has resulted in better working conditions and has proved to be a well-conceived project, the justification for which is manifest in times of rising wages and the national necessity for using manpower to the best possible advantage. The production per man employed is as good as the best American results. The re-equipment of the Taffs Well works will complete the programme.

To illustrate the extent to which selling prices have been kept down in relation to the

bills we have to meet for fuel, raw materials, repairs and maintenance materials, wages, etc., a table is attached to this report. Fuel prices at December, 1950, had increased by 186 per cent, compared with 1939, yet the prices of the three principal products made by our group had increased by only 83 per cent in the same period.

DEVELOPMENT

It has been decided to develop and expand the existing finely ground dolomite (magnesian limestone) business particularly for agriculture. Orders for new plant have been placed amounting to £100,000 which will be provided out of current resources. Production from the first unit has now commenced.

REGROUPING AND EXTENSION OF SUBSIDIARY COMPANIES

The development referred to in the preceding paragraph is being undertaken by a subsidiary company named Steetley Ground Limestone Company, Limited.

Two new subsidiary companies, namely Steetley Dolomite (Quarries) Limited and Steetley Doloma (Processing) Limited have been formed and subject to the necessary consents being obtained, it is intended that the issued capitals of these two companies will be increased to £400,000 and £500,000 respectively.

By this arrangement of wholly owned subsidiary companies in the Dolomite division, The Steetley Company will become a holding company which will facilitate organisation and administration.

In the Refractory Brick division, the business of the Steetley Refractory Brick Company has been consolidated with that of the Oughtibridge Silica Firebrick Company, Limited.

GROUP BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The issued capital remains unchanged at £1,163,760.

The additions to plant and machinery during the year amounted to £326,712, and the authorised expenditure on capital account outstanding at December 31, 1950 amounted to £227,500.

The group trading profit at £508,563 compares with £474,773 last year. After deducting depreciation amounting to £130,325, taxation amounting to £191,104 and directors' fees amounting to £5,317, the net profit is £187,990 compared with £168,007 in 1949.

The revenue reserves have been increased by £100,000 and the balance on profit and loss account, after making this allocation and providing for recommended dividends amounting to £73,632, will be £75,680.

DISPOSAL OF INCOME

You may be interested to know how each £1 of sales, which amounted to approximately £3,000,000 in 1950, was spent:—

	s. d.	%
Raw materials, works maintenance, repairs, stores, etc.	5 8	28
Fuel	5 6	27½
Wages and salaries	3 11	20
Delivery charges	2 6	12
Making a total of	17 6	87½
The remaining 2s. 6d. was spent on:		
Taxation	1 5	7
Reserve for new works and expansion of the business	7	3
Dividends	2 0	2½
	20 0	100

It is thus clear that even if no dividend were paid to those who provide the capital to build our works, the reduction in the price of the goods we sell would be only 6d. in the £, or 2½ per cent.

THE DIVIDEND

Your company is proud to be a part of the free enterprise system of this country which was the backbone of the economic recovery made last year. Your company is also proud to be able to afford to pay a very slightly larger sum, amounting to £8,540, out of the year's surplus of £187,990, to those who have led, established and have extended this business so substantially and created employment thereby. The return to them is meagre rather than generous for the risks they have taken. This larger payment we believe is due to those people who have been hard hit by taxation and the cost of living and have not had the benefit of higher wage earnings. We are grateful to our shareholders who have backed our judgment to the extent of investing £700,000 in the last three years in this business and so enabled the building of the new works and re-equipping and extension of our other works.

MANAGEMENT

Firstly, I should like to express our thanks to everyone who works for us. Their united efforts have increased production and improved efficiency. All who are interested in the company's and consequently in our contribution to the country's welfare, should be grateful to them. This year I would like to refer particularly to the importance of the work done by management. The success of a company depends largely on whether the day-to-day management of the business is good and in the more distant future on the progressive development of the undertaking. It is often not appreciated that a small difference in management, hardly perceptible on the surface, can bring about vastly differing results by a works or company. One wrong decision can ruin a whole works or delayed decisions, perhaps through remote control, can ruin morale and the works will soon drift downhill.

Referring to the development of our own undertaking, the production of magnesia refractories using dolomite and seawater as raw materials, stabilised dolomite refractories and the design of the new Cadeby works, were all original ideas of the board and senior executives—a hard working section of the community. Nothing like these enterprises existed in the world at the time we embarked upon them. To bring them from the stage of original thought in 1936 to today's position when the domestic magnesia production is 55,000 tons per annum (handling 15,000,000 gallons of seawater each day), stabilised dolomite production is 20,000 tons per annum, and the Cadeby works finished product output is 150,000 tons per annum, required a great deal of hard and intelligent work on the part of the management. I believe that shareholders will join with me in wishing to pay a special tribute to all who have had a hand in these developments in recent years.

We intend to develop not only original enterprises but also to apply original thought to adapting production methods and practices in our existing plants and facilities in order to improve efficiency. It is therefore essential that we should remain young in outlook and our young men should be given the fullest possible scope and encouragement to use initiative and enterprise. The staff training scheme is working well in providing the initial background and scientific training and our works managers find time to further practical training and to develop human relations and judgment in these young men. It is tragic that so much of management's

time is taken up in complying with Government regulations affecting the operations of industry.

PROSPECTS

The re-equipment of the Coxhoe works will not show such tangible results as those achieved at the Cadeby works, partly because the quarries have been mechanised for some years. A benefit however will be felt this year from the new large crushing and screening plant and the new processing works. No benefit will be felt from the capital expenditure proceeding at Taffs Well works until the middle of next year.

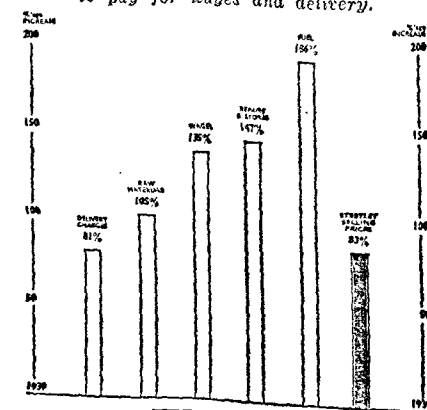
Uncertainties at present exist as to the availability of raw materials for some of our principal customers and for this reason their demands on us may be rather lower than in 1950. On the other hand improved efficiency in our works should go some way to offsetting a possible lower demand that may arise for our products.

Unless industrial production is dislocated due to a fuel, electric power or other national crisis, we expect to be able to present another acceptable report at the next annual general meeting.

The report and accounts were unanimously adopted, and a final dividend on the ordinary shares of 11 per cent., less tax, making 15 per cent., less tax, for the year, was approved.

The retiring director, Mr Stanley Brooke, was re-elected; Mr C. F. Penruddock was elected a director; and the remuneration of the auditors, Messrs. John Adamson, Son and Co., having been fixed, the proceedings terminated.

Table illustrating the increases in selling prices, between December, 1939, and December, 1950, of our products and the prices of the materials we have to buy and what we have to pay for wages and delivery.



ERICSSON TELEPHONES, LIMITED

NEW RECORDS

The forty-eighth ordinary general meeting of this company was held on March 30th, in London.

Sir Harold A. Wernher, G.C.V.O., the two-man, in the course of his speech, said: "The last general meeting I concluded with the words 'we have every reason to look to expect immediate future with confidence.' Now you have seen the accounts I think you will agree that my confidence was fully justified. For the third year running, and in the face of many difficulties, new records have been established, both for output and profit. Once again a very large proportion of our sales has been to overseas customers."

At home, too, we know that there are approaching 450,000 applicants awaiting telephone service and with very little sales effort

this number could be increased considerably. There are, in addition, 300,000 subscribers who share a line. On several occasions during the past few years I have drawn attention to the inadequacy of the Government's building programme for housing public exchanges. This is causing disquiet in the telephone industry because the position seems to deteriorate.

The gross profit amounted to £1,188,223, compared with £1,051,071 for 1949. Taxation takes £655,609 or nearly 56 per cent.; this load, together with purchase tax, National Insurance contributions, etc., bears very heavily upon industry. There is already sufficient evidence to justify me in saying that we should be able to meet you again next year with another satisfactory report.

The report was adopted and a final dividend of 12 per cent. and a bonus of 5 per cent., both free of income-tax, on the ordinary stock were approved.

JAS. WILLIAMSON AND SON

(Manufacturers of Linoleum, Felt Base, Leathercloth and Lancaster Cloth)

RECORD TURNOVER AND ACTUAL TONNAGE SOLD

RIISING DEMAND AT HOME AND ABROAD

THE RT. HON. THE EARL PEEL ON THE YEAR'S TRADING

The twentieth ordinary general meeting of Jas. Williamson and Son, Limited, Lancaster, was held on April 3rd at Lune Mills, Lancaster.

The Right Hon. The Earl Peel, chairman and managing director, presided.

The following is his statement which was circulated with the report and accounts:

Last year I began my statement by saying that the turnover of your company had reached a record figure during 1949. I am pleased to be able to tell you that during the year under review this turnover has not only been maintained but has been increased, despite rising costs and shortages of certain raw materials. The actual tonnage sold is itself a record. We are still unable to satisfy the demand at home and abroad for the majority of our lines, and our export sales have continued to rise during the year. Our new pattern book, issued in June and containing a range of all types of linoleum, has been extremely well received and we have every justification for the belief that our products are in the forefront of design.

SHORTAGE OF RAW MATERIALS

Raw materials continue to be a cause for concern. The shortage of hessian, which I have mentioned for the past two years, has been felt even more keenly and there seems to be little prospect of improvement in the near future. The number of employees has increased satisfactorily during the year, special attention has been paid to training methods, and the keenness and interest of our operatives is proved by the large number of suggestions aimed at improving our methods of manufacture put forward and accepted during the past year.

Your directors have continued their policy of improvement to plant and equipment and capital expenditure during the year has amounted to £180,583.

We shall obtain a further initial wear and tear tax allowance, and to meet the increased tax liability which will arise in future years your directors have placed the appropriate proportion to reserve, bringing the initial tax allowance reserve to £185,000.

STOCK POSITION

You will note from the balance-sheet that the value of our stocks has increased sharply to £2,138,112 as compared with £1,306,697 in 1949. We have for the first time a bank overdraft amounting to £495,480, compared with cash at bank of £319,557 last year. The rise in the stock figure is due partly to holding a larger volume of goods and partly to higher prices consequent upon the devaluation of sterling and the deterioration of the international situation. A shortage of working capital under current conditions is indicated by the reduction in our cash balances and the creation of a bank overdraft. To those of you who studied my statement last year this will not come as a surprise, since taxation has withdrawn so much from the earnings of your company that it has not been possible to build up sufficient reserve to meet the inflated costs of the post-war period.

After very careful consideration of this problem your directors have decided to exercise their borrowing powers under article 100 of the company's articles of association and to issue £1,000,000 of debenture stock. Application has been made for Treasury consent to make this issue and a reply is awaited.

DIVIDEND OF 10 PER CENT

Your directors have again recommended that £75,000 be placed to the development reserve to meet the increased costs of replacements over and above the normal depreciation set aside annually, and that a further sum of £100,000 be placed to general reserve. You will note from your directors' report that a final dividend of 7½ per cent. is recommended, which, with the interim dividend of 2½ per cent. already paid, makes a total for the year of 10 per cent.

It is with regret and with a sense of personal loss that I have this year to record the death of one of your directors, Mr J. C. L. Parsons. Mr Parsons, who joined the firm in 1931, had been a director continuously since 1941, and had for many years been in charge of production. Your board has secured the services of Mr I. D. Taverner, who took up the appointment of works manager on January 1 this year.

You will observe from the notice of meeting that Mr H. E. Sier, F.C.A., the deputy-chairman of your board, has reached the age limit laid down by the Companies Act, 1948. Mr Sier has been associated with your company for very many years and his guidance and judgment have been, and still are, of the greatest value to us. Despite the fact that he may have hoped for some easing of his responsibilities in the future I am pleased to say that Mr Sier has agreed to continue to serve your company, if re-elected to the board, and you will be asked at the annual general meeting so to re-elect him.

In conclusion, I should like to express thanks to all those employed by the company for their co-operation and loyalty throughout the year and for the efforts they have made, and are making, to increase our turnover and the reputation of our products still further. You will not expect me to make any forecast of the future, for it is only too well known that industry is today dominated by conditions quite outside its control. I can say that I have every confidence in the efficiency of your business and, given reasonable trading conditions, we have every hope of achieving satisfactory results.

The report and accounts were adopted.

RYLANDS AND SONS, LTD.

ANOTHER SUCCESSFUL YEAR

SIR EDWARD RHODES' STATEMENT

The annual general meeting of Rylands and Sons, Limited, was held on March 30th at 6, High Street, Manchester. Sir Edward Rhodes (chairman and managing director) presided.

The following is his statement which was circulated with the report and accounts:—

In April last your directors appointed Mr Alexander Hamilton Dunbar, C.A., to a seat on the board. Mr Dunbar joined us in 1930 and became secretary of the company four years later. In that important position he has shown outstanding ability and thoroughly merited his promotion. He is an added strength to the board.

It is gratifying to be able to report another successful year, to which all sections of our organisation have contributed.

HOME TRADE CONTRIBUTION

The largest contribution, as usual, has been made by the home trade, in spite of many obstacles: on the one hand, an all-round increase in expenses, including a new advance in wages, and, on the other, reductions in permitted margins of profit.

It cannot be denied there is a confused state of affairs in the home trade, and now, with the impending demand for large supplies for the defence programme and the Government's determination to maintain, and if possible increase, the export trade, the share for the home market may run the risk of being reduced. Only a higher production can meet the situation.

The restrictive utility plan and the oppressive purchase tax are the undesirables of the home trade, and the Government would do well to consider making the utility scheme a much more flexible one and also making a radical reduction in the purchase tax on essential goods.

BETTER EXPORT RESULTS

Our export department and overseas company have done well and have shown much better results than in the previous year. In my statement a year ago I expressed the hope and expectation that the advantage of the large stocks which were held up owing to lack of import licences would be gathered in 1950. That turned out to be the case. Whether we shall, in these days of scarcity, be able to obtain sufficient supplies to meet the continuing demand from overseas is a problem which must be faced.

We are still short of operatives at our Wigan spinning and weaving mills. This means idle machinery and the irksome necessity of refusing considerable orders owing to the long delivery required by us. Notwithstanding the many and increasing difficulties, the final result for the past year in the manufacturing section, taken as a whole, is a much better one than the year before.

Our allied company, Thomas Witter and Company, Limited, of Appley Bridge, Heapey and Chorley, linoleum and felt will therefore strive to surmount all obstacles and thus get its full share of what business is passing in the company's several sections.

Once more I offer my grateful thank to my colleagues on the board and to the management and staffs of every department for their able and loyal support.

The report and accounts were adopted. Mr William Emmett Ainley, Mr Charles Joseph Franklin and Mr Alexander Hamilton Dunbar, C.A., were re-elected directors and the auditors, Messrs Cooper Brothers and Company, chartered accountants, reappointed.

ACCOUNTS

I will first draw your attention to Rylands' balance-sheet and to the fixed assets. Land and buildings, plant, machinery and equip-

ment amount, after depreciation, to £1,069,675.

Current assets are stocks, which stand at £1,106,458, debtors and payments in advance £670,762, investments £1,698,458, tax reserve certificates £253,175 and balance at bankers and cash in hand £180,661.

Turning now to the liabilities side, the capital is still £3,000,000 and capital reserve £534,666. We have added to the capital reserve £8,084, which amount has been spent during the year on capital re-equipment. The balance of the excess profits tax refund now stands at £2,795.

The general reserve remains at £200,000. The contingency reserve will be increased by £110,000 to £810,000 and the profit and loss balance carried forward will be £92,471, against £90,635 brought in, if the recommendations of the board are approved. Thus revenue reserves and surpluses will become £1,102,471, against last year's total of £990,635.

Consolidated profit and loss account: Profit on trading is £460,173, an increase on last year of £60,347. As I have already mentioned in my reference to our allied company, Thomas Witter and Company, Limited, we have again received a good dividend. This amounts to £54,545. Income from investments is £54,529. Last year we were able to include an item of £35,255 interest on war damage claims which had been settled during that year; we have no such item to include this year—the only amount is a small one withdrawn from provisions no longer required of £2,628. Nevertheless, the total profit is £571,875, against last year's total of £534,716.

On the other side of the consolidated profit and loss account the directors' total emoluments are £25,739. United Kingdom profits tax for the current year is £87,500 and income tax £185,136, a total of £272,636. The net profit for the year comes to £243,836, against last year's £239,993.

INCREASED DIVIDEND

The directors recommend:

(a) That for the half-year ended January 19, 1951, a dividend of 6 per cent. per annum, less income tax, on the preference stock shall be paid.

(b) That for the year ended January 19, 1951, a participating dividend of 2 per cent., less income tax, on the preference stock shall be paid.

(c) That the dividend for the year ended January 19, 1951, on the ordinary stock shall be increased to 8 per cent., less income-tax.

(d) That £110,000 shall be transferred to the contingency reserve, increasing it to £810,000, and, finally,

(e) That £92,471 shall be carried forward to the next account against £90,635 brought in.

The coming year is likely to be another difficult one. But past years have not been free from serious problems. Your board will therefore strive to surmount all obstacles and thus get its full share of what business is passing in the company's several sections.

Once more I offer my grateful thank to my colleagues on the board and to the management and staffs of every department for their able and loyal support.

The report and accounts were adopted.

Mr William Emmett Ainley, Mr Charles Joseph Franklin and Mr Alexander Hamilton Dunbar, C.A., were re-elected directors and the auditors, Messrs Cooper Brothers and Company, chartered accountants, reappointed.

ASSOCIATED ELECTRICAL INDUSTRIES

INCREASED PRODUCTION

The fifty-first annual general meeting of Associated Electrical Industries, Limited, was held on April 3rd in London.

The Rt. Hon. Oliver Lyttelton, D.S.O., M.C., M.P. (the chairman), said that 1950 had once again been a year of increased production, but they had not maintained the same rate of increase which had been achieved over the last three years. The figures had been affected towards the end of the year by the decision of the hourly rated employees at the Trafford Park Works of Metropolitan-Vickers to work only on day work and to abandon piece work. Piece work had, however, been resumed in February, 1951. Deliveries of finished apparatus amounted to more than £55 million sterling during the year. That result was due in the main to the large sums which the group companies had expended upon new equipment since the war. However highly equipped their factories might be, that massive output could only be gained through the keenness and enthusiasm of all those employed by the group.

It was again necessary that stockholders should realise how heavy a burden of taxation the company had to bear. During the three years 1948-1950 the company had paid in income tax and profits tax more than £10 million, and the ordinary stockholders had received dividends amounting to £3,000,000 before the deduction of income tax, or £1,650,000 net. The figure paid out for wages and salaries for the period was £57 million, and included an increase of 17 per cent. in the average earnings of those employed. In the current year the company would have paid in taxation more than five times the distributed profits. From the net profits of the year £1,250,000 had been transferred to general reserve, which now stood at £8,250,000. Other reserves stood at £2,290,000.

ORDERS EXCEED £100,000,000

The total orders on the books greatly exceeded £100 million in value, but they were well spread out over the next three or four years.

The stockholders would expect him to say something about the effects of re-armament upon the company's fortunes. Their principal preoccupation, of course, concerned the maintenance of a free flow of raw materials for their manufacturing plants. The difficulties were likely to be serious; at the same time he must point out that in any rearmament programme the electrical industry must be one of the highest priority, and they had some hopes that those shortages would only affect a small part of their business.

They must, however, expect difficulties in maintaining the production of certain types of their lighter electric appliances. Any falling off was likely to be more than offset by armament orders in the heavier sections. They had planned, as the armament programme advanced, that those of their factories engaged on such products as domestic appliances should be organised for the manufacture of components for the heavier side.

The products of the group were essential to the life of the country. Whatever the future might hold, the A.E.I. Group had an indispensable part to play. The stern tasks of rearmament and the threat of war brought many new problems. They could face them in the confidence that they were well equipped with machines and loyally served by all those who worked in their factories.

The report was adopted.

LEWIS'S LIMITED

LORD WOOLTON ON "WHAT HAPPENS TO THE PURCHASER'S POUND"

The forty-second annual ordinary general meeting of Lewis's Limited was held on April 3rd in Liverpool. The Rt. Hon. Lord Woolton, P.C., C.H., D.L., LL.D. (the chairman), in the course of his speech, said: Although our primary business is that of operating departmental stores, which in themselves contain large retail food and catering sections, we also have banking, manufacturing, and wholesales interests, and carry on a substantial food, catering, and milk distribution business independently of our main organisation: our final profit result is built up from the successful operation of all these many different interests. I mention this lest anyone should draw the inaccurate and misleading conclusion that all our profits arise from the operation of our departmental stores.

We have enjoyed another successful year of trading. In Lewis's group the consolidated net profit, after deducting debenture and note interest, depreciation, amortisation of leaseholds, and all taxation on current profits, is £923,902, against £782,303 last year. In the L.I.T. group the corresponding figures are £519,038, against £380,589. After making various further adjustments for inter-company dividends and including the results of Lewis's Bank, Limited, the total net profit, after tax earned by the organisation as a whole, was £1,258,418, against £1,014,213 last year, an increase of £244,205. This is a result with which we have reason to be satisfied.

Taking our eight major stores together, the turnover on the year increased, but not to the same extent as in previous years. Our increased turnover reflected a real increase in volume as well as the rise which has occurred in retail prices. For many years past we have had to rely on this increase in sales to make up for the ever-increasing expenses of doing business.

REAL "CAPITAL"

The practice which we have now pursued for several years past of retaining in the business some 60 per cent. of the net profit we earn after tax, has an important bearing on the real capital employed. There are many different formulae for determining the amount of such "capital," but for the purpose of my argument I have begun with the total net assets of the combined businesses. I have then excluded all inter-company holdings and disregarded intangible assets such as goodwill and the premiums paid on the acquisition of shares in subsidiaries. This gives me a total of £14,741,191, which you will see is much in excess of the total issued capital as shown on the two balance sheets of £6,571,640. The total gross amount paid by way of dividends and interest on loan capital, excluding inter-company payments, is £1,018,698, which represents 6.91 per cent. on the capital employed computed as I have described. I do not believe that by any standards this figure could be regarded as an extravagant return on the actual capital employed in such a risky and speculative business as retailing.

THE CUSTOMER'S POUND

My argument may not appeal to the retail customer who wants to know what happens to the £1 which she spends in a shop and who may be inclined to suspect that the retailer takes too much in return for the services which he renders. Here, unfortunately, the retailer has always suffered, and continues to suffer, from ignorance, if not deliberate blindness, about the way in which he conducts his business. I have spent much time trying to increase public knowledge about the

facts of distribution, but am conscious that growers, manufacturers, or retail customers are still little the wiser about the essential service which the retailer performs, namely, that of making available to the public the goods that are grown or manufactured in a place where the purchaser can easily get at them. I have, therefore, had our trading results last year broken down into the various parts which together add up to the £1 which the customer spends.

In the first place out of the 20s. which she hands over the counter 14s. 10d. is accounted for by the price we had to pay for the goods which she buys, less any cash discounts which we may have received from our suppliers. This figure represents the average cost price of all the goods we sell, utility and non-utility, food as well as clothing, and of this 14s. 10d. purchase tax takes 1s. 4d. It is, unfortunately, an all too common illusion that the balance of 5s. 2d. which remains in the hands of the retailer is net profit. This, of course, is far from being the case. Out of it we first have to pay 3s. 5d. to meet the expenses of carrying on the business. Of this amount 2s. 2d., or about two-thirds, is accounted for by salaries, wages, pensions, etc., and the balance by general expenses such as rent, rates, repairs and renewals, wrapping paper, etc. Debenture and other interest, depreciation, and amortisation take a further 2d., and taxation, including income tax and profits tax, requires 10½d. (In passing, it is interesting to note that (a) in 1939 wages represented barely half of our total expenses, whereas now they account for nearly two-thirds; and (b) including purchase tax, the State takes 2s. 2½d. out of the consumer's £1, which is a larger proportion than that accounted for by salaries, wages, pensions, etc., put together.) It is only after all these charges have been met that we arrive at the balance which remains at our disposal, and of this balance we have retained in the business 5½d. and distributed in dividends 3½d. There you have a picture of what happens to the £1 note which the retailer takes over his counter, and from it it is not hard to reach the conclusion that if he distributed no dividends at all the difference in the ultimate selling price to the consumer would be negligible.

COST OF GOODS	14s. 10d.
PURCHASE TAX	1s. 4d.
SALARIES, WAGES, PENSIONS	2s. 2d.
GENERAL EXPENSES	10½d.
DEBENTURE AND OTHER INTEREST	2d.
DEPRECIATION AND AMORTISATION	2d.
TAXATION (INCOME & PROFITS TAX)	10½d.
RETAINED PROFITS	5½d.
DISTRIBUTED PROFITS	3½d.

THE OUTLOOK

To give some forecast of the prospects of the coming year in present circumstances, is more than usually hazardous. Although sales as a whole are increasing, extreme pressure on certain merchandise and particular departments has gone hand-in-hand with uneven results in others where there is no apprehen-

sion of shortage. Such conditions are not healthy, and it is quite uncertain at this stage how the impact of national rearmament will affect our business during the remainder of the year.

I am satisfied, however, that if our profits are to be maintained we shall have to look once more to an increase in our turnover to cancel out a still further rise in expenses.

In spite of this background of rising expenses, we are now threatened with a further cut in permitted maximum margins.

INFLATION FEEDING INFLATION

We deplore the levels to which the price of many necessities is now rising. In this connection the public should be made aware of the impact of purchase tax on consumer goods when prices rise; the higher the wholesale value of the article the greater is the amount of tax imposed. It is at least peculiar that while the Government continue to express regret at the increased cost of living, they should maintain a tax which rises with wholesale price increase and therefore adds to the burden on the customer. This is Government feeding on inflation.

I feel compelled once more to condemn the whole principle of the purchase tax. It is both unjust in its operation and against the interests of the public.

As a result of the recent quinquennial valuation we decided to increase our annual contribution to the non-contributory pension fund which we maintain for our staff to a round figure of £100,000. This sum is deducted before we strike the net profit out of which shareholders receive their dividends, and to this extent our staff can feel that their pension-provisions have the first charge on the trading profits which we earn. The other milestone which we hope soon to reach is that this year the amount of the pension fund should exceed £1,000,000.

The report was adopted.

BREVITT LIMITED

SATISFACTORY RESULT

The second annual general meeting of Brevitt Limited, was held on March 29th in London, Mr E. S. Harding, chairman of the company, presiding.

The following is an extract from his circulated statement for the year ended December 31, 1950:

I am again pleased to report a satisfactory result of the year's trading by the group, the accounts showing a net profit of £220,477 before taxation. This is an increase in trading profit which is very satisfactory in view of the many adverse conditions and difficulties with which the company has had to contend during the past twelve months. Having regard to the results achieved the board feel justified in recommending that an increased dividend at the rate of 20 per cent. per annum (less tax) be paid for the year.

My reference last year to the continued and increasing demand for the Brevitt shoe has been fully justified. There has been a substantial increase in sales, both at home and abroad and the company's factories have been fully employed in meeting the demand. Your board has been greatly concerned by the steeply rising prices of raw materials and other marked increases in the costs of production, but it is their policy not only to maintain the high quality of the Brevitt shoe, but to make it available at an economic price to fashionable women throughout the world.

The entire production of the group is fully booked up for some months ahead. Much has been done to establish a securely a world-wide goodwill for the Brevitt look and, therefore, we see forward with every reasonable confidence.

The report was adopted.

BORAX CONSOLIDATED, LIMITED

RECORD PROFITS

The fifty-third annual general meeting of Borax Consolidated, Limited, was held on April 2nd in London, Mr D. Abel Smith, M.C. (the chairman), presiding.

The following is an extract from his circulated statement:

Trading profits of the parent company for the year have attained the record figure of £1,407,774. This compares with £629,057 in 1949, £857,571 in 1948 and our previous record of £995,978 in 1947. After taking into account our investment income and exchange profits and after charging directors' remuneration, depreciation and debenture interest, profits before taxation are £1,558,601 compared with £920,667 last year. Taxation accounts for £907,000 against last year's figure of £512,000. This leaves a net profit for the parent company of £651,601 compared with £408,667 in 1949, the group figures being £687,662 (1950) and £416,602 (1949).

We have transferred £85,000 to exchange reserve. After making provision for the above dividends the balance to be carried forward is £1,066,573, an increase of £398,851 on the previous year.

INCREASED DISTRIBUTION

As you will see from the directors' report and the accounts, your board has resolved to recommend an increase in the total distribution on the deferred ordinary stock from 12½ per cent. to 15 per cent. For the last three years the deferred Ordinary stockholders have received a dividend of 10 per cent. plus a bonus of 2½ per cent. Although the distribution proposed this year on the deferred ordinary stock is 15 per cent. on the nominal deferred capital of the company, it represents but 4.38 per cent. on the actual equity capital employed in the business. After taxation, the amount paid in cash to the deferred ordinary stockholders is reduced to the equivalent of 2.41 per cent. on the actual equity capital employed in the business which is not excessive. The company's business is world-wide and a great part of the profit is earned overseas. We have achieved new records of production and sales.

As you can see from the balance sheet, since October 1, 1946, we have ploughed back into the business for buildings, plant and machinery over £1,150,000. This has enabled us to increase our productive capacity all the way down the line and, although at the time this increased plant was installed the present demand had not yet developed, we foresaw its advent as new uses for our products became more widely known and adopted.

BRISK DEMAND FOR PRODUCTS

At the present time a brisk demand for all our products continues in this country and abroad and subject to any unwelcome events, such as a severe curtailment in production of consumer goods or a further reduction in the supplies of sulphuric acid, of which there is a serious shortage both here and in the U.S.A., we can look forward to the future with reasonable confidence.

During the year considerable work has been accomplished in the field of research and outlets under development continue to maintain good progress. All-time records have been reached in the extent to which boron products are used in agriculture, glass, porcelain enamel and for preventing corrosion of metals, while consumption by other industries has been well maintained. Our technical service at the disposal of consumers continues to render valuable assistance.

The report was adopted.

ANGLO-MALAY RUBBER COMPANY, LIMITED

MR H. ERIC MILLER'S SPEECH

The thirty-first annual general meeting of The Anglo-Malay Rubber Company, Limited, was held on March 29th in London, Mr H. Eric Miller (the chairman) presiding.

The chairman, in the course of his speech, said: Last year and the year before I referred to the subject of amalgamation, and explained that the Malayan Income Tax Ordinance of 1947 had been so framed as to penalise amalgamating companies quite heavily by additional taxation arising out of their rehabilitation expenditure. This impediment was not removed until October 25, 1950, by which time we had entered a phase of steeply rising profits. Our taxation experts advised us that amalgamating companies would then have to face much heavier payments of income tax than would be payable if they continue their separate existence until they have been through a couple of years or so of stabilised or declining profits. We have therefore relegated the matter to cold storage for the present.

For the current year our crop is estimated to be much about the same as last year, but we have the advantage of an appreciably higher price level. Forward sales are confined to sole crepe, in which we have specialised, and which has been a valuable standby in lean years. To cater for this seasonal trade we are participating in some group forward sales extending a few months ahead.

NATURAL OR "MAN-MADE" RUBBER

Following Sir Stafford Cripps's visit to the U.S.A. in the autumn of 1949 the American Government relaxed for a period their regulations for the mandatory use of synthetic rubber, but in August, 1950, the R.I. order was tightened up to limit the use of natural rubber, so that more might be available for the stockpile. In spite of this, U.S.A. manufacturers consumed 714,000 tons of natural rubber in 1950 as against 574,500 tons in 1949. This is not without significance when one recalls the virtues claimed by leading manufacturers for their "man-made" rubber.

The *Wall Street Journal*, of March 14, 1951, contains an interesting article by one of their staff correspondents, who was then in Akron collecting views from some of the leading works' chemists in the industry there. These men recognise that, although they have at their disposal synthetics which can outperform natural rubber in one respect or another, the resiliency of natural rubber is a major characteristic which they have not yet succeeded in reproducing. It is up to us, through our own research and development organisations, to tell the world how to make the best use of what we have to sell, and on our estates, to do all we can to ensure that Nature's wonderful product reaches the user in the most acceptable condition of cleanliness and uniformity. In this respect well-equipped estates have an undoubted advantage over the smallholders whose methods of preparation are necessarily more primitive. The large discount which has to be accepted nowadays for grades below standard quality smoked sheet or crepe emphasises this point.

Because of the U.S.A. Government's desire to acquire as much No. 1 rubber as possible for their strategic stockpile, pressure is being put on manufacturers to make do as far as they can with the lower grades of natural rubber. When the stockpile goal has been attained we hope they will allow natural rubber freely to enjoy that fuller share of the trade which its undoubted merits will attract.

The report was adopted.

JOHN EMSLEY LIMITED

CONSERVATION OF RESOURCES

The fourth annual general meeting of John Emsley Limited was held on March 30th at the Bradford Chamber of Commerce, Cheapside, Bradford, Mr Harold Jaques (chairman and joint managing director) presiding.

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

The net profit for the year, after charging directors' emoluments, depreciation of fixed assets, and taxation, amounts to £227,621, as compared with £227,811 for the previous year.

The Board recommend a final dividend of 15 per cent. which, with the interim dividend paid of 10 per cent., gives a total dividend for the year of 25 per cent., compared with a total dividend of 22½ per cent. for last year. The directors' recommendations as to dividends follow the policy of moderation and restraint, and the profits retained should enable the company to finance both the future expenditure on fixed assets and the continually increasing costs of raw materials.

During the past year another subsidiary—John Emsley (Exports) Limited—has been formed to take charge of three American companies which have been taken over to facilitate and increase the distribution of the companies' goods to America.

While the cautious policy is continued in regard to commitments, the Board recommend an increase in the reserve for contingencies of £49,500, making a total reserve of £174,500.

With regard to future prospects it is not possible, with conditions as they are today, to give any decided opinion. Delivery of raw materials does not improve, but given the same flow and the absence of anything of an unforeseen nature, another satisfactory year's trading may be looked forward to.

The report and accounts were adopted.

BEANS INDUSTRIES

RECORD PRODUCTION

The seventeenth annual general meeting of Beans Industries, Limited, was held on March 30th in Tipton, Staffs.

Mr J. H. Bean, C.B.E., the chairman, said: The net trading profit, after all charges including taxation, amounts to £103,868 compared with £57,561.

The Board are of opinion that it is equitable that the ordinary shareholders whose dividend has remained stationary for many years should now participate to some degree in the increased prosperity of the company. They therefore recommend that a bonus of 10 per cent. be distributed for the year ended November 30, 1950.

The capital of the company is considerably out of line with that actually employed in the business. It is proposed to increase the authorised ordinary capital to £400,000 by the creation of 1,040,000 new shares of 5s. each, and to capitalise £50,000 from the general reserve to be applied in distributing a bonus issue of 200,000 ordinary shares, fully paid, at the rate of one new share for every two shares held.

Last year I reported a substantial increase in output over the previous level. This upward trend has continued and the all-round volume of production in 1950 was approximately 34 per cent. higher than in 1949, constituting, apart from the war years, a record for the company. It is only by effecting improvements in our efficiency through the installation of the finest plant possible that we have been able to supply our customers without increasing or only slightly increasing our prices which have remained stationary until recently.

The report was adopted and the bonus issue approved.

THOMPSON AND NORRIS MANUFACTURING COMPANY, LIMITED

YEAR OF CONSIDERABLE PROGRESS

INCREASED PRODUCTION AND TURNOVER

MR K. N. BEACH ON IMPROVED EFFICIENCY

The seventieth ordinary general meeting of the Thompson and Norris Manufacturing Company, Limited, was held on April 4th at Brentford, Middlesex, Mr K. N. Beach (the chairman) presiding.

The secretary (Mr K. S. A. Wright) read the notice convening the meeting and report of the auditors.

The chairman said:—

Ladies and gentlemen,—Since we last met, your previous chairman, Mr H. Minch, decided to retire from the directorate on January 6th last, when he had completed 50 years' service with the company. Although I am pleased to say he is still available to us in a consultative capacity, I am quite sure you will echo my feelings of regret that he will no longer represent you on the board. During the 50 years he has contributed much, not only to this company but to our industry as a whole, and, as chairman, I am glad to have his presence at my first annual general meeting.

I am very conscious of the honour of being elected to the chairmanship of your company and you may rest assured that, as in the past, I shall continue to use my best endeavours in the furtherance of its interests. I would like at this point to emphasise that this company was originally a family concern, of which I am the third generation, and built up by private enterprise with initiative and personal responsibility. It is my opinion that private enterprise, because of its inherent qualities of initiative and personal responsibility, must still be an important factor if this country and its people are to attain some measure of its former greatness and prosperity.

TRADING RESULTS

I should now like to turn to the accounts, which have been in your hands for the last three weeks, and I am confident that the results shown will give you cause for satisfaction.

The net profit has increased from £170,662 to £257,283, due entirely to increased production, turnover and increased efficiency, and of this I will speak later. Your directors have decided to transfer £45,000 to general reserve, £10,000 to dividend equalisation account and £45,000 to stock reserve. After these appropriations and taking the balance of profit and loss into account, you will see that the total of reserves and undistributed profits amounts to £721,018, a not unsatisfactory amount when compared with the issued capital.

You will also notice variation in the comparative figures of current assets, which is caused by the increased turnover and the continued rising costs of raw materials.

The figure for trade investments has also increased substantially and results from the continuation of our policy of acquiring interests in related companies from which material benefits are being obtained.

IMPROVED PRODUCTION AND TECHNICAL EFFICIENCY

Following the period of consolidation referred to at the last annual general meeting,

we have made considerable progress, despite all the difficulties which have been common to industry generally. Much energy has been exerted to improve the productivity and technical efficiency of all our factories. We have continued to re-equip with the latest machinery when available to us and, as a result, have very materially increased our production and so held our rightful place as leaders, as well as pioneers, of our industry.

With regard to this, you will note that there is a commitment of capital expenditure amounting to £276,000, which represents new machinery on order and other necessary equipment. These orders have been placed in view of the delay in obtaining new machinery and will fall to be delivered over the next three to five years.

On profits generally I would like to spare a few moments in view of the ill-informed talk these days on such matters. It has always been the policy of the company to plough back a considerable proportion of its profits into the business. These profits have been used for factory development on the most modern lines, equipping with the latest machinery and technical developments to the benefit of our customers, employees and the ultimate advantage of your company. As a result, we have five modern factories, which are now taking their part in the rearmament, dollar export and other priority programmes. During the year and since, in common with other commodities, there have been very considerable increases in the costs of our main raw materials, and our profits have only been achieved as a result of the increase in output made possible by increased efficiency. These profits are arrived at after absorbing part of the rise in our raw material prices against our profit margins.

As your new chairman I would like to emphasise that whenever possible it is my policy to look after the shareholders as well as our employees. The latter are well taken care of with good wages and a non-contributory pension scheme—the former, when results justify it, will receive adequate rewards to offset the lean years.

In view of this and because of the exceptionally good results the board has declared a second interim of 30 per cent., which makes 45 per cent. for the year, and it is not intended to pay anything further for the year under review. This increased distribution represents 38.5 per cent. of the net profits and continues our policy of ploughing back a large proportion of the profits earned, as well as providing the increased funds necessary under present trading conditions.

CHANGES IN DIRECTORATE

Continuing our policy of appointing directors from within the organisation, and in view of Mr Minch's retirement, the board has appointed, as fellow members, Mr K. N. Henley, who has obtained a very good general knowledge of the business through the previous positions he has held, including that of secretary, and is now our buyer and Mr J. J. Harper, who has been responsible for the works management of several of our factories and will bring great experience of these matters to the board. I trust that our action will be approved by your reappointment of these two gentlemen. With these appointments the average age of your directors is

under 50 and their average employment with the company over 20 years. We have a young and enthusiastic board of very considerable experience and in whom I have great confidence.

Present trends make it very difficult for me to forecast the future, but you may rest assured that my colleagues and myself are making, and will continue to make, every endeavour to maintain supplies of essential materials, to ensure that production continues to be maintained at its highest efficiency and that you, the shareholders, our employees, and our customers shall continue to share fairly in the results of our efforts.

The fine results of the past year could not have been achieved without the loyal co-operation of all employees—both factory and office—and I would like to thank them most sincerely for their efforts.

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

The retiring directors, Mr J. N. Beach, Mr H. N. Barclay, Mr K. N. Henley and Mr J. J. Harper, were re-elected and the proceedings then terminated with a vote of thanks to the chairman, directors and staff.

THE ALLIANCE TRUST COMPANY, LIMITED

ANOTHER SATISFACTORY YEAR

MR W. D. MACDOUGALL'S STATEMENT

The sixty-third annual general meeting of The Alliance Trust Company, Limited, will be held in the company's office, Meadow House, 64, Reform Street, Dundee, on April 27th.

The following is the statement by the chairman (Mr W. D. Macdougall) circulated with the report and accounts:—

INCREASED REVENUE

The improvement in our gross revenue by £92,855 to £988,529 in the accounts now submitted brings the earnings for our ordinary stock to the high level of 66.21 per cent., against 53.97 per cent. last year. Your directors have accordingly thought it proper to raise the dividend further from 33 per cent. to 40 per cent. After this payment it is still possible to add to the company's reserves £151,358 out of the year's revenue (over 27 per cent. of the income available for interest and dividends) and £2,786 tax recovered in respect of earlier years. Out of this surplus it is proposed to transfer £150,000 to general reserve fund bringing it to £1,050,000 and leaving £138,158 to be carried forward to next year.

EFFECT OF DEVALUATION ON DOLLAR INCOME

These high figures are largely due to our return to the United States of America in recent years including, for the first time, the effects of devaluation over a full year. This higher dollar income is reflected not only in our gross income but, due to double taxation relief, in a reduced tax liability on that income. On the conservative basis employed such tax relief represents in the accounts under review earnings of some 5 per cent. on our ordinary stock. The bulk of our funds, however, still remain in United Kingdom holdings and although these have necessarily been reduced to finance US purchases the amount of our sterling income has been virtually maintained.

The valuation of investments shows appreciation of 53.85 per cent. against 37.37 per cent. a year earlier, and the proportion of our funds invested in the U.S.A. stands at 21.76

per cent. apart from mortgage and real estate assets, which it is impossible to value.

FUTURE PROSPECTS

I imagine that you will approve of these figures as such and there is no reason now evident for supposing that they may not be equalled in the current year. But it would be a wholly different matter to suggest that they should give equal satisfaction as a measure either of sound economic conditions or of the real value to our stockholders of the dividends which they receive. A year ago it seemed possible to discern signs of a return to more normal conditions in which one might expect a freer interplay of purely economic forces and some stability of money values. The need for rearmament has now led us back full circle to the feverish conditions of inflation which governments induce when they become peremptory buyers of a large part of the world's output. We are faced, therefore, with a return to shortages, controls, rationing, increased taxation and renewed inflationary pressures, to the last of which the devalued pound may make us more vulnerable. At this moment living and other costs have still to reflect the full weight of the rise in commodity prices. There is growing understanding that the published profits of many industries are illusory in reflecting both under-depreciation and profits on essential trading stocks. At the same time, due to fallacies in our tax system, many companies are deprived of the cash resources to replace these trading stocks let alone to keep up their fixed plant. It must continue to be our concern therefore to try in our operations to take into account all these trends in seeking to improve both the amount of our income and its security.

MUAR RIVER RUBBER COMPANY

The thirty-first annual general meeting of the company was held in London on April 3rd.

Sir John D. Barlow, Bart., the chairman, in the course of his speech said: The profit for the year was £91,341 against £19,927 for 1949. In view of this satisfactory result your board propose the payment of a final dividend of 15 per cent., which with the interim of 5 per cent. will make 20 per cent. for the year. Taxation requires £50,000; we propose placing £10,000 to replanting reserve and the dividend absorbs £26,400, which will leave a balance of £21,213 to carry forward.

Your board hopes that this rate of dividend will afford some compensation for many lean years. Chamek Estate had a successful year's working, but had not declared a dividend by the end of the financial year.

The Muar River crop for the year was 1,363,500 lb., and the estimate for 1951 is 1,370,000 lb. No. 1 rubber is sold in the form of latex to a neighbouring estate at the average monthly prices.

Labour is becoming increasingly difficult to recruit, and, providing the necessary labour is obtainable, it is hoped to continue the replanting programme, and 100-150 acres are scheduled for this year.

Last year I dealt at some length with the position in Malaya. In spite of reassuring statements made in Parliament, the reports we receive from reliable sources indicate that conditions show little, if any, improvement. We can only hope that when what has become known as the Briggs plan becomes fully operative, conditions will gradually improve.

The year's excellent results could not have been secured without the most praiseworthy co-operation of all concerned—the European and Asian staffs, our Eastern agents and the labour force of different nationalities. To all of them we owe a debt of gratitude.

The report was adopted.

THE HALIFAX BUILDING SOCIETY

SUCCESSFUL RESULTS

The ninety-eighth annual general meeting of members of Halifax Building Society was held in Halifax, on April 2nd, the president of the society, Mr Algernon Denham, J.P., presiding. In moving the adoption of the accounts the president said:

The balance sheet as at January 31st last discloses assets at £165,487,783—an increase of £10,949,627 over those of a year ago and an accretion without equal in our history.

The amount due to our shareholders and depositors totalling £155,224,657 has increased by £10,350,915 during the year.

Mortgage business has continued to be available in satisfactory volume throughout the period under review and we have made advances of £28,062,600 in 30,793 new accounts.

In addition, £2,437,678 has been advanced to 15,152 existing borrowers taking advantage of our facilities.

Our lending policy has continued to be based on prudent lines. We feel it still desirable to relate our loans to real rather than to inflated values, and as always we look upon the provision of a personal cash stake by the borrower to be a vital pre-requisite to the making of an advance.

The demand for houses remains unsatisfied and ruling prices of the more attractive properties are still considerably higher than the present day cost of building. This is an unhealthy and, in my view, an unnecessary state of affairs for which the Government must bear responsibility as an ample and effective remedy is in their hands.

CONTINUED DISCRIMINATION, HOME OWNERSHIP

I realise full well that the rearmament programme must have its effect on the capital available for housing and it may well be that economic circumstances will necessitate a restricted building programme. But that there should be a continuing discrimination against those who wish to become home owners rather than to become municipal tenants does not seem to me to display common sense. From whatever angle the problem may be considered it stands out clearly that a higher proportion of new licences should be allocated to private enterprise to build for home ownership and I would suggest that a 50-50 basis would be fair to all concerned.

This suggested increase in the allocation of licences for houses for sale to occupiers would in my view have the effect of bringing down vacant possession prices which are far too high and, in addition, relieve both Government and Local Authorities of subsidy obligations which they can ill afford. But the greatest advantage of all would be the direct stimulus to saving, for, strange as it may sound, the most consistent savers amongst building society members are the borrowers.

IMPETUS TO INFLATION

Unfortunately for all of us, a rearmament programme of a magnitude unequalled in times of peace has been forced upon us and this, following devaluation of the pound and accompanied by the crazy scramble amongst nations for raw materials, has given a new impetus to inflation which will require political courage of a high order to control.

In order to win the fight for the stability of the pound (and win we must), it is obvious that we shall have to accept a long period of high taxation. This, though disappointing, is, I venture to say, a hardship which will be stoically borne provided we can be assured of an absence of extravagant expenditure by our Government and Local Authorities.

VINE PRODUCTS LIMITED

HIGH QUALITY MAINTAINED

The twenty-fifth ordinary general meeting of Vine Products Limited was held on April 3rd at Surbiton.

The Viscount Marchwood, K.C.V.O., the chairman, in the course of his speech, said:

The year 1950 was a happier year for your company since, for the first time in four years, no alteration was effected in the existing rates of duty and therefore it was possible to develop sales along the lines laid down in the previous year.

It is on quality that our success has been built, and it is no exaggeration to say that our wines are accepted throughout the trade as representing the highest quality produced in this country.

I am happy to report that our "Votrix" Vermouth has continued to find favour with the public in spite of the influx of imported Vermouths which, because they are produced in continental countries, are proclaimed as being the only "real" or "genuine" Vermouth.

We continue to be actively interested in the importation and distribution of Empire Wines, and these have also contributed to the very satisfactory results disclosed by the accounts.

Turning to the accounts, £100,000 has been placed to general reserve as against £50,000 in the previous year, bringing the total up to half-a-million pounds.

I am pleased to say that our financial position is the strongest yet attained, owing to the conservative dividend policy followed in past years. In view of this position and the profits earned, we feel stockholders are fully entitled to a higher distribution from the company's profits. I am pleased to say that our sales to date have been most satisfactory.

The report was adopted.

INTERNATIONAL COMBUSTION (HOLDINGS)

SOUND ORDER BOOK POSITION

The seventeenth ordinary general meeting of International Combustion (Holdings) Limited was held on April 3rd in London.

The following are extracts from the review by the chairman (Mr G. R. T. Taylor):—

Sir George Usher, who was appointed managing director of your company on its incorporation in July, 1934, tendered his resignation as such as at September 30th last upon taking up permanent residence in South Africa. He will continue as from October 1st last to serve on the board as resident director in Africa to look after the company's interests there.

I am happy to inform you that Mr F. G. Penny, M.Inst.C.E., M.I.Mech.E., who has been general manager of the company since September, 1942, has been appointed managing director of the company.

Still further expansion of output and increased profits of overseas and other subsidiary companies has resulted in a record trading profit of the group for the year being achieved.

The increase in the distribution on the ordinary stock is being provided from increased dividends received on investments in our subsidiary companies in Australia and Africa.

Our order book continues to increase and shows steady and hard work in hand for some years ahead.

Our output for the past year constitutes another record and has enabled us to maintain promises made to most of our customers. Subject to current events, we hope to at least maintain the present rate of production and to even improve upon it so as to fulfil the extensive programme we have in hand.

The report was adopted.

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THE MANGANESE BRONZE AND BRASS COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the Preference and Ordinary Share Transfer Books of the Company will be closed from May 11 to May 24, 1951, both days inclusive.
By Order of the Board.
W. K. GIBB, Secretary.

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One Year Only

MR GAITSKELL deserves all the personal praise he has received this week. His first Budget meets the immediate needs of 1951 as sensibly and, on the whole, as fairly as could have been expected. Never was a Chancellor less of a free agent. He has succeeded to the inheritance of overtaxation and overspending left by his predecessors. He has to make room in a fully stretched economy for a defence programme short only of war itself. And he is the Chancellor of a Government elected by a narrow majority and holding to office when popular opinion has moved decisively against it. It is greatly to his credit that in these circumstances his Budget exhibits so much good sense and courage, and so little concession to those of his own party who, in their bewilderment at the nature of the contemporary world, cling like limpets to the defensive principle that anything the Government has once done must at all costs be maintained for ever.

With the Government imprisoned by weakness and inhibitions, the Budget is inevitably one of marginal adjustments. Mr Gaitskell has at least tried to ensure that the adjustments will, in their total effect, be adequate for this year even though he has thereby taken some calculated political risks. Within its political limitations, the Budget is tough. The Chancellor has insisted that rising prices must be allowed to do their work of restricting popular consumption without the cushion of bigger subsidies. He has confined reliefs to those on whom the rising cost of living will inflict the severest hardships: the limited increases in pensions and children's allowances represent an efficient act of social policy, achieving a necessary result at moderate cost. The part-charges for spectacles and false teeth are also a sensible way of putting some check on the extravagances of the health service. There ought to be—indeed, before long there will have to be—a sharper check: but it required courage for Mr Gaitskell to stand up to Mr Bevan at all, and he has won the first round.

By these means the Chancellor has limited the increase in expenditure on the social services to £50 million in spite of the rise in prices. Even so, Government expenditure as a whole, on revenue and capital account, will rise by £973 million. The Budget rests on the assumption that this prodigious increase will exert no new inflationary pressure on the economy provided that £138 million—one seventh of the total—is matched by new taxation. Apart from the higher yield of existing taxes, the rest of the gap can be filled, to put the matter in a much over-simplified way, by almost eliminating last year's surplus, on the conventional Budget reckoning, of £720 million.

To the unsophisticated, this sharp turn from the budgetary practice of the past three years must be startling, but Mr Gaitskell was able to make a perfectly reasonable case for it. The underlying assumptions are, indeed, optimistic. It is doubtful whether industrial investment will fall or that private savings will rise to the extent that the Chancellor assumes. Equally, his assumptions about the pace of wage

increases, though not explicitly stated, appear to be optimistic. There are far too many uncertainties in these calculations of modern budget technique for anyone to say categorically that the Chancellor is doing too much or too little. He spoke gravely enough about the possibility and consequences of a runaway inflation, and it is not easy to reconcile these sombre words with the relatively small measures he proposes to combat the danger. His estimate of the inflationary gap is probably about as small as could honestly be made. But honest it undoubtedly is; there is, for the present, no alternative but to be thankful for that and hope for the best.

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If £138 million of new revenue is accepted as a reasonable measure of this year's need, most of the methods by which Mr Gaitskell proposes to raise it are as unobjectionable as could be found. The tax changes are discussed in more detail in an article on page 872. In general, the increases in indirect taxation fall at the obvious and expected places—through the petrol duty and a limited range of purchase taxes—and should help to squeeze consumption without raising the cost of living so directly as to provoke additional wage demands. The sixpence on income tax will not in itself weaken incentives much more than they are already weakened. The sparing of incomes in the lower-middle range is an inevitable corollary of the political situation and of the burden that the smaller salary-earner will in any case have to carry through higher prices. Admittedly, the increased rate will prompt persons with middle and higher incomes who have hitherto been able to save little to save less in future. But at any rate the Chancellor has resisted political pressure from behind him for punitive taxes on capital or income that would strike at "the rich" without contributing anything at all to the transfer of real resources to rearmament.

The one concession that Mr Gaitskell has made to the cruder sentiments of his own party is the increase in the tax on distributed profits. This will produce little revenue in this year; its menace lies further off. If fewer companies increase their dividends no one will shed tears for the man who has provided the risk capital. In income and profits tax together the state will now absorb up to two-thirds of his return. On such terms, little new money is likely to be put into the expansion of businesses whose future is at all uncertain. The recipe is simple: first provide an inflation; secondly, make it impossible for industry to maintain its capital by taking part of it away; thirdly, make sure that the excess of paper profits is skimmed off for the sacred purposes of the Government's own needs. It spells the end of innovation and industrial expansion.

The increase in profits tax might be defended as an expedient for one year. Plainly it is not intended to be anything of the kind. In combination with the removal of the initial depreciation allowances from next April, it may indicate the pattern by which, if the Labour Government survives so long, the expanding needs of defence could be met in 1952 and 1953—not from consumption in those years but at the expense of the capital formation on which the future safety and prosperity of the British people depend.

It may be unfair to suggest that Mr Gaitskell has any such deliberate policy in mind. But there is nothing

in his Budget to suggest that he has any other steps in mind. He has taken this year's burdens as they stand; the far greater strains of the next two years found no mention in his speech. Can this have been unconscious? By his tax changes he acknowledges that personal taxes have reached the limit. It is true that cuts in expenditure also cannot be made without hurting people; but they hurt just as much if they are brought about by inflation. If Mr Gaitskell had any ambitions to make his first Budget memorable and constructive, they have not been satisfied. He has altogether ignored what the historian will see as the essential task facing a British Chancellor in the early nineteen fifties. That task is to reshape the whole pattern of state financing in order to meet needs that have grown so much in size as to become quite different in kind from anything previously attempted as a peacetime permanency.

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Politically, there is virtual unanimity about ends, as distinct from means. The aim of both political parties is to maintain the main structure of the welfare measures—and the social revolution—of the past ten years, but to add to them the greatest practicable degree of defensive armament. This cannot be done simply by adding bits and pieces to the existing fiscal structure. The taxes that did little harm in moderation are unlikely to be those that can now efficiently draw off from private use all the resources required or controlled by the state.

The tests of efficiency have been made plain enough in the postwar years. They are that the state should acquire its resources without provoking continuous inflation and without gradually sapping the inventiveness, flexibility and risk-bearing on which economic progress depends. The welfare economy had already made these dangers far too great. Two years ago the Labour party tried to meet them by the policy of "consolidation"—of taking the social services, for the time being, no further. It was just possible to hope that this might work, that the natural increase in production might provide enough room for economic manoeuvre, enabling the costs of welfare to be absorbed with a gradual reduction in the weight of taxation. This possibility was never strong: rearmament has entirely destroyed it. A new approach to the whole problem of government finance is now urgently necessary.

Few men could have pursued the old approach as intelligently and honestly as Mr Gaitskell has done. That he has been forced into further resort to obviously damaging expedients is surely final proof that on such terms the problem is insoluble. No marginal adjustments could produce a significantly better Budget. What is required is an absolute determination to shift the burdens away from the points at which they press most heavily on enterprise and on savings. The obvious first step still remains: to shift some of the cost on to consumers whose food and rents are subsidised. That is not the complete answer. A radical reshaping of British public finances will be beyond the compass of any single Budget; but it was imperative, granted the greater tasks both in defence and in exports that are in prospect for 1952, to make a beginning this year. If the way was barred for Mr Gaitskell this week, that is merely to say again that new Ministers and methods are urgently needed.

After MacArthur

MANY who feel relief at General MacArthur's dismissal can feel no pleasure at the manner of his going. It does no credit to a personality of great qualities. That he should have preferred persistent disobedience to resignation is a measure of the self-confidence of the man and the extent to which five years of supreme power in Japan had made him lose contact with the world beyond the North Pacific. The verdict will undoubtedly be that these were faults intolerable in a general operating under the orders of a democratic government and as the representative of an international body; but they were also the virtues of a great fighting commander, which stood the free world in good stead through the desperate rearguard action of last summer and autumn. MacArthur the soldier may have been deplorably wrong in Northern Korea, but he was brilliantly right at Inchon. MacArthur the statesman misjudged Chinese intentions in October, but it is not yet certain that he was wrong in believing that Korea is the test case for the free world's ability to deter aggression in future by defeating and punishing the aggressor now. His last claim was that he could achieve complete victory if he were given the means and the authority to open a second front in China; but his instructions were to fight a war of limited liability. Because the Communists feared he might be right they called him a warmonger; because most Europeans and many Americans feared he might be wrong they called him dangerous and irresponsible. Out of all this arose intolerable confusion, bitterness and delay.

Because the story of MacArthur in Korea has been shaped not only by the faults of the man but also by the pattern of American politics, it behoves the world outside to observe restraint in its comment. Only President Truman could remove the Supreme Commander, and it was the direct challenge of the soldier to the civil authority that ended the story in Asia; it will doubtless continue in the United States for reasons discussed elsewhere in this issue. To pretend that foreign criticism of the General, some of it unfair and inaccurate in detail, was mainly responsible for his removal is to play the game of those Americans who oppose their Government's interest in Europe and will go to any lengths to discredit the President and his Secretary of State. Restraint is specially needed in this country. The charge that MacArthur is the victim of British agitation and the Government's policy towards China is already being made in the United States; that it should be substantiated by any gloating over the General's discomfiture and the President's difficulties will be intolerable to anyone who values Anglo-American relations. His offence was against American authority, and its punishment is for the Americans to decide.

None the less, MacArthur had become an international figure, a symbol of many fears and the whipping boy for many grievances. What precisely was his offence in the eyes of the world and—let it be admitted—among many Americans? First, perhaps, was the fact that he inspired fear among friends. He had a manner of speech and an air which frightened Europeans, who have had their full measure of strong and headstrong men in the last twenty years. He became a symbol of the American self-confidence, impatience for results and enjoyment of power which reveal themselves more conspicuously

outside than inside the United States. He seemed to represent the opposite of everything that is associated with the wise and revered figure of General Eisenhower; and the impression was based entirely on his own statements, and on the Tokyo legend, reinforced by massive Communist and non-Communist propaganda. Secondly he had a way of shattering complacency by reminding people that collective resistance to aggression in the cold war is quite simply war—war that has to be won lest other wars follow. As Americans, British, French and others slowly braced themselves to send a few more troops to Europe, to move to a semi-war or one-third-war footing, MacArthur was saying that the battle had already begun, that Asia was no side-show, that it needed more men, aircraft and guns. Third, there is a natural and healthy distrust of generals who appear to be running ahead of Ministers and courting the gravest risks of spreading conflict. This distrust was reinforced by a wish to think that there was no real quarrel with the Chinese, that they would not have intervened in Korea if the parallel had not been crossed, and that the Americans were wrecking—out of pique over the defeat of Chiang Kai-shek—the British policy of conciliating Peking.

Indeed, it has to be said quite frankly that in many countries—certainly in Britain—General MacArthur had become the focus of anti-American feeling, which in turn has sprung from resentment at Washington's predominance, from a surfeit of world politics and above all from the arguments and reports of certain sections of the press. If the contribution of the Chinese to the deadlock in Korea and to the general anxiety about Asia has been underrated, it is because many governments otherwise friendly to the United States have presented to their peoples a picture of events in the Far East far different from that which Americans see behind the casualty lists. For example, the recent confusion and excitement over the question of re-crossing the parallel in Korea arose from assumptions about the causes of Chinese intervention which are, to say the least, partisan.

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Because there has been this sudden and drastic change in Korea it does not follow that all the results will be good or welcome. The new Supreme Commander, General Ridgway, has won not only respect but devotion among his international forces; but he lacks political experience. When he has spoken about his job he has talked sense. He can be trusted to carry out his orders; but his task will be no easier than was MacArthur's if those orders do not come to him firmly and quickly. And for that to happen the governments responsible must think and act more realistically than they have in the past. The change of commander is, among other things, a sign that the first experiment in collective action by Uno has not worked well. If it is to work better there will have to be a collective will and point of view. First thoughts might suggest that all this will now be easier; but second thoughts suggest caution. So far as Anglo-American relations are concerned, the departure of MacArthur removes the lightning conductor; if Washington and London disagree, there is now no popular scapegoat. The meeting of divergent views will be direct; and if there is not to be conflict

there will have to be give and take on both sides. Both Mr Acheson and Mr Morrison will have to start educating public opinion in those facts and views about the prospects in Asia on which their governments can agree; and that will not be easy for either of them, although it should now be less difficult for both than it has been. Mr Morrison said a fortnight ago that this was the psychological moment for ending the fighting in Korea. At the time the reasons for this statement were not evident, but President Truman's courageous action may have created a new opportunity. Whether it lasts depends greatly on what is said outside the United States, and on how American opinion reacts.

This is not to say that no share of responsibility for using and prolonging this new situation rests on the Chinese. Much depends on whether the Asian Communists interpret the dismissal of MacArthur as a gesture of appeasement—which it certainly is not. Let it be hoped that their understanding of the outside world is not so distorted that they do not grasp the meaning of what President Truman has done. They are unlikely to admit that the bottom has fallen out of their charge that the United States and their allies were preparing aggression against China; although in fact their propaganda has suffered a reverse. They will be tempted to go on with the new offensive which they appear to be mounting, for they have committed themselves—and Stalin has publicly committed them—to total victory in Korea. They are doubtless being advised by Moscow to press

on, for Stalin's advisers have a genius for advocating action which closes the free world's ranks. In short, it rests with Peking to show whether MacArthur was right or wrong in his estimate of Chinese aims. The United Nations will shortly restate its aims; Mr Morrison on Wednesday stated British policy in terms which, if optimistic, are in principle unexceptionable, and President Truman's explanation of his reasons for dismissing General MacArthur at least makes clear what American policy is not. The road to negotiations for a cease-fire is open if the Chinese wish to take it.

The problem remains of how each side can save face. Communism has to save face before the eyes of Asia; the United Nations has to save face before the eyes of the world. The Chinese have demanded total success; the United Nations have demanded only limited success. Communist actions remain under the control of a handful of men responsible to no one; the actions of the Uno Supreme Commander have been firmly restored to the control of freely elected governments and public opinion whose desire for peace is clear and strong. It is within those limits that the Korean problem must be solved; and the condition of solving it is that American and British statesmen should make a supreme effort to align their policies and their peoples. Otherwise the policy of attaining a free, united and independent Korea—restated by Mr Morrison on Wednesday—will be impossible, and the spectre of General MacArthur will haunt Washington and London.

The British Colonial Army

IN the House of Commons four weeks ago a private member's motion, urging the government to investigate the possibilities of raising bigger forces in the colonies, was passed by a majority of 182. During the course of the debate Mr Strachey, the Secretary of State for War, put the present strength of British colonial troops at 60,000 men—a decline of one-third from the 90,000 of two or three years ago, but half as large again as in 1939. At the same time he claimed that the government is now reversing its policy of retrenchment and is already beginning a careful development of imperial forces in all parts of the Commonwealth. Mr Strachey's caution, however, by no means met the mood of the House. There was, and is in many quarters, a strong feeling that Britain is not making the best possible use of the manpower available—and much of it ready to serve—in the colonial empire. It is felt particularly that colonial troops could and should be used to offset the decline in strength created by the removal of the Indian Army to independent command. The question, indeed, is important and likely to become more so as the necessity to build up the forces of the free world becomes more acute and the resources of British manpower become more strained. What are the facts about it? How effective have colonial troops been in the past? What ought now to be done to increase their strength and their usefulness?

In these discussions, what is really in mind is the possibility of raising a large expeditionary force from Africa. Of a total of nearly 500,000 colonial citizens enlisted in the last war, 350,000 were Africans. Africa is by far the biggest reservoir of manpower in the colonial empire—the next is the West Indies. It is, therefore,

the decision about policy in Africa which is crucial. And here it must be said at once that, while many Africans make good soldiers, there are many obstacles in the way of recruiting them in large numbers. At present, the Royal West African Frontier Force (RWAFF) is on a peacetime establishment of nine battalions—five of the Nigeria Regiment, three of the Gold Coast Regiment, and one of the Sierra Leone and Gambia Regiment—with two batteries of light artillery, a few armoured cars, and a very small administrative and technical "tail." The King's African Rifles (KAR) in East Africa has seven battalions—two each for Kenya, Uganda and Nyasaland, and one for Tanganyika. In addition there is a Northern Rhodesia Regiment of one battalion—making eight under East Africa Command, together with a few ancillary units. These are not forces which could at present produce more than a trickle of manpower for service outside their own territories—where they are employed, often below strength, on essential internal security duties.

Africans fought in both world wars. The difference between the two was that in the first war none fought outside their own continent, while in the second they did, most notably in Burma—where some of the Nigerians even served with Major-General Wingate's Chindits. In the last war African troops, all of them volunteers, took part in the campaigns in Somaliland, Abyssinia and Madagascar, and then in 1943 provided three divisions—the 81st and 82nd West African and the 11th East African with two extra brigades—for Burma. A fourth, the 12th East African Division, was retained at home, while Africans were also extensively employed for lines of communication and pioneer duties

in the Middle East. This made a total equivalent to over five divisions.

What could be expected of African troops in the future? The African is a good soldier and he has stood up in battle both to Germans—in Togoland, the Cameroons, and Tanganyika during the first war—and to the Japanese. It would be wrong, however, to expect African troops to be up to the standard of the best Indian or British units. Given the training, they can handle all the normal equipment of an infantry division, except armour, at least without a white man in every tank. But their education is too limited for them to be able to handle armour. By and large, it is education—the ability to think out and execute tactics, or to obey technical commands under fire—and not character or courage that is the limiting factor. Indeed, a necessary assumption throughout is that, as in the last war, at least eight per cent of the officers and NCOs of any African force must be European; it is also preferable to have a white battalion in each brigade. Another qualification is that training takes time; the first African division to arrive in Burma took three and a quarter years to create, and then had to find its feet. With the experience now gained this period might at best be cut down to a minimum of two years, but even this would partly depend on obtaining European instructors of the highest quality.

It must be remembered that almost all African recruits are entirely illiterate, speak a variety of languages and have no martial tradition; the French Senegalese now fighting in Indo-China are one of the few warrior races in the continent, the Ghurkas of Africa. The language problem alone is serious. In the last war it was decided that the only way out was to teach all African soldiers English, but this is not easy and in itself consumes time. It was also found that, while the man from a fixed agricultural community, the man who digs, makes a good soldier, the nomad is less successful, the East African Somali being the worst of the lot. The chief bottleneck in any proposed expansion would be the African non-commissioned officers; at first the senior NCOs would again have to be white. As regards officers, two Africans received King's commissions during the war, and two have lately been sent to Sandhurst. Although it is highly desirable to speed up this process—as is now being done—to attempt too much is in the long run to sacrifice lives unnecessarily in war; all but the most nationalistic of African propagandists had this brought home to them by the Burma campaign.

At the moment the training of an appreciably larger number of Africans would overtax the already inadequate resources of the British regular army. The shortage of good junior officers and NCOs is one of the most serious limiting factors in the creation of new formations at home. As things are, many British officers and NCOs serving with African forces are unsuitable, either from temperament or because, in the merry-go-round of current postings, they do not stay long enough to gain the special experience needed to be any good. If it is intended to replace the Indian Army with Africans, three comparisons with the former Indian Army are helpful. First, the old Indian Army was an entity of its own, to which British officers were commissioned direct, and to which British and Indian officers could devote a lifetime of service. Secondly, it should not be forgotten that behind the production of a first-class fighting machine like the 4th Indian Division at El Alamein lay no less than two

centuries of military tradition in the service of the British. Thirdly, the old India had 400 million people to recruit from instead of only 45 million.

The War Office has recently taken over from the Colonial Office full responsibility for raising and administering colonial troops. This does not mean, however, that the Colonial Office either can or will abandon its interest in the matter. Indeed, the colonial governments must continue to be consulted at many stages. There have, for instance, already been outcries from African nationalist leaders at suggestions in the House of Commons that African troops should be sent to Malaya. It would be quite wrong and inconsistent with the trends of British colonial policy to attempt to treat Africans as pawns; whatever is done must benefit the colonies themselves as well as the rest of the Commonwealth. And if bigger forces are to be recruited, African leaders must be persuaded that this is in their own interest in the world of today. The task may not be as difficult as it sounds. Although the taint of imperialism may offer a handle to those who are already hostile agitators, there are many among the natural leaders of the African communities who understand and value the British connection as they did in the war. They actively want their young men to serve the Crown—though whether this should include overseas service in peacetime is another matter. One of the main limiting factors to a bigger recruiting drive, on the other hand, is economic. There is little slack in the economy as a whole and in many places in Africa there is an actual shortage of labour; moreover, the tendency is to move from agriculture to industry, and it is the man from the land who provides most of the military manpower. What is, perhaps, worth considering is whether an African Army should not be created, on the analogy of the Indian Army, in which both Africans and British could find a career, as they do in the colonial service.

The immediate need is for the Chiefs of Staff to state their requirements; until they do it would be wrong for the civil power to countenance indiscriminate, hypothetical recruiting. These requirements might run to a front-line strength of two divisions in the first instance, hardly more. The five divisions raised in the last war almost certainly represented too high a figure, both from the point of view of economic and social stability at home, and because the rate of expansion was too rapid to maintain the necessary military standard. A great deal must naturally depend on the role which African forces can be expected to play. For the purposes of the present cold war, so far as they can be foreseen over the next few years, it would seem that Africans might best be used in two ways. One would be as small, mobile, highly trained forces for service, if required, in the tropical territories of the Far East—Africans cannot ever be expected to serve in the temperate zone. The other would be to relieve British troops on garrison duties, for instance, in the Middle East; it is doubtful how far this could be carried, but in nature it would be a repetition of the invaluable service performed on lines of communication in the last war. Beyond this, it is not at present realistic to go. And while every effort should now be made to decide on and launch an agreed, modest programme as soon as possible, there can be no question of calling the colonies in to redress the full balance of the great Asian empire.

NOTES OF THE WEEK

Bevan and MacArthur

No Budget since the war has caused so little reaction at Westminster, favourable or unfavourable, as has Mr Gaitskell's first effort. Trapped between the twin walls of rearmament and the welfare state, the Chancellor would have found little room for spectacular manoeuvre even had his personality or his policy run towards such action. Mr Gaitskell's clear exposition could not dispel a certain flatness about the occasion, despite the observance of all the due ritual of Gladstone's dispatch box, the glass of rum and orange sipped halfway through the speech, and even the half-dozen top hats worn somewhat self-consciously by Opposition backbenchers. There was little of the tension of other years when members sat on the edge of their seats alert for some Daltonian wiliness or Crippsian hammer blow. Relief, rather than anger or pleasure, was the chief emotion when Mr Gaitskell had finished—relief among the Labour Party that the burdens on consumers were not heavier, and among the Opposition that none of the hints of capital levies or capital gains taxes had materialised.

In the lobbies that evening and in the papers the next morning the Budget had to compete with the news of Mr Bevan's anger at the health service charges, anger which sent him hurrying to see Mr Attlee in hospital and which loosed a flood of rumours that he would carry out his threat to resign if a charge were put "on the health service for the patient." On the next day, even the prospective fate of Mr Bevan faded into insignificance beside the actual fate of General MacArthur, and the sounds of Ministerial dispute were drowned in the Labour Party by sighs of thankfulness.

There is little doubt that the whole of the Labour Party and the bulk of the Opposition approve President Truman's action, though for different reasons. Mr Churchill made it clear in his brief comments on Wednesday that his support was for the maintenance of the principle that the "constitutional and civil authorities should control the actions of military commanders"; it in no way affected his respect for General MacArthur as a commander and as an individual. Innumerable precedents for this principle can be garnered from Mr Churchill's own memoirs. Mr Churchill had also made plain in the last two foreign affairs debates his wish to avoid, so far as is consistent with honour and obligations, any conflict with China.

These are also the views of many Labour members, and Mr Morrison was careful to pay tribute to General MacArthur's past services. But Labour feeling goes much further than this. A section of the party is frankly delighted at the General's removal. He has appeared for some months to embody a policy of war with China and of the overthrow of Communist power throughout the world by war. Certain Labour backbenchers have tended to load on to him every defect, which they perceive or imagine in the American character, until in the mind of some he has assumed the guise of a *Pravda* caricature. The timing of the President's action must, therefore, have been a relief to Mr Gaitskell, who would certainly have found it more difficult to justify a rearmament Budget to the Labour left wing, if it had appeared that the arms were being provided for use by generals liable to race off on policies of their own. The removal of General MacArthur also cut from under Mr Bevan's feet any ground on which he might have been inclined to make a left wing stand critical of rearmament and of too close an alignment with the United States. But on the domestic issue alone Mr Bevan's resignation never looked likely.

Social Service Changes

The changes announced by Mr Gaitskell in the finances of the social services mark a small but significant departure from the principles that have governed the social security scheme set up since the war. The Government proposes, first, a break from the principle that the social services should be "freely" available to all by introducing a charge, subject to a needs test, in two branches of the health service. With the exception of children and mothers treated in local authority clinics, people are to pay about half the cost of all denture work, and everybody, except children, will be required to pay half the cost of his glasses. How these charges are to be collected, whether through the dentist and optician or through the executive councils, has not yet been made known, but they will save about £13 million in 1951-52 and £25 million in a full year. These savings, Mr Gaitskell pointed out, were allowed for in the estimates for the national health service, the cost of which in 1951-52 was originally estimated at £30 million more than in the year just ended. As it is, the net cost of the service to the taxpayer is to be kept, "for the time being," within the limit of £400 million. This does not allow any increase in the capitation fees for general practitioners, and it is probable, therefore, that the charges for dentures and glasses are only a beginning.

The second departure from principle is the institution of a higher rate of benefit for pensioners than for the sick and the unemployed. But the most interesting feature of the increase (which will bring the basic pension up to 30s. a week for a single person and 50s. for a married couple) is that it is applicable only to men of 70 and over and women of 65 and over. Old age will in future officially begin at these ages. Elderly workers in the twilight of their sixties can continue to draw a retirement pension at the old rates or, as the Government hopes, will postpone their retirement until they reach their old age. To encourage them to do this, the increments to their pension that they already gain by postponement will be increased from 2s. to 3s. a week for each extra year they stay at work.

Unfortunately, the Government has largely offset this encouragement to elderly people to postpone retirement by increasing from £1 to £2 a week the amount that they can earn without forfeiting any of their retirement pension. This is bound to encourage them, not to stay on in full-time employment—which is desirable—but to take their retirement pension at the minimum age—which is very undesirable—and to supplement it by part-time and casual earnings. Moreover, for administrative reasons this concession may have to be extended to the disregard of earnings by pensioners in receipt of national assistance, with a consequent increase in the cost of assistance. Mr Gaitskell, however, ignored this and, indeed, omitted all reference to the future of the assistance scheme. Yet if the Government really wished to direct relief where it is most needed, an increase in the national assistance scales should have taken precedence over higher pensions.

From Poll to Poll

The Labour Party did not do quite as badly in the Ormskirk by-election last week as superficial comment has suggested. It is true that the Labour vote was 5,614 smaller than at the general election; even when for comparative purposes the 686 votes cast this time for the ILP candidate

are added to the Labour poll (in February, 1950, there was a straight fight), the decline was more than a third. The Conservative vote—24,190, against 28,654 at the general election—was cut by a much smaller proportion. But what else was to be expected? On April 5th Sir Arthur Salter obtained 71.5 per cent of the votes cast, compared with Sir Ronald Cross's 66.3 per cent in 1950. The "swing" of 5.2 per cent in favour of the Conservative party is appreciably less than that of 7.6 per cent—from 43.4 per cent of the electorate to 51 per cent—shown for the country as a whole by the Gallup Poll.

It is always hard to assess the special influences on voting at by-elections. But in the case of a safe Conservative seat there is no apparent reason why the Conservatives should suffer more from by-election apathy than do the Labour champions of a hopeless cause. Moreover, at Ormskirk the Conservatives had in Sir Arthur Salter a candidate not only of great distinction but also of special attraction to the floating voter. It must be assumed that the 2 per cent of the poll gained by the ILP candidate was drawn from people who voted Labour last year, and on this basis the Ormskirk result certainly does not do more than illustrate—with local qualifications—the swing against the Government that the public opinion polls had already made plain. It is not an additional encouragement to the Conservatives; that, of course, does not make it any comfort to Labour.

Deputies in the Undergrowth

Since Mr Gromyko offered his compromise item I, he and his western colleagues in Paris have shown signs of losing sight completely of the wood as they play hide-and-seek amid the trees and undergrowth. As a transitional state of affairs this is not altogether a bad thing, for the main purpose of their meeting was to save the Foreign Ministers the time and the tedium which this exploration entails. The confusion and deadlock at the Palais Rose are worth while if they produce a final clarification of the position on both sides.

What then, are the respective positions? The Russians still hope, as they have made evident in every Note they have presented on the subject—and as Mr Gromyko has underlined—with every word he has spoken in Paris—to throw a wrench into the wheels of western rearmament without having to allow any comparable blockage to occur in their own plans for the future. The western representatives still hope to keep the wheels free, at least until such time as they can see whether the Russians, if forced to it, will concede anything for the privilege of blocking them.

This much has been clear all along. And this was why it was important to get Mr Gromyko to include the question of German rearmament within a comprehensive list of the other causes and effects of world tension. What the western deputies have now to ask themselves is whether any further wrangling over the agenda can really help their purpose. They can no longer escape from two basic facts of life; and, while Mr Charles Bohlen is seeking new instructions in Washington, the American delegate, Dr. Jessup, appears to have been drawing attention to them. The two facts are these. In the first place, there is, within the broad limits already established, no power on earth, far less a written agenda, which can stop the four Foreign Ministers from talking about anything in any order to which the spirit moves them. Secondly, if the conference now breaks down, the failure will be attributed by the man in the street to the western refusal of a Russian proposal and not to the Russian refusal of a western proposal. This must not be allowed to happen.

At this stage, therefore, the agenda ceases to be the significant point. The western capitals should now be concentrating not on drawing up their battle order, but on the tactics which must be used when the battle is joined. And

the essential feature of these tactics must be to deprive the Kremlin of its diplomatic initiative. For this, there is a comparatively simple formula. The conference of Foreign Ministers must be held in private; and the western powers themselves must have positive proposals for dealing with the central problem of Germany. It has been suggested before in *The Economist* that there is such a policy ready to hand; a policy which would either force the Kremlin back on to the diplomatic defensive, or out into the open with concessions in the broader field. It is that the Foreign Ministers should discuss an Austrian solution for Germany, an Austrian peace treaty, and inspection of armaments in all the ex-enemy countries. The Russians would find this difficult to refuse, and the west would gain a great deal if it was accepted.

Treaty Offer to Egypt

Nahas Pasha, the Egyptian Prime Minister, in his last public statement on Anglo-Egyptian relations on March 28th was hard and uncompromising. The old demands for the complete evacuation of British forces from Egyptian soil and the "unity of the Nile Valley" under the Egyptian crown were restated with vigour. In addition, Nahas Pasha warned the world that Egypt "cannot be expected to remain patient indefinitely" and they were "glad to be described as intransigent." The statement was doubtless intended to increase the waning popularity of the Wafd Government, which has accomplished but little since it came to power in January, 1950, but it has created an atmosphere in which negotiations will not be easy. Nahas Pasha was fully aware that the British Ambassador was at that time in London discussing with the new Foreign Secretary fresh proposals to take back to Egypt.

Details of the new proposals have not been disclosed in Whitehall, but it is known that the British Ambassador, Sir Ralph Stevenson, will soon put before the Egyptian Government a plan for the gradual evacuation of British bases in the Canal Zone and the gradual handing over of installations to the Egyptian army which, it is hoped, will man them with the help of British civilians.

Although a new agreement would be welcomed by all parties, the present treaty remains in force until 1956; so from a purely British viewpoint there is no great hurry. No doubt, however, the Wafdist Government fears that a general election in Britain might bring into power men whose ideas are not as liberal as those of the present Government. The main difficulty in the way of a new treaty would appear to be the man in the Cairo café, who has been fed on anti-British and anti-foreign propaganda for years. There is little doubt his feelings would soon change if the newspapers altered their tone, as the Egyptian left to himself is not unfriendly. A hint from his government that violent anti-British sentiments were no longer welcome would be certainly sufficient to cause a large section of the influential press to change their policy. In any case, the Government, which has just prolonged the censorship for another year, must learn to master the disadvantages of a controlled press as well as it has learned to enjoy its advantages. The Wafd have a vast majority in the Chamber, they are on terms of cordiality with the Palace, and both King Farouk and his Government are known to be aware of the dangers of the international situation. If the present negotiations break down, London can only say, "Your lead, Nahas Pasha."

On Israel's Frontier

The series of frontier incidents between Syria and Israel is viewed with fear and anger in the whole Arab world but especially that part which borders on the new state of Israel. If words and promises meant anything, the Syrians would not be too deeply disturbed because all the Arab states have

promised his good and faithful servant its just reward, guaranteed employment "on a continuing basis." One decision then, at least, has been taken, and taken for the good. As the emphasis on American aid to Europe shifts from reconstruction to defence, the good will and experience accumulated by the American instrument of reconstruction will not be wasted.

For this both Europe and America may be grateful. The events of the last few years have provided conclusive proof that the manner of the giving may make or mar the effect of the gift. There is no more ungrateful role in human or international relations than that of the generous creditor. To be too free with one's credit may be to invite disaster by throwing away the opportunity to use it not only to relieve a current emergency but to build a securer future. To hold the purse strings too tight, on the other hand, is to destroy the good will on which such a future can only be based. It was the task of the ECA to strike the right balance between these two, as well as between the ideal as envisaged by the Administration and the realisable as determined by the Legislature of the United States. The fact that the European Recovery Programme has not only achieved its economic objective but has been the foundation for a new unity within Western Europe and between Europe and America is the most eloquent tribute to the way in which the ECA has discharged its burden.

So much for the past. What President Truman has not yet decided, or at least announced, is exactly what part the ECA is to play in future programmes. Is it to continue, its main task nearly done, as a subsidiary friend and counsellor; or is it to assume the major role in the administration of American foreign aid in its new forms? A decision on this cannot be long delayed, as the new foreign aid bill must soon come before Congress. It is difficult to see to whom the task could be better entrusted.

* * *

The Second Million Houses

In February 1951 the millionth new house built since 1945 was completed.* This million covers only new houses, permanent and temporary, and excludes the 340,000 extra dwellings provided by requisition, repair, conversion and adaptation. The question now is how long it will take, and how much it will cost, to try to build another million houses by sticking to present policies.

The prospect is not encouraging. The one favourable sign is that the competition organised by *The Builder* for the design of a £1,000 house (discussed in *The Economist* of February 24th, page 422) has caused much interest among housing authorities, and Dr Dalton has stated that a new circular is to be sent to them dealing with the design of council houses and methods of combining economy with the maintenance of essential standards. It is possible, therefore, that economies in standards of construction will receive official blessing.

A step in this direction is badly needed. If conditions remained exactly as they are now it would still take another five years to build the second million houses. As it is, the increasing competition of rearmament will push up prices and make materials scarcer. The Economic Survey published last week says little on housing itself; it merely states: "It is not intended to reduce the housing programme as a whole." But the Survey also makes an assertion about productivity in building in general which unfortunately does not appear to be applicable to housing in particular. It states that productivity is increasing by 4 to 6 per cent each year for the whole of the building and civil engineering industry. This generalisation applied to housing would mean, with the same investment, an extra 8,000 to 10,000 houses a year. Yet between 1949 and 1950 the average monthly labour

force rose by about 8,000 men and produced during 1950 only another 544 houses. Similarly, the average time taken to build each house showed no sign of falling. On January 1st, 1949, there were 195,000 houses under construction, and during the year 197,000 were completed. On January 1, 1950, 201,000 houses were under construction, and in the course of that year 198,000 were completed. Both sets of figures show no improvement in productivity. If Dr Dalton can increase the rate of building by encouraging authorities to reduce unnecessarily high standards, he will do a service both to those who need houses and to those who pay for them.

* * *

Support for Economies

If Dr Dalton needs encouragement for a policy of housing economies he has received it from the Housing Centre. This non-party organisation has just sent him an admirable memorandum outlining a programme for housing and also some detailed proposals for modifying housing standards. The Housing Centre is anxious that the total housing programme should not be cut, and that the hard-won improvements in standards should not be wildly jettisoned. But it sees its objectives in the perspective of rearmament, and consequently modifies its ideals to the pressure of the times. Its aim is to preserve many old houses from decay by modifications of the Rent Restriction Acts, and to squeeze as many new houses as possible out of the total housing allocation without the sacrifice of basic standards of structure.

Most of the suggestions are unexceptionable. Of the two that are more controversial, one is designed to meet the problem of the many houses which have exhausted their economic life but are likely to be occupied for another 20 to 30 years. Even if the Rent Restriction Acts were modified the private landlord would be unlikely to carry out the heavy repair work necessary to make them really habitable. The Housing Centre therefore proposes the establishment of a national non-profit-making association, which would have official backing and capital. Sub-standard housing presents a very difficult problem, and any suggestion which would help to solve it without an additional burden on the taxpayer deserves consideration. It is not, however, clear from the present statement what the financial implications would be. They should be elaborated.

The second suggestion is concerned with the relative costs of development in New Towns and in high-density flats in the centre of cities. The Centre has investigated the social needs of families with children living in flats in congested areas. The cost of these blocks is already enormous; to provide conditions more suitable to young families would increase them still further. The Centre believes that a study of total costs might show that the costs of New Towns compare less unfavourably with flat development than is generally supposed. Here again is a case for investigation. Far too little is known about the costs of flats, and nothing about them has been published by the Ministry of Health. Meanwhile, despite the very high subsidy these schemes fall very far short of paying their way.

* * *

The Honour of the German Army

The Federal German Government took an important step last week towards rehabilitating the German professional soldier, both morally and materially. Though the facts that the Republic consists only of a fraction of the former Reich and that its financial position is weak do not justify generosity, the *Bundestag* has approved second reading of a Bill to pay full pensions to all former regular soldiers and members of the Reich Labour Service. Promotions for bravery are to be recognised and non-commissioned officers with long service are to receive special aid. The Chancellor himself declared, amid continuous applause, that the Allied laws

had quite unjustly made professional soldiers "partially responsible for the lost war," although they had merely done their duty to the state. The Government, he said, would never support the real war criminals; but the percentage of such guilty men was so "extraordinarily small" that it did not destroy the honour of the former *Wehrmacht*.

It may be wondered what standard of comparison the Chancellor had in mind when he pronounced this acquittal. Herr Carlo Schmidt, for the Social-Democrats, justly remarked that many of the officers had not proved loyal to the Weimar State but helped Hitler to undermine and overthrow it; he also argued rightly that the false doctrine of collective guilt should not now be replaced by an equally false belief in collective innocence.

The whole problem of war guilt, *Soldatenethre* and the state of the former professional soldier in Germany has become acute now that the victors have proposed to re-form a German army for Europe's defence. For civilian states like Britain it is hard to understand—let alone to sympathise with—the importance of an idea of overriding professional honour rooted in German history of the last 50 years, and the voice of understanding abroad is silenced whenever some voices inside Germany are heard laying down terms for collaboration in western defence, which honourable Germans know to be unacceptable. Some light on the question is thrown by a review of three recent books by German generals which appears on page 867.

* * *

OEEC Tries Again with Bonn

It is difficult to believe that the German Government will carry out the promise to live within its means which its representative made in principle at the meeting of the OEEC Council of Ministers last week. There is still in Germany a tendency to treat the country's bankruptcy in the European Payments Union as a matter for which the Germans are not to blame and which their trading partners must and will put right. Since the days of Dr Schacht, Germany has become wedded to the idea that its creditors will not dare to ruin their vulnerable German market by retaliating if they are not paid. The hope was still expressed last week that a fresh investigation into the circumstances would lead the OEEC to recognise Germany's claim to further credit. And Dr Erhard still informs the public that it is all the fault of the others for not giving Germany sufficient aid and allowing the prices of raw materials to rise—factors which undoubtedly played a part in creating the present situation, but only a part. Dr Erhard also holds out hopes that world prices are falling and that, if Germany enters the sterling transferable account area, it will not only increase its exports but perhaps secure Commonwealth raw materials on favourable payment terms. In the meantime, German warehouses are comparatively well-stocked with raw materials.

Though fresh credit has not been offered to Germany, the OEEC has made an effort to save its trade with some of the hardest hit of the smaller countries, who will be favoured in future agreements and the allocation of licences. Strong creditor countries in the EPU have been asked to grant large import quotas to Germany and ask for only small quotas in return; they have also undertaken to do what they can to buy up the perishable goods which were originally destined for the Germans.

The OEEC will henceforth try to supervise German foreign trade after June 1st and will appoint three men to advise on the allocation of licences in April. These are, however, very limited measures. As it has often been pointed out in *The Economist*, a number of factors, such as excessive decentralisation, an inefficient civil service and corruption prevent effective control of foreign exchange or trade. In the same way, Bonn has as yet done nothing

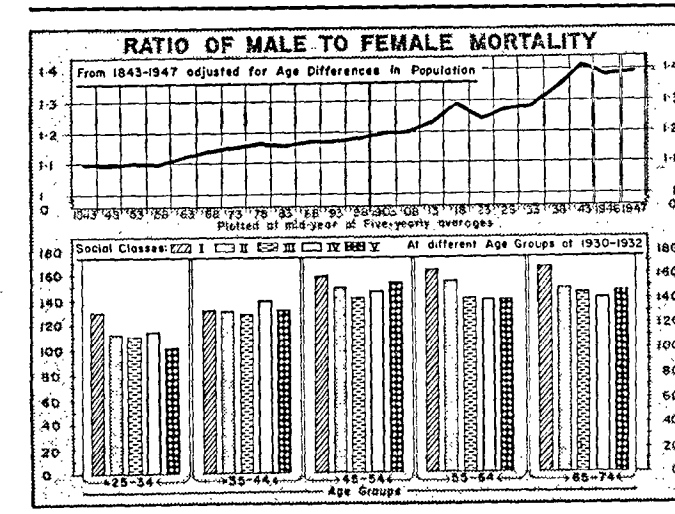
about fiscal reforms. Even the federal budget for the financial year which ended last March is still in the committee stage. Plans continue to be put up and discarded, while measures to increase expenditure on social welfare—but not occupation costs—are passed without asking where the money is coming from. The Federal cabinet would do well to make up its mind that it must now hurt some German interests as well as its trading partners.

* * *

The Inferior Male

Most pension schemes are based on a higher retiring age for men than for women, presumably because men are considered to be the stronger sex and therefore capable of working for a longer span of their lives. It is difficult to square this with a paper read recently to the Royal Statistical Society by Mr Martin, a member of the Medical Research Council's Statistical research unit, which gives the impression that in reality man is biologically inferior to woman.

For the past hundred years the death rate for men has been higher than the rate for women. But, as the accompanying chart shows, the difference is greater now than it was in 1841 (the sharp increase in the ratio of male to female mortality in the war years is accounted for by the withdrawal of large numbers of fit men from the civilian population). Men may wish to attribute their higher mortality to their harder work, but, as Mr Martin pointed out, in the last two decades, when conditions of work have greatly improved and hours of work shortened, the sex mortality rates, instead of favouring the male—or at least showing a smaller difference between the male and the female—actually show a faster rate of decline for female mortality. That environment has some influence is shown by the analysis of the mortality ratio

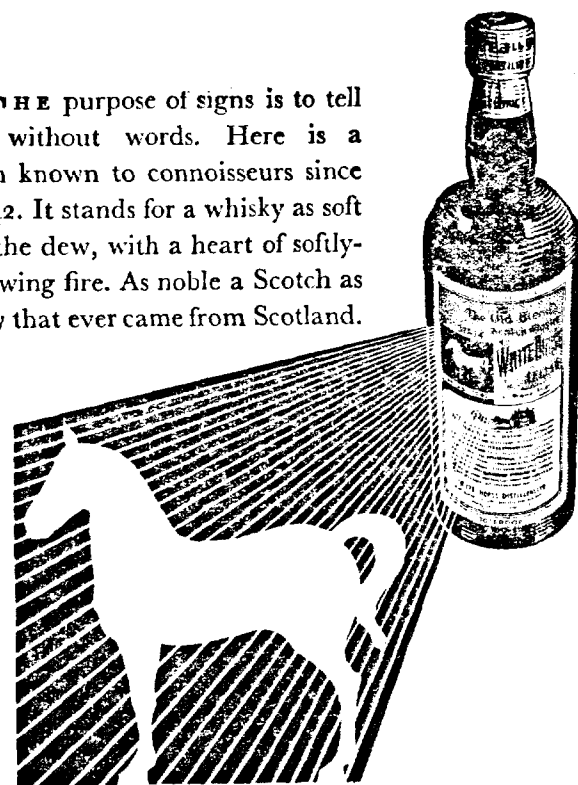


by social classes, for on the whole in social class V (the unskilled) the excess mortality of males is not so great, except in middle age, as it is in social class I (the professions). But in every social class grandmothers are likely to live longer than grandfathers.

Mr Martin's paper also analysed the mortality rates by regions, by age groups, by causes of death in each age group, and by occupations. Women, men may be interested to note, are apparently much more likely than are men to die from "rheumatism, nutrition, etc.", particularly at the age of 45-54. But this seems to be the only consistent advantage men have over women throughout their adult life. If they wish to have a fair chance of surviving their wives they should apparently become engine drivers—which presumably explains a universal ambition of their boyhood—farmers or agricultural labourers; they should not be doctors, waiters, hairdressers or makers of alcoholic drinks.

* Housing Summary. [Cmd. 8199].

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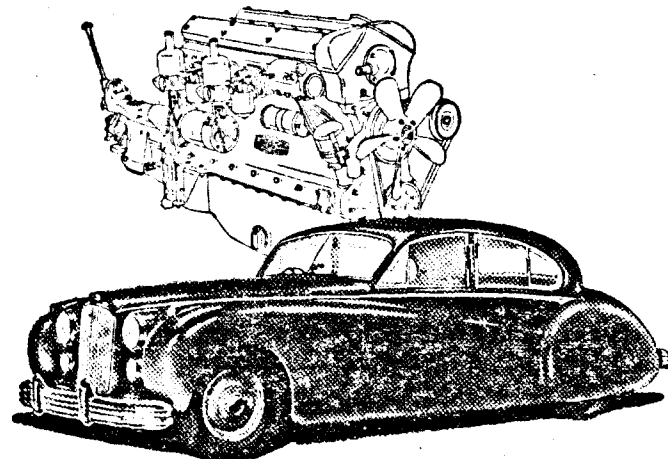


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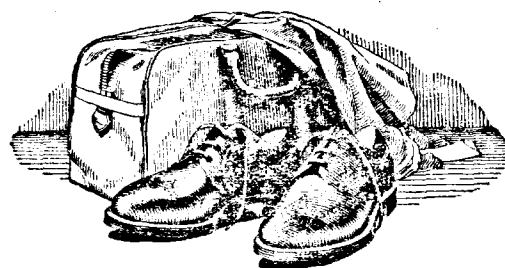
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Helping Discharged Prisoners

Mr Chuter Ede has recently appointed a committee to review the work of the Discharged Prisoners' Aid Societies and consider what changes are desirable to improve the chances of men and women when they leave prison. Such an inquiry is to be welcomed. The most critical time in a prisoner's punishment is the moment of his discharge, for in the period immediately ahead of him he will be at his cross-roads. Unless he is an habitual criminal he almost always wants to run straight, but if he could not resist temptation when his slate was clean, how will he stand up to it now that he is burdened with a prison record? Of first offenders the majority do, miraculously, stand up to it, but the size of the majority must depend on the conditions that face the men and women when they come out. If they have to fend for themselves among people who look the other way at the first sight of them, then the majority that makes good cannot be as large as it might and should be, and the reformatory work that has, one hopes, been done in prison will be wasted *pro rata* to the failures.

The work of helping these ex-prisoners is entrusted mainly to the Discharged Prisoners' Aid Societies. These are voluntary organisations, but they are subsidised by the taxpayer. For this reason alone, there is a good case for having an impartial review of their work. Unfortunately, Mr Ede's committee is to consist entirely of civil servants and officers of the aid societies, who will be sitting in judgment on themselves and reporting on the quality of their own work. The unofficial members should surely be chosen from the general public which subsidises the organisations (to the extent of more than £21,000 a year), particularly as their efforts have not always passed without criticism.

Italian Communist Congress

Signor Togliatti, the Italian Communist leader, has a reputation for bluntness even in Cominform ranks. When he returned recently to Italy after renewing his terms of reference in Moscow he made a flat bid to rejoin Signor De Gasperi's government. This striking change of tactics was a reversion to the policies of 1946 and 1947, when Signor De Gasperi manoeuvred the Communists out of power; but the new Italian bid is fully in keeping with the line being adopted internationally by the Communists. In Italy Togliatti has merely put it more crudely and his action will perhaps have a more direct impact than on the national political scene elsewhere. Behind this apparent mood of sweetness and light lies the aim of the Cominform to throw everything into the "peace" campaign against the Atlantic Pact.

Signor Togliatti's declaration was naturally expanded at the five day annual party congress which is just over. He emphasised that the Communists, while they want to join any government that replaces the present administration, might even be prepared in certain circumstances to come to terms with Signor De Gasperi himself, if he changes his foreign policy and if "Italy ceases to form part of the nations that are preparing war under United States control." This fantastic and unscrupulous offer has no immediate chance of being accepted.

It is not, however, outside the bounds of possibility that the Communist plan, in the present state of political uncertainty surrounding the government, might in time gain ground. The Christian Democrat party contains a small but vigorous section which is not entirely happy about the government's policies, and the result of the recent Socialist merger—which is dealt with on page 866—has not been to strengthen the government. In fact, the value to the Communists of their party congress has lain partly in the opportunity that it has given them to voice the maximum charges that could be brought against Signor De Gasperi's stewardship. They have alleged that the rearmament policy, by eating up financial reserves and monopolising raw material supplies, is

blocking social development and so actually increasing unemployment. Unemployment from 1919 to 1921 never affected more than two per cent of Italy's socially active workers; under Christian Democracy, say the Communists, it affects from 10 to 11 per cent. The minimum wage rates in even the most favoured trades correspond to only half the officially recognised minimum for maintaining a family of five. These accusations cannot be ignored.

Cold War in the Post Offices

There is among the British a very sound resistance to MacCarthyism and witch-hunting; but the Communists themselves make it increasingly difficult to maintain it. When they gather together at resorts behind the iron curtain they are inclined to boast to each other about their activities in sabotaging the western defence effort. Some attention should certainly be paid to a statement made in East Berlin at the recent "European Workers' Conference," called to further the aims of Moscow's World Peace Council. The head of the postal, telegraph, telephone and radio department of the World Federation of Trade Unions, who has the German name of Willi Baumgart, declared that the agreement concluded last year between postal workers in the German Democratic Republic and France had clearly shown what successes could be achieved. The agreement, which was "designed to prevent the misuse of postal installations for imperialist war preparations," had caused "considerable anxiety" to the French authorities.

Herr Baumgart pointed out that, of all workers in the postal services, those connected with radio had the best opportunity of working for peace by refusing to participate in "warmongering" transmissions; but the time had come to pass from passive to active measures. At the time when the WFTU trade departments were formed last year, the postal and radio workers were also reminded that they held key positions for hindering western plans.

Apart from this form of struggle for "peace," Moscow has in the last few days increased its open frontal attack by propaganda. Radio Centre Moscow has taken over four or five hours a day from the home services of the Soviet satellite countries for relaying its own foreign-language propaganda, directed to the Balkans, France and Italy. The Soviet Union's own network of transmitters has thus been powerfully reinforced, and the direction of political warfare further centralised.

Shorter Notes

The visit to Paris of Dr Adenauer, the German Chancellor, is a welcome event of great significance. It is made in the teeth of the most violent onslaught on the Schuman Plan yet made by that incorrigible demagogue Dr Schumacher, and at a moment when Franco-German issues are being brought daily before the French public by Communist propaganda and speculations about the meetings of the Deputies. It needed courage on the part of both hosts and guests to arrange this visit; and it is a great pity that the German Chancellor is not coming on to this country. He will survive the storms ahead only if he is fortified by dignified gestures of understanding which London should be able to offer at least as readily as Paris.

In last week's issue of *The Economist* it was stated (page 782) that production per man-hour in Britain had increased by 45 per cent since the war. In fact precise measurement of the change is impossible. A reasonable estimate (based on the official index of industrial production and statistics of employment and average hours worked) might be that in 1950 the average output per man-hour in British industry was about 20 to 25 per cent greater than in 1946. This compares roughly with the estimate of 10 per cent mentioned for Soviet Russia.

"Good Gracious — I'm in Australia!"

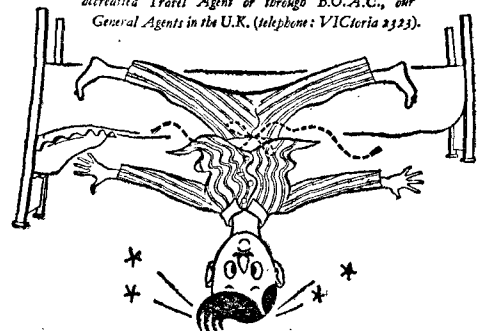
No special Act has been passed, but England and Australia are getting closer and closer. When we went to press, they were only four days apart.

If things go on like this you'll soon be able to tumble out of bed, rub your eyes and exclaim: "Good gracious—I'm in Australia!"

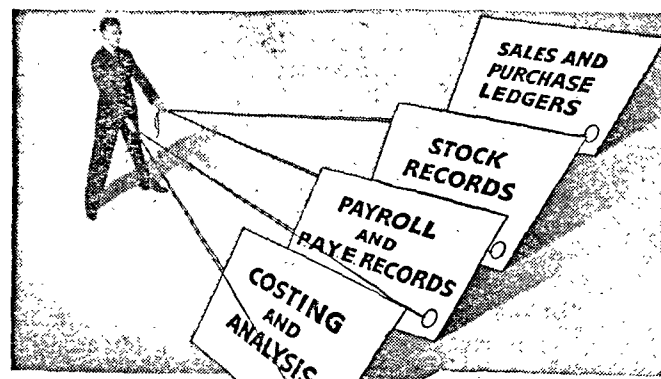
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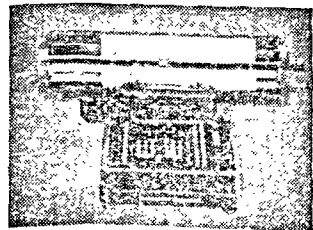


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What is a sports car, Daddy?



It's the kind of car I used to take your mother out in before we married.

Is this a sports car?

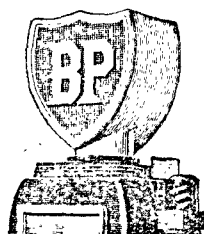
No—this is a family runabout.

What's the difference?

Well, the sports car was... more sporting—of course, you could get any amount of BP in those days. I wish we could now!

When will BP be back, Daddy?

We don't know yet—but that will be the day!



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Letters to the Editor

British Universities

Sir,—In the article on "British Universities" published in *The Economist* of March 31st reference is made to the "crabbing effect" of local education authority control of major technical colleges. This control, it is said, is "not calculated to attract first-class staff or to encourage the independence that is necessary for the best work."

You cannot imply, surely, that the ultimate responsibility for a college lying with a democratically elected body involves interference with the academic life and freedom of that college. The whole system of relations between the Ministry of Education, local education authorities, boards of governors and teaching staffs has allowed in all types of educational establishments a freedom in educational matters achieved in few countries.

Perhaps, however, your intention was to imply that local education authorities are unwilling to develop their colleges. It is only necessary to refer to the schemes for further education prepared by authorities to realise the unfairness of any such implication. By 1950 the Ministry of Education, having analysed the schemes of 95 authorities, was in a position to state that in the limited period 1948-53 these 95 authorities, many of which did not represent industrial areas, had planned to spend in respect of vocational education alone £2,600,000 on new sites and £31.5 million on new buildings. What has in fact retarded the realisation of authorities' schemes has been the national shortage of men and materials which has interfered with all plans for capital expenditure. It would seem in any event somewhat unjust to use the word "crabbing" in connection with the attitude of mind which contemplates expenditure on the scale described above.

Or did you feel that the salaries paid by local education authorities to their teaching staffs in technical colleges were insufficiently generous? The facts are that a college lecturer whose work is of university standard will receive under the 1951 Burnham Tech-

nical Scale a salary of £1,000 per annum rising by annual increments of £25 to a maximum of £1,150 and that the various grades for heads of departments range at their maxima between £1,000 and £1,600 per annum. It would be difficult to contend that these salaries are "crabbing" compared with those offered to the lecturing staffs of universities.—
Yours faithfully,
W. H. PETTY
Northallerton

The Soviet Army

Sir,—I am unable to accept wholly several points made by my colleague. Indeed, I feel that one point in particular could be very misleading to the British public in its search for reliable first hand information on life in the Soviet Union.

Firstly, the Politburo does not in any way claim to be a representative body. It is, however, worthy of note that of its eleven full members six are non-Russians, among them two of the most powerful men in the Kremlin: Stalin, and the head of the secret police, Beria—both Georgians.

Secondly, it is true that the peoples of Russia represent a variety of languages, cultures and religions. It would, however, be wrong to ignore the fact that many centuries of common historic destiny and development have knit them together more closely than might at first appear.

The mass surrenders to the enemy of the first year of the war, the subsequent change of heart brought about by the horrors of the German occupation, the movements of opposition behind the front lines and the refusal of so many DP's of all the nationalities of the USSR, including Russians, to be repatriated after the war, are eloquent proof of the fundamental unity of the peoples of Russia. Hitler's policy in Russia was aimed precisely at exploiting the national differences and antagonisms of these peoples, and the complete failure of his policy speaks for itself.

As for the discriminating persecution of non-Russians in the Soviet Army for political reasons, I can find nothing in my experience to support this. The

gravest threat to the Bolshevik regime lies not in possible internal strife between the people of the Soviet Union, but in their fundamental unity in opposing Communism and all it stands for.—
Yours faithfully,
"ANOTHER FORMER SOVIET OFFICER"

Balkan Tobacco

Sir,—Your Geneva correspondent's article on Balkan tobacco in your issue of March 31st omits the primary cause of the slump in the Greek industry. OEEC's concern about this problem will seem belated to the Greek tobacco trade, where the Greek loss of German markets has long been attributed mainly to large purchases of Virginian made possible only by ECA dollar authorisations.

Before the war, exports of Virginian to Germany—the traditional market for oriental tobaccos—were insignificant. But in 1949 and 1950 Germany became the largest single European importer of Virginian leaf. According to official British sources, American shipments in 1949 to Bizonia alone reached 62 million pounds, thus exceeding by nearly a third the prewar annual average for Greek exports to the whole of the German Reich—in spite of a sharp decline in German postwar consumption.

The expansion of Turkey's tobacco exports, referred to in your article, has largely been achieved at the expense of Greece, whose position in foreign markets deteriorated because of its participation in the war on the side of the Allies. A report issued in 1947 by the Food and Agriculture Organisation stressed this latter factor, recommending it should be taken into consideration in any international tobacco agreements. Today many advantages enable Turkey to produce more cheaply than Greece. But American competition is more serious. Even if Greek official protests should now lead to a reduction in Marshall aid credits for American leaf, the damage to the Greek economy, as the result of ECA's policy, which has fostered the taste for Virginian, previously alien to the Germans, may well prove irreparable.—Yours faithfully,

NANCY CRAWSHAW

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Books and Publications

Cæsar of the Pacific

The Riddle of MacArthur: Japan, Korea and the Far East. By John Gunther.
Hamish Hamilton, 219 pages. 12s. 6d.

Readers of Mr Gunther's earlier works would have expected him to give a book dealing mainly with Japanese affairs the title "Inside Japan." But, as it was about Japan, in the days before the Great Dismissal, General MacArthur had to be in the centre of the picture and to take over the title. This is certainly as it should be, for the author's pages abundantly confirm the general impression that General MacArthur is a man with a good opinion of himself. During the war, after his words on departure from the Philippines, "I will return," had become famous, the American Office of War Information wanted to change the slogan to "We shall return," but the projected alteration had to be abandoned owing to his furious and persistent opposition. In the event, it was MacArthur who returned, almost as in the days when kings rode to battle; he waded ashore on Leyte with the first landing force, and after Japan had surrendered, but before any instrument of surrender had been signed, he flew into Japan in an unarmed and unescorted aircraft ahead of the occupation troops. Such behaviour is apparently a family trait. His father, General Arthur MacArthur (of whom an acquaintance said "I thought he was the most fantastically egotistic man I had ever known until I met his son") always said he wanted to die leading his troops; he actually fell dead at an advanced age while making a speech at a reunion of his old regiment and his body was promptly covered with the regimental banner. It is impossible for a MacArthur to live or die in any other manner.

The present General MacArthur held an extraordinary combination of powers. He was American Commander-in-Chief, Far East, controlling all arms, and Commanding General, United States Army,

Far East. He was Supreme Commander for (not "of") the Allied Powers in Japan, bearing unlimited authority, both military and civil, in that country. Finally, he was Commander-in-Chief of all United Nations forces operating in Korea. His own view of his responsibility in all these capacities was expressed in his remark that "only God or the Government of the United States can keep me from fulfilling my mission." As far as is known, God has never intervened to thwart General MacArthur's will; the American Government has at last recalled him, but only after he had openly appealed to Congress against its authority. Mr Gunther writes that "there has never been an instance in MacArthur's history of specific refusal to obey an order," but his critical publicity was no less embarrassing to his superiors than direct disobedience.

What, then, was General MacArthur's "mission" to which he was dedicated? Curiously enough, though his temperament is that of an autocrat, his convictions are quite genuinely those of American democracy. Fifty years ago his father, as a military governor, introduced *Habeas Corpus* into the Philippines, and it is his son's greatest pride to have introduced it into Japan. General MacArthur worked every day of the year, Sundays included (he never took a holiday and has not set foot in the United States for fourteen years), to accomplish what he believes to be good for Japan as well as in his own country's interest. The theatricality and bravado which surround all his acts have blinded many observers to the magnitude of his achievement as ruler of Japan, but Mr Gunther gives a fair and convincing account of it and hazards the opinion that "MacArthur the Reformer should rank high in history even if MacArthur the Hero has to be forgotten."

The Hydra's Head

Monopoly and Free Enterprise. By George W. Stocking and Myron W. Watkins. Twentieth Century Fund. 596 pages. \$4.00.

This book, the third publication of the Twentieth Century Fund's Committee on Cartels and Monopoly, is the sort of volume in which American research excels. It is the product of highly skilled and beautifully co-ordinated expertise in three fields: in economic theory, particularly of course the theory of imperfect competition and monopoly pricing policy; in large-scale business practice; and in law. It studies the motives, nature, development and methods of monopoly with a comprehensiveness which no British analyst or historian has approached; a national deficiency connected, presumably, not only with the lack of any such body of evidence as the records of proceedings under the Sherman and Clayton Acts, or of the Securities and Exchange Commission, but with the peculiarly inhibiting effects of the British law of libel.

The authors have divided their vast field with great expository skill. A brief statement of the case for the competitive economy is followed by a concise account of a century's changes in American economic structure. Against this background is set a study of "the basic factors in industrial concentration"—economics of scale in operation or control, the pressures making for co-ordinated price policies, the strategic motives of economic empire-building. This is followed by a statement of oligopoly theory, against which is exposed for comparison the actual recorded behaviour of business men in markets of few sellers—and a fascinating record it is. Price leadership (illustrated by two excellent case histories), the basing point system as used particularly by steel and cement producers, and collaboration through trade associations, provide the next three chapters; then follows the intricate but clearly-told story of the making of case law under the Sherman and Clayton Acts, in which there is traced the development of two significantly incompatible viewpoints. One is that legality depends on how a monopolist or near-monopolist actually behaves—reasonably or unreasonably, with public spirit or as an extortioner; the other, that the very acquisition of monopoly power, no matter how used, is an offence. This statement of legal doctrine makes comprehensible the subsequent account of trade practices and of their regulation; and the authors then find, themselves in a position to evaluate the effect on competition of Government policies not directly relevant (monetary and fiscal policy, conservation of resources, agricultural policy and labour legislation) and of the technicalities of corporation and patent law. The concluding chapters stress the continuing danger to competition (less from actual monopoly than from oligopoly) and with it to free enterprise itself, and

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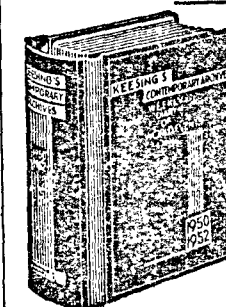
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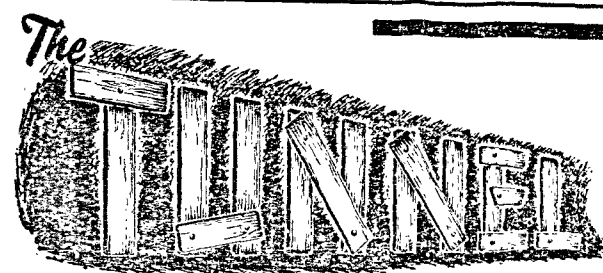
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This is a most valuable work of reference, a stimulating social study, and, most emphatically, required reading for members of the Monopolies Commission.

Nutshell for Planning

Industry and Prudence: A Plan for Accrington. Borough of Accrington. 186 pages. 30s.

This report should be read by anyone who doubts the necessity of statutory planning; also by anyone impatient for quick spectacular results. Accrington, a town of 38,000, not merged in a vast agglomeration, is a quickly-understandable laboratory specimen of the problems left by the unplanned industrial building of the 19th century. It grew fast as a one-industry (cotton) centre to 45,000 in 1911, lost by migration through grave unemployment in the 1930s, and now has a somewhat better but still unsatisfactory industrial balance. Professor J. S. Allen and the late R. H. Mattocks,

as consultants to the Borough, base on a succinct geographical, historical and economic survey a lucid presentation of the town's present predicament, judiciously illustrated. Without fanciful writing the picture comes to life: 13,000 families living mostly in drab gardenless dwellings, often at 24 to the acre; blighted areas of conflicting use; no central open spaces; roads inadequate for traffic; a smoke-pall cutting the regional sunshine from 1,500 to 1,100 hours yearly; and the one architectural monument a railway viaduct.

Yet Accrington is a vital community, and, sooner or later, it will have to be extensively rebuilt. That cannot be done on any conceivably acceptable standards without rearranging building plots and streets. The authors confine their plan to the minimum changes necessary; they make no showy proposals. They suggest the stages for the central reconstruction, but wisely give no dates, since its speed must depend on economic circumstances. On their modest standards, rebuilding must finally displace at least 12,000 persons. For these there must be new neighbourhoods on the fringe, or a sub-regional new town for the combined overspill from several centres. The choice is a matter of public policy. Here is the planning problem of modern England in a nutshell.

Britain in the Caribbean

The British West Indies. By W. L. Burn. Hutchinson's University Library. 196 pages. 7s. 6d.

Roughly two-thirds of this book is devoted to a general discussion of the history of the British West Indies up to the end of the emancipation period a hundred years ago. In this section Professor Burn demonstrates once more the excellent qualities of his historical scholarship, and it is a great pity that his treatment of the subsequent periods of history has been compressed into so small a space. The short section on crown colony government in the West Indies during the latter part of the nineteenth century, for instance, whets one's appetite for more. Surely, in a book of this kind, the seventeenth century might well be sacrificed to the twentieth?

For the rest, it is hard to say what the book is about. It starts with the very true criticism of Froude's "The English in the West Indies," that it was by an "embittered man clinging to the least practicable of ideas, that of a static society"; it ends, nevertheless, with an appreciative comment on his political faith. Professor Burn seems to fear that contemporary colonial policy, even tempered by the Development and Welfare Act, is evidence of the fact that the British people is "temporarily afraid of greatness," and he echoes Froude's words when he laments that they "affect too much to despise heroism." He tars advocates of changes in colonial administration with the brush of "crude and obstinate reformism," and even if such people must sometimes be credited with an ability to see more or less clearly the troubles that lie ahead, this merely

makes him dub the advice they give as "counsels of despair."

In general, the book is inconclusive, and, in so far as no ways of advance are made clear from the discussion it contains of the historical trends of the century that has elapsed since emancipation, it is unsatisfactory. The keynote will, perhaps, be found in Professor Burn's chance remark that though "native talent and initiative" in the West Indies are "real," they are nevertheless "limited." He is, of course, perfectly justified in pointing out that the West Indian peoples have not hitherto been loyal to their political leaders (though this does not appear to be as true today as it has been), but if the corollary is drawn that the nationalist movement is fundamentally untrustworthy, then Professor Burn must be regarded as a much blacker pessimist than those whom he criticises. It is the People's National Party of Jamaica, and the Labour Party of Barbados, that are producing leaders whom the British Government can both respect and collaborate with, and if the opportunity is lost there seems to be no political future left except boss rule of the South American type, or a new and more complete crown colony despotism, both of which Professor Burn would doubtless deplore as strongly as any other "reformer."

Theology versus Economics

Marx Against Keynes. By John Eaton. Lawrence and Wishart. 142 pages. 7s. 6d.

It must be pleasantly simple to be a Marxist economist. One does not have to square the conclusion of any argument with historical or current facts; one does not have to consider logical sequences on their merits; worsted in any controversy, one can always, like an unsuccessfully belligerent street urchin, achieve an oral victory satisfactory to oneself by shouting "My big brother can lick your big brother!" Mr Eaton's critique of Keynesian theory and of the social-democratic policies which have drawn (with whatever measure of justification) intellectual sustenance from Keynes, follows a fairly recognisable pattern throughout. A sentence or paragraph from the General Theory (or from any earlier work suiting the purpose) is quoted, discussed, and analysed. From the analysis there emerges an implication conflicting with one of the major premises of Marxism—such as, for instance, the implication that real wages may rise under capitalism. That does it; Keynes is *ipso facto* demonstrated to be talking nonsense, or, rather, he is caught at his diabolical game of monopoly-capitalist apologetics. Marx or Lenin (never mentioned without verbal genuflections) said something with which the criticised statement can be shown to conflict; and there is an end of the matter.

This theological appeal to authority makes an entertaining parlour game for those with nothing better to do, and Mr Eaton plays it quite nicely. As a contribution to the establishment of objective truth it ranks about where it did when Galileo's opponents invoked Aristotle.

AMERICAN SURVEY

The Americas Compromise

Washington, D.C.

THE Organisation of American States, which includes every independent country in the Western Hemisphere except Canada, is geographically more compact and politically more haphazard than the British Commonwealth. But its successes, which have been surprising, have been achieved, as have those of the Commonwealth, by stressing those areas where agreement is possible and carefully looking the other way when indelicate subjects are mentioned. It is always interesting to watch the United States, so fervent a champion of rigid moral principles in other international gatherings, carefully picking its way among the dubious characters who appear at Pan-American meetings and emerging triumphant at the end with compromises of the kind which are traditionally supposed to delight only cynical European diplomats.

The meeting which has just finished was no exception to the rule; indeed, the areas of agreement, as disclosed by the resolutions adopted, were larger than had been expected. When the Foreign Ministers started to gather in Washington, over the few days before March 26th, there were justifiable apprehensions. None knew what to expect from the new Guatemalan Minister of Foreign Affairs; all thought they knew only too well what to expect from the Argentine; and there were other visitors who might have caused trouble. The affair of *La Prensa* hung over the meeting and the truculence of Señor Paz on the matter at his Press conference got him off to a bad start.

That the meeting had a rousing finish was, in great part, thanks to the hard work of Mr Edward Miller, the Assistant Secretary of State for Inter-American Affairs, both before the conference on his trip round South America, and during it. Another reason for all the unanimity was, as Mr Ferdinand Kuhn pointed out in the *Washington Post*, that the actions of this conference do not have the force of law and that they consist almost entirely of recommendations which may or may not be followed by the governments whose representatives so enthusiastically joined in making them.

There were three main subjects on the agenda and all three of them contained potentially explosive material, as was seen when the draft resolutions started to pour in. The first covered political and military co-operation for the defence of the continent,

and to prevent and repel aggression, in accordance with inter-American agreements and with the Charter of the United Nations and the resolutions of that organisation.

This was, in essence, a double hint from the United States—that it would like a little more help than it had between 1942 and 1945 in defending South America, should war come again, and that it would appreciate the presence of some troops from the other Americas in Korea. (Colombia and Cuba are preparing some, but none have yet reached the Far East). In the end the meeting recommended that each of the Republics should examine its resources and see what it could do to contribute to the defence of the continent and to the security efforts of the United Nations and should then, without prejudice to its national self-defence, set about training and maintaining troops for these purposes.

The Foreign Ministers also resolved

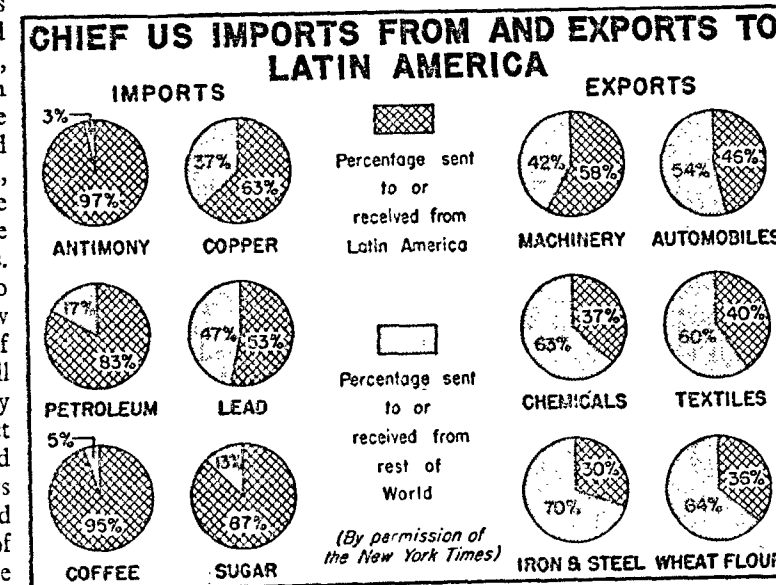
to charge the Inter-American Defence Board with preparing, as vigorously as possible, and keeping up to date, in close liaison with the governments through their respective delegations, the military planning of the common defence.

The Rio Treaty, which began by serving as the pattern for the North Atlantic Treaty, and was then surpassed by it in scope, is itself being broadened on the same lines as the later model. It is intended that each government should maintain continuous representation on the staff of the Inter-American Defence

Board, and the signs are that this will be done—if only to avoid all planning being left to the United States alone.

Since both Argentina and Guatemala had made it quite clear that they would not send their troops outside their own borders, their eventual affirmative votes can only mean that they believe other countries should do what they themselves are unwilling to undertake. But, as Señor Paz remarked apparently in this connection, "Argentina believes that America is something more than a geographical continent; it is a body of principles." His affirmative vote can be taken as an expression of thanks for the tact displayed by the other members in failing to mention *La Prensa*, except very obliquely in a recommendation that newsprint should not be rationed in a way affecting the freedom of the press.

The second main heading of the agenda referred to the strengthening of the internal security of the American Republics. It reflected the anxiety of the United States over



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the laxity of some of its good neighbours' supervision of the movements, across borders, of Communist agents. Again, there was a universal resolve to recommend a number of technical studies, including one

concerning measures to prevent the abuse of freedom of transit, within the Hemisphere, including clandestine travel and the misuse of travel documents, aimed at weakening the defence of the Americas.

The preamble made frequent reference to "the subversive activities of international Communism" but many of the Foreign Ministers were more interested in the activities of enemies nearer home and it may well be the Apristas, the Dominican opponents of President Trujillo or men like Dr Gainza Paz of *La Prensa* whose "clandestine travel" is most effectively curtailed.

*

But it was the third item on the agenda—emergency economic co-operation—which brought the most headaches, the largest number of draft resolutions and, in the end, probably the greatest measure of relief to Mr Miller. There were few among the visitors to Washington who did not arrive with the firm intention of making the United States—and, by extension, the other Atlantic Treaty nations who are in need of raw materials—pay dearly and immediately for what they wanted. The United States, by its policies in the postwar period, had laid itself open to the complaint that the dollars which primary producers had been forced to stockpile during the war had lost much of their value by the time they could be spent. Its only answer to those who demanded capital for development projects, which could only be related vaguely, if at all, to the present emergency, was that, regardless of their value, the dollars had been spent in a most intemperate way.

Brazil was the chief spokesman of those who wanted to drive a hard bargain—as its Foreign Minister answered Mr Truman's opening speech he had the chance of firing the first gun—but it was joined by every other country when Mr Charles Wilson spent an unhappy morning trying to explain that even the economy of the United States had its limitations. Again, there was a compromise which, if its spirit is observed, can be considered generally satisfactory to the North Atlantic powers. There was a declaration that

the economic development of under-developed countries should be considered as an essential factor in the total concept of Hemisphere defence

and a resolution that

during the present emergency period, preference among economic development projects should be given in the following order: projects useful for defence purposes and projects designed to satisfy the basic requirement of the civilian economy; projects already begun, the interruption of which would entail serious losses of materials, money and effort; and other projects for economic development.

The United States did not escape, however, without a resolution that

there should be taken into account the desirability of establishing in international commerce an equitable relationship between the prices of raw materials, foodstuffs, strategic materials and the price of manufactured products.

There is also a wistful reference to the desirability of

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

continuing price controls as long as the threat of serious inflation persists. This is all laudable, but it is doubtful how much weight it will have with a Congress which likes to remove controls at politically opportune rather than economically desirable moments, which seldom wants to reduce the price of American manufactured products, which artfully supports the price of American farm products, and which screams shrilly when the cost of imported raw materials goes up.

Nevertheless this Fourth Meeting of Consultation of Ministers of Foreign Affairs of American States has done nothing but good, however limited the good may eventually turn out to be. There is, among the visitors, a greater understanding of the problems of the United States; the State Department is aware of the depth of the bitterness about the aftermath of the war; and everybody knows a little better what is expected of him. No more could have been expected; less could have been attained.

American Notes

MacArthur Goes Too Far

President Truman, with the courage which he always shows in a crisis, but which had not been expected on this occasion, has at last taken General MacArthur by the horns and thrown him out of the Far East. The General has been relieved of all his commands, since he has proved himself unable to support wholeheartedly the policies of his own government and of the United Nations. He is succeeded by Lieutenant-General Matthew Ridgway, at present commander in Korea, who is likely to be much more amenable to direction from Washington than General MacArthur ever was. The latter's third, and last, act of insubordination was his letter to Representative Martin, the leader of the Republican opposition in the House, implying that the Nationalist troops in Formosa should be used to start a second front on the Chinese mainland, and openly saying that in the war against Communism the Far East should be put before Europe. General MacArthur thus allied himself in public, as he had long done in private, with Mr Truman's political enemies and the President was forced to realise that he could no longer sidestep the General.

But by turning General MacArthur out of his military and diplomatic pastures, Mr Truman has left him free to roam in the political china shop, and the Republicans are already shaking the shelves in preparation for his return. The damage the General can do is considerable and the President will certainly have even more difficulty than usual in getting Congress to give him the backing he needs for his foreign programmes. But there is no reason to suppose that out of the General's defeat will come victory for his policy of attacking Communism in the Far East and leaving Europe to look after itself.

The fundamental issue raised by General MacArthur's insubordination is that of civilian authority over military commanders. President Truman, in asserting the constitutional obligation of generals in the field to be bound by decisions made by civilians in Washington, will have on his side the great majority of Americans, including many who sympathise personally with General MacArthur. The only excuse for the General was that it was difficult for him to avoid filling the vacuum which the Administration had left in its Far Eastern policy. It is to be hoped that Mr Truman will now fill it himself. Much of the recent uncertainty, in domestic as well as foreign affairs, has been because the President was not supplying the leadership which only he can give and which, if his vigorous and dignified handling of the MacArthur affair is a reliable guide, he is once more ready to provide.

Deferring the Bright Boys

Few Americans would quarrel with the view that the United States, being no match in numbers for the Iron Curtain countries, must make the best possible use of its available scientific and technical talent. But there are deep misgivings about the Administration's plans for deferring college students, announced while the House had yet to vote on the Bill providing for virtually universal military service. This scheme, drawn up by a committee of educators, would defer the "bright boys": those scoring more than 70 out of a possible 100 on an aptitude test, to be given in May and June, and those standing in the upper half of their class in the first year, upper two-thirds in their second, and upper three-quarters in their third. In addition, all medical, veterinary and dental students, as well as graduate students in good standing, would be able to put off their military service until they had finished their training.

These standards could be raised or lowered to meet the needs of the services, and the scheme would prevent universal service from sharpening the present shortages of engineers, doctors, and scientists. The colleges would remain solvent; while students who, not knowing when they might be conscripted, have lost interest in their studies this winter would return to them with redoubled vigour. The services would profit in later years by having more highly trained men available; today both camps and the equipment are short.

No doubt this is an extremely crude and wasteful way of deferring those whose best service will be given outside the armed forces or in some specialised work inside them. Ability to pass tests is not an infallible mark even of intellectual ability and disregards many other factors; moreover, the standards of colleges and the level of their student bodies vary tremendously. No one, however, has suggested a better way.

It is not on this score that the scheme has been most forcefully assailed, and that by two eminent educators, President Conant of Harvard and President Dodds of Yale. What offends them and many other Americans is the creation of an undemocratic "aristocracy of brains" which would not only cause resentment among those excluded, but would also encourage the gifted—and comfortably off—to believe they were entitled to special privileges. Even in the United States, where so much higher education is free, most families cannot afford to support their sons for four years at college. Many feel that such special consideration would harm those it was meant to benefit by cutting them off from the general experience of their generation. The Administration will have to make it very clear that by deferment it does not mean exemption, if it does not wish to undermine the principle of universal service before it is adopted.

* * *

Trouble with Truth

The Voice of America, which last year, at the height of the Korean crisis, was treated so generously by Congress, is in disfavour again. The House Appropriations Committee, swinging its economy axe in all directions, has lopped \$87 million from a State Department request for funds to build 13 new transmitters and relay stations. These are needed if the Voice is to be picked up on primitive sets behind the Iron Curtain and is not to be drowned by jamming. One, at least, is already being installed on a fast ocean freighter, which can be moved around at need and cannot be overrun as some stations in Korea have been. Last year the construction programme was warmly approved by Congress and the first instalment of money provided; the rest was to be spread over the next two years.

The committee refused to be hurried by the President's plea that the international tension demanded a quicker pace; while reiterating its belief that the Voice of America, properly run, was the best instrument for advancing the cause of truth,

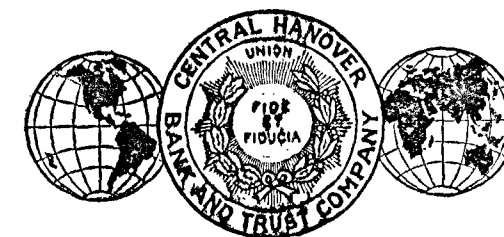
it complained of avoidable delays, inefficiency and vagueness in administration and plans. This gesture of economy made, the Voice may fare better in the regular appropriations Bill. But many who are convinced the United States should spend more, rather than less, on the battle of ideas, also are disappointed with what the Voice has to say and how it says it. Some feel its programmes are not imaginative enough in grasping what will interest those who listen at great personal risk. Others, such as Senator Benton, who helped to originate the information programme, feel the Voice of America can never be really effective and efficient until it is freed from the heavy official hand of the State Department. It lacks the freedom and flexibility enjoyed, for example, by Radio Free Europe. This is an enterprise of the Crusade for Freedom, financed by private contributions, which has a transmitter in Berlin and is building another in Munich. Better salaries than a government department can pay are a great need, if first-rate talent is to be attracted from the highly paid communications industry.

It is the contention of the State Department that it would be fatal to have the United States speak with two voices abroad. In fact, however, this is already happening in the field of political warfare as the Department of Defence and the Central Intelligence Agency begin once more to add their voices to those of the State Department. There are reports that Mr Truman may soon create a new Psychological Strategy Board to see that the representatives of all three sing the same tune as the cold war is intensified.

* * *

Labour Takes a Seat

The United Labour Policy Committee is allowing four representatives (two from each of the big trade union groups) to sit with spokesmen for agriculture, business and the public, on the President's new Advisory Board on Mobilisa-



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tion Policy. Labour was only induced to come back to the conference table, after its seven weeks' boycott of defence planning, by two promises: that the board would advise the President directly, not through its chairman, Mr Wilson, and that its advice would be taken. If these promises are kept, the labour leaders think they will be able to go over the head of Mr Wilson, in their opinion an ogre who is denying them their fair share in the defence programme, and settle their difficulties directly with the President.

Settlements of two of these difficulties are already in sight. With the departure of General Clay from the Office of Defence Mobilisation, labour can have one of its leaders appointed as Mr Wilson's deputy for the asking. And a compromise on the argument over manpower policy has also been found; a new manpower committee will probably be appointed, with the chairmanship shared between Dr Flemming of ODM and Dr Graham of the Department of Labour. But the ULPC, which left the mobilisation programme like a lion, has no intention of coming back like a lamb. It insists on being tempted with solutions for all its difficulties tied up together in one big package, and so far no solution has been found for the wreck of the Wage Stabilisation Board. Mr Eric Johnston has been making continuous efforts to launch it anew, but every time it runs aground on the refusal of the management representatives to allow it to handle labour disputes over matters other than wages. The Board is now badly needed to decide on a number of wage increases, which are due under cost of living clauses, but have been held up under the stabilisation formula.

Even if the Board does set sail again, it will be in danger of sinking unless Congress can be induced to pour oil on the inflationary waters by giving the Administration sufficient powers to keep the cost of living down effectively. Labour will expect its package to be wrapped up in a guarantee that the Administration will put all its energies into the task of persuading Congress to do this.

* * *

Television for All—Sometime

The Federal Communications Commission's Easter egg for the television industry was the announcement of its long delayed scheme for opening up the ultra high frequency reaches of the air for broadcasting. This would make room for some 70 new television channels, in addition to the 12 already being used in the very high frequency range. Altogether there will eventually be space for about 2,000 television stations in over 1,200 communities; at present only 107 stations are in operation in 65 cities. But it will be next Easter, or the Easter after, before viewers in even a few of these communities will be able to enjoy whatever attraction has by then taken the place of the Congressional crime investigation as the most popular television show ever offered, and before the manufacturers of television receivers, whose present markets are approaching saturation with 12 million sets in use, will be able to exploit their new opportunities.

Hearings on the FCC's scheme open in May; after it is approved and permits to operate the new stations have been granted, the licensees will still have to build their transmitters—at a time when the electronics industry will probably be fully occupied with defence work. By then, even the makers of television receivers will be finding it difficult to get the materials they need and the sets which are already in stock will need conversion before they can receive programmes in the ultra high frequency channels. Viewers will also need what are called "more critical" antennae, which suggests that the cat's cradles of wire which at present disfigure American roofs will develop into crows' nests.

The most interesting part of the FCC's proposal is that 10 per cent, about 200, of the new UHF channels should be reserved for educational televisers, universities, school boards, city governments, religious bodies and so forth. While there are a number of broadcasting stations operated

by such organisations, on the whole they missed the radio bus and they are determined not to be left behind again. Even if they succeed in getting places on the television coach, they will have difficulty in keeping them unless they exploit their opportunities quickly. The great difficulty of educational broadcasters, whose programmes as a rule have no commercial appeal, has always been finance, and this is a worse problem when it comes to the much more expensive television operation. There are a number of possible solutions, of which the most fancied is that the rich charitable foundations might be interested in developing educational television stations. One of them, the Sloan Foundation, is already financing a series of adult education programmes in co-operation with a television network.

* * *

Houses for Defence

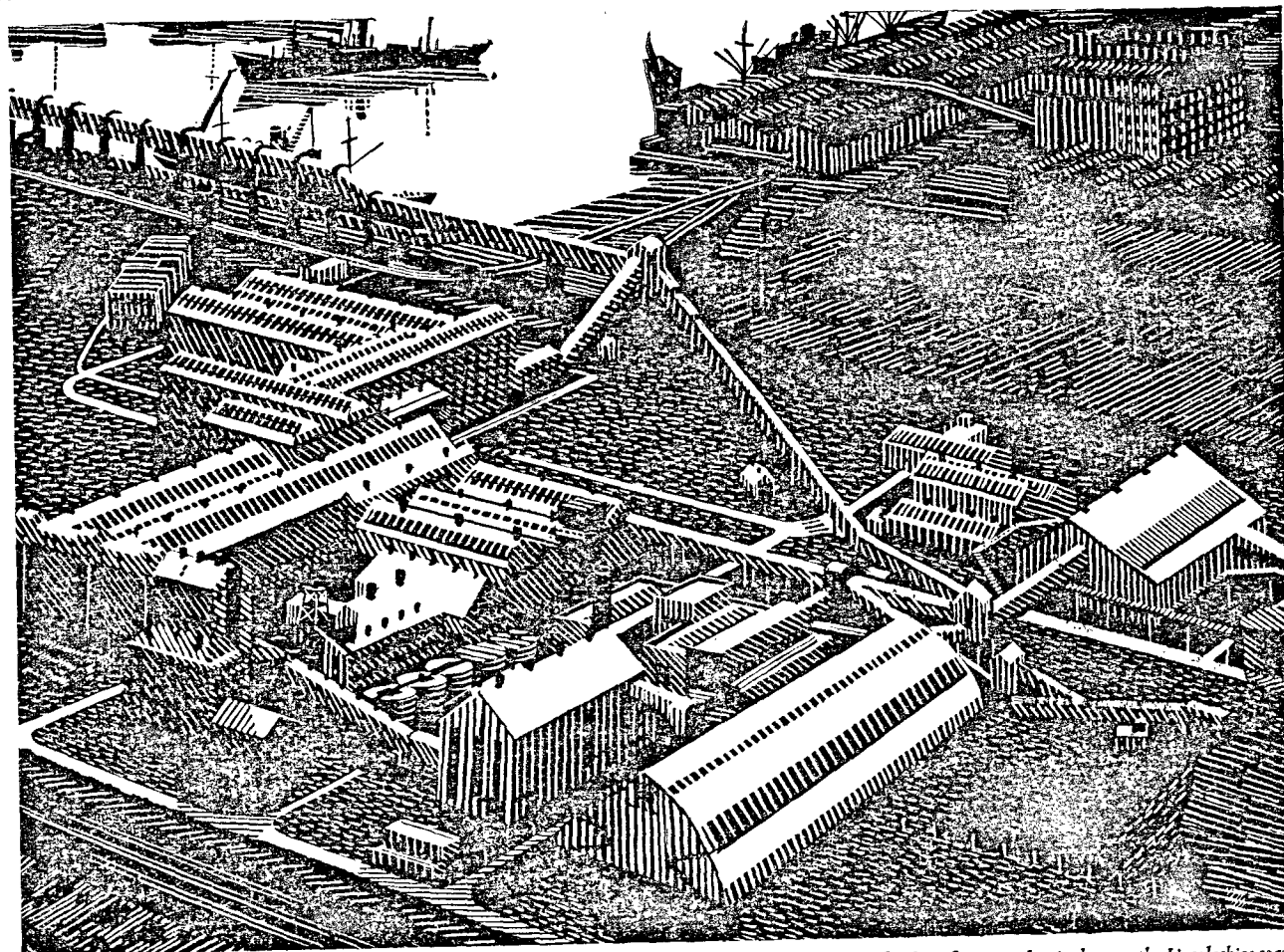
Housing as a whole must tighten its belt this year, but there is one exception: new homes, streets, schools, sewers and playgrounds must be provided in new defence areas if they are to attract the workers they need. This is particularly true of atomic installations in remote areas, where already the government has begun to relax the credit curbs now beginning to squeeze the private builder elsewhere. One would expect that any other incentives or encouragement offered by the government to private industry to build these houses would be gratefully received. It is true that the number of new houses put in hand in January was 10 per cent above that a year ago, but builders will soon be running out of loan commitments exempt from the new credit restrictions.

In fact, however, the opposition of the private builder has been so great that the House refused, on the grounds that it was "socialistic," even to consider the Defence Housing Bill. It was sent back to committee and will not reappear unless the Senate takes favourable action. Even in the Senate, a much reduced measure seems likely to pass only because failure to act might precipitate an emergency which would justify the government in embarking on a large housing programme.

This "socialistic" Bill originally provided for \$3 billion in authority to insure private mortgages; this has been cut in half by the Senate Banking and Currency Committee and will be confined strictly to houses in defence areas. In addition, \$60 million is provided for community facilities and purchase of land to prevent speculation (there has been one instance of this already), and \$50 million for direct federal building of homes, if, and only if, private builders and local communities cannot be persuaded to do the job. What the housing lobby was seeking was to remove this provision, and to exact special premiums for mortgages on defence houses which fall in within three years, and special tax privileges. In this fight, the Administration has suffered from the defection of an old ally: the Congress of Industrial Organisations, on its new high horse, has refused to compromise its principles and support a Bill which it believes is inadequate and will lead to rents higher than workers can pay. But even half a house may be better than no roof. The housing authorities are planning to ask Congress for a greatly tightened rent control act, which for the first time would control rents of new housing, and would again bring under control states and cities which have been permitted to choose freedom, or to pass their own laws. Without strong support from the unions, its chances will not be good.

Shorter Note

The Senate Crime Investigating Committee has been allowed an extra thirty days, until the end of this month, to prepare its report. The Senate has also cited twelve witnesses, who refused to testify, for contempt of Congress. These include such stars as Mr Costello, Mr Adonis, and Mr Guzik, and also two whose alleged contempt consisted solely of refusing to speak in front of the television cameras.



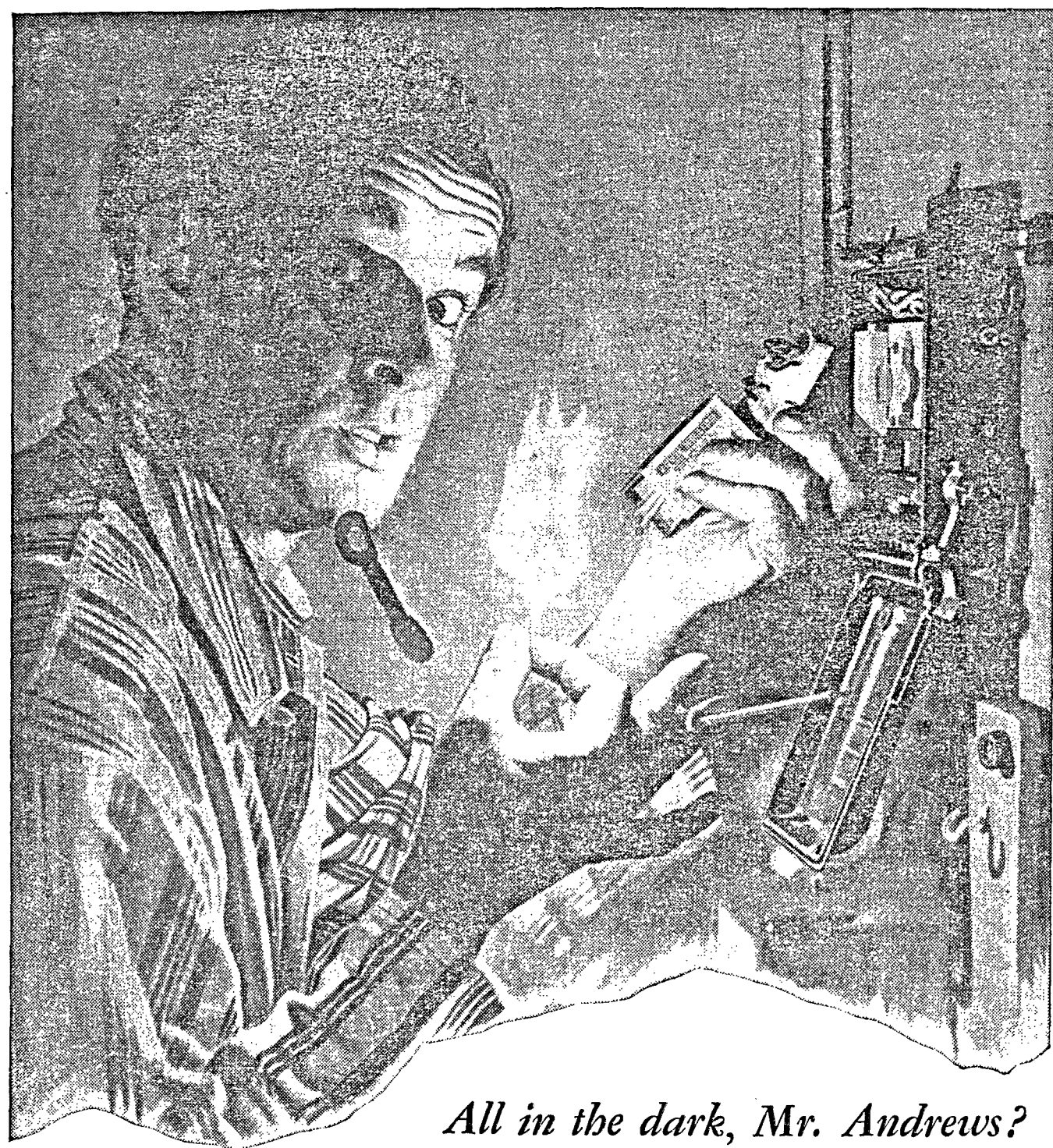
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THE WORLD OVERSEAS

Baghdad and The Oil Talks

(From Our Special Correspondent in Iraq)

THE Iraqi Government and the Iraq Petroleum Company have started new negotiations about the revenue per ton that Iraq will in future derive from its oil. This important news reflects credit on several parties—on the present Iraqi Government for taking the sober line of negotiation and compromise, and on the oil company for responding to Iraqi feelings very much more rapidly than has been its wont in the past. But it also reflects great credit on a third group—the moderates among the Iraqi opposition. The extremist section of the opposition had tabled a motion for “nationalisation of oil” in a mood copied from Persia’s. The word “nationalisation” is catchy; it goes with “nationalism” and other well-grasped conceptions. Nothing would have been easier than to shout it, to goad the easily-roused Iraqi crowd, and to use it to upset Nuri Pasha’s Government with that wave of emotion against the pasha clique that is never far below Baghdad’s surface. But the moderate opposition refrained. Showing a considerable sense of public responsibility, it has so far held its hand. The decision of leaders such as Saleh Jabr not at once to exploit the oil question may prove as important to the development of their country as to the fate of the oil industry in the whole Persian Gulf area.

The grievances of Iraqis against their oil company differ somewhat from the Persians’ outcry. Both quarrel with their rate of revenue and with their lack of partnership in the company’s management. But where the Persians also resent the discrepancy between the profits accruing to them and the profits accruing to the British exchequer and shareholder, the Iraqi’s third grievance is different largely because their company has not made great profits yet. Their major complaint is at the rate of oil production. Iraq contains three known oilfields, all of them operated, under British management, by the same international group. The northernmost, at Mosul, has proved insignificant by modern standards. That at Kirkuk is immense but remote from markets, and its output is dictated by pipeline capacity. It exported 6,000,000 tons in 1950 and could have exported double but for the Iraqi’s political objection to using the pipes to Haifa in Israel. It will, thanks to a new and large diameter pipe, export at the rate of 18½ million tons from a date in 1952 and at over 20 million from some time in 1953.

The three concessions are not identical; those at Mosul and Basra afford the Iraqi state 20 per cent of output as free oil. The Iraqi’s chief grievance is, therefore, that the company is “not hurrying over Basra.” They ask why a wartime

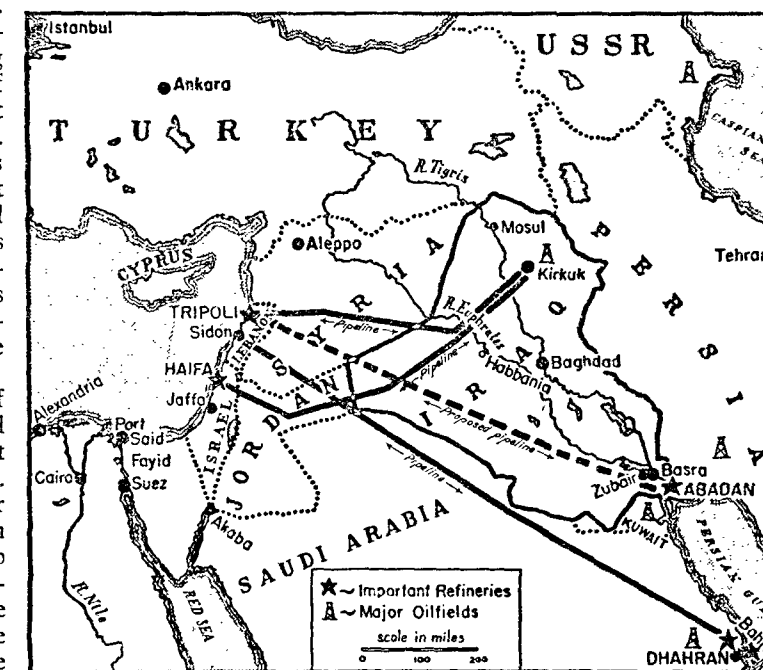
moratorium on exploration was declared there, while work in Saudi Arabia went ahead; and why King Ibn Saud was first on the list for a big diameter pipe for the thousand-odd miles to the Mediterranean while they, with a mere 600 miles to go came second; and why the Anglo-American combine in the tiny sheikdom of Koweit has produced so much faster than the related group at Basra.

Some of their arguments are unsound, but to some there is no answer. The reason why work went faster in Saudi Arabia than at Basra is that the former was an older concession and a field of dimensions was already certain when the war curtailed manpower and prospecting. The harried Allies went for the field they knew. The Iraqi argument that production must be speeded because more money is wanted quickly is greatly weakened by the fact that the company has lost heavily over the Iraqi refusal to use the

pipes to Haifa. It is also weakened by the fact that just round the corner, thanks to Kirkuk, is more money than Iraq can spend at once without causing the gravest inflation. The bill for five-year development just tabled in Parliament proposes the spending of 57 million Iraqi dinars (the dinar is equivalent to the £ sterling) out of the I.D.91 million that will in that time accrue from oil alone. Iraqis will not listen to the economic argument that, as they do not need the cash, there is from their point of view no hurry about Basra. Who knows, they say, that the oil boom will last? Like all who have lived in the world of Asiatic insecurity, they

want the exploitation and the profit now. They also want, and here their argument is unanswerable, most-favoured nation treatment—that is, the same rate of profit as under the agreement of December last, the Americans now pay in Saudi Arabia.

Much hangs upon the Iraq Petroleum Company’s approach to the negotiations. Like all the oil companies in the area, it is technically the height of efficiency. It is also a good employer, paying well by Iraqi standards, offering excellent rewards to steady employees, looking after their welfare, encouraging savings. But, much like its blood-relation, the Anglo-Iranian Oil Company, it has kept its nose so close to the drill and the pump that it has paid far too little heed to local psychology and susceptibilities. Its head office is not even in Iraq. It has been slow and obtuse about public relations. It has tended to settle grievances through the local authorities rather than by means of a chat in the coffee shop, and to haggle over trifles. Even in this critical year,



it is ready to take the Iraq Government to account over whether the gold mentioned in its concession terms is due at the official or at the unofficial rate. Within the last eighteen months it has made some praiseworthy efforts to make up for lost time; it has begun to organise the higher technical education of Iraqis and to improve publicity for the very considerable indirect benefits that it brings to the country's social life. But it has still to get over a certain squeamishness about public relations in the widest sense. For its security's sake, it must devote more time to this, even if efficiency is lost, because there is therefore less time for the far simpler job of extracting oil.

One extraneous and little known factor in the situation is the recent arrival in Iraq of representatives of an independent American oil group. This is making glittering offers for production at Basra if the Iraqis will break with their present concessionaire. On the evidence, presumably, of the tough Texan drillers at work at Zubair—the IPC geologists say they cannot as yet be sure—they offer highly attractive prospects of 20 million tons of oil per annum, and that quickly. Their credentials include impeccable bank references and the presence, as their legal adviser, of the respected figure of ex-Senator Tydings. About some of their other representations the Iraqis are not so sure; but they are to be seen hobnobbing in corners with sheiks and opposition deputies. Maybe the British devil the Iraqis know will be judged better than the American devil they do not. But the incident constitutes a useful stick to wave at the IPC negotiators.

The points now to be weighed, therefore, are whether or no all the companies in the Middle East area—most of which are interrelated—must pay an equivalent rate per ton to each local government. Clearly this is in their interest; life will not be quiet till they do so. Also is it not now necessary, in the interests of the companies' public relations, to put up with a little less western efficiency—a debit item—in order to be able to enter a credit for a greater share of local participation in management? And, lastly, it is the West's business what the eastern governments do with their profits? Should the latter be checked from spending these on luxuries, as the Saudi royal house is doing, or should they be encouraged to devote them to technical and social progress by some form of earmarking, or of aid in kind? All these are burning questions in the Middle East today. Iraq is undoubtedly the best country in which to approach them reasonably. It is suitable partly because it has immense potentialities for development—rivers, money, a potentially fertile desert, a realisation that where it lacks technicians, foreigners had best—for the moment—be hired to do the job. But it is also suitable because the Iraqis appear more capable of sober judgment than are any other of the oil-owning peoples in the area. They have proved their restraint by agreeing to negotiate. If they achieve, around the table, terms that they think fair by prevailing standards, they will

have done well not only for themselves but for the free world. If the Iraq Petroleum company moves fast enough, the force of an Iraqi example might even instil some calm into the over-excited Persians next door.

Signor de Gasperi Surmounts Another Crisis

[FROM OUR ROME CORRESPONDENT]

THE Italian Government has avoided an April crisis by a novel kind of reshuffle in the Cabinet? Three Social Democratic Ministers reluctantly left their posts in conformity with the decision of their party (PSLI) Congress to join ranks with the quasi-oppositional PSU. Their jobs have now been parcelled out among Ministers who had hitherto been without portfolios. This leaves constitutional sticklers debating whether the present is still the sixth or has now become the seventh de Gasperi Government. If a quick journey this week by President Einaudi to Naples, ostensibly to open a sanatorium, was really undertaken for the sake of a colloquy which he held with the elder statesman and liberal oracle, the great philosopher Benedetto Croce, then the President himself must have been feeling doubts; and there had in fact already been rumours that he was in disagreement with the Government on the quite independent question of his right to nominate one in three of the judges in the new constitutional court. It is suggested that he regards this power of nomination as inherent in his own office, while the Government, or the Premier, understands that advice is to be tendered by itself. These rumours, in any case, show that Liberal and independent political circles are now watching Signor de Gasperi's constitutional behaviour with marked interest.

The shelving of the Government crisis has produced reactions inside the Christian Democrat party showing that here, too, the critics are on the alert. The party committee in the lower chamber this week invited Signor de Gasperi to refrain from officially nominating the former Ministers without portfolio to the vacant ministerial posts, and instead simply to entrust them provisionally with the jobs. That would have necessitated a "proper" Government crisis as soon as the municipal elections are out of the way, but the suggestion was rejected.

The resort to a mere internal reshuffle is officially justified by the manner in which the PSLI-PSU fusion, due to come into operation on May 1st, was this week decided upon. Hitherto it had seemed that the PSLI, if it wanted fusion, would have to slide on to the official platform of the PSU, which has been defined as that of "constitutional opposition." In fact, the PSU has only tardily and dubiously accepted the Atlantic Pact and its deputies recently voted

against the extraordinary armament credits for the next two years. Now the PSU in the person of Senator Romita has pledged itself to swallow the Atlantic policy without reserves, and the PSLI can claim that it has, while drawing its men out of the Government, brought the Government a fresh handful of supporters for the most essential and contentious of its planks of policy. In reality both the fusing parties are sundered internally. It was by a very narrow majority that the PSLI agreed to leave the Government, and by a still narrower majority that the PSU put Romita in a position to make concessions. The PSLI congress had to listen to many earnest warnings from its right wing about the perils of "maximalism," a term harking back to the unhappy Socialist history of thirty years ago. Maximalism then denoted the middling brand of Socialism which attempted to be full-bloodedly revolutionary and to maintain an atmosphere of high-minded turbulence without tying itself down to the dogmatism of the Comintern. A similar striving is detected in the left or Silone wing of the PSU, and more particularly in the movement of the ex-Communist deputies Cucchi and Magnani, and the ex-Nennian Matteotti, whom Silone hopes to bring one day into the PSULI—the new combined party—with the blessings of Comisco and the little Foreign Office of Transport House.

Meanwhile the municipal elections which have been round the corner for some years, and in the case of a Government crisis would have been yet again deferred, are due to be held for most of North Italy in June and for other regions later in the summer. They will afford the first test of public opinion since 1948, since the Italian system provides for no parliamentary by-elections. In reality the lessons will be very difficult to draw. Previous municipal elections, since the war, staggered over the years 1946-48, were held on the basis of antiquated laws and scrap voters' lists. Very roughly they put a third of Italy's 8,000 communes in pro-Communist hands, but the shadings are manifold. Under the new law voting will be by two different systems, the first for the 700 odd communes having over 10,000 inhabitants, the second for all smaller communes. Both systems attribute an absolute majority of the council seats to the list winning the top place, namely two-thirds in the larger and four-fifths of the seats in the smaller communes, the rest being distributed proportionally among the less successful lists. But, in the larger communes only, there is a faculty of combining two or more lists so as to win the top place for a coalition. This shape was given to the new municipal electoral law largely to satisfy the PSLI whose leaders had laid the basis of electoral coalitions with the Christian Democrats. But following the Socialist fusion it has now been decided to leave the combinations to local initiative. A searching test for the new PSULI will lie in its ability to achieve a fair measure of coherency in its electoral compacts: in some places, at all events, the PSU element will bring it into association with the Communists. The municipal results, if they show or can be represented as showing a big decline in Christian Democrat voting power, will certainly be followed by a fresh Communist clamour for the Government's resignation.

Pressure Against Land Reform

But the Government's future depends much more directly on the position inside the Christian Democrat Party itself. On his seventieth birthday last week the Premier listened to warm tributes even from such a persistent critic as the President of the Chamber, Gronchi. There is no questioning of the adroitness of the political management which gives the country a formal political continuity in such difficult times, but there is a good deal of concern lest under the veil of this order intolerable tensions should be maturing. The agrarian reform problem is one upon which it has become exceedingly difficult for the Government to speak with any clearness. The main land reform law, limiting the permitted

size (or, strictly speaking, financial value) of land holdings throughout the country has yet to be presented to Parliament; but meanwhile a large and perhaps unmanageable body of parliamentarians with some strong expert backing are claiming that the "sample law" or advance measure relating to selected areas is being applied in a way which violates understandings and pledges made to secure its passage through Parliament, and on technical and economic grounds demand an abatement of this radicalism.

The Italian situation is, in fact, richly paradoxical, with plans for reactivating the industries useful for rearmament tumbling over uncompleted efforts to redirect the old war enterprises to peace purposes; while the great aim of leveling up the backward south is freshly compromised by the need to concentrate a rapid rearmament effort in the northern regions where industry is most advanced. The military effort required of Italy is not really on a scale to rule out simultaneous civil progress. But the true possibilities in the new situation have not been convincingly presented within their real limits. Much room is left both for catastrophic and interested campaigns to abandon social purposes for the sake of military strength, and for denunciations of the military effort as marking a necessary defeat for all social aims. The Government crisis which—though deferred—is still on the list of expected events, will give the politically expert de Gasperi a new chance for getting the public opinion behind him, including those sectors which look hopefully to PSULI, on to firmer ground.

German Generals as they See Themselves—I

[BY A CORRESPONDENT]

EXCEPT for the interval of the Weimar Republic—and even then the tradition of the army was retained—the German state has for so many decades rested upon the power of a military caste that its disappearance after 1945 left a peculiarly wide gap in the social structure. The officer corps, chiefly Prussian and Protestant in the highest ranks, was bereft of the landed estates in Eastern Germany which formed its material basis, and was dispersed throughout the predominantly Catholic West. Prussia was officially abolished by the victor Powers. Not only was the army gone more completely than in 1918, but in more shameful circumstances. Unconditional surrender and the war crimes trials were hard enough to bear; but the ex-officers have also been embittered by the attitude of indifference to their fate which the German public, engrossed in its struggle for individual existence, showed during the first postwar years.

The German officer corps is still largely without property or power in what is today predominantly a business man's state. But the proposal to re-form a German army, made last September by the United States, has brought it new self-confidence. On the one hand the former generals feel bound to try to explain the attitude of the officers towards the Fuehrer and justify themselves in the eyes of the nation. On the other hand they are increasingly determined that the victors and the nation shall make amends for the past treatment which has so embittered them, before they will agree to take part in Western defence.

Among a number of books written with these ends in view, three are of particular interest. These books, by Adolf Heusinger, Hans Speidel and Heinz Guderian* show us the kind of German officers the West will have to reckon with. Heusinger and Speidel are the advisers to the Federal Government who are negotiating with Allied military experts

* Adolf Heusinger, "Befehl im Widerstreit," Rainer Wunderlich Verlag. Hans Speidel, "Invasion 1944," Rainer Wunderlich Verlag. Guderian, "Erinnerungen eines Soldaten," Bei Kurt Vowinkel/Heidelberg.

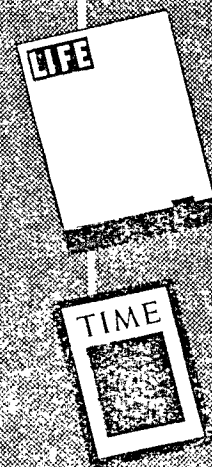
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how U.S. business ranks its national magazines

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1st	LIFE	\$80,365,507
2nd	Saturday Evening Post	63,180,611
3rd	TIME	23,793,870
4th	Ladies' Home Journal	22,485,163
5th	Better Homes & Gardens	19,631,228
6th	Look	17,765,110
7th	Collier's	17,397,066
8th	Good Housekeeping	15,373,242
9th	Woman's Home Companion	11,775,230
10th	Newsweek	10,184,717

The next ten national magazines rank as follows... 11th: McCall's, \$9,940,856—12th: Business Week, \$7,453,266—13th: Woman's Day, \$7,138,302—14th: New Yorker, \$6,919,672—15th: American Home, \$6,607,697—16th: Vogue, \$5,766,582—17th: Family Circle, \$4,462,875—18th: Parents' Magazine, \$4,337,339—19th: Esquire, \$4,262,692—20th: House Beautiful, \$4,239,777.
Source—Publishers' Information Bureau (Gross Figures).



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about the contribution of Western Germany to the Atlantic Pact forces. Guderian, creator of the German *Panzerwaffe*, during the war colonel-general commanding a tank army, inspector-general of the armoured formations and finally chief of the General Staff of the Army, can perhaps be taken as the typical professional officer. It is reasonable to search in their memories and views of Hitler's war for clues to their present outlook and principles.

Hans Speidel groups the military leaders of Germany in three categories: the *Nur-Soldaten* (soldiers only) men of blind obedience and good faith, who put their position and comfort above political considerations; the Party soldiers, men of ambition following their personal advantage; and, lastly, the "thinking soldiers" with the ethos of patriotism. Speidel and Heusinger belong to the last and smallest category; Guderian and a fair majority of officers and men to the first. The second category—very numerous at the time when Hitler's star was rising but thinning out during the later years of the war—is today publicly represented only by Nazis like Remer and some of the more active members of the organisation of officers known as the *Bruderschaft*. Outsiders as they now are, these men would get their chance only if the present German regime were to fail completely, and if the western Allies were to tolerate the development in Germany of conditions similar to those of 1923. At the moment they are without political weight, though their confused and dangerous dreams are shared by a wide public which likes their touching stories (such as "Comrade Remember") in the illustrated weeklies.

"Thinking Soldiers"

In the near future it is the minority of "thinking soldiers" who will probably guide German defence policy, but not without giving full consideration to the views of the large majority of *Nur-Soldaten*. The German General Staff, which consisted primarily of members of the army staff, produced a higher proportion of "thinking soldiers" than any other military body. It alone had the opportunity to weigh the practical possibilities of realising Hitler's vast and vacillating plans. Naturally its members now try to show that they really saw the Fuehrer's irresponsibilities. According to their memoirs, the best brains in the General Staff saw that blind allegiance would soon demand that they make the impossible possible. What men like Guderian, to explain their obedience, call "fate" and the "tragedy of the German soldier," appeared to the thinking soldier as the foreseeable consequences of the over-ambitious military schemes and political dreams of a madman. Fritsch and Beck grasped the situation in 1938. The dilemma of these men before and during the war is the theme of Heusinger's book.

The contradiction between an officer's conscience and his military oath in the changing circumstances from 1923 to 1945 are shown in reports of conversations. Adolf Heusinger, a former lieutenant-general, was in the General Staff from 1937 and Chief of Operations in the High Command of the Army (OKH) until July 20, 1944. He was a witness of the OKH's most important decisions, had constantly to reconcile the contradictions between Hitler's orders and the necessities of the front for the chiefs of staff of the armies in the east. Like the men in real life, he draws no conclusion from the conflict in the minds of his characters. His own person recedes into the background though his views are well enough known through his participation in the plot of July 20th. Unemotional and cautious in all his utterances, he eluded the inquisition that followed the plot. He records how, in a last conversation with Hitler at the end of September, 1944, he defended his comrades against the wild accusations of the Fuehrer, who demanded from generals the same immediate, blind obedience as from the common soldier. Heusinger rejoined:

That will not always be easy. The majority of generals have had a thorough military education, they are used to consultation and co-operation and they feel deeply their

responsibility for the troops under their command. To forbid them to think, to make them into uncritical tools and to force them to act against their own conscience can hardly succeed.

Heusinger, the thinking soldier, speaks for those few German officers who openly revolted against the dictator. He argues against the new *Dolchstoßlegende*: "The armed forces did not succumb to a stab in the back but to the enemy's superiority, which was brought to bear upon them by a demoniac." But he excuses those who failed to act before it was too late. He shows that most officers chose to remain loyal to their oath and tried, by giving expert advice, to avert disaster. They failed because Hitler positively distrusted the General Staff.

The main cause of the German tragedy is, one would conclude from Heusinger's conversations, that the "thinking soldiers" did not act immediately after General Schleicher's assassination in 1934 or at the time of the 1938 crisis, when Fritsch and Beck fell into disgrace. After Hitler's initial successes during the war, the use of force against him would have meant civil war. When nevertheless some tried to force his hand, it led only to July 20th. Heusinger makes it clear that while the common soldiers' confidence in Nazi leadership remained unshaken at least some officers of the army staff recognised the impossibility of winning the war. But none had the character to take responsibility for surrender to the west in time. The fact that Heusinger himself chose the path of open revolt does not influence him against those who did not follow the same course. He avoids creating an unbridgeable gulf between himself and his comrades of the *Wehrmacht*. When he negotiates in Bonn, he certainly considers himself entitled to speak for the bulk of the soldiers of the old *Wehrmacht*, "thinking soldiers" and *Nur-Soldaten* alike.

(To be concluded)

After the Auriol Visit

[FROM A CORRESPONDENT IN PARIS]

M. VINCENT AURIOL is a travelling President. Last year in London, this year in Washington and Ottawa, he took on conscientiously and unassumingly the task of speaking for France in friendly countries. Thanks to his personal qualities and to the charm and style of Mme. Auriol, the French have had the pleasure of watching something which seems to them quite novel—a presidential pair who are modern and dynamic.

This American visit seems to have had a more avowedly political importance than the President's visit to Britain. This time M. Auriol was received not by royalty, but by a President who is both head of state and leader of a government, and M. Auriol gave more attention to public affairs than to the protocol. It was significant that his speeches before the American press and before Congress were remarkably more meaty than might have been expected from a President of the Republic without responsibility for government. This fact proves how gravely Frenchmen regard present circumstances and how much value they attach to trust between America and the old world. The French President in effect set out to reassure American opinion about the vitality of France, and about its will to play an active role in the community of free nations. The liberation of 1945 left France so stricken—both in spirit and in economic strength—by two world wars and by the German occupation that its recovery could then reasonably be regarded as doubtful. The French, after all, had been making great sacrifices since 1870. The proof that life is strong in France lies in the fact that, six years after liberation, the work of technicians and of the men and women in factories and fields have achieved the great progress to which the President pointed. Frenchmen often feel that people abroad, especially in the United States, do not adequately understand the obstacles that had to be overcome or the efforts made. Many Americans have made them-

selves a picture of France which is a caricature—sympathetic in some cases, hostile in others—which has been generally superficial. By presenting a truer picture M. Vincent Auriol was doing the job a president should do.

Besides insisting on the vitality of his country, he also defended it against those who say that it hesitates to carry out its obligations in the world. In particular he was anxious to counter the effects of a campaign by the "neutralists," the strength and intentions of which have often been misunderstood abroad. If certain influential Frenchmen want to see French foreign policy more clearly directed towards a constructive end, that does not mean that they are proposing a policy of neutrality, or that the French people as a whole are tempted by neutralism.

It was certainly worth saying this in the United States, where the isolationists have been quick to turn what they claim to be French "neutralism" against France. The great majority of Frenchmen, who are not Communists, will be happy if M. Auriol has helped to get rid of this misunderstanding, even if they are not all agreed on support of the "Atlantic policy."

That is to say, the French believe that M. Auriol and M. Schuman have been working in Washington not only for France and for Franco-American friendship but also for peace. The French people have followed events in the Far East with growing anxiety. The increasingly audacious political pronouncements of General MacArthur have disconcerted some and outraged others. No one, in any case, has been able to understand how a military chief, the commander moreover of international forces, could play so freely and openly a political game, still less one so dangerous. The French are always ready to defend their country for any good reason. But they are not equally resolved to involve it, for the fourth time in eighty years, in the devastation of war, solely at the capricious will of General MacArthur; and if one says that, after all, the obligations of the Atlantic Pact are only valid in Europe that does not provide any reassurance. The French have enough good sense to realise that if war breaks out in the Far East between the United States and the Soviet Union hostilities would not be limited to the Korean front and American aircraft based in Europe would soon be coming out of the hangars.

As long as General MacArthur was the commander of the troops charged with punishing the aggression of June 25, 1950, all non-Communist Frenchmen had an easy conscience. Even if they did not entirely approve of the South Korean regime, they had at any rate no doubt about the guilt of the North Koreans, and they understood very well the significance of Washington policy and the decisions of the United Nations. But since then the Commander-in-Chief of the United Nations has become a different man; his speech to the Chicago ex-servicemen and his recent letter to Mr Martin showed that he had intentions and ambitions completely foreign to those of the United Nations and in particular to those of France. So long as South Korea is preserved the French feel that the chief task is to bring peace to a country which has already suffered too much and to lower the general tension. For all these reasons the French reaction to General MacArthur's dismissal has been one of profound relief.

Uneasy Indonesia

THE resignation of Dr Natsir's cabinet last month has already left Indonesia without a government for several weeks. President Sukarno has called on the parties and leaders a little to the left of the outgoing cabinet to form a new coalition, but it may not be known for some time what the outcome will be. Dr Natsir had been in power for only seven months and his fall had not been generally expected in Jakarta. It is, in fact, to be widely regretted.

Succeeding Dr Hatta, one of the founders of the new Indonesian state and its first Prime Minister, Dr Natsir faced an exceedingly difficult task. At home, he had three leading problems on his hands: the continued lawlessness and guerrilla activity in Java, the economic difficulties which it has accentuated—including the intransigence of the trade unions, 75 per cent Communist-controlled—and the constitutional question of regional autonomy. Abroad, there were—and still are—two outstanding problems. The Natsir government, like any other which may come to power in Jakarta, felt bound to try to steer a middle way between the two great power blocs of the world; it had also to establish a working relationship with The Hague, its partner in the Netherlands-Indonesian Union but its deadly rival for sovereignty over western New Guinea (Irian). In the end, Dr Natsir resigned over an internal dispute about regional elections. But he had already been severely criticised for excessive friendliness with the West and for attempting to be too authoritarian with the labour unions.

Fight Against Disorder

The fact is that, although Indonesia has achieved complete independence, its leaders have not yet been able to establish full control over their own people. This is not their fault. They are on the horns of that dilemma which so often faces men who, having come to power, see the difficulties ahead of them in a different light from that which they formerly shared with their followers. It is now touch and go whether the sense of moderation which prevails among many of those in Jakarta will be able to communicate itself to the rest of the country. The supreme problem in Indonesia is that of internal order; military and police efforts to secure it account for 35 per cent of the outlay in a budget which ran last year to a deficit of 1,800 million rupiah. Although the back of the revolt in South Moluccas appears to have been completely broken, over thirty battalions of the Indonesian army are now fighting both the extremist Moslem rebels of Dar-ul-Islam in western Java and the scattered bands of Communist guerrillas in both Java and Sumatra. Nor is the economic front much better. Although the Korean commodity boom has temporarily brought a gratifying prosperity, inflation has sent the prices of rice and clothing rocketing. The price of rice, for instance, doubled in the month of February alone. The currency circulation, which was cut by the reform of May last year from 4,000 to 2,600 million rupiah, has now risen again to 4,500 million. All this has naturally given a handle to a most maliciously directed strike movement, openly encouraged by the Indonesian Communist Party.

Cautious Foreign Policy

Taking South-East Asia as a whole, Indonesia is the one country where the state of the battle with Communism is probably less promising than it was a year ago. It is true that there is no immediate emergency in Indonesia—as there is in Indo-China, Malaya and Burma—but the trend there is still the wrong way, whereas there are new grounds for hope that a corner has at least been reached in the other countries. Dr Natsir's government pursued a very cautious foreign policy and it is likely that his successor will do the same. The present Indonesian leaders are just as concerned about not becoming too involved with the Communist powers as they are with the West. The Peking Government, for instance, recently asked if it could increase the number of Chinese consuls on the basis of so many consuls to so many thousand Chinese inhabitants. But Jakarta has replied with neat guile—"It all depends what you mean by Chinese." And there the matter may well rest for many months. While encouraging and helping the present parliamentary regime in Jakarta to the best of their ability and as far as the Indonesian leaders themselves will permit it, the western powers must avoid above all trying to force the pace of closer association.

THE BUSINESS WORLD

The Budget

AS a prescription strictly related to the inflationary malady that besets the national economy this year, Mr Gaitskell's first Budget is a workmanlike mixture; and some of its ingredients, notably the changes in the Health Service, the increases in the "reduced rates" of income tax and the refusal to raise the bill for subsidies, make the decision to administer it definitely courageous. It is also, as the Chancellor himself quite justifiably claimed, an honest Budget. It tries to apportion the burden equitably, and it scorns subterfuge. But honesty is no shield against error. Measured against the needs of longer-range policy, this Budget errs grievously, as an earlier article demonstrates. There may also be flaws on a short-range analysis, with which this article is primarily concerned. Even on the Chancellor's own figuring, it is questionable whether the disinflationary prescription will prove strong enough to prevent the threatened acceleration of the spiral tendencies of inflation.

In presentation and reasoning, however, the Budget followed the precepts of disinflationary finance much more closely than any previous Budget has done. At every step, the Chancellor firmly and clearly related the budgetary position, and each proposed change in taxation or in expenditure, to the notional savings-investment account for the national economy as a whole. Hence he specifically rejected the widespread but faulty assumption (which even crept into last year's Budget speech) that any particular significance attaches, in this context, to the "overall" balance of central Government revenue and expenditure. Instead, his budgetary analysis was focused on the surplus or deficit shown by a true current account of Government transactions; this is the "above-line" portion of the Alternative Classification, which excludes all capital items from the conventional account. The Chancellor therefore rightly ignored the "below-line" account; the relevant items in this are reckoned separately as part of the investment that has to be financed from the nation's whole flow of savings—including, of course, the current Budget surplus.

On the conventional basis, the Chancellor was confronted with an even larger deterioration in the "above-line" account than had been generally assumed before the appearance of the Economic Survey. Total ordinary expenditure in 1951-52, including £160 million for supplementaries to bring defence estimates into line with the increased programme announced in January and including £40 million for the first interest payments on the American credits—a provision that has to be made because it cannot be known now whether circumstances will justify a request for waiver—is put at £4,197 million. On the old basis of taxation, Inland Revenue was expected to be buoyant—£150 million more from income tax, £7,000,000 more from surtax and £37 million more from profits tax and EPT. On the other hand, Customs and Excise, despite their buoyancy in 1950-51, were expected to drop by £40 million, three-quarters of this loss being attributed to an expected drop in consumption

of beer, wines and spirits. Heavy declines are also envisaged in receipts from surplus war stores and trading services. Hence the net gain in total ordinary revenue is put at only £120 million, making a total of £4,098 million.

Measuring the Gap

On this basis, the conventional "above-line" account showed a prospective deficit of £99 million, in contrast with last year's realised surplus of £720 million, a total worsening of £819 million. Fortunately, the deterioration in the true current account, which is what matters from the point of view of disinflationary budgeting, is very much less than this. Capital expenditures included in the conventional "above-line" account will be £282 million larger in 1951-52 than they were last year—principally because stockpiling outlays will rise by £130 million, while trading stocks are expected to rise by £3,000,000, whereas last year they fell by £108 million. In addition, the capital items of revenue to be excluded from the conventional account will decline by £62 million. In consequence, the deterioration shown by the true current account was put at £344 million less than that shown on the orthodox Budget. On the existing basis of taxation, therefore, the true current surplus was expected to fall from £561 million in 1950-51 to £86 million in 1951-52.

From this figuring, the Chancellor proceeded to estimate the size of the inflationary gap that needed to be bridged. To the expected decline of £475 million in the flow of savings from the central Government he added an expected £15 million fall in the savings of other public bodies—the local authorities and the social insurance funds. He estimated, however, that £170 million of this shortfall would be made good by an increase in private savings and that a similar relief would be provided by a reduction in the money value of investment at home and abroad. While home investment in the fiscal year is expected to rise by £30 million, external investment—that is, the surplus on the overseas balance of payments—is expected to fall by £200 million (compared with a fall of £229 million estimated by the Economic Survey for the calendar year). The estimated rise of £170 million in private savings apparently allows for a moderate fall in personal savings, since the Economic Survey forecasts (for the calendar year) that gross corporate savings, excluding stock appreciation but including tax reserves, would rise by £189 million—and their rise should be greater in the fiscal than in the calendar year. On these assumptions, the Chancellor concluded that the inflationary gap to be bridged was about £150 million—approximately the amount implied by the Economic Survey.

Mr Gaitskell emphasised, as he had been expected to do, that despite the additional taxation necessitated for the bridging of the gap, the greater part of the new burden to be shouldered by the public this year will be thrust upon it by rising prices—mainly attributable to the

steep rise in import costs. He set his face against the demands that attempts should be made to insulate the consumer from this rise, and declared that the bill for food subsidies should be maintained at last year's ceiling of £410 million. The only concession in this context was a decision to increase old age pensions—but not until October 1st next, and only to persons five years older than the ages at which the existing retirement pensions start. This relief, which will be accounted through the National Insurance Fund, will cost £39 million in a full year, but only £19 million this year—thereby raising the prospective gap to virtually £170 million.

The Tax Changes

The tax changes proposed will, according to the Chancellor's reasoning, exert an almost precisely corresponding disinflationary effect, for this is estimated at £168 million—although only £138 million of it figures as a net addition to the Budget surplus. The remaining £30 million represents an assumed consequential increase in savings by companies. Of the tax increases, by far the most important is a uniform increase of 6d. in the

standard rate of income tax and in the "reduced rates" that apply to the first slices of taxable income. This is expected to bring in £100 million this year and £114 million in a full year, but £27 million of this year's expected gain (and £32 million of a full year's) is relinquished by increases of £10 in the married allowance (to £190) and child allowance (to £70). The net yield of £73 million thus accounts for rather more than half the year's additional taxation. Most of the remainder comes from increases in Customs and Excise—£35 million from an increase of 4½d. a gallon in the petrol duty, £20 million from purchase tax (after allowing for concessions costing £2,500,000) and £6,000,000 from an increase in the entertainments duty.

The two most contentious changes—the increase in the tax on distributed profits from 30 to 50 per cent and the abolition of the initial allowances, which are fully discussed below—will have scarcely any effect on the Budget accounts this year. The increased profits tax will yield only £8,000,000 gross this year, and £3,000,000 of this will be consequentially lost in income tax; next year, however, the gross yield will rise to £125 million and the net to nearly £66 million—before

1950-51 OUTTURN AND 1951-52 BUDGET ESTIMATE
(Conventional form of Accounts)

Revenue	1950-51			1951-52		
	Est.	Actual	Est.	Est.	Actual	Est.
Inland Revenue	2,028	2,038	2,302	478	478	515
Customs & Excise	1,584	1,630	1,651	20	19	20
Motor Duties	56	62	62	36	38	38
				11	10	11
TOTAL TAX REVENUE	3,668	3,730	4,015			
Surplus Stores	35	45	20			
Trading Services				637	545	584
P. Office (Net Receipt)	85	82	55			
Broadcast Lic.	13	13	14	781	777	3,613
Sundry Loans	27	27	27	2,102	1,902	34
Miscellaneous	70	81	105	35		
Total Revenue	3,898	3,978	4,236	2,918	2,713	3,613
				3,455	3,258	4,197
				443	720	39
				3,898	3,978	4,236

BELOW THE LINE			Payments		
Receipts	1950-51	1951-52	Est.	Actual	Est.
Interest outside Budget	33	37	46	33	37
Export Guarantees				6	9
Repayments	1	1	1	17	17
Housing receipts from Votes	20	20	20	7	10
Local Authorities	8	8	11	100	54
Coal Nationalisation					87
Repayments				10	6
Film Corporation				279	313
Repayments				7	5
				1	1
					2
				10	
					12
				26	9
					7
					40
				8	8
				7	7
				10	7
					14
Total Receipts	70	73	84	520	546
Net Sum borrowed or met from Surplus	450	473	496	520	546
	520	546	580	3,975	3,804
Total Receipts	3,968	4,051	4,320	3,975	3,804

* Items below the line are:—
1. Receipts applicable by statute to debt interest which would otherwise be paid out of revenue.
2. Receipts applicable to debt redemption.
3. Payments for which the Treasury has power to borrow

1950-51 OUTTURN AND 1951-52 BUDGET ESTIMATE
(Alternative Classification)

REVENUE ITEMS			Payments		
Receipts	1950-51	1951-52	Est.	Actual	Est.
Tax Revenue	3,668	3,730	4,015	470	478
Broadcast Lic.	13	13	14		
Sundry Loans	8	9	9	33	37
Interest	45	20	54	17	17
Miscellaneous				2,854	2,736
Interest outside Budget	33	37	46		
Housing receipts from votes	20	20	20		
Total Revenue Receipts	3,787	3,829	4,158	3,374	3,268
				413	561
				3,787	3,829

LOANS AND OTHER NON-REVENUE ITEMS			Payments		
Receipts	1950-51	1951-52	Est.	Actual	Est.
Surplus Stores	35	45	20	20	19
Trading Services				6	9
& Post Office (Net Receipt)	85	82	55	7	10
Sundry Loans (Principal)	19	18	18	100	94
Miscellaneous	25	61	51	65	80
Export Guarantees				20	40
Repayments	1	1	1	26	-108
Local Authorities	8	8	11	...	13
Coal Nationalisation				...	143
Repayments				20	6
Film Corporation				10	7
Repayments				279	313
				7	5
				1	1
				10	
					12
				26	9
					7
					40
				8	8
				7	7
				10	7
					14
Total Non-Revenue Receipts	181	222	162	601	536
Excess of Non-Revenue Payments over Receipts	420	314	621	601	536
	601	536	843	601	536
Total Receipts	3,968	4,051	4,320	3,975	3,804

allowing for the cost (£4,000,000 net in a full year) of an associated concession to director-controlled companies. The Chancellor's reckoning assumes, however, that the need to provide for increased profits tax payable in 1952-53 will lead companies to reduce their dividends, and that this will fortify gross corporate savings by £30 million this year. The abolition of initial allowances, which takes effect next year, will not, of course, bring in anything this year, but for a full year the budgetary gain is estimated at £170 million—offset by a precisely corresponding reduction in company savings. Although the change is delayed, the Chancellor's reckoning optimistically assumes some disinflationary effect this year—on the supposition that the coming abolition will help to produce a "significant" reduction in civil investment. Without this assumed cut, the investment total requiring finance (which includes certain defence outlays) would have been larger, and the prospective inflationary gap correspondingly so. It is for this reason, and because of the doubt whether the aggregate amount of dividend payments will in fact be so substantially reduced this year as Mr Gaitskell estimated, that the sufficiency of his effort at disinflation is open to question.

These tax changes, when viewed as a whole, make it plain that the Chancellor has worked on the reasonable assumption that retrenchment among the lower income groups should be sufficiently ensured by the lag in wages behind the rise in the cost of living. Among these income groups, the only people who will be significantly hit by the tax changes are the unmarried workers. The effect of the increased income tax allowances is actually to reduce the tax liability of married couples without children when the income of the man is below about £7 a week, and where there are two children there will be reductions until income reaches £21 a week. It is noteworthy that, by working through income-tax allow-

ances instead of family allowances (which are taxable as income) the Chancellor has given relief over the whole range of incomes.

The middle and upper income ranges, however, will carry most of the burden not only of the income tax changes but also of the other tax increases. The additions to purchase tax are on items far removed from the general cost of living, while the concessions on various household goods will of course be of relatively greater significance for those of moderate incomes. The only new impost that will primarily hit these income groups is the charge for dentures and spectacles.

Purchase Tax Changes

The purchase tax increases will yield £22 million this year while the concessions will cost just over £2,000,000; in a full year the net yield will be £29 million. The increases are from 33½ per cent to 66½ per cent upon cars (which will bring in £12 million this year and £17 million in a full year), and upon radio and television sets and certain gas or electrically operated domestic appliances (£10 million this year and £14½ million in a full year). Against these, the Chancellor conceded freedom from tax for a wide variety of household articles previously taxed at 33½ per cent—including kitchen utensils, wringers, hot water bottles and rolling pins.

The Economic Survey last week declared that "home supplies of many durable consumer goods produced by the metal-using industries will have to be reduced"; and the increases in purchase tax have been designed partly to effect this reduction. The selective effect of purchase tax in discouraging home consumption of particular articles has until now been used mainly to encourage their export: now it is to be used in addition to encourage diversion of production to defence. The

principle is obviously acceptable and preferable to physical controls over production: but its efficacy is likely to vary between different industries. Rearmament is expected to make considerable direct demands upon the radio and television industry, and in particular upon the makers of components. Restraint upon the buying of radio and television sets is therefore logical. The industry will have to expect some general shrinkage in sales; but for this reason it is entitled to expect that whatever demands the defence programme will make upon it should be formulated expeditiously. Demands of defence upon the manufacturers of power-consuming domestic appliances such as washing machines and refrigerators are generally not direct; but these are the sections of the engineering industry in which the Survey required "a number of firms . . . either to switch over themselves to defence orders or to release labour for such work elsewhere." As in the case of radio, shortages of materials would probably have begun to reduce output of these appliances very shortly, whatever the state of demand.

So far as restraint upon home consumption is concerned, the doubling of purchase tax upon private cars is in a somewhat different category. Home supplies of cars have been governed since the war fairly strictly by physical control, and this has worked effectively; though the "allocation" of cars to the home market takes the form of a request by the Ministry of Supply to the industry as a whole and to individual firms, the industry has complied with it (and by retaining the allocation scheme for sheet steel the Ministry has a lever over the industry that it has generally not needed to apply). The increase in purchase tax, therefore, does not necessarily mean that the home demand will be cut down by a single car below the 80,000 already laid down for this year. It means that the 80,000 motorists concerned, many of whom ordered the cars several years ago, will be forced to pay substantially more for them—or else give up their places in the queue. Even so, it is fair to note, second-hand car prices have been promptly lifted. For makers of higher-priced and specialist cars, whose special circumstances have always been recognised by allowing them to sell a larger proportion of output at home, the 66½ per cent purchase tax may have a more significant effect; these makers have not the long order-books of the companies making cars at what used to be called "popular" prices, though their large proportion of business customers may have more elastic purses, particularly if they can get delivery before the initial allowances disappear. In their case the Chancellor's secondary purpose may eventually be fulfilled; but in general this new burden on the home motorist is not likely to influence the industry towards greater exports or further participation in rearmament.

Entertainments Tax

The increase in entertainments tax (upon only those commercial entertainments paying the full rate of tax, which exclude the live theatre, football and cricket) has occasioned pained surprise in the cinema industry: more, perhaps, than is justified. The pain, no doubt, is real, but the various sections in the industry that in recent months have been urging the Treasury to take responsibility for extending schemes that would have the effect of increasing admission prices for their benefit can hardly be surprised when it does so partly for its own. There is not much evidence that this tax, though extremely high, is

yet approaching the point of diminishing returns (as the Chancellor appears to concede in the cases of the beer and tobacco duties). Box-office returns have receded from the peak of the immediate postwar years, but appear now to be levelling off: television may eventually become as powerful an influence on attendance as tax. The increases in the tax (which in cinemas amount to an average of 2d. per admission) will bring in about £10 million in a full year; but the Treasury is again to allow the industry £2,500,000 of this—a halfpenny a seat. Discussions have already begun about the sharing of this additional cinema revenue between the different branches of the film industry: the Chancellor laid down the principle that "this time the larger part of the Exchequer remission goes to the producers." Last year's "Eady scheme" took the form of a general increase in admission prices, with an increase in tax only upon the more expensive seats; of the additional £2,500,000 thus raised in cinema revenues, the exhibitors kept half and passed the remainder on as a "voluntary levy" to a fund set up to share the money among producers. Similar arrangements are presumably in mind now. Of the £5,000,000 to be added to the revenues of the film industry during this year and last, perhaps £3,000,000 should accrue to the producers, many of whom in any case are making films only with the assistance of Government finance advanced through the National Film Finance Corporation.

Petrol

Another increase in the petrol tax (which now will reach 1s. 10½d. a gallon) had been commonly expected—but that will not lighten its impact. This will fall mainly on transport and industrial costs, though it will make private motoring (particularly in the over-taxed prewar vehicles with a high fuel consumption that still comprise two-thirds of the cars on the road) more costly. Business and public service undertakings buy about 85 per cent of the motor fuel (petrol and diesel oil for road vehicles) used in this country; and inexorably the tendency must be to pass on this total increase in costs (perhaps £30 million of the £35 million the tax will raise in 1951-52) to the consumer. The Chancellor held that the increase of 4½d. a gallon amounted to only about 2 per cent of the operating costs of commercial and passenger vehicles, and that this "on its own" would not justify any increase in fares and freights. This increase, however, will not remain "on its own"; with the accumulating rises in other costs, it is idle to suppose that any increase, however small, can long be prevented from contributing its proportionate effect. In any case, to the extent to which the tax is "absorbed," it merely repletes company savings and thus has no disinflationary effect. The British Transport Commission expects the increase in tax to cost it just over £3,000,000 a year; in company with the private Road Hauliers' Association, it was immediately ready to declare that road haulage rates would have to go up. The expectation of higher London fares will certainly be enhanced.

There is no repetition this year of the wasteful attempt to safeguard agriculture from the effects of the increased tax on light oils. Last year's plan to compensate farmers whose petrol-driven tractors were affected (though gas oil or kerosene driven tractors were not) by a subsidy to offset the cost of the tax was an utter failure. Farmers are now in the same position as other industries using light hydrocarbon oils, such as paint, plastic, rubber, and

EFFECT OF TAX CHANGES ON REVENUE

	Exchequer Receipts in 1950-51	Estimate for 1951-52 at 1950-51 Tax Rates	Estimate for 1951-52 at New Tax Rates
Ordinary Revenue:	£000	£000	£000
INLAND REVENUE			
Income Tax.....	1,401,364	1,555,000	1,624,750
Sur-tax.....	121,100	128,000	128,000
Death Duties.....	185,250	180,000	180,000
Stamps.....	54,460	55,000	55,000
Profits Tax.....	258,420	305,000	312,650
Excess Profits Tax.....	9,350	500	500
Other Inland Revenue Duties.....	595	1,500	1,500
Special Contribution.....	4,850		
	2,038,389	2,225,000	2,302,400
CUSTOMS AND EXCISE			
Customs.....	905,216	897,900	930,550
Excise.....	724,900	692,100	720,500
	1,630,015	1,590,000	1,651,000
MOTOR VEHICLE DUTIES	61,357	62,000	62,000
TOTAL RECEIPTS FROM TAXES	3,729,762	3,877,000	4,015,400
Self-Balancing Revenue			
Sale of Surplus War Stores, &c.....	45,355	20,000	20,000
Surplus Receipts from certain Trading Services.....	80,905	50,000	50,000
Post Office (Net Receipt).....	962	5,400*	5,400*
Broadcast Receiving Licences.....	13,000	13,600	13,600
Receipts from Sundry Loans.....	26,876	27,000	27,000
Miscellaneous.....	80,964	105,000	105,000
Total Ordinary Revenue	3,977,825	4,098,000	4,236,400
Self-Balancing Revenue			
Post Office.....	171,083	179,431*	179,431
Income Tax deducted from Excess Profits Tax, Post-war refunds.....	8,547	4,900	4,900
Total Self-Balancing Revenue	179,435	184,331	184,331

* The total of these items includes £6,320,000 in respect of the increases in Post Office charges announced by the Postmaster General on 4th April, 1951.

THE TAX CHANGES

	Estimate for 1951-52	Estimate for a Full Year
INLAND REVENUE	£	£
Income Tax:		
Increase of 6d. in the standard rate of income tax and in each of the two reduced rates of tax.....	+ 100,000,000	+ 114,000,000
Increase of 10 (to 190) in the married allowance.....	+ 15,000,000	+ 18,000,000
Increase of 10 (to 170) in the child allowance.....	+ 12,000,000	+ 14,000,000
Increase in the income limits for the dependent relative allowance.....	— 400,000	— 500,000
Surplus:		
Reduction in the rate of surtax for 1951-52 chargeable on income over £20,000 from 10s. 6d. in the £ to 10s. in the £.....	—	— 1,000,000
Income Tax and Profits Tax:		
Suspension of the initial allowances in respect of expenditure incurred on or after 6th April, 1952..	—	+ 170,000,000
Profits Tax:		
Increase in the rate of profits tax on distributed profits from 30 per cent. to 50 per cent.....	+ 8,000,000	+ 125,000,000
Consequential loss of income tax*.....	— 3,000,000	— 59,375,000
Withdrawal of the exemption in favour of certain public utility undertakings and charge of their profits at the 10 per cent. rate.....	— 150,000	+ 2,000,000
Consequential loss of income tax*.....	— 60,000	— 950,000
Increase in the amount of directors' remuneration allowable as a deduction in the case of director-controlled companies.....	— 500,000	— 7,750,000
Consequential gain in income tax*.....	+ 200,000	+ 3,700,000
TOTAL INLAND REVENUE	+ 77,390,000	+ 313,125,000
CUSTOMS AND EXCISE	£	£
Customs:		
Hydrocarbon Oils.....	+ 32,600,000	+ 33,500,000
Total Customs	+ 32,600,000	+ 33,500,000
Excise:		
Hydrocarbon Oils.....	+ 2,400,000	+ 2,500,000
Entertainments Duty.....	+ 6,000,000†	+ 10,000,000†
Purchase Tax.....	+ 20,000,000	+ 29,000,000
Total Excise	+ 28,400,000	+ 41,500,000
TOTAL CUSTOMS AND EXCISE	+ 61,000,000	+ 75,000,000
Total Inland Revenue and Customs and Excise	+ 138,390,000	+ 388,125,000

* Calculated by reference to the new rates of income tax proposed.

† Subject to possible reduction as indicated in the Budget Speech.

linoleum makers. These suffer from a tax designed to affect road users simply because the Treasury's definition of these spirits is based upon chemical formulae, and not upon their use on the road or elsewhere (a distinction that has been conceded in the case of heavy oils).

Profits Tax Increase

It would have been too much to expect that Mr Gaitskell in his first budget would have been prepared to turn a deaf ear to the demands behind him for a further impost on profits. In this part of his speech he came closest to purely political argument and furthest from the conspicuous fairness of his broad economic approach. Profits had been increasing rapidly; so had dividends, though the Chancellor chose to demonstrate the increase in dividends not in terms of cash but in terms of percentages. The Chancellor approved an increase in profits resulting from efficiency, but not an increase in "the whole level of profits" resulting from "the general economic climate and not through the aptitude of individual managements." Whether this is an adequate description of the increase in profits that has taken place is a matter of political taste; if it is, the question of responsibility for "the general economic climate" surely arises.

In present circumstances, Mr Gaitskell argued, "we simply cannot afford such substantial increases in dividends"; they add (in the Chancellor's view) directly to inflationary pressure and also to claims for higher wages. It has never been clear why profits retained by industry are not equally "inflationary" if they are used to expand the demands for fixed capital and stocks beyond the capacity of the economy to meet them. But it is at least a matter for relief that the Chancellor has rejected the idea of statutory control of dividends; if he felt that action against increases in dividends was demanded, he was indeed wise to use the existing profits tax.

Whether he has done so in an equitable and logical way is open to doubt. His professed concern is to stop "substantial increases." The instrument he has chosen to do this involves not only increases but the whole corpus of preference and ordinary dividends as it now exists. With effect from January 1, 1951, the rate of profits tax on distributed profits is raised from 30 per cent to 50 per cent, leaving the tax on undistributed profits unchanged at 10 per cent. Only a small yield will accrue to the Exchequer in the current fiscal year from this change—£5 million after the abatement of income tax, compared with £66 million in a full year. But the Chancellor assumes that the prospect of the increased liability for profits tax in 1952-53 will encourage companies to pay out less in dividends than had been estimated, and he is counting on £30 million of extra savings by companies this year to assist in filling the inflationary gap. At the combined rate of 10s. 6½d. on undistributed profits, this sum is equivalent to just over £60 million gross. According to the National Income White Paper, some £827 million was distributed in dividends and interest by companies in 1950. If it is assumed that interest absorbed one-eighth of this total, last year's dividend payments must have absorbed about £700 million. The Economic Survey's calculations already assumed an increase in 1951 of nearly £200 million in undistributed profits, though it did not disclose any estimated figure for dividends. It is asking a good deal to believe that £60 million will be found without further

inroads on industry's real capital—in other words, without counting on a further profits inflation.

The effective combined rate of profits tax and income tax, assuming full distribution of profits, will now be 13s. 3d. in the £—the Chancellor will take twopence for every penny that the preference and ordinary shareholder receives when profits are divided up to the hilt. In the case where no dividend distribution is made, the combined rate will be 10s. 6½d. The effect of the profits tax changes can be summarised thus:

Division of Profits	1950-51 Income tax, 9s. in the £ Profits tax, 10% undistr. 30% distr.	1951-1952 Income tax, 9s. 6d. in the £ Profits tax, 10% undistr. 50% distr.
<i>Full distribution:</i>		
Combined rate of profits tax	25%	35.72%
Combined rate of profits tax and income tax	58.75% = 11s. 9d. in the £	66.25% = 13s. 3d. in the £
<i>No distribution:</i>		
Profits tax	10%	10%
Combined rate of profits tax and income tax	50.75% = 10s. 1d. in the £	52.75% = 10s. 6½d. in the £

For equity share investors who require to calculate total earnings percentages allowing for the full effect of profits tax, the simplest procedure will be to deduct 35½ per cent from gross earnings and express the remainder as a percentage for the ordinary capital. But complications multiply as soon as gearing is introduced, for then the remainder has to be divided rateably between the preference and ordinary capital. The gearing factor will make a great difference to the relative prospects of different ordinary shares at the higher rate of distributed profits tax; other things being equal, the greater the proportion of preference capital that has to be provided for, the more difficult it will be to maintain a given rate of ordinary dividend. To have raised the distributed profits rate to 50 per cent without making any attempt to end the fantastic anomaly that equity shareholders bear its full weight not only in respect of their own dividends but also in respect of preference dividends is surely impossible to reconcile with the Chancellor's professed object of penalising dividend increases. It is now high time to rename the ordinary share; for purposes of profits tax, it has become, in its treatment as distinct from its deserts, the inequity share.

Initial Allowances Suspended

At a quite early stage in his speech, Mr Gaitskell announced that he had decided to suspend, as from April 6, 1952, the initial allowances of 40 per cent on plant and machinery and 10 per cent on industrial buildings, mines and oil wells. The arguments command a certain respect. The allowances were introduced under the Income Tax Act of 1945 with the object of stimulating capital expenditure and encouraging modernisation. Such a stimulus, the Chancellor holds, would now endanger the defence and export programmes; the allowances can be reintroduced when it becomes desirable to stimulate investment again.

There are undoubtedly ways in which the allowances have unduly encouraged investment. The sole trader or part owner of a director-controlled business who may be paying an effective rate of 15s. in the £ was obviously well content to buy a motor car without too much regard for price so long as he could charge 65 per cent of its cost against a single year's profit. It may also be true that to suspend the initial allowances is a better way of checking the demand for equipment that is desperately

needed for defence than reintroducing the fantastically difficult licensing system for machinery that operated during the war. But it is still possible to question the wisdom of a complete withdrawal of the allowances, compared with reducing them to their original level of 20 per cent. And it is an odd coincidence that in the very week in which the Tucker Committee has been arguing that the initial allowances could be used to provide all the relief that is necessary for industry to offset the erosive effects of inflation on its fixed assets, the Chancellor should decide to withdraw them altogether.

The year's notice may have odd effects—for example, a possible stimulus to the prices of secondhand equipment and an unexpected burden for companies that ordered new plant long ago, but cannot expect delivery within the next twelve months. But it will make some concerns that have blithely assumed that the 40 per cent allowance was a permanent interest-free loan look foolish if they have taken and used full credit for past allowances. The true nature of the initial allowances was fully examined in two articles in these columns on June 25 and July 2, 1949. Put shortly, the point is that in the income tax year 1953-54 many concerns will find themselves receiving a smaller capital allowance for taxation than they need to maintain the progressive writing down of their assets; they will have to provide from taxed profits the difference between what is allowed by the tax authorities and what is required to satisfy their accountants. For many this will be a very painful obligation, not least because net profits in 1953-54 will bear a higher rate of tax charge than the reliefs obtained from the allowances of earlier years, unless in the meantime the allowances are restored.

The yield in a full year (which will in fact be three years off) is put at £170 million. Industry had no prescriptive right to an annual interest-free loan of this order. But it is impossible not to connect the decision to suspend the initial allowances with the increase in profits tax and to regard both as the first step in a new doctrine of posteriority for industrial capital. Is it so certain that the process of modernisation can be safely threatened in this way? Is it sufficient to hold that the claims of investment in the public sector—settled by a crude process of interdepartmental bargaining without benefit of the restraining influence of the rate of interest—have absolute priority in their own right? It is quite clear that the strains of finance on industry, already serious though they are, will become greater in the next few years and that the Chancellor has thought it proper to add to them.

Social Services under Pressure

In framing his Budget the Chancellor was faced with estimated expenditure of £1,615 million on the social services and food subsidies this year, compared with £1,589 million in the 1950-51 estimates. This £1,615 million was divided, broadly speaking, as follows: £400 million on national insurance and assistance and war pensions; £400 million on food subsidies; £400 million on health; £250 million on education; and £150 million on housing, local grants and the Ministry of Labour.

It was obvious from the first that the £400 million for national insurance and assistance would have to be increased if those "completely and continuously dependent" on these benefits were not to experience very real

hardship in the period of rising prices that lies ahead. Mr Gaitskell's task was to see that increases went only to those urgently in need of them. His solution has been to raise the standard weekly rates of old age pension, for men over 70 and women over 65, from 26s. for a single person and 42s. for a married couple, to 30s. and 50s. respectively; these increases will come into effect on October 1st. Other old age pensioners will receive the same rates as at present, but those who remain in work will be allowed to earn up to £2 instead of £1 per week before any reduction is made in their pension; moreover, each year's work after normal retirement age will bring an addition of 3s. per week to their eventual pension (against 2s. per week previously). There will be no increases in basic rates for war pensioners—on the grounds that most of them are working and earning—nor for sick or unemployed adults, presumably on the ground that people must do more towards tiding themselves over such temporary misfortunes. There will, however, be special adjustments for war pensioners in real need—adjustments that will cost the Exchequer about £600,000 a year. No provision has been made for any general increase in national assistance payments, nor will family allowances be raised.

On food subsidies, the Chancellor sadly remarked that he had been "faced with conflicting advice. Some argue that in order to hold the cost of living it would be right to increase the food subsidies; others say that £410 million is already much too high a figure and it should be reduced or cut out altogether." The politician in Mr Gaitskell has adopted the expected compromise and the subsidies are to be kept at £410 million as before. It seems probable that this decision will lead to a rise in the average individual's food bill of over 8d. a week this year; possible ways of passing on this burden to consumers are discussed in a separate note on page 884.

Health Service Charges

The Chancellor revealed that the original estimates presented to him for 1951-52 put the gross cost of the health service at about £495 million and the net charge falling on the Budget at £425 million; these estimates were about £30 million above last year's levels. He decided that they must be pruned by £25 million and to this end all adults needing denture work (except expectant and nursing mothers) and all adults who order spectacles through the national health service are henceforth to meet about half the cost out of their own pockets. Until now the public has generally made some contribution towards the cost of spectacle frames, but the cost of the lenses themselves—about £3 per pair if opticians' fees are included—has been borne wholly by the Exchequer. These new charges (the effects of which were accounted in the civil estimates and do not, therefore, fall within the budgetary changes) should bring in about £13 million in 1951-52 and £25 million in a full year; they will be accompanied by administrative economies spread across the whole service. It seems reasonably certain that this desirable principle of imposing specific charges for use of the health service would have been pushed some way further but for political passions.

There are apparently to be no major economies in education expenditure except that implied in the decision, announced some weeks ago, to increase by 1d. the

price of school meals. The school building programme seems to have been jostled through unscathed. The Government discussed whether the school leaving age might be lowered or the school entry age raised, but rightly decided against either proposal.

The Chancellor made no detailed reference in his speech to the £150 million expenditure on housing subsidies, local grants and the Ministry of Labour. This was perhaps his most serious omission. The country is now to enter a period of rising prices with one sector of the community living in accommodation for which it pays less than an economic rent (thanks to subsidies and rent restriction) and the other sector living in—often much worse—accommodation for which it pays more than an economic rent (thanks partly to the scarcity value that rent restriction on other houses creates). The latest National Income White Paper puts central government and local authorities' subsidies on rents in 1950 at £65 million; this subsidy is quite separate from the hidden subsidy contained in the low rate now charged on housing loans to local authorities. Yet the opportunity to effect retrenchment here has not merely been missed—it has been passed over as apparently unworthy of comment.

The Insurance Fund's Surplus

One other step that the Chancellor announced in his speech deserves to be noted here, although it has no direct bearing on the budgetary problem. For the past two years the national insurance and the industrial injuries funds have together been running an annual

current surplus of between £160 million and £170 million—thanks to the shortfall in unemployment below the original $8\frac{1}{2}$ per cent estimate. The Chancellor estimated that the national insurance fund alone was currently running a surplus of £140 million—although this will be reduced by the increased pensions benefits from October onwards. Part of the income of both these funds has come from the "supplement" that the Exchequer makes to the contributions of each employed and self-employed person, and another part of it has come from the annual Exchequer "grant" laid down under the National Insurance Act; in each of the last two years the Exchequer has paid out between £145 million and £155 million in this way. It has now been decided that the Exchequer's payments to the national insurance fund will be cut to the level required to keep the fund in balance, but without a surplus. This book-keeping switch of funds from one public account to another will not, of course, have any effect on the level of taxation that has to be imposed. It may, however, carry with it two pregnant possibilities for the future. In the first place, it may make the way politically easier for a subsequent increase in insurance contributions—apart, that is, from the small increases already due after next October. Any such increases would, of course, be wholly similar in their effect to increases in taxation. Secondly, given the conventions about the investment of insurance funds, the switch may have some significant implications for the gilt-edged market, into which the greater part of the insurance funds' annual £165 million surplus has hitherto gone.

Taxation of Profits

THE Chancellor of the Exchequer took occasion in his budget speech to thank Mr Millard Tucker and his colleagues for their report on the taxation of company profits, which was published three days earlier—and had in its turn followed hard on the heels of the new Income Tax Consolidation Bill. He confessed, not surprisingly, that he had not been able to study the Committee's recommendations in detail; indeed, his decision to suspend the initial allowances traverses one of the principal recommendations of the report so completely that this fact was clear without explanation. Mr Gaitskell has put off until next year any question of legislation on the report (presumably certain of the points in it may be implemented before the Royal Commission on Taxation reaches its conclusions) and he now awaits the reactions of industry and commerce. It is already clear that these are mixed.

The terms of reference of the Tucker Committee were narrowly concerned with the definition of trading profits; only eight out of 529 sections in the new Consolidation Bill are devoted to definitions, but their importance is fundamental. The committee has applied two guiding principles to them: first, that taxable profits should correspond as closely as possible to profits computed by established accountancy practice, and, secondly, that reasonable simplicity is to be preferred, even at some cost to equity, to further complexity. These are admirable guides provided that established accountancy principles are equal to the responsibility placed upon them—and the proviso, unfortunately, is necessary. One of the main functions of the committee was to give guidance on the taxable capacity of business in a period of rapidly

rising prices, and on this matter official opinion in the accountancy profession has shown itself to have very set views. On this crucial problem of inflation and its effects on profits ascertained on conventional lines, the views of the committee come as a very great disappointment.

In his 1949 Budget statement, Sir Stafford Cripps accepted industry's complaint that the existing 20 per cent initial allowance on plant gave insufficient help towards financing the enhanced cost of new machinery and he doubled the allowance. He went on immediately to mention further representations on "the whole question of calculating profits in a way which can take care of marked changes in price" and announced that a committee would be set up to consider the "technical issues which arise in connection with the computation of taxable profits." Given this background it is surprising that the Tucker Committee should at first have questioned "whether problems of this kind could be said to affect the computation of business profits and so fall within our terms of reference." The committee took steps to discover that its views were wanted and it has given them without evident enthusiasm.

The committee's approach to this basic matter is not concerned with the impact of inflation on the maintenance of real capital. It states its attitude quite bluntly: "We are unable to agree with the view that a proper system of computing profits must necessarily take into account changes in the value of money." All the schemes for revaluation of assets or for the creation of replacement reserves "amount to a proposal that a business should be relieved altogether from tax on some part of its true profits, that is to say, upon its profits

as computed on ordinary accountancy principles." It would be hard to beat this as an example of begging the question. The recommendation of the Institute of Chartered Accountants is quoted as authority and is apparently considered to be final. The "minority view" of the opposite "school of thought" in the controversy that has "agitated" accountants "was not strongly pressed before us." This is simply not good enough. The official bodies of the accountancy profession cling to existing principles because they are fearful of the admittedly enormous practical difficulties of making accounts tell the economic truth in a period of rapid price changes. When the report talks of a "minority view" can it really mean that the committee is unaware that businessmen, economists and many accountants now agree that profits computed on obsolete conventions of historical costs, so far from being "true," are largely meaningless? "Profit" is a word already in political disrepute; it will soon be professionally discredited too unless it can be made to denote an increment in the real substance of the assets of a business; the test must be whether it can be paid away, in dividends or taxes or in financing expansion, without impairing the physical stuff of the business as it existed at the start of the trading period in which the profit was made. If "ordinary accounting principles" had been established, not in an era of reasonably stable monetary values, but in the China of the last decade, the point would not need to be argued.

Having taken this stand, the committee recognises that the increasing cost of replacing assets—fixed and current—involves additional capital requirements that industry cannot provide itself, so long as its profits, struck before providing for such increased cost, are taxed at existing rates. After examining schemes for revaluation (that is, recomputing the values of fixed assets for purposes of allowances by reference to an index of prices) and for special replacement allowances, the Tucker Committee rejects them as being inequitable as between different classes of business or impracticable in administration. This negative conclusion is particularly unfortunate, for the committee has undoubtedly given anxious attention to the problem. Some form of revaluation must be evolved if "true profits" are to be arrived at; perhaps with a change of heart the impossible will take only a little longer. Unaware that the initial allowances would shortly be suspended, the committee in fact recommends that they should be used as a method of providing relief: it recommends that a minimum rate should be prescribed and that this should be varied to take into account changes in the price level of the plant in question on the one hand and of the value of the industry in the national economy on the other. This last is dangerous doctrine: differential rates of tax based on the presumed merit of the services rendered to the community would be thoroughly objectionable. Most people would agree, in midwinter, that the National Coal Board merited greater relief than the ice cream manufacturer but at midsummer a different view might prevail. Ships (as the report argues) are more important than fairgrounds, but which will earn more dollars this summer: a cargo boat importing fruit, or Battersea Park?

As a limited means of providing finance for fixed assets in the form of interest-free loans, initial allowances have considerable merits. An article in *The Economist* of July 2, 1949, showed that the total of such loans with allowances at 40 per cent might amount to as much as

£2 billion at the maximum. So long as businesses continue and constantly replace their assets, initial allowances can provide an important infusion of capital into industry of a more or less permanent nature. They have the further merit that they automatically ensure that the relief is used for the purpose intended, the financing of the new plant, and it more or less coincides with the expenditure. There are two drawbacks. The first is that the relief takes the form of a reduction in the tax liability of the business and this reduction inflates and distorts the balance of free profit. Many concerns now offset the immediate benefit of the initial allowance by setting up an equivalent reserve; but there are others that do not. Should the benefits not be distinguished from ordinary income by being earmarked in a statutory reserve? Secondly, initial allowances do nothing to help traders whose assets are in stocks rather than plant or buildings. The need of such traders can be just as great and deserving as that of industrial concerns with much plant to maintain; the committee's logic in refusing relief to holders of stocks on the grounds that it would involve preferential treatment appears faulty. No doubt the practical difficulties would be great; but to say that there is no ground of principle on which relief could be justified is going much too far. If the Tucker Committee has never heard of the modern black magic by which inflation dissipates capital in the guise of income, the compilers of the Economic Survey certainly have. They estimate that such "profits" in 1951 will amount to £700 million; the Survey excludes this amount from its computations of gross income—yet more than half of this "income" will be paid over in taxes.

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There will be widespread regret that the committee has been unable to recommend that income tax should be charged on a current year basis. But there are serious difficulties—the impairment of budget flexibility, acute transitional problems and the immense complication of provisional assessments. Even so, the feeling remains that the committee may have been somewhat daunted by a superabundance of conflicting evidence and by Inland Revenue objections on the score of practicability. Perhaps the change may come not as a result of a public inquiry but from the Inland Revenue itself—acting on the Chancellor's orders, as was the case with PAYE. The worst features of the present system are the anomalies that arise in tax assessments in the opening and closing years. Partnerships, with their frequent changes in constitution, are particularly affected by the present rules, and the tax assessments levied on individual partners frequently vary widely from the profits they actually receive. The report makes recommendations that should remove these anomalies with a minimum of legal and practical difficulty.

Disappointment with the report's negative conclusions on inflation and the basis of assessment must not obscure its many valuable recommendations. There are more than sixty of these, many of wide scope and highly technical; together they would provide a major improvement of the taxation law. The proposal that sur-tax should be spread at the taxpayer's option by averaging the rate over five years will be a gain to equity at comparatively small cost to the Revenue. The recommendations that losses should be carried forward without time limit against future profits of the same business, and for one year against other income, are important advantages. The proposal that there should

be set-off of group profits and losses is sensible and overdue: it is also proper, as the report recommends, that inter group stock profits should be eliminated. It is disappointing that the Chancellor is to strengthen the law in the opposite direction.

The chapter on the computation of profits gives a valuable exposition of existing rules and makes many useful proposals. The doctrine based on Lord Davey's dictum in *Strong v. Woodfield* that disbursements, to be admissible for tax deduction, must not merely be made in the course of the trade but must be for the purpose of earning the profits, is condemned. The "wholly and exclusively" rule is justified, provided that any given expense may be apportioned between business and non-business purposes: it need not be all or nothing. The cost of tax appeals, whether successful or not, ought to be admissible. Revenue expenses incurred before the legal date of commencement of business should be allowed; so should expenses of acquiring leases. There will be some disappointment with the committee's acquiescence with the disallowance of repairs to assets purchased in a defective condition. The decision in the *Law Shipping Case* was natural, but it works unfairly and the injustice is aggravated by the importance that the revenue authorities attach to it.

The committee approves the proposition that relief should be given in respect of the wastage of all assets that are used up for business purposes. The capital allowances are slowly broadening down from precedent to precedent: the industrial buildings allowance was given by Sir John Anderson in 1945 on grounds, not of right, but of expediency. Now, however, the Tucker Committee is able to conclude that "a tax which refuses to give an allowance for the depreciation of all business premises is not limiting itself to a tax on income, but is encroaching on capital" and it recommends that all commercial buildings should be covered by a depreciation allowance. The comment that the work and loss of revenue involved "may perhaps lead to a decision that

The National Dividend in 1950

THE National Income White Paper for 1950 follows faithfully in the footsteps of its predecessors. It presents a first estimate of the nation's economic outturn in 1950 and a radical revision of many of the estimates put forward in previous years. This should not be treated as a cause for complaint; the official statisticians are to be commended for their readiness to reveal the many instances in which paucity of information has led them into errors in earlier estimates. The latest batch of estimates will undoubtedly be subject to similar revisions in their turn. The "national income approach" to economic analysis and planning—although it is the best approach that can be adopted—is still one that winds over treacherous and shifting statistical ground.

According to the latest estimates, the gross national product—that is the money value of all work done in this country—rose by £517 million, or 4½ per cent, last year, to a total of £11,970 million. In 1949 it had risen by £801 million, or 7½ per cent. Since the average price of all goods entering into personal consumption is believed to have risen by about 2½ per cent in 1950, compared with 2 per cent in 1949, it would seem at first sight that the size as well as the money value of

the reform must be postponed till more prosperous times" is, however, surprising: are owners of commercial buildings to continue to pay a tax on capital in order that the general body of taxpayers shall not be called upon to pay a heavier tax on their income? There are many other proposals in this section: those concerned with mining overseas will find that their careful evidence has been heeded and it is pleasant to note that cemeteries and the Mersey Tunnel have at last established their genus!

In dealing with Profits Tax the only important recommendation made by the committee is that the present allowance for directors' remuneration in director-controlled companies—at present a total of £2,500 or 15 per cent of the profits with a maximum of £15,000—should be increased. This is to be conceded in the next Finance Act, for the Chancellor is raising the maximum to £4,500. The hardship previously suffered by this limited class can be measured by the cost of the reform—£4 million in a full year. The committee has "much sympathy" with the view that preference dividends should be treated for Profits Tax purposes in the same way as debenture and other interest and that the consequential switching over of company finance from preference shares to unsecured notes is undesirable, but it concludes that these matters are outside its terms of reference and passes them over, leaving the Chancellor to make matters worse by raising the distributed profits tax to 50 per cent.

It is clear that on the majority of matters it should be possible to accept the findings of the Tucker Committee without detailed re-examination. But it is also quite clear that on the major issue of depreciation and costs the last word has not been said: industry, economists and the so-called "minority school" of accountants should see to it that the Royal Commission is not left in ignorance of the full force of their views. This stone that the builders have rejected may yet become the headstone of the corner.

the national cake must have risen less in 1950 than it did in 1949. The compilers of the National Income White Paper are convinced, however, that this is a false deduction. The rise in prices to consumers last year was apparently more than accounted for by the rise in import prices. Domestic enterprises seem to have turned out more goods, but the money value of their output rose less than proportionately; for example those enterprises that figure in the official index of industrial production are believed to have increased their output by 8 per cent but their receipts by only 5 per cent in the year. Thus the rise in individual productivity, and the restraint shown by both workers and profit-takers, kept down the domestic cost of living—and also made British goods unnecessarily cheap for the foreigner. When allowance is made for this, it is believed that the rise of £517 million in national product last year represented a real increment at least as great as the rise of £801 million in 1949.

What happened to this £517 million increase? The second column of Table II shows that, broadly speaking, 70 per cent of it went to personal consumption and 30 per cent was devoted to improving the foreign balance, by increasing the export surplus. The other two sources

that could have laid claim to part of the dividend—public authorities' expenditure and gross investment—showed little change from the year before. Within the category of "gross investment," however, there was an important change. Fixed investment (thanks chiefly to the erection of more buildings and the installation of new plant) rose by £80 million to £2,162 million, but investment in stocks and work in progress fell by £100 million; the White Paper estimates the value of the physical increase in stocks and work in progress at £215 million in 1949 and £115 million in 1950. There has been some misconception about this latter figure. The White Paper's definition of stocks includes all products on the assembly lines, all British exports still on the high seas and all goods on retailers' shelves as well as raw material stocks. Since the rate of output in industry was about 8½ per cent greater towards the end of 1950 than towards the end of 1949, and since the volume of exports increased by 15½ per cent, there was almost bound to be some increase in total stocks during the year. The fact that the increase is estimated to have been £100 million less in 1950 than in 1949 (when industrial output increased in much the same proportion) is a clear sign, however, that some users of raw materials must have been scraping the bottom of the barrel by the end of the year. Government-held trading stocks of food and raw materials are shown to have fallen by £132 million in 1950, whereas in 1949 they fell by only £19 million; part of the latest decline, however, reflects the return of certain commodities to private trading.

TABLE I—GROSS NATIONAL PRODUCT IN 1949 AND 1950 (£ Million)

	1949			1950		
	Wages and Salaries	Profits, Rent and Depreciation	Total	Wages and Salaries	Profits, Rent and Depreciation	Total
Agriculture, forestry and fishing	250	371	621	248	362	610
Mining and quarrying	348	56	404	350	43	393
Manufacturing	2,720	1,439	4,159	2,929	1,489	4,418
Building and contracting	442	156	598	465	159	624
Gas, electricity and water	120	117	237	131	120	251
Transport and communications	629	329	958	652	324	976
Distributive trades	638	867	1,505	675	866	1,541
Other services	666	535	1,201	694	545	1,239
Ownership of dwelling houses	...	438	438	...	448	448
Services of public authorities (including health and education)	1,058	97	1,155	1,125	102	1,227
Domestic services	99	...	99	96	...	96
Services to non-profit-making bodies	61	...	61	53	...	53
Gross domestic product	7,021	4,405	11,426	7,418	4,478	11,896
Net income from abroad	...	...	27	...	...	74
Gross national product at factor cost	...	...	11,453	...	...	11,970

Although the £517 million increase in gross national product in 1950 was £284 million less than that in 1949, the rise in the national wage bill (at £240 million) was £35 million bigger and the rise in the salary bill (at £150 million) was exactly the same. It is not so easy to assess the true rise in profits, even if one accepts the admittedly tentative official estimates; for "profit" is what Ruskin once called a "chameleon word"—it can change colour according to the speaker's taste. If depreciation is allowed for at inland revenue rates and windfall profits from stock appreciation are included, the trading profit of companies fell by £92 million in 1949 and rose by £204 million in 1950; if profits on stock appreciation are excluded (on the argument that they will be needed for stock replacement at higher prices), then the trading profits of companies and public cor-

porations rose by £51 million in 1949 but by only £25 million in 1950. The rise in profits of sole traders and partnerships is estimated at £5,000,000 in 1949 and £30 million in 1950, if profits from stock appreciation are included. For the rest, professional earnings rose by some £10 million and income from rents by £13 million

TABLE II—DISPOSABLE INCOMES (AFTER TAX) AND EXPENDITURE (£ Million)

Disposable Income after Tax	1949	1950	National Expenditure	1949	1950
Persons:—			Personal consumption:—		
Wages	3,862	4,096	Food	2,366	2,408
Salaries	2,021	2,164	Drink and tobacco	1,483	1,505
Pay of the armed forces	228	233	Rent, rates and water charges	613	629
Rent, dividends and interest	2,100	2,197	Household goods	896	876
Social security benefits	737	763	Clothing	952	1,005
(Adjustment for addition to tax reserves and stock appreciation)	(-45)	(-54)	All other	2,527	2,618
Personally disposable incomes	8,953	9,399	Personal consumption...	8,567	9,041
Companies and public corporations:—			Gross capital formation:—		
Trading profits and other income	1,335	1,579	Plant, machinery and vehicles	861	880
Less: Dividends and interest paid	-891	-918	New buildings and works	631	697
Less: Stock appreciation	-7	-205	Repairs to buildings and works	600	585
Additions to tax reserves	43	92	Fixed capital formation, Physical increase in stocks	2,082	2,162
Additions to free reserves	480	364	Overseas investment	215	115
Public authorities:—			Public authorities current expenditure	2,039	2,025
Disposable revenue	2,516	2,593	Less indirect taxes minus subsidies	1,480	1,602
Depreciation	1,027	1,124	Gross income	11,453	11,970
Less indirect taxes minus subsidies	1,480	1,602	Gross expenditure	11,453	11,970

in both years, but income from farming, which had risen by £43 million in 1949, to about four and three-quarter times its 1938 level, fell by £2,000,000 in 1950.

All these estimates, of course, are struck before allowing for the depredations of the tax collector, who in each of the last five years has garnered between 26 and 28 per cent of all personal incomes—and a considerably larger proportion of corporate incomes. The first two columns of Table II show the White Paper's estimates of disposable incomes—that is to say gross incomes minus direct taxes—accruing to persons and companies in 1949 and 1950. It is estimated that personally disposable income (after providing for accruing tax liabilities) rose by £448 million in 1950—or by £26 million less than personal expenditure. Gross personal saving is accordingly estimated to have fallen by £26 million to £332 million, or from 9½d. to 8½d. out of every pound of disposable personal income. This was not so substantial a fall as might have been expected in view of the storm signals presaging future price increases that were hoisted before every consumer's eyes in the second half of the year. Nor, indeed, do the detailed estimates of the pattern of expenditure show much sign of precautionary buying in 1950. Men very sensibly bought 9½ per cent more clothes and they or their wives bought 14 per cent more furniture and furnishings than in 1949, but increases in sales of such things as women's clothes and footwear actually lagged behind the rate of increase in disposable incomes. A surprising proportion of the 3 per cent average increase in consumption, in fact, was accounted for by increases that were associated with a higher standard of living rather than with precautionary restocking. Expenditure on tobacco, alcohol and cinema-going rose during 1950 after having declined in 1949 and earlier years, while the biggest percentage increase of all (thanks to petrol

de-rationing) was the 18½ per cent increase in the volume of private motoring; actual expenditure on private motoring, in fact, rose by 33½ per cent, thanks partly to the increased price of petrol.

TABLE III—FINANCING OF GROSS DOMESTIC CAPITAL FORMATION

	£ Million			Percentage of Gross Domestic Saving		
	1938	1949	1950	1938	1949	1950
Depreciation provisions by enterprises	357	930	1,022	47	40	41
Additions to company's free reserves	231	480	354	30	21	15
Gross personal saving	224	353	332	29	15	13
Set aside through action of public authorities	-45	559	783	-6	24	31
Gross domestic saving	775	2,327	2,506	100	100	100
Lending by foreigners	78	-30	-229	...	...	...
Gross capital formation	845	2,297	2,277	...	...	...

The first columns of Table II also show that companies and public corporations added £116 million less to free reserves in 1950 than in 1949, although the reserves they had to accumulate against accruing tax liabilities were £135 million greater; the swing round in this latter item was due to the doubling of the rate of initial depreciation allowance on plant and machinery in the 1949 Finance Act. The fall in the rate of accumulation of free reserves by companies, together with the estimated fall in personal savings, had a marked effect on the pattern of financing of capital formation. Table III shows that saving resulting from the action of public authorities financed more than 50 per cent of net domestic capital formation last year; in 1938 this saving had been a minus quantity.

The emergence of the Government as the largest net purveyor of new savings must necessarily have had an impact on the pattern that new investment has assumed. The White Paper contains fuller estimates of the shape of capital expenditure than have previously been available; these estimates, which are summarised in Table IV, are backed up by the preliminary results of a sample census of investment in manufacturing industry in 1948 and 1949, the details of which are to be fully described in a forthcoming issue of the *Board of Trade Journal*. The division of investment activity between the different industrial groups in Table IV is not completely clear-cut, since purchases of such things as road vehicles, second-hand plant and office furniture have not been allocated to particular groups. Nevertheless, the ratio of capital formation to gross current output shows rather startling variations from one group to another: in 1950 this ratio was over 70 per cent in the gas, electricity and water industries, about 9 per cent in manufacturing industry as a whole and about 8½ per

cent in the "public services" sector (which includes health and education, but also a wide range of purely administrative expenditure). Within manufacturing industry itself, the biggest increase in investment activity in 1950 was in the chemical and allied trades and in metal manufacture; there was no visible correlation between increases in investment in individual industries and increases in company profits in those industries in 1949 (as shown in another new table in this year's White Paper).

This indication that the distribution of investment shows no consistent relationship to either output or profitability of the several industrial groups is not, of itself, proof that investment activity was misdirected last year; it is merely a sign that the old (and admittedly imperfect) mechanism whereby scarce investment resources were channelled into the most profitable forms of capital formation, is no longer functioning now that the Government has such a preponderant voice in the capital market. The tendency to disregard the profit-yardstick of the trend of demand, and to regard profit as something that is almost socially pernicious, can have

TABLE IV—CAPITAL EXPENDITURE ON FIXED ASSETS (£ Million)

	1949			1950		
	Plant, etc.	Buildings and Works	Total	Plant, etc.	Buildings and Works	Total
Agriculture, forestry and fishing	50	24	74	52	28	78
Coal mining	22	8	30	19	9	23
Manufacturing industry	255	105	372	233	122	405
Gas, electricity and water	100	54	154	117	60	177
Transport and communications	215	34	249	203	33	242
Roads goods vehicles	75	...	75	73	...	75
Housing	...	237	237	...	300	300
Services of public authorities (including public health and education)	8	73	81	8	94	102
Other	115	35	150	120	50	170
TOTAL	851	631	1,482	890	697	1,577

some odd results. In judging last year's outturn of the national economy, for example, there is food for thought whether official encouragement of a time-lag between rising import prices and rising retail prices (at the expense of profits) did not lead to an undesirable diversion of the whole increment of production towards consumers—especially foreign consumers—and also to a dangerous fall in raw material stocks. It may be that much of the value of these annual national income statistics—wide as the margin of error contained in them necessarily is—will be found increasingly to be in the light that they throw on unexpected outturns of this sort. The statistics provide a check on the past—as well as raw material for the future—of economic planning.



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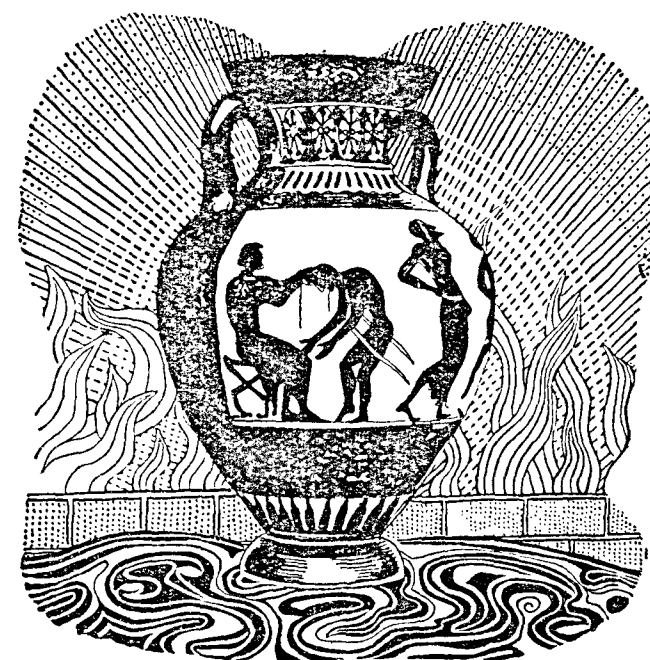
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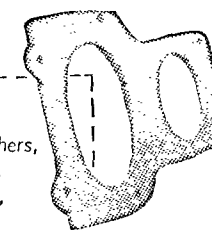
CHROMIUM



THE only workable source of the element chromium is chromite, a compound of chromium, iron and oxygen mined in Russia, Africa and Turkey. Chromium is known everywhere as the plating on taps, hardware and motor fittings, but it has other and more important applications. Alloyed with steel, for example, it imparts superior strength and surface hardness, and it is from chromium that stainless steel derives its resistance to corrosion. As well as being the source of chromium, crude chromite ore is used to make heat-resisting firebricks and cements for the construction of furnaces. Chromium derives its name from the Greek "χρῶμα", meaning colour, because its compounds are almost always coloured. Known as chrome pigments, some of these—the chromates of lead, zinc and barium for example—are used extensively for colouring paints, linoleum, rubber and ceramics. Chromium sulphate is important in tanning, and potassium dichromate in the dyeing of wool, silk and leather. Other chromium compounds are used in photography and in the manufacture of safety matches. I.C.I. makes a complete range of chrome pigments for the paint, linoleum and rubber industries, besides employing chromium compounds as catalysts in the manufacture of aviation petrol and methanol, an industrial alcohol.

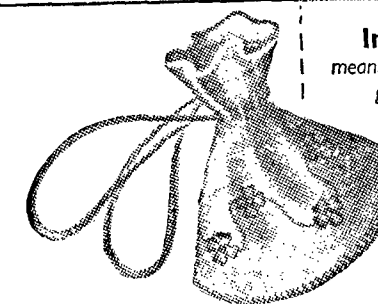


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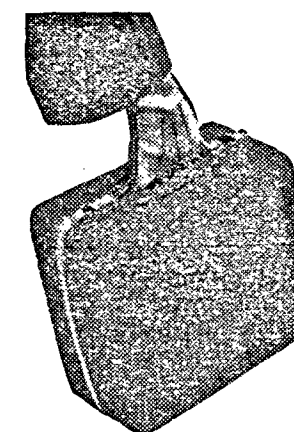
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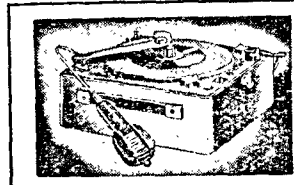
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Business Notes

Markets and the Budget

It was perhaps paradoxical that, on the morrow of a Budget that had raised distributed profits tax to 50 per cent and had given notice of the suspension of initial allowances in a year's time, the *Financial Times* index of ordinary shares should have risen by 2 full points to 124.6, its highest level for over three years. In part this performance reflected the City's relief that the Budget revealed no deliberately vicious Socialist drive against capital—and perhaps a failure to realise fully just how seriously industry's capital will eventually be affected by the measures now proposed. The relief helped to bring to the market some investment funds that the cautious had been holding back. More specifically, however, this post-budget strength of industrial equities apparently reflected a feeling that higher tax imposts—even on distributed profits—will come out in the wash of general inflation—at any rate for the not inconsiderable number of companies that would still have a large earnings cover for present ordinary dividends after providing for tax at the new rates. Apart from a few shares with a capital gearing that exposes them harshly to the increased tax, almost the only real falls on Wednesday were in brewery shares, for some investors had strangely expected a reduction in the beer duty. Shares hit by increased indirect taxation—such as entertainment shares and radio retailers—were marked down modestly at first but met little selling, while radio and television producers recovered fully from their initial mark-down on the thesis that purchase tax has been increased on their products only because rearmament should tend to keep their order books full. At the opening of business on Thursday the mood in the industrials market seemed a little more restrained than on Wednesday, but there was no sign of any substantial falls.

For the first hour of business on Wednesday, the gilt-edged market also seemed inclined to look the Budget squarely and firmly in the face, but, as the switch to industrials proceeded, it very naturally sent gilt-edged prices down. This downward movement seemed to have gathered a little more momentum by Thursday's opening, and, if the market is right in its apparent assumption that the Budget will still leave an uncovered inflationary gap, this tendency may continue for a time. The Chancellor's very mild observation in his Budget speech that rising interest rates had helped to damp down investment may be a sign that the Government has at last joined the ranks of those who do not regard this automatic (though imperfect) corrective to inflation with open disfavour—but it seems unlikely that it is much more than that.

* * *

The Future of Food Prices

The Chancellor's prudent decision to hold the bill for food subsidies at £410 million means that food prices will rise appreciably during the coming year. The Minister of Food is expected to announce shortly the increases he proposes to make in the retail prices of the rationed foods in order to keep within this ceiling. Quite substantial increases are inevitable, because Britain has recently agreed to pay more for both foreign and domestic food supplies. For example, it has been announced that a retrospective increase of 7½ per cent is to be paid for all Australian and New Zealand shipments of butter and cheese since last July. The price for Danish butter has also been increased by 7½ per cent and for Danish bacon from 5½ to 7½ per cent. A higher price is to be paid for both Commonwealth and foreign sugar. A fortnight ago the Minister of Agriculture announced higher prices to British farmers for home-produced foods,

while the Argentine meat negotiations, when and if they are concluded, will probably raise the price of meat by at least 20 per cent. Unfortunately, too, the increase in retail prices this year is likely to be proportionately greater than the increase in the Ministry's purchase prices; last year the Ministry was drawing on stocks that had been acquired relatively cheaply before devaluation. Against this, however, it must be remembered that the total cost of the food subsidies varies directly with consumption—and the Economic Survey's forecast that it will be possible to maintain food consumption in 1951 at about the same level as in 1950 may prove to have been too optimistic.

A fortnight ago the Minister of Food, in an address to the National Conference of Labour Women, said that it was likely that the increased cost of rationed and controlled foods would not amount to more than 8d. or 8½d. a week on each ration book in the coming fiscal year. This figure suggests an increased annual burden of about £85 million, which accords pretty well with the increased purchase prices already granted by the Ministry. Some £43½ million of the higher cost of home grown food is to be passed on to the consumer; the higher cost of imported butter and cheese will be about £6,500,000, based on last year's imports; meat and bacon will probably be about £20 million more and sugar about £7,000,000 more. These items together seem to account for £77 million of Mr Webb's implied figure of £85 million. The Minister has, of course, ample scope to juggle with the individual food subsidies and it is impossible to forecast on what foods increased prices will be passed through to the public. Bread has already gone up by ½d. for each 1½-lb loaf. Other increases that might be made would be to raise butter, cheese and meat by as much as 4d. a lb each, sugar by 1½d. a lb and potatoes by 2d. per lb. Such increases—and they are only examples of the wide scope available to the Ministry—would mean an increase in weekly expenditure of 7d. a person on present rations, so that there would still be need for further increases, equivalent to 1d. to 1½d. a week, to reach Mr Webb's figure. It is clear that the increases eventually decided upon will have to be spread over a fairly large number of foods and that they will have appreciable effect upon the cost-of-living index.

* * *

Ten per cent on Rail Freights

Mr Barnes was at pains to deny, when he recently sought the advice of the Transport Tribunal about the proposal to raise railway freight charges by 10 per cent, that he had reached any conclusions himself either about the increase or about the need for examination of the proposal in public hearings. Both matters, however, were foregone conclusions. The Tribunal proffered the advice that everybody—save possibly the Minister—had expected: the 10 per cent increase imposed from next Monday. So, without benefit of public examination, a major increase in British costs is brought into effect. How easy the process has become: the unions make their claim; one Minister tells the Railway Executive to meet it; a few weeks later, another Minister signs the order and sheds the load on to the consumer. There used to be an argument that if monopolies were inevitable they should be publicly owned. If there are any who still hold this view, they might reflect on this episode.

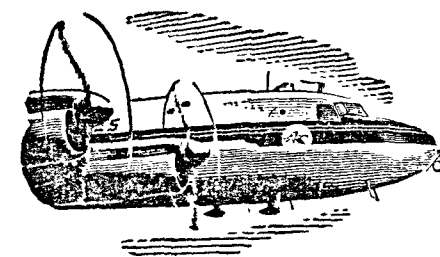
The Tribunal confirmed what was already clear—that the increase in rates will not be sufficient to meet the rise in railway costs in fact and in prospect and called for "substantial economies." It also revealed that a passenger charges scheme is in an advanced stage of preparation, with a freight

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scheme to follow in August. These schemes will, at any rate, be subject to a full public inquiry. The time must soon come, however, for a major review of the transport organisation, for faults in administration can never be put right, though they may be concealed, by adjustments of charges.

* * *

Wool Market Sags

The long-awaited break in the wool market occurred last week. On April 2nd, the very day that the new wool committee held its first meeting in Washington, wool prices in Australia fell by 10 per cent, primarily because there was no American buying. The United States is now the world's largest importer of raw wool, and the wool market, dominated in recent months by American demand, has proved no less responsive to the withdrawing of American support. The fall in prices in Australia was reflected in the London sales that opened last week. New Zealand crossbreds were the only types to resist and they showed a rise of up to 5 per cent. The hold-up in shipments from New Zealand because of the waterfront strike and the postponement of the New Zealand wool sales have created an acute dearth of these wools. On the opening days of this week, wool prices fell by as much as 30 per cent, but the market became noticeably firmer on Wednesday.

Any weakness in the wool market at this stage of the selling season is likely to be temporary. Wool consumption has declined in recent months, but annual consumption is still believed to be running beyond available supplies. Manufacturers are anxious about consumer resistance to higher retail prices for wool textiles when these come to reflect the greatly increased replacement costs of raw wool. But the facts about raw wool are inescapable; even if defence purposes required not a single bale of wool, supplies available for civilian consumption this year would be some 10 per cent less than in 1950.

No official news has come from Washington on the progress of the wool committee. It would be surprising if any concrete result could emerge. Schemes for international allocation of wool have been discussed many times during the past twelve months, and producing and consuming countries still persist in their widely divergent views. A further complication this time is the coming Australian election. The present Australian Government can hardly commit itself to any proposal that might vitally affect its woolgrowers, when it is not certain that it will be in office when the proposal has to be put in operation.

* * *

Rising Sterling Balances

The Balance of Payments White Paper was published too late to receive detailed treatment in last week's issue of *The Economist*, although it was possible to describe the general pattern of the external accounts in 1950 from statistics presented in the Economic Survey. The fuller information now available throws new light on such matters as the growth of the United Kingdom's sterling liabilities, the pattern of external capital transactions, and the details of payments cleared through the Intra-European Payments agreement and the European Payments Union. Official estimates of the size of the sterling balances are now compiled on a different basis from that previously adopted; holdings of United Kingdom securities by Colonial marketing boards and certain other official bodies are now included among these balances instead of being treated as investments in the United Kingdom. These changes in definition appear to have increased the estimate of United Kingdom sterling liabilities by nearly £100 million. The new compilation of these liabilities,

ties, showing the changes between December 31, 1945, and December 31, 1950, is as follows:

UK STERLING LIABILITIES
(£ Million)

At Dec. 31st:	1945	1946	1947	1948	1949	1950	
						June 30	Dec. 31
TO NON-STERLING AREA COUNTRIES:—							
Dollar area	36	35	21	24	36	37	85
Other W. Hemisphere...	164	213	235	135	80	88	45
OEEC countries	421	424	481	371	441	393	393
Other non-sterling countries	613	632	672	533	516	456	494
TOTAL — non-sterling area countries	1,234	1,304	1,309	1,063	1,073	1,004	1,023
TO STERLING AREA COUNTRIES:—							
Dependent overseas territories	447	495	502	554	583	646	752
Other sterling area countries	2,007	1,922	1,786	1,807	1,769	1,924	1,982
TOTAL — sterling area countries	2,545	2,417	2,288	2,361	2,352	2,570	2,734
TOTAL — STERLING LIABILITIES TO ALL COUNTRIES...	3,688	3,721	3,597	3,424	3,425	3,574	3,757
Non-territorial organisations	...	26	388	398	576	579	575
TOTAL	3,688	3,747	3,985	3,822	4,001	4,153	4,333

During the year 1950 the sterling liabilities to all countries rose by £332 million; there was a fall of £50 million in the balances held by non-sterling area countries and a rise of £382 million in the balances held by the sterling area. At the end of 1950 the sterling area held £2,734 million, or £280 million more than at the end of 1945. The dependent overseas territories showed the biggest proportional increase in their sterling holdings in 1950; their balances increased by £169 million as a result of the increase in prices of such commodities as tin, rubber and cocoa. It should be noted, however, that the net increase of £332 million in the sterling liabilities of the United Kingdom during 1950 was accompanied by a rise of £576 million in the gold and dollar reserves, an accumulation of £80 million by way of credit balances with EPU and an increase of £28 million in the Exchange Equalisation Account's holdings of non-dollar currencies. Thus the "cash reserves" of the sterling area banker went up by £684 million while his deposit liabilities increased by only £332 million; even allowing for the fact that this outturn was accompanied by a fall in certain other assets, such as stocks of food and raw materials, this was certainly a remarkable performance.

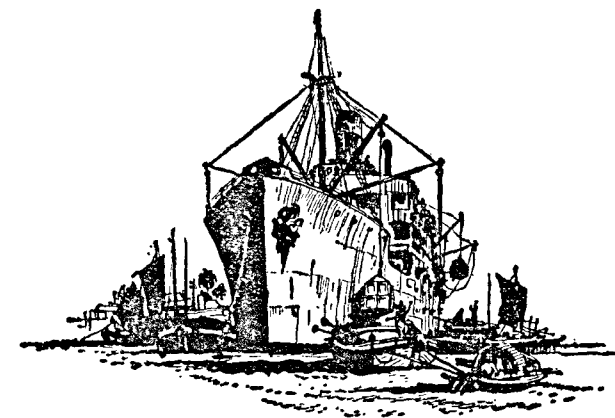
* * *

How the Surplus was Financed

The Balance of Payments White Paper also gives details of external investment transactions and of the financing of the surplus. The main categories in the investment and financing account are shown in the accompanying table.

INVESTMENT AND FINANCING ACCOUNT IN 1950
(£ Million)

	Dollar Area	Other Western Hemisphere	OEEC countries	Other non-sterling countries	Rest of sterling Area	Non-territorial organisations	TOTAL
GRANTS, ETC. (TO UK, —)	— 239	+ 2	+ 97	+ 1	...	...	— 139
GOLD, STERLING AND OTHER TRANSFERS	— 310	+ 23	— 112	— 77	+ 481	— 5	...
OVERSEAS INVESTMENT, BORROWING, ETC. (lending or repayment by UK, +; borrowing by UK or repayment to UK, —)	— 89	— 29	— 18	+ 26	+ 126	...	+ 18
CHANGE IN STERLING LIABILITIES, ETC. (increase in liabilities, —)	— 49	+ 34	+ 151	+ 22	— 382	...	— 224
GOLD AND DOLLAR RESERVES (increase, +)	+ 576	...	...	...	...	...	+ 576
TOTAL OF INVESTMENT AND FINANCING	— 111	+ 30	+ 118	— 28	+ 225	— 5	+ 223



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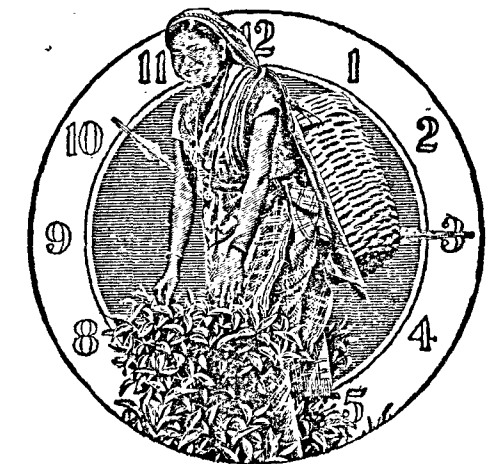


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The full account shows how the current account deficits and surpluses with the separate regions were financed. It also shows transactions in sterling, gold and foreign exchange that involved transfers of United Kingdom assets and liabilities between the major geographical areas; it thus makes it possible to reconcile Britain's overall surplus of £229 million on current account with the rise in the gold and dollar reserves and the changes in net sterling liabilities and other overseas investment transactions.

An innovation in the White Paper is a group of tables analysing transactions under the Intra-Europeans Payments Agreement and, after July 1st, 1950, under the European Payments Union. These show that the United Kingdom ran a current account surplus of £156 million with OEEC countries in 1950 and that the rest of the sterling area ran a surplus of £148 million with them. This total surplus of £304 million, however, was partially offset by net sterling transfers of £31 million to OEEC countries from other non-sterling countries (such as the South American and Middle Eastern countries). In consequence, the net sterling surplus handled through IEPA and EPU amounted to £273 million. It will be seen that the United Kingdom itself achieved about half of this surplus; the other half was achieved by the rest of the sterling area. It is provisionally estimated that the net sterling surplus achieved through EPU fell to £5,000,000 in March (not \$5,000,000 as inadvertently stated in *The Economist* last week); this fall, from an average of between £20 and £30 million in the past eight months, seems more likely to be due to a fall in the United Kingdom's than in the overseas sterling area's share of the surplus.

* * *

Vauxhall Motors Profits

The chairman of Vauxhall Motors Limited has reported that in 1950 the company produced 47,025 passenger cars and 40,429 commercial vehicles, total output being 4 per cent higher than in 1949. Total net sales increased by 6 per cent. They amounted to £31,637,999, more than half being exports; 76 per cent of the cars and 63 per cent of the commercial vehicles produced were sold abroad. The company showed a trading profit of £4,532,410 and a net profit of £1,101,495 after allowing for taxation, depreciation, special tooling, and other charges. This net profit was 12 per cent lower than last year's figure of £1,249,254 although the trading profit was 11 per cent higher.

Mr Vansittart gave two reasons for the drop in net profit. First, the company had tried to keep its prices unchanged for as long as possible in the face of rising costs, so that the profit margin earned on each vehicle had tended to shrink. Secondly, the allowances for depreciation, special tooling and loan interest aggregated £1,404,506, compared with only £944,422 in 1949. The first half of the company's £10 million expansion programme had been completed during the year with the opening of an additional 19-acre plant and a new boiler house; nearly £1,000,000 was spent on tools for new models.

The erection and equipping of these new buildings has so far cost Vauxhall £5,000,000, and has been responsible for a drop of nearly £3,000,000 in the company's cash balance during the year. Expenditure on such a scale can be justified only by increased output, so that the 20 per cent reduction in sheet steel allocations has come at a particularly unfortunate time for the company. Limitations on production last year made it impossible to obtain full benefit from the new plant, in which all commercial vehicle production has been concentrated, and the new cut this year has forced the company to work a 4-day week since the beginning of February. It is one of those likely to receive army contracts this year, but these orders will not increase total output unless extra materials are allocated for them. Although such allocations have, in fact, been given to other motor manufacturers who have received army contracts,

general shortages could make it impossible to continue to do this in every case.

* * *

Controlling Rubber Exports

The so-called "special" rubber conference resumed its meeting in Rome this week. It first met in London last month, and was adjourned to allow governments to reconsider the problems of controlling exports and of providing long-term stability for the rubber market. It has reopened in a more optimistic setting. Since April 9th the Board of Trade has required licences for the export of natural rubber (including crêpe), latex and gutta-percha to all destinations other than the Commonwealth, the Irish Republic and the United States: Britain will thus be able to control the flow of supplies to Russia, China and other communist dominated countries. But before this control can be really effective, similar regulations must be introduced by those countries excepted from the order; otherwise a three-way trade could develop. Malaya, following closely on Britain's heels, put a similar order into operation on the same day, and the open general licences previously in operation have been withdrawn. Thus the problem of re-directing exports is at last being tackled, though it remains to be seen how effectively the new regulations can be enforced.

The second problem is more difficult. A system of multi-lateral long-term contracts covering a period of about five years has already been proposed, but the United States apparently feels that it cannot commit itself for such a long period. Rubber production in Indonesia is expanding rapidly and considerably adding to total world output. In the first quarter of this year Indonesian smallholder output reached an annual rate of 700,000 tons; this compares with a total smallholder production there last year of 516,000 tons and an estate production of 171,000 tons. World production of natural rubber this year, therefore, might reach 250,000 tons more than in 1950—a total of 2,100,000 tons. Such a large output could be easily absorbed by civilian consumption, defence requirements and purchases for stock at the present time, despite the expansion in American synthetic rubber production. But it might be extremely embarrassing when the armament drive subsides.

A meeting of the rubber study group is due to take place in Rome next Monday after the "special" conference has ended, but this appears to be a matter of routine. Questions of policy are clearly being dealt with by the conference; the study group will most probably be left its usual statistical task of forecasting trends in world production and consumption.

* * *

Experiment in Darlington

Patons and Baldwins' decision during the war to concentrate the productive capacity of its six knitting-wool mills in Yorkshire and Leicestershire under the roof of one vast new plant in Darlington ranks as one of the boldest ventures undertaken in the wool industry in recent years. The spinning plant now completed and almost fully equipped is the largest in the world for knitting wool; it is designed to employ 3,000 workers with an output of 15 million lb. a year; it brings together all the processes between the fleece and the packed, branded product. In detail, its departures from the industry's established practice are equally radical. The factory is a single-storey structure covering 34 acres of a 140-acre site, utterly unlike the multi-storey mills traditional in the industry since it first established itself on the steep banks of Yorkshire streams. It incorporates mechanical handling methods entirely new to the industry; its working atmosphere is constantly filtered and washed by air-conditioning plant that also controls heat and humidity; and

certain of the spinning and twisting machinery is of the new centrifugal type introduced in the wool industry since the war.

The location, selected partly at the instance of the Government, confronted the company with human as well as technical problems. Darlington is only a few miles outside Yorkshire, but its labour was untrained in wool spinning; many of the girls, who make up two-thirds of the factory's labour force, had never worked in any factory before, and there was none of that "inherited skill" the wool industry prizes. In recruiting the 2,000 workers now employed, Patons and Baldwins have had to cast their net fairly wide, organising a special transport service to fetch employees from Tees-side and other outlying districts; gathering the final thousand needed to bring the factory into full production by the end of this year may not be easy. But an elaborate "Training within Industry" scheme has already been extremely successful; in certain processes entirely fresh workers are more easy to train in correct methods. The company has brought only 150 operatives from the older mills that are gradually being closed down; already, in some sections, the new workers these have trained are achieving standards well above those normal in the West Riding. Provision of welfare and sports facilities has laid a foundation for good labour relations from the start.

Patons and Baldwins' experiment will be finally assessable (though parts of the Darlington factory have been working since December, 1947) in the course of years rather than months. The venture has cost roughly £7,000,000, far more than was expected at the outset, but the savings in labour resulting from mechanical handling and better layout of machinery have also been greater than was thought. Mr P. A. Wright, vice-chairman of the company, who was responsible for the planning of the Darlington plant, believes that rebuilding of this kind in a new area would probably not be economical for an individual mill in the wool industry;

and doubtfully so for a number of mills in the same concern engaged upon sectional work such as spinning or top-making. But for a group of mills concerned with the raw wool to the finished article, and consequently involved in an inevitable duplication of processes and stocks, concentration into one big unit may be a far sounder proposition.

* * *

Suez Canal Traffic Trends

Traffic through the Suez Canal in 1950 was the heaviest on record. No fewer than 11,751 ships passed through the Canal, totalling 81,786,000 tons net, compared with 10,420 vessels of 68,862,000 tons in 1949; and although the number of transits was only 12.8 per cent higher, the net tonnage was 18.8 per cent higher, indicating an increase in the average size of ships using the Canal. The average size did increase, in fact, from 6,609 tons in 1949 to 6,961 tons in 1950, while for tankers alone the increase in size was from 7,334 to 7,720 tons net. The predominance of tanker traffic was even more marked than in the previous year, accounting for 52,092,000 tons, or 63.7 per cent of the total. But it is notable that the proportion of tanker traffic to the total declined in the later months of the year, partly because of the opening of pipelines and partly because non-tanker shipments increased.

The total cargo shipped through the Canal was also a record in 1950, reaching 72,609,000 tons, compared with 61,055,000 tons in 1949. Northbound traffic increased from 48,027,000 tons to 60,468,000 tons, more than three times the prewar average, and this increase was mainly due to oil products, which accounted for 79 per cent of the northbound traffic. Kuwait for the first time was the principal country of origin, followed by Iran and Saudi Arabia, which was the principal exporter in 1949. Despite the opening of the Trans-Arabian pipeline in the last quarter of the year,



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Saudi Arabia's Canal traffic was 15 per cent greater than in 1949. The destination of oil traffic through the Canal showed little change, more than 20 per cent going to Great Britain, some 50 per cent to the rest of Europe, and about 16 per cent to North America.

An influence of considerable importance, in view of the expected decline in tanker traffic with the opening of the new pipelines, is the development of non-tanker traffic through the Canal. Every month since March, 1950, products other than oil have exceeded the prewar average, the annual increase amounting to more than 10 per cent. Unlike 1949, northbound traffic exceeded southbound, oil always excepted, although only by 8 per cent compared with the prewar average margin of 82 per cent. Total southbound traffic slightly declined during 1950, principally because of a drop in imports of salt to Japan and the falling off of grain imports to India through the Canal in the last half of the year; manufactured metal goods and cement, however, formed the principal cargoes. The increase in non-tanker cargoes in the northbound direction was due principally to increased American imports of manganese, zinc and rubber.

Gold Output in 1950

The Annual Bullion Review published by Messrs Samuel Montagu and Company contains the Union Corporation's customary annual estimates of world gold production. These estimates are as follows:

WORLD GOLD PRODUCTION (in thousands of fine ounces)			
	1948	1949	1950
Union of South Africa	11,585	11,705	11,653
Canada	3,530	4,113	4,400
USA	2,025	1,935	2,400
USSR	2,000	2,000	2,000
Australia	831	835	850
Gold Coast	672	677	630
Southern Rhodesia	514	523	510
Mexico	353	405	400
Colombia	353	353	405
Congo	300	334	350
Philippines	203	283	300
Korea	300	300	200
Chile	154	179	200
India	189	151	189
Brazil	157	180	180
Japan	70	130	120
Peru	111	112	110
Fiji	93	90	90
New Zealand	94	85	85
New Guinea	87	93	75
Sweden	75	75	75
Tanganyika	58	69	65
Elsewhere	815	757	652
World Total	24,633	25,500	25,000
British Empire	17,785	18,493	18,700
British Empire percentage	72.2	72.5	71.9
South African percentage	47.0	45.9	44.9

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Estimated production in 1950 was 500,000 ounces higher than in 1949. The increased output of Canadian and the United States mines has more than offset declines elsewhere. The estimates for Soviet production are said to be purely nominal and may bear little relation to reality. In their comments on the future of gold prices Messrs Samuel Montagu seem to harbour few expectations either of an increase in the official price of gold or of an appreciable rise in the free market price. They suggest that "the attention of gold producers is likely to be focused more than ever on the premium prices obtainable in the free markets and . . . it is difficult to envisage a very much greater expansion of output which would absorb this potential increase. . . . Therefore unless continued inflation and very large losses of gold force a radical change in the present US gold policy, we do not envisage any material rise in free market prices." The recent experience of the market bears out this reasoning.

Shorter Notes

Last week's coal output from the mines amounted to 4,439,000 tons, which was the highest, apart from seasonal "bull" weeks, for more than ten years; so far this year 58,240,000 tons has been produced in fourteen weeks, which is some 1,250,000 tons higher than in 1950. The miners, therefore, are likely to come much nearer the Prime Minister's target of "three million tons extra" by the end of April than any observer outside the industry would have predicted when it was made. This lends justification to their decision last week to suspend Saturday work in the three summer months, and resume it in September. Saturday work at many pits is uneconomic, even apart from the effect it tends to have upon attendance during the week; and in the coming months the continued training of new recruits and better organisation underground should bring more miners forward to the coal-face out of the 14,000 who have entered the industry since the beginning of the year.

The price of cement was recently increased by 2s. a ton, bringing the price in the London area up to 84s. a ton; but this is still considerably lower than prices in other countries. The outcome of current wage negotiations in the industry is likely to lead to a further rise, so will the increase in railway freight charges. The price of cement bags is expected to go up from 13s. 6d. for each ton of cement to between 17s. 6d. and 18s.—this charge is included in the selling price of cement. The new Associated Portland plant at Shoreham is now in production and the prices in its delivery area, which includes parts of Wiltshire and Somerset, have risen by an average of 6s. a ton. A large proportion of this increase represents the difference in the cost of amortising the new plant, which cost about £2,500,000, compared with that of older plants, the costs of which previously set the price level for those areas.

Company Notes

Ford Motor.—The report for 1950 contains several points of special interest. Not least of these is the completion, since the last report, of the sale of European and Egyptian subsidiaries by Ford Investment Company to the American Ford Company. The Investment Company was consequently liquidated early in 1951, and its funds have been transferred to the parent company, whose financial resources have thus been substantially strengthened. The consolidated balance sheet shows that considerable progress has been made in connection with expansion and replacement of capital assets, net additions to which amounted to more than £3,369,000; plans for further substantial expenditure have also been made, the aggregate amount of which, not provided for in the accounts, is estimated at £3,221,000. The reserve for replacement of fixed assets, which a year ago stood at £2,000,000, has been increased to £6,543,517 by the transfer of £2,543,517 of excess depreciation dating from July 1, 1948, and of £2,000,000 appropriated from the profit and loss account. The directors' comment on this item in the balance sheet records that even so "the amount of this reserve is less than the estimated sum required to meet the excess ultimate cost of replacing fixed assets."

	Years to Dec. 31, 1949	1950
Consolidated earnings	6,000,300	11,643,282
Total income	6,295,672	11,762,368
Taxation	2,771,481	4,729,394
Depreciation	732,518	1,683,558
Ordinary dividend	495,000	618,750
	(10%)	(12½%)
Carry forward (parent)	1,937,689	258,274
Consolidated Bal. Sheet Analysis:		
Fixed assets, less depreciation	6,751,829	11,319,783
Net current assets	18,745,675	21,365,633
Stocks	7,684,378	7,991,420
Cash and tax res. certis.	12,397,230	20,600,494
Revenue reserves	2,158,537	4,106,000
Ordinary capital	9,000,000	9,000,000

The profit and loss account shows an increase of £5,612,982 to £11,643,282 in trading profit, this increase being largely due to continued development of the company's exports. Depreciation is increased by £951,040 to £1,683,558, of which £962,333 results from a change in the basis of computation. A contingencies reserve is inaugurated with an appropriation of £400,000 and the reserve for replacement of fixed assets (as stated above) receives £2,000,000 (£500,000). Employees' benefits are generously augmented to the amount of £1,200,000.

As for the future, the general strength of the company's finances augurs well. The chairman's recent statement that the 1950 profits are unlikely to be repeated in 1951 is associated with the introduction of new models. These changes have no doubt heightened the difficulties already caused by shortages of materials and components. To be fair, Ford ordinary shares should be judged neither by the spectacular figures for last year nor by the prospective fall in this year's earnings. There is nothing in the report that suggests any impairment of their long-term prospects.

At their present price of 48s. 9d. the ordinary shares show a gross yield of £5 2s. 6d. per cent.

Canadian Pacific.—Despite rising costs, a nine day stoppage due to a strike by non-operating employees and a lower volume of traffic, net income of the Canadian Pacific available for dividends on Ordinary stock and surplus amounted to \$44,478,000 last year or \$3.32 per share, compared with \$25,852,000 or \$1.93 in the previous year. This result was achieved partly by freight rate increases which became effective in April and June as a result of the final decisions

for a 20% increase by the Royal Commission on Transportation on the railways' 1948 application. But substantial savings brought about by improved efficiency and equipment (including installation of some diesel power and conversion of certain coal-burning locos to oil) were also a significant factor. Gross railway earnings rose \$15,324,594 to \$378,576,688, but working expenses fell by \$2,063,794, and the ratio of net to gross earnings rose from 5.7 per cent to 10 per cent. Substantial wage increases for the non-operating employees became effective from August 31, 1950, and on June 1st this year the 40-hour week will be introduced on the railways. The improvement in earnings due to the freight rate increase is thus threatened already, and the steadily rising cost of labour and materials has impelled the company, together with other Canadian Railways, to apply to the Board of Transport Commissioners for authority to make a further and immediate general increase in freight rates of 5% (10c. per ton on coal and coke and statutory increases on West Canadian grain) plus such additional percentage as may be necessary to cover the increase in operating expenses which will follow the inauguration of the 40-hour week.

The company is also requesting the Board to fix "a fair rate of return" on the net investment in railway property, submitting that such rate should not be less than 6½ per cent, and this should establish a rate base. The railway net earnings of \$38,020,357 last year represented 3½ per cent. But before ordinary stockholders get out their slide rules to work out what their earnings would be if this contention were to be granted, they would do well to recall the history of the Standard Rate conception in this country. In an end-1950 statement the President of the company referred to consciousness of "the great strides made by other forms of transport in the past two decades and of their improved competitive position."

The dividend rate for the year has been stepped up from 5 per cent to 6 per cent, i.e., \$1.50 on the \$25 shares. The apparent earnings rate is over 13 per cent, but stockholders will rightly regard this arithmetical surplus as less important than the course of the new application for an increase in freight rates.

British Aluminium.—One of the chief features of interest in the full British Aluminium report for 1950 (the preliminary figures were discussed in these notes last week) is the impact of the capital issues on the financial position. Of the £3,400,000 represented by the issue of 2,000,000 £1 ordinary at 34s., £2,000,000 had been received at the end of the year. Net current resources of the parent company at £5,206,468 actually increased by £2,200,000 after providing £90,000 for issue expenses and £737,000 for gross additions to fixed assets. With cash in hand at £1,304,873 and £1,400,000 received since the end of the year the company appears comfortably placed to handle the requirements of the expansion programme, outstanding contracts for which were estimated at £789,469 at the date of the balance sheet.

The accounts do not show directly how the volume of trading changed during the year. Stocks of metal, materials, etc., and sundry debtors at £6,763,010 are only some £370,000 up. Though aluminium prices have not risen greatly in the past year, the increase in these current items seems to indicate that higher prices rather than any substantial increase in the volume of trade may have accounted for the augment in trading profits from £1,292,622 to £1,780,150. It seems, therefore, that the main results of the expansion scheme have yet to be seen.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Apr. 4, 1951	Price, Apr. 11, 1951	Yield, April 11, 1951 (a)	Gross Yield, April 11, 1951
War Bonds 2½%	100½	100½	£ s. d.	£ s. d.
Mar. 1, 1951-53	101½	101½	0 14 8	0 14 8
War Bonds 2½%	101½	101½	0 14 8	0 15 10
Mar. 1, 1952-54	101½	101½	0 14 8	0 15 10
Exchequer Stk. 2½%	101½	101½	0 13 6	1 15 7
Feb. 15, 1955	102½	102½	0 12 9	1 17 4
War Bonds 2½%	102½	102½	0 12 8	1 17 4
Aug. 15, 1954-56	102½	102½	0 12 8	1 17 4
Funding 2½%	102½	102½	0 12 8	1 17 4
June 15, 1952-57	103½	103½	0 12 11	2 10 3
Nat. Defence 3½%	103½	103½	0 14 1	2 4 3
July 15, 1954-58	103½	103½	0 13 5	2 12 6
War Loan 3½%	103½	103½	0 17 10	2 5 10
Oct. 15, 1955-59	99	99	1 4 0	2 12 0
Savings Bonds 3½%	99	99	1 15 3	3 4 8
Aug. 15, 1955-65	97½	97½	1 15 3	3 4 8
Funding 2½%	97½	97½	1 15 3	3 4 8
April 15, 1956-61	95½	95½	2 4 2	3 13 5
Funding 3½%	95½	95½	2 4 2	3 13 5
April 15, 1959-69	97½	97½	1 15 3	3 4 8
Funding 3½%	97½	97½	1 15 3	3 4 8
Aug. 1, 1966-68	104½	104½	1 12 2	3 9 1
Funding 4½%	104½	104½	1 12 2	3 9 1
May 1, 1960-90	95½	95½	2 3 2	3 12 11
Savings Bonds 3½%	95½	95½	1 17 7	3 7 2
Sept. 1, 1960-70	91½	91½	2 0 10	3 5 1
Savings Bonds 2½%	91½	91½	1 18 4	3 3 2
May 1, 1964-67	106	106	1 12 10	3 9 8
Victory Bonds 4½%	93½	93½	2 3 1	3 13 3
Sept. 1, 1920-76	93½	93½	1 18 11	3 9 0
Savings Bonds 3½%	101½	101½	1 19 5	3 18 8
Consols 4½%	92½	92½	2 0 1	3 16 4
(after Feb. 1, 1957)	92½	92½	1 19 2	3 14 9
Conversion 3½%	79½	79½	1 19 8	3 15 6
Treasury Stk. 2½%	99½	99½	1 17 5	3 11 6
(after Dec. 1, 1957)	99½	99½	1 17 5	3 11 6
Treasury Stk. 3½%	88½	88½	2 1 7	3 12 8
June 15, 1977-80	88½	88½	1 19 11	3 11 3
Redemp. Stk. 3½%	92½	92½	2 0 4	3 17 4
Oct. 1986-96	68½	68½	1 18 11	3 14 2
War Loan 3½%	93½	93½	2 1 3	3 11 6
(after Dec. 1, 1952)	93½	93½	1 19 4	3 9 1
Brit. Elect. 3½% Gtd.	92½	92½	2 0 1	3 10 2
April 1, 1968-73	100	98½	1 19 3	3 9 5
Mar. 15, 1974-77	100	98½	1 18 11	3 11 6
Brit. Elect. 3½% Gtd.	88½	88	2 3 8	3 15 2
Nov. 15, 1976-79	88½	88	2 1 1	3 12 8
Brit. Tpt. 3½% Gtd.	93½	93	2 1 5	3 11 3
July 1, 1978-88	87½	86½	1 19 5	3 9 3
Brit. Tpt. 3½% Gtd.	87½	86½	2 0 8	3 12 6
April 1, 1968-73	98½	98	1 18 11	3 12 11
Brit. Gas Gtd. 3½%	98½	98	1 18 9	3 12 10
May 1, 1990-95				
Brit. Iron & Steel				
3½%				
Feb. 15, 1979-81				

(a) To earliest date. (b) Flat yield. (c) Assuming redemption in 1957. (d) Flat yield given above. (e) 11 1/2% redemption yield. (f) 14 1/2% gross (9 1/2% net). (g) To latest date. (h) Net yields are calculated after allowing for tax at 8s. 6d. in £. * Assumed average life 13 years 5 months.

Last Two Dividends	Ordinary Stocks	Price, Apr. 4, 1951	Price, Apr. 11, 1951	Yield, April 11, 1951
(a) (b) (c)				
25 a	40 b	Anglo-Am. 10/-	8½	8½
25 b	5 a	Anglo-Iran. £1	5½	5½
5 a	15 b	Assoc. Elec. £1	86/3	90/-
7½ a	20 b	Assoc. P. Cem. £1	95/-	98/-
40 c	35 c	Austin 5/-	27/3	28/11
15 a	20 b	Baes £1	152/6	148/11
40 c	10 a	Boots 5/-	47/-	47/-
8 a	10 c	Br. Celanese 10/-	27/3	28/-
8 a	12 b	Br. Oxygen £1	92 6ad	92 6ad
5 a	7½ b	Coats £1	56/6	61/10
5 b	5 a	Courtaulds £1	42/-	43/-
20 c	6½ a	Distillers 4/-	20/9	21/6
15 c	15 c	Dunlop £1	59/-	59/-
10 c	12½ c	Ford £1	48/9ad	48/9ad
17½ c	17½ c	Gen. Elect. £1	85/-	86/9
11 c	21 a	Guinness £1	131/3	130/7½
15 a	17½ b	Hawker Sid. 5/-	34/4	36/-
7 b	3 a	Imp. Chem. £1	46/7½	46/3
13½ a	18½ c	Imp. Tobacco £1	98/9	98/9
5 a	7½ b	Lanes Cotton £1	41/10½	43/9
10 c	10 c	Lever £1	48/11	48/9
15 c	15 c	Lon. Brick £1	57/6	58/9
4 b	8 a	Marks & Sp. A 5/-	84/9	85/3
17½ b	7½ a	P & O Def. £1	56/-	58/-
15 b	15 a	P. Johnson 10/-	38/6	39/-
12½ a	12½ a	"Shell" Stk. £1	89/4	90/-
3½ a	12½ b	Tube Invest. £1	6½	6½
8 c	8 c	T. & Newall £1	93/11	93/11
17½ c	8 c	Union Castle £1	37/6	38/-
17½ c	50 c	U. Sun Betong £1	75/-	76/3
11 c	21 a	Vickers £1	42/6	44/3
15 a	27½ b	Woolworth 5/-	44/9	45/-

(a) Interim. (b) Final. (c) Whole year. †Free of tax.

The report was adopted.

THE ENGLISH ASSOCIATION OF AMERICAN BOND AND SHARE HOLDERS, LIMITED

CONTINUED EXPANSION OF BUSINESS

The sixty-sixth annual general meeting of the English Association of American Bond and Share Holders, Limited, was held on April 12, 1951, at 5, Great Winchester Street, London, E.C., Mr J. F. A. Swanston, the chairman, presiding.

The secretary (Mr C. R. Hardy) having read the notice convening the meeting and the report of the auditors;

The chairman said: Gentlemen—unless any shareholder signifies to the contrary I will assume it to be the wish of the meeting that the annual report be taken as read. (Agreed.)

The comments I ventured to make, when I had the opportunity of addressing you a year ago, as to the inaccessibility of dollar stocks to the would-be British investor, apply with equal force at the present time. And until the situation permits of some relaxation in the present restrictions we cannot hope for any amelioration. There are, of course, quite a considerable number of Britons who held and still hold dollar stocks, which were not vested in the British Treasury. Many of these stocks have shown remarkable increases in both capital values and dividends, to the benefit of their owners and to the supply of dollars to the British Treasury, which latter factor is sometimes overlooked.

There have been many stock issues in America during 1950, sometimes carrying valuable subscription rights, which prompts me once again to mention the special certificates we issue against the original dollar certificates, which ensure that if the owner of such certificates is away or incapacitated his interests are looked after by this association. Our secretary will be happy to supply an explanatory leaflet.

We pay a tribute in our report to the work of our officers and staff, with which I am sure the shareholders would wish to be associated.

Our annual report calls for little comment from me, as it speaks for itself. You will have observed that our gross revenue from ordinary business shows an increase of £4,663 and that we continue to build up our general reserve. I would merely like to emphasise the fact that our revenue figures give little idea of the wide volume of our business, which is constantly being extended. It only remains for me, gentlemen, to proceed to the formal business and I now beg to move:

"That the report and statement of accounts for the year ended December 31, 1950, be received and adopted and that a final dividend of 10 per cent., namely £1 per share, be distributed making, with the interim dividend of 8s. per share, already distributed, a total of 14 per cent., less income tax, on the paid up capital of the company."

Mr Leslie W. Farrow, C.B.E., seconded the resolution and it was carried unanimously. The chairman proposed the re-election of Mr Leslie W. Farrow, C.B.E., the director retiring by rotation.

Mr Hubert Smithers, O.B.E., seconded the resolution and it was carried unanimously. A cordial vote of thanks was passed to the chairman which he suitably acknowledged.

The proceedings then terminated.

UPSONS LIMITED

(Dolcis Shoe Company)

CONTINUED EXPANSION

The thirty-first annual general meeting of Upsons Limited was held on April 12th in London, Mr T. N. Bird (the chairman), presiding.

The chairman, in the course of his speech, said: The accounts under consideration today cover the period of 13 months to January 31, 1951, and include two Januarys, a month not usually one of the most profitable.

I have the pleasure to report another period of expanding business. Unit sales of Dolcis shoes increased at home and in countries overseas. Eleven new branches have been opened. Our short experience of the new branches is satisfactory in every way and up to our expectations.

EXCLUSIVE DESIGNS

As you know, we enjoy a very considerable trade in ladies' footwear. Our studio has developed the most up-to-date ideas and has materially assisted our manufacturers in producing exclusive Dolcis designs. In addition we are showing a steady increase from year to year in the sales of Dolcis men's shoes. The new Dolcis store at 55-59, Oxford Street, London, exclusively for men's shoes, has been remarkably successful. Fretoze shoes for children have been continued on well established lines and an increase in turnover has been achieved.

In continuation of the energetic and progressive policy of the board and as a further effort in the export trade, we are planning to convey Dolcis shoes and Dolcis methods to Canada. A careful study of conditions in the Dominion has been made and steps are being taken to open later in the year two Dolcis shops in Toronto and another in the capital city—Ottawa. This is likely to be the basis of further developments there.

Since our accounts were prepared, the Chancellor has opened his Budget. The main provisions which affect us are the increase from 30 per cent. to 50 per cent. in Profits Tax on distributed profits and from 9s. to 9s. 6d. in the £ in the standard rate of income tax. I calculate that in a full year the extra Profits Tax on the basis of our present distribution will cost us net about £22,000. The extra 6d. on income tax will take about £15,000 in a full year.

ADVERSE EFFECT OF PURCHASE TAX

It is not within my province to criticise the wisdom or unwisdom of Budgetary policy beyond reminding you that Profits Tax, whether on distributed or undistributed profits, falls wholly on undistributed profits. Business requires profit for development and progress, and I am glad to notice that the Chancellor in his Budget Speech did not dissent from this view. I regret that he found himself unable to take a more courageous view about purchase tax, which we believe to be wrong in principle and which continues to have its adverse effect on our industry by discounting the value of craftsmanship and quality, while at the same time inflating prices in an unjust manner.

A promising start has been made for 1951. So much now depends on the influence on trade of political circumstances at home and abroad that one needs to be cautious rather than prophetic. I feel certain, however, that it will not be through any lack of effort on the part of the management and staff if the coming year is not as successful as last.

The report was adopted.

TRADE INDEMNITY COMPANY

INCREASINGLY VALUABLE OPERATIONS

MR C. H. FALLOON ON THE BUSINESS EXPANSION

The thirty-third ordinary general meeting of the Trade Indemnity Company Limited was held on April 5th in London.

Mr C. H. Falloon, the chairman, who presided, said:—

As you will have seen from the report, Mr R. M. Hamilton has resigned his position as a member of the board on his retirement from active business. I would like to take this opportunity of acknowledging the valuable support rendered by him to the company during his 13 years of service and to wish him many years of health and happiness in his retirement. In his place we welcome Mr H. T. Silversides, and we are also very pleased to have acquired the support of Mr A. C. Bull, Mr W. F. Gardner, and Mr L. J. Taylor, whose re-election I shall ask you in due course to confirm.

To turn now to the accounts, the 1948 underwriting account has been closed at the end of its third year with a favourable balance of £66,488, which has been transferred to profit and loss account.

The 1949 and 1950 underwriting accounts remain open and the balances of £86,388 and £69,774 respectively are carried forward. It is, of course, quite impossible at this stage to forecast the ultimate fate of these accounts, but, in the light of past experience, the balances carried forward can be regarded as satisfactory. An interesting feature is the continued progress made in our activities as demonstrated by a gross premium income for the year 1948 of £203,925, as compared with £312,062 for 1949 and £448,733 for 1950.

Rents, salaries, and other charges have risen from £51,540 in 1949 to £68,687 in 1950. The rise is not unreasonable in view of our larger turnover, and, of course, some increase is inevitable with a rapidly expanding business.

As regards the profit and loss account, you will have noticed that we made a profit of £21,647 on realisation of investments. In view of the uncertainties of today we have thought it prudent to transfer £20,000 of this to the contingency reserve, bringing that reserve up to £70,000. We have also written off the whole initial expenditure of £7,255 on the lease of our new office premises at Palmerston House, 51, Bishopsgate. This will leave an available balance of £186,284, out of which we recommend the payment of a dividend of 10 per cent., less tax, amounting to £13,750, leaving £172,534 to be carried forward.

PROPOSED CAPITAL INCREASE

Although the point falls to be dealt with at an extraordinary general meeting immediately following this meeting, it may not be out of place to mention the proposal to increase the company's capital to £300,000 by the creation of 50,000 fully paid £1 shares. If the proposed resolutions are passed they would reduce the carry-forward of £172,534 to £122,534.

I think we can claim that the progress of the company in 1950 has been satisfactory and that our operations are making an increasingly valuable contribution to the country's trade. It does, however, bring with it many serious problems for us. In the last 12 months the cost of basic materials used in industry has more than doubled. The Board of Trade index for 1950, based on 1930 at 100, gave the cost as 320. In February, 1951, it was 661.1. At the top of the list was wool, which has risen from 388.1 to 1,005. Obviously these price increases

have created a very serious financial problem for merchants and manufacturers who in 12 years of penal taxation have not been able to build up their capital resources at the rate required to maintain normal safety factors. So long as prices continue to rise and the spiral of inflation remains unbroken the danger of a major catastrophe is obscured, but the possibility is there nevertheless and we are watching the position most carefully.

Arising out of this difficulty of finance, we have been asked from time to time whether we would consider issuing marginal guarantees to enable traders to obtain larger loans and advances against goods in transit and in stock, and so far we have refused. In our opinion the need for these marginal guarantees only arises where a concern is over-trading, and, although that applies to most businesses judged by pre-war standards, we maintain it is a problem for the banks rather than for us.

One difficulty facing the merchant or manufacturer to-day is that his customers require more time to pay for their goods and he is called upon to grant credits beyond limits which he would have considered justified a few years ago. He is extended himself and he knows that, if he incurs a bad debt it may be of a size to cripple or destroy him. Accordingly, he is more than ever inclined to turn to us for protection and, what is equally important, for guidance. This, as much as anything, is the explanation of our expanding activities. Whilst we welcome

the increased interest in credit insurance which circumstances have helped to arouse, we, too, are somewhat concerned at the size of the credits we are called upon to insure, and it would be foolish to lose sight of the growing strain and reduced safety factors to which I have referred earlier on. However, as I have said before, we are fully alive to the position generally.

Before I close my remarks I would like to pay tribute to the work done by Mr. Patrick and his staff. The rapid increase in our business, combined with the problems brought by inflation, has made a very difficult year for them all. They have, however, responded loyally to the call upon them and are to be congratulated upon the excellent results they have produced.

The report and accounts were adopted.

TELEGRAPH CONSTRUCTION AND MAINTENANCE COMPANY, LIMITED

FURTHER PROGRESS

The eighty-seventh annual general meeting of this company was held on April 10th in London, The Rt. Hon. Lord Colgrain, the chairman, presiding.

The following is an extract from his circulated statement for 1950:

The company has had another successful year. The year under review has been a very active one, while the trading results of our subsidiary and associated companies have been both satisfactory and encouraging.

The balance of trading account £307,408 shows an increase of £12,601 over that of last year. The net profit is £160,924. The board recommend a final dividend of 5 per cent. and propose to augment it by distributing the 1 per cent. on issued capital reserved last year, in "Revenue reserves and undistributed profits."

The metals division made an excellent contribution to the trading results and has started the new year with a good order book. I am quite confident of its ability to assist in the rearmament programme, given adequate supplies of non-ferrous metals. Our high frequency and communication cable departments have also had a satisfactory year and been reorganised to some extent to meet changes in the type of business. Exports have increased and there is every reason to look forward to a good year.

Our associated company, Submarine Cables Limited, is owned equally with Siemens Brothers & Company Limited. The amount of submarine cable manufactured in our works during the year has been a record, both in volume and value, since the formation of the company in 1935. Its present order book is large and its future prospects excellent.

The report was adopted.

NOTICES

UNIVERSITY OF BIRMINGHAM

DEPARTMENT OF HISTORY

Applications are invited for the post of Lecturer (Grade III) in Modern History. Salary within the range £400-£500 p.a. Other things being equal, specialist in 17th Century European History preferred. Applications should be sent to the undersigned, from whom further particulars may be obtained, not later than May 7, 1951.

C. G. BURTON, Secretary.
The University, Birmingham, 3. March, 1951.

OVERSEAS APPOINTMENT

Large Group of Companies (Engineering) have a vacancy for an Assistant Office Manager in Pakistan. Training will be provided in this country and passage out and back for leave after three years will be paid. Applicants should be unmarried and aged under 30. They should have reached a good educational standard and have had some sound commercial or engineering experience. Salary range: Pakistani Rs. 1,000/- per month, rising by Rs. 100/- to Rs. 1,300/- per month gross, plus certain allowances. The position is pensionable. Apply to Box 618, giving details of age, education, experience, etc.

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A DIRECTOR OF RESEARCH is required to become Head of the Research Organisation of a leading Group of Plantation Companies in Malaya. This key post calls for a Scientist with a general training, of which the emphasis is towards Chemistry, Soils, and Plant Physiology. It offers exceptional scope for personal direction and initiation of research of the first importance to industries which are vital to the economy of the sterling area. It will, accordingly, be highly remunerated. Suitably qualified candidates are requested to write in confidence with full details of career and qualifications to Box 816, Dorland Advertising, 18-20, Regent Street, S.W.1.

TRAINEE Personnel Officer (female) required by well-known fashion house. Applicants should be between the ages of 21 and 30 and must be prepared to work anywhere in England. Social Science Diploma, or Personnel Management Course an advantage. Apply in writing with full details of qualifications to Box 626.

PETROCHEMICALS LIMITED has outstanding vacancy in its Export Department for senior Sales Executive. The appointment is at London Head Office. Candidates should preferably be not more than 40 and have sound technical background in general chemical or allied industry. Good knowledge of French and/or Italian and/or German essential (in that order of preference) as well as previous first-class experience of export selling. Salary to successful candidate will be commensurate with the responsible nature of the appointment. Generous non-contributory Staff Assurance Scheme. Apply in strict confidence, giving full details of age, experience, etc., to Export Manager, Petrochemicals Limited, 170 Piccadilly, W.1.

CHARTERED SECRETARY (37) with first-class commercial experience seeks administrative appointment with substantial prospects. The post which is sought would offer scope for enthusiasm and initiative with the possibility of development into a top ranking executive within a few years. Initial salary is secondary to the prospects attached to the post.—Box 613.

BER-LINE to Austria. Conducted parties Tyrol, Salzburg, Vienna: 154 days from £25; no night travel. Dr. Beer, 154, Westbourne Grove, W.11.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships. The studentships are of the value of up to £300 per annum, tenable for one year in the first instance, but renewable. Candidates must, at the date of election, hold the degree of Bachelor or Master of this or any other approved University. Regulations governing the award may be obtained from the Registrar, the University, Manchester, 13, to whom all applications should be sent not later than July 15, 1951.

THE UNIVERSITY OF LEEDS

DEPARTMENT OF ECONOMICS AND COMMERCE

Applications are invited for appointment as Lecturer or Assistant Lecturer in Economic History. Salary scale £550-£50-£1,100 for Lecturer, £450-£25-£500 for Assistant Lecturer. Candidates, who should have had experience of research in Economic History, will be required to undertake and supervise work on the history of the wool textile and other industries in the West Riding. Applications should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained), not later than May 21, 1951.

INTELLIGENT YOUNG MAN, University scholar, Hons. B.A., B.Sc., with interest in economics and commerce, requires progressive post. Good salary important. Not afraid of hard work.—Replies to Box 619.

SALZBURG SEMINAR IN AMERICAN STUDIES—Schloss Leopoldsdorf Austria. Summer sessions: May 1st-30th, June 5th-July 3rd, July 17th-August 30th. Scholarships offered for courses in American literature, philosophy, politics, contemporary social and economic theory and practice in America. Extensive knowledge of these subjects not essential, but candidates must be able to show that the course at Salzburg bears some definite relation to their work. Special consideration given to those engaged in teaching, public life or creative work, and to research students. For application forms and further details write to: Education Secretary, International Student Service, 59, Gloucester Place, W.1.

SCOTSMAN, having wide secretarial and business experience, at present employed in senior executive post in Calcutta, and whose present contract shortly expires, seeks responsible administrative or secretarial post in the U.K. Highest references.—Write Box Z.X.486, Deacon's Advertising, 36, Leadenhall Street, E.C.3.

WHAT IS THE AMERICAN POLICY on Soviet expansion, the Far East, the hydrogen bomb? A booklet, "Our Foreign Policy," published at President Truman's request, covering these and other vitally important problems, is now available here.—Write or telephone for a FREE copy to: United States Information Service, Dept. 6, 6, Grosvenor Square, London, W.1. (GRO 9000—Ext. 729).

PERSON REQUIRED to fill vacancy in the Statistics Department of progressive Company. Essential qualifications are: Aptitude for figure work; keen student of economics; ability to work on own initiative. Write, stating salary required.—Box 622.

GENERAL MANAGER, with administrative ability, is required to run a plywood factory, sawmills, drying kilns, wharves and storage yards in Home Counties, directly responsible to the Group's Managing Director and Assistant Managing Director. He must have experience of factory management and movement of material, and some engineering knowledge, age 35-40. First-class prospects for outstanding applicant.—Write, giving qualifications, age and experience, to William Mallinson & Sons, Ltd., 130-150, Hackney Road, London, E.2.

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Applications are invited for the position of Economic Statistician in the East Midlands Division. The successful applicant must have considerable skill in sifting statistical data and in higher statistical analysis. Salary will be in accordance with qualifications and experience of the successful applicant. Applications, giving full details of age, experience and qualifications should be addressed, not later than fourteen days after publication of this advertisement, to: The Secretary, National Coal Board, East Midlands Division, Sherwood Lodge, Arnold, nr. Nottingham. Envelopes to be marked "S.V.72."

RALLI BROTHERS LIMITED

Ralli Brothers Limited announce that an offer for sale to the Indian Public is being made of shares in their Indian Subsidiary, Rallis India Limited, as follows:—115,000 Ordinary shares of Rupees 100 each and 65,000 6 per cent. Taxable Cumulative Preference shares of Rupees 100 each. The Ordinary shares will be offered at Rupees 115 and the Preference shares at par. If the offer is fully taken up it will mean that the voting control of Rallis India Limited will pass into the hands of the Indian Public. Application lists will open on April 23, 1951.

PRODUCTION Executive. A large light Engineering Works on the outskirts of Coventry has a vacancy for a Production Executive who can show evidence of outstanding ability in the application of modern management and also of having achieved results as a higher production executive. The position is intended to be progressive and the successful applicant must have had a comprehensive apprenticeship, have high technical qualifications, a history of continuous promotion on the production side and preferably be between 35 and 45 years of age. The salary will not be less than £80 per month with participation in profit sharing and pension schemes. Application, which will be treated as confidential, must state age, salary required, qualifications and chronological statement of experience and appointments held.—Box 609.

AMERICA—Transportation only £50, £65, £83, £99 return. Sailings s.s. *Charlton Star* chartered by The Open Road, Inc. Rotterdam, Southampton, Montreal, from May to October. Write International Travel and Study Commission, 2, Littlegate, Oxford, for details.

FIRST-CLASS SECRETARY (male) for Managing Director of West End wholesale fashion house. Must be of good appearance and capable of dealing with correspondence. Write Box 2961, George Cuming Ltd., 35, Davies Street, W.1.

INFORMATION Bulletins. Journals of Societies or Institutions: editing, design, layout and finalisation of text for printer. Moderate fees. Inquiries from Embassies, literary, social and industrial bodies.—Box 611.

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OXFORD UNIVERSITY—NUFFIELD COLLEGE

Applications for Studentships are invited from graduates (men and women) who wish to work in the field of Social Studies. Applications should reach the College by May 14, 1951. The necessary forms can be obtained from the Warden. Studentships in the first instance will be for one year, starting in October, 1951, but may be renewed for a second year. A grant may be made, the amount of which will be decided after consideration of the student's needs. Students will normally be expected to work for a higher degree.

OXFORD UNIVERSITY INSTITUTE OF STATISTICS

Applications are invited for two posts: (1) Research Officer on the salary scale £550-£900; (2) Assistant Research Officer on the salary scale £350-£500. Applicants should have qualifications in Economics and Statistics, and will be required to work on problems of applied economics within the Institute's research programme. Applications should be received by May 26, 1951. Forms may be obtained from the Secretary, 91, Banbury Road, Oxford.

UNIVERSITY OF LONDON

A course of three lectures on "Anglo-American Financial Relations during and since the War" will be given by Mr. Paul Bareaux (Deputy City Editor of the "News Chronicle") at 5 p.m. on April 20th, 24th and 27th, at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.

Admission free, without ticket.
JAMES HENDERSON, Academic Registrar.

NEW ENGLAND UNIVERSITY COLLEGE

(University of Sydney)

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Applications are invited for the position of *Lecturer in Economics*. Commencing salary will be within the range—£A650 to £A1,000 per annum according to qualification, with annual increments of £A50. There is also a cost of living adjustment, at present £A70 for males, £A55 for females. Salary is subject to deductions under the State Superannuation Act. Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. The closing date for the receipt of applications is April 30, 1951.

ACCOUNTANT, age 37, with five years' experience of Investment Research work with old-established Stockbrokers, and practical knowledge of Trust Company administration (gained with Scottish Group), seeks responsible position in Investment Management. First-class references.—Box 621.

ACCOUNTANT-STATISTICIAN, F.I.A.C., wide practical experience, administration, budgetary control, standard costs, and statistics, requires position of greater scope and responsibility.—Box 600.

BOOK Lists: Please ask for our lists of secondhand and new books, specifying your subjects.—W. Heffer & Sons, Ltd., Petty Cury, Cambridge.

SECURITIES Dealer required by Merchant Bankers. Must be experienced or willing to be trained in arbitrage business. Write stating age, experience and salary required to Box 605.

WE DARE NOT FORGET. Warsaw Ghetto Battle Memorial Meeting under auspices of World Jewish Congress British Section. Principal speakers: The Rt. Hon. Lord Henderson, P.C., Dr. S. Levenberg, Representative of the Jewish Agent for Palestine, A. L. Easterman, LL.B., M.A., Chairman; S. Sydney Silverman, M.P. Wednesday, April 18th, at 7.30 p.m. Adolph Tuck Hall, Woburn House, W.C.1. Admission Free.

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Labour without Bevin

THE valedictions on Ernest Bevin as Foreign Secretary were said in these columns five weeks ago. Nothing that has happened since disturbs the judgments then made. His achievement was monumental and his death removes a great figure from the English scene. It is a tribute to the greatness of the man that he leaves so large a vacuum in his own party and his own Government. His death and the retirement of Sir Stafford Cripps six months ago have removed from the Government the two architects of policy for Labour in power. It was Mr Bevin first, and Sir Stafford after 1947, who fashioned from the raw aspirations, the ideals and the untested theories of 1945 measures that took account of the real nature of the contemporary world.

The social legislation of the Labour Government has never been an issue of real political dispute: nationalisation quickly showed itself to be of quite subordinate importance. The critical postwar issues lay in the fields of foreign affairs and economic policy, and to both of these Labour came emotionally and intellectually unprepared. It is to Mr Attlee's great credit that he gave the utmost freedom in these matters to the two ablest members of his cabinet, to the men who responded to unexpected situations with new ideas—new, at least, to the Labour party. He bent much of his own energy to ensuring that the rest of Government policy hampered them as little as possible; if there was anyone who generally had the last word over the whole range of cabinet action it was either Mr Bevin or Sir Stafford. One or the other was dominant at different times according to whether it was foreign affairs or economic policy that imposed the most pressing needs, and before devaluation in 1949 they sailed to Washington together. The arrangement was not ideal, but in the circumstances of the Labour government from 1945 to 1950 it worked better than anything else could have done; in conception and in execution it demonstrated both the shrewdness of Mr Attlee's statesmanship and the modesty of his personality.

The ill-health of Mr Bevin and Sir Stafford has not been the reason for the Government's mental and moral collapse during the past six months in face of the problems of rearmament. The fundamental causes—of which the chief is simply the narrowness of Labour's majority—would still have been at work if both men had remained in office and in full vigour. But certainly the collapse would have been less sudden and less complete; it would have done far less harm to the Labour party and to the country. What is to happen now that even the sense of Mr Bevin's presence—a sense so important both to Mr Attlee personally and to many sections of the Labour movement—has gone?

To answer this question in terms of the balance between Right and Left, of the possibilities of a split in the Labour party, would be a misleading simplification. It could hardly have been entertained by any serious politician if Mr Bevin's death had not coincided with the duststorm raised by Mr Bevin's grotesque tantrums about the

Budget. Neither Mr Bevin nor Sir Stafford Cripps belonged by temperament and intellect to the Right wing of the Labour movement in the same way as, say, Mr Morrison and Mr Ede. But their work of devising a Labour policy for the real world brought them into conflict with the sections of the party that embodied the spirit expressed by one of Mr T. S. Eliot's choruses: "We must insist that the world is what we have always taken it to be." Most of the romantics were, and remain, on the Left of the party. By taking power from them Mr Bevin and Sir Stafford played the main part in establishing the present leadership of the Right wing. The fact that numerically it is stronger than ever before was shown last week by Mr Bevin's failure to win support for an active demonstration against the Budget.

The paradox of the Government's present situation is that, just when the relative power of the Right wing seems more firmly established, it has lost the two personalities who gave it a policy and won for it the confidence of the trade unions and of middle opinion in the country as a whole. Unquestionably the voice of the Right wing will now be less authoritative both inside and outside the party. But political argument alone never carried the day. There is no reason to suppose that Mr Attlee will now be compelled to yield to the Left on issues that Mr Bevin's help would have enabled him to defend. Still less is there reason to expect an open break between the two sections of the party. Marked differences of opinion capable of producing a split have existed in the Labour party since 1945, as they have often existed in other parties. But the intellectual grounds for a split become politically relevant only when there is added an occasion—an issue that puts an abnormal strain on normal loyalties—and a man who can see in leadership of the rebels an opportunity to gain power either for himself or for a cause. The only man who could conceivably split the Labour party is Mr Bevin: and it is very hard indeed to imagine his doing it at a time when the party as a whole is weak and the fraction of it that would follow him into the wilderness is small.

Mr Bevin's qualities were never those of the expert paperer-over of cracks, and his loss does not make the Labour government more likely to break up as a result of its internal feuds. The effects will be slower, though hardly less damaging. A government without Bevin will command less respect in the country. It will have less grip on the fundamentals of politics. Disagreements falling far short of an open split will be more thoroughly ventilated in public. Mr Attlee will have much more difficulty, not perhaps in holding his Ministers together—for there is no one who can desert him and profit thereby—but in getting them to work as a team. Mr Wilson's aberration a few weeks ago in stopping negotiations with industry about the revision of prices was an example of the sort of trouble that is likely to increase.

These effects can easily react to strengthen each other. What had already begun, and what is now more likely to proceed at an increasing pace, is a galloping paralysis of government. There are no new men with the power to arrest such a decline, no one with the constructive abilities in policy-making of either Mr Bevin or Sir Stafford Cripps alone. The qualities both of Mr Attlee and of Mr Morrison are great, but they do not lie in that direction. Nor do the other two members of the new quartet—Mr Ede and Mr Gaitskell—fill the missing part, though both have deserved much praise for

their skill, patience and fairness in recent weeks. The Labour party has run short not so much of competent Ministers—though those are hardly plentiful—but of commanding politicians, of men who can frame a policy and persuade the public to support it. At any rate until devaluation, Sir Stafford Cripps was of such stature. As far as his health allowed, Mr Bevin had it to the end. As Foreign Secretary he earned in remarkable measure the confidence of all parties; but, above all, he was the man who could carry the trade unions with him and with the Government. The greatest of all the Labour party's handicaps is now the lack of a politician from the trade unions. Perhaps it is this that, on the longer view, most seriously endangers the stability of the British Labour movement. The character of the political party has been determined by the unions from which it has drawn its strength. It cannot increasingly draw its leadership from elsewhere without a real risk of disintegration—and, perhaps even more important, of a sharp change in the character of union leadership. The responsibility for supporting Government policies within the industrial movement now falls directly on the union leaders, instead of on former leaders who have become politicians. Can the unions provide now, and in the future, men willing and able to take such responsibility?

These, however, are remoter questions that cannot be expected to occupy Mr Attlee's attention now. The immediate fact is that the loss of Mr Bevin's wisdom and authority surely destroys what little chance there was of restoring administrative vigour and competence to the Government; it makes the framing of policies adequate to take this country safely through the next two years more than ever unlikely; it makes the task of re-establishing public confidence in the Government next to impossible. These are not judgments that any Prime Minister can recognise as final, however plainly many of his supporters and some of his Ministers may show implicit acceptance of them by their actions. But it is surely apparent that the longer Labour clings to office the more crushing is the eventual defeat at the polls that it risks.

Good government in the present situation, in the present mood of electioneering and with the present balance of Parliamentary power, is impossible for any party. Mr Attlee no doubt sincerely believes, as it is the politician's job to believe, that good government cannot in any circumstances come from the other party. But even on that assumption the right policy cannot be to go on trying to govern on the present terms. The result, by Mr Attlee's own standards of judgment, would be to waste the abilities of the party that could govern well and possibly to lose for it so much support that a sweeping electoral victory will put the other party securely in office for five years. In Mr Attlee's mind, the sort of Conservative government that would be really disastrous for the country is one commanding a very large parliamentary majority. This is precisely the result that Labour is likely to secure by holding on to power in circumstances in which it is most unlikely to regain lost strength. Is Mr Attlee really prepared to contemplate such grave risks? Is it not better to hold a general election soon, while the stretch of Conservative government that may follow is more likely to be short in duration and moderate in power? It is very difficult to believe that Mr Attlee can resist this conclusion beyond the autumn, and possible to question whether he can resist it until the holidays begin.

New Deal for Persian Oil

IF passions and policies in Persia are now cooling down, much of the credit for the improvement goes to Mr Morrison. His firm statement to the House on Friday of last week, when it was clear that British lives were in grave danger and the Abadan oil refinery was slowing down to a standstill, made its mark in Teheran. The forces of order were strengthened and those who started the campaign for nationalisation of the petroleum industry found themselves in riotous alliance with the Communist-led Tudeh party, associated with violence and strikes, and moving uneasily at the heart of a new centre of international tension—for not only the Russians but all the Middle East peoples are watching the crisis. Mr Morrison clarified the issue immediately; by his obvious determination to defend this country's most valuable asset overseas, and by his implied warning that negotiation about petroleum cannot take place under threat of mob violence, he separated the problem of maintaining order from the problem of the Anglo-Iranian Oil Company—which is to negotiate with Teheran some way of dealing with the demand for what is called "nationalisation."

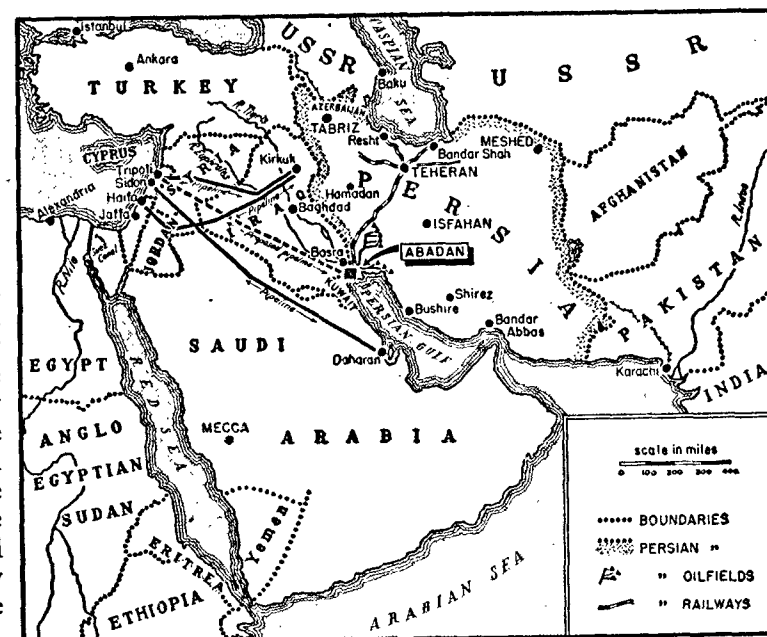
Fortunately only a small proportion of the 37,000 Persians employed in the great refineries of Abadan and the oil port of Bandar Mashur took any active part in the rioting. They were mainly the privileged students and apprentices to whom the company is giving free education and technical training such as they would obtain nowhere else in Persia. They, and the Communist agitators to whom the whole oil dispute has been a glorious opportunity, managed to bring on to the streets a mob of several thousands of excited and angry people, which the Persian police and the few available troops were able eventually to bring under control. Thanks to considerable reinforcements of troops and an unexpected show of authority by the Persian Government, further serious outbreaks have been prevented. But the division between order and anarchy is so terribly thin in Persia, the administration so unbelievably inefficient and corrupt by any standards, even those of the Middle East, that no one can be sure that another emergency, however slight, might not cause total collapse. How long, for example, will policemen and soldiers, many of whom have received no pay for weeks, continue to oppose their countrymen? For, if the crowds believe not only the incessant Tudeh propaganda but also the incessant outpourings of their Deputies and leaders, they are fighting to rid Persia of the foreigners who are the cause of all their country's vast misery.

It is in this inefficiency and corruption that the seeds of the present troubles are to be found. No Persian with any common sense really believes that the Anglo-Iranian company—the one solid and stable element in Persian public life—is responsible for the horrifying poverty of the masses. On the contrary, it has followed a very generous and enlightened policy of social improvement and education. Nor does he believe that to seize the company's installations and property, and turn them over to a government which has proved totally unable to run its own affairs, will do anything to relieve that poverty. Yet to the leading Persian nationalists—who are both corrupt and hysterical, without constructive policies or ideas—Anglo-Iranian is a truly monumental scapegoat. By attacking it they can distract attention from their own failure to provide anything like the simple and fundamental amenities of modern life out of the revenues it has furnished to the state. This spirit is not the early nationalism of Saad Zaghlul in Egypt or of

Michael Collins in Eire; for Persia has been under foreign domination in modern times for only a short period during the world war. It is the desire for power and prestige of a small group of politicians allied with the crowd's resentment against the progressive foreigner and the backward state of its own country—all focussed on this one issue of "nationalising" petroleum.

The fact has to be faced that "nationalisation" means, as at present stated, nothing more or less than expropriation—that is to say seizure of an enterprise in which over £350 million of British capital has been sunk. Yet it is absolutely certain that the Persian Government could not run the enterprise without extensive foreign help. If it were to persist in its aim, it would be the end not only of the oil company but of the Persian economy; for it is clear that not for decades would Persians be able to operate a concern of the magnitude and international ramifications of this gigantic oil extracting, refining and marketing organisation. And without the already great, but potentially even larger, revenue it draws from Anglo-Iranian, the Persian Government would be without a regular reliable income. Internal collapse would be dangerous in any country; how much more far-reaching would the results be for a country which is next-door neighbour to a great power whose shortage of oil is one of its chief economic weaknesses—the Soviet Union.

Important and obvious though these facts are—and the company has relied too much on them in the past—a new approach to the problem has to be made. A solution, practical, equitable and peaceful, must be found.



Already four of the eight weeks that were asked for by the Majlis commission which is considering ways of "nationalising" petroleum have passed. Whoever first puts up a reasonable proposal will gain the initiative in negotiation. Ideas are needed; and they should be ideas that can be applied equally well to the similar problems that arise wherever a great western commercial interest has to come to terms with the growing national pride and ambition of the government to which it owes its opportunities. Persia *versus* the Anglo-Iranian Oil Company is a test case which will set precedents for other great companies. (That is the main reason why there have been Anglo-American consultations in Washington.) And it is an opportunity for the British to show political imagination and administrative ingenuity. In Rumania, on the Danube, in eastern Germany, in Manchuria, the Russians have settled the problem in their own drastic manner—the Communist-imperialist solution of the "joint company." That is not the British way with independent nations; but a British way must be found.

What are the essential facts? First, the oil belongs to Persia. Secondly, this oil has been found, extracted, refined and sold thanks entirely to British skill, initiative, labour and money. Thirdly, the Persians could not possibly operate the company themselves; Anglo-Iranian are training young Persians and indeed employ far more in skilled and senior posts than is generally known; but the replacement of British by Persian staff is not yet possible. Fourthly, for internal reasons the Persian Government must be more closely associated with the oil operations—and must obtain more money from them. Into what kind of a solution can these facts be fitted? A simple and practical plan might be to form a new and purely Persian company—let it be called, say, the Imperial Iranian Oil Company—which would acquire the sole rights to the oil from Anglo-Iranian's present oilfields and would own and operate the wells, pumping stations and pipelines. The role of the Anglo-Iranian Company would be to refine the oil and market it—in fact deal with all the essential international operations. The Persian Government would ultimately obtain its revenue not from royalties on the oil extracted, as at present, but by selling its own nationalised oil to the AIOC. But, as neither the proposed new company nor indeed the Persian Government would have sufficient funds to compensate Anglo-Iranian for the loss of its concession and at least £300 million of equipment, compensation would be paid for some years to come in oil, with an additional agreement that

the highly trained British staff should work for the new Persian company during the period that compensation is being paid. The present process of "Persianisation" would continue and would in fact be speeded up as much as possible, especially by taking Persian directors on to the board of AIOC, until the entire oil business would be in Persian hands. An agreement on these lines should not be difficult to negotiate, given good will on both sides. But in view of the probability that such an agreement would become a prototype for other agreements in other parts of the world, consultation between the British and American governments should be viewed with neither resentment nor alarm in Persia.

On one point there can be no doubt: straight expropriation is unacceptable and it is useless to believe that Persian National feeling would allow proper money compensation over a long period. Expropriation would make it impossible to secure capital for those further developments in the oil fields on which Persia's future prosperity and power depend. Likewise it should be clear that it is for the Majlis commission to say what its two houses meant by "nationalisation" when they voted for it five weeks ago. It can be argued that it would be in the Persian interest to be content with nothing more than a new scheme for the sharing of profits on the "fifty-fifty" Saudi Arabian model, but nationalist feeling may now have been brought to the pitch where no purely commercial solution can be accepted by the government. If that be so, then sooner or later the company, with the support of the British Government, must propose a solution which meets "national aspirations," is technically and financially practicable, and safeguards a vital British interest based on a freely negotiated agreement which has another 40 years to run.

Some will call such a policy appeasement. Yet the British, as Teheran well knows, can negotiate from great strength in this matter; and any effective and obviously fair solution that is offered will receive American support.

If talk of "nationalisation" in its loudest form can be disregarded, national pride cannot; and there are obvious strategic as well as commercial reasons why the British should take the lead in the pacification of oil politics in the Middle East. The American interest in Persian oil is no more than marginal, and the Persians have stated officially that they have no intention of giving the oil to any other country or of depriving Britain of its use. The problem is therefore one for London and Teheran to settle; and the sooner Communist intimidation in Abadan can be broken, the sooner will the way be open to a new agreement and an important act of British policy.

Goodbye to All GATT

THE tariff and trade conference at Torquay, which opened on September 28th last year, is due to close this week-end amid the oratory and ceremonial familiar on such occasions. If, as is proposed, trees are to be planted, a "Gattery" of weeping willows would be appropriate. In the ceremonies and speechmaking it will not be difficult to detect a note of disappointment and frustration. The Torquay Conference has admittedly yielded fair results. Some 150 separate tariff negotiations have been completed; the tariff concessions made at previous conferences, at Geneva in 1947 and at Annecy in 1949, have been prolonged and given an assured life of three years; seven new countries have been elected to membership of GATT—the General Agreement on Tariffs and Trade.

But these achievements, welcome though they are, cannot fully atone for the setbacks to international co-operation which marked this conference. They are three in number. First, there was the failure to complete any new tariff agreements between the United States, on one side, and, on the other, the United Kingdom and the Dominions of Australia, New Zealand and South Africa. The second was the formal demise of ITO—the International Trade Organisation. Early in the Torquay conference the United States administration announced that it would not ask Congress to ratify the elaborate charter for ITO agreed to at Havana after so much travail. ITO thus disappears, with all the hopes built upon it, into the limbo of stillborn international organisations, though there is fair hope that much of its substance may be allowed to live in the General Agreement on Tariffs and Trade. The third setback arose from the demands made on the United Kingdom and certain other member countries that they should gradually relax their import restrictions and, particularly, that the discriminatory manner in which those restrictions are applied should be modified. The demand was backed by a report of the International Monetary Fund on the adequacy of the currency reserves of the countries concerned. There is scope for much controversy about the way in which the episode was handled by both sides. But Britain summarily rejected the demand.

Must these three events be taken to indicate that the brave new world, fully equipped with the international organisations that were elaborated with such optimism during the last war, the world of Bretton Woods and ITO, will never take shape? The economic and political consequences of any such admission deserve closer investigation than they have yet received. If the principal currencies of the world are never to become freely convertible into each other, if trade is for ever to be conducted on a discriminatory basis, if the transitional period envisaged both in the Bretton Woods agreements and in the ITO charter stretches indefinitely into the future, it will be more difficult than had been supposed to give substance to the political and economic collaborations that are the essence of the North Atlantic Treaty and to the hopes of economic co-operation with the United States in such ventures as the Colombo Plan.

In fairness to those who have laboured to make a success of the Torquay conference, it should be stressed that within its limitations it has achieved a great deal. Those limitations were set chiefly by the fact that Torquay was the third round of these postwar tariff

negotiations; many of the participants had exhausted the bulk of their bargaining power in the earlier concessions exchanged at Geneva and Annecy. For this reason the main results of the Torquay negotiations, which are to be published next month, will probably be found to lie in the agreements reached with the newcomers—and, particularly, with the German Federal Republic. Here was virgin ground for the exchange of tariff concessions and it appears to have been well cultivated. It would, however, have produced an even higher yield had the United States and the United Kingdom found it possible to agree on further concessions between themselves. For it must be remembered that concessions exchanged between any two countries must, by the rules of the game, be extended to all the others. If the others are thought to be undeserving of such indirect, uncovenanted benefits, that fact will prevent the direct benefits being exchanged at all. Torquay will have shown, not for the first time, that the most-favoured-nation clause can, in certain circumstances, be an impediment to tariff reductions.

The discussions between the United States and at least four of the Commonwealth countries, including the United Kingdom, are known to have foundered on the issue of preferences. No assessment of responsibility for this failure can be made without full knowledge of the demands and offers exchanged by each side. Information on this is unlikely ever to find the light of day. It is known that the United States made extensive offers of tariff reductions but that the concessions it required, in the shape of reductions in margins of Commonwealth preferences, were also considerable. The American Government wanted these not merely for the value they represented to American trade, but as a trophy that could be laid before Congress. The need to soothe Congress in such matters is particularly pressing because at this moment Congress has before it the Administration's demand for a renewal of the Reciprocal Trade Agreements Act. This Act, far more than adherence to any ITO charter or to GATT, is the root of the more liberal commercial policy of the United States since the war. If it is not renewed, or if its renewal is hedged round with damaging restrictions and amendments, a far more mortal blow will have been dealt to the cause of expanding world trade than was delivered by the news that the United States would not go forward with ratification of the International Trade Organisation. If the failure of Great Britain and the three Dominions to come to an agreement with the United States at Torquay contributes to such a mishap, a heavy responsibility will lie on all concerned.

These tariff negotiations are conducted for Britain by Board of Trade teams and it is difficult to believe that the wider political issues that may be involved always leap to the minds of Mr Harold Wilson's officials. One of these issues is the relation of the Torquay discussions to the trade of the dependent territories in the Commonwealth. During the last few months many of these countries have been substantial earners of dollars. Their earnings have, in the normal course of sterling area practice, been sold to the British Treasury. They have been paid for in sterling;

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they have helped, that is to say, to cause an exceptional increase in the sterling balances held in London on behalf of the dependent territories. Such balances rose by more than £106 million during the second half of 1950, and the trend has probably been accelerated in 1951. The Labour Government often prides itself on having been the first British administration to have discovered and lived up to its full responsibilities to the Commonwealth. The evidence of Torquay does not support this claim. It is true that preferences have been defended with a ferocity that would do credit to Lord Beaverbrook. But it may be asked whether West Africa, Malaya and the other dependent territories are not more interested in importing—whether from the United Kingdom or the United States—the capital and consumer goods they need than in retaining the existing margins of preference they enjoy in the Commonwealth and in building up impressive sterling balances in London. If the growth in these balances continues at its recent pace, and if the creditor countries are deprived of the opportunity to use them in expanding their imports from non-sterling as well as sterling countries, the Government will have earned the reputation of rediscovering not the Empire but the will and the capacity to live on its back. The end of that road is the disruption of the Commonwealth.

Political relations between Britain and the United States, which are not strictly the province of the Board of Trade, have also received some buffeting from the proceedings at Torquay. The United States may not be without responsibility for this. Its offer of concessions may have been more impressive in bulk than in weight; it may have asked too much in return; its abandonment of the ITO charter did not help to get

the Torquay atmosphere right. But the general impression given by the British delegation has been that no concessions by the other member countries would have been thought sufficient to justify any appreciable withdrawal on the preference front. In this uncertain and dangerous world it seems still to be the British policy to pull down the shutters, to seek the cosy security of the Commonwealth—without Canada—cushioned by exchange control and import licensing. It seems to be too readily forgotten that Britain's signature is appended to a succession of solemn undertakings to work with like-minded nations for a reduction of tariffs and the elimination of discrimination in international trade. These commitments, as the United States has occasionally assured Britain, were not meant to act as a strait-jacket on British trade. On the other hand, they are not to be considered as an empty form of words. They are embodied in the clauses in the Atlantic Charter, the Lend-Lease, Bretton Woods and Anglo-American financial agreements and the General Agreement on Tariffs and Trade—not to mention many official exchanges of letters—all of which in one form or another commit the British Government to make sterling convertible and to free import licensing, both in this country and in the dependent territories of the Commonwealth, from the discriminatory practices which have obtained for more than ten years. It would be reasonable, after the fiasco of most of its negotiations with the Commonwealth at Torquay, for the United States to ask the British Government to define the circumstances in which Britain would consider it safe to implement those agreements. It might then at least be easier to judge how far Mr Harold Wilson carries his new economic nationalism.

Famine in India

MR NEHRU'S cabinet is responsible for one of the most desperate and heart-breaking tasks confronting any nation in the world today. The problem of India's hunger is so old that in the country itself chronic undernourishment and starvation are accepted by millions as part of life. Traditionally, India has at least one bad crop year in five; but this year the prospect of extreme famine in many different parts of the sub-continent constitutes a unique and desperate challenge. For the people the suffering, which is only just beginning, will certainly match the horror of five million deaths in the Bengal famine of 1943, and may considerably exceed it. For the government the shortage of food represents political dynamite, and poses an immense administrative problem. Moreover, the rest of humanity has to answer its conscience whether the slow death of these millions of human beings could have been prevented. And, lastly, in the harsh reality of the struggle for power now going on in the world, India's desperate need has provided the Communists with an opportunity to exploit the situation for their own ends.

Although the full extent of the famine cannot yet be known and may not really come to light until well after the monsoon breaks in June, the measure of India's present crisis is already clear. The only areas where the harvest has been at all satisfactory are the East Punjab, Rajasthan and Madhya Bharat. The worst provinces are now Bihar, where there were floods last June and a

severe drought in September, and Madras, which had a bad monsoon for the fifth year running. West Bengal, the Deccan, Bombay and Assam have also suffered a variety of natural tragedies.

The result is that in some districts there are no grain stocks at all and in others only a fraction of what is needed to keep the population barely alive. Even in good years, the leanest months are between July and September; this year supplies have already been drawn from forward stocks, but even so the meagre ration is not being met. For India as a whole, the food deficit is put at 6,000,000 tons, as a minimum. To meet this, 3,700,000 tons have been bought abroad, but so late that it may not arrive in time to prevent people dying. In addition, the United States is debating whether to give 2,000,000 tons, China has recently offered 1,000,000 and Russia has proposed a barter deal for 500,000 tons. Even if these various offers were implemented and the first shipments were made at once, it is questionable whether sufficient food could arrive and be distributed soon enough to prevent disaster.

Delhi's problem in trying to deal with this emergency is involved. The shortage is not an all-round deficiency. Certain provinces are better off than others but if they are to relieve the plight of the famine areas some of their grain will have to be transported; and transport, in Bihar for instance, is inadequate. Nor can grain be moved at all in many outlying districts once the monsoon

breaks. Then there are difficulties of procurement and inequalities between one class and another, and between the country and the town. One of the menacing factors in Indian life is the unscrupulous rapacity of the money-lender and the trader—a blight on India's countryside as well as on its nascent industrial system. Merchants have been speculating in the shortage of grain and have often withheld stocks from the market till the very last minute. For a harassed government trying to buy at reasonable prices and to ensure continuity of supplies, such tactics are even worse than the natural unwillingness of the cultivator to sell until he is quite sure that all his own needs have been met. Here, too, politics enter the field. With the prospect of coming elections provincial governments are afraid to enforce procurement and rationing in districts where the Congress Party is weak. In Rajasthan, for instance, where there is a bumper crop, rationing of food has been stopped. In Bombay, Madras and Mysore the administration is good, so that a system of procurement by levy or government monopoly can be more or less made to work; over much of the rest of India this would be impossible. In these circumstances, no principle of equal sacrifice can be enforced.

There can be no doubt that Delhi is partly to blame for the severity of the present emergency. It has been caught by a series of crop disasters at a critical phase in its policy of self-sufficiency in food. This policy, launched personally by Mr Nehru in 1948, has been advanced as a reason for not buying grain abroad—in theory perhaps a good reason, but in practice one quite unjustified by the progress of Indian agriculture. For instance, the capital works programme for irrigation and power had to be cut back because it was originally much too ambitious for India to bear; and the proposed expansion of the acreage under food crops has had to be reduced, in order to grow more jute to make good the suspension of imports from Pakistan. As if this was not enough, the population, now standing at 357 million, has been growing even faster than had been estimated. In Bombay, for example, the population has risen by one-fifth in ten years, whereas the government had assumed an annual increase of only 1.4 per cent. For these reasons alone, India's total food needs rise by 500,000 tons of grain a year.

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In this appalling dilemma, what should the Government of India do? There are two problems, one immediate and the other of a long-term character. Immediately, the task is to secure grain by every possible means, and to import enough to meet India's minimum needs. For the longer term, the question whether to grow more food or more cash crops clearly has to be reviewed, together with improvements in the productivity of Indian agriculture—some suggestions for increasing output were discussed in *The Economist* of October 28th and November 4th last year. Until farming efficiency can be improved, however, there is a case for concentrating on a sufficient production of cash crops, such as jute, cotton and groundnuts, to support a minimum level of Indian manufacture for export from which enough foreign exchange can be earned to buy essential food abroad. At present levels of productivity, for instance, an acre under jute or cotton provides an economic return some five times greater than it does under rice or other suitable grain, and an acre under

groundnuts brings in as *vanaspati* (cooking fat) perhaps six times as much as it would under millet. India's ultimate aim must be to approach self-sufficiency in food production, but this aim can never be realised without major reforms of agricultural methods and the gradual construction of more dams and irrigation works. Self-sufficiency in food is impossible for ten years at least.

In spite of the great shortages that already exist and in spite of all that the Communists have tried to do in India during the past twelve months, their cause has made little recent progress. But the famine inevitably improves their prospects. Control of India would be a great prize indeed. Apart therefore from internal propaganda playing upon the unpopularity which the famine is inevitably bringing on the government, the Communist world is making a determined bid to capture the hearts and loyalties of millions of Indians by offering to step in where America can be made out to have failed. The delay in passing legislation through Congress to send the 2,000,000—or even 1,000,000—tons of grain proposed by President Truman is unquestionably beginning to have a worse effect on Indian opinion than if the offer had never been made. Perhaps the Indians could increase their own purchases of American wheat, but even the most lavish expenditure of dollars would still leave a tragic gap. Both the Chinese and Russians have therefore made a concerted and deliberate political move in choosing this moment to announce their own offers of "aid"—hitherto America has at least had the international field to itself in providing economic assistance. The Chinese could not, of course, actually provide a million tons without starving their own people—though the Russians would no doubt release some stocks through Manchuria to be classed as Chinese deliveries. Nor could they ship it without Russian help. Equally, the Russian offer to barter jute, tea and cotton is insincere. Moscow's original offer was to provide 50,000 tons of grain, but when the Russians discovered that India had no surplus of the commodities they wanted, they pushed their offer up to 500,000 tons for its propaganda effect.

These Communist offers are peculiarly effective because they come from Asians to Asians. In fact, so sinister is the haunting shadow of the white man that many Indians are tempted by wishful thinking to accept the offers at their face value, and to turn on the Americans for not being quicker with their generosity. In reality, President Truman's proposal for aid was a great humanitarian gesture and the pause in its execution has partly been brought about by political reactions in the United States to India's own attitude on the Korean conflict. The situation, however, has changed again with the politically-inspired Communist offers to help India. The apparent fact that Mao Tse-tung should be willing and able to come to India's rescue, in spite of China's poverty, can be dressed up as a powerful argument for Communism. Anti-Communists in America should now reflect whether the tactics of the Russians and Chinese do not make the carrying out of the President's original purpose more necessary and urgent than ever. India needs a monthly shipment of 200,000 tons of grain from America, over and above the amounts that are already being imported against normal payment. Such shipments would do a great deal to call the Communist bluff and could have a decisive effect on Indian opinion. It is to the humanitarianism instincts of the American people that India now looks.

NOTES OF THE WEEK

Towards a Pacific Pact

The United States is ready to guarantee the security of Australia and New Zealand. This most important and historic step forward in the Pacific is to be warmly welcomed. Hitherto, particularly of recent years, it was generally understood that any aggression against these two members of the Commonwealth would involve the United States; but no unequivocal public declaration to that effect had ever been made in Washington, and the absence of it has adversely affected Australia's and New Zealand's strategic planning. Now, at his press conference on Wednesday, President Truman has initiated the drawing up of a formal defence pact which will shortly be signed between the three nations. In American thinking, this is designed as part of the background to the Japanese peace treaty. It should allay the fears of the Australians and New Zealanders that, by agreeing to the kind of treaty which is now proposed for Japan, they might jeopardise their own safety if the Japanese again became powerful in the Pacific.

Mr Morrison, the Foreign Secretary, is giving the new American move Britain's sincere blessing. The pact will not directly affect the defence relationships of the rest of the Commonwealth with the two dominions; these are secured by bonds of mutual interest and common purpose which would not at present be strengthened by definition on paper. The question arises, however, of extending the new security arrangements to other states in the Pacific. The argument against this is that to do so would unnecessarily expose any country that had to be left out; the states of South East Asia, for instance, are by no means ready to join a collective security pact. And while President Truman's declaration reaffirmed the American interest in the Philippines as well as envisaging an eventual Pacific Pact of a wider nature, there should be no immediate hurry in bringing this about.

The new American guarantee should have a great effect on Commonwealth views about the defence of the Middle East. For the first time it bolts the back doors of Australia and New Zealand, so that, if they send forces overseas for service in the Middle East, there should be no more worries about the homeland—as there were, most understandably, ten years ago. The New Zealanders have lately taken a more sanguine view of these problems than the Australians. It would be a great thing for the Commonwealth if the question of overseas service could now be lifted out of the arena of Australian politics.

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The Schuman Plan Signed

The signature last Wednesday of the Schuman Plan was an historic act of statesmanship and a rebuff to the cynics. It was the first time since the war that a German Chancellor had made a public appearance in a foreign capital. It also brought one stage nearer the launching of an exercise in European co-operation, much more far-reaching than anything that has yet been attempted. M. Schuman, in his concluding remarks, stressed the common will of the signatories to pursue other practical ventures on this model. The kind of thing the French Foreign Minister has in mind was demonstrated by the release this week in Paris of the memorandum on the creation of a European pool for agriculture—the so-called Pflimlin Plan.

In the strenuous all-night sessions which preceded the final agreement, the Ministers of France, Germany, Italy and the Benelux nations reached a compromise between two views on the composition of the High Authority and the voting procedure in the Council of Ministers. The

French and the Germans had originally agreed that the High Authority should consist of five members—a supra-national formula which excluded individual representation of the six. For the Council of Ministers, an inter-governmental body which is superior to the High Authority in certain important instances, the "big two" had intended to allot themselves two votes apiece, leaving the "little four" with only one vote each. This solution proved unpalatable to the smaller powers. According to the final agreement the High Authority will consist of nine men, eight of whom will be nominees of individual governments to be elected unanimously by the Council of Ministers; the ninth member of the High Authority will be selected by the other eight. In theory the nine may all be English or Chinese—in practice, however, it is probable that at least six will be nationals of the member countries. The agreed voting procedure for the Council of Ministers gives France and Germany a joint veto over proposals made by the "little four"; but at the same time it prevents them from imposing their own proposals on the other four.

A last minute diversion was created by Herr Hoffman, Prime Minister of the Saar, who tried to obtain separate representation for the Saar. But this attempt to pre-judge the issue of the Saar's final status—no small one for Paris and Bonn—did not gain the support of M. Schuman who, for the purpose of his plan, agreed to regard Saar coal and steel as part of French production.

Before the plan may be put into operation the six parliaments must ratify it. Here all will not be plain sailing. In Germany Herr Schumacher's campaign against the plan is increasingly venomous. In France much depends on whether the government decides to present the treaty to the expiring Parliament or to risk the emergence of an unfavourable house from the elections in June.

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Parliament After the Budget

When Mr Gaitskell's elevation to the Chancellorship was causing some surprise at Westminster last week, one of the more level-headed of his Ministerial colleagues commented that, though the new Chancellor might be a bit too small for the job, he would rapidly grow. Even in an important stage of that growth has been witnessed. July and budget debate. Mr Gaitskell emerges as a politician of greatly increased stature and importance. He made a good budget speech, and he followed it with a very good broadcast and an excellent winding-up speech last Monday. In many respects a winding-up speech is a much greater test for a parliamentarian than even a major set speech. The new Chancellor must now be reckoned with as a figure at Westminster—though not yet necessarily at first sight.

The four days of the budget debate have into it. An aim that, quite apart from the economic merits of the proposals, Mr Gaitskell has secured for his party, the considerable political advantage of shaping a budget from which the Opposition could quarry few missiles for their Parliamentary battle. Apart from the general case that expenditure should be lower, the Conservatives found themselves able to attack only the profits tax and the petrol tax with vigour, though they made a last minute effort to take over a further criticism—first voiced from the Labour benches—that inadequate relief had been given to old age pensioners under 70 (or 65 in the case of women). On the report stage of the budget resolutions they voted against only the petrol and the entertainments taxes, though they will attack the Finance

Bill at other points. But to have provided his party, in what may well be an election year, with a budget which can broadly be called non-controversial is politically no mean achievement.

As Mr Gaitskell's stock has risen inside the Parliamentary Labour Party, Mr Aneurin Bevan's has suffered a corresponding slump. What is interesting about his threat of resignation is not that he made it, not even that he did not carry it out, but rather that he failed utterly to gather any real support for his attitude among the Labour rank and file. Several backbenchers agreed with him in opposing the charges on the health service, but not in his willingness to precipitate a Government crisis to stop them. The truth is that Mr Bevan is much more of a lone figure at Westminster than one would gather from the publicity that his personality commands. On many controversial issues, when all the smoke and dust have cleared away, only a handful of close friends has been seen by his side. When the Labour Party is again in opposition his power will undoubtedly increase, but for the present he must be reckoned, at Westminster at least, as the leader on the Left rather than the leader of the Left.

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Economics in the Debate

The postwar change in the aims of budgetary policy—from the mere balancing of Government expenditure and revenue to the control of the entire shape of national economic activity—has never been more strikingly reflected than in the Budget debate which ended last Monday. What used to be a debate on the Chancellor's fiscal stewardship has become a grand inquest on the state of the nation, whose terms of reference include any and every governmental action which has contributed, positively or negatively, to make that state what it is. The result is a confusion of unanswered argument, irrelevancy, theoretical dissertation and party sniping in which properly fiscal questions are almost bound to be submerged.

It is some tribute to the Commons that, nevertheless, the main lines of controversy did show themselves fairly clearly during the four days of debate. One, of which more will undoubtedly be heard, was the Labour Party's own internal controversy over the principle of the free health service. Another, also predominantly within the Labour ranks, concerned the adequacy of the concessions to old-age pensioners. The old and fundamental opposition of views on the role and justification of profits flared up, as was inevitable, over the increased tax on distributed profits; the controversy was enlivened by the usual demonstrations of muddleheadedness about bonus issues. But on the whole the debate was less concerned than in past years with the direct influence of the Budget on the distribution of income. The big guns on both sides were trained on the questions of inflation, productivity, and the proper use of the national resources—a significant shift of emphasis exemplified in the speeches of Mr Lyttelton, Mr Clement Davies, Mr Maudling, Mr Eccles, Mr Crosland and Sir Arthur Salter, and also in Mr Gaitskell's own reply to the debate. The notion that a high tax burden may exert an inflationary pressure irrespective of whether the Budget is formally in surplus or in deficit—the notion that in fact there is more to the inflationary problem than the existence of an inflationary gap—is gaining ground among theoretical economists. It is encouraging that it should be ventilated in the House of Commons, and that the Chancellor should show himself aware, however partially, of the limitations of his power.

Partial understanding, or complete misunderstanding, is on the showing of the debate by no means limited to the Labour Party. Indeed, it is arguable that more nonsense originated from the Opposition than from the Government side. The mirage of an undiminished standard of living, to be somehow attained in the face of all external misfortune

by means of a reshuffling of expenditure between public and private control, dazzles the Tory backbencher perhaps even more effectively than it does Labour members. The latter at least realise that someone must suffer—the "someone" being of course, in their view, the mythically inexhaustible rich; the former appear to cherish the notion that if only the Government would pursue the right policy adjustment to Britain's changed world position could be quite painless all round. Mr Lyttelton's declaration that a Conservative government would not cut the food subsidies seems to offer the painlessness without even any change of policy. This may be a good way to win office; it does not augur well either for the use or for the holding of that office when won.

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Command in the Mediterranean

There are signs that NATO deputies and their military advisers are coming to the end of their debate about who shall command what in the Mediterranean. The difficulty arises not merely from traditional British interest in this sea corridor, or from French interest in communications with North Africa, or from the thrill that an American fleet gets out of Mediterranean cruises round the flank of the iron curtain. It is inherent in the map of Europe and in the shape of NATO's scheme of defence. General Eisenhower's command was specially designed on a north-south line to stop western Europe from being overrun and to defend the land and sea approaches to the Atlantic; therefore it can claim a vital interest in both shores of the western Mediterranean. But there is also an eastern Mediterranean; and once a fleet has passed Sicily in an eastward direction it approaches three countries—Yugoslavia, Greece and Turkey—where the United States and Britain have clear defence commitments so far not formally included in the Atlantic Pact. Further eastward the fleet approaches the region of Israel and the Arab states, the defence of which is entrusted to the British alone of the western powers, the Americans having thrice turned down proposals for tripartite bases and engagements with Egypt.

These distinctions are strategically without sense. They exist for political reasons, just as the idea of holding a line across Europe is based on political rather than strategic reasons. The lesson of the last war is that the defence of Europe and North Africa, and of the Middle East bridge between them, is one problem, which is not changed by the fact that NATO has an artificial eastward limit of operation. The particular form that the problem would take in any future war would depend on the strategy of the aggressor; and it is in nobody's power to make all necessary dispositions against all possible contingencies.

The immediate practical problem of NATO is surely to maintain the highest possible morale among its limited forces in Europe—in fact to take a political rather than a military decision about the Mediterranean command. There is every reason for loyally accepting the appointment of the American Admiral Fechteler to supreme command in the Atlantic, if the reasons that make it acceptable in this country are allowed to point—as they do—to a British supreme commander in the Mediterranean. The main naval bases are British; British experience in that sea is greater than American; the line of communication to the Commonwealth is there—these are all arguments of weight; but far weightier is the fact that the British have been allocated responsibility for defending the Middle East and need, to carry out that task, the prestige and authority that command in the Mediterranean gives. It is, after all, for cold war that the western powers are planning, and for the prevention of the real thing. If they failed to prevent it, then political considerations would cease to be important between allies and the division of Mediterranean commands could be decided on military grounds alone.

Tito Asks for Arms

Marshal Tito has just made one of his most spectacular moves since he abandoned Moscow; though it must be said that leakages about it in the press have made far more of the news than he had wished. Why, the anxious cry goes up, did he openly ask for British and American arms, no more than a month after a firm statement that he would do no such thing unless an attack on Yugoslavia appeared inevitable? The answer is probably less sensational than the question suggests.

Military developments on the frontiers have been disturbing; but the proportions of the threat from the Communist neighbours have changed little since December, when Tito reckoned the combined military strength of Hungary, Roumania and Bulgaria at 660,000 men. The new anxiety has arisen, rather, from three other factors. There is growing evidence that the quality and armament of these frontier forces are the best that the satellites can muster and the Soviet Union can provide; the number of incidents has been steadily increasing in the last few weeks; and the world tension, from Persia to the Palais Rose, is more obvious than in February. Tito has concluded, not that invasion is imminent, but that sterner measures are necessary to deter these neighbours, and that he must restore the balance of military power more quickly than Yugoslav resources will allow. The current economic discussions in London, and the British and American decision to meet his requests for raw material credits, must be viewed in this context.

Having made up his mind that it was now more important to strengthen his defences than to abstain from action that might be called "provocative," Tito had two courses open to him: to apply for membership of the Atlantic Pact, or to ask Britain and America for arms as an independent party. It is arguable that he would do better to bite the bullet and join the alliance than to maintain his political independence; but on balance the argument is on his side. The moral advantage of his unique position both to his government and to the west is still considerable; neither would get any benefit from a formal treaty relationship while the Russians are shouting that Yugoslavia is to be the springboard of a western attack; and some of the smaller countries in NATO are not yet ready to embrace the prodigal son.

Tito has made it clear that resistance to aggression anywhere in Europe would have his support and that he would, if attacked, immediately appeal to Uno. He has in fact taken all the diplomatic precautions he can against everything except what the Communists call a "civil war."

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La Prensa

The suppression of *La Prensa*, Argentina's outstanding newspaper and one of the great journals of the world, is now complete. Last week both Houses of the Argentine Congress put a rubber stamp on President Peron's expropriation of Dr Gainza Paz; not, however, without 12 brave men in the Chamber of Deputies voting against the regime. One of them, Señor Frondizzi, who had been the sole dissentient voice on the investigating committee, declared roundly and succinctly: "We are not considering the destiny of a newspaper but the destiny of the country." A new management is now to produce a newspaper called the *Prensa Argentina*. Like the press in Mussolini's Italy and nearly all the rest of the Argentine papers—with one or two notable exceptions—this will no longer be based on an independent regard for the truth, but will reflect the frustrated and querulous outlook of the regime.

President Peron has alienated respect in much of the outside world over this business, and it is very doubtful whether it will pay him in the long run. He may avoid being confronted every day with the unpleasant facts of hard reality, and, by removing knowledge from his country-

men, he may be able to dragoon them for longer and more easily. But there can be no more question at present either of such things as dollar credits from the United States or of international respect—outside perhaps the Communist states whose methods he appears to emulate.

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The Actuary's Warning

The report (Cmd. 8212) of the Government actuary on the financial provisions of the new National Insurance Bill, presented to Parliament this week, should warn politicians of all parties of the costs of being too generous to old age pensioners. The fact that the proposed increases in old age pensions will be met without any further increase in contributions may have lulled people into thinking that the finances of an ageing population are not so bad as they are sometimes made out to be. Their belief has been strengthened by the knowledge that the national insurance fund has been running a large surplus because of the large savings on unemployment benefit.

Any such comfortable illusions should be dispelled by the Government actuary's report. His salient facts are as follows. First, the actual financial cost of the proposed increases and changes in old age pensions, together with the increases in other benefits in respect of children, will be £39 million in the first full year, but will be considerably more than double (£87 million) in twenty-five years' time. This estimate, it may be pointed out, allows for some further deferment of retirement as a result of the additional incentive; it is perhaps not sufficiently realised that the more successful the campaign for postponing retirement, the higher the cost of the pension when it is eventually drawn.

Secondly, the Government actuary discloses that, in considering the financial effect of the new Bill, he has been instructed to assume a long-term average of 4 per cent unemployment. (For the next few years, the assumed rates of unemployment are as follows: 1½ per cent until March, 1954, and 2½ per cent in 1954-55.) This fall in the assumed rate of unemployment (which hitherto has been 8½ per cent) obviously allows a more favourable view to be taken of future expenditure from the national insurance fund, and, as Mr Gaitskell said in his Budget speech, the Exchequer's supplements and grant to the fund are to be reduced accordingly. But this reduction is only a temporary mitigation of the Exchequer's liability to the fund. The Government actuary shows that, in 1957-58, the Exchequer grant will have to rise from £60 million—the figure at which it is to be fixed for 1954-55—to £125 million if income is to equal expenditure. Together with the Exchequer's supplement, the total contribution from taxation will have to be £151 million in 1957-58, £310 million in 1967-68 and £444 million in 1977-78. This last figure, the actuary points out, is nearly £40 million more than was contemplated in 1946, in spite of the lower assumed rate of unemployment. The employment of old people may enable the country to shoulder this financial burden with less difficulty. But the burden will still be there.

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False Teeth and Glasses

The main question about the new National Health Service Bill is whether it will provoke a political crisis when Mr Bevan faces its second reading. But the details of the proposed charges for false teeth and glasses are themselves of some interest. The charges are to be collected by the dentists and opticians, or by the hospitals in respect of appliances supplied to hospital out-patients. For false teeth they will range from £2 to £4 5s. according to the number supplied. For glasses, the charge will be 10s. per lens—that is, 20s. for a pair of spectacles—plus the cost of the frames. Thus, the total charge will range from 23s. to 35s. according to the type of frame chosen. In 1949, accord-

ing to evidence given to the Select Committee on Estimates, the average cost of supplying spectacles was 65s. 6d., including the sight-testing and dispensing fees. The proposed level of charges therefore suggests that people will have to pay part of these fees as well. They may well ask whether the dispensing fee, which is now 24s., cannot be reduced.

Since more than 20 million pairs of glasses have already been issued, and the charge will not apply to appliances contracted for before the new Bill comes into force, the savings will not be very great. They are estimated at £8,000,000 in a full year for glasses and £17 million for dentures. To a certain extent the total savings to the Exchequer depend on the standard of need allowed by the Assistance Board, which will be empowered to grant assistance for paying the charges even to people in full-time employment. But it is likely that these first charges to be imposed for health service facilities will not be the last. They have been introduced in order to provide extra money for the hospital service. Mr Gaitskell and Mr Marquand can hardly refuse to extend the principle if more money has to be found for the general practitioners.

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Durham Dallies

On Tuesday night Durham County Council decided that for the time being it would not comply with the Minister of Education's order that the closed shop policy in the appointment of teachers should be dropped. Instead, it asked him to see a deputation. When *The Economist* went to press the Minister's response was unknown, but Mr Tomlinson and Mr Bevan saw a similar deputation last November and nothing has happened since to strengthen the county council's case. The Minister will be fully justified if he refuses to see the deputation until the council promises to comply with his directive.

The closed shop issue now comes to a trial of strength between Minister and county council. The Minister has the sanctions of the High Court and the Exchequer grant behind him if he does not weaken. His directive to the council was categorical; the promptitude with which he acted after the teachers' decision to resign shows no sign of vacillation. Having committed himself so deeply he would find it exceedingly hard to withdraw with dignity—if indeed he has any wish to do so, and of this there is so far no sign. If the Minister stands firm to the point of using his sanctions—against a stronghold of the Labour and trade union movements—it must, nevertheless, be reckoned an act of considerable political courage.

Mr Tomlinson has one important factor on his side. Opinion in Durham is deeply divided about the wisdom of coming into open collision with the Labour Government. The council has failed in an attempt to mobilise the local trade union branches and Labour parties in its support. The decision by the Labour members of the county council to oppose the Minister was taken by only 35 votes to 32, with 36 members abstaining. Persistent defiance is hardly possible on that basis. Indeed, the tone of the meeting suggests that the first reply to the Minister was designed more to save face and to play for time; if the Minister stands firm, he will probably have no need to use sanctions to force the council to give way.

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Verdict for the Dockers

There could hardly have been a more unsatisfactory ending to the trial of the seven dockers at the Old Bailey this week. They were indicted on the three counts of inciting an illegal strike, of inducing other dockers to break their contracts with their employers, and of conspiring together to cause an illegal strike. The jury disagreed over their findings on the first count, but nevertheless found the men guilty

on the second count. This illogicality left the Attorney General with no alternative but to ask that the whole case be dropped, and the men were accordingly discharged. As Sir Hartley Shawcross said, it seemed that the jury thought the defendants ought to be convicted of something, but they were not quite sure of what.

The case hinged on whether the strike was the result of a dispute with employers or with union officials, for the Lord Chief Justice directed that a dispute between the men and their own union officials was not a trade dispute within the context of the Control of Employment and National Arbitration Order (No. 1305). It would seem, therefore, that a strike which was the result of such a dispute would not be an illegal strike within the meaning of Order 1305; but, as the Attorney-General subsequently pointed out, it might be illegal within the meaning of the Trade Disputes Act or the Conspiracy and Protection of Property Act.

To the layman, these are bewildering points. The only person who may be persuaded or forced by a strike to act in a particular way is the employer. In this sense all strikes are necessarily directed against the employer, and it would seem to be nonsense to maintain that the object of a strike could ever be to secure the dismissal of union officials or to force those officials to pursue a particular policy. Clearly the whole structure of present legislation about strikes is confused and radical changes are necessary. There are, however, strikes that are clearly illegal. If the law is not to fall into entire disrepute before it is reformed, it is important that there should be the firmness in prosecuting in such cases that Sir Hartley Shawcross promised.

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Malan's Breach of Faith

The Union of South Africa, in its relentless pursuit of race discrimination, defied the United Nations at Lake Success, and is now defying its own constitution. The

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occasion has been the ruling of the Speaker of the South African House of Assembly—in a crowded and excited House—that the Union Parliament is competent to pass the Representation of Non-Europeans Bill (which removes Coloured voters from the common electoral roll) by an ordinary majority vote. In the South Africa Act of 1909, certain "entrenched clauses" were inserted which could be modified only by a two-thirds majority of a joint sitting of both Houses of Parliament; Section 35 of the Act specifically guarantees equal voting rights for the Coloured people under this arrangement. What is more, the most solemn assurances were given to the Coloured people—both in 1931 when the Statute of Westminster was debated, and again in 1936, when the Natives (not the Coloured) were put on a separate voters' roll—that the entrenched clauses of the South Africa Act would remain untouched.

All this is now set at naught. Dr Malan cannot command a two-thirds majority of both Houses, but he is certain of a normal majority in the House of Assembly; the Bill will, without doubt, pass into law. The Speaker, in giving his ruling, based it on the fundamental argument that the Statute of Westminster acknowledged the sovereignty of the Union Parliament, which is now entitled to amend any clause of its Constitution as laid down in the South Africa Act by an ordinary majority vote. The Union's Parliament is thus declared to be as omniscient as the Parliament of the United Kingdom, with its own unique and unwritten constitution, and to possess a greater absolute authority than the American Congress, and the Parliaments of Canada and Australia.

The South African Opposition has denounced the proposed legislation as a cynical breach of faith and will fight it clause by clause. Not only Coloured persons' votes, but the equality of the English and Afrikaans languages is covered by the entrenched clauses, and there is no knowing what, if they are successful this time, the Nationalists will do next. United Party lawyers have suggested that they may challenge the constitutionality of this Act of Parliament—when it becomes an Act—in the Courts. What is certain is that the Coloured people must feel themselves the victims of a most flagrant betrayal and that the whole spirit and content of the South Africa Act are at stake.

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Yet Another Dominion?

Constitutional problems—differing in content but not so different in context—are also challenging attention in Southern Rhodesia. A select committee has recommended that its status should be changed to that of a Dominion and the title "Colony" abandoned. These proposals are now before the House in Salisbury and it is suggested that they come into effect in 1953, the hundredth anniversary of the birth of Cecil Rhodes. There are various reasons why Rhodesians want this change, not least being the desire to reach the same rank as India, Pakistan and Ceylon; but the crux of the demand is native policy. In the constitution of 1923 one important restriction was imposed: that any legislation discriminating against Africans required the King's consent on the advice of the British Government. In point of fact a whole statute book could be filled with the discriminatory legislation passed against Africans in the last 28 years. Whether owing to weakness or indifference, this restrictive power has never been used; its mere existence is the irritant.

The Select Committee recognises, however, that one cannot easily remove safeguards without putting something else in their place. It therefore recommends that an Upper House consisting of 15 members be constituted, including two nominated for their knowledge of Native affairs. These should not be specifically regarded as representing the Africans, but the whole of the Senate would be the safeguard for just treatment of all races. How far it will in fact act in this way is

doubtful; for eight of the Senators are to be elected on an ordinary voters' roll (almost exclusively European) and the remaining five are to represent special interests.

The prospect of Dominion status, whether bicameral or unicameral in constitution, will gladden few African hearts. Nor will the Commonwealth's repute in the free world be enhanced by a second Dominion based on race discrimination. In some ways, however, it will be a relief to conscientious British public opinion to be no longer directly responsible for a principle which has been honoured so much more in the breach than the observance. The pretence is dropped that the British Government is protecting people for whom, in practical politics, it can apparently do nothing. Whether Southern Rhodesia, with its 140,000 whites, can afford all the trappings of Dominion status is another matter.

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Pressure on Czech Workers

There seems to be no end to the exhortations and devices by which the Czech Communist leaders attempt to reconcile the growing inertia of the Czech workers with the growing demands of the Soviet Union. According to the latest arrangements the original Five-Year Plan is to be fulfilled in this, its third year, in many branches of industry, including coal and raw steel, and next year in many more. But according to Mr Zapotocky, the Prime Minister, the fulfilment of the plan's targets "is neither organised nor smooth." They are usually reached, but only by last-minute spurts (*sturmovstina*) and by "a whole series of extraordinary measures."

The old policy of more or less bribing workers to achieve their maximum output has, in fact, not produced good results. Wages have risen and with them production costs, but productivity has declined. Works managers, who up to now have had no limits placed on their wage bills, have frequently evaded the wages regulations so that workers have often been paid more than they really deserved. Under the new system introduced at the beginning of this month, the amount of each enterprise's "wage fund" will be worked out in advance, and it will only receive the full amount if it has completely fulfilled its planned production targets. It is true that the concern will receive an additional sum if it exceeds its target; but it is expected that the general effect of the new system will be to force the worker to work considerably harder to maintain his present wages.

At the same time a concerted effort is being made to boost production by overcoming the widespread prejudices of ordinary workers against stakhanovite methods. But Mr Zapotocky, who a year ago was strongly advocating higher rewards for shockworkers, is now forced to point out that "we are not out to create shockworker prima donnas," and that the real stakhanovite works for the good of the community as a whole and not for his own personal profit. In view of the new drive to get more out of the workers for less reward, he could hardly take any other line. It is probable, however, that this drive will deepen the divisions already existing among the Communist leaders just as it will certainly infuriate the workers.

* * *

French Tax Dodgers

Tuesday night's vote of confidence in M. Queuille's government by 311 to 240 may at last have put an end for the moment to the several weeks of wrangling over the French budget. Increases in taxation amounting to over £50 million have in effect been accepted as unavoidable; they are recognised to be part of the price of rearmament and inevitable in view of the increase in government expenditure caused by the inflation now suffusing the French economy. This settlement, however, should not be regarded as more than a temporary factor in stabilising prices and propping up the currency. Indeed, it is to be hoped that it only defers

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[30 1049]

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THE FIGHT OF OUR LIVES

PRESIDENT TRUMAN has made a speech saying that selfishness and greed are tearing the U.S. apart. It is more than that. It is the civilisation of the world that selfishness and greed have been tearing apart with increasing destructiveness for more than a century, and the evil is in Britain as much as America.

Let us realise this: *the world is in the state that we deserve.* Men make the state of the world by the state of their minds. If there is conflict everywhere, that is what our ideas of self-interest have led to, undisciplined by sufficient care for the good of our fellow men.

Listening to the talkers of clap-trap among us, one might get the impression that the evil was exclusive to those who seek to pile up profits. It is not. Every group in society, from top to bottom, is poisoned by those who live for themselves alone.

These are people who have shrunk. If life for them becomes joyless and empty, that, too, is what happens when people shrink all their interests upon themselves.

But there is hope for us today just because this is being realised. There is hope in the effort within Britain for social justice. There is hope when a President of the United States can make a great moral appeal to defend and advance spiritual values in the world.

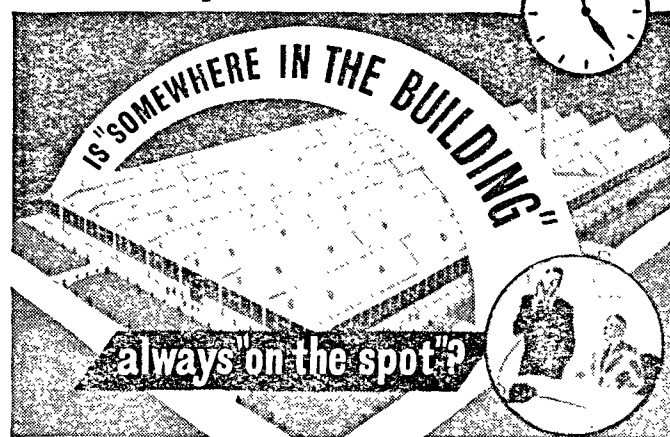
It is no good getting morbid about our troubles. It is perilous to run away from them. There is a cure for boredom and depression and that is to feel that we are part of a community who are out to make life for everybody worth the living.

Our age is challenged to make civilisation live. It is in the minds of men that the fight will be decided.

Reprinted from the editorial column of the Daily Mirror of April 5. The Daily Mirror's net sale—over four and a half million—exceeds that of any other daily newspaper in the world.



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until after the elections—now likely to be held on June 10th—a more thoroughgoing review of French revenue and fiscal policy, which is very badly needed. This ought no longer to be just a matter of slipping from one government compromise to another, but should involve a revolution in the whole administrative and political approach to the problem of French taxation.

M. Edgar Faure, the Minister for the Budget, put his finger on some of the trouble at the beginning of the month—though his touch was far too delicate to have much effect. In France, he said, direct taxes only account for 30 per cent of the central government's revenue, compared with 70 per cent in the United States and 60 per cent in Britain. The one-third of the population which lives on the land, he also suggested, virtually only pays its taxes by receiving low prices for its produce; it does not pay them in a normal form. The peasants in other words, as many Frenchmen know, are not being taxed in proportion to their genuine resources and are not carrying their fair share of the load. Nor can any other conclusion be drawn from the statistics of direct taxation than that evasion of income tax and concealment of real wealth in the nation at large have reached alarming proportions.

M. Faure claimed that the average French income per head is only one-third of that in Britain, and hence that in France the real burden of taxation at its present level is heavier than in Britain. But this is to gloss over simple facts which all can see, and to run counter to observations which can be made in the everyday life of the French middle-class business community; the total number of income tax payers, for instance, is far too low to make sense when compared with the number of car owners. What is happening is that taxes are being scrupulously collected from the lower and fixed incomes but not from the higher; and while British incomes probably are higher than French, the average difference is by no means as great as the figures at present suggest. With constitutional reform now out of the way, this question of fiscal reform should be one of the very first to be tackled by whatever government comes to power with a fresh mandate at the approaching general elections.

Mr Webb Looks Ahead

The Minister of Food is having an anxious time. Food stocks are low, imports of many of the main rationed foods are smaller than they were twelve months ago, and bad weather appears to be reducing the volume of home-produced food. It is perhaps to distract his own as well as the housewife's attention from shortages in the next few months that Mr Webb has announced that in August the meat ration will be increased to 1s. 8d. a week. That is not to say that the British public will get twice the present quantity of meat. In the first place, home-killed meat is dearer than imported meat, and in August and September the ration is likely to be met almost entirely from home supplies. Secondly, the retail prices of many foodstuffs will shortly be increased. When asked whether the increase in the meat ration was induced by a rise in price or by the increased quantity available, Mr Webb replied rather cryptically that "it is the expected result of an increase in home production at that time of the year." He had admitted earlier that the possible rise in prices had been taken into account when estimating the increase in the meat ration.

In August, then, the consumer may get by quantity some 50 per cent more meat than at present. But in July and possibly in June, too, he may well get 50 per cent less than at present—or, at worst, no meat at all. The absence of Argentine supplies and the reduction in supplies from Australia and New Zealand, caused by shipping difficulties, are imposing a severe strain on the Ministry's distribution system. The increased home killings this spring have brought a temporary relief, but as home-produced meat

cannot be stored the problem of finding sufficient supplies in the earlier summer months remains.

Eggs are another source of worry for the Minister, and the weather is blamed for it. Because of the heavy rains, the so-called "spring flush" of eggs has not materialised and the allocation is still one per ration book per week. Rumours in the trade suggest that hens are laying almost as well as ever, but that the eggs are being preserved for distribution later in the year—perhaps for distribution when the meat ration disappears. Some unkind people have even said that the eggs are being preserved to augment the rations for visitors to the Festival. But the scarcity really reflects the folly of the Ministry's buying policy. It could have obtained supplies from the Netherlands, Denmark and other European countries. No matter how unseasonal the weather, private trade never reduced the supply of eggs to one per person per week, let alone when output per hen-shift is at its peak.

Gambling

The report of the Royal Commission on gambling,* published this week, is sensible and well argued. It finds that many of the arguments of those who oppose gambling are much exaggerated. It is true that a large proportion of the adult population gambles, but very few appear to do so to excess; the net personal expenditure on gambling—about £70 million a year—is a great deal less than such bodies as the Churches' Committee had calculated. The commission thinks that moderate gambling does no serious harm to the characters of gamblers or to the community in general, and it states as a principle that:

It is the concern of the state that gambling, like other indulgencies such as the drinking of alcoholic liquor, should be kept within reasonable bounds, but this does not imply that there is anything inherently wrong in it.

It follows, therefore, that the state should control gambling as it does drinking but should not attempt to prohibit it altogether.

The subsequent proposal that betting shops for off-the-course cash bets should be allowed under licence, and strict police control, would seem, however, to be a moderate encouragement rather than a deterrent to gambling. Both the bookmakers' associations and the Churches' Committee, in an unusual alliance, were strongly against the suggestion when it was put to them. Yet it is a logical development of the argument for state control as against prohibition, and it is the only way to avoid the evils of street betting which is virtually uncontrollable. The scheme recommended by the commission is very similar to the present system of licensing public houses, with safeguards against loitering and excessive gambling as there are against excessive drinking. There is no reason to suppose that such betting shops will encourage gambling addicts any more than public houses encourage drunkards. And it is better to keep the addicts who exist in the open, where they can be watched and controlled, than to conceal them in alleys and dark corners.

The commission's other proposals are less controversial. They would clear up the tangle of gambling legislation, remove anomalies in the gaming and lottery laws, and more strictly supervise and control football pools. They are proposals with which few people will disagree, and it is to be hoped that legislation to put them into force will not be delayed.

The Powers of the Central Land Board

Last year, in the case of *Earl Fitzwilliam's Wentworth Estates Co. v. Minister of Town and Country Planning*, the Court held that the Central Land Board had power, under the Town and Country Planning Act, 1947, to buy compulsorily land available for immediate development in order

* HMSO. 4s. 6d.

to compel the owner to part with it at its "existing use" value and no more. Last week the Court of Appeal, by a majority, confirmed this decision. But it gave leave for the matter to be taken to the House of Lords.

The dissenting judgment of Lord Justice Denning contained a survey of the basic functions and powers of the Central Land Board and the Minister—and also, by implication, of the position of all subordinate but partially independent governmental agencies. The board, his lordship said, had power to buy land compulsorily, not at discretion but in the performance of the duties laid on it by Parliament. Those duties were to assess and collect the development charge on land and to administer the compensation fund for lost development rights. It was admitted that the board could buy land to "test the market," for the development charge was based on a market figure. But the board was not, in his lordship's view, concerned with the promotion of land development itself. That was the function of the local authorities. In any event the board had not acted to promote the development of this particular piece of land. It had acted to enable it to be developed at a particular price, and that was quite another thing. It was the promotion of a particular policy adopted by the board.

Lord Justice Denning then turned to the 1947 Act. He pointed out that Parliament had nowhere said that land could only be sold at its existing use value, nor had it authorised anyone else to make such a law. Parliament had assumed that, if a purchaser of undeveloped land had to pay a charge on development, he would pay the seller no more than its existing value. This expectation has not been fulfilled. Yet, instead, his lordship said, the Central Land Board was itself attempting to enforce such a policy by the use of its compulsory powers to buy land, which was tantamount to legislation by the board. He came to the conclusion that the ultimate object of the board, and of the Minister, was not lawful. It was capricious in operation and it was based on the views of expediency which a government department might entertain. In the result, he would have allowed the appeal. The consideration of these arguments by the House of Lords will have great interest and importance.

* * *

Housing Discrepancies

Students of the economics of housing have been provided with invaluable information by the Institute of Municipal Treasurers and Accountants. For the first time the institute has published a return of housing statistics. It covers the year ended March, 1950, and is thus more up to date, as well as much more comprehensive, than any government figures. All the large and many of the smaller housing authorities are covered, and the statistics include costs of building and repairs, rents, subsidies and details of housing revenue accounts. They will stimulate many comments and comparisons. In 1949-50 three-bedroomed houses cost £2,320 each to build in East Ham, but £1,301 in Tynemouth. Bristol was spending £1,825 on each house, charged a net rent of 17s. per week, and had a very high additional rate subsidy. In Manchester and Liverpool comparable houses cost about £1,450, there was no extra rate subsidy, and net rents were 10s. and 13s. 1d., respectively. The returns suggest a number of reasons for these discrepancies but leave some unexplained. In future it should be possible for public opinion to be much better informed about the results of housing policy.

* * *

A Feast of Art

Anyone with any interest in the arts may feel pleasure and pride in the programme of the "Season of the Arts" which will take place in London in May and June. In number and variety the concerts and exhibitions, plays, operas and ballets offer the richest of feasts, almost too rich since most people will be able to taste only a few of the

dishes set out for them. The official souvenir programme* is as attractive as its contents promise to be.

The Festival of Britain has provided not only an opportunity for the display of the talent of the past but also a stimulus to new work. The Arts Council says frankly that it has used the Festival as a lever to establish the operatic tradition more firmly and has therefore "commissioned, promoted and coaxed new operas into existence." Seven operas are being written for the Festival. Two new ballets in the programme have also been specially commissioned, though ballet needs little external stimulus. The South Bank has provided an opportunity to commission murals, decorations and sculpture by artists who established their reputation just before the war, and the Arts Council has also organised an art competition which will be exhibited. But the major part of all the exhibitions and performances is naturally devoted to the productions of the past. Most impressive of all is the programme of concerts. Sir Malcolm Sargent, in a prefatory note, rightly draws attention to the immense growth in musical appreciation and musical output over the last hundred years. Where there were tens of concerts for the 1851 Exhibition there are hundreds for 1951, and these are not confined to the more conventional kinds in the Albert Hall and the new Festival Hall. The great variety of contemporary performers is demonstrated by the wealth of choral music in churches, serenade concerts and string orchestra concerts. Whatever industrial prowess the South Bank exhibits, whatever frivolity Battersea Park can provide, London can be justly proud that it can make so large a display of the arts.

* "London Season of the Arts." Arts Council of Great Britain. 2s.

Retrenchment versus Reform

In the desultory debate on Chancery Reform which took place last week in the House of Lords, the Lord Chancellor made a few significant remarks which are strikingly illustrative of a sore and growing evil of our days . . . viz., the confounding of parsimony with economy, and the disposition to purchase cheap government at any cost, however dear. . . . What *ought* to be done *dares not* be done, because our senators take a narrow, partial, short-sighted view of their duties, and forget that they have other and higher functions than that of guardians of the public purse. They forget that they are intrusted with the money of the nation in order that they may purchase therewith those blessings which the nation needs, and on which its happiness and prosperity depends. They forget that their duty is so to dispense the public revenue as to further most effectually those objects which the public has at heart, and for which the community submits to be taxed; and that if the first of these is defence against foreign foes, the second at least is the administration of prompt, rigid, and impartial justice at home. For this they ought to feel, as the country feels, that no price can be too high; and if the additional number of Equity Judges required to clear off arrears of Chancery business, and to prevent any such accumulation in future, involved an increase in the civil list of £100,000 a year, the amount should be voted without a scruple or a murmur. . . . The point most important to be brought out and fixed clearly in the popular mind is that the sticklers for "cheap government" in the House are the supporters of mal-administration; that matters have reached a point at which Retrenchment and Reform no longer go hand in hand, but are pitted against one another;—that, in a word, the party who would save the money of the people, and the party who would spend it well, are distinct, and at issue.

The Economist

April 19, 1851

Letters to the Editor

The British Colonial Army

Sir,—I should like, if I may, to add one or two points to your admirable article of April 14th. My only criticism of it is that it deals entirely with Africa, to the exclusion of the other parts of the colonial empire.

I am convinced that the first principle in raising a volunteer colonial army is that it should be on a long-service basis and that its officers should find their careers in it, as happened in the case of the old Indian Army, and not be seconded for short periods from the British Army.

But the colonial empire can help in other ways as well. Far too many British battalions and batteries are engaged in garrison duty overseas when they ought either to be in Germany or in the strategic reserve in this country, and they could be replaced by specially-raised colonial units which for various reasons would not normally form part of a field army. Both the Royal Navy and the Royal Air Force too seem to be largely ignoring the possibilities of direct enlistment from the colonial empire. There was a time when Maltese enlisted in large numbers in the navy and were encouraged to do so. During the last war several thousand Jamaicans served in the Royal Air Force. Why do we not use our imagination and think of the jobs in our world-wide military commitments where colonial volunteers could add to our strength?

It seems too as if we have not considered the possibilities of the colonial empire over rearmament. We in this country are at our wits' end for manpower; yet in Jamaica, Barbados and Malta there is unfortunately a permanent surplus of labour. Why not build small arms factories on the spot as we did in India and where there are existing factories give orders for boots and shoes, clothing and other necessary equipment?

This question of defence should not be bedevilled by perverted politics. It is not a question of the colonies being asked to fight for us or we for them. We both share the same peril and should pool our effort. Surely too in training the colonies for self-government we are only doing our duty if we teach them the need for self-defence.—Yours faithfully,

DAVID GAMMANS

House of Commons

Incidence of Income Tax

Sir,—Two years ago I sent you some particulars regarding the percentage of this firm's employees paying up to one hour's pay per week in income tax. I am now sending you similar figures which bring home one or two salient points.

First, the average wage in two years has risen from just over 2s. 6d. to just over 3s. 6d. per hour. Secondly, the increase in wages has resulted in a greater number of employees paying income tax, yet there are still many who only contri-

bute one hour's pay per week towards the inland revenue.

Out of 160 employees engaged in high quality automobile and general engineering:—

10½ per cent pay no tax at all.

6½ per cent pay up to 1s. per head per week.

4½ per cent pay up to 2s. per head per week.

3½ per cent pay up to 3s. per head per week.

This means that exactly 25 per cent pay less than one hour's pay per week income tax, a drop of 5 per cent compared with two years ago. It is still abundantly clear that the greater part of the income tax from concerns such as ours is contributed by skilled operatives and executives.

Thirdly, the difference in pay between unskilled, semi-skilled and skilled labour is now so narrow that there is little incentive to serve apprenticeships as was the practice fifteen to twenty years ago. This results in an increasing difficulty in obtaining skilled labour, and a tendency for mediocrity to spread throughout industry. The only way to keep up the quality of output is to employ more administrative and executive staff with a consequent rise in overhead costs.—Yours faithfully,

A. J. GURNEY

Laystall Engineering Company,
London, S.E.1

Moral Disarmament

Sir,—The statesmen and publicists of the West are criticised by you—I think rightly—for their dignified rejoinders to Communist propaganda. You say of them in your issue of March 24th (page 668):

If they find it difficult to grasp what is required of them, let them imagine themselves involved in a permanent international general election. No local politician, however inexperienced, is so foolish as to think that he stands a chance at the polls without the aid of an active party machine.

Your diagnosis is accurate, but the remedy prescribed is not in the local politician's book. You advocate

A permanent machine for western political warfare . . . firing [more words, I suppose] incessantly into the enemy's ranks.

Local politicians, of all grades of experience, know that patronage rather than clever words produces results. The American and, I imagine, the British and other so-called democratic political systems were successful because instead of, or in addition to, words, the party in power provided for voters more substantial things, and left the final distribution to local politicians. The conventional verbal *obligato* is, of course, always faithfully played, but neither the central nor the local politician depends on it for results; they know that only special and specified advantages will produce votes and loyalty. The Democratic Party does

not appeal to New Yorkers via New York's Republican Governor, but through local democratic politicians who pass around jobs, post offices and other federal benefits.

You seem to think, as do our statesmen and politicians, that help should be given only to governments of whom we approve. I am not proposing that we help Franco, Chiang Kai-shek and Stalin to tighten their grips on their subjects. However, instead of withdrawing into splendid isolation, I suggest that the problem of inducing the Spaniards to act and vote "right" be handled with the same intelligence as are our local political problems.

There is nothing improper in Washington dealing with Spaniards the same way as it does with Californians or Marylanders. While we know next to nothing about the game of broadcasting ideologies, we know how to appeal to people through local politicians. Also we could offer more than the Russians; instead of bliss in a Marxist paradise, or a commissarship when the proletariat comes to power, we could offer cash on the barrel-head, or the wheat, shoes and tractors that our friends-to-be could enjoy here and now.—Yours faithfully,
New York PAUL KOLISCH

Farming Merry-Go-Round

Sir,—In your article on the new agricultural prices in *The Economist* of April 7th you state that "it is not physically possible to bring about a further rapid increase in the output of British agriculture." As it stands this statement is only partially true. For instance, a greater use of fertilisers offers means of a significant and rapid increase. A recent survey of fertiliser practice (*Agricultural Progress*, Vol. XXIV, 1949) indicates that the application of an extra 100,000 tons of nitrogen would increase total energy production of British agriculture by at least 5 per cent. A greater use of other fertilisers and of lime should also result in yet greater yields. Even allowing for the rise in fertiliser consumption since the survey was made, there is undoubtedly great scope for increasing output in this way.

The curtailment of the fertiliser subsidy last year was, therefore, probably unsound. For when cuts in expenditure are necessary, many farmers find fertiliser purchases the easiest and, thereby, the first item to reduce.—Yours faithfully,
THOS. EASTWOOD

School of Agriculture, Cambridge

British Universities

Sir,—It is to be hoped that time will justify Mr Petty's statement, in his letter in *The Economist* of April 14th, that a college lecturer whose work is of university standard will receive under the 1951 Burnham Technical Scale a salary of £1,000 rising to £1,150 per annum. There is nothing in the report which says that this must be so. Such a

salary grade has indeed been established and a teacher placed in it must be on that scale, but the local authority has full discretion whether anyone, in fact, shall be so placed. Local authorities have been asked to reduce expenditure on education, and they are bound to think of the rates. It is not surprising that among technical teachers there is a feeling that national funds should be more responsible for technical college expenditure than is at present the case.

It is agreed that the scale quoted by Mr Petty can stand comparison with that offered to the lecturing staffs of universities, but that is not the end of the matter. Investigation will show that terms are longer in the technical college than in the university, and the weekly teaching hours are also longer.—Yours faithfully, S. RUBINSTEIN

Derby Technical College

Helping Discharged Prisoners

Sir,—I am grateful to you for having drawn your readers' attention to the inquiry into the work of the Discharged Prisoners' Aid Societies. There are nearly 60 such societies in England and Wales, and the aid they render is largely material: a little money, sometimes a job.

Most delinquents, whatever their intellectual and physical development, are emotionally immature. Their offence is frequently the outcome of a failure to adjust themselves to the demands of life. When such people are sent to prison

they are not only removed from these demands; there are precious few alternative incentives to positive action open to them. Their lives are ordered for them by someone else, and such little work as they are allowed to do (between 19 and 25 hours per week in local prisons) is usually dull.

On release they return to a hostile society. If they are to be helped to become responsible and constructive members of society, they must be shown how to fight their own battles, how to channel their energies, and how to use the sometimes inadequate equipment at their disposal to the best advantage. Material aid is usually required. But something much more subtle and comprehensive is needed: a rehabilitation service which begins when the offender is sentenced and which ought not to end until he has managed to readjust himself wherever readjustment is possible.—Yours faithfully, HUGH J. KLARE
Howard League for Penal Reform,
London, S.W.1

Decimal Weights

Sir,—Mr Rawson Gardiner, in your issue of March 3rd, pleaded for a decimal currency. The advantages it offers may indeed be considerable, but I should be far more concerned to see the United Kingdom adopt the metric system for weights and measures, especially for medical prescriptions. Someone I know well has to take a daily dose of a certain medicine, one of whose characteristics is to act as a soporific. It is important

for his health that this dose should not vary. On one occasion, finding himself deprived of his English source of supply of this drug, he called upon a French doctor for a corresponding prescription in a French drug. The attempt at conversion was made jointly by the patient and the doctor but, like all human activities, was subject to error, and for a few days my friend found himself frequently overcome by an irresistible desire to sleep. The conversion sums were gone over again, and it was found that the doctor was prescribing an overdose.

As soon as he could, my friend returned to his English drugs and their English quantities. Four years later he found himself in the same predicament as before; he had lost his earlier prescription, and again had to go to a doctor to get a new French prescription. There was the same attempt at conversion; once more it went wrong—this time in the opposite direction—and my friend was involved in an accident which might easily have proved fatal not merely to himself, but to completely innocent third parties.

You will tell me that it should not be very difficult to convert grains into milligrams. My reply is that neither my friend nor his doctors were stupid men; yet a mistake was made. Is there really any virtue in the grain that makes it worth preserving? I believe that in the United States, which still counts in miles and pounds, the metric system has been adopted for medical prescriptions. I suggest that it is time to do so in the United Kingdom.—Yours faithfully, Paris G. H. G. N.

my ethical and philosophical creed" must have helped. A year or so after his recovery he met Mrs Taylor for the first time. He fell quickly, deeply and permanently in love. She seems to have been a most delightful person: a year younger than he, beautiful, witty, excitable, and brave. Though at first contentedly married, and the mother of three small children, she soon returned his passion. After various troubles she imposed a strange arrangement on her husband, a worthy goose among these swans, by which her time was divided between the two men: Mr Taylor, "an obtuse, most joyous natured man," according to Carlyle and "the pink of social hospitality" and Mill, shy, withered, twitching, and, again according to Carlyle, "innocent as a sucking dove."

The strain on poor John must have been tremendous. He continued to live at home, and to work under his father at East India House. Harriet was never mentioned in the family: James Mill tried it once, and it is pleasant to record that after John's reply made no second attempt. There was another nervous breakdown while James lay dying. Friends gossiped. John dropped them, and never afterwards forgave them. He withdrew from all social life and went for long holidays abroad with his Harriet. In fact he hid, and worshipped at a secret shrine.

his life before he met Mrs Taylor, and much of the rest describes the public work of the glum widowerhood which started 28 years later. The deepest experiences of the intervening period, all his thirties and all his forties, he walled up behind a few brief pages of fulsome but colourless eulogy. Professor Hayek's patient excavations have disinterred some vivid fragments of the greatest psychological interest. He has modestly refrained from filling in the gaps, and the whole picture may be variously interpreted, but a brief, incomplete summary will suggest the value of his discoveries.

When Mill was twenty he had a severe depressive illness. It was perhaps to be expected after the long years of subjection to his bully of a father. He himself describes how his recovery dated from his reading about a boy who on his father's death resolved to replace him in the family. It seems to have been largely by plucking his father out of his heart that poor Mill restored his sanity, though the simultaneous discovery that "the cultivation of the feelings" had become "one of the cardinal points of

So, it seems, it went on for twenty years: years in which the public saw him only as he worked steadily at India House, published two great treatises, and did an immense amount of serious political journalism. At last John Taylor died, devotedly nursed by Harriet. On April 21, 1851, a century ago today, Mill at last married her. He was then close on forty-five. And it is curious to record that at the same time he picked quarrels with all his own family and never willingly saw them again. Professor Hayek prints a furious letter that Mill sent to one of his brothers and a most touching protest from a sister. John and Harriet went off to live in seclusion at Blackheath with the younger Taylors, and we have a brief glimpse of him extemporising wild music on the piano after tea.

Very soon they were both ill—both were tuberculous—and they had to spend much time apart, one or the other too ill or too busy to travel. The two chapters given to Mill's letters home during a six months' trip he made to France and Italy in successful search for health are the happiest in the book, and have even a glint of humour. But while John recovered Harriet still weakened. Their tale ends abruptly in 1858. They had been detained in London longer than usual into the autumn while John's retirement from India House was arranged. On the journey to their beloved Riviera Mrs Mill caught cold, pneumonia followed, and she died at Avignon. They had been married seven years.

Historical Perspective

The Stakes of Democracy in South-East Asia. By H. J. van Mook. *Allen and Unwin.* 312 pages. 15s.

Dr van Mook was born in Java and has spent most of his life there, becoming head of the Department of Economic Affairs in the Netherlands East Indies before the war and subsequently Lieutenant Governor-General. He was Minister for the Colonies in the Dutch wartime government in exile and returned to Indonesia as Governor General in October, 1945, after the Japanese collapse; he resigned in November, 1948, on a disagreement with The Hague. One of Holland's most highly experienced pro-consuls, Dr van Mook puts today's confused events in South East Asia into

an historical perspective that is most refreshing. He shows that the unrest created by modern nationalism is no sudden flash in the pan.

The book is divided into three parts. The first is an historical survey going back to Vasco da Gama's landfall on the coast of India in 1498; the second covers the Japanese invasion in the Second World War; and the third deals with the economics and politics of South East Asia today. Dr van Mook inevitably writes at length about the Indonesia he knows so well, but he also sets down some wise general thoughts about the whole area he has set out to cover. In the early days of white settlement, he says, there was no sense of colonialism or of racial inequality on either side. At the same time the original white vanguard was carried forward by the forces released in Europe at the time of the Reformation; the "ferocious tenacity" of these men was something new and overpowering in the East. Later, when colonial rule had grown set and hard, it "suffered from all the evils of absentee landlordism."

The Japanese, Dr van Mook points out, never attracted to their side any important number of revolutionaries in South East Asia; they thus failed completely to create any real pro-Japanese sentiment among the peoples they conquered. But what they did, both in smashing up the previous colonial regimes and in making their own colonial-type rule so unpopular, was to stimulate anti-colonialism to a degree never previously inherent even in the growing prewar sense of nationalism. This had little intrinsically to do with any anti-white feeling, although it has naturally since played into the hands of anti-European Communist agitators.

With Dr van Mook's book the reader has the sense of being in the hands of the expert; his point of view is in any case of interest for its own sake. The book is unfortunately printed in a rather trying type, but the author's English is impeccable and he has many valuable things to say.

An American Symposium

The Future of Democratic Capitalism. *Pennsylvania University Press* (London: Geoffrey Cumberlege). 112 pages. 16s.

The title of this book suggests something more consecutive and more

systematic than the book itself actually provides. The future of Democratic Capitalism is a large subject, and a larger volume than this would be needed merely to set out and relate to one another the problems, discrepancies, dynamic forces and constructive or destructive influences which it covers—except in the form of a mentally stimulating essay. The five distinguished contributors to this volume, which constitutes the Benjamin Franklin Lectures of the University of Pennsylvania (second series) for 1949, are stimulating enough, but they have wisely sacrificed comprehensiveness to a deeper consideration of special topics. Mr Thurman Arnold, indeed, is perhaps rather disappointingly averse both from the particular and from the theoretical in his chapter on the "Preservation of Competition"—a subject on which, as an expert in the mythology of capitalism, he has long ago demonstrated his authority. His central thesis, backed by historical analogy, is the connection between a viable competitive order and the free movement of men and goods. The laws of growth and behaviour of big business he leaves to Dr Adolf Berle, whose acute and realistic analysis is eminently applicable not only to private but also to public corporations. Dr Berle, however, concentrates rather on the political (in the widest sense) than on the economic aspects of the large business unit; in America as in Britain there remains in economic theory a painful void, lit only by occasional limited special studies, where there should be a naturalistic account of the economies of scale. On this topic, vitally important to any democracy whether capitalist or socialist, little light is cast either by Dr Berle or anyone else.

Another question to which both socialist or capitalist democracies must find an answer, on pain either of economic dislocation or of losing their democratic character, is that of the role of the trade unions. Mr Lloyd Garrison, evidently with his experience on the War Labour Board vividly in mind, draws an interesting parallel between the position of organised labour in America today and that which it held in Britain fifty years ago, and proposes a "national industry-labour board" with terms of reference remarkably like those advocated for a similar body in a recent Fabian pamphlet.

The remaining two papers, by Mr Morris L. Ernst and Sir Alfred Zimmern

Books and Publications

Window on J. S. Mill

John Stuart Mill and Harriet Taylor: Their Friendship and Subsequent Marriage. By F. A. Hayek. *Routledge and Kegan Paul.* 320 pages. 18s.

The patron saint of British Socialism is a mysterious figure. Despite the noble "Autobiography," several volumes of letters and a stiff little "Life" by Bain, to most readers he has never come alive. On this evidence, even his modern admirers may perhaps be excused for thinking of him as a tender-hearted prig, a rationalising bore mainly memorable for being so much the wisest of Victorian radicals.

Professor Hayek's book should remedy this injustice. In it he has published for the first time the surviving correspondence between Mill and Mrs Taylor together with all the extracts from the letters and diaries of their contemporaries that throw any light on their long courtship and short marriage. He has arranged his material with great art and provided a commentary, admirable in brevity and taste, clearly founded on long research. The result is a most moving and fascinating book. It will become the indispensable companion of the "Autobiography" because it tells us much more than Mill did himself about the years of his prime. Over half of Mill's own story is devoted to the 24 years of

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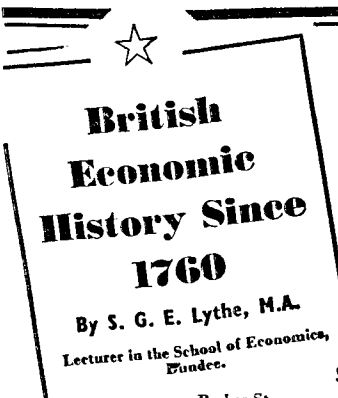
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are not strictly speaking concerned with capitalism at all. Mr Ernst deals admirably with the question of free speech and its limits—which he sets refreshingly wide, but would make conditional, so far as press and public-meeting privileges are concerned, on full publicity regarding financial backing. Sir Alfred Zimmern contributes a beautifully lucid, timeless, and highly topical analysis of the organs of international relations. Serious students of public affairs will want to read this book and, having done so, to keep an eye open for next year's series.

Railway Town

The Social and Economic Development of Crewe, 1780-1923. By W. H. Chaloner. Manchester University Press. 326 pages. 30s.

Detailed studies such as Dr Chaloner has made of Crewe are all too rarely undertaken by economic historians who have the breadth of knowledge necessary to make the most of their local material. Dr Chaloner writes with great scholarship and an exemplary care for detail. His writing is also, it must be said, rather flat and monotonous. Two things, however, combine to make this book interesting and important as well as learned. One is its subject matter. The other is Dr Chaloner's sense of the broad strategy of economic and social development in the nineteenth century. By oblique reference, rather than by the self-conscious provision of "background," he makes the story of Crewe stand in its place, and in its place it is fascinating.

Crewe is the pure-bred child of the industrial revolution in general and of the railway age in particular. Before the railways came there was not even the nucleus of a village, only scattered farmsteads. The line was opened in 1837 and for a short time Crewe was a stopping-place of no great distinction. But by 1842 the Crewe-Chester and Crewe-Manchester branches from the south-north main line had settled the shape of the railway map and the importance of the junction. The Crewe-North Staffordshire branch followed within a few years, and finally (in 1858) the line from Shrewsbury. More important, the Grand Junction had in the meantime moved its locomotive, carriage and wagon works to Crewe; "the finest and most expensive workshops in the world" began production in 1843, after some 750 to 900 people (workers and their families) had been moved directly from the previous works at Liverpool. The employer had had to prepare for them a town as well as a factory.

Dr Chaloner examines in detail the social policy of the railway company at Crewe. At most times it was an enlightened policy. The bad phase was the first dozen or so years after the incorporation of the town as a borough. The company itself (the L & NWR) had become large and remote, and the growth of a vigorous local politics at Crewe had reduced its sense of responsibility for the town; but its officials entered into the politics with much vigour and little sense, and intimidation of the company's employees reached the notoriety of its of

national scandal. Dr Chaloner describes fully the development of the railway works, the rise of labour and the co-operative movement, and the development of social services and municipal enterprise. In the nineteen-thirties the town that had been created by one great enterprise was trying to solve its unemployment problem by itself taking the initiative in attracting new enterprise. In 1938 the solution, for the time being, was brought by the rearmament programme.

Shorter Notices

Universities of the World Outside.

Edited by M. M. Chambers. American Council on Education. 924 pages. \$12.

The World of Learning, 1950. Europa Publications. 882 pages. 60s.

The first of these books is a new work published in America but excluding information about universities in America. The educational system of each country is described together with a detailed description of each university, its history, size, degrees and regulations, system of government and its chief administrative officers. In most cases nothing below the status of a university college is included.

The "World of Learning" which has now reached its third edition and which grows yearly larger, has a different function. It covers a wider range of institutions, including learned societies, libraries, research institutions and so on. But with the exception of the universities only a very brief reference is made to each. Perhaps the book's most valuable function is to give a full list of the names of all professors and readers in universities. It can therefore be said to be more concerned with individuals than institutions. On the whole the two books perform functions which are complementary rather than competitive and are valuable works of reference.

Sweden's Way to a Balanced Economy.

By Arne Nilsson. The Swedish Institute, Stockholm. 48 pages.

Nicely produced in modest—one might say a friendly—size, with plenty of illustrations and a judicious sprinkling of pertinent statistics this little pamphlet is the counterpart in English for the English-speaking world of the series of informative popular booklets on Sweden's economy which the employers' federation, the unions and the state combine to produce sporadically in Swedish for their own people. It gives a handy survey of all aspects of Swedish economy without burking unpleasant facts—such, for example, that the balance in foreign trade is achieved largely by severe controls on imports. The intrinsic strength of Sweden, fortified by the intensive industrial investments in the last few years—not least by the rapid increase in home-produced power—is evident throughout, as are the moderation and relative wisdom with which its resources are managed.

Animals and the Law. By T. G. Field-Fisher. Stevens. 104 pages. 4s.

Buying and Selling a House. By M. B. Evans. Stevens. 163 pages. 6s. 6d.

British Nationality. By Clive Parry. Stevens. 216 pages. 30s.

The first two books are the latest in the series, "This is the Law," which now comprises 23 titles. They maintain the standard already set and are comprehensive, well-arranged and intelligible to the layman. become "of wide interest, for most of

the population must at some time or other have owned a house or an animal or both.

The third is a more technical survey, again much needed since the radical changes in the law of British nationality made, or rather evidenced, by the Act of 1948. It contains the text of the 1948 Nationality Act and of the relevant sections of the Ireland Act, 1949, and is planned, in parallel with Dicey's "Conflict of Laws," in the form of statement of principle, comment and illustration. British nationality is now in transition from its 19th-century simplicity to the 20th-century concept of the Commonwealth, and the process is by no means complete. The only criticism one can offer of this book is that, since it does touch on the status of aliens, it would have been useful to have included the text of these statutes and also of the appropriate regulations.

Reference and Text Books

Whitaker's Almanack, 1951. J. Whitaker and Sons, Limited. Complete Edition, 1156 pages, 12s. 6d.; Shorter Edition, 676 pages. 7s. 6d.

The 83rd annual edition of Whitaker's Almanack continues the provision of "general information" in the widest sense of that phrase. Some of the subjects which have been omitted since before the war have been reinstated, including sections on customs and excise duties, stamps and taxes and lists of the professors in the Universities of Oxford and Cambridge. The articles on London churches and buildings and places of interest in and near London, which have also been reintroduced, include records of bomb damage and restoration.

FBI Register of British Manufacturers, 1950-51. Kelly's Directories Limited and Iliffe and Sons Limited. 852 pages. £2 2s.

This is the 23rd edition of the authorised directory of the Federation of British Industries. It provides information on the products, names and addresses of the members and on brands, trade names and trade marks.

The Canada Year Book, 1950. Department of Trade and Commerce, Canada. 1238 pages. \$2.00.

This is the official statistical annual of Canada, published by the Minister of Trade and Commerce. The 1950 edition incorporates data for Newfoundland which became a Canadian province in March, 1949, though in many cases it is still necessary to treat it separately as the information, particularly the statistics, has been collected in different forms from that used for the older provinces.

As well as the standard information given year by year there are special articles on such varied subjects as Canada's climate, the Royal Canadian Mounted Police, mineral resources, a summary of the Report on the Royal Commission on Prices and a study of the distribution of investments.

Year Book and Guide to East Africa, 1951. Editor A. Gordon-Brown, FRGS. Robert Hale Limited. 434 pages and maps. 6s.

Year Book and Guide to Southern Africa, 1951. Editor A. Gordon-Brown, FRGS. Robert Hale Limited. 769 pages and maps. 8s. 6d.

These two guide books have been prepared for the Union-Castle Mail Steamship Company, and are primarily designed to provide the traveller with descriptions of towns and places of interest. But a little history and a great deal of economic information have also been included.



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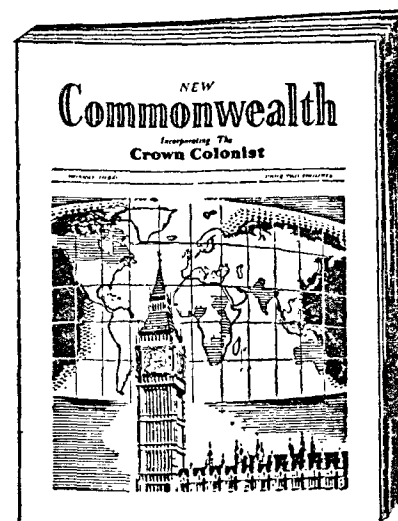
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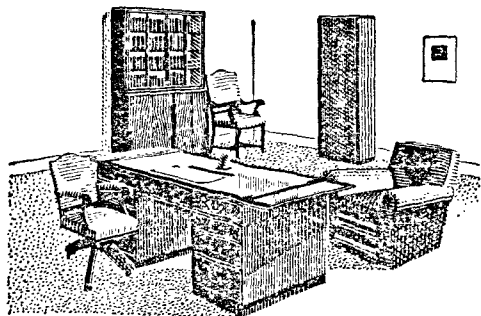
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AMERICAN SURVEY

Reckoning With MacArthur

Washington, D.C.

THE cost of relieving General MacArthur of his command is plainly going to be at least as high as was estimated beforehand by the Administration's realists. There was little evidence then that any of America's allies—and least of all, perhaps, the angry members of the House of Commons—had the slightest conception of the consequences they were urging President Truman to invite. A very good idea of what would happen when the prophet-emperor-hero was dethroned was available, however, in Washington.

The importance of unifying the United Nations and of saving Anglo-American relations from perdition loomed large in London; but it would not be true to say that these objectives alone, desirable as they were seen to be in Washington, would have led the President to unleash the forces which are now playing about the White House. Mr Truman acted less to preserve the allied front than to preserve the prerogatives of the Presidency, as defined in the American Constitution.

What he has done did not require less courage on that account. Still, it had better be understood that it was the urgent necessity of asserting the supremacy of political government in the United States—the need to demonstrate that the elected President was in fact as well as in name the Commander-in-Chief of the armed forces, and must be obeyed by his military subordinates—that turned the scale. In plain language, General MacArthur had precipitated (presumably deliberately, since he is a former Chief of Staff, well aware of the limits within which a commanding general is normally able to work) a situation in which the President was obliged either to assert or to yield his constitutional authority.

The over-worked word hysteria has been used a good deal since 1 a.m. on April 11th, when the presidential order dismissing General MacArthur was announced, to describe the extraordinary public demonstration it has evoked. But the explanation of what has happened is less simple. There has suddenly been provided a new magnetic pole which is exercising a violent attraction not only for the emotional and the congenial hero-worshippers but also for all classes and creeds, all divisions and sub-divisions, of the great company of the frustrated. Among them are to be counted the immense majority of convinced Republicans (who have been denied the fruits of office continuously since 1932), the haters of the New Deal and the Fair Deal, those who distrust Britain, the anti-labour union faction, the anti-Acheson and the anti-Marshall anti-Trumanites.

To all Republicans who long ago reasoned themselves into a state of mind in which they could be isolationist about the West and interventionist about the East, General MacArthur, raising anew the standard of Asia First, was heaven's gift. Those who a few months ago challenged the appointment of General Marshall as Secretary of Defence, on the ground that the constitutional civilian government should not be endangered by the conferment of such authority on a military man, now upheld without a second thought the authority

of General MacArthur to substitute his own policy for that of the President.

And for those who had temporarily suppressed their old, deep-seated and probably irremovable resentment of the British, the dismissal of General MacArthur was an act almost of liberation. President Truman had acted at British dictation. "The State Department is nothing more than a branch office of 10 Downing Street," cried Senator Dirksen of Illinois. A bountiful providence, at this point, allowed to leak out of (apparently) the State Department the substance of a ten-day-old Foreign Office *aide mémoire* on the draft Japanese Treaty, which could easily be made to show that Britain was intent on appeasing the Chinese Communists by inviting them to the treaty talks and promising them Formosa. What could be plainer than that General MacArthur, the historic enemy of such appeasement, had been sacrificed to save British investments in Hongkong and British trade with China?

★

The hot-tempered telegrams and the tumultuous hero's receptions are one thing. Mr Truman benevolently endorsed the invitation to "one of our greatest military men" to address a meeting of Congress, and the Pentagon quickly arranged guards of honour and 17-gun salutes. But the question of whether the Truman policy shall be scrapped in favour of the MacArthur policy is quite another thing. Mr Truman, Mr Acheson, General Marshall and the Chiefs of Staff are not going to stand about with their hands in their pockets while General MacArthur convinces the country of the wrongness of the Administration policy (localise the Korean war and try to create a climate in which a settlement is possible) and of the rightness of the MacArthur policy (bomb and blockade China, send General Chiang Kai-shek's men into battle and be ready for whatever consequences may come).

General MacArthur has yet to make his complete case, and he has yet to answer questions; but the hints from his staff in Tokyo and the Republicans in Washington seem to indicate that some of the things he is going to say will be attuned to the current American mood. It is not a bad thing to know that, as lately assessed by the Gallup Poll, that mood is a great deal closer to the British mood than the political and diplomatic news is apt to suggest. Within the last two months 77 per cent of the voting cross-sections of the public have agreed that it would be a mistake for the United States to start an "all-out war" with China. Most of those who have expressed opinions would have the United Nations stop fighting at the 38th Parallel if the Chinese and North Koreans would stop too. A con-

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

considerable majority thinks the United States should "try harder" for a settlement in Korea. There is—or there has been up to now—nothing to encourage the idea that Americans want to march into a big war in the Far East.

But General MacArthur and the Republicans are almost certainly not going to offer a big war. They are apparently preparing to say that only their course will bring swift victory without a big war; that the only language the Communists will understand is the language of strength; that theirs is the way to an early and secure peace, while the other way is the Munich way, with retribution sure to follow.

Mr Truman is reliably reported to have predicted privately that the Republicans will come to rue the day when they embraced General MacArthur and his cause. He may be conspicuously right about that. It remains to be seen whether public approbation or public disillusion will result from the closer scrutiny of the hitherto-distant hero which the wireless microphones and television cameras will provide. It remains to be seen whether a vigorous Chinese offensive in Korea will help the Republican-MacArthur doctrine ("We'd have been in better shape if he'd had his way") or hinder it ("They're playing politics when men are dying"). And it remains to be seen whether the hero himself is going to be satisfied with his political allies, who are manifestly well aware that the election is far enough away to remove the risk that they will have to make any serious commitment to him as a candidate.

The President, moreover, has some considerable cards to play. Whether or not any minor military support for General MacArthur should reveal itself, it is beyond doubt that the military leadership of the United States is firmly against him. How easy is it going to be to convince the American people that everyone is out of step except General MacArthur—the White House, the State Department, the Pentagon and the wide company of America's allies? What is the reply to the question, now trembling upon Democratic lips, about the confident prediction that the Chinese would not intervene in Korea and the "home-by-Christmas" promise? When people have had time to think, whose judgment will they accept on the nature of the risks and possible penalties of the "Up Guards and at 'em" course?

This is at present a situation in which the best estimates about both the immediate effects and the eventual outcome of the MacArthur dismissal are educated guesses. It should be recorded, nevertheless, that after conceding the stiff price that is being and will be exacted, some well-educated guessers in Washington now think that the often derided, often underestimated, but doggedly single-minded tenant of the White House will come out on top once again.

New Hope for the Seaway

[FROM A CORRESPONDENT IN OHIO]

WHEN, in February, Mr Franklin D. Roosevelt, Jr., introduced into the House of Representatives a Bill to carry out the St Lawrence Seaway and power project, he was following in his father's footsteps. From his first inauguration in 1933 until his death, President Roosevelt supported this prodigious venture, yet, in spite of his appeals, and those of every other President since Woodrow Wilson, the project has never been approved by either House of Congress. But its chances look brighter now that the need for steel for the latest industrial mobilisation has coincided with an approaching exhaustion of the middle west's reserves of that all-important raw material, iron ore.

For almost half a century Americans, like Canadians, have dreamed of a Seaway 2,300 miles long that would join the land-locked middle west with the salt-water highways of the world via the Great Lakes and the St. Lawrence. Interest has been quickened by the prospect of harnessing, for electricity production, the tremendous water power of the International Rapids section of the river. The chief obstacle is the 115-mile stretch from Ogdensburg, New York, to Montreal, where the river drops 224 feet. Here a system of locks and canals has long provided a waterway 14 feet deep. The 1941 agreement between the United States and Canada, still to be approved by Congress, called for a new channel 27 feet deep that would accommodate 70 per cent of existing sea-going vessels. The Seaway would put directly into world commerce at low cargo rates the immense agricultural, mineral and industrial riches of the midwest. Great inland cities like Chicago, Detroit and Cleveland would become ocean ports, yet in wartime the ship-lane would be secure from prowling submarines. And the American half of the 13 billion kilowatts of hydro-electricity to be made available each year would help to relieve serious power shortages in upper New York State and New England.

Although this project fires any disinterested imagination, and is a non-partisan issue, it is a chronic source of intense conflict for special and sectional interests—between rail and water transport companies, between private coal and electricity concerns and those who want public water power, between ports on the Atlantic Ocean and Gulf of Mexico and those on the Great Lakes, between businesses in the east and in the middle west, and so on. All the national farm organisations want the Seaway as a cheap avenue for grain exports, but industrial interests are sharply divided and the trade unions tend to go along with the industries

they serve. Thus, the railroad brotherhoods line up behind the rail carriers, while the longshoremen back the seaports; coal companies which still oppose the venture have the miners' redoubtable Mr John L. Lewis in their corner.

Some of the opposition's arguments have been answered by time or by changes in the original scheme. The old cry against "waste of the public's money" has been muted since 1947, when the plan was changed to make the Seaway pay for itself in 53 years by means of toll charges. The assertion that the channel would be blocked by ice four months of the year is true, but that does not disturb great industries which for years have stored raw materials against the winter freeze-up of the Great Lakes. The argument that became familiar during the last war—that the Seaway would be worthless to national defence because it would require six years to complete—is heard less often now that everyone feels that the present emergency will last a decade at least. The Seaway is in fact already about 90 per cent complete. Of the 18 big locks needed to overcome the 600-foot drop in water levels between Lake Superior and the Atlantic, nine have already been built and much dredging has been done by Canada and the United States acting individually. The latest estimated cost of construction is \$818 million, of which the United States would pay \$565 million, with Canada receiving credit for the Welland Canal portion of the route.

The opposition remains powerful, however, and has lately been searching for national rather than sectional objections to the plan. Opponents argue that only 16 per cent of the American merchant marine could use a waterway 27 feet deep. Shipowners scoff at the suggestion that partially loaded vessels might still pay their way, and demand a 35-foot channel or nothing. This would require an investment of \$1,500 million—too much to be liquidated by tolls. A new line of attack challenges the Seaway as a wartime asset. The entire Great Lakes region is now a potential target for enemy bombers coming over the Polar route. The locks would certainly be vulnerable to bombing or sabotage, but Seaway or no Seaway, the existing locks, which can carry more traffic than the combined tonnages of the Panama, Suez and Kiel canals, would have to be protected.

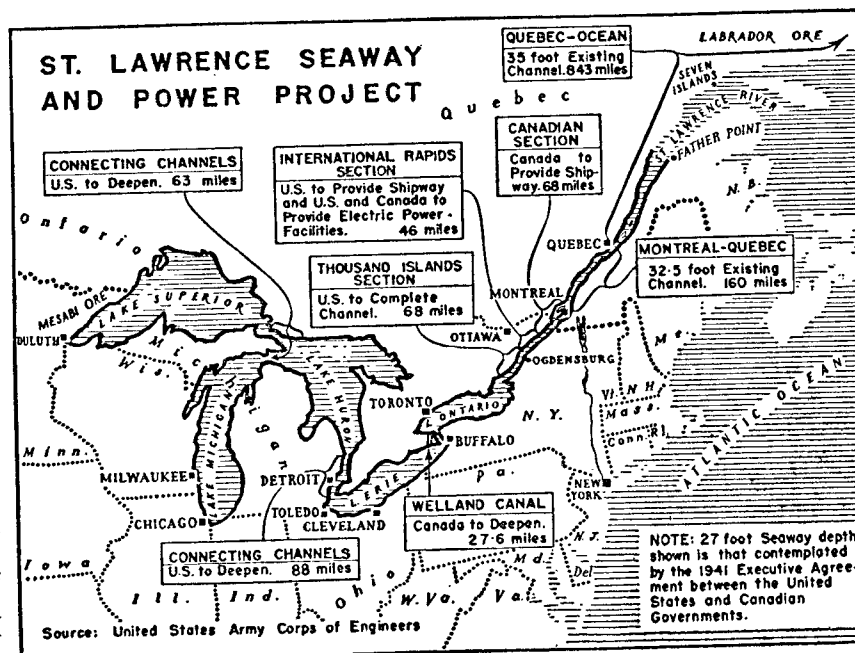
The Department of Commerce estimates the probable volume of traffic on the Seaway at between 57 and 84 million tons annually, but thinks that this competition would cost the crowded port of New York less than 2 per cent of its annual income. Eastern railways, which have to carry a millstone of high operating costs, would undoubtedly suffer an initial loss of freight. But many of their complaints echo similar denunciations of the Panama Canal 50 years ago. Today the transcontinental lines are the most prosperous in the country.

The loudest voices in the present controversy, however, are not those of eastern opponents but of midwestern proponents, who have recently recognised that the supply of high-grade iron ore (which comes from the Mesabi Range in the Lake Superior district of Minnesota), is diminishing at an alarming rate, and may be exhausted within a decade. The Secretary of Commerce says the United States will have to import 40 million tons of iron ore by 1960. Here is a long-term threat to the prosperity of Ohio, Indiana, Illinois and Michigan—perhaps the greatest manufacturing centre in the world and one which produces 70 per cent of America's steel. The threat is scarcely lessened by new discoveries of limited deposits in Ontario or by plans for utilising low-grade taconite—still a slow and expensive process. The only real promise of relief is in the discoveries in Labrador and Quebec, north of the Gulf of St Lawrence port of Seven Islands. This area, which probably contains as much high-grade ore as the Mesabi district, is now being developed by several midwestern steel companies.

This find at the threshold of the proposed route has put new life into the campaign for the Seaway. For a generation business men and industrialists in the middle west felt that they could ignore the dispute. But they have been taking anxious second looks since they realised the cost handicap their region would suffer if iron ore had to be brought in by way of the Atlantic and expensive rail transit from the coast. A cold chill goes up the midwestern spine every time the US Steel Corporation or some other big company acquires a site for a plant on the eastern seaboard to handle the vast new iron deposits of Venezuela. As a result, midwestern farm organisations and trade unions which have long pleaded the Seaway cause are being reinforced by worried editors, chambers of commerce, steel makers and steel users. Huge concerns like the General Motors Corporation and the Ford Company are now actively interested. The important Ohio Valley Improvement Association has changed over from opponent to advocate.

In his budget message Mr Truman asked Congress for \$20 million to launch the Seaway and power project, and this time his plea is sharpened by intimations from Ottawa that, if the United States continues to mark time, Canada will next year begin to construct both Seaway and power plant on its side of the border. The opposition is still strong and vocal, but there is a growing feeling, in and out of Congress, that an enterprise which makes obvious economic and engineering sense and one which Mr Herbert Hoover once called "the greatest internal improvement yet undertaken on the North American continent" will eventually be carried out.

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American Notes

UMT Another Day

The House of Representatives has sent the Administration's plan for Universal Military Training away to yet one more commission and told it to come back again another day, when the commission has prepared a detailed scheme for Congress to consider. The new military manpower Bill, as passed by the House, contains a time-table for UMT which should keep it moving through Congressional channels fast enough to ensure that it will emerge before the Administration actually needs it. But Congress is not in the habit of keeping to time-tables it sets for itself, and the House's refusal to accept various more effective compromises that were proposed on UMT suggests that it adopted it in principle, with no intention of putting it into practice.

But something may be done to remedy this in conference with the Senate representatives, for the upper house gave the Administration what it asked for—authority to begin six months' military training, followed by five and a half years in the reserve, for 18 year olds as soon as they are no longer needed to keep the active fighting forces up to strength. What the Department of Defence wants is a flexible and long-term plan for military manpower, which can be adapted either to all-out war or to a prolonged period of preparedness. To sugar this pill, it held out hope that by the end of next year UMT might be dovetailed into selective service and that the size of the standing army might begin to be reduced.

The Senate also agreed to the Administration's request that the draft age should be reduced from 19 to 18, while the House Bill puts it at 18½. This is not, however, a serious matter, since registration is permitted at 18, and the actual process of calling the men up takes some time. The House got two months nearer to the Administration's goal of 27 months' service than did the Senate, which approved only two years; the present period is 21 months. The House also did better than the Senate by refusing to set a ceiling on the number of men in the armed forces. Nor would it go along with those members from the south who wanted to interfere with the Administration's policy of abolishing racial segregation in the services. Most important, by defeating an amendment that would have required Congressional approval before any drafted men were sent to Europe, the House declined to stick its thumb into the Senate's constitutional quarrel with the President. But further Republican attempts to make it pull out a plum are expected in the Foreign Affairs Committee and when the various military appropriations are debated.

* * *

Reconstructing the RFC

The Reconstruction Finance Corporation, after a year's investigation of the part favouritism and influence have played in its lending operations, is itself to be reconstructed. The President's reorganisation plan, which closely follows the recommendations of Senator Fulbright's sub-committee, squeezed through the Senate last week as narrowly as it had through the House. To defeat such a scheme, "constitutional" majorities (more than half the membership) are required, and its opponents failed by eight votes in the Senate and eighteen in the House. On both occasions, however, a majority of those present disapproved the plan, either because, as Republicans, they were sorry to abandon the muck-raking, or because they favoured more drastic remedies, including that of abolishing the RFC altogether. The latter group doubts whether present reforms will eliminate "political lending" and feels that the depression-born RFC is now merely pumping inflationary credit into unsound enterprises.

While the critics have not yet given up hope of abolishing the RFC, to wind it up would mean mustering a two-thirds

vote to override a certain Presidential veto. So the victory will probably lie with those who feel that under proper management the RFC still has essential functions to perform: providing credit for small businesses and for war production and supervising the production and sale of strategic materials such as synthetic rubber and tin. Mr Wilson, the defence mobiliser, believes that the defence effort would be injured if the RFC disappeared; many Congressmen know their standing with constituents who depend on the RFC would suffer too. Proper management is to be assured, under the plan, by concentrating responsibility in a single administrator, who will be advised on general lending considerations by a high-ranking Loan Policy Board and on individual loans, above \$100,000, by a Review Board. If he ignores the latter's advice, his reasons must be put on file. A top-flight administrator has been nominated—Mr Stuart Symington, the chairman of the National Security Resources Board, whose job became largely meaningless when Mr Wilson was given his broad powers over mobilisation.

Senator Fulbright, however, has little faith that corruption can be cured by passing a new law. At his suggestion Senator Douglas is opening new hearings, in a week or so, into federal morals and ethics, inviting the advice of a long list of worthies as to a possible code of conduct. These hearings apparently are to be televised, but Senator Douglas is optimistic if he thinks that ex-President Hoover, speaking on ethics, will secure the rapt attention accorded to Mr "Greasy Thumb" Guzik and Mrs Young's royal pastel blue mink coat.

* * *

Five-Star Candidates

Should the Republicans by any chance finally hitch their wagon to General MacArthur in 1952, they may find him racing against another five-star general. For the Democrats made it clear, by their cheers when General Eisenhower was praised at the party's annual Jefferson-Jackson Day dinner, that they would have no objection to letting him pull their chariot in the coming election. And the next morning a Gallup Poll showed that he was the first choice of the voters, whatever their party, for the Presidency: 43 per cent of the Democrats questioned preferred him, while only 18 per cent chose Mr Truman; of the Republicans, 38 per cent wanted General Eisenhower, compared with 22 per cent for Senator Taft and 14 per cent for Governor Dewey. This survey was conducted before General MacArthur's dismissal put him in the running, but even now there can be very little doubt that the majority of Americans "like Ike" best.

Whether he would like to be President—and as the leader of which party—is, however, much more doubtful. He has always refused to commit himself, but he might consent to shine in the political darkness if General MacArthur, or even Senator Taft, were to stand, as either of them presumably would, on a platform that put Asia before the Europe that to General Eisenhower comes a long way first. But in this case the General, who is believed to have Republican sympathies, would probably compete for that party's nomination. There is no reason to suppose that the Democrats' dream of getting him to accept their rests upon anything more substantial than pie in the sky.

When in a year's time the political star-gazers come down to the solid earth of primary elections and party conventions, the Democrats will almost certainly decide that President Truman can have their nomination if he wants it. But a few weeks ago, before General MacArthur forced him to act like a President again, Mr Truman seemed virtually to have abdicated already. In this unaccustomed climate, Democratic presidential possibilities began to shoot up for the first time since 1932. Of these, the most flourishing was, surprisingly, the freshman Senator, Mr Paul Douglas of Illinois, a professor of economics and an ex-Marine. To the professional politicians, however, the quality that made

him seem a likely winner, at a time when the Democrats are everywhere accused of corruption and insincerity, was his unblemished reputation for honesty, even though that honesty takes him along the straight and narrow way of political independence with a frequency which his party's leaders deplore.

* * *

Curbing the Communists

The Supreme Court has upheld the Ober Loyalty Law of Maryland, in so far as it requires candidates to declare, on oath, that they are not trying to overthrow the government by force or violence. The chief interest of this decision lies in the fact that the Ober Law was modelled, in part, on the Smith Act of 1940. This is the law under which the eleven Communist leaders were convicted in New York in 1949 of conspiring to use force and violence to overthrow the government, and the assumption of the Justices that any government is justified in controlling "force and violence" directed against it suggests that the constitutionality of the Smith Act, which the Communists challenge, may soon also be sustained.

In the original trial Judge Medina insisted that the Communists were being tried, not for their opinions, but for illegal actions, and the Attorney-General's view was the Party would not be outlawed if the convictions were upheld. Nor will it be proscribed if the Subversive Activities Control Board, created under the McCarran Act, concludes, after hearings which begin next week, that it is a subversive organisation directed from Moscow. But it will have to register as such, submit lists of officers and members, and give a financial accounting.

The Board itself, though preparing bravely to proceed, is in an embarrassing position, for the Senate for six months has failed to confirm the appointments of its members and its findings, if confirmation eventually is refused, would hardly hold water. Senatorial jealousies are also responsible for delays in passing legislation which the President's Commission on Security and Individual Rights feels it must have before it can set to work; the Senate Judiciary Committee, prevented from undertaking its own inquiry when the Commission was appointed, is in no hurry to oblige. The final knot in this tangled skein is that with the Commission temporarily disbanded, it cannot tighten the security standards issued to guide the loyalty boards which sift government servants; yet the failure to do so is a cause of bitter Congressional recrimination and one factor in the Senate's reluctance to confirm the members of the Subversive Activities Control Board.

The House Un-American Activities Committee is happy in suffering from no such snarled authority; it has returned with zest to the Hollywood hunting grounds which it found so rich in publicity in 1947. Several actors have confessed to having joined and then left the Communist Party; a number of other witnesses have refused to answer despite the fact that the "Hollywood Ten," who took a similar stand in the earlier hearings, are still in jail. It is difficult, however, to see what purpose such an investigation serves, except to show that, though political control of the committee has changed hands, its zeal is unabated. This time it is not even charged that Communist propaganda has been thrown on American screens.

* * *

Controlled Materials

After weeks of "now you see it, now you don't," the National Production Authority has at last announced details of the Controlled Materials Plan to be introduced on July 1st for the three metals which are basic to the defence programme—steel, copper and aluminium. Under the scheme, firms working on military contracts or making essential

civilian goods, such as machine tools and railway wagons, will estimate in advance their requirements of these materials for each quarter; NPA, after checking these estimates, will allocate the appropriate amounts to each consumer. NPA emphasises that under CMP the controlled industries will be given drafts on the national supply of metals, which will be honoured, instead of merely licences to hunt for them; this was all the priority system amounted to in 1941 and 1942, and what it was in danger of becoming again as supplies of metals grew increasingly short.

While CMP has been imposed at a much earlier stage of the present armament programme than of the last, it is not the all-embracing scheme that it was then—although it would quickly become so, in the event of a full-scale war. For this time allocations are not to be applied to firms making non-essential civilian goods, a group which at present includes manufacturers of automobiles and all types of durable household equipment. They will be free to track down their own supplies of materials, after the essential allocations have been met. Attempts are, however, being made to ensure that small businesses get their fair share, and also that the metal markets shall not be over-hunted. The existing limitation orders, by which manufacturers are allowed to use only a percentage of the quantities of metals which they used in the first half of 1950, will be continued. The orders will be adjusted each quarter to match the amounts of controlled materials which will be left over for non-essential uses.

Most of the pulling and hauling that delayed the announcement of CMP seems to have arisen out of arguments over which uses are in fact non-essential, and out of fears that the scheme would cause an undue scarcity of goods for civilians. It is suggested that, if these fears look like being justified to an extent that would strain the national economy unnecessarily, makers of essential goods may not be allocated their full requirements of metals. Mr Wilson himself confessed that he had taken a great deal of convincing that CMP was indispensable at this stage. In fact, it probably could have been avoided until next year, when the full demands of the defence programme will be felt. But the authorities are rightly anxious to get CMP into full working order before then, and they are well aware that it is unlikely to run smoothly in its initial stages.

Shorter Notes

Of the three spies, all American citizens, found guilty of stealing the secrets of the atomic bomb for the benefit of Soviet Russia, during 1944 and 1945, two, Mr and Mrs Rosenberg, have been sentenced to death, the third to the maximum of thirty years' imprisonment. If the executions are carried out, which seems probable, it will apparently be the first time, in peace or war, that the death penalty has been imposed by the civil courts. The judge, when delivering sentence, pointed out that, if the espionage had been committed in peace time, the punishment would only have been twenty years in jail, which he considers inadequate in today's circumstances.

*

Last year's catch of only just over 2,000,000 muskrats is worrying Louisiana, the leading fur producing state in the nation. It is usually two or three times as great and supports, in whole or in part, some 40,000 people. The disappearance of the muskrat from its normal feeding grounds has been caused, it is thought, by exploitation of another resource—oil. Mink ranchers, and not only those in Louisiana, have a stranger complaint. They have been encouraged officially to feed their precious livestock on chickens' heads—an economical and nutritious diet. This worked well until poultry farmers, to produce better eating birds, adopted the practice of injecting female hormones into the chickens' heads. On the minks' bill of fare, such hormones have produced a disastrous loss of interest in the opposite sex.

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RECORD

The performance of these eight Trusts—and a comparison with the general run of the investment market during their lives, based on the Actuaries' Index of Industrial Ordinary Shares (All Classes Combined), last published for 27/3/51—can be briefly illustrated by the following figures:—

	Fixed Trusts					Managed Investment Funds		
	First British	Second British	Third British	Fourth British	New British	Limited	Midland & Southern	Scottish & N. Country
Opening Date	April, 1931	Dec., 1932	Dec., 1933	Feb., 1934	Dec., 1938	Dec., 1935	Mar., 1936	Mar., 1936
PRICE MOVEMENT OF UNITS:								
Initial Offered Price of Units	31/9	22/3	20/6	20/6	9/4½	20/-	20/-	20/-
Offered Price 17/4/51	55/2½	32/6½	34/3½	23/3½	15/5½	25/10½	29/10½	34/7½
PRICE MOVEMENT OF UNITS COMPARED WITH ACTUARIES' INDEX (from Opening Dates to 27/3/51):—								
Price Index of Units, 27/3/51 (Opening Date=100)	167*	140*	159*	111*	157	123	148	166
Actuaries' Index 27/3/51 (adjusted to Opening Date=100)	151	157	130	123	142	110	106	106
Price Index of Units as % of Actuaries' Index (adjusted)	110*	89*	123*	90*	111	112	139	156
DIVIDENDS (gross % p.a. of initial price; allowing for management charges and excluding all capital items):—								
Average over life of Trust	£5.16.3	£5.12.3	£5.15.9	£4.10.3	£4.18.3	£4. 9.9	£5. 6.6	£5. 4.9
Paid during 1950	£7. 1.3	£6.11.6	£5.19.0	£4.16.6	£6. 2.3	£5.15.0	£6.10.3	£7. 5.6
YIELD 17/4/51 (allowing for all expenses)	£4. 1.9	£4. 9.9	£4. 1.9	£4. 6.3	£3.18.3	£4. 9.9	£4.15.3	£4. 8.0

* No allowance made for returns of capital during the life of the Trusts: First British 2% of initial price; Second British 20%; Third British 7%; Fourth British 1%.

● This summary, though brief, may yet suffice to show that this medium of investment was well conceived, and that subsequent improvements have been effective. The fundamental idea of investing in a well-spread portfolio of equity shares instead of using fixed interest securities was almost unheard of in 1931; it is now being ever more

widely recognised as sound investment practice for both small and large investors and even for settled funds. Stockbrokers and Bank Managers who might care to investigate the economies and other advantages of Unit Trusts in any particular case are invited to enquire for further information from the Managers.

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THE WORLD OVERSEAS

Moods of the Australian Electorate

(From Our Melbourne Correspondent)

ELECTIONS in Australia are usually fought more on fears than on hopes. In the Federal polls on April 28th, which follow the double dissolution of both Houses of the Commonwealth Parliament, Mr Menzies, the Prime Minister, is seeking to return to office on the basic issue of fear of Communism. He places part of the blame for increases in the cost of living on the Communists, whose "twin poisons of go-slow and absenteeism" have, he reasons, been the greatest cause of low production, which in turn is the greatest cause of high prices. On the other side of the political fence, Mr Chifley, Leader of the Opposition, is making a strong bid for office by inviting the people to contemplate the dire consequences of uncontrolled inflation. All sections of the community were threatened by the rising tide of prices, Mr Chifley warned in his policy speech, but those in receipt of fixed incomes faced the future "with fear and dread." Out of the mass of "platform points," which have been punctiliously presented to electors by the party political leaders, the issues of Communism and inflation are clearly those on which the Australian people are being asked to choose their new Parliament. There is, however, no certainty that the electors will accept these as the vital issues of the poll, for both Mr Menzies and Mr Chifley have undertaken to do many more things than outlaw Communists and control prices.

On the issue of Communism, Mr Menzies faces an awkward position, for it was not the Labour-dominated Senate which finally torpedoed the Government's anti-Red legislation, the cardinal point of Mr Menzies' 1949 election programme, but the High Court of Australia, which invalidated it by a six-to-one majority. Therefore, Mr Menzies's grievance on this issue is not really with a hostile Senate which, he says, made Parliament unworkable, but with the High Court, which declared the legislation *ultra vires*.

This is no mere academic point, for it anticipates the difficulty which the Government if it is returned will face in dealing with the Communist threat to the industrial life of the nation. Effective control of both Houses of Parliament will not circumvent the High Court's veto of the legislation to outlaw the Communists; that can be done only by amending the Constitution, a procedure always fraught with difficult and uncertainty in Australia. No other issue in recent years has been charged with such emotion, with such bitterness and with such confusion as that of Communism. If it were possible to decide the election on this issue alone the result would be in little doubt. Mr Chifley has supported Mr Menzies by pledging all out war on the Reds.

There are in this election, as indeed there are in all elections, a number of important side issues which inevitably induce many voters to deviate from the strict party line. There can be little doubt that in the December, 1949, elections, Mr Menzies' pledge to abolish petrol rationing swung many votes from the Labour to the Liberal cause. Many Labour supporters have motor-cars, and lack of petrol was as distasteful to them as it was to the Liberals. In the same way, Labour is this time indulging in the gentle art of vote catching by offering, among other things, increased old age, invalid and war pensions, together with a lift in the endowment payable to the first child from 5s. to 10s. a week. These down-to-earth concessions could well weigh more

with the electors than the more general, and seemingly theoretical, issues of Communism and inflation.

But if the electorate feels as strongly against Communism as Mr Menzies thinks, there is provided a very simple remedy—amend the Constitution. Mr Menzies will interpret a decisive victory in both Houses as a mandate to proceed to fight and defeat the Communists. Amendment of the Constitution by a referendum would give him full and untrammelled power to go right ahead and smash the Party. And, as the Melbourne *Argus* commented: "It seems that if the Communist Party is abolished, the sun will come from behind the clouds all over Australia. Increased production and prosperity will follow automatically. Our little group of Red mischief-mongers has never had such a magnificent compliment—or one so undeserved."

Woolgrowers' Boom

It is thus against this general background of fears rather than hopes for the future that Australian electors are being asked to choose their new Parliament. The fear of a further rise in living costs is a very real issue with the housewife. It is no mere abstraction and is certain to count more than such an academic consideration as the limitations of individual freedom which legislation to ban the Communists may involve. There is, furthermore, still another fear stalking abroad among the electorate, and that is the fear that "things are too good to last." This arises from the fact that prosperity in Australia follows very closely the fortunes of the export industries. The man in the street knows vaguely that much of the fantastic volume of public spending power springs somehow from the tremendous increase in the level of wool prices. When wool sells at £200 a bale compared with about £15 before the war, there is an uneasy feeling that a fall must be somewhere around the corner. Australians have vivid memories of the dark days of 20 years ago when a collapse in export prices led to an internal economic crisis of first magnitude and they feel that "it could happen again." All this makes for uneasiness and indecision in the political as well as in the economic field. The Menzies Government made a 20 per cent deduction on woolgrowers' cheques as an advance payment for tax. Mr Chifley has pledged to reverse this and refund the amounts already collected to the growers. Mr Menzies has said nothing about the highly explosive issue of the exchange rate. Mr Chifley has undertaken to maintain the existing relationship with sterling. Strong pressure groups are affected by these pledges, the effect of which may lead to a considerable defection in orthodox party support.

It is this that makes prediction particularly difficult for April 28th. It would not be unreasonable to suggest that Mr Menzies' Government has suffered somewhat in popularity since December, 1949; that would be logical in the course of political affairs. His majority in the House of Representatives would allow a considerable falling away in support, but in the Senate the position is difficult and well-nigh impossible to assess. The only pointer has been the luck of the Government in obtaining pride of position in the Senate voting paper in Queensland which, as in 1949, is likely to be the vital state.

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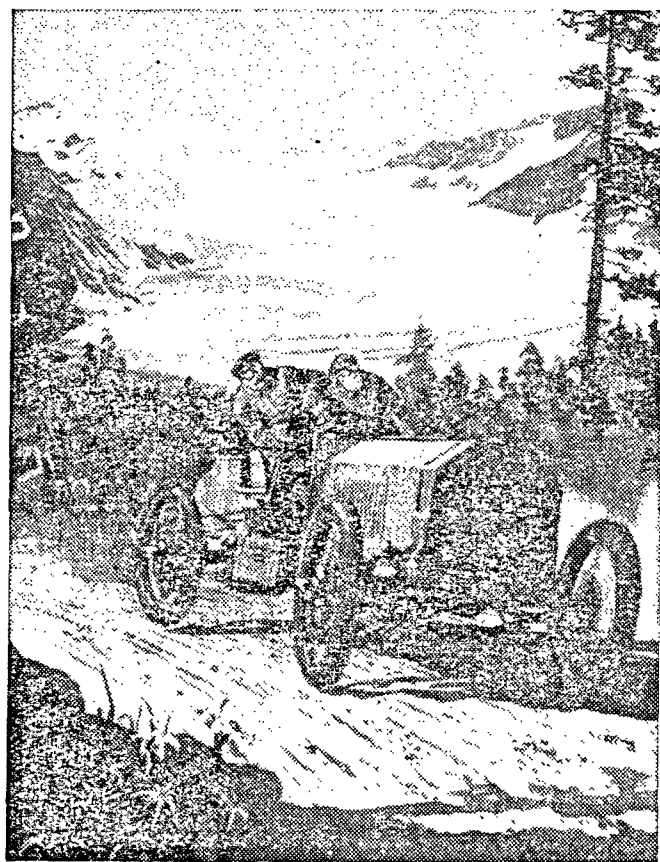
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12/CN/51

The Cominform on MacArthur

[BY A CORRESPONDENT]

THE sudden removal of General MacArthur caught the Communist propaganda staffs badly off balance. In such cases it is not uncommon for the Soviet and satellite press and radio to withhold the news of an important event from their public for several days while the correct line is hastily worked out and approved. This time, however, something dangerously like a leak occurred at an early stage. A detailed explanation was given to a small fraction of Moscow Radio's foreign listeners, and then abruptly withdrawn from circulation; and the next few days were marked by uneasy silence as far as the Russian public was concerned, by hesitancy in Soviet broadcasts to other countries, and by open discrepancies between the theories advanced by Communist newspapers and radio commentators in Europe and the Far East.

In broad outline, of course, the Communist reactions have been consistent with the long-maintained thesis that no real quarrel exists between President Truman and the former Supreme Commander. This argument was developed at length in an anonymous commentary broadcast from Moscow on the day of the dismissal to Greek, Hungarian and Italian audiences. They were told that MacArthur had done "nothing that disagreed with the aggressive policy of ruling circles in the USA; he was, so to speak, the living incarnation of this policy." He had been "kicked out" because he had met with severe military defeats, and had "talked repeatedly and volubly about the true plans of the US Government" to such an extent that Truman had to dismiss him to quieten British and French fears of being drawn into a disastrous Asiatic war; but it was emphasised that his withdrawal would not alter the "adventurous character of the USA's aggressive policy."

Victory for Peace Campaign

Although at first sight this analysis would appear impeccably orthodox, it was not repeated either to other European listeners or to the Soviet public. The latter was merely given the bare fact of MacArthur's removal and replacement by General Ridgway. Most Soviet newspapers on April 12th were equally reticent; but readers of *Literaturnaya Gazeta* found a brief note at the end of a general review of the Korean military situation which made two points; first, that MacArthur had been dismissed for incompetence as a commander, and secondly, that he was being made a scapegoat while the rulers of America continued their policy of aggression. Later on the same day this review was broadcast to Moscow's listeners in Czechoslovakia, Greece, Yugoslavia and Hungary; but while the Czechs and Greeks heard the comment on MacArthur in full, the Serbo-Croat version omitted the first point and the Hungarian version both. Listeners to Moscow's transmission to Britain were meanwhile informed that the reasons for the dismissal had—surprisingly enough—not been published in the American press.

Moscow's hesitancy did not deter the press and radio of Eastern Europe from giving the news prominence and adding copious comment. Most satellite broadcasters and journalists saw no inconsistency in hailing the removal of MacArthur as a "historic victory for the world peace movement," while warning their peoples that it would make no difference to American plans for aggression in Korea and China. A commentator in East Berlin declared that Truman and MacArthur were still in complete agreement, and that any reports to the contrary were Western inventions. Polish listeners, however, were told that the dismissal was a victory for the faction in Washington which wanted war to start in Europe

and not in Asia. According to Warsaw Radio, Eisenhower had secured approval for his view that the whole effort must be concentrated in Europe and particularly in Germany.

Hesitation in China

This last interpretation was somewhat in conflict with that given by Communist newspapers and broadcasters in the Far East itself. Peking made no comment until April 13th, when the official Communist news agency issued a statement ascribing the dismissal to the great victories of the North Korean forces and Chinese "volunteers," but declaring that American imperialism was still resolved to pursue its hopeless aggression in Korea. The charge that US aircraft had bombed Antung, just north of the Yalu, after MacArthur's removal was added as proof of this resolve. Next day the Peking newspapers enlarged on the agency's analysis. The *People's Daily* warned the Chinese not to relax their efforts in the slightest. The *Kwangming Daily*, the organ of the now wholly subservient Democratic League, explained Truman's action as designed to evade responsibility for defeat, to conceal his plot to expand the war, to "quieten down the controversy within the American ruling circles," and to unite the members of the imperialistic camp. Whatever "dirty schemes" might follow, warned the newspaper, the Korean war could only be ended "by the complete defeat of the aggressor." The *People's Daily*, which had overlooked the point about dissensions between the imperialist countries in its first comment, remedied the omission two days later.

While these Chinese comments failed to stress the unanimity between Truman and MacArthur as their colleagues further west had done, they certainly provided no basis for the rather unorthodox line taken by Ho Chi Minh's radio in Vietnam, which declared that MacArthur had repeatedly made statements contrary to those of Truman and Acheson, but had nevertheless been removed only when he proved an unsuccessful commander. The North Koreans, on the other hand, showed a certain caution. Pyongyang radio, which announced the dismissal two days before it was disclosed by the Peking Press, agreed on most points with the Chinese analysis, but omitted the insistence on total defeat as the only end to the war. This omission may have some significance in view of the latest North Korean Note to the United Nations.

Japan Without the General

WHATEVER have been the feelings evoked in different quarters in the West by the dismissal of General MacArthur, the predominating initial reaction in Japan was one of dismay. This had nothing to do with the dispute over the strategy for waging the war in Korea, with which the Japanese have no direct concern, but was a consequence of the extraordinary position of authority which General MacArthur built up for himself in Japan. He was much more than merely the instrument of an American or Allied policy in occupied Japan; for the Japanese he embodied power in his own right as a victorious commander-in-chief, and the very qualities which made him so untypical of America render him peculiarly well suited for governing Japan. After their crushing defeat the Japanese required only one thing of their conqueror, that he should not humiliate them by behaving like an ordinary man. In this respect the Supreme Commander never failed them; his bold bearing and behaviour marked him as one made of no common clay, and the very aloofness and seclusion of his authority—he had virtually no social contacts with Japanese—made it the more acceptable. To say that he was popular is to use a word which can easily be misleading, but in five years he succeeded in convincing most Japanese that he was not only all-powerful, but a genuine friend of the

Japanese people who could be relied on to represent them in a dangerous and unfriendly world. Hence the remarkable send-off given to him on his departure from Tokyo—a demonstration which went far beyond the courtesies which might be considered obligatory for a viceroy deposed from office.

General MacArthur's removal has undoubtedly left a political vacuum in Japan which will be much harder to fill than the military command which he has handed over. General Ridgway, a brilliant soldier, has neither the experience of the Far East nor the personal prestige to play the part of "SCAP" as his predecessor played it. This office is in any case due to come to an end when an American-Japanese peace treaty is signed—which may be during this summer—but it had been assumed that General MacArthur would remain until then as a factor of confidence and stability in the negotiations. His departure and the feeling in Japan that America is now divided over Far Eastern policy are likely to make the Japanese Government more wary of committing themselves and the treaty harder to conclude. The weight of political responsibility on the American side will now be squarely on the shoulders of Mr Dulles, who has returned to Tokyo as President Truman's special envoy; but it is significant that he has at once tried to claim the moral support of the former Supreme Commander by talking of an "unforgettable radio conference" with him when their aircraft passed each other in mid-Pacific. Mr Dulles has a difficult road ahead in Tokyo, but also much greater scope than he had before, and the next two or three months will be a real test of his capacity as a statesman and diplomat.

Exodus from Iraq

[FROM OUR SPECIAL CORRESPONDENT RECENTLY IN BAGHDAD]

It is questionable whether the Iraqis have done much good to themselves, or any good to the Arab cause as a whole, by their two latest moves to deal with the departing Iraqi Jews. Apparently they feel that they have done their political and human duty by granting these a year of grace in which to leave for Israel, and that no more is called for. The year ran from March, 1950, to March, 1951. During that period a law allowed Jews to leave carrying £50 per adult head. At its expiration the Iraq Government froze all the property of the Jews remaining in the country. This law is particularly hard on those Jews who left the country legally before 1948. Only if they return within two months and claim Iraqi citizenship cards will their account be unfrozen. The Government took this drastic action because it had gradually become concerned over the illicit flow of capital from Baghdad which was being cleverly organised via Persia by the departing Jews.

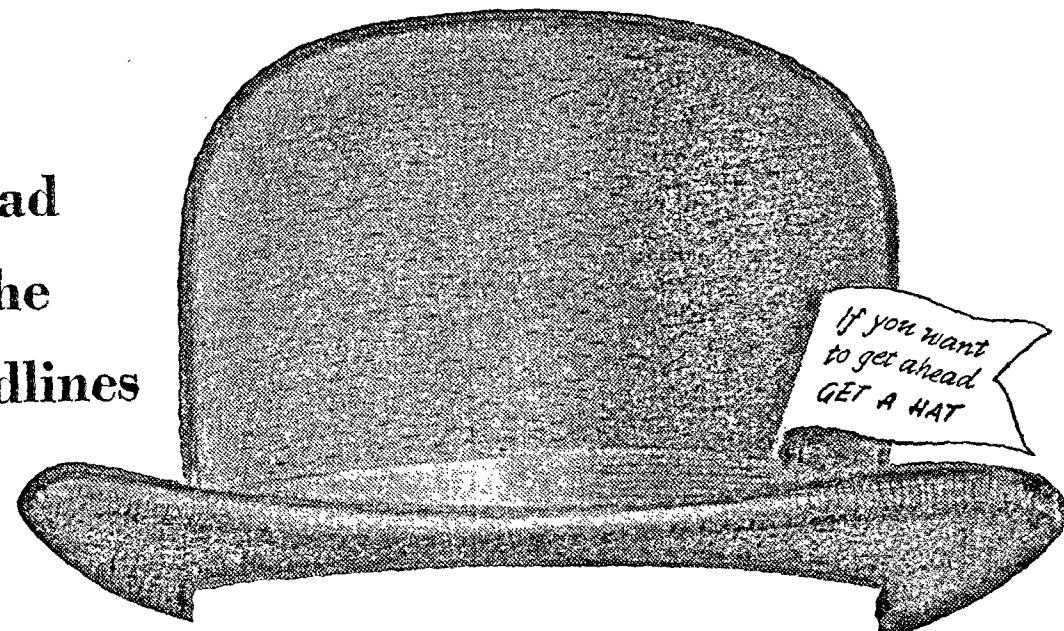
The chaos in Baghdad business circles which has resulted from this exodus proves how great were the capacity and energy of this centuries-old Jewish community. The Jews have lived in Baghdad for fifteen centuries but until international trade was developed as a result of the creation of the Iraqi State, the Jews were largely underdogs. Their ascendancy has been recent and has gradually increased until a year or two ago they ran almost the whole of Iraq's import trade. Even now not only Jewish businesses but Muslim concerns are thrown into confusion by the new decree because of the substantial Jewish share in many Muslim houses. Muslim business houses have used Jews as clerks because of their accounting and linguistic abilities and Jews were also agents for a number of foreign firms. Not only did banks and merchants lose large sections of their staff overnight but hospitals were left without nurses. Since the Jews still remaining were at the stroke of a pen deprived of their nationality, thousands were thrown on the streets because they were working in businesses which may only employ Iraqi nationals. By a second step in the same direction the Iraqi Government also confiscated the property of all Jews now outside Iraq. Presumably part of the object of the operation is to exact some compensation for the Arab property now frozen in Israel. But there is very much more of this than there is Jewish property in Iraq; it would seem, therefore, that, if bargaining and compensation are ever to take place, the Arab victims would be better off if the Iraqis were in the strong moral position of having treated Jewish property well.

There is nothing to be said, therefore, for the second of the Iraqi moves; the first, however, had one logical aspect, since the authorities wanted to know definitely who was going and who staying. Some 105,000 Jews have registered to go, but only 40,000 have in fact gone. The full size of the community has never been known but it is believed that about 20,000 Jews will stay.

But for those registered to go the immediate outlook is black. Protests are vehement in Israel. Yet the risk of penalisation once the year of grace was over was always there. It seems to have been anticipated neither by the Iraqi Jews nor by Tel Aviv, for the bottleneck over departures is of their joint making. The Iraqi Jews are to blame for being slow to register and then doing so in a rush at the end of the year of grace; fathers, it seems, were reluctant to leave the homes and businesses of their ancestors and in the end did so for their sons' sake. But the Israeli authorities are also to blame. Presumably because of congestion at the Israel end, they had until about a fortnight ago limited transport to a single air firm, refusing all other tenders. However much this firm crowded its craft, and it did so nightly, it could remove people only in hundreds, whereas 70,000 were waiting to go.

How are these remaining people, now stateless and penniless, to live pending departure? Even though the operation

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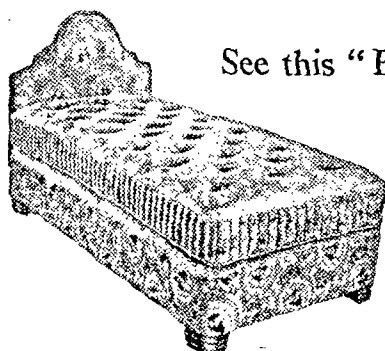
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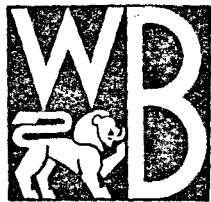
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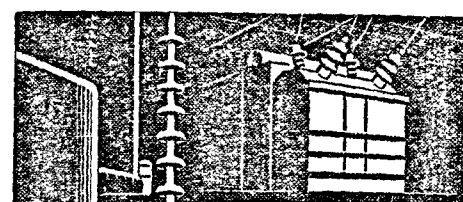
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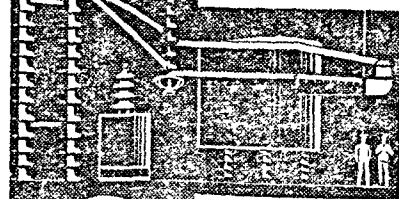


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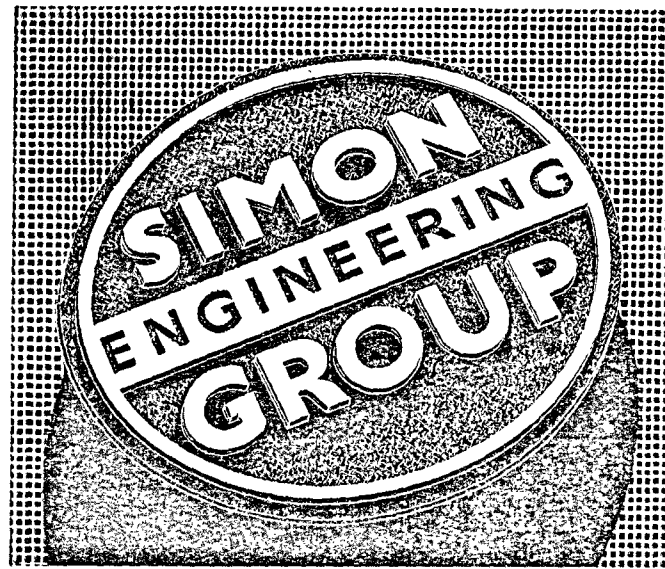


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has now been accelerated, and hundreds are leaving daily, some must wait until June before the transfers can be completed. Another toll of human misery is being taken, though anyone who has seen the Arab refugees, and can compare this distressing sight with that of the evening flotsam of Jews and their small effects waiting on the open field at Baghdad and Basra airports must feel that the latter are the better off.

The Pakistan Budget

IN a world where governments grab more and more of the fruits of their people's labours, it is refreshing and, indeed, astonishing to find a country which can budget to cover increased expenditure and yet cut down taxation. Pakistan's estimates for 1951-52 which were recently presented to parliament by the Finance Minister, Mr Ghulam Muhammad, even show an expected surplus of Rs. 20.74 crores—on an estimated revenue of Rs. 159.85 crores and expenditure of Rs. 139.11 crores. Nor has this unusual feat been accomplished by reducing defence expenditure, which still accounts for some 60 per cent of total outgoings. In fact, part of the surplus is to be used on a special fund of Rs. 7½ crores for initiating the proposed manufacture of aircraft, tanks and heavy guns. The air force and navy are also to be expanded.

So long as raw material prices remain at the stratospheric levels to which they have risen since the Korean war began, Pakistan will be on top of the world. For Pakistan is essentially a producer of raw materials. In its present boom, the country can not only maintain with ease its un-devalued exchange rate, but can afford to pass on to the hapless foreign consumer much of its own taxation. The main feature of the budget on the revenue side, and the explanation of why direct taxes can be reduced at home, is the higher export duties, particularly that on raw cotton; this has been raised by over 1,000 per cent in the last few months. It could certainly not be kept at anything like the present level, if world conditions slipped back to even a pre-Korean normal.

As a result of the flood of money now pouring into the treasury, Karachi has appreciably reduced income tax and super-tax. A sliding scale of income tax reductions has been coupled with an increase of from 15,000 to 20,000 rupees before the full standard rate is paid. Super-tax has been changed similarly, with a substantial reduction—from 9 annas to 7½ annas per rupee—on the highest incomes. Many import duties have also been either reduced or abolished; in particular they have been abolished on the raw materials required by Pakistan's incipient industries, such as pig iron, coal, coke, pitch and tar.

Since its foundation in 1947, Pakistan has had an extraordinary run of good luck economically—just as it has, on the whole, had bad political luck. While the present boom presents the Finance Ministry with the problem of how best to cash in to the full on its good fortune—a problem which it appears to be solving with gusto—the boom also imposes an obligation to do what will most favour Pakistan's political and economic progress. In this respect, another outstanding feature of the current budget has been the further encouragement given to approved industrial undertakings. This takes the form of an extension up to 1955-56 of the period in which the first 5 per cent of the business profits are exempt from taxation, together with a complicated but sizeable tax concession to investors in approved companies floated during the next two years. It is, however, worth considering whether Pakistan has been entirely wise in lifting so much direct taxation at a time when the Communists are on the march throughout Asia. Although it is right to encourage investment, many of the people of Pakistan are still struggling with gravely inadequate social, educational and medical services.

German Generals as they See Themselves

[BY A CORRESPONDENT]

SPEIDEL'S book* is a tense narrative. It relates the facts of the 1944 invasion, Rommel's hopeless dual fight against the superiority of the Allies and the mismanagement and confusion of the Nazi High Command. Above all, it shows Rommel's human tragedy. Speidel writes from an intimate knowledge of all the facts. He was Chief of Staff of Rommel's army group as well as his confidant in the preparation of the July plot. According to Speidel, Rommel was perhaps the only Field Marshal who would have given the signal for a rising of the fighting forces against the Nazi hierarchy. Neither Speidel nor Rommel had any illusions. They knew that a successful rising, though it would not have influenced the Allies to renounce unconditional surrender, would have prevented the untold destruction and the useless sacrifices which resulted from Hitler's fight to the end.

After Rommel's death Speidel himself still tried to influence events in the west on several occasions. He refused to pass on to the formations of Army Group B the order of the new Chief of the General Staff (Guderian) concerning the guilt of the General Staff in the preparation and execution of the July plot. He also prevented the transmission and execution of Hitler's command to destroy Paris by long-range artillery fire, V1's and all available air formations. Speidel's active fight ended when he was arrested on September 5, 1944. Rommel was for Speidel the incarnation of the good, clean German soldier. His book is a tribute to him and at the same time a passionate indictment of Hitler. He declares that the "ethical forces on the side of our enemies were stronger than on the German side, where a moral vacuum was created through Hitler's aberrations."

Heinz Guderian does not come into the same category as Heusinger and Speidel. He owed too much to Hitler to take an objective view during all the stages of the war. Though Guderian remained almost to the end fascinated by what he calls Hitler's "genius," his memoirs are a most devastating—though unintentional—indictment of the Nazi political and military leadership. The anarchy of direction in a totalitarian state, the inefficiency, the complete lack of scruples, the egotism of Hitler and his paladins all become evident in his account of the many excited scenes in the Fuehrer's headquarters.

Hitler's Willpower

Like the overwhelming majority of officers, Guderian held to the way of obedience to the last. He opposed the plans of Goerdeler and Beck as being damaging to the interests of Germany and unrealisable; he still maintains that view. He kept the secret of his conversations with them, but he did not approve the conspiracy.

The key to Guderian's attitude can be found in his relationship to Hitler. The more closely he had to work with Hitler, the more he found to criticise in his decisions and the more he saw the weaknesses and vices in his character. Nevertheless, his willpower mastered Guderian again and again. Even for the rift between Hitler and his generals Guderian partly puts the blame on the General Staff whose uniform he himself wore proudly for 15 years; he condemns their adherence to tradition, which caused the Fuehrer to distrust their sincerity.

As he was Germany's chief expert in tank-warfare, Guderian's book will certainly find its place in the military literature of the last war. But what is most interesting here

* Hans Speidel, "Invasion 1944." Rainer Wunderlich Verlag. Guderian, "Erinnerungen eines Soldaten," Bei Kurt Vowinkel/Heidelberg.

is his self-justification, in which probably most of the officers of the Wehrmacht see their own reflection: "I tried my best; if I failed it was not my fault; fate was against us." By this argument the *Nur-Soldaten*, who will probably again play a preponderant role in any future German military organisation, want to establish themselves in public respect.

The real problem of how to fit these men into an integrated European or North Atlantic army is neither organisational nor military. It is in the first place a political problem. There is scarcely any danger of them being a disruptive force or a new threat to European peace as long as there is a strong political direction. A stable, democratic and respected government in Western Germany, strong enough to keep strict control of its armed men whatever may be their military organisation, is a better guarantee of a desirable development than narrow-minded restrictions from outside. Foreign controls did not prevent the technical and spiritual rearmament or the continuance of forbidden Staff work and preparations after the last war. Guderian's book is worth reading with that in mind.

(Concluded)

Countering Dr Malan

[FROM OUR JOHANNESBURG CORRESPONDENT]

DR. MALAN'S attacks on British native policy in Africa have raised echoes in the Rhodesias and in Kenya. "Northern Rhodesia will not go the way of the Gold Coast," says Mr Roy Welensky, the leader of the 40,000 Europeans there. In Southern Rhodesia, the leader of the "Liberal" Opposition, Mr Ray Stockil, says: "Repression has no place in our policy, but we must insist on white leadership in this part of Africa for a very long time." Sir Godfrey Huggins, the Prime Minister, has himself declared: "I think the speed at which the Colonial Office has gone is absolutely disastrous. Not only are they hurting the Africans in the territories they look after, but they are creating a threat to Southern Rhodesia."

In Kenya, the *East African Standard* maintains: "South Africa and Rhodesia have every right to make representations to the United Kingdom on British colonial policy in Africa. Colonial policy and Commonwealth policy cannot be allowed to follow conflicting directions. For one remote partner in the Commonwealth (Britain) deliberately to follow a course that might . . . threaten the very existence of other partners in Africa . . . is a possibility that both South Africa and Rhodesia must challenge." More accustomed to Dr Malan's propaganda and so more sceptical, the Johannesburg *Star* examined his prediction that the Gold Coast developments would lead to the expulsion of the white man from a great part of Africa, and decided: "No such development is in the least likely. It certainly forms no part of British policy. Political advances there will undoubtedly be . . . but wherever there is a strong, settled white population, they will continue to dominate the political scene. . . . The supposed advance of 'West Africanism' down the continent to the Union's borders appears completely unreal."

A former editor of the *Star*, Mr Charles D. Don, suspected that Dr Malan "was indulging in a little electioneering with an eye to that section of the white population in the Union who, though not illiterate, are as ignorant of world affairs as most of the Gold Coast inhabitants—and possibly more so." All the same, Mr Don admitted that "many people, holding very different views on native policy from Dr Malan, would share his implied opinion that the British Government is pressing 'democracy' in the shape of the parliamentary system, too far and too fast in native states largely illiterate and only recently emerged from barbarism." On the whole, Dr Malan's argument has won more adherents than that of the *Star*. The possible advance of "West Africanism" is

regarded by the European settlers in the southern half of the continent as a real not an imaginary danger, and they feel unable to share the *Star*'s confidence that such an advance "forms no part of British policy." Whether well- or ill-founded, their fears and doubts must be treated as important facts in the situation.

Tribute must also be paid to Dr Malan's skill as a propagandist. He has never concealed his intention to turn South Africa, sooner or later, into a republic. This is anathema to the 40 per cent of the white electorate in South Africa who are English-speaking, and to many Afrikaners as well. It would also seem to disqualify him from leadership of the British communities in southern Africa who not only wish to retain their British connection, but resent such symptoms of incipient "Afrikaner imperialism" as Nationalist political infiltration of the Rhodesias and insistence on the teaching of the Afrikaans language in Kenya and Tanganyika. For these and other reasons, the Union, under Dr Malan, is feared rather than loved by its smaller neighbours.

Despite those handicaps, Dr Malan is scoring successes both in the Union and outside of it. He does it by untiring use of his favourite propaganda weapon, the black bogey. In the Union, he monotonously repeated day in and day out, and in the face of all the evidence, that his great opponent, the late General Smuts, stood for absolute equality between white and black. Now in power, he and his henchmen continue the charge against the United Party under its new leader, Mr J. G. N. Strauss, and nothing the United Party do or say seems able to shake off the accursed spell. Outside the Union, he now levels what amounts to exactly the same accusation against the British Government and British policy in Africa, and almost immediately rouses a response among people who on almost every other issue dislike and distrust the things he stands for.

A Genuine Dilemma

In the Union and out of it, Dr Malan is exploiting a genuine dilemma. The whites fear black numbers. In South Africa they are outnumbered four to one, and elsewhere by ten to one. Policy must take cognisance of this terrible disparity, which is creating a white nationalism opposed by a new black nationalism. The Europeans outside the Union do not want to repress anyone, but they do not want to be repressed either. In South Africa, the United Party has temporarily been defeated by the Nationalists, but in Southern Rhodesia, Sir Godfrey Huggins is trying to work out a policy which will mean neither two separate racial communities (*apartheid*), nor one community sitting on top of the other (*basskap*). The ultimate aim, he says, is partnership.

Meanwhile, however, the struggle between white and black nationalism is going on. In Northern Rhodesia, the Gold Coast development has spurred both the 40,000 whites to press for (white) self-government, and the Northern Rhodesian African Congress to demand Cabinet posts as well as more seats on the Legislative Council (where they now have two out of 14). In Kenya, the Europeans hold as many seats as the Africans, Indians and Arabs combined; but now the African political leaders are asking that African representation should equal the combined representation of the other three groups, thus reversing the position in the Africans' favour.

The trend is clearly towards putting everything on a racial basis. It is a trend which Dr Malan supports. But this is the very trend that the Europeans in their own interests should oppose, if only because of their small numbers. Three years of Nationalist rule in South Africa have indicated that Dr Malan has nothing to offer but a policy of racial repression, which is bound to fail in the long run even in the Union, where the Europeans are strongest. The urgent need is somehow, and before it is too late, to cut across these purely



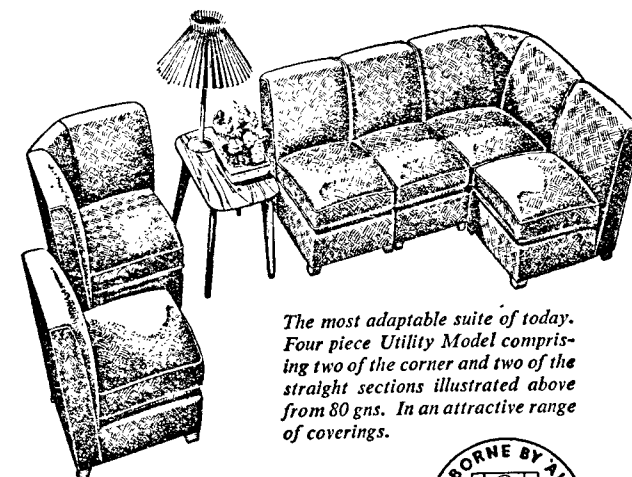
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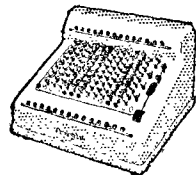
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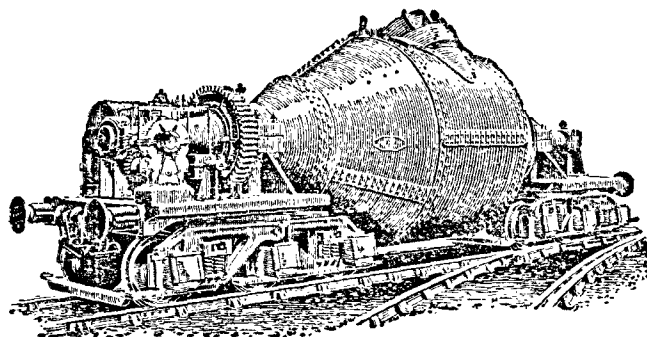
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racial divisions. This can best be done by reverting to the policy, attributed to Rhodes, of "equal rights for all civilised men irrespective of colour." Dr Malan has nothing to offer but disastrous repression, and for this reason alone his specious appeals to his fellow Europeans in Africa must be countered by a policy which will both avoid repression and at the same time assure the Europeans that they are not going to be swamped by illiterate black millions.

Deadlock on New Zealand's Waterfront

[FROM OUR WELLINGTON CORRESPONDENT]

THE New Zealand waterfront dispute has now been in progress since February 14th. The trouble started when the dockers refused to accept the 15 per cent general wage increase ordered by the Arbitration Court, and their union (the Waterside Workers' Union) ordered them to refuse overtime work; the Governor retaliated by promptly suspending the powers of the Waterfront Industry Commission under which the watersiders operated, and settled down to what rightly promised to be a protracted struggle. The position now is one of complete deadlock. Neither the Government nor the watersiders (if they retain their present leaders) can afford to capitulate or even to move towards appeasement. If the Government gives way it will probably lose so much support that it will be defeated at the next election. If the watersiders give way they must as a start, disown their present leaders who are, quite literally, fighting for survival. In these circumstances, all that can be expected is a war of attrition with the odds very much on the side of the Government.

The history of waterfront relations in New Zealand during the whole of the 13 year term of the Labour Government was one of continual disputes, stoppages, go-slow, haggling and unrest. In a series of "settlements" which all involved a certain degree of appeasement, the Labour Administration steadily lost ground, and the watersiders made more money and worked shorter hours. The result is that New Zealand now has the unenviable distinction of being one of the slowest countries in the world in working ships; and it is so dependent upon its shipping trade that this has imposed an increasing burden upon the whole of the national economy and has not been without its effect on the present high cost of living.

Trade Union Split

The Government's position is now unquestionably considerably stronger than it was when the dispute began. It then faced the possibility that the series of sporadic sympathy strikes and other demonstrations which accompanied the watersiders' challenge might develop into a general strike. This was prevented because the New Zealand trades union movement is at present split into two very unequal divisions—the Federation of Labour, which represents at least two-thirds of all unions, and all the moderate section, and the New Zealand Trades Union Congress, a militant association of dissidents headed by the watersiders, which broke away from the federation early last year.

The dock dispute, as it has developed, has become not only a struggle between the Government and the watersiders, but between the moderate Federation of Labour and the militant TUC, with behind it all a strong current of animosity between the individual leaders of the two union groups. This has led to the unprecedented spectacle (in

New Zealand) of the major and senior industrial group ranging alongside the National Party Government which ousted Labour from power, and quarrelling, in the process, with the Parliamentary Labour Party. This quarrel occurred when the Labour Parliamentary caucus on February 28th issued a statement on the strike which the federation executive, with some reason, regarded as equivocal. The federation leaders then bluntly refused to attend a second caucus meeting on April 4th and charged the Labour Parliamentarians with failing to give them the support they considered their due as the defenders of constitutional trades union procedure. The Prime Minister, Mr Holland, put this into plainer terms when he accused the new leader of the Parliamentary Labour Party, Mr Walter Nash, of rail sitting and of trying to make political capital out of the dispute.

As the position stands at present, the Government is working the wharves with service labour and has established an efficient emergency supplies organisation which is keeping essential cargo moving both inwards and outwards. In this it is backed by the great majority of the trades unions and unquestionably by the great majority of the general public. Support for the watersiders has been whittled down to a section of the freezing workers, about three-quarters of the miners, a section of the cement workers and a section of the seamen. This last is a significant development, however, for the Seamen's Union is affiliated to the Federation of Labour and its president is F. P. Walsh who, as vice-president of the federation, has been one of the major influences in aligning the federation against the watersiders and with the Government. Some very vicious personal attacks have been made upon Mr Walsh in anonymous leaflets and an effort is plainly being made to get rid of him by attacking his position in his own union.

Shoes Begin to Pinch

With the strike now in its tenth week, the shoes of most of those engaged in the scrimmage are beginning to pinch. The watersiders are maintaining an outward front of solidarity, but about a sixth of their number—some 1,000 men—are reported to have taken other work. On the other hand they appear to have organised an effective under-cover supplies system which the police, with all the power of the emergency regulations behind them, have not been able appreciably to check. The Government has shown no signs of wavering, but it must take note of the increasing effect of the hold-up upon many sections of the national economy. Though essential supplies are being moved, fresh overseas ships are arriving all the time, and the backlog is mounting. Many New Zealand factories and importers are becoming short of supplies and many firms, with goods tied up on the wharves, are reaching the end of their overdraft limits. The level of overdrafts in New Zealand before the strike began was already inconveniently high owing to the effect of high prices and stockpiling and the banks and finance houses are facing difficult problems as a result. A considerable proportion of this season's wool clip is also tied up in stores and the farmers who have sold it cannot be paid for it until it is shipped. Internally, rail services have had to be seriously curtailed because of the coal shortage caused by the miners' sympathy strike. On the other hand, the Wellington, Nelson, Marlborough and Taranaki section of the N.Z. Freezing Workers' Union, which also went out in sympathy, and which was de-registered as a result, appears to be disintegrating.

Whatever the final outcome of the dispute, it must have far reaching effects. It will either make or unmake the National Government; either split the New Zealand Labour Party or cause a breach between it and its major industrial section; either see a new deal on the New Zealand waterfront or an intensification of docker domination; and either strengthen or undermine the traditional basis of arbitration and conciliation in New Zealand's industrial relations.

THE BUSINESS WORLD

Transport and Efficiency

IT is entirely accurate in law to describe the document lodged by the British Transport Commission with the Transport Tribunal as a passenger charges scheme. In substance, however, it amounts to nothing more than an application for increased passenger fares on the main line railways and on London Transport services. It is not a scheme that has any bearing on the integration of passenger fares and services by rail and also by road; nor does it claim to put passenger and freight charges on the railways in proper relation (whatever that may be) with one another. The scheme proceeds under Section 76 of the Transport Act, and must be submitted by the due process of law to the Transport Tribunal for public hearing, whereas the application for the ten per cent increase in freight charges that came into effect last Monday was not a "scheme" but an emergency application made to counteract, as far as might be, the effect of the recent wages award dictated to the railways by the Government.

This is a distinction that some will hold to be of no consequence: what does it matter whether it is a "scheme" or an "application" that produces the increase in charges? There is something in this point. A charges scheme, in the original conception of the Act, was something beyond a mere matter of increasing the rates. Would it have been necessary to lay down a maximum period of two years from August 1947 (since extended by a further two years) within which such schemes were to be presented by the Commission for the consideration of the Tribunal if increased rates only had been at stake? It was supposed that charges would be the instrument by which the Commission could organise its transport services most efficiently and give the individual user the best service at the lowest cost. The logic of the charges scheme was to encourage the integration of transport, but there is no mention of that magic word in the outline of the charges scheme for railway and London passenger fares; nor could there be, since the Commission has not attempted to unify the road passenger services that it controls with its railway services or to integrate rail services and charges for passengers and freight. A charges scheme for rail freight is promised later this year; if it is of the same character as the proposed passenger scheme, it will not be concerned with road haulage rates. The concept of integrated transport, it seems, is as far off as it was four years ago.

This is not to be blamed solely on the Commission. No undertaking could be more vulnerable to the effect of rising costs and lagging revenues. Public policy about rail transport charges still has much of the flavour of the early nineteenth century legislation against monopolist rapacity. A legitimate increase in prices to cover costs that would pass without comment in a dozen industries becomes a gross extortion when the railways seek to make it, grudgingly conceded if at all. The Commission puts the loss in 1950 caused by delays in bringing

increased charges into effect at £15 million—equal to its deficit for the whole year. But since the increase in freight charges became effective last May and London fares were raised later in the year, the Commission's cost levels have jumped once more beyond the bounds of revenue. The Commission has an accumulated deficiency of £40 million. Compared with the end of 1949, its costs have increased by at least £40 million a year, and the prospect as this year opened was that a net revenue deficit of £25 million would result at current levels of fares and charges. The ten per cent increase in railway freight rates now in force will provide less than £15 million this year (£20 million in a full year) towards meeting this deficit and the further increases in costs that have occurred since the estimate was made.

*

The scheme now proposed would raise the average cost of passenger travel in the London area to about 175 per cent of the prewar level and to about 190 per cent outside London. Thus it would approach the general character of the average increase in freight charges (90 per cent higher than before the war) except in London. It is important to notice that these are average results, and if the changes are approved they will produce about £17 million in a full year—and necessarily a distinctly smaller sum in 1951 if they should be brought into effect later this year. Thus the Commission has obtained an increase in freight charges and is seeking an increase in passenger charges together estimated to produce £37 million in a full year. If it is supposed that this would wipe out a deficit of the size in prospect for this year, let it be remembered that costs are still rising (the Budget added £3½ million to the Commission's bill for road fuel) and that the estimate of yield is for a full year—that is for 1952, by which time, it is safe to predict, costs will have risen further still. If they do not, the Commission will be left with a modest surplus to set against its accumulated deficit and make more adequate provision for replacement.

The general character of the fares scheme is to propose increases of such a kind as to make the least threat to the volume of traffic. The London traveller, already bound to the integrated road-rail services of London Transport and the main-line suburban services, is threatened with an increase of one-fifth in the scales approved by the Transport Tribunal last year, with a twopenny minimum fare. Season ticket rates, it is proposed, should be increased by about 20 per cent in the London area and rather less in the provinces. A further attempt on "workmen's fares" (known as "early morning return fares") threatens these privileged travellers with an increase of 20 per cent. At the other end of the scale, the highly prized trader's season ticket is to be withdrawn. But one element remains unchanged in all this detail of demanding one-fifth more on many tickets and ending concessions on others: the standard

ordinary single fare by railway is to remain at 2½d. a mile. It is only on the monthly return (fare and a third) tickets that the Commission is prepared to risk proposing an increase of 10 per cent which it can make at its discretion.

All this the Transport Tribunal will have to examine in great detail. Objections may be lodged up to June 13th and it can be assumed that there will be no lack of them. Thus a decision on the draft scheme—which is a matter entirely for the Tribunal and not for the Minister—can hardly be expected until after the summer holidays. The Commission must suffer, with what patience it can, the consequences of this further delay between rising costs and higher charges. It would be well for both Commission and public to reflect in the meantime on the relation of these two factors. When the public complains that the vicious spiral of inflation has now become something of a tour round the inner circle of nationalised industries—an increase in rail freight charges one day, covered by a rise in coal prices the next—they should be careful to put the proper share of blame in the right place. This may be the Commission, but only to the extent that it is capable of controlling its own costs, and manifestly that is not so of many of the things that it buys. Yet when the Commission argues that

in the face of rising costs of the magnitude described, shortages of materials, national restrictions on capital investment, and other causes outside the control of the Commission, measures to secure increased efficiency and economy can only have a very limited offsetting effect

it greatly weakens such sympathy that the transport user is disposed to feel towards it. The danger about proceedings before the Tribunal—and this said with all proper respect to the authority and skill of that expert body—is that points of law and accountancy are sometimes used in an attempt to prove that what the Commission seeks would fall with less harm on the other fellow. But contentions about "very limiting offsetting effects" of economies are surely most relevant to any scheme that is put before the Tribunal. And it is not merely economies that might be obtained from better operation of the railways that are in question. It is also the possibility of improving the whole organisation of nationalised transport. It is not enough to accept that the deficit is £x million on the Commission's estimate; what has to be determined is how much less the deficit could have been if its business had been better run.

It will be hoped, therefore, that the Transport Tribunal will find it possible to construe the powers entrusted to it under the Act in such a way that the

argument is concerned primarily with efficiency and secondarily with the effects of specific cost increases. The mood of despair that prompted Lord Lucas, speaking as Parliamentary Secretary to the Ministry of Transport, to declare recently that "for good or for ill the transport system of this country, in the main, is a liability for ever" is perhaps the most damaging contribution that could have been made to all the adverse factors that now press upon the Transport Commission. It has been caught by a cost inflation before it has had any chance of squeezing the benefits from co-ordination and integration of the various forms of transport. It has suffered from mistaken ideas of organisation laid down in the Act and applied in a too rigid manner. It has attempted too much too quickly, forgetful of the years of hard work that went to the grouping of the railways after 1921.

These and other points have been made before in these columns. But the facts that the Commission is open to criticism and that the Transport Act is far from perfect does not justify rank pessimism of the kind in which Lord Lucas has lately indulged. If ideas of that sort gain ascendancy in the minds of the Commission and its Executives, all hope of improvement will have to be written off. Before that happens, it may be well to set out a few basic principles on which higher efficiency can best be sought. First, transport is a business, and must be run on business lines. Secondly, the unit of management is much too large for efficient operation and a purposeful measure of decentralisation is needed. Thirdly, such a splitting up of unwieldy areas of command must give full opportunities for good leadership and creative thinking—qualities that are hard to evoke given the present rigid hierarchy of management. Fourth, the effort to reduce costs by unifying and standardising the various parts of the transport system must be unrelenting; standardisation must also be realistically conceived to give the best return and must not be made an end in itself irrespective of its effects on capital and operating costs. Fifth, the Commission must try to get outside its pressing preoccupations with day-to-day problems and draw up a programme by which integration has some chance of becoming effective in a decade. These principles would demand radical changes in the organisation of the Commission and its Executives and in the legal framework within which they operate. They might in the long run promise a chance of success for integration; there is no evidence that, if present arrangements remain unchanged, integration and efficiency will ever come to pass.

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Steel Castings and Defence

THE Ministry of Supply has recently outlined to members of the British Steel Founders' Association the problem that rearmament poses for their industry. Apart from the actual makers of munitions, few sections of engineering are affected more directly than steel foundries. The casting of strong and complex steel shapes is in peacetime an essential but relatively small industry on the border between steel-making and engineering; in war its contribution is far greater in scale. Two world wars in this century put demands upon steel founding far beyond the foundries' capacity. In the last war, production was more than doubled, from roughly 140,000 tons in the late 'thirties to more than 350,000 tons by the middle of the war. Today the industry has a greater capacity than before the war; but it is fully engaged at the moment when the three-year defence programme presents it with new demands.

The industry has some reason to approach a sudden need for expansion, even to meet national demand, with caution. It was saddled throughout the 'twenties and

OUTPUT AND DISTRIBUTION OF STEEL CASTINGS
1938 to 1950

Year	Primary Furnace Output	Finished Castings	Industrial Consumer	Proportion of 1949 Output
	'000 tons	'000 tons		per cent
1938 (est.)	218	142	General Engineering	25
1939	285	159	Iron and steel plant (incl. rolls) ..	21
1940	389	227	British Railways and Railway Builders	15
1941	431	245		
1942	572	358	Shipbuilding	9
1943	616	365	Colliery Equipment	9
1944	589	355	Electrical Plant	5
1945	479	285	Petroleum and Chemical Industries ..	5
1946	511	198		
1947	369	204	Agricultural Machinery	4
1948	417	234	Motor Industry	4
1949	429	235	Others (incl. Defence Services) ..	5
1950	438	241		

early 'thirties with a load of surplus capacity created during the 1914-18 war when Government finance was poured in to increase capacity rather than efficiency. Few companies disposed of this surplus plant, though in some cases it nearly disposed of them; the majority struggled through lean years with enough capacity to produce twice or three times the tonnage that they ever managed to sell. "For fifteen years," as one spokesman in the industry put it recently, "no new money was put into the industry and nobody took a profit out of it"; and British foundries were unable to match the prices of imported castings, particularly from Belgium. In that bleak period, the industry embarked on its policy of price-fixing; the men who now control it gathered their experience during hard times, still fresh in their memory.

The second world war left steel founding in a far sounder condition. Much, if not all, of the new plant built, with Government assistance, in private industry during the war was taken over by the "foster parent" companies: but most of the Government-owned specialised foundries were closed and their equipment dispersed, while ironfoundry concerns that had converted their plant to handle steel (a major operation) returned to casting iron. Output of steel castings declined from the war peak to a level of about 200,000

tons a year. The industry's hundred or so foundries are dispersed fairly widely in the Midlands, North, and Scotland, with one or two in the South of England; of this total, 14 are "captive foundries" owned by companies in other industries and producing for their owners' use only, another 38 are tied to other engineering activities of their owners but sell most of their output to outside customers, and the remainder are independent foundries. Just under 60 of them cast carbon steel only, 34 cast carbon and alloy steels, and eleven specialise on alloy steel castings. There is a wide range of size: one company turns out nearly 20,000 tons of finished castings a year, another (now nationalised) not much less, and about four others 8,000 to 10,000 tons a year, while there is an extensive fringe of small foundries with an output of only about 1,000 tons. Few were integral parts of large steel-producing units: less than a quarter of the industry's output comes from foundries that have been nationalised as part of steel companies. These remain in the closest formal co-operation within the British Steel Founders' Association and thus with the privately-owned firms; the privately-owned foundries may be forgiven if informally they begin to show a certain constraint.

Technically the industry has made useful progress. Electric melting was well established by the late 'thirties, and closer attention was being paid to quality; but it still needed the assured demand of wartime to bring some recognised improvements into practice. More important, the pre-emption of the bulk of the industry's output by a few service customers requiring ever higher production and more exacting specifications promoted a useful liaison between the designer needing a cast steel component and the foundry manager who had to cast it. A casting may be as strong, though not as assured of soundness and homogeneity of material, as a forging: it does not possess a forging's "grain-flow" (which may be an advantage or a disadvantage); it generally requires far less machining; its pattern and core-boxes may be fairly expensive for short runs, but less so than the dies required for drop stamping; and for complexity of shape, castings are hard to equal. But if a designer chooses a steel casting, in preference to forging, drop stamping, fabrication from shaped steel by welding, or in some cases malleable iron casting, his choice of process imposes certain requirements upon his design. "Designer-foundry co-operation," developed during the war, has since been encouraged by the industry; collaboration may save trouble and result in a sound and straightforward job in the foundry instead of a difficult and expensive casting with a high rate of rejects. Closer control of processes and keener inspection, together with a wider employment of expert metallurgists, justify the industry's claim that the quality of steel castings today shows a vast improvement compared with prewar standards.

Attention to technique, moreover, has been fostered by an event that brought the industry more publicity in a few months than it normally attracts in a decade—the publication, late in 1949, of the first "productivity report." The team that visited the United States under the auspices of the Anglo-American Council of Productivity discovered that American foundries produce a ton

of steel castings using only half to two thirds of the man-hours required in a British foundry, and its report had a sharp impact upon the industry. This is still being felt; experiment with technique, particularly in mechanical handling, is growing, and much greater attention is being paid to productivity. One indirect consequence of the report has been equally important. Uniform, anonymous costing information had always been circulated by the BSFA in connection with price-fixing; but in the last eighteen months a far greater exchange of information and assistance has developed between competitors than is usual in British industry. The most efficient foundries in the industry may produce a ton of castings (in so far as these are comparable) with practically half the man-hours needed by the least efficient; but this spread, common in British industry, is at least fully appreciated in steel casting, and the average number of man-hours needed per ton shows a considerable tendency to drop. Few British foundries enjoy the large orders that enable American foundries, serving a market ten times as large, to mechanise the production even of large castings; and though man-hours per ton of American castings are 30 per cent at least below the British, lower wage rates make British castings 30 per cent cheaper than American. British steel founding, however, still retains elements of a craft mystery, and it uses far more craftsmen than American foundries use: it tempers enthusiasm for planned productivity with the knowledge that a difficult casting cannot manage very well may be produced first time without flaw by one of the most old-fashioned, worst-laid-out foundries in the business.

Increased attention to efficiency and research has been encouraged by steady prosperity. The postwar re-equipment of industry, a high export effort in the metal-using industries such as locomotives and heavy electrical equipment, great expansion in new industries such as agricultural machinery and petroleum and chemical equipment—all these have called for large tonnages of steel castings, and since fighting started in Korea demand has further increased. Much of the industry's output goes to industries closely concerned with defence; the table shows that only a small part of the industry's output goes to consumption demands that could be classed as inessential.

*

In 1949-50 defence absorbed a small part of the industry's output; at the peak of the programme, defence demands may require perhaps 30 per cent of the industry's present output. Existing capacity would provide about 240,000 tons, against maximum civilian and defence requirements of perhaps 280,000 tons. A few enthusiasts within the industry hold that production could rapidly be raised by a quarter, without more capacity or more men, but this would mean bringing the industry generally to the peak of efficiency already reached in its most efficient plants. In the long run this might be possible; it is highly desirable; but it is not likely to be on the cards in the next three years. The new burden of defence will have to be borne by extension of plant, both privately and Ministry owned.

In pattern as well as volume, the demands of an economy now committed to defence will differ from those hitherto involved in re-equipment and export. Tank production, for example, makes exceptional and

specialised demands upon the foundries, and heavy alloy castings may well be the immediate bottleneck of the present programme. This is not simply a question of weight: a tank turret weighs seven tons finished and involves pouring perhaps ten to twelve tons of metal, but many foundries can cast work in the 20 to 30-ton class, and marine castings may exceed 100 tons. The difficulty arises in the lengthy heat treatment of armour quality alloy steel, which ties up the heat-treatment furnaces. At present only two foundries in Britain are known to be handling these turrets and upon them the pressure will be increased. Mantlets and gearboxes are other complex items for tanks; here too it is difficult to spread the order load very widely. Tank track links are perhaps even more important, because of the vast quantities in which they are required; the rate at which any given tank now wears them out is important tactical information, but it seems likely that for quantity production of tracks special mechanised foundries will have to be reopened. Castings for gas turbines, again, require high-frequency furnaces to deal with the heat-resisting alloy steels, and here again capacity must be expanded. British turbine producers have generally favoured turbine blades machined expensively from stock, stamped (with heavy wear on dies and a high reject rate), or perhaps produced by powder metallurgy to provide porous and sweat-cooling blades, but some have been made by precision casting. The industry has been glad to leave this tricky, unrewarding business to one or two specialists; but if quantity production of gas turbines should demand more cast blades, more specialised extensions would be needed.

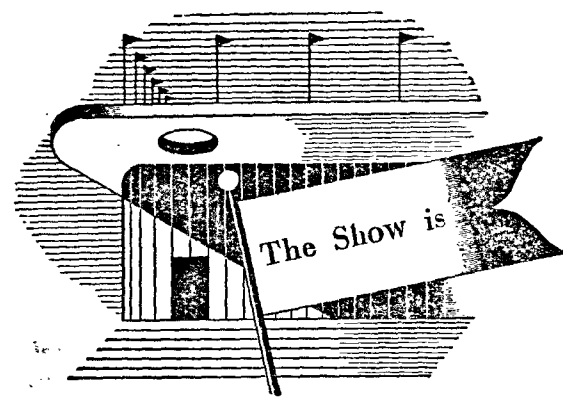
The decision to expand the capacity of certain companies, and open or reopen certain specialised foundries under the "parenthood" of existing producers, is therefore inevitable; but it will not be easy to carry through. Expansion since the war has been hampered by excessive delays in delivery of equipment; two to three years' waiting for equipment that could be bought in the United States in three or four months has been known. The Ministry of Supply, rightly reluctant to assume unnecessary powers, will have to use what influence it can with suppliers of equipment, and possibly with other Government departments; since the defence programme was announced, equipment that Government-owned foundries might usefully have obtained has been exported beyond the Iron Curtain. Manpower presents other difficulties. Foundries provide well-paid but unattractive and very heavy work and need a fairly high proportion of skilled men. Staff to direct the new plant may be even harder to find; top-grade metallurgists and foundry managers are scarce, and pressure upon those now at the top of the industry, and the officials planning the programme, will be intense.

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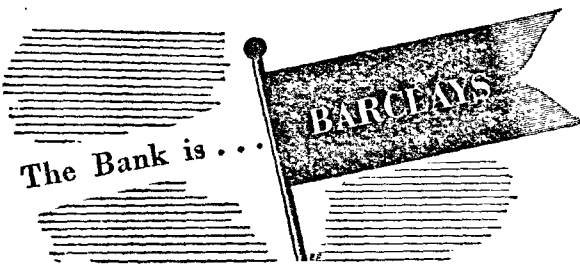
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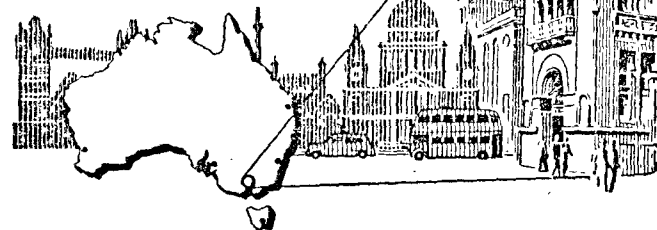
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Business Notes

Boom in Equities

This week's experience in the stock markets very plainly shows that investors' second thoughts on the budget have confirmed and intensified the first impression it left on the City. Equities, especially industrial equities, have been strong, while gilt-edged—despite the moderate rally that began on Tuesday, on bear covering and a little investment buying—have lost a good deal more ground. Prices of the irredeemable and long-dated stocks are now only a little above the low point reached in November, 1949, while the net price of 4 per cent Consols (1957 or after) has again dipped a shade below par. The rise in equities, is, indeed, assuming the proportions of a minor boom. At 130.3 on Thursday, the industrial index of the *Financial Times* was no less than 7.6 points above its level on budget eve, and more than 10 points above the trough of the minor recession that began in mid-February. It now stands at its highest level since July, 1947.

In industrial equities, three distinct influences have been at work. First, and most important, is the virtually unanimous opinion in the City that Mr Gaitskell's proposals will not suffice to prevent an intensification of the inflationary pressure. Although this view seems well founded, the Stock Exchange is probably both exaggerating the degree of likely inflation and under-estimating the damage it will do in the long run to industrial capital. In particular, it appears to be basing its guesses about future inflation too narrowly upon the extent to which it expects prices to rise, virtually ignoring the crucial fact that a large part of the rise will be attributable to the increase in import costs. Any questionings on this score have, however, been thrust into the background by the second of this week's major influences—the market's belated realisation that the authorities are themselves counting upon a substantial rise in profits this year. In the budget debate, Mr Gaitskell declared that there was "no doubt whatever" that the rise will be sharper than in 1950 (officially estimated at 14 per cent), while Mr Douglas Jay forecast that profits would be high enough to meet the increased dividend tax, to pay dividends as high as last year's and to provide reserves for the increased cost of stock financing. The third market influence, taken in conjunction with the other two, seems to be the most decisive of all. The act that the distributed profits tax has been raised as an alternative to imposing formal limitation of dividends and the tone of Ministerial comments are regarded as signs that here is no longer any official disapproval of increases in dividends—provided that, in the terms of the new memorandum to the Capital Issues Committee, they are of "moderate" extent.

The gilt-edged market has, of course, suffered from the backwash of these market arguments in favour of equities, but the more penetrating of market observers have been noting that they also have to contend with more direct adverse influences. Particular attention has been paid to the act that the impending extinction of the surplus of the National Insurance Fund will reduce the departmental resources available for gilt-edged operations. In the long run, this may prove to be a change of importance for the market, but in the short run its significance can easily be exaggerated; the money that the Treasury saves by reducing its contribution to the Fund will reduce its overall deficit and therefore its need to seek outside finance. A much more important influence is the Chancellor's recognition that the recent rise in interest rates may help to check the volume of industrial investment; this indication of his attitude

towards interest rates has finally extinguished the market's hopes that efforts might be made to keep money cheap for defence financing. There is no sign, however, that it implies any intention to raise rates deliberately. Indeed, Mr Gaitskell argued this week that a tighter credit policy could not bring down prices—unless it was "pushed so far that it created losses and underemployment."

* * *

New Rules for the CIC

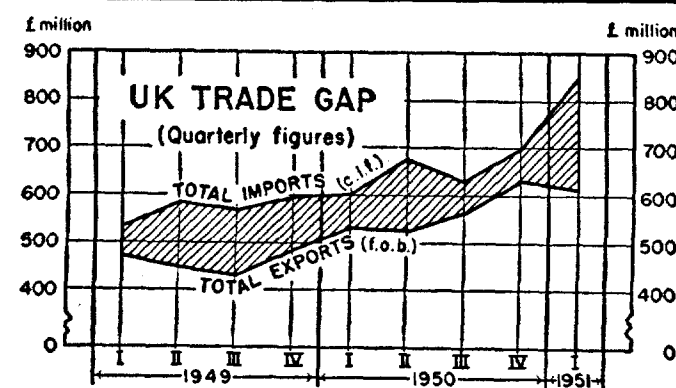
The new instructions to the Capital Issues Committee, which the Chancellor foreshadowed in his budget speech, make only some very obvious changes in the scale of vague priority directions under which the Committee works, and do not in themselves imply any noticeable tightening of the system of control. Their main interest, indeed, lies in the new rules governing bonus issues. The general directives are little changed. The Committee is authorised, as in the past, to "recommend" approval where it is satisfied that the finance is needed for the "effective maintenance of existing facilities for necessary goods and services"—a wording that is presumably intended to give scope for the finance of rising inventory costs wherever the supply or service is "necessary." To secure approval for new investment, a project must fall within one or other of the priority categories, now extended to five by the addition of "projects essential to enable approved defence programmes to be achieved"—a category that of course goes to the top of the list. Apart from this, the highest priority is still accorded to projects designed to alleviate basic deficiencies, particularly of raw materials. Schemes that may save imports now appear to rank ahead of, instead of equally with, those for promoting exports, but both types are no longer exclusively related to dollar saving, as they were in the directive of April, 1949.

The Committee is expected to discourage "any measure likely to lead to any more than a modest increase in dividends distributed" and is also reminded that "any distribution of capital appreciation which might lead to spending out of capital would ... be contrary to the national interest." These directives, though not specifically related to proposals involving "rights" issues, are evidently intended to be read in this context; the second of them is obviously directed against schemes for making such issues in the form of redeemable preference shares as a means of reducing liability to profits tax. This last condition does, in fact, figure specifically in the new rules directly relating to "rights" issues. Before sanctioning any such issues the Committee must also be satisfied that the application "relates as a single operation to the capitalisation of true reserves and as one which will benefit the stability, credit or efficiency of the undertaking"—and that it falls within the general scale of priorities. Except for its attempt to close the loophole presented by redeemable preference shares, the new instruction therefore seems to concede a slight liberalisation of the rules for control of bonus issues. The whole system remains highly anomalous and illogical, but at least the possibility of securing approval to a "rights" issue is no longer restricted, as it has been since the end of 1949, to projects "necessary to enable the company to continue, or to expand its production or to increase the volume of its exports." The new memorandum has been accompanied, as in the past, by a further directive to the banks. The text of this has not been published, but it appears that its only new feature, apart from such changes as may be inferred from the C.I.C. memorandum, is the intention to stabilise the existing volume of advances made for the purposes of hire-purchase finance.

An External Deficit

The provisional trade figures for March tell a gloomy story. The cost of imports last month rose by £55 million to £303 million, the highest figure yet recorded, while exports (including re-exports) increased by only £24 million to £207 million. The excess of imports (valued c.i.f.) over exports (valued f.o.b.) thus amounted to £96 million, the largest monthly deficit since the end of the war. These results in themselves are bad enough, but they follow on those for January and February which were only a little better. The President of the Board of Trade, when he announced the March figures in the House last Monday, said that in the first three months of this year exports and re-exports were £17 million a month above their 1950 average, but imports were £66 million a month more than last year's average—"a very serious worsening in our position."

It is unfortunately not possible to reconcile directly the figures given in the trade and navigation accounts with those in the balance of payments white paper, but a rough estimate of the actual deficit can be made from the trade statistics. Imports in the first quarter of this year were valued at £848 million (c.i.f.) compared with total exports of



NOTE: The above graph shows excess of imports over exports and re-exports as given in the Trade and Navigation Accounts.

£613 million (f.o.b.). On the assumption that the time-lag between payments and arrivals of imports and between receipts and shipments of exports during the first three months of this year was approximately the same as in 1950, and further that the cost of insurance and freight bore the same relation to the cost of imports, then f.o.b. payments for imports in the first quarter amounted to about £775 million and receipts from exports to about £605 million, leaving a visible deficit of £170 million. If the invisible surplus is still running at the same rate as in the second half of 1950—£110 million a quarter—then the overall deficit for January-March was £60 million or an annual rate of £240 million. Last year Britain had a net surplus of £229 million and this year the Government has been hoping to limit the deficit to £100 million, to cover the purchase of emergency stocks of foodstuffs and raw materials.

The Import Bill

The main cause of the deterioration in Britain's trade balance this year has been the sharp rise in the value of imports. The volume of imports has increased by "something like 5 per cent" on last year, according to the President of the Board of Trade. But this increase in physical quantity is barely equivalent to the rate required to meet this year's programme of emergency purchases for stock, much less to ensure a supply of raw materials adequate to sustain the present level of industrial output. Commodity prices generally have tended to level off in recent weeks; some have even fallen. But even if they rise no further the

import bill is likely to continue to increase during the year as the volume of imports increases.

Total exports during the first quarter were £613 million, £80 million more than in the first quarter of 1950. The switch to arms production and the delays in shipping are likely to limit the expansion in the volume of exports this year or even cause a decline, but there should be ample scope for export prices to rise. British exports to both the United States and Canada made a welcome recovery in March and were higher than the monthly average for 1950, though below the average for the last quarter of 1950. If this rate can be maintained or even improved during the year, Britain's dollar deficit may not increase to any alarming extent despite the overall deficit. This year's trade crisis will therefore be a sterling rather than a dollar one, and it will be reflected in a rapid rise in sterling balances held by Commonwealth countries.

Second Thoughts on Initial Allowances

The suspension of initial allowances on capital expenditure after April 5, 1952, sets two distinct problems for industry—the provision of finance and the effect on distributable profits. For Sir Stafford Cripps, the allowances represented a means of providing the money required to meet the increased costs of replacing capital assets, and thus of encouraging investment: for Mr Gaitskell the emphasis is on the stimulus alone. The idea that the initial allowances had a permanent part to play in financing industry in a time of inflation has been rejected; they now become an expedient to be given, or withdrawn, according to the Chancellor's assessment of the need for capital investment in the private sector. They have given important help to industry during the period of postwar reconstruction. Broadly speaking they will have been granted on expenditure in the six years from April 6, 1946, to April 5, 1952, corresponding normally to the fiscal years 1947-48 to 1952-53. For the first three years the allowances were at 20 per cent and for the last three at 40 per cent, on the cost of plant, and throughout at 10 per cent on the cost of industrial buildings. If investment on plant has been proceeding at a steady rate of £750 million a year, the total "interest free loan" (after allowing for the automatic repayment through the reduction of annual allowances, and taking a combined average rate of income tax and profits tax of 11s. in the £) must amount to about £600 million for plant alone by the time the allowances end. Suspension is not the end of the matter: the repayment of the "loan" must go on—and go on it will, through the automatic reduction of the annual allowances, for the next twenty years or more. The repayment of £600 million over such a period may not be an impossible burden, but it represents a further strain on the capital of industry.

Industry must in future finance itself without this substantial help and for certain concerns whose long-term investment policies will not be completed by April, 1952—shipping companies in the middle of new building programmes, for example—some concession will clearly be needed. This the Chancellor has already recognised. Insofar as the withdrawal of allowances damps down expansion programmes, the need for finance will be correspondingly reduced, but current replacement must go on and, as the Tucker report pointed out, the allowances went some way towards filling the gap between the cost of replacement and the funds built up internally by depreciation provisions based on original cost. The Chancellor ought at least to be asked to suspend the balancing charges on assets replaced, as a counterpart to the suspension of the allowances. There has long been a feeling that the balancing charge can operate as a tax on capital

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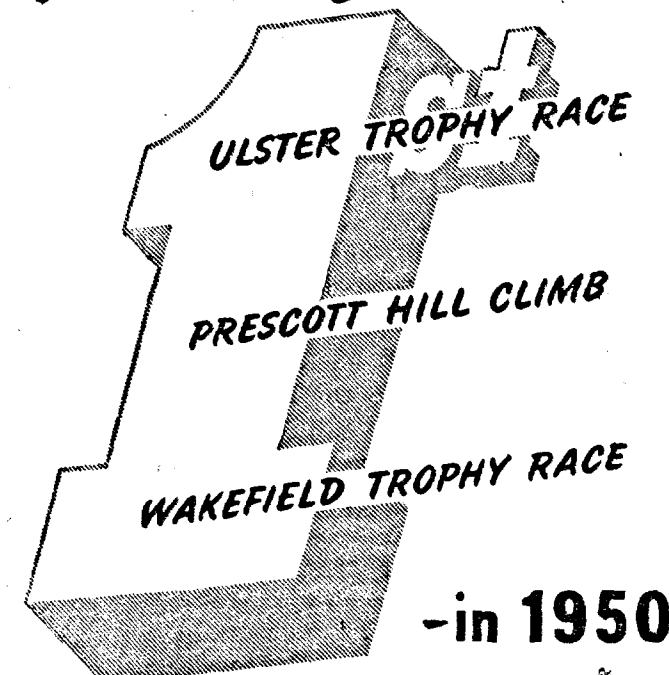
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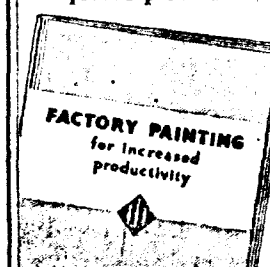
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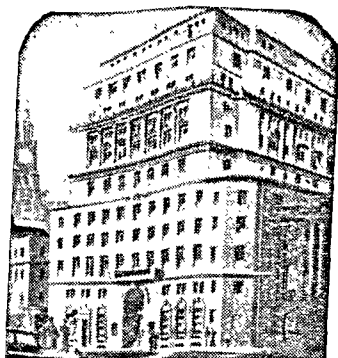
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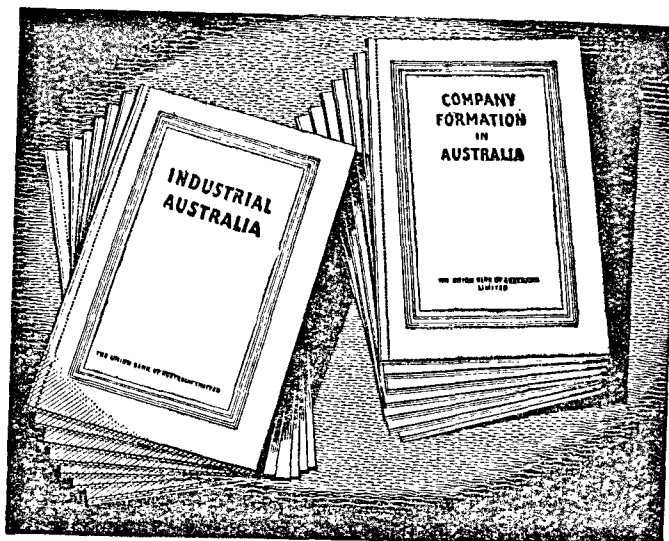
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profits arising from inflation; after the withdrawal of the initial allowances the injustice of the balancing charge will become even more apparent.

The effects of the suspension of the allowances upon profits shown in company accounts will depend on the manner in which the allowances have hitherto been accounted. No clear ruling has ever been given on this point by the accountancy bodies, for although they recognised that the initial allowances would lead to distortion of profits, they felt nevertheless that it would be sufficient to make a note of their existence and to leave to the prudence of directors any question of transfer of the “loan” to a separate reserve. Many concerns have in fact placed the tax benefit of the allowances to a separate reserve whilst others have no doubt merged it with their reserves for future taxation. But there must be large numbers of businesses that have been content to provide merely the actual tax liability as reduced by the allowances. The profits of such businesses will reflect the full severity of the change for not only will the tax saved by the allowances cease to swell their distributable profits, but provision will have to be made out of the profits, after tax, for the repayment of the loan. For certain companies and for at least one nationalised industry—the British Electricity Authority—this may be a distinct embarrassment.

Sulphurous Phrases

Mr Wilson's violent phraseology this week about the country's sulphur shortage—“totally inadequate” supplies, “slashing reductions” in output, danger of an “unparalleled industrial disaster”—was no doubt intended primarily for transatlantic reading. There is nothing he can tell British industry about the gravity of this problem, which is the more vexatious because there is little that either industry or Government can do about it in the short run except beseech the Americans. Mr Wilson's extravagance of language, however, seems a little superfluous even for this purpose; and it is not altogether consistent with the figures he quoted from the more selective allocation schemes that the Board of Trade is likely to substitute next month for informal cuts already imposed “across the board.” He mentioned two alternatives, based upon Britain receiving either 100,000 tons this quarter, or 81,000 tons. The most important single difference between the two would be that the rayon industry would receive 80 per cent of its 1950 rate of supplies in the first case, and 70 per cent (the Board of Trade put it at 40 per cent less than it was receiving at the end of last year, or 30 per cent less than its average throughout the year) in the second. Whatever the effect of such a margin on rayon output it hardly qualifies as the centre of an “unparalleled” disaster. Again, the chemical industry in general, and many other industries using sulphur, would have to accept a 10 per cent cut if 100,000 tons are received, and cuts averaging 30 per cent if only the smaller quantity arrives. But in either case superphosphate production will remain at its present low level (62½ per cent of 1950 production), which has been accepted because demand for fertiliser is lower than last year. In either case, too, almost 100 per cent supplies are to be ensured to industries considered essential, which include tinplate, iron and steel, metal extraction, explosives, mineral and vegetable oil refining, tar distilling, rubber beltings, fuel for aircraft, factory effluence and sewage water purification, and edible fats: some of these, such as the Margam sheet-steel plant, will require more sulphur as the year goes on. The allocation scheme also appears to be based upon sulphur supplies from America alone; how far it will affect sulphuric acid made from pyrites, or any packets of sulphur obtained elsewhere, is not easy to gauge, though these alternative supplies are naturally under pressure.

If Mr Wilson's words were intemperate, his department's action appears to have been as effective as could be expected.

There seems a fair chance that the 19,000 tons “supplementary allocation” granted at the beginning of the month will be in addition to, and not counted as part of, a “basic allocation” of 81,000 tons for the quarter, and there is some hope that the total of 100,000 tons a quarter may be continued. The original 19,000 tons, indeed, was originally released for the first quarter of the year, not the second. Accusations recently aired that the shortage is the result of “a failure in Government planning” are misplaced; short of subsidising the conversion of sulphur-burning acid plants to pyrites, the Board of Trade could have done little more in the last 18 months to encourage such re-equipment than it has done. It did not expect the crisis to arrive so fast, accelerated by stockpile buying; nor did industry here, or the Americans. The present plans for conversion to other sulphur-bearing materials, mainly pyrites, should in three years or so cut Britain's raw sulphur needs by more than 50 per cent; the £3,500,000 anhydrite project sponsored by ICI and certain major acid consumers has now reached the stage of registration as a company. In the meantime—which is the term of rearmament—the dependence of America's allies upon American sulphur could hardly have been avoided.

* * *

Electricity and Rearmament

Not unexpectedly, Lord Citrine's speech at the annual lunch of the British Electrical Development Association last week expressed his concern about the repercussions of rearmament upon the British Electricity Authority's programme of building and equipping power stations. One may concede that “without adequate electrical development it will be impossible for Great Britain to survive as a first-class power.” But Lord Citrine put the cart before the horse—even though there must be a point at which capital cuts imposed on BEA might in turn seriously hamper the defence programme. It is surely going too far to declare uncompromisingly that the building and equipment of generating stations must be “given the highest precedence.”

Lord Citrine felt that “substantial progress in the direction” of diminishing the gap between electricity capacity and peak-hour demand had been achieved in the first three years of nationalisation. Sir John Hacking, his deputy chairman, was a little more cautious in a lecture to the Royal Society of Arts this week; he said that “year by year the rate of increase in demand has exceeded the plant brought into service—although by now the point of balance has probably about been reached.” This means that the installing of nearly a million kilowatts of capacity in 1950 still left BEA about as far behind the public's swelling demand for power as it was at the start. Since consumption in the first three months of this year is already 13 per cent above that in the same period of last year, despite the stopping of sales promotion, this is not surprising. Sir John feels, however, that, on the most favourable assumptions, BEA might carry out its prodigious task of “catching up” by 1954; but on more realistic assumptions it is unlikely to achieve it until “after 1958.” He, too, fears cuts in capital expenditure; but it is worth noting that so far probably no single item of generating equipment installation has been held up by Government restriction of capital expenditure. The Government is allowing BEA to install up to 1,500 mW. of plant in one year, and so far BEA is still “a few years” away from being able to do so. The review of the programme ordered by the Government this week, or even outright capital cuts, might thus cause less immediate difficulty than the Authority fears.

* * *

More Flexible Thinking

It is only fair to record, however, that Lord Citrine's speech also contained a passage that revealed an unwonted and welcome flexibility in BEA's thinking on policy.

The use of load controlling devices has been under consideration for some time, and large scale tests are being instituted in the areas of the Southern, Merseyside and North Wales, and South West Scotland boards.

This decision follows study, by a working party set up within the authority, of certain devices suggested to it by the Clow Committee and other outside students of the peak load problem. Such devices would have as their object the limiting of domestic demand during peak hours, in order to avoid the drastic power cuts that have seriously interfered with industry during the winter months; and in the long run they might also to some extent "flatten the peaks" and improve the load factor of electricity generation as a whole—thus enabling BEA to overtake growing demand with less expansion of generating capacity.

The tests are to be made upon two or three of the 50 existing "ripple control" networks, in which a central station can send out an impulse over the distribution circuit to operate switches, for example in water heating or street lighting systems. It is proposed to offer consumers in these areas a "non-firm" supply, liable to interruption, at concessionary rates. If they agreed, the whole or part of their supply would be passed through a load limiting switch that could be operated by ripple control; and at peak hours this would be set into operation to cut off (with or without warning signals such as light flickering) the agreed "non-firm" demand of the domestic consumer concerned. Supplies would be interrupted only in particularly cold weather—when all consumers in any case would be liable to indiscriminate cuts.

These experiments will cost time and money. It is hoped to carry them out in closely-knit areas where perhaps 1,000 consumers at least can be induced to agree to the installation of the limiting switches. The systems can be tested only in winter; and since their introduction will require a considerable degree of "educative" propaganda to the boards' customers, it may be that next winter will be largely spent in persuading enough consumers to accept to provide adequate tests. The winter after next, therefore, may be the first in which the devices can be tested fully. Nevertheless, the authority is to be congratulated upon withdrawing from the stone-walling attitude that it has formerly adopted towards such suggestions; the acceptance even of tests designed to solve the supply problem by limiting demand rather than expanding capacity denotes a departure from the established tradition of the industry.

* * *

Film Finance

The second annual report of the National Film Finance Corporation (published within a fortnight of the ending of its financial year) is as laconic and as clear as the first; it has also much the same tale to tell. There has been "a great improvement" in cost control over the films for the production of which the Corporation provided part of the funds; but British film production is not yet "by and large profitable," since between income and expenditure "the gap has been narrowed; nothing like bridged." The £6,000,000 that the Corporation has been allowed to borrow from the Board of Trade is "near exhaustion"; all likely projects can probably be financed until well into the summer, but after that the only funds available will be those from repayments—"perhaps £500,000 a year for the next year or two." This would mean only 10 to 12 first features a year: far too few to fulfil the cinema quota at the present rate.

Once again the report excepts British Lion from some of its general remarks. Cost control on this company's productions has improved, but "is not yet wholly satisfactory"; the whole of its £3,000,000 loan falls due for repayment this year (at the same time as, but having priority over, a substantial loan due to another creditor); and in its accounts

the Corporation has considered it prudent to increase the provision for loss on this loan from £500,000 to £1,000,000.

During the last twelve months 165 inquiries concerning the provision of funds for films were made to the Corporation; only 91 merited serious discussion. Of these 91 (24 under consideration at the beginning of the reporting year), 42 were approved: 38 did not materialise, 24 were rejected for various reasons, four withdrawn and seven are under consideration. Of Corporation-financed films generally released, 26 first features have been out long enough for reasonable estimates to be made of ultimate takings (this can be done for the United Kingdom within three months of general release). Twelve are expected to make profits, which is a much higher proportion than has been usual in the industry recently; but only two are certain to recover production cost from the United Kingdom alone.

The Corporation quite bluntly points out that the running out of its primary funds, and the reduction of its lending to financing films only from repaid loans, would provoke another crisis of the kind it was set up to meet. For its desirable "fade-out" it holds two things necessary; more income for producers, to make operation reasonably profitable, and more capital to carry through till then. The Corporation does not want more money to make more losses: "losses are only inevitable till the deficit on production as a whole is remedied, as it surely ought to be, and soon." That remedy, as it recognises, would require a more drastic operation upon the internal set-up of the whole business than the Corporation can be expected to undertake.

* * *

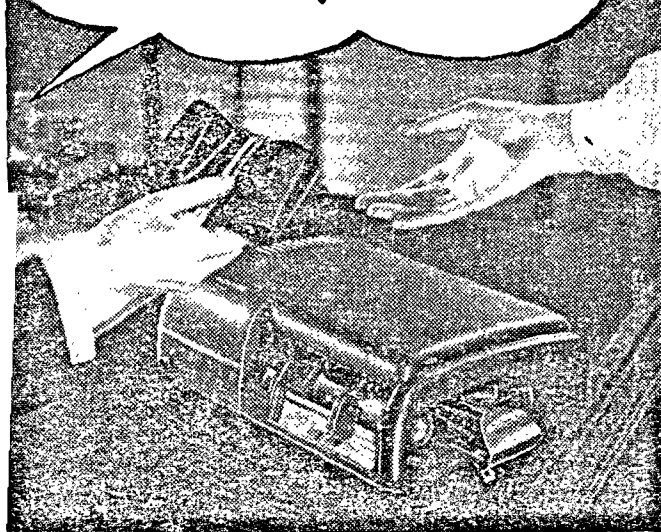
Australian Port Delays

Liner freight rates in several trades are now being subjected to a further round of increases. The latest example is provided by rates between central and southern Brazil and the United Kingdom and the Continent, which will be advanced some 15 to 20 per cent as from June 1st, though a 10 per cent increase came into effect as recently as March 1st. Increasing operating costs, particularly crews' wages, bunker prices and port charges, are partly responsible for these further increases; but perhaps the most serious factor is the delay incurred in ports. The worst case remains the trade between Europe and Australia, where the notoriously bad turn-round in Australian ports has now completely dislocated regular liner services. The companies concerned have been compelled to warn shippers that exports to Australia and New Zealand may be subject to prolonged delays during coming months. It is likely that this month, and in each of the next three, only about half as many sailings to these destinations will be available as took place in January or February.

The primary cause of this dislocation is the inability of liners to maintain their scheduled sailing dates, owing to the unprecedented delays in Australia. Ports there are being called upon to handle a volume of traffic three times as great as that before the war, thus straining port equipment and an inadequate labour force. Dockers work only a 40-hour week, and their unions are riddled with Communists. In New Zealand the situation is even worse. One costly new refrigerated cargo liner has just returned from a round voyage to New Zealand that occupied over 245 days, of which only 72 were spent at sea; 131 days were spent discharging and loading in New Zealand. Several food ships now on their way to this country were loaded by Servicemen, and it is expected that Communists here may try to stop these being unloaded when they arrive. The Servicemen, incidentally, though entirely untrained, managed to load cargoes such as flour about three times as fast as the regular dockers in New Zealand, which would confirm that restrictive practices in the docks are an international problem.

Fleets designed to cope with the normal flow of traffic cannot keep up their schedules when subjected to such

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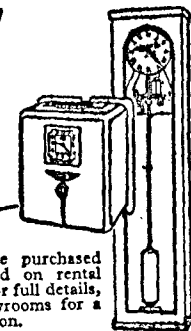
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ABRIDGED REPORT OF THE DIRECTORS FOR YEAR 1950.

After providing £550,400 for United Kingdom Income Tax and Profits Tax the profit for the year is £927,319, plus £213,003 brought forward, making a total of £1,140,327. The Directors have placed £300,000 to the credit of Exploration Reserve Account, and have declared a final dividend of 4s. United Kingdom currency per share free of United Kingdom Income Tax, absorbing £372,000, and making, with the interim dividend of 2s. per share, a total distribution of 6s. per share free of United Kingdom Income Tax of £558,000 for the year, leaving £582,327 to be carried forward. Holdings of shares, debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market value of December 31st last, or, where no market price exists, above the Directors' valuation. At present market prices these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to write down the book cost of certain holdings below both cost and market price. A copy of the Corporation's Annual Trade Cycles Chart, revised to date, is enclosed with the Report.

GOLD MINING INTERESTS

Summary of the operating results for the past year of the Companies operating in the Witwatersrand in which the Corporation is largely concerned:—

	East Geduld Mines, Ltd.	Geduld Proprietary Mines, Ltd.	The Grootvlei Proprietary Mines, Ltd.	Maricvale Consolidated Mines, Ltd.	Van Dyk Consolidated Mines, Ltd.
Tons milled ..	1,738,000	1,279,000	2,267,000	725,000	1,197,000
Yield per ton dwt.	5.99	3.05	4.57	5.03	3.00
Working Costs per ton	24s. 2d.	27s. 0d.	24s. 2d.	36s. 5d.	32s. 2d.
Working Profit per ton	51s. 10d.	11s. 7d.	33s. 6d.	27s. 2d.	5s. 8d.
Total Working Profit	£4,505,000	£742,000	£3,800,000	£985,000	£340,000
Net Profit ..	£2,254,000	£1,251,000	£1,883,000	£545,000	£331,000
Dividends: Total	£2,193,000	£1,205,000	£1,716,000	£412,000	—
Per cent.	11½	8½	60	18½	—

The net profit figures include revenue from other sources. Thus East Geduld Mines' dividend income in 1950 on its shareholding in The Grootvlei Proprietary Mines was £50,640 and Geduld Proprietary Mines' dividend income in 1950 on its shareholdings in East Geduld Mines and The Grootvlei Proprietary Mines was £818,833.

On Van Dyk, development in the No. 5 Shaft area has commenced. Payment of dividends has been suspended in order to finance this Shaft and initial development therefrom.

ST. HELENA GOLD MINES.—During 1950 No. 4 Vertical Shaft was completed and station cutting was carried out on the 2nd to 12th Levels. Development work from No. 3 Shaft was again retarded by the intersection of water-bearing fissures which necessitated sealing by cementation. A total of 12,406 feet was completed. Of the 3,865 feet on Basal Reef, 2,595 feet or 67 per cent. were payable, having an average assay value of 13.0 dwt. over a width of 25 inches. Though the development footage has been disappointingly low for the reason given above, the grade and payability are satisfactory.

It now appears unlikely that development will have progressed sufficiently to enable the reduction plant to be supplied with ore by the middle of 1951 on the substantial scale originally planned, but the plant should be ready to go into commission early in the second half of the year, in the expectation that adequate electric power will be available.

THE WITKOP PROPRIETARY COMPANY.—The borehole in the centre of the Company's property, which was referred to in last year's report, intersected the Main Reef at a depth of 7,161 feet with a value of 45.4 dwt. over 3.9 inches, equivalent to 177 inch/dwt. A deflection of this borehole assayed 29.5 dwt. over 6.3 inches, equivalent to 188 inch/dwt. A second borehole is being drilled by the Company in the north-eastern portion of its property and had reached a depth of 1,085 feet at the year-end.

OTHER MINING INTERESTS

SAN FRANCISCO MINES OF MEXICO.—In the year to 30th September, 1950, the absence of labour trouble enabled the Company to treat a record tonnage of 623,000 tons of lead-zinc-silver ore compared with 580,000 tons in the previous year. The substantial recovery in the level of base metal prices which set in around the middle of 1950 has favourably affected the Company's revenue, though taxation in Mexico continues to be a heavy burden upon earnings.

CHROME MINES OF SOUTH AFRICA.—The Company increased its production and sales from the Zwartkop Mine in the Rustenburg area and the Grootvlei Mine in the Lydenburg district of the Transvaal. The Company has large orders for future delivery, but has been handicapped by the shortage of railway trucks.

TRUMBEE CORPORATION.—The net profit of this Company for the year ended 30th June, 1950, was £1,495,572. During the year the balance of £780,000 of Promissory Notes outstanding was redeemed and in addition a bonus share dividend of three fully paid 5s. shares for each share held was paid. On 1st June, 1950, an initial cash dividend of 9d. per share on the increased capital was paid and during the current financial year further dividends totalling 4s. 9d. per share have so far been declared.

OTHER INTERESTS

BAY HALL TRUST.—The net profit for 1950 was £70,626 and a dividend of 6 per cent. free of tax was declared. The Trust's investments as at December 31st last showed an appreciation of £375,341 over book cost of £2,169,559.

BRITISH ENKA.—During 1950 the Company further increased its output. SOUTH AFRICAN PULP AND PAPER INDUSTRIES.—During the year production was at full capacity. The net profit for the year, after making provision for taxation and depreciation, amounted to £293,222. Dividends totalling 1s. 10½d. per share have been declared. Construction work has progressed satisfactorily in preparation for further expansion of operations at Enstra, and the erection of the smaller of the two additional paper machines referred to in last year's report is well advanced.

In addition the Company will establish a new pulp and paper mill at the mouth of the Tugela River in Natal to manufacture initially about 100 tons per day of kraft papers. To finance this expansion the Company has obtained a long-term loan of £1,000,000 from the S.A. Mutual Life Assurance Society. It is intended that the balance of the funds required will be raised in due course by an issue of ordinary shares in which the Corporation will participate.

EXPLORATION

CAPITAL MINING AREAS continues to hold prospecting contracts over a large area in the Bethal, Ermelo and Standerton districts.

WESTERN KROONSTAD AREAS is abandoning most of the prospecting contracts which it holds over a large area in the Kroonstad and Bothaville districts of the Orange Free State.

The Corporation itself continues to hold the mineral rights on certain farms in the Orange Free State.

CENTRAL MINERAL EXPLORATION is continuing prospecting operations in the Mlala area of Tanganyika Territory.

Copies of the full Report and Accounts can be obtained on application at the London Office, Princes House, 95, Gresham Street, E.C.2.

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DIRECTORS:

SIR GEORGE W. ALBU, Bart. (Chairman). C. S. McLEAN.
E. L. LLOYD. M. W. RICHARDS. W. M. FRAMES. ERROLL G. HAY.
C. S. GOLDMAN. N. F. H. RAILING. T. W. T. BAINES.

EXTRACT FROM ANNUAL REPORT TO DECEMBER 31, 1950.

Tons milled .. 2,602,000
Yield (3,251 dwts. per ton) .. 422,965 fine oz.

Working Revenue .. £5,332,791
Working Costs .. 3,195,101

Working Profit .. 2,137,690
Additional Revenue .. 154,289

Balance at 31st December, 1949 .. 2,291,979
278,833

Total Available Profit .. £2,570,812

Appropriated as follows:—
Government and Provincial Taxes .. 1,001,396

Silicosis Board: .. 25,777

Further provision against Outstanding Liabilities .. 171,231

Capital Expenditure appropriated at 31st December, 1950 .. 584,375

Ordinary Dividend .. 194,792

Dividend per share .. 30s. totalling .. 779,167

Amount of Special Contribution to the Witwatersrand .. 121

Gold Mines Employees Provident Fund (Adjustment) .. 593,120

Balance to Balance Sheet .. £2,570,812

ORE RESERVE.—The fully developed Ore Reserve, as recalculated .. 10,047,000 tons, of an average value .. 3.5 dwts. over 48 in. (1949: 10,093,000 tons at 3.6 dwts. over 48 in.)

Copies of the full Report and Accounts are available at the London Office .. Winchester House, Old Broad Street, London, E.C.2.

delays in port. Normally the conference lines would charter extra tonnage to fill any gaps in the schedule, but ships are now so scarce that this cannot be found. For the few ships that may be available from time to time, the rates at which they can be chartered are now so high that the liner companies could not afford to put them on the berth at tariff rates without suffering heavy losses. The lines propose, however, to take some ships on charter when available, and to offer them to shippers on the basis of tariff rates plus a special surcharge, which will be calculated to cover the cost of charter in each case. Even so, shippers have been warned that despite such occasional assistance there will be serious delay in getting cargoes away. This is already causing goods made for export to clog warehouse space all along the line in Britain, and making light of Government admonitions "not to lose an inch of the ground gained in exports." It is reported that motor manufacturers, in an attempt to circumvent the delays in shipment from Britain, are chartering two vessels to carry cars to Australia on their own account; but it seems unlikely that these ships can do anything more than join the queue.

* * *

Better Balance in EPU

The latest settlements of the European Payments Union, covering operations in March, reflect a significant and welcome change in the balance of current creditor and debtor positions in Western Europe. The most important change is the switch of Western Germany from debtor to creditor status. After showing a net deficit of \$58.3 million in February, the German balance of payments with other members of EPU swung right round to a net surplus of \$11.3 million in March. This reversal is mainly due to the severe import restrictions imposed in Germany last month. Most of the March surplus has been used for repayment of part of the special credit of \$120 million granted to Germany by EPU when the original German quota had been exhausted. As expected, however, the German import restrictions have had an immediate unfavourable reaction upon the Netherlands, which ran up a net deficit of \$37 million in March. The Netherlands have chosen to pay some \$32 million of this in gold, taking only \$4.9 million by way of further credit from EPU. The loss of gold and the subsequent increase in the Dutch Bank rate from 3 to 4 per cent are indications that the Netherlands are intent on tackling their balance of payments difficulties by severely orthodox measures.

The United Kingdom had a considerably smaller surplus with EPU in March than in previous months; its surplus for the month was only £5,334,643. Of this, £1,922,857 was met by other members out of existing resources and the balance (which was equivalent to \$9,600,000) was converted into EPU units. Half of this balance, that is \$4,800,000, was taken in gold. Since EPU began on July 1, 1950, the United Kingdom's net surplus with other member countries has totalled £226,633,572. Of this, over £30 million has been met out of existing resources, £53½ million was provided out of the initial debit position of the United Kingdom and £33,367,000 has been taken in gold; the rest has been left on credit with EPU.

* * *

Tea Market Re-opens

Last Monday saw the first sale in the London tea market for over eleven years. Mincing Lane has so far been granted only partial freedom, and buyers were naturally cautious. Their total purchases are prescribed by their ration requirements; the maximum price they could bid was determined by the fixed retail price, by the fixed subsidy and by their skill in blending different qualities of tea. Dealings are also restricted to supplies for home consumption. Despite these serious limitations, however, the market

reflected, as merchants hoped it would, a preference for better quality teas. The second auction is to be held on April 30th and the third on May 21st, when the flat rate subsidy will be reduced from 1s. to 8d. a lb and the retail price correspondingly increased by 4d. a lb.

The quantity of tea marketed was only a fraction of its prewar volume. Over half of the 11,513 packages (approximately 1,250,000 lb) offered came from Africa. Northern India provided 2,572 packages, Ceylon 2,442, Formosa 110, Java 96 and Malaya 30. At the second auction an even smaller quantity will be offered; large supplies will not be available until May. But total offerings for this year are expected to reach 300 million lb, compared with Britain's consumption last year of 430 million lb.

As an experiment this partial restoration of private trading in tea is interesting. It enables merchants to use their skill in blending, and the public should get a better average quality of tea in consequence. But Mincing Lane will have little chance to recapture its prewar glory so long as the present restrictions continue. Prices last Monday tended to be lower than those ruling in the Colombo market, and although some of the larger producers may be willing to make a financial sacrifice in order to re-establish their connections with London, a market cannot function for long on faith alone.

The Colombo and Calcutta markets, which were also closed during the war, have already been operating for a few years, and they do not take kindly to the intrusion of London. These two markets, however, are limited to indigenous supplies; London can offer supplies from all quarters of the globe. The practical difficulty is that India and Ceylon at present account for the bulk of the world's supply. Supplies from Indonesia are increasing but are still much smaller than was expected two years ago. The United States in recent months has been buying tea on such a large scale that the hope of a world surplus of tea, which the Ministry of Food has nurtured for some time, may not materialise even next year. But present restrictions on the London market should not remain until surpluses appear. It would be feasible to abolish both tea rationing and the controlled price in Britain while maintaining a fixed subsidy, which would enable Mincing Lane to extend its activities without the British public having necessarily to pay more for its tea.

* * *

Still Dearer Coal

The rise in retail prices of all grades of coal, by an average of about 1s. 9d. per ton, that was announced by the Ministry of Fuel and Power this week, is a direct consequence of the 10 per cent increase in railway freight charges. The increases, which vary from about 4d. to 4s. a ton in accordance with the distance the coal has to be carried (in London, for example, the average increase is about half a crown a ton), are permitted increases in the coal merchant's margin, and have nothing to do with pithead prices or the National Coal Board: which will of course make them no more palatable to the consumer. The steel and electricity supply industries, both of which are contemplating increases in price, may not need to adjust these further to take this coal increase into account (particularly because they are at present studying the changes in price suggested by the National Coal Board for its long-planned "price structure"); but the speed with which prices of primary materials and services are beginning to push each other upwards is becoming alarming.

* * *

Shell's New Tankers

Shell's new £45 million tanker building programme, upon which work has already begun, is the largest announced



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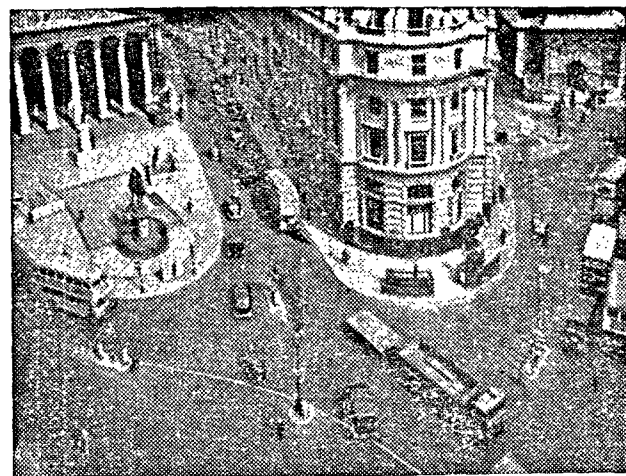
SIGNS OF THE TIMES. Thomas Carlyle (1795-1881)

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since the war by any company in the world. It consists of 41 general purpose tankers of 18,000 tons deadweight of entirely new design and five 28,000-ton "supertankers," together totalling about 900,000 tons. Two-thirds of the orders—31 vessels totalling about 600,000 tons and worth perhaps £30 million—have been placed with British shipyards, and the remainder with yards in the Netherlands. The group expects one to be delivered next year, eight in 1953, half the total by the end of 1954 and the remainder in 1955; deliveries from the Netherlands are expected to be slightly faster than from British yards, since the Dutch shipbuilders are less heavily booked in the later years of the programme. This addition to the fleet will be larger than the total Shell fleet in 1930: but even when it is completed it will bring the proportion that Shell owns itself of the total fleet operating on its behalf to only about 50 per cent, compared with 60 per cent before the war.

Sir George Legh-Jones announced the new programme two days after the Budget decision to remove the 40 per cent initial allowance from the end of the present fiscal year. The additional burden this would impose would, he admitted, be very heavy, but not one the group felt it could not stand. The programme will be financed out of group resources; "though this does not preclude the possibility that the group may take advantage of any favourable opportunities that present themselves of financing more distant schemes." Instalments paid on ships laid down during the current year will qualify for the initial allowance; but the main weight of the cost will fall upon the group in 1954.

The programme will probably bring orders so far this year for British shipbuilders to roughly the million and a half tons added to order books in the whole of last year; and it will further accentuate the weighting of the British industry's orderbook towards the construction of tankers rather than dry-cargo vessels. The new general purpose tanker, which will be operated upon the main ocean routes, should be more economical to operate than the prewar 12,000-ton general purpose type, or the American T.2 adopted during the war; the super-tankers, to be used mainly in carrying crude oil from the Middle East to refineries in Britain and Holland, are of the type based upon the successful *Velutina*, and will bring the number of tankers of this size operating under the Shell house flag to 14. The Shell order follows two other very large tanker orders within the last two months—placed by Anglo-Iranian's British Tanker Company and by the new operating company formed by Anglo-Iranian, Common Brothers, and Matheson and Co., Ltd.

The Prudential's Expanding Assets

The Prudential continues to fortify its position as a giant among British insurance companies. Last year its assets rose by another £37.5 million to £608.3 million; the total increase in assets in the last three years now amounts to over £100 million. Within these assets totals its holdings of debentures jumped by nearly £20 million last year, from 9.3 per cent to 12.0 per cent of total assets, while the proportion of British Government and Government guaranteed securities fell from 49.8 per cent to 47.4 per cent. In part, this a symptom of a general trend. Most life offices took the opportunity last year to expand their investments in debentures, including unquoted loan stocks, and to cut down their holdings of gilt-edged. The Prudential, however, went rather further than most in this direction and subscribed over £10 million to the unquoted, unsecured loan stocks issued by ICI and Distillers last autumn.

New sums assured in the Ordinary Life Branch rose from £88.4 million to £94.4 million. About one-third of this new business (£32.1 million in 1950 against £28.8 million in 1949) came from overseas. In the Industrial Life Branch, however, new business was £74.3 million in 1950 compared with £75.5 million in 1949—a result rather less favourable

than that of some other leading industrial-cum-ordinary offices. The life profits last year were £6,200,000 in the ordinary and £11.2 million in the industrial branch. The reversionary bonus in the ordinary branch has been increased from 26s. per cent to 28s. per cent for policies issued in the United Kingdom, with slightly different rates for overseas business. There was also an increase of 2s. in the industrial branch bonus to 26s. per cent. Premium income in the General Branch (fire, accident and marine insurance) was £8,300,000, of which £4,100,000 related to overseas business; in 1949 premium income in this branch was £7,300,000 (£3,500,000 of it from overseas). In addition the premium income of the American subsidiary was just over £1,000,000. Fire underwriting profits were £428,847, accident profits £488,175 and the small marine account showed a profit of £43,000. These are clearly very satisfactory results. The dividend on the "A" shares has been stepped up from 15s. 5d. to 17s. net per share and that on the "B" shares (which share only in the general branch profits) from 1s. 6d. to 1s. 9d. net per share. Last November 3s. 6d. net per "A" share was paid out of the special dividend reserve fund; it is the Prudential's present intention to distribute not less than a further 2s. 6d. this year from this fund, now equivalent to 12s. 5d. per "A" share.

Commodity Prices Falter

The first stage of the commodity boom has passed, and the prolonged rise in prices seems temporarily to have exhausted itself. Some prices are still rising, but only moderately; others are falling and a few have fallen quite sharply. Grains have remained relatively firm and though prices fell in March they have since recovered. Tea prices have tended to decline since the turn of the year and are now below their level of last June—a rare example. The cocoa market, which

WORLD COMMODITY PRICES

Commodity and Unit	1950		1951						
	June	July	March				April		
			7	14	21	28	4	11	18
Wheat (cents per bushel) ...	216½	243½	241½	241	245½	249½	246½	249½	249½
Maize (cents per bushel) ...	148	179½	175½	173½	177½	178½	181½	183½	183½
Tea (annas per lb.) ...	311	324	304½	304	281½	281	291½	n.a.	n.a.
Cocoa, Bahia spot (cents lb.) ...	29-62	38-37	38-00	37-37	37-87	37-75	38-37	37-50	37-50
Sugar, Cuban (cents per lb.) ...	4-30	5-45	5-60	5-50	5-50	5-45	5-45	5-45	5-45
Lard (cents per lb.) ...	11-50	20-10	19-65	20-00	19-60	19-45	19-30	19-20	19-20
Tallow (cents per lb.) ...	4½	16	14½	14½	14½	14½	14½	14½	14½
Rubber, spot (d. per lb.) ...	24	71	63	63	62½	62½	58½	56½	56½
Cotton, Ashmouni (talleris per cantar) ...	154-5	141-60	140-00	121-25	117-10	118-00	n.a.	n.a.	n.a.
Flax (¢ per ton) ...	335	493	508	508	505	505	505	505	505
Wool 56's (d. per lb.) ...	81	266	277	277	277	277	277	277	277
Sisal (¢ per ton) ...	130	231	233	243	243	243	246	250	250
Lead (¢ per ton) ...	120	168	168	193	193	nom.	nom.	nom.	nom.
Lead, soft for pig (¢ per ton) ...	88	136	136	136	136	160	160	160	160
Copper, electrolytic (¢ p. ton) ...	185	202	202	202	202	210	210	210	210
Zinc, g.o.b. (¢ per ton) ...	127½	151	151	151	151	160	160	160	160
Tin, Lond. spot (¢ per ton) ...	607½	1,337½	1,325	1,320	1,255	1,250	1,265	1,127½	1,127½
Aluminium scrap sheets (¢ per ton) ...	8-75	16-0	16-0	16-0	16-0	17-25	17-25	17-25	17-25
Antimony, Eng. 99% (¢ per ton) ...	160	360	360	360	360	360	390	390	390
Tungsten (s. per unit) ...	126-9	670-0	612-5	630	550	540	540	515	515
Shellac (¢ per ton) ...	237½	293½	378½	362½	356½	357½	395	362½	362½

is usually a good indication of American consumers' spending power, has remained quite firm. Sugar has declined slightly in the past three weeks, but in view of the bumper crop this season the price is still very high. Lard and tallow, two commodities that have often proved a barometer of an approaching recession, are still quite firm with prices substantially higher than last June. In general, textile fibres have experienced the sharpest falls. Egyptian cotton prices, particularly those types (Ashmouni and Zagora) that can be substituted for American staples, declined sharply in March; although a slight recovery has taken place this month, they are some 25 per cent lower than at the beginning of the year. American cotton prices have remained fairly stationary at

the maximum level fixed by the United States Government. Wool prices fell sharply this month and fax, too, has eased a little. In contrast, the prices of jute and sisal are still rising.

Copper, lead and zinc prices in New York continue unchanged, though in Britain they were raised at the beginning of this month. "Grey" market prices for these three metals have eased in the United States but in Europe they are still tending to rise. Tin has fallen by over £100 a ton during the past week and is substantially below the peak price of £1,615 a ton reached in the middle of February; it is now £25 cheaper than at the end of 1950. The price of tungsten declined very sharply in the first two weeks of March and the market seemed to be steadying at 540s. a unit; this price, however, was still nearly 200s. a unit above the price ruling at the end of December and there was a further decline of 15s. last week. Rubber, like tin, has fallen during the past six weeks but it is still well over double its price of last June.

Commodity markets generally have experienced a much smaller volume of American buying in recent weeks. To some extent this reflects a change in official American stock-piling policy (though, contrary to some announcements, the United States is still buying rubber for stock). The main reduction in demand, however, has come from American manufacturers who had built up their inventories too much and too swiftly in the past six months, and an "inventory recession," perhaps more modest than in 1949, seems to be developing.

* * *

Higher Prices for Alcohol

The price of industrial alcohol was increased recently from 2s. 2½d. to 4s. 5½d. a gallon. This sharp rise is almost wholly due to a 400 per cent increase in the price of Cuban molasses, itself the result of rising world demand. Last year

the current price of Cuban molasses was 4 cents a gallon, but the reopening of the American synthetic rubber plants last summer made such heavy demands on alcohol supplies for the production of butadiene, one of the essential ingredients of synthetic rubber, that Cuban stocks were exhausted long before the new crop shipments started in March. In November the Cuban Government announced that instead of being open to tenders the coming crop would be sold to all consumers at 20 cents a gallon and would, moreover, be allocated by the Government. The British allocation was 50 million gallons—about half the estimated requirements. Cuba is the only big exporter of molasses, and since British owned stocks were exhausted by the end of last month, the Cuban decision could have led to a serious cut in British alcohol deliveries.

In one way or another it has been possible to acquire piecemeal enough beet and cane molasses from other countries to safeguard British alcohol supplies for the coming year. In 1950-51 consumption reached 60 to 65 million proof gallons. Deliveries were reduced by 15 per cent in February and are likely to continue at this lower level until the middle of the year, but this is the result of a shortage of sulphuric acid at the distilleries rather than a lack of molasses.

This year the supply of alcohol from the distilleries will be supplemented by production from the petroleum-based chemical plants. The Grangemouth plant of the British Petroleum Chemical Company, owned by Distillers and Anglo-Iranian is the only one of the three being built which will actually produce alcohol. It was finished in January, but is not yet working because the local authorities have failed to complete the water pipeline which they are laying to the plant. It is always difficult to assess accurately the cost of producing a single chemical in a big plant, but while the price of molasses was as low as 4 cents a gallon, the petroleum based alcohol was more expensive than that produced by fermentation. At current molasses prices it is probably cheaper.

Rayon in Difficulties

Full effects of the 20 per cent reduction in allocations of sulphur to rayon producers will not become apparent until the output figures for March are ready in a week or two, but the fall may be less steep than the cut in sulphur and acid deliveries would suggest. In the last quarter of 1950, 98.4 million pounds of rayon yarn was produced; of this total, about 2,500,000 pounds is nylon yarn and a percentage of the remainder is acetate rayon, which uses almost no sulphuric acid. The latest figures available show that in 1949 acetate rayon accounted for 36 per cent of total British rayon production. Although the viscose producers have recently been receiving only 80 per cent of their acid requirements, by using up stocks at the factories they should be able to maintain output for the first six months of the year at 90 per cent of the end-1950 figure. After that a 20 or a 40 per cent cut in acid deliveries, compared with those for the last quarter of 1950, will inevitably lead to a proportional drop in yarn output.

Mr Wilson said in Parliament last week that rayon yarn exports would in future be restricted on a basis to be decided in consultation with the producers. No cut in export shipments is likely before the middle of the year and even then the dependence of many Commonwealth rayon industries on British yarn producers may make it impolitic to cut deliveries to these, the largest markets, too severely. Rayon yarn imports into the country from Italy, Germany and Belgium reached nearly a million pounds of yarn in February compared with an average of half a million a month in 1950, but there seems little hope that British spinners and weavers would be able to offset the fall in home deliveries by obtaining more from abroad.

The first half of the year is unlikely to show any marked reduction in viscose rayon spinning activity. Deliveries of viscose rayon staple, which have doubled in the past eighteen months, reached 1,800,000 pounds a week early in the year. The rayon producers held considerable stocks of staple yarn, and these stocks, together with those held at the mills, will make it possible to maintain yarn output at a relatively high level for some time. Some mills are considering the spinning of higher counts, a change that would help the doubling sections; others may change back to cotton or cotton mixtures, but the present scarcity of cotton may make this difficult.

The full effects of the cuts will thus not be felt for another three months or so; nevertheless, the small immediate reduction in yarn deliveries has already been a serious blow to the spinners. The secretary of the Rayon Spinners' and Doublers' Association explained last week that its mills had expected staple yarn deliveries to continue rising until they reached 2,000,000 pounds a week and that its plans for yarn production and machinery conversion had turned on this figure: more than 2,000,000 mule-equivalent spindles belonging to the Association were active at the end of 1950. "The present setback has been especially grievous to those mills who were staking more of their resources in prospect of further rayon staple expansion, and whose ambitions out-paced the common average curve of rehabilitation. Means being devoted to modernisation and amenities appear temporarily as if they were to no purpose." The same might be said of the yarn producers whose new and costly plants will run below capacity, but Lancashire is more vulnerable to discouragement of this kind.

Shorter Notes

Steel output last month was at an annual rate of 16,546,000 tons, compared with 17,147,000 tons in 1950; and the rate in the first quarter of this year was 16,425,000 tons, against 16,679,000 tons in the first quarter of 1950. The month's output was of course affected by the Easter holidays, which fell in April last year; but even so it appears that the shortages of iron ore and scrap which have interrupted or reduced production in some centres of the industry are beginning to make their effect felt throughout.

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The steady rise in wool prices in the postwar years has presented UK-Dominion Wool Disposals Limited with a handsome profit. This joint organisation of the British and certain Commonwealth governments was set up in 1945 to dispose of the 10½ million bales of wool accumulated under the wartime wool scheme. In its trading year 1949-50, for which the accounts have just been published, the organisation made a profit of over £40 million, making the total in the five years of its existence £126 million. Stocks of raw wool at June 30, 1950, had dwindled to only 484,400 bales and this entire quantity will have been sold by the end of the current trading year.

Company Notes

British-American Tobacco.—The difficulty in presenting the affairs of such an international trading organisation as BAT in a consolidated sterling account was discussed in a recent note. In the latest accounts, the directors admit that a comparison of trading results for 1949 and 1950 is "rendered difficult by the increased sterling equivalents of figures relating to subsidiaries operating in countries which did not devalue in 1949." This factor, in addition to "improved results in local currencies in many parts of the world," has contributed to the increase in trading profits from £30,679,595 to £35,231,066. The decision to raise the ordinary dividend from 14½ to 15 per cent tax free focuses attention on the distributable earnings cover; on a conservative estimate group earnings which would be freely available for distribution cover the dividend twice.

BAT have transferred the whole of inventory profits arising on stocks held at the time of devaluation to fixed assets and stock replacement reserves. After taxation has been deducted from these windfall gains, a surplus of £4,832,775 has been so transferred; in addition £2,284,073 appropriated from the profit and loss account and £1,000,000 from a provision for British taxation no longer required has been added to these reserves. As in the previous year, the total appropriation to capital reserves of £2,532,996, against £1,248,022, is credited to the subsidiary companies' account, as are

"other revenue reserves" of £1,179,475, against £381,054. The whole of the transfer to general reserves of £3,053,259 is retained by subsidiaries; in 1949, subsidiaries retained in general reserves £2,583,055 and the holding company £1,500,000.

	1949	1950
Consolidated Earnings:—		
Trading profit	30,679,595	35,231,066
Leaf devaluation surplus	—	4,832,775(a)
Taxation	15,668,116	18,200,205
Depreciation	1,250,404	1,750,320
Ordinary dividends	3,365,683	3,563,664
	(14½%)	(15%)
Replacement reserves	1,838,019	2,284,073
Capital reserves	1,248,022	2,532,996
Added to reserves and carry forward	5,462,860	4,482,086
Cons. Bal. Sheet Analysis:—		
Fixed assets, less depreciation	19,059,638	24,437,673
Net current assets	105,151,825	122,647,947
Stocks	106,799,017	119,100,355
Cash	27,117,749	34,675,005
Revenue reserves	45,249,212	56,806,147
Ordinary capital	23,757,761	23,757,761

† Free of tax. (a) Transferred to replacement reserves.

The extension and modernisation of manufacturing facilities has accounted for most of the increase of £5,378,000 in the net book value of fixed assets. Stocks have risen by some £12,300,000 to £119,100,355; this partly reflects the effects of devaluation on stock value figures and partly increases in the market price of leaf tobacco in the year. This seems to suggest that there has been little, if any, improvement in the physical volume of stocks. Although the burden of

stock is heavy, it does not seem to have imposed as great a strain on BAT's resources as is the case with other tobacco companies; the company have not been forced to raise additional loan capital and have reduced in the year group bank overdrafts from £6,064,892 to £3,036,254. At the same time, liquid resources have been strengthened; cash, for example, is up from £27,117,749 to £34,675,005. The future outlook for the company is overshadowed by the heavy calls on profits to maintain the real capital of the group intact in the face of continuing inflation throughout the world.

*

Cunard and P. and O.—Both Cunard and P. and O. have recommended higher equity dividends. Cunard have raised the ordinary dividend from 10 to 12½ per cent, and P. and O. have increased the distribution on deferred stock from 12 to 16 per cent. These increases are welcome and if they look modest to some stockholders, it is to be noted that the operating profits of the companies have been heavily drawn upon by additions to taxation, depreciation and asset replacement reserves.

The operating profit and investment income of P. and O. in the year ending September 30, 1950, has risen from £12,443,418 to £14,408,480, but net profits of the group are only up from £1,150,437 to £1,368,431. The provision for taxation has fallen slightly from



PEARL ASSURANCE COMPANY LIMITED

Chairman: **G. R. L. TILLEY, M.A., F.C.I.S.**

Points from the Annual Report and Balance Sheet for the year ending 31st December, 1950.

POLICYHOLDERS' FUNDS £183,062,952

GROSS INCOME £35,774,691

INVESTMENTS

The funds show an increase of £8,235,811. The market value of the investments exceeded the price at which they stand in the balance sheet.

LIFE BRANCHES

In the Ordinary Branch sums assured under new policies issued during the year amounted to £16,502,584. Premium income in the Industrial Branch was £14,475,462, an increase of £190,648.

FIRE AND GENERAL

In these Branches the premium income was £5,499,343.

REVERSIONARY BONUSES

ORDINARY BRANCH—A reversionary bonus of **£1 8s. 0d.** (£1 4s. 0d. in certain overseas territories) per **£100** sum assured on policies entitled to participate in full profits.

INDUSTRIAL BRANCH—A sum of **£1,534,833** has been allocated to policyholders in the Industrial Branch (rates of bonuses raised) making a total allocation up to date of **£17,724,036** all of which has been applied to improve the contractual terms of the policies.

CHIEF OFFICES: HIGH HOLBORN, LONDON, W.C.1.

1951		SILVER			GOLD
	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola	
April 12..	d 78.5	£0.16	199 7	Rs. 117	
" 13..	78.5	£0.16	201 3	118	
" 14..	Markets	Closed	200 0	118	
" 16..	78.5	£0.16	200 4	118	
" 17..	78.5	£0.16	200 2	118	
" 18..	78.5	£0.16	199 11	117	

NATIONAL BANK OF EGYPT

EFFECTS OF KOREAN WAR

ALY SHAMSY PASHA'S REVIEW

The fifty-first annual general meeting of the National Bank of Egypt was held on March 28th in Cairo, when the report of the directors and the balance sheet were submitted.

BALANCE SHEET, DECEMBER 31, 1950

ISSUE DEPARTMENT		
LIABILITIES	£.	MM.
Notes issued	191,000,000-000	
	191,000,000-000	
ASSETS	£.	MM.
Govt.	6,375,873-969	
Egyptian and British Govt. Treasury Bills and securities	184,624,126-031	
	191,000,000-000	

BANKING DEPARTMENT		
LIABILITIES	£.	MM.
Share capital:—		
300,000 fully paid shares of £10 each	2,925,000-000	
Statutory reserve fund	1,462,500-000	
Special reserve	1,462,500-000	
Current, deposit and other accounts	88,866,005-477	
Egyptian Govt. "Treasury Bills" (Law No. 119 of 1948) special account	55,919,788-952	
Sudan Govt.	60,000,000-000	
Bankers' accounts	5,455,790-461	
Cheques and bills payable	31,287,301-536	
Provision for payment of final dividend at the rate of 16 per cent. per annum	385,900-322	
Profit and loss account balance	468,000-000	
Acceptances, etc.	341,263-331	
	21,386,933-531	
	269,951,983-610	

ASSETS	£.	MM.
Govt. securities and securities guaranteed by the Egyptian Govt.	142,409,411-408	
Sundry securities	759,138-402	
Advances on merchandise	14,483,894-827	
Advances on securities	14,283,024-938	
Sundry other advances	3,150,721-663	
Bills discounted	487,012-873	
Bankers' accounts	36,405,054-921	
Money at call and at short notice	13,919,100-000	
Gold	15,321,441-484	
Cash:—		
N.B.E. Notes	£7,098,743-250	
Other notes, coin	£157,508-313	
Buildings	103,000-000	
Clients' liability for acceptances, etc., as per contra	21,386,933-531	
	269,951,983-610	

PROFIT AND LOSS ACCOUNT		
Dr.	£.	MM.
Directors' fees	12,648-560	
Current expenses	1,277,734-089	
Interim dividend at the rate of 4 per cent. per annum	117,000-000	
Provision for payment of final dividend at the rate of 16 per cent. per annum	468,000-000	
Balance carried forward	341,263-331	
	2,216,645-980	
Cr.	£.	MM.
Gross profit for the year ended Dec. 31, 1950, after providing for depreciation on buildings and furniture, for rebate of discount, for doubtful debts and contingencies	1,897,536-157	
Balance brought forward from last year	319,109-823	
	2,216,645-980	

PRESIDENT'S ADDRESS

Aly Shamsy Pasha, the president, in the course of his address, said: The war in Korea and its consequence, the rearmament of the Atlantic Pact countries, has greatly changed the economic factors of the world situation. During the first six months of 1950 the progress made the previous year in the field of production had so far been consolidated that a certain stability was appearing. This recovery was evidenced by

an expansion of trade, both between countries of the Western Hemisphere and in the interior of Europe, between countries receiving Marshall aid.

The European Payments Union was to contribute to the development of this tendency and to permit the gradual removal of restrictions upon foreign trade. We were in sight of the normalisation of trade and the restoration of currency convertibility, at least among the European countries. Briefly, the increase in production and the wise devaluation of the pound in September, 1949, as well as that of other currencies, had borne fruit.

STEEP RISE IN PRICES

The war in Korea abruptly altered these promising perspectives. First of all there has been the steep rise in the prices of the raw materials required by factories producing arms and military equipment, a rise in prices aggravated by a race to build up stocks. Nevertheless, this movement will have a certain beneficial effect on the monetary plane, since it caused a marked decrease in the scarcity of dollars and a relative hardening of the European currencies, including sterling. It will perhaps not be of long duration, but the fact is worth mentioning.

On the other hand, the United States is engaged upon an intensive rearmament programme, which should result in a general rise in internal prices, and this rise in prices is likely soon to be passed on to other countries, and particularly to those associated in the common defence plan. The problems which henceforth face us are those of a war economy.

Naturally, the situation which has developed throughout these great producing countries has had more or less immediate repercussions on the economy of Egypt. But it is necessary to discern the disturbing factors which are likely to last some time, and which are of a type likely to alter more profoundly the already numerous economic problems of the country.

DIVIDEND MAINTAINED

Our profit and loss account shows earnings at £1,897,536, as against £1,793,607 for the previous year. On the other hand, our expenses amount to £1,277,734, as against £1,189,527 in 1949. The increase in our expenses is thus £88,208 and is due to augmented salaries and allowances of the staff. The net profits amount to £607,153, against £589,730 in 1949, which enables us to propose the distribution of a dividend similar to last year, namely, 20 per cent. per share.

Last year I referred to the marked fall which had taken place in the value of some of our securities on the London market. I am pleased to say that some of the depreciation has since been recovered, although events in the Far East have not allowed the full effects of the improvement of the pound sterling to be felt. We have again made a generous allocation to our inner reserves against depreciation of our portfolio, and I am glad to say that the margin between the market value of our securities and the figure shown in the balance sheet is now very substantial.

The report and accounts were adopted. Copies of the President's Address in full will be available at the National Bank of Egypt, 6 and 7 King William Street, London, E.C.4.

NORTH BRITISH & MERCANTILE INSURANCE

SATISFACTORY OUTCOME OF OPERATIONS

The annual general meeting of North British & Mercantile Insurance Company Limited will be held on May 10th.

The following is an extract from the statement issued by the chairman, The Rt. Hon. Lord Brand, C.M.G., D.C.L., in connection with the accounts for 1950:—

In the fire department we have again had a most satisfactory year. Our 1950 fire income was £14,619,209, compared with £13,152,569 in 1949—an increase of very nearly £1,500,000.

Losses amounting to £6,238,409 absorbed 42.67 per cent. of income, an improvement of 1.26 per cent. on the already satisfactory ratio of the previous year.

Commission, expenses of management and overseas taxation amounted to £6,402,551—43.79 per cent. of income, compared with £6,115,190 representing 46.50 per cent. in the previous year.

The profit transferred to the profit and loss account amounts to £1,391,594, being 9.52 per cent. of income, against £1,519,644, representing 11.55 per cent. for 1949.

Casualty Department.—This largely represents the business of the Railway Passengers' Assurance Company and the year 1950 has again produced what can be regarded as a very satisfactory underwriting result, coupled with further steady progress in premium volume. The casualty business as a whole has produced premiums of £3,761,624, being £262,175 in excess of those for 1949.

Losses amounted to £1,884,838 (50.11 per cent.), against £1,717,538 (49.08 per cent.) and commission, expenses and foreign and colonial taxes were £1,427,972 (37.96 per cent.), compared with £1,323,112 (37.81 per cent.) in 1949. The underwriting profit is £343,943 (9.14 per cent.), compared with £376,263 (10.75 per cent.) for 1949.

Marine Department.—Premiums for the year amounted to £1,586,292, against £1,661,290 in 1949. We have transferred £214,542 from our marine fund to profit and loss account.

Life Department.—The year 1950 has witnessed a considerable expansion in our new business figures. The total amounted to £11,510,746, after deduction of reinsurance and this compares with the preceding year's figure of £8,258,500. It constitutes a record for the company, even if we deduct group assurances which totalled £4,630,514, against £1,862,975 in 1949.

DIVIDEND POLICY

The directors are recommending the payment of 8s. 6d. per share, less income tax. We have given careful consideration to this question and have been guided by two principles; first that due "moderation and restraint" should be shown, and second, that shareholders are entitled to just as much consideration as any other class of the community.

If the company, which they own, prospers, they are entitled to their due recompense just as they have to bear the loss in times of adversity.

The most vital need of this country is to maintain and improve its whole productive structure, since only by so doing can we maintain our standard of life. For such maintenance and improvement the provision, whether from undistributed profits or from new investment, of sufficient capital is essential. New money can only be found out of new savings and the savers, so far as they are persons, must be assured that they will receive a due reward. It is one of our chief dangers that our inordinate taxation puts a great obstacle in the way of enough of such savings being available in the future.

THOMAS TILLING LIMITED

PROGRESS OF REDEVELOPMENT POLICY

MR W. LIONEL FRASER'S REVIEW

The fifty-fourth annual general meeting of Thomas Tilling Limited will be held on May 9th at Crewe House, Curzon Street, London, W.

The following is an abridgment of the review by the chairman, Mr W. Lionel Fraser, C.M.G., in respect of the year ended December 31, 1950:—

I shall now give a review of your company's present interests, starting with the subsidiary companies:—

CORNHILL INSURANCE COMPANY, LIMITED

This company transacts a world-wide fire, accident and marine insurance and re-insurance business. The underwriting results for 1950 were not as good as those for the two previous years, which were assisted by certain non-recurring factors. Moreover, the higher accident rate since the ending of petrol rationing adversely affected the underwriting experience of home motor insurance business during 1950. The profits are, nevertheless, very satisfactory.

I cannot refer to this company without mentioning the grievous loss it suffered during the year by the sudden death of its general manager, Mr Claude Wilson. Mr Wilson had been with the company for over 25 years, and was more responsible than anyone else for its present strong position; he is indeed sorely missed. We are fortunate in his successor, Mr L. A. Dunthorne, who had for some years been assistant general manager, as well as in the appointment of Sir William Christie as chairman in succession to the late Lord Hacking, and we are confident that further substantial development may be expected in the future.

DAIMLER HIRE LIMITED

Following the programme of expansion to which I referred last year, this company had made excellent progress, and in spite of considerably increased costs, it had a record year in 1950. The activities of this company—the finest car hire service in the world—are probably so well known that it is hardly necessary for me to enlarge upon them, but I might mention that it is doing a large and increasing business with overseas visitors, and it continues to gain much praise for the facilities it offers and for the efficiency of its service.

To meet modern conditions the company now caters for all tastes, and its Drive Yourself Service, re-established in new premises in May last, has been an unqualified success. A theatre ticket bureau as a further service for the company's many clients has also been opened in Brompton Road. Additional expansion is taking place and we are hopeful that results in the current year will be equally gratifying, but rising costs and the possible effect of the international situation on overseas visitors to Britain in 1951 cause reluctance to forecast.

JAMES A. JOBLING AND COMPANY, LIMITED

This company manufactures "Pyrex" ovenware, and laboratory, industrial and lighting glassware. Our purchase was concluded in January, 1950, and I can say that your board have no reason to be dissatisfied with this acquisition. Sales and profits for 1950 constituted a record and the prospects for the current year also appear good.

Following the completion of extensions to the factory at Sunderland, it is proposed to start the manufacture of a number of interesting new products which should further

enhance the reputation of this progressive company, whose existing products are in considerable demand.

STRATSTONE LIMITED

This company is acknowledged to be one of the leading motor distributors in the country and specialises in Daimler and Lanchester cars. It has for many years held the Royal Warrant of Appointment to H.M. The King as motor-car suppliers, and this position is also held in respect of H.M. Queen Mary and H.R.H. Princess Elizabeth.

The retail car trade is in these times largely dependent on deliveries of new cars, but nevertheless, profits for the company's last financial year were only slightly lower than for the previous year which was itself a record. Present indications are that the results for the current year should be well maintained.

F. TROY AND COMPANY, LIMITED

The companies in this group are engaged in general building and contracting mainly in London and the Home Counties, and in a number of specialist sub-contracting trades. The painting and decorating section is today probably one of the largest of its kind in the London area, and it has during the last year completed a number of important contracts on buildings of national and historic interest.

At the time of acquiring these companies we were aware that a period of convalescence, reconstruction and development would be necessary before certain unsatisfactory contracts were worked off and before reasonable profits could be expected, and the group is only now approaching this stage. It should also be added that the business of building and contracting is today hampered by far too many controls and restrictions, and is beset by many abnormal problems. Some of these are the difficulties of obtaining suitable labour, together with recurrent shortages and delays in delivery of materials, which upset the proper planning of work. These obstacles are likely to be accentuated as the rearmament programme develops, but are being tackled with energy.

ASSOCIATED COMPANIES

I now turn to our associated companies, and as you will observe from the balance sheet, there is an increase in this item over the figure for last year. This is due to the fact that we have acquired substantial holdings in two further companies, which we are of opinion will be interesting investments. The first of these is *Timothy Hird & Sons Limited*—a company engaged in wool-combing and the spinning of worsted yarn at Keighley, Yorkshire. The business is a very old-established one and occupies up-to-date premises equipped with modern machinery. Despite the present difficulties of this trade as a result of the phenomenal rise in the price of wool, there are no indications of any slackening in demand for the company's products. The company has a first-class connection with its customers, cemented over many years of friendship, and it faces the future with confidence.

The other new associated company is *Western Motor Holdings Limited*, whose subsidiary companies, mostly old-established concerns, are engaged in the motor retail trade and repair business, and they operate in the principal centres in the West of England. The business is to some extent

analogous to that of other of our interests and was well known to us in the days when your company was engaged in road transport. It should be capable of still further extension when motor vehicles are once again in freer supply.

OTHER INTERESTS

I will now review the affairs of the other associated companies.

British Steam Specialties Limited, of Leicester, manufacture and distribute a variety of bronze, iron and steel valves, and a wide range of pipe-line ancillary equipment. The past year's trading, though subject to fluctuations in both supply and demand, and to shortages and high prices of certain base metals, was quite satisfactory. The number of the company's customers continues to increase and there is no doubt that it is in a good position to meet any adverse conditions with which it may be faced.

E. R. Holloway Limited, I may remind you, is engaged in the production and sale of plastic powders and a variety of plastic mouldings by injection process. It has one of the most up-to-date injection moulding shops and is, we believe, the largest manufacturer of combs in the country. Although the year 1950 was also for this company one of wide fluctuations both in the demand for its products and in the supply of raw materials, it has had a successful year as a whole and during recent months has had some difficulty in meeting all the demands made upon it, despite increased productive capacity.

Westpool Investment Trust Limited. We have since the date of the balance sheet disposed of our interest in this company at a substantial profit over our book value. As I stated last year, it is our policy to realise our own quoted investments, mostly high class equities, as soon as we think fit and as suitable opportunities offer for the re-investment of the proceeds in industrial or commercial undertakings, and it was in pursuance of this policy that our holding in the Westpool Investment Trust Limited was sold.

NEW ACQUISITION

I have once again to report to you that since the date of the balance sheet we have made a new acquisition—this time by the purchase of a 60 per cent. interest in *Hobourn Aero Components Limited* of Strood, Kent. This company and its subsidiaries manufacture a wide range of engineering products, including textile machines, oil pumps, domestic radiators and many components in the light engineering field for the automobile, aircraft and agricultural industries. The company, established 29 years ago, enjoys a high reputation for precision engineering and there will be no change whatever in its management. It has associated companies in Australia, and New Zealand, in the early stages of development, and we believe the group has great potentialities.

Properties.—The income from our properties is slowly but steadily improving, and during the year we have disposed of some of our older and smaller freehold properties on satisfactory terms.

PRESENT POLICY AND FUTURE PROSPECTS

Last year you were informed of the lines along which your company was developing and of your board's thoughts for its future. Since then the process of re-investing your company's resources has continued and this has resulted in a substantial increase in income. Many new propositions have been examined, but only those reported above have demonstrated the high standards which we require. There are still large liquid funds, at present on deposit at short call, available for investment, to say nothing of our quoted

investments, and these we propose to employ, as already mentioned, by further direct participation in industry, and by developing our existing interests.

We still see for ourselves a positive and active future whereby our success will be measured by the correctness of our own judgment and of our own decisions. Our interests are varied and we believe well chosen. We know each company has skilled and efficient management, which is a vital factor, and on our part we lend all our weight wherever and whenever it may be required, either through our representatives on the various boards or by direct consultation. I am happy to note the growth of a family spirit amongst our companies, for this is surely a potent asset in any organisation.

ENCOURAGING PROGRESS

So far, so good. It will be clear that the transition from the old to the new Tillings is proceeding in accordance with the declared policy of your board. Our present activities are perforce more diversified than in the old days, and this early stage of your company's re-development necessarily calls for the exercise on the part of your directors of special care and discrimination. We look before we leap, but we endeavour not to allow our actions to be fettered by fear or negativens. We are encouraged by the progress which has already taken place and we hope that, given reasonable trading conditions, your company's interests will over the years yield an increasing income. Yet none of us can express with conviction any real confidence regarding the future, for there are too many hazards and imponderables facing industry at this moment over which it has no direct control. All we can do is to be alert and ready to grapple with difficulties should they arise, and, needless to say, your directors will do their best not only to surmount them, but to surmount them successfully.

May I here express my gratitude to my colleagues for their continued support and consideration, and especially Mr Falconer, our managing director. Ably assisted by Mr Matheson and a most capable staff at Crewe House, he has rendered valuable service. Our thanks are due to them, and to the boards, executives and all employees, men and women, of our subsidiary and associated companies for their work during the year.

UNITED KINGDOM PROVIDENT INSTITUTION

MR JOHN BENN'S SPEECH

The annual general meeting of the United Kingdom Provident Institution was held on April 18th in London. Mr John Benn, the chairman, who presided, said:

In moving the adoption of the report and accounts for the year ending December 31, 1950, the one hundred and tenth year in our history, I have pleasure in reporting still further progress to you. The net new sums assured of £6,680,766 were the highest in any year except 1947, and show an advance of more than £750,000 on the previous year's figure. The reversionary bonuses of 35s. per cent. on with-profit policies in the general section and 37s. per cent. on long-term policies in the temperance section show increases of 5s. per cent. on the previous triennial declarations. The gross interest rate of £5 6s. 6d. earned on the fund represents a rise of 2s. 1d. on the rate reported to you a year ago, while the fund itself is so conservatively valued that the assets of the Institution now stand in the balance sheet at more than 20 per cent. below their current market value.

Our subsidiary, the United Kingdom Fire and Accident Insurance Company Limited, presents another successful report. In its tenth year a record premium income has enabled the company to pay a dividend of 4 per cent. while further adding to reserves.

No one who takes a thoughtful view of the economic outlook can feel complacent. Yet it is still true that each individual who is shaping his own course wisely and well is helping the whole community; and I believe that this mutual Institution, which has a proud past and great present strength, may look to the future with continued confidence.

INNS AND COMPANY

MR W. WALLACE ON THE TUCKER COMMITTEE RECOMMENDATION

The sixteenth annual general meeting of Inns and Company Limited (Public Works Contractors, Asphaltes, Sand and Gravel Pit and Quarry Owners) was held on April 13th in London.

Mr Walter Wallace (Chairman and Joint Managing Director), in the course of his speech, said: The Company has had another successful year's trading. Every department shows satisfactory results, and the turnover, both as to volume and value, has substantially increased.

BURDEN OF ORDERS AND ILLOGICALITY OF PRESENT SYSTEM OF TAXATION

I spoke last year of the burden cast upon the company, and its officials, by the various Acts of Parliament, Departmental Orders, etc., under which the business has to be carried on. Shareholders might like to know that during the period covered by the accounts, in addition to the cost of complying with the numerous Government and Local Authorities' requirements, the Company's burden in respect of direct contributions to Central and Local Government bodies, amounted to the sum of £124,763.

Last year I was able to inform you that two of your directors had given evidence before the Tucker Committee on the Taxation of Trading Profits, on the subject of the unfair treatment of our industry by reason of the fact that we are not allowed to charge against our taxable profits, the decrease in the value of our land by reason of the depletion of minerals by the extraction of sand and gravel.

The following extract from the report appears to be the result of the evidence which was given by your Company:—

"An extreme example of the illogicality of the present system, and one which was brought to our notice specially in the written and oral representations made to us, is that of the company, a great part of whose business consists in extracting and selling sand and gravel.

"We cannot believe that the prohibition of any allowance, or relief, in respect of the wastage of the capital expenditure on the purchase of the land in such a case can be regarded as consistent with a proper ascertainment of the Company's business profits."

The Committee made the following recommendation:—

"It will be sufficient for us to record our view that the business profits of a concern of the kind in question cannot be properly computed without a proper allowance for depletion of minerals."

It is to be hoped that legislative effect will be given to this recommendation and thus relieve our industry from the very unfair provisions under which it has suffered for many years.

The report was adopted.

ARISTON GOLD MINES (1929), LIMITED

SATISFACTORY DEVELOPMENTS

The twenty-first annual general meeting of Ariston Gold Mines (1929), Limited, was held on April 19th in London. Major-General W. W. Richards, C.B., C.B.E., M.C., chairman of the company presiding.

The following is an extract from the statement of the chairman, which was circulated with the report and accounts for the year ended September 30, 1950:

Two hundred and ninety-three thousand tons of ore of an average grade of 7.564 dwts were milled during the year, against 267,500 tons of 7.401 dwts grade milled for 1949. In addition, 7,608 tons accumulated concentrates were retreated. One thousand and eight ounces of gold were produced from the special treatment of slags.

The total amount realised for the year was £1,286,506, against a total of £858,859 for 1949, an increase of £427,647. The ore reserves at September 30, 1950, were computed at 3,125,344 tons of an average value of 6.66 dwts, showing an increase of 50,606 tons and an increase in value of .03 dwt as compared with the preceding year's figures.

UNDERGROUND DEVELOPMENT

Very satisfactory developments are being disclosed at depth, not only in the North orebody, from which we can expect considerable further augmentation to our ore reserves at values higher than average ore reserves grade, but also on the main orebody on the 23rd level, on the No. 2 orebody 21st level, from which exploration in depth will be carried out, and also to the good values being disclosed on the west reef between the 9th and 22nd levels, from which it will be noted that at September 30th last 122,862 tons of ore of an average value of 8.88 dwts is included in the reserves.

I feel sure you will agree that the results disclosed in the accounts are extremely satisfactory, and represent a very great effort indeed. The profit for the year before taxation amounts to £495,705, against £246,375 profit for 1949. The provision for taxation, on the other hand, is increased from £97,000 to £246,163, which leaves a net profit of £249,542 for the year.

However, additional taxation allowances for capital expenditure have been obtained, and accordingly we receive the benefit of a credit in the appropriation account of an over-provision in respect of previous years' taxation and gold export duty of £44,881.

DIVIDENDS

Out of the available balance the board submit for your confirmation the declaration of a final dividend for the year of 4½d. per unit (15 per cent.), less income tax, making a total of 9d. per unit (30 per cent.), less income tax, against 6d. per unit (20 per cent.), less income tax for 1949. After charging the amount of £185,625 to cover these dividends, the amount remaining to be carried forward as at October 1, 1950, is £75,793.

The board feel that the very satisfactory progress during the current year warrants the declaration of an interim dividend of 2½d. per unit (7½ per cent.), less income tax, on account of the year ending September 30th next.

I am pleased to say that on the basis of the figures to date for the current year both of tonnage and revenue, we are showing consistent returns. For the five months October, 1950, to February, 1951, the tonnage milled is 135,650 tons, as against 119,500 tons for the corresponding period of the previous year, the mine revenue is £536,127, an increase over the corresponding period of the previous year of £47,141, and the mine working profit for the five months is £246,240.

The report was adopted.

THE MATADOR LAND AND CATTLE COMPANY, LIMITED

STATEMENT BY THE CHAIRMAN MR W. D. MACDOUGALL

The annual general meeting of the Matador Land and Cattle Company, Limited, was held within the board room of the Association of Jute Spinners and Manufacturers, 5, Cowgate, Dundee, on Monday, April 16, 1951, Mr W. D. Macdougall, chairman of the company, presiding.

The following is the statement made by the chairman on the report and accounts for the year ended December 31, 1950. This had been previously circulated.

The report for last year, which has been in your hands for the statutory period, is full and informative. The accounts show figures which are sufficient in themselves to commend them to your approval and adoption.

PROFIT AND LOSS ACCOUNT

The profit for the year is £404,059 against £243,695 last year, an increase of £160,364.

Last year I stated that we kept an open mind on the question of dividend limitation. We have paid a dividend and bonus which only takes 31 per cent. of our profits after taxation. It is, therefore, a modest distribution.

BALANCE SHEET

Turning to the balance sheet, the company is in a strong financial position. It will be seen from paragraph 9 of the annual report that the herd, land, improvements, and equipment have been restored to original cost, and the sums which had been written off these items in the past have been carried to the corresponding reserves. Even with the original costs now appearing in the balance sheet at December 31, 1950, these are far below present-day values in each case, so there is a substantial hidden reserve on these assets. Our net cash resources (after taxation) are on the £1,000,000 mark, and in these uncertain times, mainly political, it is desirable to conserve these resources. We have invested £287,000 mainly in short and medium term government securities, and in bank and insurance shares, investment trusts, and certain selected industrials.

On the liability side, the terminable debentures have been repaid. It looks for the future that our only liability (apart from taxation) will be the ranch monthly accounts and feed lot charges. We are therefore in a sound position to meet any contingency, and able to take advantage of any opportunities that come along.

Regarding the share capital, while the issued capital is £200,000, the shareholders' equity is shown at £1,822,000, making an exceptional showing.

INFLATION

In these days of paper money, when its purchasing value is going steadily down, there are two standards of real value. The first is gold, which is sought after everywhere, and which has held its value (that is, purchasing power) throughout the centuries. The second is first-class land and property. It is a truism to say that in time of crisis it is a sure foundation. I have often thought, on broad principles, that the nearer a man is to the soil the more important he is. At least he can always survive. That is where Matador is fortunate. We have two fundamentals—land and cattle. When these are in a com-

paratively young and growing country, which the United States still is, we are doubly fortunate. We hold the perfect hedge against inflation.

ALAMOSITAS RANCH OIL LEASE

With reference to prospecting for oil on the Alamositas Ranch, this will commence shortly, and we are in the hands of a first-class company, the Superior Oil Company of California. It is only a large corporation such as this which can have the resources to conduct tests on so large an acreage as Alamositas with its 396,000 acres. If oil or gas is discovered we get a royalty of ¼th of all production.

Our connection with Superior came about in a curious way. Mr Wright was travelling from San Antonio, Texas, to Phoenix, Arizona, when he met a gentleman on the train who turned out to be connected with oil production. The Alamositas Ranch was mentioned to him, when he became interested. He was put in touch with our general manager in Denver, Mr John Mackenzie, an agreement reached, and the lease signed. The property will now be thoroughly tested.

GENERAL

The general manager's report on the year is, as usual, full, informative and interesting. Broadly speaking, the herds, the ranches and equipment are in first-class condition. Recently we have made sales of cattle for future delivery at the highest prices in our history.

Mr Wright has paid many visits to the ranches, covering a long period of years. A statement on his recent visit will be found in the annual report.

We are glad to know that Mr John Mackenzie, Junr., assistant general manager, is to pay a visit to this country shortly. He hopes to be present at the annual general meeting.

We are fortunate in our management. In Mr John Mackenzie we have a manager of great experience and ability, who does not spare himself. His son, John Junr. is his assistant, and he is keeping close contact with the ranches. To our organisation at Matador under John Stevens and at Alamositas under Roland Howe, we are indebted. Mr Drought takes a keen interest in the company's affairs and with the visits of many years knows the properties intimately. To Mr Mackenzie and all his colleagues and assistants we tender our thanks and good wishes for the future.

The report and accounts were approved and adopted.

ORIENT STEAM NAVIGATION

MR I. C. GEDDES' REVIEW

The annual general meeting of Orient Steam Navigation Company, Limited, was held on April 17th, in London.

Mr I. C. Geddes said that the working profit was £1,321,231 as compared with £886,745 for the previous year, the accounts under review having benefited from a full year's trading of *Orcades* and the absence of any substantial debits for deferred repairs and reconditioning ships after war service. After providing for taxation, depreciation and the same dividends as last year, £50,000 had been applied to general reserve, £100,000 to writing down shares in subsidiary companies and £66,914 to increase the carry-forward.

Mr Geddes spoke of the steep rise in all expenses: running expenses were about two and three-quarter times what they were pre-war; building costs showed the same trend. The price of a new sister to *Orcades* and

Orcansay, which the company had very recently ordered from Messrs. Vickers-Armstrongs, Limited, showed a rise of about £1,000,000 on the figure which was now being paid for *Orcansay* just about to be delivered. These rapid and unpredictable increases were most disturbing. Freight rates had been raised and it remained to be seen whether passage rates could be indefinitely held at their present level which, for comparable cabins represented an increase of only 50 per cent. over prewar single fares.

With a wool clip this year yielding over £A600,000,000 Australia was very prosperous. With prosperity, prices rose and wages followed. Her need was to secure some measure of stability. She was suffering from a shortage of population and the policy of full employment had run riot, with the urge to work fast disappearing.

The chairman said ships were lying idle in Australian ports owing to a lack of berths and labour. The situation was serious and unless dealt with, the flow of imports Australia was capable of landing, would fail to provide for her needs.

Mr Geddes said that the ships would resume their pre-war calls at Naples.

The speech concluded with a warm message of appreciation to the staff ashore and afloat.

The report was adopted.

NATIONAL MORTGAGE AND AGENCY COMPANY OF NEW ZEALAND LIMITED

A SUCCESSFUL YEAR

The seventy-fifth annual general meeting of this company was held on April 17 in London, the Rt. Hon. Viscount Hampden, G.C.V.O., K.C.B., C.M.G. (the chairman), presiding.

The following is an extract from his circulated review:

The company has enjoyed yet another successful year and the profits earned have enabled your directors to pay a dividend of 7½ per cent., free of tax, on the capital as increased by the bonus issue.

The year 1950 was one of the most remarkable in the history of the wool trade. The first half of the 1949-50 selling season was remarkable for the effect on prices of the devaluation of sterling and other currencies, which led to an improvement in the level of world trade and a consequent increase in demand for all commodities, including wool. The outbreak of hostilities in Korea, coupled with the deterioration of the international scene, led to a vast increase in demand.

The opening of the current season in Australia at the end of August and in London and South Africa during September was sensational. The opening of the second half of the season in January was almost as sensational, and prices showed a further sharp advance. There does not seem to be any reason why the market should not maintain its present strength. Altogether, the company has had a very satisfactory year and the prospects continue good.

The report was adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

*The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1*

present speed would disrupt the economy of the whole western world—led to a sweeping criticism not of this country but of the United States. Mr Bevan does not argue that because the United States is rearming, as he thinks, too fast, Britain should contract out of rearmament altogether. His criticism of the defence programme is that it attempts too much because it is inconsistent with the maintenance of the standard of living and the social services. This is a disagreeable economic discovery that others have made besides Mr Bevan. If the proposed £1,300 million is the wrong figure, what is right—£1,200 million or £1,100 million? Could even Mr Bevan argue for less, or was the vigour with which he championed the present programme in the House of Commons less than three months ago just another manoeuvre?

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There are two things to be said about his attitude. First, Mr Bevan's criticism of the extent and speed of the British programme has no logical connection whatever with his criticism of the United States. If there were really any prospect that the consequences of American rearmament would be as disastrous for the whole Western world as Mr Bevan fears, then a reduction of 10 per cent in the British programme (a reduction that he appears to regard as physically inevitable) could not conceivably make the difference between effective defence and a disaster on the scale Mr Bevan threatens.

The second overwhelming criticism of Mr Bevan's present position is that nothing whatever has happened to make things worse since the present defence programme was launched, apparently with his full support, in January. It was always plain that rearmament would impose a heavy strain on supplies of raw materials. It was always apparent that, because stocks had been run down last year—largely as a result of the Government's own miscalculations—this country was particularly vulnerable to shortages. It was always certain that the production of many civilian goods would have to be cut. It was always probable that even if these cuts were made, the scale of armament production and the total of national production could be maintained only if Britain managed to import more raw materials than have been or are in prospect. This is the hazard on which Mr Bevan fastened with such characteristic extravagance when he talked of the western world outside America being "undermined" and plunged into "mass unemployment." It is alarming indeed that the Atlantic powers have so far failed to agree on ways of distributing raw materials to ensure that their defence effort as a whole is as effective as possible. But the failure is not final, nor is the fault exclusively American. So far British industry has faced some difficulty and dislocation, but to talk of its being "threatened by partial paralysis" is outrageous and irresponsible nonsense. No realist rules out the possibility that in the second half of this year shortages may prevent industry from doing everything to which it is committed for defence, exports and essential needs at home. But even Mr Harold Wilson admitted, in his slightly more restrained statement of Mr Bevan's economic case, that enough materials "may" be obtained. This week's news from the United States justifies a reasonable Micawberism—which Ministers have summoned to their rescue often enough in the

past—and there is no case whatever for modifying now a programme that Mr Bevan and Mr Wilson thought reasonable three months ago.

The motives for the rush to pessimism are all too plain. When new charges were being put on the country for the expansion of the social services, no one was more willing than Mr Bevan to strain the economy to its limits, to risk inflation, to decry caution, to put his faith in the expansion of production. What holds him back now is not a more realistic assessment of the expansive powers of the economy but a difference of enthusiasm about the objective. Even if the reasons for pessimism about production were much stronger than they are, the most definitive conclusion to which they could lead would be that some of this year's £1,300 million for defence might not be spent until next year. Yet Mr Bevan is prepared solemnly to declare that the £4,700 million programme for the next three years "is already dead." This assertion has no meaning, unless it is an expression of Mr Bevan's wishes.

The essence of Mr Bevan's position is not that he objects to tanks but that he rates them lower than dentures. There is no point of high principle involved in the new charges for teeth and spectacles. Some parts of the health service have always been subject to charges. But Mr Bevan is determined that rearmament should not stop the development of the social services. Rearmament is acceptable if it can be added to the state's existing obligations and met by squeezing the rich. It is unacceptable when it can be achieved only at some real sacrifice of the general standard of living. His former colleagues have at least learned to recognise that an effective rearmament programme puts a limit to the liabilities of the welfare state. This is evident enough this year, when it is possible to hope that the demands of rearmament can be met by little more than a halt to the advancing standard of living. Next year, it will be difficult realistically to argue—in or out of office—that a cut is avoidable. Mr Bevan and Mr Attlee will then stand very far apart. Intellectually the division is not new: the unexpected thing is that Mr Bevan has chosen to expose it publicly while Labour is still in office.

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There can be little doubt where this may lead Mr Bevan. His limited criticism of rearmament cannot possibly be sustained. Either it must gradually be withdrawn, which from Mr Bevan is most unlikely, or it must be developed into an unlimited attack; he will be tempted to pass on, that is to say, from criticising the practicability of the present rearmament programme to rejecting the need for any great increase in armaments at all—and rejecting, therefore, the foreign policy that rearmament is designed to support. This is the card still in Mr Bevan's hand. There is no reason to doubt the sincerity of his opposition to Soviet Communism. But there is also no reason to doubt the strength of his anti-Americanism. On Monday he declared that the evils of the Budget arose "because we have allowed ourselves to be dragged too far behind the wheels of American diplomacy." He said that if American rearmament continued at the present pace "more harm will be done by this unrestrained behaviour than by the behaviour of the nation the arms are designed to restrain." The grounds for a British doctrine of the "third force" in foreign affairs could hardly have been more openly suggested.

If Mr Bevan conjures with these ideas, he will certainly get very little response in the country as a whole. If he widens his attack while the Government remains in office Mr Attlee and Mr Morrison are surely bound to demand his dismissal from the Labour party, and there is little doubt that at this stage a large majority would support them. Mr Bevan would then have incurred all the odium of completely splitting the party at a time when its ability to retain power had not been put to the final test of an election. His more likely course is to try to restrain himself for a time. There is no doubt, even so, that he has become a grave liability to the Labour party. Labour without Bevan might damp the enthusiasms of some constituency organisations, but Labour with Bevan will cut a sorry figure before the electorate as a whole.

Mr Bevan appears to believe that while he had lost

Fighting for a Draw

THE Communist High Command in Korea decided last Monday that the psychological moment had come for resuming serious fighting, and took the offensive. So once again the conciliatory gestures of a British Foreign Secretary are spurned by Peking, and the frail hopes of stopping the fighting are lost in the grim clamour of guns and bombs and tanks inflicting fearful slaughter. The dismissal of General MacArthur is interpreted by the enemy as clear evidence not of America's limited and just objectives but of President Truman's displeasure with his generals' "failure" to crush the "armies of liberation." Those who talk peace in Washington and London—unless they are "partisans of peace"—are treated as hypocrites, and Chinese and North Koreans appear to pin their faith to the forecast made two months ago by Stalin:

If Britain and the USA finally reject the peace proposals of the People's Government of China, the war in Korea can end only in the defeat of the interventionists.

These are grave facts, which demand a sharp readjustment of many opinions held in this country about the Korean war.

Although General MacArthur has departed, the fighting goes on; the dismissal of the United Nations Commander-in-Chief has not removed what many liked to believe was the main obstacle to peace. Instead, it now seems likely that the spring offensive will show the Russians and the Chinese intervening more weightily than ever before, even challenging the supremacy of the United Nations forces at sea and in the air with aircraft that only Moscow can supply. If so, then President Truman's wise and brave refusal to take the initiative in extending the zone of hostilities is to be treated by the Communists as the opportunity for taking greater risks. How great the next few weeks may show.

The new UN commander in the field, General Van Fleet, has said he is confident that his forces can deal with the new offensive; and it may be that no acute military crisis is to be expected. Yet that is merely another way of saying that this is a war to which no end is in sight, a struggle of attrition which, just because its conditions preclude a knock-out blow, has become a searching test of endurance and morale, both civil and military. The Americans, faced with a casualty list of over 60,000—as great as that for the first month of the

influence in office he will regain it when the Labour party is in opposition. Since he will then be able to play on all the natural discontents that the harsh necessities of effective rearmament must create, this may well be correct. In that case, the Labour party will have seriously to consider whether it can allow itself to be used for such ambitions and for political objectives that are certainly not its own. There is a deeper question. If the Labour party were to lose Mr Bevan, and the vague left-wing fire that goes with him, what would remain? Would its present leaders be able to re-create a moderate policy, fitting their old ideals to the needs of a harsh new world, that would appeal to their followers? If they cannot do so, Mr Bevan may yet succeed in filling a political vacuum. But at least the past three weeks have made it plain beyond doubt that such a man could never triumph on any other terms.

Normandy battle—have never regarded Korea as a sideshow; they have felt for some time that their allies should realise that this has become, and may well remain, the fighting front of the cold war, the test case against Communist aggression. Not only Asia, but the whole world will judge from the issue what are the material, and still more the moral, capacities of the contestants. As the contest is resumed, it is the moment to concentrate attention on the facts that face soldiers and statesmen as the third round begins in Korea—and in the United States.

By dismissing General MacArthur from his command President Truman has staked everything on not losing the war: that is to say, on proving that aggression has been repelled, not bought off. The General's case was that the war can be won only by a "Hit China" policy. The President's answer is not that it would be better to be defeated than to carry the war into China, but that it can and must be won by fighting on the Korean peninsula. Each side in this American controversy has nailed its colours to the mast; both agree that the United Nations must win but they disagree over the means to be used. If, therefore, the campaign were to end in defeat or to fade out into what is called an "Eastern Munich," then many would claim that General MacArthur has been proved right. The political consequences of such a verdict would be far-reaching. What is more important, if failure in Korea could be represented as the result of America's allies dragging their feet then the consequences would be felt in Europe, and especially in this country. It is no use protesting that these are not the arguments of fair-minded people; for it is not the fair-minded people who conduct such a controversy.

These facts about opinion in the United States (more fully discussed in "American Survey" this week) are data as important for British policy in Korea as the mood or dispositions of the Chinese, and should be treated as such by all opinion in this country that recognises the importance for peace of the Anglo-American partnership. It should not be forgotten how, only four months ago, when the UN forces were in full retreat, many Americans were ready to attack China rather than lose the war; whereas many British were ready to lose the war in Korea rather than attack China. This divergence between national moods never came to the point of

crisis because of the rally and renewed advance achieved by General Ridgway; but it is this divergence that may reappear at any time to bedevil the alliance.

It is salutary to look for a moment at the picture as it is presented in the Communist camp. There are expressed day after day a fanatical belief in the superior morale of the revolutionary peasant masses, and a determination to prove that in the long run this will triumph over the mechanised forces of the western world. That the Korean war has already lasted ten months must seem a fact of little importance to men who fought a civil war for over twenty years, even though the strain of the campaign on the resources of China and of the Soviet Far Eastern command must be heavy. That the western governments, whose men are fighting in Korea, from time to time openly disagree; that the United Nations takes weeks to agree even on a simple definition of aims; that public opinion in the United States and Britain is constantly forcing statesmen into reassuring statements about the limits they will set to their strategy—all this must appear in Moscow and Peking as a sure sign of failing stamina, of lack of political support for the fighting men. Stalin said as much when he declared in February that American and British officers and men were in no way inferior to their opponents save in one respect: that they did not know or believe in the cause for which they were fighting. In short, the lesson of the last six months is that "approaches to Peking," programmes for negotiation, talk of conciliating the aggressor are treated by the Communists as signs of weakness, especially when the tide of battle is not moving against them.

To acknowledge this is not to throw aside all hopes of

negotiation and a political settlement; nor does it mean accepting the leap-in-the-dark strategy recommended by General MacArthur; nor does it lead to the view—as some Americans suggest—that the United Nations' aims in Korea cannot be achieved by limited war. So many factors in the Communist camp—and in the American and British situations—are unpredictable that the ultimate outcome is not to be discovered at the end of a long chain of strictly logical reasoning. What recognition of these facts does mean is that the United Nations, having decided on a simple statement of aims and minimum terms, should firmly declare that these will be fought for in Korea just as long as the Chinese choose to make the battle last. If there is to be a struggle of attrition—and that it what cold war means—policy has to be backed by patience and resolution.

What the statement of policy should be emerges fairly clearly from the debates of the last months at Lake Success. First, it should be stated that the United Nations will agree at any time to a cease-fire on the basis of existing military positions on or near the 38th parallel. Secondly, they should declare their readiness to negotiate an international settlement of the Korean question without any details being laid down in advance. Thirdly, they should make it clear that there will be no offers of negotiation or peace terms so long as fighting continues, nor will major political demands be accepted as conditions of a truce. It will be said that such a limited statement is valueless because it leaves out all the essential questions: what is to be done about Formosa; how to recognise the Chinese People's Government and its claim to a seat in Uno; who is to keep order in Korea. In fact its strength would lie in these very omissions; for it cannot be repeated often enough, to Chinese and British

alike, that the answer that can be eventually given to these questions depends on the way and the time that the war ends. A solution that was acceptable six months ago is impossible now; a compromise that looks unacceptable now may be possible when the MacArthur affair has faded away. To expect a nation losing men as the Americans are losing them to accept now any proposal that would give Formosa to the Communists is unrealistic; to ask Uno now to promise a seat to a government which has flouted its authority and the principles of its charter is neither realistic nor dignified; to foresee how Korea can be united and pacified until the possibilities of Chinese co-operation are known is next to impossible. Of course, if the whole problem is to be treated realistically it is also necessary to point to the vital strategic interest of Russia and China in Korea and Formosa, to the face that must be saved by Asian Communism, to the revolutionary mood of Mao Tse-tung

Whose Mediterranean?

NO war with Russia could be won without the Western Powers controlling the Mediterranean. The discussions now going on about command in that area and the relationship of that command to the North Atlantic Treaty Organisation (Nato) are therefore of very great importance. They are also very complex. As the Minister of Defence, Mr Shinwell, stated in last week's debate in the House of Commons, these discussions have been taking place simultaneously with those which have led to the appointment of a Supreme Commander in the North Atlantic. Conflicting political as well as military interests, however, have delayed agreement over the Mediterranean, and whatever solution is finally reached, it will cause nearly as much grievance as satisfaction.

The leading questions to which answers must be found are three. Since the western Mediterranean constitutes the southern flank of the North Atlantic treaty powers operating in western Europe, should this fact dominate the dispositions made—to what extent, that is, should the whole Mediterranean area come under Nato? Following a decision on this question, what should then be the structure of the Mediterranean command itself? And which countries should be included in or associated with it? There is also great argument whether a supreme commander should be British or American; but this is really a secondary problem in spite of its political prominence at the moment.

Seven countries are vitally interested in the answers to these questions and each has a special point of view—Britain and the United States, France, Italy and Yugoslavia, Greece and Turkey. For Britain, the Mediterranean is the vital route to the Middle East, to British interests in southern Asia, and to the distant members of the Commonwealth in the Pacific—Australia and New Zealand; the way through the Mediterranean is also the shortest route for supplies of sterling oil to western Europe. This area is therefore one strategic unit and in the past has been defended under a single, and British, command. To the Americans, the emphasis on the problem is different. In the west, the Mediterranean is essentially General Eisenhower's right flank; in the east, it is primarily the approach road to Greece and Turkey, advanced bastions of American interest. The

and his men. But realism begins at home and the Chinese will see to it that their interests are not forgotten.

If the spring offensive develops, it would be wise to assume that the Chinese stake great hopes on it and would like to see the UN forces back in the Pusan bridgehead before the anniversary of the campaign's beginning. The United Nations on the other hand can and should hope for no more than successful defence and another stalemate in the field; for it is out of such a stalemate, during the lull of exhaustion, that Communist readiness to agree on a cease-fire is most likely to come. The whole difference between the two sides may be summed up in one sentence: to the Communists victory means the total defeat of the United Nations, but to the United Nations victory means a draw. And it is for a draw that they must now fight, with stubborn confidence and patience. There can be no sterner test either of statesmanship or of military morale.

whole sea is an important arm of the vast strategic network of American bombing bases, including aircraft carriers. And in the Bosphorus lies one of the two Russian outlets to European waters.

The French are primarily concerned with communications from north to south across the western Mediterranean to Algeria and Morocco, since North Africa is vital to France as a military base. They also want to retain an interest in the defence of the eastern Mediterranean. Plans for the area are being discussed by Nato's Standing Group of three representatives from the Chiefs of Staff; in this France is represented by one of its rising soldiers, Lieutenant General Paul Ely, and recently Admiral Lemonnier has been appointed as General Eisenhower's Naval Deputy. But so vehemently has Paris felt, and not without justification, that it is being left out of policy-making decisions in the Mediterranean that M. Plevin, as Vice-Premier, has lately protested officially to Washington and London. Likewise, Italy's outstanding interest as a Nato power is to see the Mediterranean made safe for its allies and so for itself; to this end, Rome, like Paris, tends to favour an American commander. Marshal Tito in Yugoslavia depends on allied control of the Mediterranean for the arms and support from the West which are increasingly necessary to his defiance of the Cominform Goliath; he does not, however, mean to enter any western alliance, either in the Mediterranean or in Western Europe.

These attitudes have all helped to slow up the creation of the Mediterranean command. But Greece and Turkey present the western planners with their most serious trouble; for the strongly expressed desire of these two countries to join Nato raises in acute practical terms some of the most fundamental issues facing the West. Turkey—whether regarded as a European or a Middle Eastern country—is at present one of the leading military powers of the continent, deeply resolute, in a key strategic situation, already bound by treaty to receive British and French assistance if attacked, and backed by the clear, if unspecific, commitment of American support. Greece is in a similar position in relation to Britain and America, though not

GOOD LEATHER AND TRADITIONAL CRAFTSMANSHIP

to France. And the Greeks as a people have a long and proud record of courage, endurance and loyalty in resisting aggression; with American and British help they alone have successfully met and beaten militant Communism since the war, both within and at their frontiers. The military problem facing these two countries is severe. Although associated with the leading powers of Nato, they can at present take no formal part in its wider general planning. If they are not eventually to join Nato, they want firmer American guarantees of security and need to open bilateral staff talks between themselves, as well as to exchange basic military information with Marshal Tito—if he will do so.

These, then, are some of the leading facts. They raise at least three major issues for the Western Powers: the defence organisation that can be created for the whole free world in circumstances short of open war; the real function of Nato; and the most practical limits for a regional organisation based on western Europe. For world defence the ideal would be for all anti-Communist powers to band together to resist Soviet imperialism jointly everywhere; but in practice this is quite impossible at the present stage. Even in a specific region such as Western Europe or the Western Pacific or the Persian Gulf, political rivalries, vacillating governments and inequalities of military power make an effective local defence organisation extremely difficult to arrange. Nato is so far the only one of its kind, and it still has many limitations. Outside Nato, strategic and tactical planning for defence must remain, at any rate for the time being, primarily a responsibility of the main real force in the western world, the Anglo-American alliance.

Nato is concerned with the most crucial battlefield of all—Europe. If western Europe were once lost to Communist invaders, it might be recaptured, but the democratic and cultural heritage that has survived two great wars could never be brought to life again after a third war. Nato's function is therefore political as well as military. Its primary aim is as much to deter and if possible to prevent war, as to provide the best possible means of fighting the war should it come. In the present stage of the struggle it is more important that Nato should receive the willing political support and technical co-operation of its members in carrying out its task, and less important to achieve military perfection. Naturally, the work of building an effective defensive machine must be as efficient as possible. But, for the present, one that runs smoothly is better than a racing model which might be always stopping. This is why it should be Nato's chief aim to produce quickly a compact and politically accept-

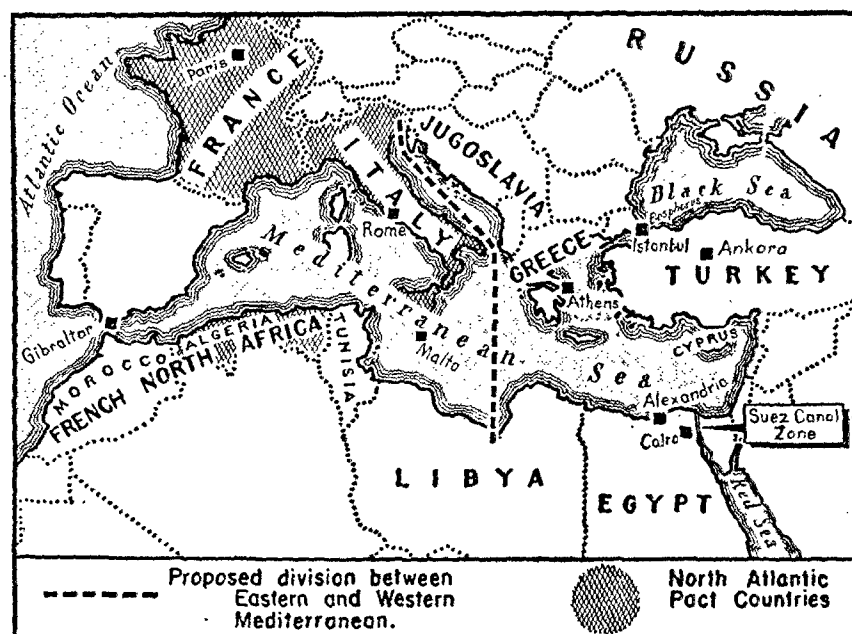
able organisation of existing forces. General Eisenhower's last command SHAEF was set up at the height of a war; his new command SHAPE is being set up to meet quite different requirements.

If these principles are applied to the problem of associating the Mediterranean with the western European and North Atlantic area, a good case can be made out for extending Nato to cover the western Mediterranean but not the eastern. In itself, this tends to strengthen the American argument that the Mediterranean should be administered by two commands and not a single one. Once attempts are made to extend the area covered by Nato, whether on political or strategic grounds, it is very difficult to see where a line could properly be drawn short of Singapore. Nato is quite unsuitable as a world organisation; but it should logically include all the immediately adjacent land and sea areas in which the continental Nato powers are vitally interested. The French long ago insisted on including Algeria for this reason. A line drawn on this basis would come down the centre of the Adriatic and then south across the Mediterranean.

To turn now to the secondary issue: in the House of Commons last week Mr Churchill argued in favour of an American commander in the Mediterranean, that this officer would have under him a powerful American carrier fleet and would control the great American air bases to be built in France and French North

Africa. If this command were closely associated with General Eisenhower's and limited to the western Mediterranean, Mr Churchill's argument would probably come nearest to satisfying most people, provided that a satisfactory political counterbalance were arranged in the defence structure of the eastern Mediterranean. There, if the British are to remain the most prominent power in the Middle East—for all the reasons which have led to their playing that role over the past thirty years—they should also continue to have the main say in the defence arrangements. The eastern Mediterranean and the Middle East are complementary.

Lastly, there is the problem of Greece and Turkey. Since they feel so strongly about more specific American guarantees, they should be given them. Like the security of Australia and New Zealand, that of Greece and Turkey has become a vital American interest, proclaimed by President Truman in 1947. But to the people on the spot this is by no means the same thing as having a firm formal pledge around which confidence can be built. While Greece and Turkey are not, therefore, suitable candidates for Nato, no satisfactory settlement of the now acute Mediterranean problem is likely to be reached



without reviving and implementing the suggestions current over a year ago for a Mediterranean Pact. Only by this functional and regional approach can the anti-Communist powers build up an adequate system of

world security strong enough to resist the threats and pressures to which, even without open war, the Communist powers may now continue to subject them for several years to come.

Charity and the Hospitals

(By a Correspondent)

TO the lawyer, "charity" is a technical term. In the courts, charitable purpose is divorced from charitable motive. The classes of charities that the courts recognise (and so endow with the power to hold property in perpetuity) have a basis in a statute passed in Queen Elizabeth's reign and since overlain with hundreds of judicial decisions. But a gift to a hospital has always been recognised as a charitable gift. Nearly two years ago, when the National Health Service Act of 1946 came into operation, a quite novel complication was thrust into the picture and the courts, with the instinctive reaction of an oyster, at once set to work to make the best of the intrusion. Is the result anything like a pearl?

The National Health Service Act came into operation on July 5, 1948. Twelve days before Mrs M. A. Kellner had died, and by her will she had given one-eighth of the residue of her estate to the Cancer Research Institute and another eighth to the Royal Cancer Hospital, both of which at her death were independent institutions existing under the hospital's Royal Charter, granted in 1910. The Act transferred hospitals and all their property, except endowments, to the Minister of Health; it provided for the ultimate dissolution of all the governing bodies, both incorporated and unincorporated, that owned and managed them; it placed each teaching hospital under the control of a separate board of governors and grouped the non-teaching hospitals under regional hospital boards, with hospital management committees under them. The teaching hospitals retained their existing endowments. The endowments of the others were transferred to a single Hospital Endowments Fund; the hospitals were left with the promise that not less than £20 million from the pooled endowments (they totalled nearly £27 million, mostly in trustee securities) would in the end be shared, according to the number of beds in each hospital, among all the non-teaching hospitals brought under the scheme. The Act left two questions largely unanswered. One was particular: what would happen to gifts accruing under existing wills, such as that of Mrs Kellner? The other was general: what should the future relation be between the charitable impulse and the nationalised hospital?

The destination of Mrs Kellner's gifts occupied first the Chancery Court and later the Court of Appeal and, since the case was the first under the Act, it provided battle over the widest field. The Ministry was bent on establishing that the net created by the National Health Service Act would catch each and every fish. The next of kin were equally determined to show that a charitable impulse towards a voluntary hospital was one thing; the case of a nationalised hospital was something quite different and the claims of the next of kin should prevail. So the Attorney-General argued, first, that the gifts were already part of the endowment of

the hospital on July 5, 1948; alternatively, that they were a "right" which passed to the Minister with the hospital itself; alternatively, that they were covered by a section of the Act dealing with existing trusts; and that, in any case, the courts had no jurisdiction because the Act provided that all disputes should be settled by arbitration.

Mr Justice Harman, in the Chancery Court, was not persuaded by any of these arguments. He took the view that the charities named by the testator had ceased to exist after her death but that, since the will intended the money to be used for a particular charitable purpose, the court should see that a suitable scheme for it was drawn up. He held against the claims of the next of kin. There was an appeal, and the Court of Appeal held that the gifts did not lapse, since the Act had not revoked the Royal Charter under which the Royal Cancer Hospital existed as a body; in consequence the gifts passed, via this incorporated body, to the new Board of Governors of the hospital. So the courts did, in the end, out of the tangle of Act and argument, direct the trustee of Mrs Kellner's will to carry into effect the obvious intention present in her mind when she made her will. Her gifts reached the governing body of the Royal Cancer Hospital and became available, under the provisions of the Act itself, for the services of the hospital and for research as this particular Board of Governors might think fit.

Later came a case of a gift to a non-teaching hospital. A Miss Morgan, by a will made in 1944, gave the residue of her estate in trust for the benefit of Liskeard Cottage Hospital. She died in September, 1948, without altering her will to conform to the changes made by the Act. Again, the next of kin claimed that the Liskeard Cottage Hospital no longer existed, for the hospital at Liskeard had become one of a group of hospitals under the management of the Plymouth, South Devon and East Cornwall Hospital Management Committee. The court held that the gift was a gift to a particular hospital, whatever its name, and that, if the hospital existed and still carried on its work, the gift should go to the management committee responsible. Another point of importance in the case was that the Ministry, and the committee, conceded that the gift should be used for this particular hospital, not for all the hospitals within the new group. This policy was followed in a later case where the legacy was to a named infirmary and dispensary in South Shields.

No one, of course, can know how many wills were altered and bequests to hospitals revoked after the Act of 1946 first appeared on the parliamentary scene; but, at least in two reported cases, apprehensive testators who attempted to guard against the eventuality of nationalisation met with little success. One prepared his own petard, in the shape of what read like a home-

made will. He included in one document a provision that a legacy to his local hospital, at Fleet in Hampshire, should be payable only if the hospital were operating on a voluntary basis. He then proceeded to leave the residue of his estate to that hospital without adding a corresponding provision, with the result that the new hospital management committee received the whole of residue of the estate, plus the legacy itself.

The other case arose under the will of Lady Bland-Sutton, the widow of a well-known surgeon. She, by a will made in 1943, left a considerable endowment fund for the Bland-Sutton Institute of Pathology at the Middlesex Hospital, but directed that, if the institute ceased to be carried on or should "the Middlesex Hospital become nationalised or by any means pass into public ownership," the fund should be held as an endowment fund for the Royal College of Surgeons. She died in February, 1943, and all went well until the 1946 Act came into force; then the trustees of the will thought it prudent to seek a ruling from the court. The trial judge held, first, that the Royal College of Surgeons was a charity and could therefore take the gift if the institute lost the right to it; but that, since the Middlesex Hospital had not been nationalised or passed into public ownership, the question of transfer to the college did not arise. The Court of Appeal took an almost diametrically opposite view of the law but managed to produce the same net result. It held that the Middlesex Hospital had been nationalised but that the gift could not pass to the Royal College of Surgeons since the college, being a professional association as well as a teaching body, was not a charity under the legal definition of charities. But it further held that the Bland-Sutton Institute still remained free from national ownership and control, so, since the gift could not pass to the college, the institute took it absolutely. There is nothing to be gained by speculating how far this judgment corresponds with the views Lady Bland-Sutton would have held, had she survived to read the National Health Service Act and its provisions.

In short, the courts, over these two years, have, with their customary common sense, contrived to interpret the Act of 1946 so that its effect on existing wills has not been too alien to the obvious intentions of the testator. Money left to a particular hospital in its pre-nationalisation name and state does now come into the hands of the body responsible for managing that hospital and on terms that confine the direct benefit to that hospital. But the courts have not seriously tackled the question of whether a nationalised hospital is still a legal "charity," and this question has an increasing importance. True, the courts have given an answer to the question. The argument that a nationalised hospital has ceased to be a charity was raised in one case and mentioned in the judgment, but it was dismissed summarily. The court held that the argument was inconsistent with other decisions (in which, however, the point had not been argued) and that in any case the 1946 Act implied that boards of governors and management committees were charitable bodies. That answer is not really satisfying. A hospital today is no more a "charity" than is a branch of the National Insurance Ministry—or, indeed, of the Post Office. Although the work of the hospital remains very much the same, the element of charity has gone. The hospital is no longer an instrument through which an individual's charitable

impulse finds expression; it is a governmental institution discharging a duty accepted by the state. The distinction is one which the late Lord Haldane would have argued with zest before the House of Lords—and it has yet to be argued before the House of Lords. Yet, if the hospital itself is no longer a charity, charitable services and functions can be, and are, grouped around the hospital. Just as the courts held, in 1892, that a gift to the National Rifle Association "to prevent as far as possible a catastrophe similar to that on Majuba Hill" was a good charitable gift (although no one would suggest that a gift to the War Office itself could be charitable, in the legal sense), so the courts, last year, held that a gift to St. Mary's Hospital, Paddington, to provide accommodation for the relatives of the critically ill and to assist the work of the almoners was a good charitable bequest.

The process of assembling, tidying up and allocating the pooled endowments of the non-teaching hospitals has been proceeding, and the last report of the Auditor-General on the fund showed that the first income payment made (for a nine-month period) was some 30s. per bed. It is possible that at some future time the distribution of part of the capital itself will be made, though so far the Minister has refused requests that such transfers of capital should take place. If later they are allowed, the original inconsistency in the approach of the Act to this question of endowments will become more noticeable. What should be the purpose of the non-teaching hospitals' endowments? The Act pooled all existing endowments and so produced an uninspiring egalitarian monotony. At the same time, the Act allows individual committees to receive individual gifts and the Minister of Health, perhaps under pressure from the courts, yet none the less effectively, has agreed that even a particular hospital within a group may have its own earmarked endowment fund. Once again, some hospitals will tend to become richer than others. It is in this situation that the question of whether a hospital is still, in itself, a legal charity or not becomes of practical importance.

There are two possible views on the future use of the endowments of the non-teaching hospitals. While each hospital has an equivalent endowment fund, fixed for each on the basis of the number of its beds, no more and no less, the almost irresistible temptation will be to spend the endowment income on the same basis, so much per bed per year, and, on the present figure, that will just about provide a fresh bunch of flowers each fortnight. And that will be making the hospital itself the charity supported from the endowment fund. But, if the hospital is not a charity, if it is not possible to spend the endowment income on this kind of service, then the endowment funds, both existing and future, may again become a powerful impulse towards the finding of fresh charitable objects connected with the hospital and so towards an extension of the services of the hospital. Those with egalitarian minds may object. Why should the patients at Liskeard, or Fleet, or South Shields, have some service not available to everyone, they may say? If they do, they will ignore two facts. One is that progress in hospital science, and in medical skill, did not come from a dead level of opportunity but is a product of apparent inequality. The other is that charity is not only a matter for the recipient. A country can only lose if a source of charitable expression is blocked. It can only gain if the link between the charitable impulse and all the yet unexplored opportunities around a hospital is restored.

NOTES OF THE WEEK

Mr Bevan Goes

The crisis at Westminster lasted for less than three days. Mr Bevan's resignation was known on Monday morning. By Wednesday evening it seemed no more likely than it had been last week that the Government would fall or retire before mid-summer—before the Finance Bill is passed, the promised increase in the meat ration is near, and the Labour party organisation in the constituencies has been put into better shape for an election campaign. Mr Bevan was followed only by Mr Harold Wilson from the Board of Trade and Mr John Freeman from his junior post at the Ministry of Supply. The gaps have been temporarily filled with little trouble. Mr Robens is expected to make an adequate Minister of Labour and Sir Hartley Shawcross can probably handle the countless activities of the Board of Trade at least as well as Mr Wilson did. It seems unlikely, however, that these appointments alone complete the main reconstruction of Mr Attlee's Government: the office of Lord Privy Seal was left vacant by Mr Bevan's death, and it is now politically important to make some special arrangements to deal with raw material supplies.

But on Monday and Tuesday the Parliamentary Labour Party looked into the abyss. The reverberations of Mr Bevan's many quarrels in the Cabinet had echoed frequently enough through the lobbies in the past, for no Government has ever managed to advertise its internal differences so well. "Open disagreements openly arrived at" is a popular Tory description of Labour policy-making. But few members had believed that Mr Bevan would resign now. It was with curiosity, as well as elation on the Tory benches and deep anxiety on the Labour side, that the House of Commons assembled on Monday afternoon to hear the ex-Minister of Labour make his resignation speech.

Mr Bevan has always believed that it pays to shock, and he shocked the House with a speech which was anything but the restrained explanation customary on such occasions. He developed his case in the violent style that he at times resurrects from his street meeting days—his fists and arms flailing as if he were literally pounding his opponents, his voice thundering, his eyes blazing. This can be highly effective at a party meeting, but it is highly inappropriate from the third bench below the gangway in a crowded Commons Chamber.

Churchill or Mosley?

Mr Bevan's speech failed as a parliamentary performance, and it also failed as an effort to move opinion among Labour members. Its manner contributed greatly to the ease with which the Parliamentary party and Labour's national executive have digested the revolt. At the party meeting on Tuesday, Mr Bevan not only met with a detailed reply from Mr Gaitskell and with the lash of Mr Ede's tongue, both of which he had expected, but with something he had not expected—the hostility verging on hatred of many of the older party members. His support in the House so far comes almost exclusively from the Left-wing "intellectuals." His only backers at the meeting of the executive on Wednesday were Mr Mikardo, Mr Driberg and Mrs Castle.

Mr Harold Wilson, who learned from Mr Bevan's mistake and made a reasoned and calm statement to the Commons on Tuesday, has widened the sympathy, if not the support, for the rebels' views about raw materials and the level of rearmament—though his denunciation of American stockpiling was weakened by the announcement, a day later, of Britain's

increased sulphur allocation for the current quarter. On the broad issue Mr Bevan can expect constant support from only about fifteen members. He will gain added support—extending in some cases to the left centre of the party—on specific issues such as the health service charges. But as an opposition group inside the Parliamentary party, the position of Mr Bevan's followers is both circumscribed and vulnerable. They have pledged themselves not to vote against the Government, a step which would in any case bring down on them the blackest opprobrium for forcing Labour's downfall. They will have to cope not only with the resistance but with the deep resentment of their own front bench and of the majority of their fellow back-benchers. For this reason, they will clearly make their main effort in the country. There, if not in Parliament, Mr Bevan is going into open opposition to Government policy, and he is likely to work hard to win over constituency support before the party conference in October. He will have to step with some care, for every word he utters will be scrutinised carefully by Transport House.

But despite the speed with which the other party leaders have closed the bulkheads against the damage caused by Mr Bevan, the fact is inescapable that this is a very dangerous split in the party leadership. It is not surprising that the ghosts of 1931, which the Labour party has made such efforts to lay, have once again been stalking the corridors of Westminster. Indeed, the irony of history decreed that Tuesday's party meeting was held in the same Scottish Grand Committee Room in which the party met during the 1931 crisis. The Government's main tactic has therefore naturally been to appeal to that deeply-felt sense of loyalty which was then created. But it would be wrong to carry the analogy far. This is not in fact like 1931. It is a break-away not by the Right but by the Left. It is to be compared more with Mr Churchill's move into the wilderness, as a prelude to power, or Sir Oswald Mosley's move into the wilderness as a prelude to extremism and then obscurity. Which of these two parts fits Mr Bevan's character better is plain to almost everyone except himself.

Red Army and Trojan Horses

What is sauce for Mr Strachey is, it seems, not sauce for Mr Shinwell. The Secretary for War told the House of Commons in March that the Russians had 175 divisions, the figure used by other Ministers before and since. Last week-end the Minister of Defence pushed the figure up to 200 divisions. One wonders why. There has been no evidence of Russian mobilisation in the last three months that would account for an increase of 25 divisions; and no inflation of the original estimate was needed to justify the rearmament programme—at any rate the British part of it.

Ministers should be scrupulously moderate and frank in the picture that they paint of the dangers to be met in the foreign field. Nothing is gained by exaggeration. There are many thousands of officers and men in this country, both serving and in civilian life, who know one or two simple facts about the Red Army: that the number of men per division is half that in a British or American division; that there is a sharp difference of quality and mobility between the armoured divisions, the mechanised infantry and the footlogging riflemen; that there is a shortage of trained technicians and NCOs to train conscripts, and that the frontiers of the Soviet Union are vastly long. If these things were not so, then Mr Shinwell and his fellow defence Ministers in Nato would be exposing

General Eisenhower and his modest army to the gravest risks by not immediately increasing its numbers.

At the other extreme is Mr Bevan, who argues that the totalitarian enemy always uses "social and economic" weapons first, and then military, and so tries to undermine Mr Shinwell's case for a considerable military effort. Mr Bevan is, in fact, mistaken. The Soviet Government has succeeded in imposing its grip and creating a satellite government only in those countries where it could threaten military intervention without fear of retaliation. And the purpose of the Trojan Horses of which he has spoken is to open the gate to the armies following up behind.

Basically, therefore, Mr Shinwell is right and his former colleague is wrong. The Soviet Army and Air Force have an unacceptable preponderance of numbers; and it is this preponderance that has enabled the Communist Party, until lately, to frighten millions of Europeans who have no use for its politics. Social stability and progress depend—in Europe and outside—as much on overcoming that fear as on maintaining standards of living and employment. The vigour with which Communist propaganda asserts the opposite is only one of the proofs that this is so.

Soviet Five-Year Plan Results

The final balance sheet of Soviet economic development during the fourth Five-Year Plan (1946-1950) is now available, drawn up by the Gosplan and the Soviet Statistical Office. The output figures of 1950 for basic materials quoted in this report (over 19 million tons of pig iron; more than 27 million tons of steel; over 260 million tons of coal; and more than 37 million tons of oil) confirm the estimates recently published in *The Economist*.*

The report now proclaims officially that for industry the Five-Year Plan was carried out in four years and three months. Indeed, targets had to be raised for the last year of the plan. Total industrial production, it is claimed, rose by three quarters in relation to 1940, not by half as had been planned. Yet time and again the report strikes a more modest note: for example, though the achievements have been great "industrial output does not correspond to the growing requirements of the national economy." It would seem that half way through the plan Stalin came to the conclusion that the planners had been unduly cautious. This may be the clue to the mysterious dismissal in 1949 of the chairman of the Gosplan, and Voznesensky, the official author of the plan. At the same time, it implies that the new plan, when announced, will set more ambitious targets. Reasons for the delay in its publication are discussed in an article on page 990.

From the report it may also be gathered that, as has been pointed out in *The Economist*, agriculture and consumers' goods industries are lagging behind heavy industry. In fact it is now disclosed that the modest target for textiles and that for shoe production have not been fulfilled. Another deficiency occurs in housing: for the output of both bricks and tiles fell short of the plan. This is particularly disturbing for the authorities, since wartime destruction has not yet been completely made good and the organisation of agriculture has added a new burden for housing authorities. As for agriculture, it is now announced officially that collective farming has been established in the Baltic States, in western Ukraine and Byelorussia (formerly Poland) and in Moldavia (formerly Rumania).

Policies for Persian Oil

The situation in Persia has improved. All the strikers in the petroleum fields and the refinery of Abadan have returned to work, after 13 days, despite the efforts of the

* See the issues of February 24th, March 3rd, March 10th, 1951.

Tudeh Party to keep them away. Soviet broadcasters, reduced to despair, informed the world this week that the "main meal" of Persians working in the refinery consisted of "worms dug up from the mud flats." There is no reason to suppose that the employees are looking closer at the juicy steaks in the Palm Court Restaurant or at the savoury stew provided in the canteens of the Anglo-Iranian Company.

However, despite the lessening of tension in Teheran, the moment hardly seems propitious for negotiations between the company, which will be supported by the British Government, and the Persian Government, which it is suggested will shortly begin. Our correspondent in Persia writes that it is difficult to see how the Majlis will sober down to the task of drafting concrete proposals, and suggests that there are only two ways out of the dilemma. One would be for the Shah to dissolve Parliament, frame concrete proposals with a team of experts and put them to a new house; but there is no guarantee that a seventeenth Majlis would be superior in intelligence and commonsense to any of its predecessors. The alternative would be to summon a Prime Minister capable of cajoling, or otherwise managing, the present irresponsible body. Almost the only man capable of this is Qawam-es-Sultaneh, known to his face as "the old fox." But Qawam and his absolutism are not popular with the very much younger Shah.

Further reasons which make delay advisable come from Washington, where the talks between the British and American Governments and petroleum experts ended last week. This series of conferences, arranged to study the broad outline of policies which the two Governments are pursuing in the Middle East and Persia, were useful but indeterminate. The Americans do not yet appear to realise that what is happening today in Persia will occur tomorrow in Saudi Arabia. Surely now is the moment at least to consider possible means of keeping those strange and dangerous bedfellows—violent nationalists and Communists—at bay. Meanwhile, the Anglo-Iranian Petroleum Company continues to give the Persian Government one of their main props for remaining in power—£2,000,000 monthly in advance of royalties. In addition to this the company's local expenses are running as they were in 1950 at a rate of over £21 million a year.

The total sums paid by the Anglo-Iranian Company to the Persian Treasury in 1950 were £19½ million, including some payments in respect of 1949, as well as £13 million in advances against 1950's estimated earnings. In 1951 £11½ million has so far been paid by the company to the Persian treasury; and advances will continue at the rate of £2,000,000 monthly until the sum of £25 million is reached in addition to other payments, or until a new agreement is concluded.

The Debate on the Charges

Robbed of its political excitement by Mr Bevan's resignation, last Tuesday's debate on the new National Health Service Bill was humdrum. There was general approval of the clause which permits the responsible Ministers to spend money on the treatment of the tuberculous in Swiss sanatoria; and there was general interest in the role of the Assistance Board, and the tests it will apply, in refunding the charges for spectacles and false teeth to those who might otherwise suffer hardship. But on the main principle of the introduction of the charges there was little passion—except from a member who had been Mr Bevan's parliamentary private secretary.

Mr Marquand, the Minister of Health, stated that charges on spectacles and false teeth had been chosen for four reasons: they would bring in the extra money required for the hospitals; they would not fall on people who were seriously ill; the cost of collecting them would not be high; and they would act as a deterrent to abuse of the services concerned. No other charges within the health service,

according to Mr Marquand, would satisfy these four criteria so well. Charges for board in hospitals would fall on people who are ill and unable to earn. The proposed charge on prescriptions, after the necessary exemptions were made, would produce only £6,000,000 a year and would hurt most those who were chronically sick. Charges on appliances such as invalid chairs and artificial limbs would yield less than £2,000,000.

But all Mr Marquand's persuasiveness cannot hide the fact that more drastic changes in the health service's finances will be necessary. The proposed charges are estimated to bring in £13 million this financial year and £25 million in a full year. The estimate for the hospitals is £15 million more this year than it was in 1950-51, and the total net expenditure on the health service that falls on the Budget is to be £398 million. Next year Mr Marquand counts on having £12 million more from the charges now being imposed with which to meet "essential needs, and possibly rising costs" without going beyond the limit of £400 million on the cost of the health service as a whole. He spoke as if this £12 million would be used for a still further expansion of the hospital service. What is virtually certain is that there will be pressure to increase the hospitals' budgets year after year so long as the present system of financing them is maintained. At the moment those responsible for running the hospitals have a direct incentive to overbudget and to spend on unessentials. Until they are allocated a certain sum, and given freedom to spend within that sum, no real economies in the service will be made. Mr Marquand ought not to allow automatic annual increases in hospital costs, which can only be at the expense of other branches of the health service, without considering a radical overhaul of hospital financing.

Wages Claims and Arbitration

In his Budget speech Mr Gaitskell asked the trade unions to exercise a limited restraint, which he did not try to define, in wage claims. Such an appeal can count for very little indeed in practice. The second round of wage claims, after the formal abandonment of wage restraint last September, is already in an advanced stage of preparation. The agenda of the forthcoming annual conferences of many unions are full of resolutions calling for substantial wage increases. The agricultural workers are suggesting a rise of £1 a week; furniture operatives, postmen, dockers and garment workers—to name but a few trades—are all pressing their unions to put in for higher wages now, before the rising cost of living catches up with their recent gains. There is little doubt that such feelings are shared by all sections of industry.

In these circumstances a second round of wage advances is plainly inevitable. The union leaders certainly have no choice but to press the claims of their followers. The most that can be expected of them is to see that the general rise in wages is not too precipitate. A great deal depends on the spirit in which their next set of negotiations is conducted. If the present campaign for the abolition of the National Arbitration Order (the famous Order 1305) is successful, these negotiations will take place when the full prewar liberty to strike has been restored. There is no reason to suppose that this will make much difference in general, but unless the new situation is carefully handled on both sides there may be some special problems to sharpen tempers. One difficulty, from the workers' side, was pointed out last week by the general secretary of the National Union of Public Employees, who stand to lose more than they would gain by the abolition of compulsory arbitration. They are among the workers who, either for legal or for humanitarian reasons, are prevented from using the strike weapon. For them, the Order is a weapon to ensure that grievances are heard and if need be submitted to arbitration. The people concerned

include hospital workers, the police, firemen, coastguards, certain civil servants and local government employees. Many of them believe that Order 1305 has enabled them to force their employers, usually public authorities, to rectify many injustices in wages and conditions of work.

Such public employees obviously constitute a special case, but it is an example of the type of problem that the TUC would be wise to examine more carefully. The unions have to remember that there is nothing inherent in strike action that ensures that an employer will give in to the strikers' demands. There are still cases where workers can gain much more, even in the short run, by arbitration. The unions will not be allowed to have it both ways—that is, to regain the unrestricted right to strike while retaining the power to force employers to accept arbitration. The demands put on the good sense of both sides of industry are certainly not going to be any lighter during the next few months, and the atmosphere of political doubt and discontent is not the best of environments.

* * *

Facts for Fabians

The Fabian Society has just published two speeches delivered at a conference of its International Bureau in February—one by Mr R. H. S. Crossman and the other by Mr Kenneth Younger.* Both addresses are significant of the development of views on foreign policy within the Labour Party, for the Fabian Society is the place where the party's conscience is preserved as in an ivory casket safe from the contamination of this wicked world. Before that august tribunal a mere Member of Parliament or Minister of the Crown can only defend himself, like a prisoner at the bar, against charges, not perhaps of "deviation"—for the Labour creed is hardly definite enough to deviate from—but of spiritual decomposition. In the speeches now published both speakers were in fact, not so much guiding or exhorting their hearers, as replying to an indictment which has to be inferred from the fellow-travellerish interruptions printed in brackets.

Mr Crossman boldly took the bull by the horns—or perhaps one should say, the fellow-traveller by the hair. Admitting that the Government's foreign policy was "in many respects remote" from the views and feelings of the rank and file and of "politically conscious Socialists," he declared:

There are two possible reasons for this concern—that the Government has departed profoundly from the principles of the Party, or that the Party is very remote from reality.

Mr Crossman came down in favour of the latter explanation, and said that he wanted "to discuss the realities from which Cole is escaping"—a reference to Professor Cole's letter to the *New Statesman* three months ago condemning British participation in the Korean War. Mr Crossman found "neutralism" both impossible in practice and wrong in principle. He called the attention of the Party's traditionalists to the fact that Britain was no longer as powerful in world affairs as it once was:

How wonderful it must have been when one could pass a resolution in one's trade union branch and have the conviction that, if the great Government at Westminster adopted it, it could be enforced on the foreigner!

But in a world as unresponsive to British precepts as that of 1951 British policy must have its international alignments and Mr Crossman set the cat among the pigeons with a blunt declaration that "we have far more in common with the United States than we ever had, or could have had, with the USSR," and that the Atlantic Pact "is not something dirty and distasteful for Socialists, but a necessity of survival." In quarters where "politically conscious

* Socialist Foreign Policy, by R. H. Crossman, M.P., and the Hon. Kenneth Younger, M.P. Fabian Tract. No. 287. Price 1s.

Socialism" has never prevailed there may not appear to be anything particularly original or courageous in such remarks; but it should be recognised that it has never been an easy or simple matter for Western Socialists to choose in foreign policy between a totalitarian socialism and a capitalist democracy.

Senator Vandenberg

In the course of a few days the Atlantic alliance lost two of its strongest supports—Mr Bevin and Senator Vandenberg. To the American statesman the people of Western Europe owe a deep debt of gratitude for his part in guiding his people towards acceptance of the immense new duties and responsibilities thrust upon them since the war. The man who was renowned in the 1920s for his editorial fulminations against the League of Nations exerted in 1945, with perhaps decisive effect, the whole of his influence to bring his country into the new United Nations Organisation.

In his famous speech of January 10, 1945, Senator Vandenberg had the courage to break with his isolationist past and to proclaim his belief that the world could no longer be divided into watertight compartments. He went on to lift the issues of foreign policy out of the scrimmage of party politics. As a delegate to the San Francisco conference, as Republican adviser to Mr Byrnes and General Marshall, and as chairman of the Senate Foreign Relations Committee, he was one of the principal architects of the bipartisan—or, as he preferred to call it, "non-partisan"—foreign policy, which allowed the United States Government to act with such authority and resolution in the first critical postwar years. He was also one of the first to realise that the Soviet Union must be treated with firmness; and if he was not himself the originator of the policies embodied

in the Truman programme of aid to Greece and Turkey, the Marshall Plan and the North Atlantic Treaty, he played an invaluable role in securing their acceptance by the Senate.

British Policy and the Schuman Plan

When the Schuman Plan was signed just over a week ago Whitehall's attitude of sceptical and benevolent indifference evaporated overnight. Its first reaction was to make a *démarche*, asking the French Government to refrain from promising Germany support in throwing off the economic controls imposed by all three Occupying Powers through the Ruhr Authority and other inter-allied programmes. London claims, quite correctly, that these questions are a matter for discussion among all the Occupying Powers, whereas an official French statement has already assured Dr Adenauer of such support once the plan is established.

In the past few days British officials have been trying belatedly to evolve a realistic policy toward the Schuman Plan. Although not yet ratified by the parliaments of member countries, the plan denotes a trend toward the integration of European industry which Britain can no longer ignore. Minds have still to be made up about its economic importance to British industry; but some of the considerations that must receive attention are fairly obvious. Under normal conditions, the six continental nations are a market for about one-tenth of this country's total steel exports. The Schuman Plan Treaty, however, makes ample provision for restricting British sales in these markets unless this country carries through "satisfactory" reductions of its own tariff barriers against continental coal and steel. So long as the present emergency conditions of worldwide steel and coal shortage continue, these provisions are no threat to British coal and steel. Of more immediate concern is the question of raw materials, in particular French North

African iron ore. The Schuman countries may enjoy both priority and preferential prices in buying these ores, which are important to steel production here.

Politically the problem is even more complicated. The overriding political purpose of the Occupying Powers has been to ensure that the Ruhr's resources should never again be used to equip an aggressive German army; at the same time the Ruhr Authority was intended to ensure that some part of Germany's coal should be at the disposal of former victims. The question asked in London is whether these policies are in jeopardy. As stated in the Treaty, the essence of the plan is that the development of the coal and steel resources of the six nations should be limited only by economic considerations operating in a competitive single market; this implies lifting the current limitation on German steel production. Thus Britain and the United States are now faced with the necessity of deciding at once what degree of freedom they are prepared to grant to Bonn. As a member of the Schuman community can Germany be trusted, in the long run, to resist the temptation to rearm for national purposes? If not, then is the High Authority strong enough to act as a check?

If the British Government should decide to become a full member of the Schuman community, it would probably be for these compelling reasons of international security; the economic difficulties could undoubtedly be solved without full-scale membership. But its fundamental objection remains: a majority in the Council of Ministers of the Schuman Plan can impose its decisions on all member countries, for no one nation has a veto.

Towards French Elections

For at least a year the race has been neck and neck between Britain and France as to which would have a general election first. Now the winner is still in doubt. In Paris last week's vote of confidence in M. Queuille's government, which seemed for a time to have made certain the holding of French elections in June under the new electoral law, has since been invalidated. This again makes possible the deferment of elections till October, which is the latest constitutional date for them.

M. Queuille's government has again been under fire, and the Prime Minister has been concerned to force a decision either way, not an easy thing to do in what has become a complicated parliamentary situation, even for France. The broad issue has been plain enough. If M. Queuille could have secured the further necessary vote of confidence that he sought, the plan for elections in June would have gone ahead and the remaining parliamentary time would have been devoted primarily to detailed financial discussion. If not, then elections would probably be deferred till October. M. Queuille's difficulty has been that he needed not only a plain majority but a favourable vote of more than 311 in order to overrule the Senate's rejection of the new electoral law. This law, having brought down M. Plevin's government two months ago, was only passed in the lower house with much difficulty when M. Queuille took office.

At the root of the uncertainties in Paris has been the malaise widely felt among the deputies at the inexorable approach of elections—whether in June or October, under the new electoral law or the old. This has had the effect of weakening party ties and making party agreements insecure. Deputies are face to face with all the considerations of local politics and their personal positions. This has tended to make them turn their backs on national issues, and vote according to individual conscience and convenience. The sooner such a situation can be brought to an end, the better not only for France but for Europe, which wants to know just how strong the extremists of Gaullism and Communism are.

Educational Priorities

Competition with rearmament has brought the inevitable fears that the standards of education will have to be reduced. Two Conservative back-benchers last week introduced a debate in the House of Commons about educational priorities. The gist of the arguments of Mr Ashton and Mr Maude was that if cuts are necessary they should fall least heavily on primary and secondary schools. Mr Maude went so far as to argue that expenditure on the universities should be sacrificed in favour of the primary schools.

The weakness of this argument is that the fringes of the educational system are so small, and the centre is so large, that even if all expenditure on youth and community centres and a crippling proportion of university expenditure were cut out, the benefit to primary and secondary schools would be very small. On the other hand, this general approach to priorities is the right one, and makes it the more regrettable that some Labour speakers flatly refused to consider economies. There are many things that it would be right to cut before education, but nothing is gained by Mr Morley's ostrich-like declaration: "I do not accept the . . . hypothesis that there is only a limited amount [of money] available for education."

So far Mr Tomlinson has succeeded in getting more money, men and materials for educational building than there has ever been before. Even so, the margin for absorbing, without further overcrowding, the increased number of new pupils (the consequence of the high wartime and postwar birth-rate) is as narrow as can be, and everyone must be apprehensive lest rising costs should remove it completely. So far it is not clear what cuts, if any, will be necessary. Educational expenditure as a whole is still rising and capital expenditure is being kept stable. Mr Tomlinson gave no real clue to his future expectations. But it is clear that to maintain the essentials some paring-down will be necessary. The cost of school building has been reduced from £195 to £140 per place in primary schools and from £320 to £240 in secondary schools. If these reductions had been made earlier more schools would now be in existence. The important thing is to lay down for the whole of educational expenditure what has already been decided for school building—that is, the order of priorities. If standards are to be preserved in essentials then less essential things may have to be sacrificed.

Arrested Development

The Board of Trade is at present making its first triennial review of the Cotton Board. This has revealed trade opposition on particular points—notably to the financing of the Board's activities by a levy on spinners alone—but general support for its continued existence. A recent pamphlet by PEP* points to its history and structure as reasons why the Cotton Board has been more successful than the other development councils.

The original Cotton Board was established by law in 1940. Its purpose was primarily to encourage wartime exports, but the prewar attitude of the majority of the industry, which had sought in "self-government" some defence against slump, was still fresh in memory. Moreover, the horizontal structure of the cotton industry made central co-ordination particularly desirable, and in wartime conditions of control the board could at the worst be regarded as a way of muffling Whitehall's impact on Lancashire. When the Cotton Board was turned into a development council in 1948 it enjoyed a considerable measure of goodwill.

At any rate in the postwar boom, other employers have taken less kindly to development councils. They dislike a

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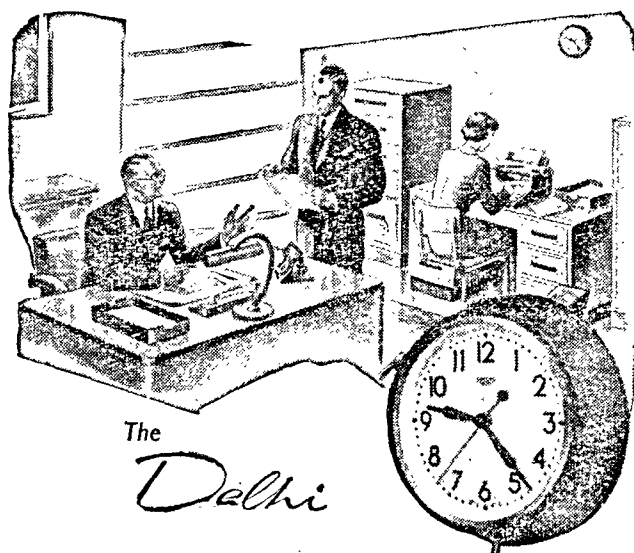


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statutory body, fear Government interference, and resent the compulsory levy and the intrusion of independent members. The furniture council, it is true, enjoys the support of its industry. But the jewellery and silverware council is rejected by one of the two main trade organisations; and the clothing council, whose establishment was opposed by legal action, has the support of only a small minority of employers. Three years of negotiations have failed to establish a development council for the pottery industry.

An attempt to compromise has been made in the china clay industry and will be made in the wool textile industry, in the shape of joint advisory committees without statutory authority. The President of the Board of Trade has the right to appoint the chairman and the independent members, but all the members are responsible to the industry, not to the Minister. Such bodies, lacking the support of a compulsory levy, seem certain to be more limited in their activities than the development councils were intended to be—though not necessarily more limited than, except in the case of cotton; they in fact are. The PEP report observes that it will be a pity if we lose the opportunity to build up experience which could be useful in a slump. Is this not to say that the councils might become acceptable to industry if they were engaged in limiting competition, fixing minimum prices, and so on? That is not, of course, the ostensible definition of "development." The official view is that there must be a pause to digest what has been done so far. It would probably be as well if the pause became a determination never to tackle anything so indigestible again.

* * *

Northern Rhodesia's Constitution

Discussions about Northern Rhodesia's constitution have begun this week between the Secretary of State for the Colonies and a deputation from the territory. These discussions are an attempt to improve a political situation that in the last two or three years has been steadily deteriorating. At a time when official policy is based on the ideal of partnership between the two races—African and European—partnership seems to be the last thing that either wants. Recently, two factors have contributed to the general uneasiness. One is the increasingly illiberal policy of Dr Malan in the Union of South Africa, coupled with the very heavy immigration of Afrikaners into Northern Rhodesia. This has provoked fears that in a few years' time Afrikaners, of Union origin, will dominate Northern Rhodesia's legislature. The other factor is the new Gold Coast constitution coupled with the recent general election there. This has frightened the Europeans, who think that similar advancement will be given to Africans in Northern Rhodesia—to the detriment of the Europeans' position—and encouraged the more vocal and extremist Africans. The result is that both sides are making impossible demands—by the Europeans for self-government (that is, self-government for themselves on the Southern Rhodesia model), and by the Africans, who have asked, among other things, whether the Imperial Government eventually intends to hand Northern Rhodesia back to the Africans.

The tension is so great that it is difficult to believe that it will be relieved by any modification of the constitution which may be hammered out in the present discussions. At present, as a result of a compromise reached with the Secretary of State in 1948, power has largely passed into the hands of the Europeans, even though the European unofficials are still in a minority in the Executive Council—where there is as yet no direct representation of the Africans. The two African representatives in the Legislative Council are taking part in the present discussions, but it is unlikely that any further promotion for Africans that may be agreed on will satisfy their more vocal politicians for long. It is quite certain that the Colonial Office cannot agree to the Europeans' demands for self-government.

The right lines of constitutional advance are thus far

from clear. Yet it is very important that a solution should be found, both because of Northern Rhodesia's geographical position between the Union's sphere of influence in the south and the Colonial Office's sphere in the east and north, and because Northern Rhodesia is not the only African dependency where constitutional progress is hampered by the problems of a plural society.

* * *

The Stone, Scot Free

Last week required from the Attorney-General two decisions in that difficult field of legal action where varying conceptions of "public interest" meet. At the Old Bailey, in the case of the prosecution of the seven dockers, he was left to resolve the difficulties created by a verdict, and a disagreement, which could never be reconciled. There was also the Coronation Stone, and the report of Scotland Yard's investigations into its removal. Sir Hartley Shawcross decided that "public interest" did not compel him to direct that criminal proceedings should be taken against those mentioned in the report as the "individuals concerned." This decision does not settle the matter in any absolute sense. In theory, it is still open to any citizen of the United Kingdom to prosecute those who removed the stone, provided he is prepared to spend his own money on the assembly of the evidence and the conduct of the proceedings. Indeed, even if a magistrate declined to send for trial anyone brought before him on a private prosecution, the prosecutor could still make an application for a trial direct to an Assize Judge or to the Central Criminal Court. But, for practical purposes, it may be assumed that the events in Westminster Abbey last Christmas Day will not have a sequel in court.

That is a little surprising. Those who were courageous enough to break into an unguarded church may, to some, have become heroes overnight, entitled to a freshly minted silver medal. Gaelic emigres in Fleet Street—happily, on this occasion, for the most part confined within what can only be described as a seventh day adventism—may have manipulated every stop in their outsized calliopes. The heroes themselves (if the published accounts have any validity) may have reached a pitch of emotion only equalled by an American schoolgirl of fifteen meeting Mr Frank Sinatra for the first time. The fact remains that the religious centre of a large part of the world was broken into on the eve of the major Christian festival and an object, part of the tradition of that church, ignominiously carted off in a truck. The only shred of dignity in the whole story is to be found in the circumstances of the return of the stone to Arbroath Abbey. Yet, Sir Hartley Shawcross says, it is not in the public interest to prosecute. Such feelings as the English may have—what, apparently, could matter less?

But perhaps Sir Hartley has made a shrewd estimate of the sum of emotion involved. The English, with something of the patience learnt in a long parenthood, do conduct their affairs on the principle that it takes two to make a quarrel. Indeed, in a fortnight charged with Celtic emotion of one kind or another, the harshest comment any of the English can make is to take it all at its face value, and ignore it.

* * *

Japanese Industry and Rearmament

In Tokyo, as in Bonn, American negotiators have found that an ex-enemy needs not so much to be permitted, as to be persuaded, to rearm. Mr Dulles has been presented with provisional plans for a limited Japanese rearmament drawn up by former Admiral Kichisaburo Nomura (Ambassador to the United States in 1941) and former Lieut.-General Torashiro Kawabe, but he did not meet with any enthusiasm in government circles for financing the scheme. Formerly in Japan the financiers and industrialists had to share political ascendancy with those whom they called "our soldier friends," and though there might be pickings for them from the proceeds of the Imperial Way, they often had occasion to sigh

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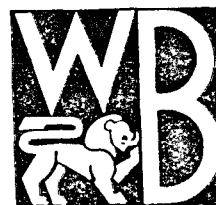
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MERCURY



MERCURY, also known by its old English name quicksilver, is the only pure metal that is liquid at ordinary temperatures. One of the heaviest of the elements, it is obtained from cinnabar, a compound of mercury and sulphur, which is mined in Italy, Spain and the Americas. The best known use of mercury is in thermometers and barometers, but its ability to dissolve certain other metals makes it of importance in the chemical industry, and in gold-mining where it is used in one method of extracting gold. Compounds of mercury have many uses. Both mercurous and mercuric chloride play an important part in medicine—Paracelsus, the Swiss physician was using mercury compounds early in the sixteenth century. In agriculture they are used in the manufacture of seed dressings. Oxides of the metal are used in special marine paints, and the bright scarlet pigment, vermillion, is made from mercuric sulphide. Fulminate of mercury, a powerful explosive, is used in the manufacture of detonators. I.C.I. uses mercury in one method of producing caustic soda and chlorine. It also uses compounds of mercury to make plastics, dyestuffs and other chemicals, including phthalic anhydride, one of the intermediates used in the manufacture of the brilliant 'Monastrol' blue pigment.



deeply over the taxation imposed by the demands of the armed forces. Today the Japanese business man has found by experience how pleasant it is not to pay anything for national defence while being protected against both domestic and external violence by a benevolent foreign power anxious to preserve the country from Communism. The financiers and industrialists are thus strongly pacifist and insist that rearmament must not be permitted to interfere with the programme of tax reductions initiated by the Yoshida Government. With the national income well up since last year, the Government is slashing taxation in the 1951-52 budget, including a 50 per cent cut in liquor and amusement taxes and reductions up to 21 per cent in income tax. It is pointed out that these popular measures will not allow Japan to do more than start building up a lightly equipped army of some 200,000 men.

At the moment, whatever may be the desires of former generals and admirals, the political leaders of Japan are more interested in rebuilding industry than in creating a new army, and the economy can certainly be well fitted in with American defence production as a complementary industrial workshop. This cannot be done, however, without a greatly increased pressure on scarce raw materials supplies, and Japanese industrialists are taking full advantage of their new bargaining position. The Economic Stabilisation Board in Tokyo has already declared that it expects America to release to Japan in 1951-52, 1,800,000 bales of raw cotton, 400,000 bales of wool, 160,000 metric tons of manganese ore, 20,000 metric tons of copper ore, 5,000 metric tons of lead, 10,000 metric tons of zinc, 1,500 metric tons of nickel and 100 metric tons of cobalt.

Ideologically, it seems that the Japanese are somewhat bewildered. The President of Tokyo University has complained in a public speech that Japan's being told in 1946 to renounce the right of national defence and in 1950 to rearm could only produce "spiritual confusion." His students, however, appear to be gradually emerging from this confusion on the side of rearmament; a poll showed 61 per cent in favour of it, 34 per cent "doubtful" and five per cent against it.

* * *

Peasant and Party in Bulgaria

Recent events in Bulgaria must have brought home to Communist leaders throughout Eastern Europe the truth of their reiterated assertion that the resolution in the countryside must not be carried through by force, and that the peasants must be thoroughly prepared before they are brought into the collectives. In Sofia these precepts seem to have been honoured more in the breach than in the observance. The result has been rapid progress on paper towards complete collectivisation, but much unrest, uncertainty and disorganisation in practice. Mr Chervenkov, the Prime Minister, said recently that more than 50 per cent of the farmers had joined collectives; but he admitted "that for the time being we have failed to convince them that the co-operative cause is right."

It appears that in many districts over-enthusiastic Party members have bribed peasants into joining collectives with promises that the state will provide them, if they do so, with everything: food, money, houses and even clothes. These peasants, now thoroughly disillusioned, are applying to leave the collectives; some have just walked out, taking their implements and livestock with them. They have been encouraged by the disciplinary measures publicly taken against the Communists in the Kula and Yablantsa districts, who "distorted" official policy by forcing peasants into collectives. Mr Chervenkov has said these "honest and industrious farmers" must be persuaded that it is against their best interests to leave the collectives, and that any "temporary inconveniences" now will be compensated "a hundredfold in the near future." More potent than any

promises of future benefits will be the knowledge that those who walk out now cannot take their land with them until after the harvest. Only where coercion has obviously been used does the farmer stand a chance of leaving at once, taking his land and possessions with him. Nothing in fact that the Bulgarian Government has yet done to counter the opposition to its agricultural policy indicates any real amelioration of it. Unlike the Hungarian Government, it has not called a temporary halt to the collectivisation drive; it has merely asked that this should be pushed forward with more discretion. Behind the bare bones of controversy revealed by the statements of Mr Chervenkov must lie a moving story of personal suffering and bureaucratic tyranny.

* * *

The Closed Shop

On second thoughts, the Labour group of Durham County Council decided last Monday to obey the Minister of Education's order that the closed shop policy in the appointment of teachers should be dropped. The Minister had previously agreed to see a further deputation from the council only if he had first received an assurance that it would comply with his directive. Faced with the threat of sanctions and lacking solid local support, the recalcitrants could only climb down. The affair thus ends in a notable victory for the National Union of Teachers, who are unlikely to be faced with the same problem again.

Erskine May

A PRACTICAL TREATISE ON THE LAW, PRIVILEGES, PROCEEDINGS, AND USAGE OF PARLIAMENT. By THOMAS ERSKINE MAY, Esq. Second Edition. Butterworth, Fleet Street.

The seven years that this work has lived have testified to its great value. It has been continually referred to. It has been the text-book for Parliamentary lawyers and for those who have discussed Parliamentary privileges. The present edition is only so much better than the first edition that has already received the public approbation, inasmuch as it contains more matter and is adapted to all the changes that have been made in the seven years. . . . The greatest alteration . . . is in the management of private business, the vast accumulation of which has compelled the Houses of Parliament to make these changes, and has made Mr May's third book, which treats of them, a new treatise on Parliamentary procedure. It may be very delightful to the members of the two Houses to exercise the control given them by private business over the fortunes and pursuits of individuals; but we must say that it is quite foreign to the legislation for the interests of a great empire to decide between the rival claims of gas and water and railway companies. Certainly one of the most feasible and most constitutional reforms of Parliament would be the removal of private business from the control of the two Houses into some court constituted and appointed to settle such questions. The court might have the power, under certain limitations derived from Parliament, to decide all such controversies between private property and the public good as arise from proposed new enterprises, and of compelling a man to give up his land when necessary. . . . Questions of this kind and all questions connected with the proceedings of the House as they are suggested by the work can only be discussed by having Mr May's book in the hand and referring to it for information of the existing practices. . . . Being corrected by the assistance of Mr Speaker, which is gracefully acknowledged, to the present time, it is an authority which no man should neglect who has to act or speak of the rules of Parliament or guide his conduct by them.

The Economist

April 26, 1951

Letters to the Editor

Britain, Persia and Oil

Sir,—I am inclined to agree with some remarks made in your leading article of March 24th about the Arabic service of the BBC. No one denies that the news service is excellent and useful, but I have frequently felt that the transmissions, despite many recent improvements in the talks section, lacked life. The subjects are sometimes highly specialised, even precious, while the manner of presentation tends to be pompous. In the field of music, very little enterprise is shown and the Arabic service contents itself by offering what, in the opinion of the directors, the Arabic listeners expect. That the tastes and mentality of the Arabs have considerably changed in the past 20 years seems to have made little difference to the general colour of the programme.

I am under the impression that the North African Arabs, whose tastes vary greatly from the Asiatic Arabs of the Near East, are the main concern of the Arabic service, the argument being that the North African Arabs have no stations of their own and that they write letters. If that is the case then the service had better be called the North Africa Service. On the other hand if it tried to cater for the Syrians, Lebanese, Jordanians and so on, its appeal would be much more general. It is a great pity that the Arabic service does not aim to arouse new interest amongst the Arab speaking races but goes on following the same old formulas with slight variations here and there.

It is not enough for the North African (and other) Arabs to know what is going on in England and to listen to gramophone recordings and so on. A more personal and spirited approach would increase the number of listeners even in those countries that boast of broadcasting stations.—Yours faithfully,

AFIF BULOS

Street, Somerset

*

Sir,—Your article in *The Economist* of March 24th was very welcome but, like the belated offer by the Anglo-Iranian Oil Co. of increased royalties, was long overdue. For the company to take the line that "we are busy oil men" will not do, of course. Their position is a unique one and the lack of imagination and judgment shown has been disastrous.

What of the Foreign Office's responsibility? Should not any deficiencies in "diplomacy" by the company have been made good by H.M. Government—directly or indirectly? The hesitancy to assume responsibility, from which our diplomatic representatives have shuffled away on the excuse that the company's contract is a commercial one, has resulted in neither doing the difficult job of public relations. These, by default, have deteriorated progressively.

The negative attitude of both company and Government, and the failure to grapple with changing circumstances,

have permitted the most valuable single asset we possess, outside the Empire, to drift into jeopardy.—Yours faithfully,
A. G. I.

Baghdad and the Oil Talks

Sir,—May I comment briefly on your correspondent's article in your issue of April 14th to show the point of view of the Iraqi people? While your correspondent admits that one of the Iraqi's major complaints is at the rate of production, he maintains that the "Iraqi argument . . . is greatly weakened by the fact that the company has lost heavily over the Iraqi refusal to use the pipes to Haifa," and "by the fact that just round the corner . . . is more money than Iraq can spend at once without causing the gravest inflation."

This twofold argument is, at best, a temporary explanation of the short-run rate of oil production. It is hardly capable of explaining the very low rate of oil production which has been prevailing in Iraq for a long time—the lowest among oil producers in the Middle East. Thus in the period between 1938-47, oil production in Persia was almost doubled and in Saudi Arabia increased from virtually nothing to 92 million barrels, while it has increased by only two million barrels in Iraq. It is clear, therefore, that the argument of the Iraqi refusal to use the pipes to Haifa can afford no explanation for this long-run tendency of the extreme slowness in the rate of oil production, despite the fact that almost 8 per cent of world proved oil reserve lies in Iraq.

However, the real explanation of the low rate of production must be sought, I think, in first, the attitude of the British Government to keep up the oil reserve in case of war and, secondly, the virtual absence of refineries, except for the home market, within the territory of Iraq. The absence of refineries, though it is overlooked by your correspondent, is one of the major grievances of the Iraqis against the oil companies.

Turning to the second part of your correspondent's argument—the inflationary pressure which may be caused by a greater revenue from oil—I admit that there is some truth in it so long as the country is at the mercy of the exploiters of the feudal system. But if there is a Government which sincerely embarks on a large-scale programme for economic and social development, and imposes an equitable as well as effectively administered system of taxation, the increase in the revenue from oil need not cause any further inflationary tendencies. On the contrary, any large-scale capital investment will, I think, increase the capital outlays more than the corresponding increase in the flow of money, by reason of the rising prices of capital goods. If, therefore, the increase in revenue were exploited according to the benefit of the people, it is likely to prove a disinflationary rather than inflationary measure.—Yours faithfully,

IRAQI

The Budget

Sir,—In his lucid presentation of the national budget for the forthcoming year, the Chancellor of the Exchequer brought in the projected reduction in overseas investment amounting to £200 million as a pound for pound offset to a reduction in his own budget surplus.

Had the reduction been ascribable to a decrease in our volume of exports or an increase in the volume of imports, his proposition could be accepted without qualification. Unhappily, it is probable that a reduction of £200 million (or more) will be due to the worsening of our terms of trade. In such a case the reduction of overseas investment will not provide a pound for pound offset to a reduction in the budget surplus and may provide little offset.

The worsening in the terms of foreign trade leading to a reduction in the overseas balance by £200 million must raise the cost of domestic investment and domestic consumption together by £200 million. To the extent that it raises the cost of a given investment programme, it makes no contribution to the finance of that programme. To the extent that it raises the cost of consumption, it only contributes to the finance of an investment programme by the amount by which it leads consumers to curb consumption. It is to be feared, therefore, that the Chancellor has not closed the gap, and that higher taxation and/or a more powerful curtailment of domestic investment will be needed if this is to be done.

There is, however, another possible remedy. If by a revaluation of sterling the terms of trade could be rendered more favourable, at least to the extent of not being worse in 1951 than they were in 1950, then the Chancellor could validly bring in the reduction of the overseas investment as a contribution to the general balance.—Yours faithfully,

Washington

R. F. HARROD

Post-Mortem on Wheat

Sir,—With reference to Mr Strange's letter in *The Economist* of April 7th, does not his argument as to the moral obligation of the British people to pay compensation to Canadian farmers involve the very principles on which contracts are based and for which purpose they are entered into?

The four years' wheat contract was a bilateral undertaking, drawn up to provide stability of prices to both sellers and buyers and at that time was no doubt considered equitable by both parties to the bargain. Had circumstances taken an opposite direction during these last two or three years, and had world prices dropped to below the figure contracted for, would Mr. Strange, on behalf of his farmer friends, have felt any moral obligation to give the British Government purchasers a corresponding reduction of the contractual price?—Yours faithfully,

Lincoln

H. E. CAMPBELL

Farming Merry-Go-Round

Sir,—Though I agree with Mr Eastwood's letter in your issue of April 21st that a further rapid increase in the output of British agriculture is possible, I am at issue with him in his advocacy of the greater use of nitrogen. It seems rather that too much is used already if layered, poorly rooted, and over-green sappy crops are any criterion; phosphates and humus are the remedies for this heavy wastage. Of the former a 25 per cent increase is vitally necessary; of the latter, the least said the better, as under the present system of extensive farming, failure of animal husbandry, unscientific sewage disposal, and labour shortage, humus must remain scarce.

The long-term solution of the agricultural problem lies in the adoption here

of the balanced and truly scientific French agricultural system. — Yours faithfully,
DOUGLAS T. BAILEY
Sevenoaks

The Inferior Male

Sir,—There are implications in Mr Martin's paper to the Royal Statistical Society, discussed in *The Economist* of April 14th, page 851, which you fail to bring out. You say

Most pension schemes are based on a higher retiring age for men than for women, presumably because men are considered to be the stronger sex and therefore capable of working for a longer span of their lives.

I know a little about pension schemes and I believe that, like so many others, you do not realise that the object of pension schemes is to get people out of

employment when they are of no use in employment. Other schemes, not for this particular purpose, are often called pension schemes, but they are not pension schemes (Mr Millard Tucker, please note!). They are, in fact, savings schemes. If, under a pension scheme, it has been decided that males are to be retired normally at age 65, then everybody knows that females should be retired normally much earlier than this age, probably even earlier than age 60. The period of usefulness of the male is so much longer than that of the female. The fact that, for some reason, females continue to live to higher ages than males simply extends even more their period of relative uselessness as compared with the male! It is just one of those things! —Yours faithfully,
J. REAST
London, S.W.3

Books and Publications

Recovery of Realism

Russia by Daylight. By Edward Crankshaw. *Michael Joseph.* 240 pages. 15s.

Book by book, speech by speech, article by article the slow return of British thinking towards realism about foreign policy proceeds. It is not just a matter of overcoming an understandable and healthy war weariness; it is also a matter of conquering the fears created in the 'thirties by appeasement, wishful thinking and escapist slogans. As the public is always at least five years behind the times in its thinking about these matters, the process is still very hard work; and there is a long way to go before people want to, or dare to, say that Russian military strength may have been exaggerated, that appeasement has a part to play in diplomacy, that Communism is losing ground in Europe, and so on.

It is to the recovery of realism about the Soviet Union and to the shooing away of bogeys that Mr Crankshaw applies himself. One would like to say that he lays mines under and explodes many illusions and confusions; but his manner is urbane and on the whole modest, that of the intelligence officer and not that of the sapper. He is sweetly reasonable throughout and at times even seems to protest too much that the Russian people have no friend like him. On the other hand, when he is indicting cruelty, fraud and savage ambition he is stern as a liberal should be.

Mr Crankshaw quite rightly objects to the way in which people are hypnotised by the alleged moral and religious appeal of Communism. It is fashionable to regard the men of the Kremlin either as gangsters ready to surge across Europe and Asia in search of booty and far flung frontiers; or as apostles of a new religion, crusaders for a world new deal, who strike terror into bourgeois society by the moral authority with which they speak to the masses. The two conceptions are clearly incompatible. This book shows very clearly how Lenin

began the corruption of European Marxism by bringing Russianism into it; how Stalin has moved steadily towards the revival of Russian nationalism and his own transformation from Secretary General to Leader and "father of humanity"; how monstrous failure at home, the degradation of the Russian people and the creation of a proletariat which was not there before have all driven him into an aggressive, fearful, and melodramatic foreign policy.

The impromptu and inconsistent nature of that policy in some of its European operations is well exposed in Mr Crankshaw's examination of Soviet actions in Germany; and he makes a powerful case for the view that cold war as we now know it began at the moment when Molotov walked out of the first conference on the Marshal Plan. In 1945 Stalin had the choice between exploiting the position won in the war and withdrawing Russia into a convalescent isolation. When he was offered in 1947 a third possibility—that of co-operation with the West—he dared not accept it; for it would have revealed to the whole world the weakness and backwardness of the system that claimed to lead the world. Having given up the chance of bringing Russia to Europe's level, he decided to try to drag Europe down to Russia's level. Now, particularly since Tito's defiance, the distinction between Communism and Russian nationalism geared to the Politbureau is beginning to appear; and it is the task of western policy to encourage and clarify this distinction, not to lump Stalinism, Communism and imperialism together into one monstrous bogey. There are blemishes of style in this very readable book—most of them jocose—but it is full of excellent points expressed in persuasive and good-tempered argument. It should do a lot of good in the United States.

Patchwork Introduction

The Essential T. E. Lawrence. Edited by David Garnett. *Jonathan Cape.* 327 pages. 12s. 6d.

Sheikh Hamoudi's beautiful lament for Lawrence intoned in his stone-flagged hall in Aleppo opens this book, which is described by its editor, Mr David Garnett, as "a patchwork portrait of Lawrence by his friends." Unfortunately, after this notable beginning the picture of T. E. Lawrence tends to become submerged under the opinions of various members of his family and those of senior officers and others among Lawrence's English friends and acquaintances. No other Arab of note is quoted, whereas a few lines from, for example, the present Prime Minister of Iraq, Nuri Pasha es Said, who served with Lawrence throughout the Arab revolt, would today make a fascinating and, one imagines, illuminating reading.

Mr Garnett may be excused for overlooking contemporary Arab sources, important though they must be in any attempt to present the essential Lawrence, but it is not so easy to forgive the omission of that remarkable portrait of Lawrence which emerges from George Antonious's "The Arab Awakening." In this, an educated Arab, writing in English, tells us that Lawrence, contrary to the legend which has grown up around him and has been widely accepted, could not in fact speak Arabic well enough to have been mistaken for an Arab, except possibly in a brief, chance encounter. But M. Antonious also gives detailed accounts of some of the "most original and daring expeditions" which Lawrence himself passed over in silence in all his published writings.

Despite its omissions, this book shows much of the enigmatical quality of Lawrence's character. The extracts from the Arab Bulletins, the letters and the "Seven Pillars of Wisdom" are well chosen, but readers already familiar with them will be tempted to turn quickly to the passages from the unpublished "The Mint" which describe Lawrence's life

in the RAF. They will find that this work, which has achieved considerable notoriety since Lawrence's death, does absolutely nothing to solve the mystery of his personality. It illustrates only too vividly the inconsistencies and sometimes even the downright untruthfulness of Lawrence's writings. For example, when the RAF doctor asked him how long he had been short of food, Lawrence described his thoughts as "Since April I've been taking off my friends what meals I dared. . . I'd haunt the Duke of York's steps at lunchtime so as to turn back with someone to his club." Yet Colonel Newcombe, an admirer of Lawrence, recalls that, at this time, "he constantly refused or neglected invitations to meals," and points out that he was, in any case, receiving sufficient money for his needs. There is no question, however, that "The Mint" is beautifully written. Lawrence was one of the few men of this country who could over-write effectively; all his writings can be read aloud without ever sounding either affected or trite.

For the generation growing up that knows nothing of Lawrence this book should be an entrancing and compelling introduction. But it would be surprising if those who read it do not turn at once to the unabridged edition of "The Seven Pillars of Wisdom"—which is as near to the essential Lawrence as anyone who never met him is likely to get.

History of Coal

Coal: History of Second World War Series. By W. H. B. Court. *HMSO and Longmans, Green.* 422 pages. 21s.

It is fitting that the first volume in the Civil Histories of the Second World War to deal with a single industry should be on coal, since getting enough coal to meet wartime needs was one of the most persistent and intractable of problems on the United Kingdom home front. It was the obverse of the prewar problem of finding markets for all the coal raised and work for all the men attached to the industry. The Mines Department had foreseen this reversal; as sometimes happens in economic planning, their assumptions were wrong, but their answers came out more right than wrong. They planned to meet a coal deficit, and the wartime story of coal is one of varying degrees of shortage broken with a single burst of surplus, when the fall of France removed one important call on United Kingdom supplies.

Professor Court traces through the various expedients—including wage incentives but excluding price disincentives—adopted for increasing supplies and for checking demand with the least harm to the war economy. It is a complex story ranging from Bevin boys to coal programming; from abortive rationing schemes to the Coal Charges Account, and is told with clarity and objectivity—and with notable self-denial of the use of hindsight.

How far was the wartime coal policy successful? Professor Court can give no simple answer. There was never enough coal to meet demand at prices

charged. But prices themselves were unduly low, unless one accepts the new orthodoxy of nationalised industries, that prices should be equated with average and not marginal costs. The wartime (unlike postwar) control never failed to keep essential production fuelled, but this was achieved not by increasing production from the mines but by scraping up open-cast coal and by compelling the householder to defer to wartime industry's fuel needs. Domestic electricity consumption leaped ahead unchecked, either by rationing or price discrimination (very much the reverse, in fact) leading to power shortages, which remain today a hindrance to an economy at full stretch. While charges for coal distribution were tightly controlled, no serious attempt was made to cut its lavish use of labour.

The complex story is well told, but, although one cannot expect to find an official history spilling all the beans, one might have looked for a more critical attitude towards official analyses, estimates and programmes. Any wartime civil servant knows how plans were flung together with whatever material and stock of ideas were available at the time, as urgent problems rushed upon harassed officials and busy Ministers, and how often "budgets" gave desired or convenient figures when the answer was unknown or unknowable. Just a little of Professor Devons's iconoclasm on economic planning in wartime would have been welcome.

Professor Court's final sentence is just: "No other major British industry carried so many unsolved problems into the war: none brought more out." But one thing the wartime control did settle: there could be no return to even that degree of competition in the coal industry which existed in 1939. The levy-subsidy arrangement under the Coal Charges Account which had insulated consumers from high cost production, the national minimum wage and national wage negotiations, coal programming and grouped production control, all these were barriers to the road back and pointers to a new form of organisation which turned out in the postwar political context to be nationalisation.

The Wandering Coin

Zwei Jahrhunderte Maria-Theresien-Taler, 1751-1951. By Dr. J. Hans. Published by the Author. 60 pages. 33 schillings net.

The publication of a monograph on the Maria Theresa dollar is a welcome event, the date chosen for its appearance is appropriate, being the bicentenary of the birth of that romantic and adventurous coin. And Dr Hans, a well-known specialist in oriental currencies, was the right person to undertake the task. He provides us with a wealth of factual material, including some statistics on the amounts of Maria Theresa dollars minted since 1751 in Vienna and elsewhere.

Dr Hans's approach is historical rather than theoretical. Yet there is ample scope for a theoretical use of his material. It provides, for instance, much ammunition to opponents of G. F. Knapp's state theory of money. According to that

theory money is essentially a legal institution, and owes its acceptability to the writ of the state. The Maria Theresa dollar certainly provides a striking exception from this rule. Although originally it was an Austrian currency, it soon became the principal currency in Arabia and in large parts of Africa. It achieved this position without having been decreed legal tender by most of the state or tribal authorities concerned. Indeed, in many instances it retained its monetary role in spite of the efforts made by the state authorities to demonetise it and to replace it by other forms of currencies.

The first instance, quoted by the author, of unsuccessful Government intervention against the use of Maria Theresa dollars occurred in the Ottoman Empire. The ban placed on their circulation was defied, and their replacement by Turkish coins failed in the provinces of Jemen and Hedjaz. Nor had King Ibn Saud, a hundred years later, an easy task when he tried to replace the Austrian coins by his own rials. Indeed, during the inter-war period the demand for Maria Theresa dollars in various Arabic countries reached new peaks. To satisfy it, large quantities were minted in London, Rome, Paris, Brussels and Bombay.

In the Italian Colonies of Eritrea and Somaliland, too, the authorities had to fight hard to ensure the use of their own currencies. Right to the eve of the collapse of the Italian colonial empire the inhabitants preferred the Maria Theresa

CHARLES MORGAN

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dollars, especially in backward regions. In Abyssinia the Maria Theresa dollar reigned supreme for at least 150 years. After the Italian conquest it was officially demonetised, and in this instance Government intervention was more successful, because it coincided more or less with a world-wide demonetisation of silver. Even so, many millions of dollars were smuggled into Ethiopia, partly to take advantage of the favourable exchange rate fixed by the Italian authorities, and partly to satisfy demand in remote areas where Marshal Graziani's writ did not run.

Dr Hans brings his history up to date by giving an account of the progress of the demonetisation of Maria Theresa dollars in most countries in the Red Sea region since the end of the war. It is a pity he confines himself to that region. He should have covered the use of these coins in various remote parts of Africa. For they penetrated as far west as the Tuareg Oasis and the Mahommedan communities of Nigeria. In some communities they circulated jointly with various kinds of primitive currencies, such as salt bars in Abyssinia and cowries in Sudan. Such secondary currencies were needed because the dollar was too large a unit for the everyday requirements of most people outside commercial centres. To judge by the material produced by Dr Hans, there would have been every justification for the production of a much larger work on the subject.

Amateur Sociology

Human Needs. By Michael Graham. Cresset Press. 252 pages. 15s.

It is a commonplace that the specialisation of knowledge has reached a point where it frustrates understanding and, with understanding, much potentiality for good; and nowhere is this more true than in the social sciences. There is thus a real need for the kind of incorrigibly confident amateur who rushes in where angels fear to tread, asks awkward questions about the Emperor's new clothes, thrusts under the noses of preoccupied professionals disconcerting facts garnered from other fields, and insists on translating the abstractions of specialists into terms of human happiness or unhappiness, fulfilment or frustration. He may make a fool of himself, but he brings fresh air and a sense of proportion to his subject, and experts outraged by his impudence may be better occupied in profiting by both than in fortifying their own sense of superiority by pulverising his errors.

"Human Needs" is essentially a study of those built-in, universal characteristics shared in different proportions by all mankind and deriving not merely from the historical past but from prehistory and even from animal group life; of the needs corresponding to those characteristics; and of the relation of those needs to present-day institutions. It ranges widely from the habits of baboons in liberty and captivity to the social implications of the Great Pyramid, from Eskimos to travel on the Tube, from the prehensile toes of apes to the in-

adequacy of the written word, from Isaiah to Mr Lewis Mumford. Its derivation of human needs is psychologically convincing; its analysis of the ways in which past and present social institutions have either served or denied them is, to say the least, controversial; its sketch of the institutions which might in the future fully meet them is a wonderful blend of back-to-the-landery, small-scale democracy, culture without civilisation, large families (mysteriously immune to the machinations of the Malthusian devil), national autarky, and (implied though not stated) an Erewhonian attitude to technical progress. It is, as a matter of fact, rather more attractive than most Utopias; and its crashing impracticability is mitigated by its remoteness—a millennium at least, Mr Graham calculates, is needed to work through successive generations to a harmonious society. "Meanwhile"—so his final chapter is entitled—he has much sensible advice for the present generation; and his book, unlike so many on social topics, can be read for fun.

Governing Marriage

The Marriage Law of England. By J. C. Arnold. Staples Press. 150 pages. 12s. 6d.

Marriage, in the eyes of English law, is not a sacrament. The English legal code governing marriage, the canon law, was separated from its continental counterpart before the Council of Trent imposed the element of sacrament on what, in Roman Law, was essentially a contract. But it has become in part a contract, in part a status and in part a Christian institution and in doing so has had to surrender any claim to consistency. The statute law governing the making of a marriage has recently been codified by the Marriage Act, 1949, and that in itself is a justification for the publication of this book. The law governing the effects of the married state on individual's rights and duties has mainly been made by judges and is still in the process of development. This is the further merit of the book; there has been a great deal to assimilate during the last few years.

Mr Arnold has written a text book which describes what constitutes a valid marriage and under what conditions a purported marriage is void and an actual marriage can be declared void. It contains a chapter on legitimacy and the text of the Marriage Act, 1949. It does not deal with how a marriage can be dissolved (as distinct from being declared void), and its purpose is to set out the law as it is and not to offer views on what the law should be. It does not fall into the class of book which no young man or woman should fail to read but it should have a wider public than the legal profession; magistrates, social workers, local government officials and, as its jacket suggests, foreign lawyers (who will, it is to be hoped, derive no more than quiet enjoyment from some of the unconscious arrogancies of the 19th century judges when confronted with a foreign marriage or a marriage with a foreigner). The only serious criticism that can be offered is that the author might have dealt more

fully with the effect of the British Nationality Act, 1948, on the consequences that now follow a marriage between people of different nationalities.

The publishers are especially to be congratulated on their feat in producing a book in the first quarter of 1951 which is able to quote a case reported in the 1951 volume of *The Times Law Reports*.

Insurance Broking

Insurance Brokerage and Agency. By Victor Dover. Stone and Cox, Limited. 200 pages. 12s. 6d.

The insurance agency system is typically British. It has grown untidily over many years and has obvious shortcomings, yet it works well, is flexible, and disputes are very rare. The author discusses at some length the law and practice of a nebulous and specialised subject: insurance brokers and those in industry and commerce responsible for the placing of insurance should find much of practical value in this book besides an exposition of their rights and duties.

More space could perhaps have been advantageously devoted to points of wider interest. Whilst Lloyd's underwriters accept business only through brokers elected by the Committee of Lloyd's, the insurance companies appoint as agents not only insurance brokers (and anyone may so style himself) but also, at any rate in the United Kingdom, a large number of part-time agents who, although they are frequently little more than contact men, receive commission on practically the same scale as the brokers. The part-time agency system, and even more the existence of "own case" agents give scope for considerable self criticism. Does the present system give the public the best possible service at the minimum cost? A high standard of skill, knowledge and probity is rightly demanded from insurance brokers by the author, who properly insists that competition in this business must be by service and not by price. The public should be able to look to insurance brokers not only to carry out instructions but also to watch their clients' interest in all matters connected with insurance.

The Middle Lands

Scandinavia. Between East and West. Edited by Henning Friis. Cornell University Press: London, Geoffrey Cumberlege. 388 pages. \$4.50. 36s.

Based on a series of eleven lectures on Scandinavia given at the New School for Social Research in the summer of 1948, this book provides a wide and useful survey of the political, economic and social aspects of Scandinavia at the present time. The editor's two contributions—"Scandinavian Democracy" and "Social Welfare"—are among the best. So is the longest section, a rather specialist paper by Petter Jakob Bjerre, Director of the Norwegian Central Statistical Bureau, on "Government Economic Planning and Control." In quite a different sphere but also excellent is the last chapter, "We Americans and

Scandinavia," by Bryn Hovde, Director of the New School and *doyen* of American-Scandinavian sociologists. "The Scandinavian Countries in a Changing World Economy" (by Svend Laursen) and "Scandinavian Foreign Policy, Past and Present" (by Mrs Brita Skottsborg Ahman) are perhaps the least satisfactory sections, accurate enough but dull and stiffly written.

The book's title conveys its attitude, that, just as Scandinavia is geographically between East and West, so also is it politically, where it appears to have found in "the middle way" the solution to the more extreme doctrines farther East and farther West. There is much truth in this—and it will surprise many readers to discover that Denmark rather than Sweden was the pioneer of many of the experiments which have focused so much attention on Scandinavia in recent decades. But from its very nature the work is merely an introduction. An ample bibliography should ensure that most of the points it makes are followed up.

Shorter Notices

Land of Lakes. By Henry McGrady Bell. Robert Hale, Limited. 246 pages. 15s.

Few foreigners, if any, are so well qualified to sing the praises of Finland as that living legend, "Harry" Bell. This book of happy varied memories—an account of the escapades, excitements and enchantments of the life of a timber merchant, who became the first British Minister to the new Republic of Finland and is now Finland's Consul-General in London helps to explain both why Mr Bell is the *doyen* of Anglo-Finns and also why he should pay tribute in his seventieth year to his second homeland, fifty years after he first set foot in it. His account of this period sheds little new light on momentous developments nor does it claim to: but it adds many an illuminating personal touch and anecdote which point the tenacious shrewdness of the Finns and the considerable achievements of this great small nation.

The Middle East, Second Edition, 1950. Europa Publications, Limited. 375 pages, 13 maps. 50s.

This "survey and directory" provides facts on twelve countries in the Middle East and gives a short account of the geography, history, economic life and cultural activities of each of them. Short biographies of important individuals in the Middle East are given. The standard pattern adopted for the presentation of the very varied amount of information available for the different countries makes the book easy to consult.

Information Services, Their Organisation and Administration. By R. L. Collinson, F.L.A. James Clarke and Company, Limited. 80 pages. 6s.

The author describes this book as "purely introductory" to his subject in what amounts to an apology for not dealing with some sections in greater detail. The reader will find it "purely introductory" in the sense that it tells him how to start setting up an information service or library to which it is possible to add refinements and elaborations later.

Mr Collinson gives advice on staff, space and equipment, and he urges his readers

to remember the fully-developed scheme and begin as they mean to go on. His own straightforward and well-illustrated explanations are supplemented by bibliographies from which further and more detailed information can be obtained. For anyone setting up a new information section or faced with a collection of material in need of rearranging the short time needed to read this book will be well spent.

Reference and Text Books

Executives' Edition of the Blue Book of South African Business, 1951. National Publishing Company (Pty) Limited. 338 pages. 25s.

Most of this book is devoted to the law and regulations concerning commerce and employment, finance, taxation, debt and insolvency, and industrial law in South Africa. It is intended only as a general guide, and references are given to the Acts, Ordinances and Regulations which give the details. Financial information on public companies and foreign trade figures for 1949 are also given.

Australia 1950, The Herald Year Book. The Herald and Weekly Times Limited, Melbourne. 800 pages. 17s. 6d.

Starting with a diary of world and Australian events in 1949, this handbook goes on to cover all the subjects usually found in such reference books. They are given in summary form for foreign and Commonwealth countries and in detail and by States for Australia. As is to be expected, cricket and other forms of sport are included.

The Municipal Year Book and Public Utilities Directory, 1950. The Municipal Journal Limited. 1829 pages. £3 3s.

Although designed primarily as a reference book, the prefaces and general reviews in this work provide a very useful account of the activities of local governments and of their relations with the central authority. The information is not confined to municipal affairs, but deals also with rural and county councils and the regional bodies of nationalised industries and the hospitals. Short histories of the development of the municipalities are given. The scope and variety of the information tempts the reader to browse through the book after finding the facts he is looking for.

Finishing Handbook and Directory, 1951. Sawell Publications, Limited. 245 pages. 15s.

This is the first edition of a handbook which is intended to extend its scope in future editions. It deals with the materials, methods and processes of finishing in painting, electroplating, electropolishing, light alloy finishing and wood finishing. The first two sections of the book are designed for the technician, but the third provides a directory of firms undertaking finishing.

Pottery Gazette and Glass Trade Review Reference Book and Directory, 1951. 442 pages. 25s.

This classified guide is mainly of interest to those concerned with the pottery and glass trades. An illustrated section dealing with trade marks has a more general appeal since it enables users of glass and china articles to trace the manufacturers of their possessions.

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AMERICAN SURVEY

MacArthur Has His Day

Washington, D.C.

RETURNING to the United States after fourteen years, General MacArthur astonished those who had feared—or hoped—that he would prove a bitter disappointment to the millions whose imaginations, aided by a large staff of public relations officers, had promoted him to something like divinity. When he had finished speaking to Congress there was no doubt that he was a formidable personality, even when removed from the careful staging of Tokyo, a better orator than any contemporary American, except General Eisenhower, a superb actor of the old school and a more able speech writer than any in the coverts of ghosts who haunt the White House and the Department of State. “We heard God speak here today,” said Representative Dewey Short of Missouri, “God in the flesh, the voice of God.” Mr Short was probably exaggerating; but the rows of weeping Congressmen and military leaders, when the General promised to “fade away” and uttered his pianissimo “Goodbye” with a brave and tolerant smile, were a tribute to his artistry.

And it is his artistry, rather than his arguments, which will plague the Administration for months to come. If anybody takes the trouble to analyse the speech, to disregard the

jibes at “lay circles” and foreigners and to forget the sentimental passages, the quarrel between the General and the President becomes a disagreement over whether to take any, or all, of a number of steps which might bring about a full-scale war with China or the intervention of Soviet Russia. It is only natural that the civilian head of the government should want rather more evidence than the General’s opinion that “the Soviet will not necessarily mesh its actions with our moves,” before starting on a policy which could produce either or both of these consequences.

The steps which are involved in this quarrel are three: naval blockade of the Chinese coast; bombing of the “privileged sanctuary” in Manchuria; and the “removal of restrictions on the forces of the Republic of China on Formosa with logistical support to contribute to their effective operation.” On the first and third of these General MacArthur claimed to have had “in the past” the support of the Joint Chiefs of Staff. On the second he did not claim their support, though the speech was so constructed as to give that impression.

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As far as can be discovered in Washington—and the truth will no doubt come out in the Congressional hearings during the next two or three weeks—the Chiefs of Staff have never liked the idea of a naval blockade or thought that it could add much to an economic blockade. No doubt the “intensification” of the economic blockade, which the General also advocated, has the agreement of the Joint Chiefs; in fact, it is being intensified every day. But a true naval blockade, one which would, for instance, stop coastwise traffic and vessels from Russian ports, is technically an act of war as well as being costly in ships and men. The Chiefs of Staff, however, are well aware that they would have a better case for resisting attempts to impose such a naval blockade if the British Government were inclined to co-operate more wholeheartedly in intensifying the economic blockade.

A more important bone of contention, and one which has been bitterly fought over for months, is that of the “privileged sanctuary.” The opposition of the Joint Chiefs to bombing the bases in Manchuria has been founded on the most practical grounds of all—that, on balance, it pays not to do it. “Communist air intervention,” General Bradley said on April 17th, “has not been a factor in the ground action to date. Neither has it been any serious threat to our air force.” The air war has been fought so far according to a formal set of what the Pentagon calls “ground rules,” rules which have been generally to allied advantage. The United Nations have not bombed the Manchurian sanctuary and the enemy has not bombed allied bases in South Korea and Japan. Until it does, the Chiefs of Staff will be satisfied to leave well alone; when it does, the whole matter will need to be reconsidered.

Even more emotional is the disagreement about the use of Chinese Nationalist troops, because it is complicated by violently conflicting opinions on the value of the Generalissimo and Mme Chiang Kai-shek. But it was

disingenuous of General MacArthur to say that “no man in his right mind would advocate sending our ground forces into continental China” and, a few sentences later, to recommend logistical support to help the operations of troops from Formosa. This logistical support, so negligently proffered, would have to consist of enough planes to achieve mastery of the sky and enough ships to achieve mastery of the sea along a considerable length of the Chinese coast; enough landing craft to put “the friendly Chinese force of some six hundred thousand men” ashore and enough ships, material and men to keep them supplied as they consolidated their beach-head and moved inland—supposing that they could do this. The Joint Chiefs of Staff have shown no inclination, unless in private to General MacArthur, to recommend such a large investment in a force which has too often in the past shown a regrettable tendency to desert with all its equipment as soon as it obtains enough American material to make the change financially worth-while.

★

What was, perhaps, most interesting about General MacArthur’s recommendations was that they came so close, excepting only in his belief in the efficiency of the Chinese Nationalist army, to those that the Secretary of State was trying to sell to Mr Attlee in December. Mr Acheson’s “limited war,” which then had wider limits than the Joint Chiefs thought comfortable, had something of the air of a holy war, just as the General’s has now. Yet it is Mr Acheson who is the target for most of the abuse which comes today from the apostles of “Americanism,” whose prophet is General MacArthur.

It was Mr Acheson, too, who was condemned, eighteen months ago, for saying that, for Asia, “national independence has become the symbol both of freedom from foreign domination and freedom from the tyranny of poverty and misery” and that Communism had only been shrewd enough to use the forces of nationalism. But, in his speech, General MacArthur said the same thing:

World ideologies play little part in Asian thinking and are little understood. What the people strive for is the opportunity for a little more food in their stomachs, a little better clothing on their backs, a little firmer roof over their heads, and the realisation of the normal nationalist urge for political freedom.

These passages were, in many ways, the best part of the speech, though it was, perhaps, a pity to follow this approval of nationalism so quickly with the reference to dominating “every Asiatic port from Vladivostok to Singapore.” And some who spent the war years in prison camps will want a little more time before they believe that “the Japanese people, since the war, have undergone the greatest reformation in recorded history” and that they are now “economically, politically and socially . . . abreast of many free nations of the earth and will not again fail the universal trust.” But no doubt the American officials now dealing with the failings of the Philippines will be glad to hear that the capacity of the islands for “high moral leadership in Asia is unlimited.”

The General’s appreciation of the changes in Chinese culture and character over the past fifty years was spoiled by a mistake when he placed the start of the nationalist urge “at the turn of the century under the regime of Chang Tso-lin,” a slip, perhaps, but one which could make an audience of Asian experts as doubtful of his knowledge as an American audience would be of the credentials of a lecturer on American history who began: “In 1903, when Huey Long was President. . . .” And it was hard to under-

stand how the General could be so confident of bringing the war to a quick and comparatively cheap victory, by bombing Chinese bases and allowing the Nationalists to invade the mainland, when he had just said that

the Chinese people have become militarised. . . . They now constitute excellent soldiers with competent staffs and commanders. This has produced a new and dominant power in Asia . . . which . . . has become aggressively imperialistic, with a lust for expansion and increased power normal to this type of imperialism.

But few people will examine his arguments when they need only adopt his slogans. “Don’t scuttle the Pacific” sounds splendid. So does “In war there is no substitute for victory”; though it is only another phrase for the “unconditional surrender,” of which, when it was President Roosevelt’s property, General MacArthur was critical. “It was not precisely,” said Mr James Reston next morning in the *New York Times*, “the speech of a man who was determined to fade away”—certainly not as an old soldier fades away. The General is more likely to follow the example of the Cheshire Cat.

Loyalty by Oath?

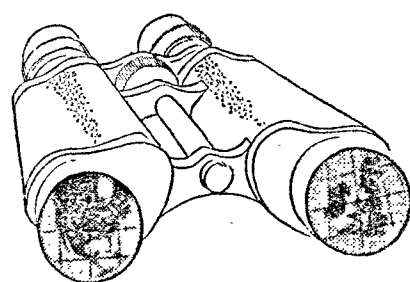
[FROM A CORRESPONDENT IN CALIFORNIA]

OPPONENTS of loyalty oaths have been greatly encouraged by a unanimous decision of the California District Court of Appeals on April 6th, holding that a special political test for officers of public trust, including university professors, is unconstitutional. The issue was raised by eighteen members of the teaching staff of the University of California who are seeking reinstatement; they were dismissed in August last year for refusing to sign a declaration that they were not Communists.

The court’s support for their position promises to have wide repercussions, for it is not only university professors in California who may be required to give special proofs of their patriotism. One of the bitterly contested provisions of the Taft-Hartley Labour Act forced officers of trade unions to sign an anti-Communist affidavit before their unions might enjoy certain advantages; the Supreme Court has just upheld a Maryland law requiring candidates for state office to give a similar pledge. Critics, while agreeing that Communists should be barred from teaching and government service, fear that the loyalty oath is the thin end of control of opinion; they suspect that those who will suffer are not Communists, who will sign anything, but radicals and dissenters whose patriotism may be different from the prevailing variety, but is none the less genuine. University professors and trade unionists also deeply resent being singled out as unreliable groups in need of special procedures to guarantee their loyalty.

The decision of the Appellate Court, which is to be reheard and perhaps appealed, found that the professors should be reinstated, for, as holders of “offices of public trust,” they were subject only to the regular oath of allegiance required of all office-holders. The state constitution, in the words of the decision, provides that

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no one should be subjected, as a condition of holding office, to any test of political or religious belief other than his pledge to support the constitution of this state and of the United States; that that pledge is the highest loyalty that can be demonstrated by any citizen. . . .

The present case arose out of a two-year long dispute at the university over means of implementing the regents' standing policy of excluding Communists from the staff. The spark which set off the explosion was the threat of the Un-American Activities Committee of the California Legislature to investigate alleged Communism in the university's nine branches. As the university is dependent upon funds appropriated by the Legislature, it was suggested early in 1949 that some strong demonstration of its anti-communist policy would be desirable. The long and bitter debate that ensued produced a compromise proposal offered by a committee of former students. Under this plan, all the university staff would continue to take the standard oath of allegiance demanded of all state employees. In addition, they would sign a statement that they were not Communists. Those who failed to sign the latter could appeal to the Committee on Academic Privilege Tenure of the Academic Senate, which includes in its membership all associate and full professors. The committee's findings would go to the regents through the president of the university. This proposal was welcomed because it seemed to preserve the staff's right to regulate its own membership and to assure the public that the university harboured no subversives.

Thirty-nine members of the staff who had refused to sign the anti-communist statement then appeared before this committee. Of these, six declined to state their views on Communism and were dropped from consideration. The others, including professors of great distinction and ex-servicemen with outstanding war records, satisfied the committee on the

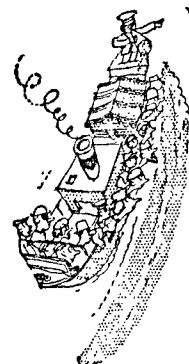
score of their anti-communist attitude and were recommended for retention. The recommendations were upheld by Mr Robert Sproul, president of the university, at the meeting of the Board of Regents in July, 1950, when he asked that the screening procedure be accepted as an alternative to signing on the dotted line. By a vote of 10 to 9 his recommendations were accepted. But when the matter was reconsidered at the next meeting, the pro-oath faction carried the day, securing a 12 to 10 vote for compelling the non-signers to comply as a matter of discipline.

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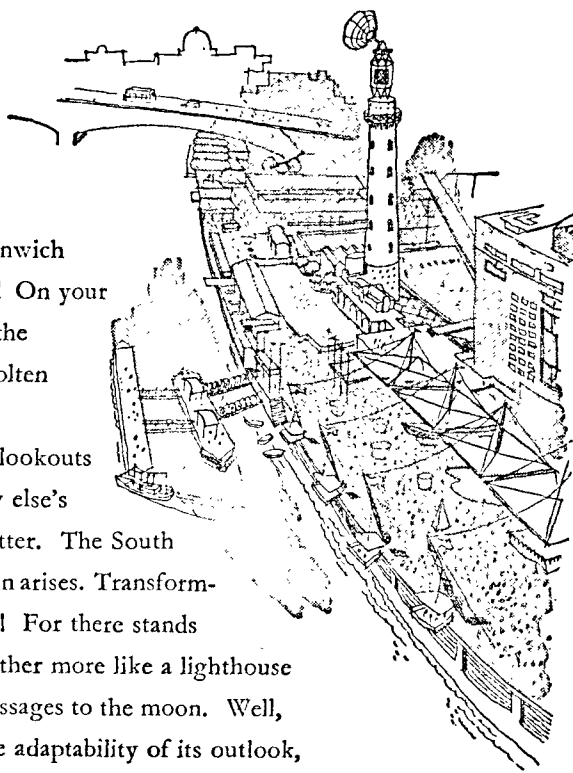
This reversal served to bring clearly into focus the fact that the real issue was no longer Communism, but the assertion of the regents' authority. The carefully built structure of relationships between a self-disciplining staff, the president, and a governing board with final authority was dealt a destructive blow by the sudden insistence of a small majority of the regents on full exercise of their legal powers. In the sharp division on this point personalities and local politics played important roles. Mr Earl Warren, the State Governor and chairman of the Board of Regents, led the moderates, pleading for respect for the dignity of the teaching staff and contending that the oath was both ineffectual and discriminatory. Supporting the Governor were nine regents, seven of them impeccable Republicans. The pro-oath faction, thenceforth known as the "oath regents," included Mr Warren's rival, Lt. Governor Goodwin Knight, the majority of members from southern California, where the university's largest branch, at Los Angeles, aspires to greater autonomy, and, leading the opposition, the redoubtable Mr John Francis Neylan, formerly a Hearst lawyer. The inevitable lineup of the press behind these factions gave the entire controversy the flavour of a political campaign, emphasising

Do We Know Our Shot Tower?

"On your right," cries the man with the megaphone in the Greenwich bound pleasure steamer, "On your right is the celebrated Shot Tower! On your left . . ." As if we needed to be told! For the Shot Tower is...the Shot Tower was *our* Shot Tower. Not so many months ago our molten lead was falling* from its dizzy upper heights into our tank of water at the bottom. Not so many years ago our lookouts were watching uneasily from its balcony for somebody else's flying bombs. Pneumatic drills stammer and stutter. The South Bank changes. Trumpets tootle. The Festival of Britain arises. Transformation triumphant . . . total turnabout . . . but no! For there stands the Shot Tower, as tall as ever—though it looks rather more like a lighthouse now, and we have heard murmurs of radar messages to the moon. Well, what of that? In the respectability of its age, in the adaptability of its outlook, our Shot Tower is a true representative of



* As it still is from our tower in Chester.



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the chronic cleavage between northern and southern California and the split in local Republican ranks.

The effect of the controversy on the university has been equally disruptive. In addition to the twenty-six professors dropped by the regents' action, there have been thirty-seven resignations in protest. The academic world has moved quickly to condemn the inroads on security of tenure and staff authority at California and a virtual professional boycott of the university is now in effect. The reasons for this condemnation are the same as those given by the non-signers for their stand: refusal to accept political censorship of teaching and to surrender the staff's right to determine its own standards. In this connection, it is interesting that recent attempts in the California Legislature to impose loyalty oaths on doctors and lawyers have met with strong and successful professional resistance. The powerful doctors' lobby has insisted that the California Medical Association must make its own rules for the practice of medicine in the state. The lawyers have been equally resistant to a state loyalty oath.

Still to be settled is the validity of the Levering Act, passed by the last Legislature, requiring loyalty oaths from all state employees, including teachers. This law is now being challenged in the courts. The California voters will be able to have their say on the entire oath problem in 1952. The Legislature has just passed an amendment to the state constitution to add to the text of the present oath of allegiance a statement that the signer does not advocate overthrow of the government by force and has not during the last five years belonged to any organisation advocating such a course. This must be approved by the voters. But the Appellate Court's decision now casts real doubt on the validity of the measure and raises again the question of whether it is possible "to judge men by what they sign instead of what they are."

American Notes

Foreign Aid at Sea

When the President's request for funds for foreign aid in 1952 at last puts out to sea, as it must before long, it is likely to be more badly battered by Congressional storms than its predecessors, even though this year, instead of a fleet of smaller vessels, only one big ship is setting sail. It will be loaded with both military and economic assistance, and its estimated value is about \$10.5 billion. The President may try to pour oil on the Congressional waters by proposing that the Marshall Plan itself should end a year early, but waves of opposition are already piling up at the suggestion that the Economic Co-operation Administration should be kept on deck indefinitely to deal with the economic aspects of foreign aid. Mr Hoffman himself considers that it would be a breach of faith not to push ECA overboard in mid-1952, as was promised when the agency was first established.

Paradoxically, the thing that may save ECA, in fact if not in name, is Mr Truman's attempt to take away its independence. He has recently written to Mr Foster, its present head, telling him that the changing international situation demands that the Secretary of State, through his Committee on International Security Affairs, should decide on the distribution of foreign aid funds between military and economic programmes, and between countries. Only the actual administration in their respective fields would be left to the Defence Department and ECA; the State Department itself would apparently continue to be in charge of the Fourth Point programme. It is of course true that the State Department can hardly exercise its responsibility for the country's foreign policy without controlling military and economic

assistance. Mr Foster is said to be ready to allow ECA to become an operating agency under the State Department, which seems to be the logical course. But from past experience it is not so sure that it is the practical one.

Mr Hoffman has said that, as Economic Co-operation Administrator, he would have been hamstrung had he not had direct access to the President and been at the head of an independent agency. It was Congress that originally insisted on giving ECA that independence, and its distrust of the State Department is even greater now than it was when the Marshall Plan began. If Congress decides that the United States can still afford to give economic assistance to foreign countries, it will probably also decide that a special agency is still necessary for that purpose. There is already a blueprint for ECA's successor available, one that was recommended by independent experts working on the Gray and Rockefeller Reports and one that until recently was thought to be acceptable to Mr Truman himself.

* * *

Labour Goes Back

For the moment, at least, the trade unions have won their two-months' strike to enlarge the authority of the Wage Board—a victory likely to whet their appetite for a greater say in policy. On the recommendation of his new board on mobilisation policy, itself a concession to labour, the President has reconstituted the Wage Board, giving it authority to consider not only disputes over wages, but also those concerning non-economic issues. The President will refer to the Board any dispute which threatens to interrupt the defence programme, and if the two parties agree to abide by its decision, its ruling will be final. Otherwise, it will merely make recommendations to the President.

The vote in the advisory board was carried over the protests of industry's representatives, who strongly oppose allowing the Wage Board to deal with non-wage disputes; they contend this scuttles the Taft-Hartley Act and means the end of collective bargaining. Senator Taft is already calling the Board "extra-legal" and its wings may be clipped when the Defence Production Act is extended. This is because the Act requires agreement between management and labour before a disputes tribunal is set up, and says that nothing shall be done to circumvent the Taft-Hartley Act.

The new Board, made up of public, labour and industry members, will find on its doorstep nearly 300 claims for exemptions from the present wage formula. Mr Johnson, the Economic Stabiliser, has however dealt with the most embarrassing. He has permitted the wage increase agreed between the Army, which is still running the railroads, and their non-operating employees; this includes an adjustment for cost of living increases which carries the award above the permitted maximum.

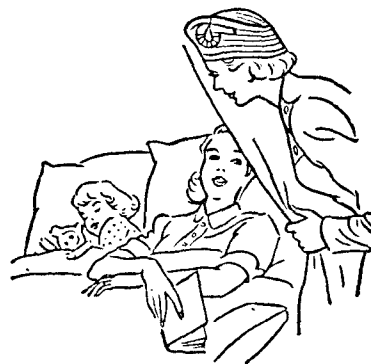
These "escalator" clauses will be a nightmare to the Board unless their sting can be drawn by stabilising prices. Mr DiSalle, the Price Administrator, is hopeful that the peak may have been reached at only 2 or 3 per cent above January levels; a few months ago he expected a 5 per cent increase. He bases his belief on the existence of heavy inventories and the saturation of consumer demand. It is harder to see on what grounds he believes that a new series of price control orders for manufacturers will reduce prices. The main order, issued this week, permits manufacturers, whose prices were fixed in the January freeze, to add to their pre-Korean prices any increases in the cost of labour and materials; no increase in overhead costs may be included. Other orders are expected shortly for machinery, clothing, meat and cotton textiles. When these are issued, price control will have moved, theoretically, into its second stage, though retailers, who led the way, have had to be given two extensions of time to fill out the required forms and enforcement lags even farther behind.



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TRANS WORLD AIRLINES

Wheat for India

The wheat for India which should have started moving from the ports a month ago has just started to move through Congress. It was never conceivable that the American people would permit political disagreements to stand in the way of aid to the starving, but the value of the gift would have been much greater, in both practical and moral terms, if it had been made at once. It has taken ten weeks, since the President first asked for emergency action, for the foreign affairs committees of both houses to give their unanimous approval to the project of sending 2,000,000 tons of wheat.

No doubt it jogged the complacency of Congress to realise that China and Russia saw the value of playing the good Samaritan in India. But it would be wrong to attribute all the delay to an unworthy desire to punish Mr Nehru for his stand on Korea, or to irritation over Kashmir. India asked for a loan on easy terms; it was the Administration which insisted upon a grant, on the grounds that India would not be able to repay a loan. The House Rules Committee held up the measure because it doubted whether it would pass in this form.

The chances of both the House and Senate Bills have been improved by abandoning the idea of a grant, altogether in the House and partially in the Senate. The latter, if it accepts its committee's draft, will make the wheat half loan, half grant; it is to be hoped this view will prevail. The loan, from the Economic Co-operation Administration, would be repaid either in dollars or strategic materials—a reminder that India's refusal to sell minerals needed for the atomic energy programme has been a factor in the delay. But the great need now is speed, for the famine is already upon India and ships must be taken from the reserve fleet and the wheat got to the ports on overcrowded railway lines before it can even set off on its mission. What is ironic is that wheat will represent a greater sacrifice today than it would two months ago; the prospects for the new crop are the worst in eight years, because of the weather and the farmer's failure to respond quickly enough to the change from surpluses to shortages.

* * *

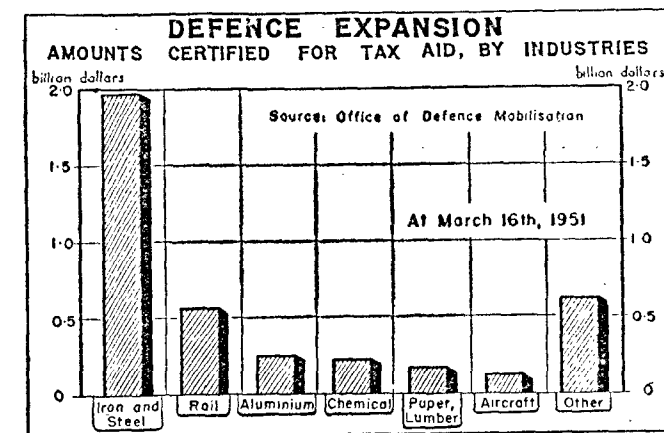
Too Much Expansion?

The resignations of Mr Bevan and Mr Wilson have reminded thoughtful Americans that for the United States to have both unlimited guns and butter may mean, because of the drain on raw materials, that its allies go short of both. But suspicions had already been growing that even the United States could not afford to expand in all directions at once. The "voluntary restraint" committee of the Federal Reserve Board has pointed out that about half of private industry's record programme of expansion for this year—totalling nearly \$24 billion—has no direct connection with the defence effort; it merely intensifies the scramble for scarce materials, adds to inflationary pressures, and gets in the way of the military programme. The committee, which has already urged private lenders not to make more inventory loans, now urges that credit for industrial expansion be confined to projects which aid the defence effort.

Even desirable defence projects eat up scarce materials and labour, and may be excessive. Three committees of Congress, one the joint "watch-dog" committee on the defence programme, are now holding hearings to determine whether government agencies charged with expanding production have not taken too liberal a view of what is needed and paid too high a price for it. Direct loans, loan guarantees and commitments to buy are being made, but by far the most effective device is the privilege of writing off in five, instead of the normal twenty, years the proportion of new facilities attributable to defence needs. This

is a highly prized concession in a period in which taxes may be expected to be at their highest; it is also an expensive one in revenue lost to the government.

So far the Defence Production Administration has granted "certificates of necessity," which permit rapid write offs, on \$4 billion of new facilities; from 40 to 100 per cent of this is eligible for speedy amortisation. As the chart shows, the lion's share has gone to the steel industry, overcoming its fears of a deflationary day of reckoning to come. A "certificate of necessity" is, however, despite its name, no guarantee that a plant will be built; if it were, steel mills would be springing up everywhere. Money has turned shy with the conviction that projects in hand will assure more than ample steel for all by 1953; even the



mill designed to satisfy New England's desire for industrial independence may fail to find the financing it needs.

During the last war, concessions were granted on \$7 billion of facilities. The more rapid pace today is due to the victory of those who believe that a great expansion is needed not only in military production, but also in the basic materials which support the defence industries and strengthen the whole economy. What worries Congress is that big business is monopolising tax privileges; that civilian industries are being given unintended concessions ("rayon never went to war"), and that much of the expansion probably would have taken place without extravagant rewards. The effect of Congressional criticism has already been to tighten the purse-strings; late-comers—unless their project is strictly military—are receiving much less liberal treatment than the early birds.

Shorter Notes

When the Supreme Court reversed a conviction of two Negroes charged with the rape of a white girl in Florida, it did so on the time-honoured grounds that there was racial discrimination in selecting the jury. But Justice Jackson, in a concurring opinion, supported by Justice Frankfurter, dismissed this consideration as trivial and immaterial. Such a reign of terror had been incited by the local press, he wrote, that no Negro would have dared to vote for acquittal, while the sheriff was guilty of telling the newspapers that the accused had confessed. In fact, no confessions were produced in court, presumably because if they existed they had been obtained by third degree methods. In Justice Jackson's view, if the freedom of the press is so abused, the judicial process must be protected by removing the trial to another place.

Surplus Texas grapefruit, which Sweden has not been able to enjoy since 1946 because of a shortage of dollars, are to be exchanged for Swedish prefabricated houses and vegetable packing cases, under a barter agreement worked out last year by an enterprising Texan.

THE WORLD OVERSEAS

The French in Morocco—I

Little Change Since Lyautey

(From Our Special Correspondent)

THE *démarche* made by the Sultan of Morocco last November on his state visit to the French capital and the subsequent agitation of the Istiqlal clandestine party for the abolition of the Protectorate have led to no change in the juridical or practical relationships between Moroccans and Frenchmen. The Resident, General Juin, backed by all the parties in France except the Communists (who support any and every opponent of the Protectorate), has continued the Roman policy of direct administration initiated by Marshal Lyautey in 1912. According to the treaty of that year France reserves the legislative power, foreign policy, defence and jurisdiction in all matters affecting persons who are not Moroccan subjects. The *Maghzen* (government of the Sherifian Empire), which functions parallel to the Residency, exercises authority in purely Moroccan or Islamic affairs which comprise justice as between Moroccans, and religious discipline. In effect, the French either control or supervise (*contrôle*) every aspect of Moroccan life which is of interest to them, using to this end either their own officials or the Sultan's representatives in the locality (pashas) or in the tribes (caids). It is this system of direct administration which has transformed the complexion of Morocco in the last forty years.

Before examining Moroccan politics in more detail it is perhaps worth while taking a view of French colonial thinking as a whole. France, if it has distantly admired the British Empire, has never appreciated the medley of mercantilism, missionaries, medicos and public schoolboys which, with a seasoning of high aristocrats, has won the British such success among native peoples. The French conception of administration, at home as well as abroad, is essentially Napoleonic and Roman. It is something which is rigidly superimposed upon a supposedly chaotic society: it is the will of the central government overriding the local clashes of opinions and interests. Above all, the administration is a thing which, while it may well be torpedoed by the free play of opinion and parliamentary democracy, has absolutely nothing to gain from them. It is this profound distrust of politicians and the disunity that they naturally bring which has made it so hard instinctively for the French abroad to countenance even the most gentle movements of indigenous populations towards political expression. Just as in France the parliament is the natural enemy of the government, so overseas the emergence of native assemblies is the proconsul's ultimate nightmare. Thus the concepts of a Lyautey: *la force*; *la grandeur*; *le désintéressement*; *la simplicité*; though they seem near to former British practice at its best are really so different in their racial overtones. There is always a gulf between the vague progressive liberalism of English colonial thought since 1918 and the precise (if only fragmentarily realised) French aim of *assimilation*.

Conquest by Culture

La mission civilisatrice is, moreover, a notion which derives from the belief that not only French administration but also French culture is an indispensable element of human happiness. The French believe in their own way of life to the

point of producing faithful replicas of it overseas. The intellectual fascination of French ideas and dialectic is, indeed, strongly felt by the indigenous *élites* of the French Union, a fact which partially explains the extraordinary tenacity with which the French have been able to cling to their overseas territories. It is this cultural receptivity towards France which makes it still not impossible for the French to reply on different grounds to British and American charges of illiberalism. "Your policies," they may say, "are not proved right. The game has hardly begun. Fifty years hence perhaps we shall see if the British were right to leave India and Burma; if the Americans were right to force the Dutch out of Indonesia. It will be sad if it then appears that the Europeans had too little faith in their own cultural superiority and sold the pass because of their infatuation with political jargon." In sum; the French do not accept the dogma that the only way to make a country evolve is to grant it sovereignty. For them dependent peoples can only progress by absorbing superior cultures which already exist; not through an optimistic casting off of constraints. (In a sense it may be said that what is best in the French occupation at least of Morocco stems from the belief that France will be there for ever and what is worst from the fear that France's days are numbered.)

Arguments Against Independence

What justification has this general French philosophy in regard to Morocco? There are certainly powerful arguments against independence. First, it is difficult to understand what the Sultan and the Istiqlal mean by their contention that the Sherifian Empire may be converted into a constitutional monarchy on the European model. The separation of powers has never yet been achieved effectively in the Arab world and to anticipate its transplantation from Europe to Morocco is something of an act of faith. In the recent Tangier declaration the Istiqlal has suggested that an independent Morocco would be axed ideologically on a kind of Islamism composed perhaps of all the Moslem states of the world. However, a political bloc united by a religious creed does not on the face of it promise a speedy internal evolution of the country. Egypt is the symbol of modernism for Moroccans (the proletariat of Casablanca looks neither to Moscow nor to Hollywood but to the *demi-monde* portrayed in Egyptian films). When, therefore, the Istiqlal speaks of improving the state of the Moroccan population the French point to the performance in late years of the doubtful plutocracies of the Levant. This political argument gains support from the actual feudal structure and venality of much of Morocco which is mitigated by the protectorate. It is one thing for the Istiqlal to condemn the pro-French "mediaeval" chieftain El Glaoui, Pasha of Marrakesh; it is another thing to show how, on independence day, his rule over the Atlas region would be either dislodged or replaced by a better system.

Then there is the question of the safeguarding of the interests of the 400,000 Europeans in Morocco. The French well know that, even if businessmen and technicians held

their own, the end of the Protectorate would mean the end of 6,000 French farms on the best land in Morocco. The fact that the French presence in Morocco is theoretically temporary has not prevented an intensive settlement of French in the country. This is the reason why the Istiqlal is anxious to gain independence before Morocco has become a second Algeria, a land which after 120 years holds over a million French. This permanent colonisation may be anathema to the Moroccans but no French government can ignore its reality any more than it can turn a blind eye to the French predicament in Indochina. Finally there is the argument that the Moroccans lack the cadres to administer their country.

It is here that the French attitude takes on a somewhat sinister twist. For unquestionably far too little has been done to train Moroccans for jobs in the modern Morocco which the protecting power claims to be creating. (There is, after all, something fantastic about letters being delivered in Rabat by French postmen.) The natural bent of intellectual young Moroccans is towards law and philosophy. The result has been that the few who have the opportunity to go to the Sorbonne return and become nationalist politicians. Meanwhile very little effort seems to be made by the French to create cadres of engineers, financial experts, doctors, scientific farmers, or even telephonists and engine drivers. It is this extraordinary exclusiveness which has polarised the Moroccan population into two classes: on the one hand a tiny French speaking intelligentsia consisting of the Palace, the pashas and caids, some merchants of Fez and other places and their sons; on the other hand the peasantry and that part of it which has become the proletariat of Casablanca and the bigger towns. If there is nothing yet desperately tragic about this situation, it nevertheless demonstrates a quite inadequate grasp by the Residency of the indispensable conditions of partnership between distinct races in a plural society. If France wishes to consolidate the Protectorate and all French North Africa into a Eurafrian adjunct to Europe itself—a policy which has serious arguments in its favour—it will have to devise a much more magnanimous and energetic practice of association.

(To be concluded)

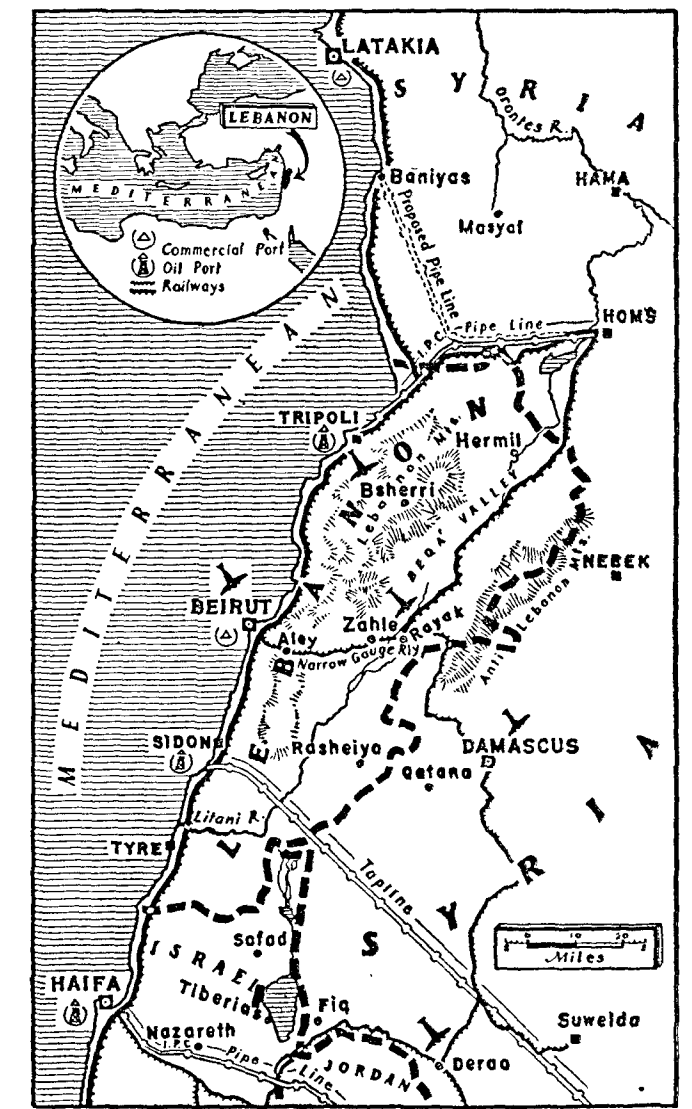
The Lebanon at the Polls

THE short coastline of the Lebanon is marked by the terminal of two important pipelines where petroleum from Iraq and Saudi Arabia is loaded into tankers which transport the crude oil across the Mediterranean to European markets. In the South the historic port of Sidon is, after centuries of decay, once again prosperous because of the petroleum port of the Arabian American Oil Company pipeline which carries oil across over a thousand miles of desert from Dharhan on the Persian Gulf. At Tripoli, in the extreme north, oil from the two pipelines of the Iraq Petroleum Company is loaded into tankers in an elaborate new harbour built by the oil company. Thus, although the Lebanon has no known mineral deposits, large industries or agricultural potentialities, it is of importance to the Atlantic Pact Powers. Major disturbances in the country would prevent the transport of Middle East petroleum from well to market. There is little doubt that companies favoured establishments in the Lebanon not only because this country has a far more agreeable climate than any other in the Middle East, but because there is a small Christian majority and far more amenities for European residents. There is less likelihood of political disturbances or anti-foreign riots and in addition, as the Lebanon is an Arab country and a member of the Arab League, the companies do not experience the difficulties between Jews and Arabs which make use of the Haifa pipelines or installations in Israel impossible.

The Lebanon claims to be the most advanced of all Middle

Eastern states; but its curious system of proportional representation for all the religious groups when they elect a new Chamber of Deputies must be improved or abolished before its improvised democracy can function effectively. Defects in the present system have been illustrated in the recent general election, the second to be held since the Lebanon became an independent state on the termination of the French Mandate. Tempers were short and the atmosphere tense before the elections, but although many a man carried his gun there were only forty people killed and seriously wounded—far fewer than on the earlier occasion.

Before the elections the President of the Republic who is, by custom, a Christian, dismissed his Premier, Riad Bey el Solh, who had been in office for four years and formed a so-called neutral government. The President maintains a façade of neutrality, though his brother, Sheikh Selim el Khoury, the *eminence grise* of the Lebanon, is the head of



the Constitutionalist or Government Party. This party represents the rich landowners and a large proportion of those who have profited through the financial activities of the free gold and dollar market of the Lebanon and the re-establishment of the large and illegal hashish trade with Egypt. The President increased the total number of deputies in the Chamber from 55 to 57. He found it difficult in so small a Chamber to find a place for all his friends and supporters who demanded rewards, and for important enemies who needed placating. The President's brother also placed key men to control the elections in the Ministry of the Interior, the police and the *gendarmérie*. The country was divided into nine electoral

divisions and the Government began the work of compiling a list of thirteen candidates for each division. The composition of the lists varied according to the population of the district but always included a Maronite Christian, a Sunni Moslem, a representative of the Greek Orthodox Church, Greek Catholic Church, a Druze and a Shi Moslem. In theory a voter might select the Maronite from the Government's list and a Moslem from the opposition but he would not in practice as it is simpler and quicker to vote for the list as a whole. Candidates paid vast sums of money to be included on the Government lists and, as these were not made up until the last moment, men who hoped to be included were cleverly prevented from beginning their campaigns in opposition. It was clear from the beginning that the Government would be returned.

One of the most amusing pre-election incidents occurred at the Registrar's office when Mustapha el Ariss, the leader of the Communist-led trade unions, paid an unexpected visit and registered as an independent. A warrant for Mustapha's arrest was issued well over a year ago and the police had persistently pretended it was impossible to find him. On this occasion when the Registrar recovered from his surprise and called the police, Mustapha had disappeared. The Communist Party is illegal so it had little opportunity of demonstrating its strength at the polls.

Opposition Groups

There is little difference in the policy of the various parties. The opposition had a common list composed of three main groups of which the first—Djimblatts "progressive Socialist Party"—has the most reasonable policy of social reforms and has obtained in addition to the traditional Druze support the support of some progressives as well as of the remnants of the Antoun Saade Party whose leader was executed eighteen months ago after an ill-fated attempt to organise a coup d'état similar to that of Colonel Hosni Zaim in Syria. The whole opposition group was led by M. Camille Shamoun, a Maronite who was formerly a great friend of the President and the Lebanese Minister in London. He will now lead the opposition in the new chamber. He quarrelled with the Nationalists and there is reason to believe that had the opposition won the elections they would have challenged the legality of President Khoury's second term of office. Camille Shamoun would have been the obvious alternative candidate for the office. A third group in the opposition was led by Raymond Edde, son of the former pro-French leader; has the somewhat odd name of Nationalist. A more realistic name is the Mediterranean Culture Group which prefers to see the Lebanon more closely tied to the Christian countries of Europe than to the Moslems of the Arab League. It is most significant that this party was largely unsuccessful at the polls. The Phalange, an illegal party which operates under the name of the Lebanese Union, managed to secure one or two seats. The position of Riad Bey el Solh is important but slightly

obscure. He has secured his seat in the chamber but whether or not he had completely made up his quarrel with the head of state it is impossible to guess. However it is not rash to prophesy that this able Moslem, whose amusing bearing and crude wit hide an astute and calculating mind, will soon return to power, especially as his foreign policy of close association with Egypt and the Arab League has been endorsed by a majority of the electorate. No change is likely in internal or external policy. The results demonstrate that personalities are still more important than parties in the Lebanon.

The Lebanon has somewhat disappointed many of those Americans and Englishmen who believed the country was ready for independence. Corruption has greatly increased, relations with Syria, on whom the Lebanon depends for cereals, have deteriorated. The true prosperity of the country, which is based on Beirut harbour, has been jeopardised. A great wave of gambling has swept across the land. The activities of the illegal Communist party have increased. The illegal trade in hashish and traffic in other drugs has grown to dangerous proportions. Yet the Lebanon could easily lead the Middle East in social reforms. Its politicians are not so prejudiced about receiving advice from western advisers as the other Arab States. But the British adviser on air raid precautions in Beirut needs to be reinforced by a team of agricultural and economic experts who will assist the Lebanese to put into operation the much discussed schemes for increasing the country's resources and reorganising its social services.

Next Stage in Soviet Planning

[BY A CORRESPONDENT]

THE fourth Soviet Five-Year Plan was ended at the close of last year. Yet hitherto no announcement has been made about a new plan. This has led many western observers to conclude that this first postwar plan has also been the last, at least the last to be made public. Outwardly many signs have pointed in that direction: the summing up of the finished plan was delayed (the balance was at last drawn last week); during the budgetary debates in the Supreme Council of the Soviet Union the Finance Minister A. G. Zverev made no reference to a new plan; other ministers dealing with economic departments took part in the debate, but M. Z. Saburov, chairman of the State Economic Planning Committee (Gosplan), remained silent. Hence here and there the conclusion was drawn that the Soviet authorities were dropping long-term planning altogether.

Yet planning is too inherent a part of the Soviet economic system to be abandoned suddenly; and the delay in the announcement of a new plan is not unprecedented. A glance at the history of Soviet planning shows that on the close of a planning period delay in the announcement of the new plan has been the rule not the exception. Faced with stiff economic obstacles, and particularly with a tense international situation, Stalin has always preferred to keep his game secret and to wait before proclaiming to the wide world the plans and targets set for the Soviet economy.

The first five-year plan had been in operation for some time before it was officially proclaimed. It covered the five years between 1928-29 and 1932-33, yet it was not formally launched until April, 1929, at the sixteenth congress of the All-Soviet Communist Party. This first plan was officially carried out in four years—i.e., it ended in 1932 instead of 1933. In spite of this the second plan was proclaimed after a time lag of one year—namely, in January, 1934, at the seventeenth congress of the Party. There were many reasons for this delay. One of them was probably that

Stalin wanted an interval to boost up the Soviet iron ore production, which was badly lagging behind the target. (The original target of 10 million tons was increased to 15 million, yet at the end of the plan output reached only 6,500,000 tons.) Considerations of security were probably even more important; there was the Japanese danger in the Far East—which Stalin counted as a cause of some failures in the plan, since it had compelled a partial switch-over to defence—and Hitler's rise in the West.

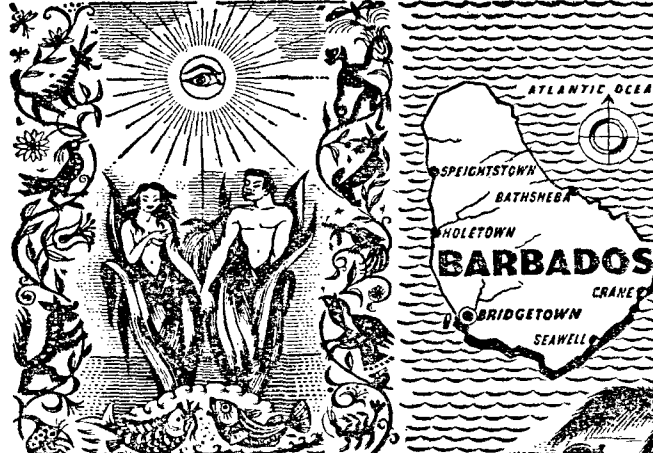
The time lag was even longer between the second and third plans. The second five-year plan, it was claimed, had been fulfilled in four years and three months. In other words, it was ended early in 1937. Yet the third plan was proclaimed by the eighteenth congress of the Party as late as March, 1939. This time international tension was certainly the main reason for the postponement. In the West there was the threat of a German invasion. Soviet-Japanese relations had further deteriorated. There was the possibility of an attack on two fronts. The Kremlin therefore wondered whether it was the right time to proclaim its economic plans. Finally, after much hesitation, it was decided that the proclamation of plans for the speedy development of heavy industry could deter Hitler and also make the Soviet Union look more attractive as a potential partner for the Western powers.

Far-reaching security measures, however, were applied. The first plan had been accompanied by three volumes of detailed statistics, giving an insight into the USSR's economic geography, the distribution of raw materials and of the planned industrial sites. The material on the second plan which was passed for publication was less detailed. The explanatory material for the third plan was reduced to the data supplied by Molotov when he presented the plan at the Party congress; the statistical yearbooks no longer appeared. Finally, after the war, a special decree was passed labelling as treason the unauthorised publication, or any other disclosure, of statistical data. Already on the eve of World War II the publication of annual targets had ceased. Since then the veil of secrecy has been drawn tighter and tighter. Thus Voznesensky's speech in March, 1946, before the Soviet Supreme Council, in which he commented on the fourth five-year plan, did not add much information to what had already been given in the official decree launching the plan.

More Secrecy Probable

There have also been enigmatic changes in the staff of the central planning institution—the Gosplan—itsself. N. A. Voznesensky, its chairman for many years and the official author of the third and fourth plans who had survived the stiffest purges of 1937 and 1938, was suddenly dismissed in March, 1949. He also ceased to be a vice-premier and member of the Politbureau, and since then his name has not been mentioned. The Gosplan itself, however, was not attacked. Founded in 1920, this institution has been steadily strengthened during nearly a quarter of a century of systematic planning and, despite all rumours about its twilight, the Gosplan continues to be a vital link in Soviet economic life.

In the atmosphere of the cold war, with the possibility of atomic attack uppermost in their mind, the Russians think twice before deciding on the geographical distribution of new industrial enterprises, and particularly before making this distribution known. Moreover, some vital decisions concerning the new plan are probably still in suspense and may remain so until the international situation has been further clarified. All this may account for some hesitation and delay in the framing of the new plan. All the same, some of its features have been known and publicised for some time now; these include the schemes for electrification, canal building and the so-called Stalin's "Plan for Changing Nature." The full plan, if precedent offers any



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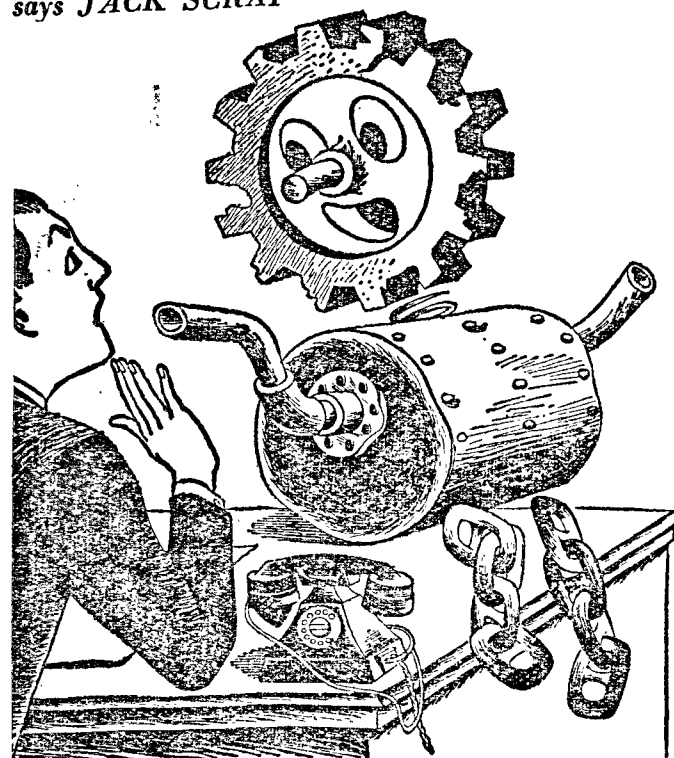
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Net Current Assets	988,939	
		<u>1,534,140</u>
Represented by :		
Issued Capital including Preference Shares of a Subsidiary	458,034	
Capital & Revenue Reserves	726,695	
Total Capital & Reserves	1,184,729	
Unsecured Loan Stock 1955/60	100,000	
Future Taxation & Pensions	246,711	
Outside Shareholders in a Subsidiary Company	2,700	
		<u>1,534,140</u>

guidance, should be announced at a new congress of the All-Soviet Communist Party—there has been none for the last 12 years. However, even if the fifth plan is proclaimed, it would be presumptuous to expect three large volumes of statistical data like those issued in 1929. The information given this time will probably be scantier than ever. Stalin will try to reveal as little as possible to the outside world.

Nehru—Idealist or Appeaser?

[FROM OUR INDIAN CORRESPONDENT]

SINCE the Korean war began there has grown up in India an increasing opposition to the foreign policy of Pandit Nehru, the Prime Minister. There has been concern that he might go too far and alienate a West in which are embodied all the values by which India stands, and from whom alone the assistance can come which India so desperately needs. This opposition reached its peak some time ago when Dr John Matthai, the former Finance Minister, delivered one of the first effective and outspoken criticisms of Mr Nehru's foreign policy as a whole. After that, dissatisfaction died down, as Mr Nehru himself appeared so obviously satisfied with the victories of the United Nations in Korea. But a hard core of criticism still remains.

Mr Nehru is always news. His record over the last few years has built him up into a world figure. Nevertheless, his activities on the international stage have not been particularly successful. His peace efforts have certainly misfired. They have not only failed at the United Nations, but have somehow left a bitter taste at home. In all that he did in trying to settle the Korean dispute, he had overwhelming public support; yet a suspicion is spreading inside India that he is too woolly, too impetuous, and too inclined for India's own good to take the centre of the stage.

Only a few on the right consider Mr Nehru a fellow-traveller. The mass of Indian opinion takes him at his face value. Certainly he is perfectly consistent in his endless repetition of one theme—that war is the supreme evil. Another war, he feels, would so brutalise humanity that the values for which we fight would be destroyed anyway. Nobody really wants war; therefore, like Gandhi, one must negotiate endlessly, lovingly, until the other side's sense of right at last brings them to reason. This method, in Indian eyes, finally justified itself in Indian independence. But Nehru's application of it seems to overlook the fact that Gandhi talked but did not budge. Gandhi did not hate even the rioters who beat him up in Durban; but having decided upon independence he took nothing less. In Korea, Nehru has taken expediency, not principle, as his guide. In his argument it was inexpedient, not immoral, to cross the 38th parallel, or name China as the aggressor. The result has been appeasement of the sort where one explains for so long that the aggressor has a case, that one forgets that his victim has a better. Nehru's inspiration is not the Mahatma, but Sir John Simon arguing Japan's case in Manchuria, or Lord Runciman mediating Hitler into the Sudetenland. And Nehru's whole syllogism, his whole belief that no one *can* want war because war would be so disastrous, is exactly like Chamberlain's. The emotions which applaud Nehru today are those which once acclaimed Munich.

Nehru's Attitude to China

Nehru may be as much an appeaser as Chamberlain; but he is more dangerous. Chamberlain's assessment of Hitler was straight error. In Nehru's analysis there is a great deal of truth which the West, in its annoyance at his conclusions, can disregard only at its peril. Nehru is strong neither on facts nor on law; but for the expression of Asian emotions he is unique. Other nations may abstain where Nehru will rush in and cast his vote, but only the Philippines will actually vote the other way. Nehru brings to the surface,

as no one else in Asia can, the suspicions of his continent. In Asia colonialism is not dead; even the Japanese occupation is suspect, still more so Pondicherry or New Guinea or Indo-China. Nehru may be unhelpful in not realising just how difficult it is to make Indo-China independent in the middle of a war; but his insistence that somehow it must be done is chastening to a West still too inclined to cling to the symbols of a power that is gone.

Nehru's affection for China goes further. The Congress has achieved great things in India. But politically it is bogged down in an unprofitable dispute with Pakistan; economically it has as yet brought to fruition little of that great transformation of society of which Nehru dreamed; even the abolition of *zemin-dari* is not yet completed. So Nehru, and with him much of Indian and Asian opinion, is desperately interested to see whether Mao Tse-tung can succeed where he has failed. He realises that India has not the capital for the American way of life; and he is genuinely allergic to the Soviet police state. But Communism, if he could have it without concentration camps, has an enormous appeal for him. He suppresses Indian Communism with an iron hand, but explains that it is not the Communist doctrine but "armed rebellion" to which he objects. In Mao he sees a new hope arising; for China is as poor as India and, if China can do it, so can India. Therefore Mao must have his chance—however far one has to lean over backwards in order to give it to him. Much of this may be subconscious. Certainly so long as the whole Mao experiment is not destroyed by atom bombing or a general war, Nehru does not mind his being defeated in Korea. He indulged in no serious peace efforts after the tide of battle turned in favour of the United Nations.

Meanwhile, and in retrospect, India itself is beginning to grumble. Nehru's attitude to the Americans is criticised as being far too influenced by Old Harrovian disdain. His insistence at first that national honour required that India should pay for any food it gets, his total lack of gratitude, even of ordinary graciousness, for American generosity, arouse real anger. And over many minds there is coming a creeping suspicion that the results of his peace efforts have only been to make nonsense of India's own argument in Kashmir. People are beginning to remember that it was China whose troops recently trespassed in Assam and whose actions in Tibet made necessary so much firmness in Nepal. Nehru is still more India's leader than anyone else, but more and more of those who make opinion are wondering how long India can afford a leader so incapable of descending from the abstract ideal to the concrete fact, and so unconscious of India's particular interests in a world still largely governed by national interest. Western pictures of Nehru as the cunning statesman who shrewdly and coolly plays his cards according to the strict interest of his own country, rouse in India a very wry smile indeed. People are now saying that Nehru is indispensable only for the emergencies he creates.

Communists and Colonial Students

[BY A CORRESPONDENT]

THE Cominform has for some time shown a special interest in colonial students; the International Union of Students is the agency through which the direct appeal is made. The IUS claims to represent the students of 71 countries; what it does not mention is that many of these affiliates are minority groups in the countries that they represent. The majority unions in a number of the western countries have never been members; and some who have been have now disaffiliated. The British NUS, after much heart searching, has stayed in, not as a full member but on the basis of a special fraternal membership.

In 1946, the IUS established a "Bureau of Students fighting against Colonialism." It is headed by a Chinese, and an Indian woman is the driving force. It publishes pamphlets making charges about the iniquities of educational conditions in the Colonies and the martyrdoms suffered by colonial students in defence of their liberties. But its major activity is to court colonial students and bring them either to special international events, or actively to study in eastern Europe. The special events may be the world student congresses held every three years; or the world festivals of youth and students, held at two-yearly periods, the next of which is to take place in Berlin in August. To pay for this solidarity, funds are "voluntarily" raised by students in eastern Europe who do special shock shifts. Eight scholarships were recently offered to Nigerians for study in East Germany; the Nigerian Government refused permission for any local support. Nevertheless, it is reported that seven students have in fact arrived in Berlin; they include the son of one of the miners who was killed in the riots in 1949.

When the students arrive, whether for study or for special events, they become public exhibit no. 1. They are paraded as objects of particular interest; their vanity is flattered and every word they say is seized upon for propaganda use. The European students exert themselves to look after them; girls, in particular, make them their special charge. The contrast with the indifference accorded to colonial students in Britain is quite conspicuous. The British student is neither more nor less reserved with a colonial student than with any other, but he remains reserved enough. An African or West Indian in Britain does not automatically become a hero just because his skin is black. In eastern Europe he will be dropped the moment he ceases to be "useful" or the moment he takes an independent stand; but that is an experience which comes only later.

Many of the members of the British NUS watch these events unhappily. They cannot compete, even if they wanted to, in this insidious courtship of the colonial student. The only effective answer lies outside the student world altogether: it is that conditions in the Colonies should be such that when the student returns home he finds expression in a satisfying life of his own.

Inflation at Sweden's Throat

[FROM OUR STOCKHOLM CORRESPONDENT]

THE problems of inflation in a planned economy are now embroiling the socialist Government of Sweden in complications with which the British public is becoming only too familiar. As the House of Commons has just debated the British budget for 1951, it may be interesting—and a little sobering—to review the perilous progress of the Swedish Government in the last few months.

The basic tenet of Swedish financial policy is that runaway inflation can best be controlled by strict budgeting for a revenue surplus over current government expenditure, and sufficient to cover as large a part as possible of the outlay on public investment. During the last few months, the need for deflationary measures has become more urgent from day to day. Expenditure on defence has been mounting steadily, and it has proved politically impossible to cut civil expenditure sufficiently to accommodate the increased military commitments. This has forced the Minister of Finance, Mr Sköld, to abandon any attempt to keep the economy stabilised at the 1950 level, and to aim, as a *pis aller*, at a planned, once-for-all measure of inflation, to be followed by stabilisation at a higher level. As a consequence, the wage freeze has been lifted while the import subsidies and many of the subsidies on home-produced food have been removed. This followed the interim measures taken last autumn, which were designed to restrict private investment by raising the obligatory currency cover for the commercial banks and putting up the rate of interest by a half per cent.

In this way, Mr Sköld had hoped to allow a controlled rise in the cost of living to a level which would be more or less realistic in relation to the general rise in real values at home and abroad. On his original calculations, this should have meant an increase of about 10 per cent in the cost of living. On this basis, he had hoped that there would be room for the newly freed wages to rise by a little more than the equivalent amount, say 12-13 per cent. Thereafter, he had intended, to hold the situation stable by an appropriate fiscal policy.

In practice, events proved him too optimistic. With the removal of the import subsidies, the cost of living has already risen the full 10 per cent, and has not yet reflected the secondary reactions—internal wage and price increases—which are bound to follow. The unions, for their part, have on the whole behaved with restraint. The first increases granted were comparatively moderate but some of the agreements recently negotiated have brought a rise in wages of 20 per cent or even more.

The Minister of Finance is thus faced with the need for even fiercer fiscal measures than he had envisaged in his original budget. He himself has clearly decided that the point at which they are most badly needed, and at which they will most effectively curb inflation, is industrial and commercial investment. The outstanding new proposal that has just been adopted by the Swedish parliament is, therefore, a new 10 per cent tax on private investment.

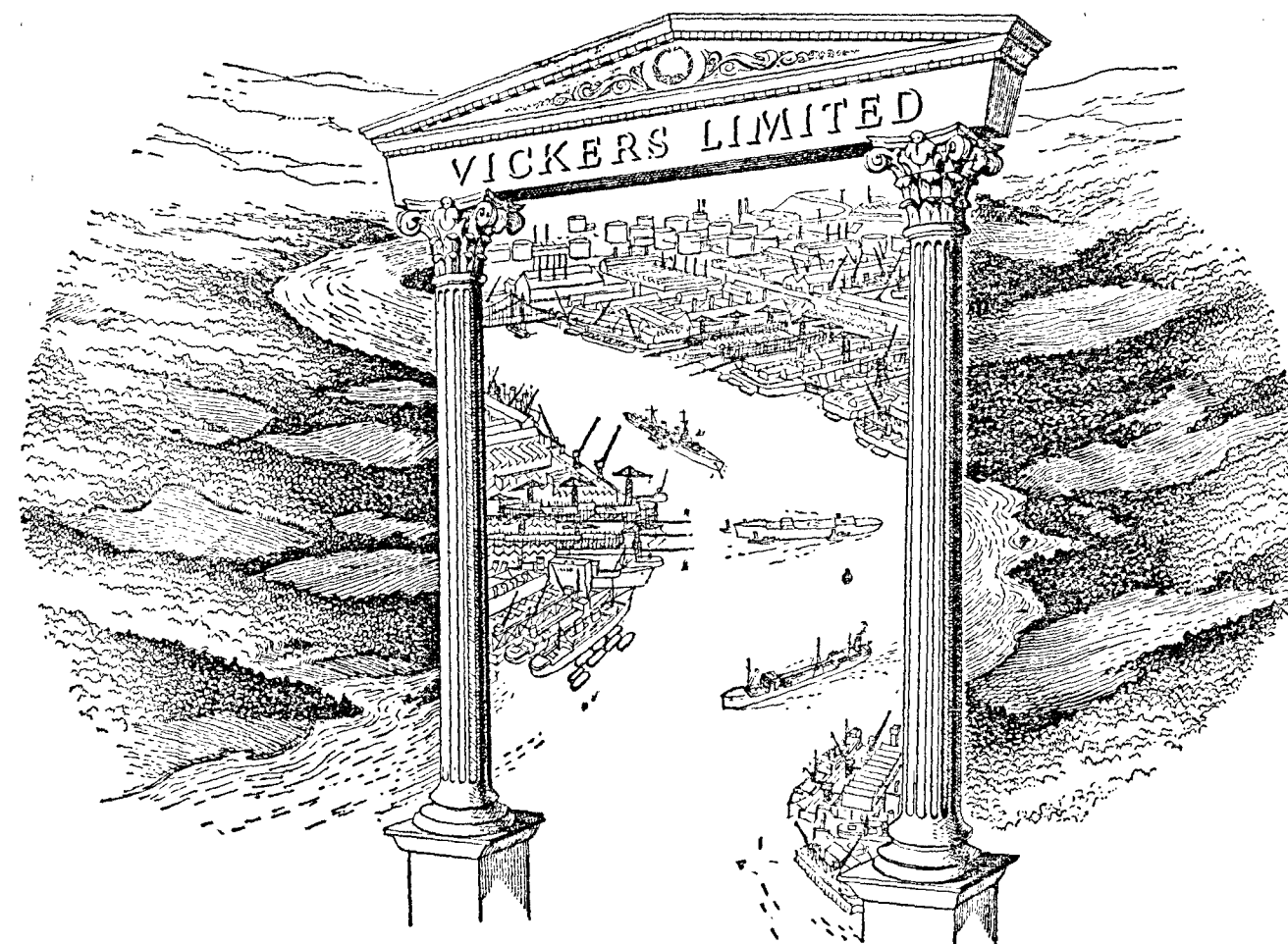
The importance of this particular tax and the failure of the more moderate restrictions which were imposed in the autumn are to be found among a variety of factors. The autumn measures only came into effect in cases where investment funds had to be raised on the open market or from the banks. In many cases, however, this did not apply. To reduce the incidence of direct taxes on distributed profits, and of income tax on distributed dividends, Swedish firms have in many cases tended to plough back rather more of their profit than normal business would require. They have been encouraged in this by the fact that, under the prevailing tax laws, industrial and commercial firms (and particularly joint stock companies) have considerable freedom in the valuation of their inventories and capital depreciation. It is the purpose of the new investment tax to provide a strong disincentive to this "over-investment."

More Taxes Proposed

If the tax is effective in operation, the Government stands to gain on two counts. The consequent fall in investment will ease the direct inflationary pressure; and the additional revenue from the higher profits and dividends which may then be forced out into the open will help to balance the budget. There is some reason to doubt, however, whether even this tax will be really effective in practice. So long as there is a prospect of continued inflation, so long will investment tend to be attractive, in spite of the new tax. An unending vista of rising prices may more than compensate for an extra 10 per cent on the cost of the investment.

Even those who believe the tax will be effective do not believe that it alone will be sufficient to stem the inflationary pressures. Mr Sköld seems to hope that it will yield an additional revenue of about 200 million kronor. This is probably a generous estimate, but even if it is right, it will not be enough. The Finance Minister is therefore simultaneously looking for yet further sources of additional income. As he believes that direct taxation has reached its practical limit, he has had to concentrate on indirect taxes. His new proposals include a tax in the consumption of electricity and a double rate of taxation on vehicles.

Mr Sköld's fundamental problem is how to raise prices by duties on consumption goods without producing a compensatory rise in incomes. The idea of a general turnover tax which might solve the financial difficulties has so far been rejected by the Government, probably because of its possible influence on wages. His experiences afford fresh

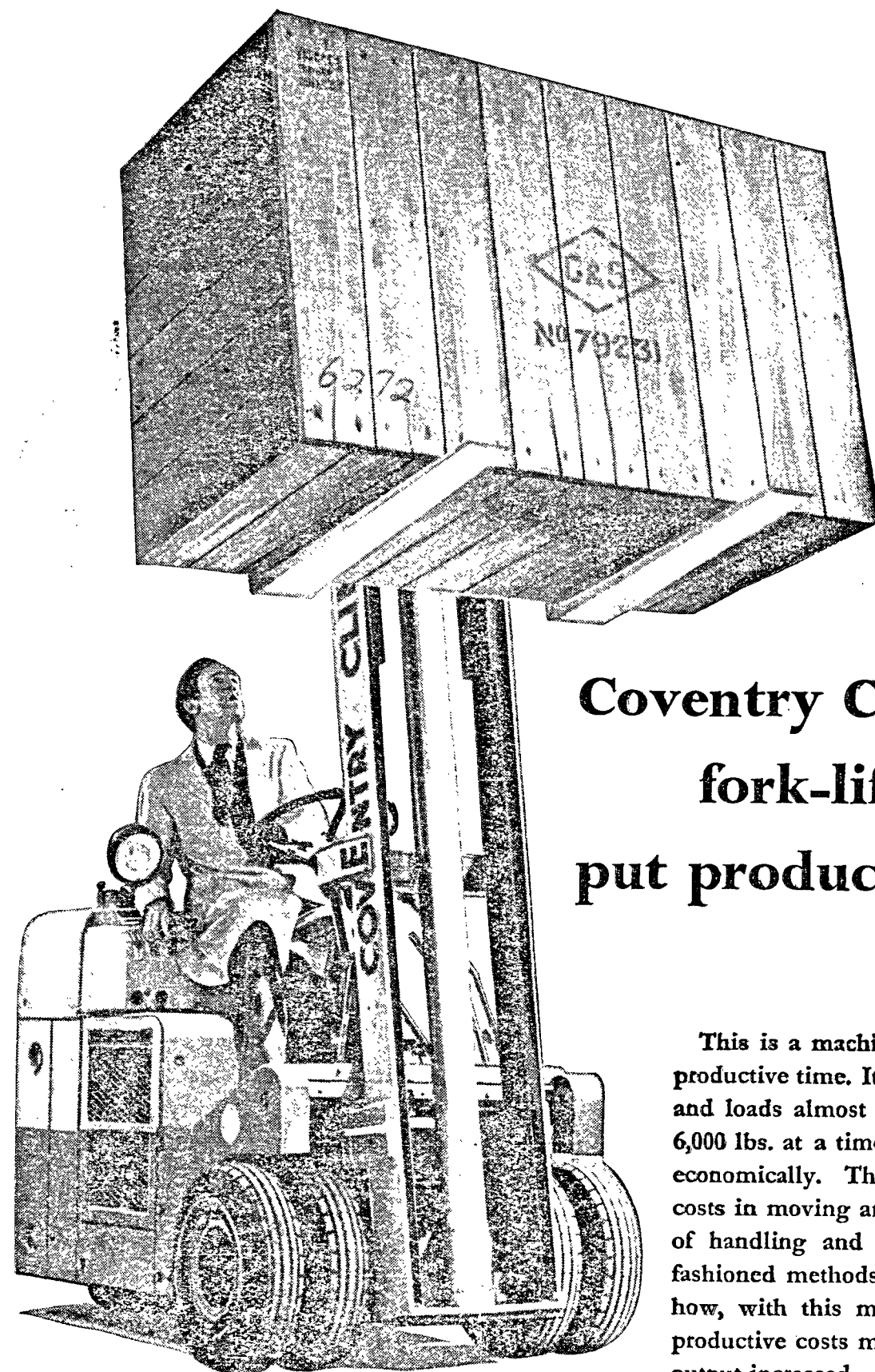


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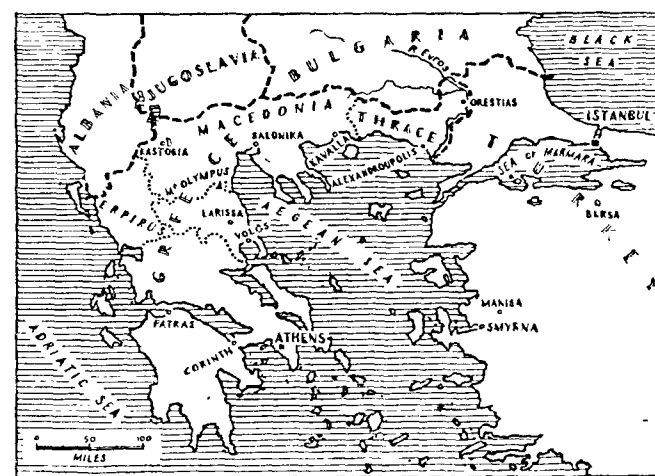
evidence of the difficulties which block any attempt to create by budgetary measures a satisfactory defence against inflation. When taxation is as heavy as it is in Sweden at the moment, there is a grave risk that to make it even heavier will only reinforce the inflationary pressures which it is designed to counteract. If the Swedish problem is to be solved, the main weapons against inflation may have to be sought elsewhere. If a monetary policy on what was once "orthodox" lines is rejected, the only practicable alternative seems to be a system of "direct" controls, including a return to such unpopular things as wage ceilings—or possibly some combination of both methods.

The Problems of Northern Greece

[BY A CORRESPONDENT RECENTLY IN GREECE]

NORTHERN Greece, as the most important contributor to the national economy, has long resented Athenian indifference. The visit of the Cabinet to Salonika for a few weeks in January was unprecedented. Whether or not this will result in effective action for the solution of the area's outstanding problems remains to be seen.

Many of these problems are common to the rest of Greece. There are, however, some fundamental differences in general conditions. A harsh climate intensifies the hardships of village life in the north. Unlike the smallholder of the south, who can usually subsist from his own produce, large sectors of the northern peasantry are exposed to economic uncertainties by their dependence on cash crops such as tobacco. As



well as acute poverty in rural areas, the north has to contend with industrial discontent greatly aggravated by postwar slumps. The immediate tasks of resettlement and reconstruction are made more difficult by the fact that fighting lasted much longer in this region. Moreover, in the present international tension activities are restricted by the proximity of dangers, which, though of national significance, are easier to forget south of Olympus. Security forces, therefore, have the exacting task of providing defence against widely dispersed *andarte* raids, and at the same time must be organised to resist concentrated attack in the event of major aggression. Security in the mountains of Western Macedonia and Epirus has been much improved by strategic roads under military construction; such roads also help to raise civilian morale by linking isolated communities to the main centres and bus routes.

Repatriation is now complete to the extent that most of the refugees have left the towns; but they are not yet all back in their own villages, and it will not be practical for them to

return until there is adequate protection against the theft of crops and livestock by *andartes* in the frontier regions. Gendarmerie posts are in the throes of undergoing reorganisation; as the larger villages are rebuilt, units are transferred to permanent quarters which are geographically better suited for the fulfilment of peacetime duties. Village housing has proved an even greater problem than was originally anticipated. In many places the shelter provided is primitive and temporary, and housing is likely to absorb considerable resources for the next year or two. Village recovery varies in different districts. Epirus, with the help of the Army, got off to an excellent and early start. But inaccessible villages elsewhere, which were not repatriated until after the Army had moved back to its permanent positions, suffered through their dependence on the civilian authorities for transport and technical assistance.

Wider decentralisation—a measure repeatedly urged by the ECA Mission—is essential to efficient local government; without this, rural reconstruction is bound to be held up. The increased powers of the nomarchs have already proved useful, but some of their authority needs to be delegated lower, to the level of demarchs and village presidents. A deeply ingrained distrust of junior officials on the part of a people long accustomed to finding that nothing can be done except at top level, combined with a shortage of trained staffs, obstructs the fulfilment of these objectives. Administration and local trade are handicapped by poor communications. Trunk and toll calls on anything other than military lines can take days, and frequently result in complete inaudibility. Much still has to be done, especially in Thrace, before even the main roads are adequate. Recent travellers describe the international route at this stage as the worst stretch of road between Dunkirk and Delhi; beyond Alexandroupolis, rotting wooden bridges, usually not repaired until after an accident, add to the motorist's perils. Secondary roads in many districts are no better than a network of cart tracks—sometimes so indistinct that not even the local gendarmes can find the way.

Peasants' Hardships

For the time being, emergency projects have had to take precedence over long-term development schemes which can reduce the inherent poverty of Northern Greece as a whole. Nevertheless a fuller exploitation of local resources is urgent if military victory against the Communists is not to be nullified by growing discontent. Peasants have returned to country life expecting conditions to be better only to experience greater hardship than in the past. Although as refugees they lived in squalor in the towns, they saw a way of life easier than their own. Athenian luxury is still too remote to make much impression; the small-town wealth of the middleman in, for instance, Kastoria or Alexandroupolis is more likely to cause resentment.

Among backward areas the most neglected is perhaps Thrace—first acquired by Greece in 1920. In the neighbourhood of Neas Orestias miserable groups of mud-brick settlements scattered over open grain country give the impression that problems here are Asiatic rather than European in scale. Villages in the strategic triangle to the north of the Evros, where the frontiers of Greece, Turkey and Bulgaria meet, are accessible in winter only by a railway bridge of little use to the peasants. During the months when the river can be crossed, a day's ride or more by bullock cart is necessary to obtain medical attention, or to take produce to market. Scope for land reclamation is extensive. Flood control work on the Evros—first contemplated in 1934—is now scheduled to start this summer. A joint Greco-Turkish scheme, financed by the ECA, will bring about the improvement, on the Greek side alone, of approximately 102,000 acres. And the resumption of diplomatic relations with Yugoslavia is of special interest to Northern Greece. This, with the recent renewal of rail communications, is expected to bring trade to Salonika.

THE BUSINESS WORLD

Raw Materials and Defence

THE fact of three ministerial resignations within a week, all on the ostensible ground that the defence programme is "dead" or an "illusion" because shortage of raw materials makes its achievement impossible, argues that there is something wrong with the ministers who have resigned and with raw materials. It is difficult to follow the ex-President of the Board of Trade in his assertion that "today British industry stands disorganised and threatened by paralysis" because "we have not had our rightful share of the raw materials available." The ex-Minister of Labour's talk of the prospect of "mass unemployment" presupposes that this country will never get its "rightful share," whatever that may be. Whether these sweeping statements about the present and the gloomy speculations about the future help, or are intended to help, the aim of the western democracies to defend themselves is open to question. To recognise difficulties is one thing; to resign because of them is quite another.

The furore itself, and the very inadmissibility of Mr Bevan's reasoning, have, however, already produced a sharper focus, on both sides of the Atlantic, upon the really critical issues. Mr Morrison has since emphasised that any failure by Britain to obtain sufficient materials to sustain the volume of production upon which present plans are based would weaken the whole economy and depress the standard of living. But he made it abundantly clear that if production were to be thus affected every effort would be made to concentrate the effects upon domestic consumption, and thus to minimise any interference with the defence and export programmes. The Government does not, in any case, take a grim view of the prospects—because it counts upon the United States' "sense of partnership with Europe." The American Secretary of State, for his part, has responded to the accusations of Britain's resigning Ministers by declaring that America's import and export policies are designed to take full account of the needs of friendly powers, and that shortages of materials inevitably caused by the rapid rearmament drive would have to be shared by all members of the Atlantic pact. It is too soon to guess whether this portends any notable trimming of American policy, but it was apparently intended to be reassuring.

In the last nine months, since the pace of defence began to quicken, the difficulties of providing enough raw materials to carry through the defence programmes of the United States and Western Europe have been obvious enough. The impact of a record demand on raw materials for civil production, coupled with new defence needs and with the grasping gathering-in of the stockpiles, has distorted the commodity markets out of all semblance to normal conditions. The Americans complained at the price of their imports, but continued to buy and to protest at being "gouged." The American economy sucked in raw materials at an astonishing pace,

both to use for current civil and defence production and also to put by in case of war.

When the United States, Britain and France announced three months ago proposals to secure the international allocation of raw materials, hopes were raised of a solution of the extreme shortages of key materials, based on freely given co-operation between major producers and consumers in the common defensive interests of the west. It was stated at the time in these columns that the scheme could become a bold experiment in international co-operation—if the participating countries were determined to make it work. It now seems, unfortunately, that such determination was missing. The task of the participating countries was not easy, but it seemed well within the realms of possibility, given an accommodation between the major producers and consumers.

Six commodity committees have met in Washington and invitations to form a seventh—the pulp-paper committee—have been sent out. None of the six has been able to report progress on the delicate question of allocating supplies among the different users according to need and merit. The copper-zinc-lead committee has so far agreed upon a questionnaire to be sent to governments asking for estimates of production and requirements in 1951 and 1952. The replies should be received this week and the committee expects to meet again next month. The committee on sulphur is preparing a report on methods of expanding the production of sulphur and sulphur-bearing materials, of conserving sulphur and substituting other materials for it, and of controlling the uses to which it is put. The cotton-cotton linters committee is busy drafting a questionnaire. The tungsten-molybdenum committee has been occupied with collecting statistics on production and consumption. The manganese-nickel-cobalt committee has completed its calculations and has asked governments to submit information on measures taken or contemplated "to increase production, restrict consumption and economise in the use of materials." The wool committee has prepared estimates of production and consumption in 1951 and 1952. Tin and rubber have not been brought within the scope of the conference. A special meeting of tin producers and consumers was indeed held in Washington last month but it failed to reconcile the opposing views. An international rubber conference met in London in February; it was adjourned, met again in Rome a fortnight ago, and again arrived at no agreement.

Thus the result of more than a month's labours is to put in train a series of statistical exercises, all of which may be expected to show that there is a critical shortage of materials. These no doubt have their importance, but even more important is the fact that international allocation of these scarce key materials has not been tackled as a necessary act of co-operation for defence. If blame is to be laid anywhere for the failure of the

Washington conference—and at present failure seems complete—it must be laid on both sides of the Atlantic, for in the final analysis any successful scheme of international allocation would involve a bargain between sterling area and dollar commodities.

It cannot yet be claimed, however, that the breakdown in the raw materials conference has brought British industry to the edge of disaster, threatening defence, exports and the standard of living with calamity. Statistics about British consumption and stocks of raw materials in the first quarter of this year are not yet available. Some indication of the rate at which critical raw materials have been reaching this country is given in the accompanying table. Imports of sulphur during the first quarter of this year amounted to 86,700 tons, or 10,200 tons less than in the same period of 1950 and 9,000 tons less than in 1949. Much has already been made of the shortage of sulphur. One of Mr Wilson's strongest speeches was devoted to it a week before he

BRITISH IMPORTS OF RAW MATERIAL

Commodity	Unit	January-March		
		1949	1950	1951
Sulphur	'000 tons	95.8	96.9	86.7
Alumelium	'000 cwt.	£88.4	254.4	457.4
Bauxite	'000 tons	93.3	62.8	84.3
Copper	" "	69.4	69.7	92.8
Lead	" "	44.3	51.9	19.7
Zinc, slab	" "	31.8	23.8	26.6
" concentrates	" "	41.2	26.6	30.9
Tin, concentrates	" "	15.0	11.0	10.7
Nickel, unwrought and alloys	'000 cwt.	20.9	15.4	25.1
" ores	'000 tons	7.8	5.8	9.3
Tungsten ores	" "	1.2	1.9	0.9
Antimony ores	" "	3.6	3.3	5.8
Chromium ores	" "	28.8	27.6	28.2
Cobalt and alloys	'000 lb.	£29.2	1,307.1	£60.4
Manganese ores	'000 tons	84.2	124.8	97.9
Mercury	'000 lb.	114.1	2,346.2	220.8
Molybdenum ores	'000 cwt.	11.5	16.4	13.7
Iron ore	'000 tons	1,685.7	2,149.0	1,730.6
Rubber	'000 tons	50.6	64.4	78.9
Softwood	'000 standards	148.6	103.2	219.3
Paper-making materials	'000 tons	417.6	366.1	493.9
Raw cotton	Mn. lb.	277.5	244.2	240.3
Cotton linters	" "	12.8	32.6	19.7
Raw wool	" "	195.5	199.6	193.5
Flax	'000 tons	8.2	7.9	10.9
Hemp	" "	24.5	20.5	24.9
Jute	" "	24.7	35.3	36.6
Crude petroleum	Mn. gallons	338.1	534.0	762.8
Refined petroleum	" "	937.5	641.5	656.6

resigned; yet his department was, perhaps, more responsible indirectly for Britain's shortage through its control of imports and prices than any other body—a point Mr Wilson forgot to mention. It is right and necessary to keep this shortage constantly before the attention of the American authorities, for it could do

more widespread damage than any other. The United States Government apparently appreciates this, for it has now allocated Britain a total of 195,465 tons of sulphur for the first six months of this year—an annual rate only 11 per cent less than Britain's total imports of sulphur in 1950. This allocation is in fact only slightly below Britain's most optimistic hopes.

Of the critical non-ferrous metals, imports of nickel concentrates and nickel metal were higher in the first quarter than in the same quarter of 1950 or 1949. More copper and more slab zinc and zinc concentrates arrived, but much less lead, because of the delay in shipments from Australia. Imports of bauxite and aluminium were much heavier than a year ago and larger quantities of antimony and chrome ores arrived. On the other hand, imports of manganese ores, molybdenum ores, tin concentrates, tungsten ores and cobalt fell quite sharply.

Imports of softwood were more than double those of the first three months of 1950. Imports of raw cotton and raw wool have declined slightly, but much more flax, hemp and jute was received than in the first quarter of either 1950 or 1949, and imports of crude petroleum, paper-making materials and rubber were also higher.

These figures do not argue that there is no crisis in raw materials. But they do throw doubt on the contentions of Mr Bevan and Mr Wilson about industrial disaster. Stocks are admittedly low and consumption of raw materials this year will be governed by what can be secured from imports. As defence requirements expand, less material will be available for civilian use unless supplies are more or less guaranteed by some form of international allocation.

In the past two months commodity prices have shown some tendency to fall; a few have fallen quite sharply. At least the fantastic pressure of demand that blew the commodity markets sky high during the past six months has now lessened, mainly because of the reduction in American purchases. The price-freeze introduced by the United States Government at the end of January confused American manufacturers and traders, but it left no doubt of the American Government's determination to limit the rise in retail prices. Cuts imposed by the American Government on the civilian consumption of non-ferrous metals have been severe—manufacturers call them vicious—and limits have been put on the size of stocks that manufacturers and traders can carry. In themselves, these controls may not have reduced

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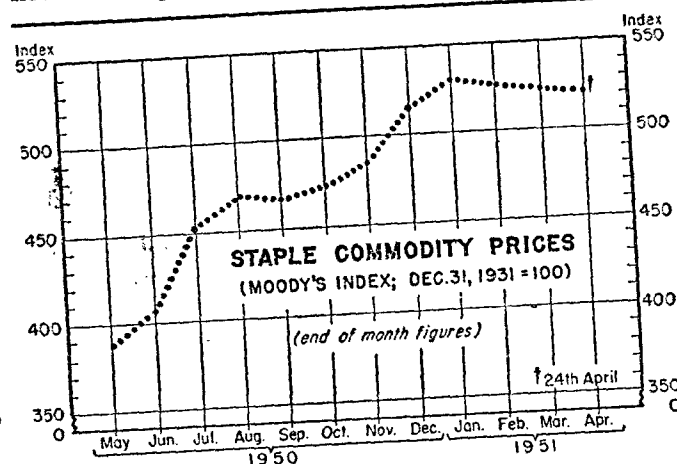
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American demand for raw materials, but they made the American buyer cautious. Commercial stocks of raw materials were built up very rapidly in the United States in the six months after the invasion of Korea and are now at a high level. Manufacturers have found that



defence contracts have not been placed as quickly as they expected and that incomes have not risen as fast as prices. They are now in the process of living on their stocks, and the United States is experiencing a minor "inventory recession," altogether milder than that of two years ago, but not without its effect on commodity prices.

A further and perhaps more important factor has been the slackening of stockpiling in the United States. No more purchases of tin, lead and wool will be made for stock, though current contracts will be allowed to run their course. Purchases of copper and zinc for stock have been extended to cover a longer period. Stockpiling of natural rubber has also declined. This slackening of stockpiling has coincided with the pause in American commercial buying. But this pause is likely

to be temporary. Once stocks have been reduced to a more moderate level, demand will again reassert itself, and, if stockpiling were also resumed, the raw material shortage might quickly become as acute as it was at the beginning of this year.

In this situation, the whole policy of stockpiling must be examined critically. To build up stocks of raw materials sufficient to meet one or two years' needs for defence and essential civilian consumption could be justified in circumstances where surpluses of the materials already existed or production could be rapidly increased. That is not true today. If the western powers as a whole are to form a cohesive industrial alliance the order of priorities for raw materials should be: first, the combined rearmament programmes, which are unlikely to be beyond what is necessary for purely defensive needs; secondly, the maintenance of essential production to maintain exports, capital formation and if possible, consumption in the co-operating countries; and, thirdly, if supplies of raw materials suffice to meet the first two requirements, the creation of emergency stocks. Such a policy would not mean merely the cessation of future purchases for stock but also making present use of those materials already accumulated for the American defence programme. Surely it is wise at this stage to store weapons rather than raw materials. In the end, this implies some system of international allocation that could at the same time encourage an expanding output of raw materials. Primary producers would no doubt require encouragement and protection against some future slump in prices if the defensive aims of the world now strained beyond their capacity and to the aid of productive energies against governments, the resolution of which is most particularly a common threat will be grievous. The weight of this responsibility falls on Britain and the United States.

Bad Bargain in Beef

THE latest and most protracted chapter in the sorry tale of postwar trade negotiations between Britain and Argentina was brought to an end last Monday with the signature of a one-year protocol to the five-year trade and payments agreement of June, 1949. The breaking of a deadlock that has bedevilled Anglo-Argentine relations for nearly twelve months and has forced the British meat ration down to a derisory level is obviously welcome—especially to British housewives. The outcome will be an early resumption of shipments of Argentine meat, though not, apparently, any immediate increase in the substance of the British meat ration. This one consideration apart, the new agreement is almost wholly unsatisfactory. Britain appears to have made concessions all along the line.

The terms of the arrangement, when viewed against the background of last year's abortive negotiations, do, indeed, throw into relief all the major weaknesses inherent in government trading—weaknesses that naturally appear at their worst when it is practised by the seller as well as by the buyer. Once more it is demonstrated that a bargain struck by such means is never closed, but is always liable to be reopened by

demands for retrospective adjustments; that it be confined strictly to the major issue in hand—take account of concession and counter-concession many extraneous matters, so that it becomes impossible to appraise the outcome in commerce or even to determine the effective price that will be for the major commodity involved; and that the bargaining will always be irrationally by considerations of political prestige. Under arrangement Britain gets less meat at a higher price could have been obtained at a time when British, instead of recognising the changing world prices, were talking about Argentine "black" and hoping to call a supposed bluff. Britain accedes two retrospective adjustments—one specific on the price of meat delivered in 1949-50 and one on the effects of sterling devaluation upon Argentine sterling balances, on the strength of which Argentina agrees to release accumulated arrears of private firm remittances to Britain. To the general public, the protocol is a meat agreement; but in fact it is of the sort—it resolves a jumble of claims and claims covering, in the words of the official commu-

"the whole range of Anglo-Argentine commercial and financial relations." Any attempt to appraise it has therefore to consider, first, the arrangements for meat; secondly, the intentions (so far as they are yet settled and disclosed) about reciprocal exports from Britain; and, thirdly, the particularly important provisions governing financial remittances and Argentine sterling balances.

Arrangements for Meat

The upshot of the agreement is that Britain is to get 200,000 tons of carcase meat and 30,000 tons of corned beef during the next twelve months. The quantity of corned beef is 10,000 tons more than in the 1949 agreement—the additional quantity is presumably for the Ministry's emergency stock—but the amount of carcase meat is 100,000 tons less, despite Argentina's undertaking in the earlier agreement to ship not less than 400,000 tons a year in 1950-51 and the remaining three years. Contrary to precedent, both the amounts and specified prices of the different qualities to be purchased have been revealed. This might mean that the Ministry of Food, chastened by its ill-success in trade negotiations in recent months, has decided at last to abandon its policy of secrecy. But the very purpose of disclosure this time may be to obscure the real price the Ministry has had to pay. The 200,000 tons of carcase meat include 35,000 tons of chilled beef at £146 a ton; 73,000 tons of grade A frozen beef at £126 a ton; 34,000 tons of grade B frozen beef at £118 a ton; 8,000 tons of manufacturing beef with bone at £95 a ton; 36,000 tons of lamb at £130 a ton and 14,000 tons of

offal at £140 a ton. The relative prices of these different qualities are inconsequential when, as everyone knows, the bargaining embraced not only the meat purchases as a whole but also the extraneous matters. The Argentine Government offered a total quantity of meat and wanted in return a total sum of sterling; hence the prices for the different grades were subject to haggling mainly for the purpose of apportioning the total payment. The important concept is the average price, which for the 200,000 tons of carcase meat works out at £128 12s. a ton, compared with £97 10s. a ton in 1949-50 and a ridiculous British offer of £90 a ton last July. As recently as last January, Argentina was asking an average price of only £120 a ton; but Britain then found that offer unacceptable.

The increase in the average price over that paid for 1949-50 is large; it amounts to 32 per cent. But that is not all, for Britain is to pay Argentina a further £6,250,000 in final settlement of the Argentine claim for a higher sterling price for meat shipped to Britain since devaluation on provisional invoices. Any such retrospective payments have in the past been included in the Ministry's subsidy bill for the year in which the payment is made. If this procedure is followed now, the effective average price for Argentine meat during the next twelve months will be £160 a ton, an increase of 63 per cent. The British Government has already agreed to pay higher prices for home-killed meat and 7½ per cent more (the maximum increase under the long-term contracts) for meat from New Zealand and Australia. If the whole of this extra cost, including the retrospective payment, is to be passed on to the consumer so as to prevent the bill for meat subsidies from

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rising, the average retail price will rise by about 25 per cent—from 1s. 5d. to 1s. 9d. a lb. The Minister of Food, when he announced the terms of the agreement in the House last Tuesday, added that the retail price of meat would have to go up soon and that "the increase will be about 3d. a lb. on average." On the basis of consumers' habits at present, it seems that between 1½d. and 2d. of any increase in the money value of the meat ration would be absorbed merely by the increase in prices.

*

The price Britain has had to pay, both in terms of money and in concessions, is a high one. But, given the mistakes made in the earlier negotiations, there was probably no alternative—except to do without Argentine meat altogether. Even the 200,000 tons of carcase meat will not mean a large addition to the weekly ration; the quantity might go up from an average of about 9 oz. to one of 12 oz. a person. During the next twelve months Britain's supplies of meat might conceivably total 1,700,000 tons, or 50,000 tons less than in 1950. Shipments from Argentina will be 60,000 tons smaller, and those from Australia and New Zealand 40,000 tons smaller, while home production should increase by 50,000 tons. But the agreement should at least prevent a further reduction in the meat ration in June or July; this would otherwise have been necessary because of the delay in shipments from New Zealand and Australia.

It is true that under the new agreement Britain has also agreed to buy any quantity of carcase meat, offals, canned corned meat, pork and pig offals that Argentina may offer in addition to the 230,000 tons specified in the agreement. But the purchase of pork is subject to prior agreement on prices, and the Argentine price is known to be very high. Argentine pork is therefore likely to be available in quantity only if the British Government is willing to take it off the ration. Additional supplies of Argentine beef are conditional on a sharp expansion in Argentine production or on a sharp decline in Argentine consumption coupled with smaller purchases by the United States; but these conditions are not likely to be fulfilled. It is well known that Britain wanted to buy 300,000 tons and more from Argentina this year, but that quantity was no longer on offer.

Argentina has not been content, moreover, to drive a hard bargain on the specified quantities. Britain's undertaking to buy additional quantities of beef, if offered, gives Argentina a scope for rendering only chilled beef, which for Britain is particularly expensive. Three months ago, when Argentina insisted that half of the 300,000 tons it then offered should be chilled beef, Britain refused to accept—although, from the consumers' standpoint, chilled beef is much to be preferred to frozen beef. But the new arrangement does not necessarily mean that the British public will get more chilled beef, for the relevant clause goes on to state that if Britain does not want the meat to be shipped in the chilled state (presumably because of its own difficulties in distribution), it would still pay the higher price of £146 a ton for it. Chilled beef must be consumed within a relatively short time after its arrival; but the Ministry of Food's system of meat distribution is apparently too inflexible to cope with large supplies of it. Yet, to make it storable by freezing is wasteful not only of public money but also

of good meat, and the British consumer must suffer in consequence. Private trade would not have adopted so wasteful a procedure.

Britain's Export Commitments

The second facet of the agreement covers Britain's export commitments to Argentina. Discussions on this vital aspect (which presents much scope for disagreement) are not yet concluded, and only slight information has been released. It seems evident, however, that Britain has given significant assurances about releases of scarce commodities. The official communiqué refers only to crude oil and petroleum products, stating that "approximately 4,000,000 tons of crude oil and petroleum products will be made available to Argentina by Britain." Reports from Buenos Aires, however, suggest that Britain is to supply a maximum of 4,000,000 tons of crude oil and fuel oil and a maximum of 40,000 cubic metres (32,000 tons) of petroleum products, as well as 500,000 tons of coal and 27,000 tons of tinplate. All these quantities are to be sent within the next twelve months. Under the 1949 agreement, Britain agreed to send in the first year 5,550,000 tons of crude oil and fuel oil, 250,000 tons of petroleum products, 1,500,000 tons of coal and 30,000 tons of tinplate. At least it can be said that the quantities to be exported this year are smaller than those of two years ago. But, in view of its defence commitments and its export drive to dollar and Commonwealth countries, Britain can less afford to spare even these smaller quantities.

World production of petroleum is expanding sufficiently to meet the increase in consumption in Britain, the United States and elsewhere, so that, on supplies alone, this export to Argentina could easily be met. The limiting factor is once more carrying capacity, as supplies shipped to Korea have to be stored there in tankers. It may be that Argentina will merely join the queue of prospective buyers; the protocol says nothing about giving priority to shipments to Argentina.

The shipments of coal envisaged in the reports from Buenos Aires are only a third of the quantity agreed in 1949. Total exports of British coal (excluding foreign bunkers) last year amounted to 13,550,000 tons; in 1951 they are expected to be in the region of 7-8,000,000 tons—a decline of about 45 per cent. The contemplated export to Argentina should therefore be possible, even at this reduced rate of total exports, without imposing proportionately more drastic cuts on other markets; part of the 500,000 tons would not in any case be shipped until 1952.

Supplies of tinplate to Argentina have received the smallest cut, presumably on the grounds that they are related to the quantity of tinned meat to be sold to Britain. The negotiations on this critical commodity appear to have taken no account of the fact that Britain continued to send tinplate during the nine months Argentina refused to ship carcase meat, although the tinplate enabled Argentina to export a record quantity of canned meat to the United States. British production of tinplate this year is expected to reach 760,000 tons against 742,000 tons in 1950. The home canning industry was assured by the Minister of Food in February that it would receive the same supply as last year—270,000 tons—and the Minister added that exports to Argentina, Russia and the Scandinavian countries were to be cut slightly. Argentina is in fact

to receive 10 per cent less than in 1949-50, which presumably is the order of cut that the Minister of Food had in mind.

It may be that these export commitments will not add further to the stresses of scarcity upon the domestic economy. But, in view of the high price Britain has had to pay for Argentine meat and in view of the other concessions extracted from it, the question is bound to be asked whether even these reduced quantities of petroleum, coal and tinplate are not excessive. Britain still enjoys a sellers' market for all three products and the fact that these exports had to be thrown into the scale to balance Argentina's demands brings into still sharper relief the real cost that Britain is paying for an extra 3 oz. a week on its meat ration.

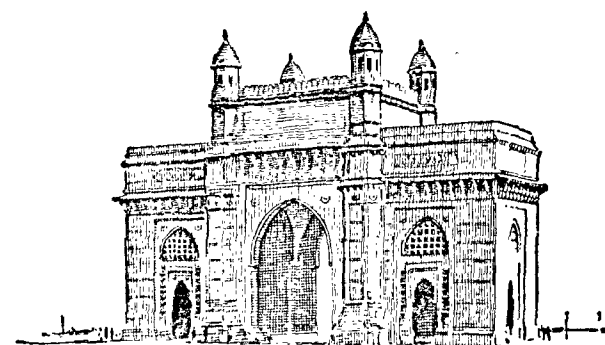
The Financial Provisions

Among the financial provisions, the most onerous and unexpected is an agreement by the British Government to pay £10½ million to Argentina "in full and final settlement" of claims based on the revaluation guarantees of the 1949 agreement. These revaluation guarantees applied to Argentina's current account in sterling. An adjustment of £10½ million, when related to the extent of sterling's devaluation, implies that there was some £26 million on this account in September, 1949. This is a most surprising implication, for in September, 1949, Argentina had already defaulted on substantial financial remittances. The general assumption has been that, taking into account forward commitments and amounts due in respect of past debts, Argentina had a net debit position in sterling at the time of devaluation

and therefore was not entitled to any revaluation adjustment. The £10½ million settlement is said to have been a good deal less than the original Argentine claim; it is none the less difficult to believe that it is not a great deal more than the amount to which Argentina was entitled under a strict interpretation of the 1949 agreement.

The open-handedness of this concession is, however, slightly condoned by the fact that the amount in question is to be paid into a "special account" and used exclusively for the transfer of overdue financial remittances to Britain. All such remittances awaiting transfer since June 27, 1949, will be made at the rate of 19.36 pesos to the £, but remittances accrued between June, 1949, and August 27, 1950, will be transferred only at the free market rate of exchange of around 40 pesos to the £. The £10½ million in question will approximately suffice to clear these arrears. Remittances accruing since August 27, 1950, will also be cleared at the free market rate, but a recent Argentine Government decree limits all remittances of profits since that date to a maximum of 5 per cent per annum of the registered value of each investment and permits the Central Bank to refuse even this if it judges that it has not sufficient foreign exchange available. In other words, the exchange resources required to clear arrears up to last August will be provided not by Argentina but by the British taxpayer, and the question of how many exchange permits will be granted for financial remittances accruing after last August seems to have been left uncomfortably in the air.

The agreement also makes detailed provisions to maintain the mechanism of sterling payments between



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the two countries. It has been agreed by each party to provide a "swing" of £20 million in the bilateral payments arrangements. Argentina will be prepared to hold in its "D" current account a working balance of up to £20 million, while the British Government, for its part, has agreed that whenever sterling balances of the Argentine central bank are not sufficient to meet payments to the sterling area, it will make sterling available to the Argentine Government up to £20 million, on terms still to be agreed. The working balance that Argentina is prepared to maintain is to be calculated after deducting from the gross balances in the "D" account a sum sufficient to cover contingent commitments to the sterling area. If the net sterling balances maintained by Argentina exceed £20 million—so calculated—Argentina will be allowed to transfer the excess to third countries and, in the last resort, to an American account; this is equivalent to saying that any excess over £20 million will be convertible into dollars. If, however, any such conversion into dollars has taken place and if, within the ensuing 18 months, the Argentine sterling balance falls again below £20 million, Argentina will have to resell to the British Government an equivalent amount of dollars provided under the convertibility clause. It may be assumed that the British and Argentine authorities will co-operate to prevent a rise in Argentine sterling balances beyond the ceiling of £20 million, and that, well before that ceiling has been reached, administrative decisions will have been taken to allow Argentina to use its sterling to make payments to third parties, such as countries within the transferable account area. What is far more probable, however, is that the current balance of payments will for a time run against Argentina and that the swing will call for the extension of credits by Britain and not by Argentina. The agreement does not appear to specify whether financial remittances to Britain are to

count as "contingent commitments" to be deducted from the gross working balances when calculating the ceiling of £20 million. It is thus possible that in certain circumstances Argentina might again run into arrears on financial remittances and yet convert sterling into dollars. This is a point on which further elucidation of the agreement is needed.

The agreement makes no specific provisions for financing the transfer to Argentine ownership of public companies owned mainly by British shareholders. This problem was reviewed by the two governments in the recent discussions, but the agreement limits itself to the statement that "the Argentine Government have declared that it is their intention within the limits of the powers they exercise in these matters, to use their best endeavours to promote a settlement of these problems at the earliest possible moment." This is a form of words that will bring little comfort to British shareholders in nationalised public utility undertakings in Argentina.

The financial provisions of the agreement appear generous in the extreme to Argentina. They, like the other concessions and the high price paid for meat, can be condoned only on the ground that, at this late stage, they had become part of the sacrifice that had to be made to secure any general arrangement that would reopen the channels of trade between Argentina and the sterling area and would help to lift Britain's meat consumption a little above the pathetic level to which it has lately been reduced. As a monument to the miscalculations, political vanities and sheer administrative follies of government trading, the Anglo-Argentine agreement of April 23, 1951, will be hard to excel; let the proponents of government trading advance, if they can, a single point of advantage that this country has gained from it.

Business Notes

Political Markets

The reaction of stock markets to this week's cabinet crisis, and to the possibility that the general election might be thrust upon the country even sooner than had been expected, has seemed both paradoxical and confusing to people not in close touch with the City scene—and even to many observers within it. The post-budget boom in equities impelled by expectations of rising inflationary pressure had gone merrily on at the end of last week, when the *Financial Times* index of industrial ordinary shares rose to 131.8—its highest level for nearly four years, and no less than 9.2 points above its level on Budget day. But on Monday, immediately upon the news of Mr Bevan's resignation, this movement was abruptly reversed, the index falling by 0.9. Gilt-edged securities, which had lost ground heavily after the budget, suddenly became strong, with rises on Monday ranging up to 1½. It is futile to try to find strictly logical explanations of this behaviour; the reaction was too swift to have been founded on any close reasoning—such, for example, as the assumption that a Conservative Government might succeed in arresting the inflation, or the argument that, whatever the course of domestic politics, industrial profits will be menaced by the raw material shortages to which the resigning Ministers so spectacularly drew attention. Both considerations no doubt played some part, but the main explanation must be sought in the technical position, in the fact that the pace in industrials had

seemed already to have been too hot to last without a pause. This being so, professionals and private investors alike reacted in the traditional way to the new uncertainty—by taking their profits and reducing their open positions without waiting to assess the implications of what was afoot.

Second thoughts suggest a widening conviction among investors that the market prospect has not been altered in any fundamental way by the political changes. On any hypothesis—except an outbreak of peace—the rise in prices and the pressure of inflation seem likely to mount; and the opening of the Chinese offensive, not to mention the violence of the language of Mr Gromyko in Paris, has reinforced this expectation. Since Monday, high-grade industrials have been edging upwards again—in a much more selective and less active market—while gilt-edged have shed a large part of their sudden and anomalous rise. From the market standpoint, the check to last week's exuberance deserves a welcome; it may help to ensure that the case for equities, though well established, is not accepted uncritically—in disregard of the effects of shortages and of the sharply mounting pressures on costs and on industrial capital.

News of American Sulphur

Britain is to receive 95,000 tons of American sulphur in the second quarter of this year: this will bring its total

allocation for the first six months of 1951 to 195,465 tons. According to the analysis put forward last week by the former President of the Board of Trade, this would mean total supplies of 114,000 tons for the second quarter—for Mr Wilson insisted that the 19,000-ton supplementary allocation recently conceded should relate to the second quarter of the year. Whatever the merits of that chronological controversy the amount of the second quarter's allocation would indicate that industry need not as yet contemplate the "unparalleled disaster" of which Mr Wilson talked last week. It seems certain that the Board of Trade's allocation scheme, if it is put into effect from May 1st, will be the less severe of the two alternatives it had prepared.

The American version of the allocations so far puts the figures at roughly 100,000 tons for the first quarter, and 95,000 tons for the second: this might suggest a total allocation for the year of perhaps 370,000 tons—or about 15 per cent less elemental sulphur than Britain purchased from the United States last year. Upon that assumption, the ingenuity of sulphur and sulphuric acid users in obtaining imports of sulphur from elsewhere (which will not affect their allocation of American sulphur), in economising in their use of these materials, and to some extent in substitution, should make the proportionate effect upon output of most of the wide range of products affected somewhat less serious.

Imperial Chemical Industries, which is co-operating with the new United Sulphuric Acid Corporation formed to produce acid from anhydrite, is also to extend its own plant at Billingham by installing a third anhydrite kiln. This will raise the output of acid at this plant from 100,000 tons a year to 175,000 tons; together with the new company's projected plant, it should eventually more than treble the acid output from this indigenous raw material. Conversion to pyrites, which involves the partial rebuilding of some plants, may place some strain upon the two equipment makers mainly

concerned, though the size of the conversion programme was originally limited rather by the amounts of pyrites likely to be available from Spain and Cyprus. Certain of the doubts about the advisability of conversion raised by some producers on account of the higher capital and operating costs of plant for producing acid from pyrites and anhydrite are at present exerting less influence; the rising price of raw sulphur is now largely offsetting these higher process costs for the other materials.

Economies in Acid

Another approach to the problem of sulphuric acid shortage is the use of alternative reagents. The fertiliser industry is a case in point. In the production of superphosphates, two-fifths of a ton of sulphuric acid is used for every ton of fertiliser; about a million tons of superphosphate were produced last year and the shortage of sulphuric acid has reduced current production to 62.5 per cent of capacity. Nitric acid may be used in place of sulphuric acid, but the calcium nitrate that appears in the finished fertiliser absorbs moisture so rapidly that the product turns liquid in storage. According to trials carried out by the Department of Scientific and Industrial Research, removal of the calcium nitrate is too slow and costly to be practical, but sulphuric acid requirements can be reduced by combining it with nitric acid in the proportion of four parts nitric to three parts of sulphuric acid. Fertiliser produced by this method can be stored safely.

Imperial Chemical Industries chemists have been working on similar lines for about 20 years. They appear to have found an economic method of nitrophosphate production based on nitric acid alone; a pilot plant is now being built. The process is likely to give a more expensive product than one produced from sulphuric acid, but the fertiliser



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The Department of Scientific and Industrial Research has also carried out field trials using unrefined tar oils in place of sulphuric acid to burn off potato haulms before harvesting. This takes more time but the cost is no greater than that of sulphuric acid, with the added advantage that spraying equipment is not corroded. About 10,000 tons of acid a year have been used in past seasons for potato spraying, but this year considerable quantities of tar oils are expected to be used. Agricultural industries, with their low priority for acid supplies, have the strongest stimulus to look for substitutes, but comparable opportunities probably exist in a number of other industries.

Export Drive Slows Down

The export drive has lost momentum, and the daily rate of export in each of the first three months of this year has shown little change. What the export trades have lost in quantity through delays in shipping and congestion at the ports has, however, been more than made up by the rise in export prices. Although the volume of exports in the first quarter of this year was fully 1 per cent less than the average for 1950, their value was 7 per cent greater. The Board of Trade index of export prices rose by three points last month to 112 (1950=100). The main increase occurred in textiles, which at 123 were five points higher, and in manufactures other than metal goods, which were also five points higher at 112. Prices of metal goods rose by only a point, to 107. These price movements suggest that British exporters still largely base their selling prices on actual costs rather than replacement costs. Last month import prices also rose by three points, to 128 (1950=100); the index for raw materials alone rose by seven points, to 156.

One welcome sign in the March trade figures was the continued expansion in textile exports, particularly wool textiles; their value in the first quarter of the year was 32 per cent above the average for 1950. The quantity of wool tissues shipped abroad was 14 per cent larger than last year, and 10 per cent more carpets were exported. Exports of cotton goods were 18 per cent higher by value than the average for 1950; the quantity of cotton piece-goods increased by 3 per cent and cotton yarns by 11 per cent. Canada is still by far the main market for wool textiles, but the United States now ranks fourth, following closely on South Africa and Australia.

The value of vehicle exports in the first three months was 4 per cent above 1950's level. But the number of new cars and chassis shipped abroad was 11 per cent smaller than last year's average. Some 60 per cent fewer motor cars were sent to Canada during the quarter compared with the average for 1950, whereas the number sent to the United States showed an increase of 9 per cent. Much less rolling stock, also, has been exported this year; but more agricultural tractors, cycles, motor cycles, aircraft and steamships. Exports of machinery were slightly less than their average value of 1950 and the total tonnage declined by 6 per cent; exports of electrical machinery fell by 16 per cent and textile machinery by 12 per cent. Iron and steel exports were also down on last year; their value declined by 4 per cent and their volume by 10 per cent. Of the smaller export groups, electrical goods declined by 5 per cent compared with 1950; pottery showed no change and cutlery and hardware increased by 6 per cent.

Miners Win the Race

When the "Prime Minister's target" of an extra 3,000,000 tons of coal by the end of April was set at the beginning of the year, the National Union of Mineworkers, the National Coal Board, and most outside observers

ventured to doubt whether it could be achieved: inside the industry, indeed, there appeared a certain disinclination even to define exactly what Mr Attlee meant. The miners, however, have done it, barring accidents; by the end of last week they had raised 2,897,000 tons more coal since the beginning of the year than in the same period of 1950, and this week should see them well past the mark.

Congratulations are in order; and some stocktaking. The increase has been achieved partly by the widespread working of Saturday shifts, fulfilling the extension of hours agreement concluded in 1947. It has always been somewhat difficult to judge the extent to which attendance at overtime rates on Saturday is offset by less coal-getting at normal rates of pay during the week: and during the first 15 weeks of the year "voluntary" absenteeism was 13 per cent higher than in the same period of 1950. But compared with the same weeks last year the average shifts worked per wage earner, despite the influenza epidemic, show a slight increase, and output per manshift, throughout the mines and at the coalface, shows an increase of more than two per cent. The extra 3,000,000 tons would certainly not have been attained if the decline in manpower throughout the first eleven months of last year had continued: but the work has been done almost entirely by miners who never left the industry, since the contribution of this year's recruits and returning miners has yet to be felt. An upward turn in the level of total coal stocks on April 14th signalled that the end of the coal winter is approaching: in order to make a start in building stocks to a much higher level than has been considered necessary since the war, the miners are to continue Saturday working until the end of May, when they begin three months of five-day weeks before resuming again in September for their autumn "spurt."

Inquiry into Premium Gold Sales

The staff of the International Monetary Fund is preparing to hold its promised inquiry into premium gold sales by member countries. The Governments concerned are sending expert representatives to Washington to take part in these discussions. The South African member of the study group is already on his way. He will be able to announce to the IMF that the additional revenue received by the South African gold mining companies from premium sales of gold in the first quarter of 1951 totalled £1,937,977, or very little less than the £2,123,547 that accrued from this source in the whole of 1950. Since the average premium in free market gold prices last year was at least as high as that in the first quarter of this year, these two figures give an impressive indication of the recent expansion in the volume of premium sales.

The IMF's study group will be confronted with a growing demand by other producers for the right to sell at premium prices. The Southern Rhodesian industry has recently tabled a demand for the right to sell the whole of its output, of about 40,000 ounces a month, in this way. The vice-president of the Rhodesian Chamber of Mines has argued that an increased gold price is necessary to extend the lives of existing properties and to make new marginal ventures profitable; he disclosed that two properties, the Wanderer and the Bushtick mines, will be forced to cease operations shortly unless conditions are changed. The Southern Rhodesian Minister of Mines has assured the Chamber of Mines that no effort will be spared to impress the urgency of the matter on the International Monetary Fund. This will not be the only pressure to which the IMF will be subjected.

Machine Tools from America

Expansion of British defence production in accordance with the three-year programme depends largely upon the

tools from the United States. Mr S. W. Rawson, the new Director-General of Machine Tools at the Ministry of Supply, is leaving for Washington this weekend to discuss their delivery. The Ministry was quick off the mark in placing its orders under the limited programme approved last autumn, but since then America's own defence needs have naturally begun to take priority.

These now pre-empt 70 per cent of the current output of machine tools by manufacturers named by the National Production Authority in Washington. The British orders placed last year—roughly 4,200 machine tools valued at perhaps £30 million, though final prices have yet to be fixed—come generally at the head of the queue for the remaining output of these companies. Priorities have now been issued for the "thirty percenters" as well as for the American defence orders; in these, too, the British orders occupy a high place with the added advantage that work upon many of them had been started before the rush of American orders was placed. The second wave of British orders, placed under the £4,700 million defence programme approved this year, have been less easy to place, and delivery periods have lengthened considerably. The total orders to be filled in time by American makers may well reach between six and seven thousand tools.

The British programme requires the bulk of these tools (together with those supplied by British manufacturers and those imported from the Continent) to be ready for installation by the summer of next year. Whether this can be done is uncertain. The relatively favourable treatment that British orders in the United States have so far received cannot of itself guarantee delivery dates. British and American defence demands, inevitably, are concentrated upon certain specialised tools not ordinarily produced in large numbers; as in England, pressure upon the various sections of the machine tool industry will necessarily be uneven for some time. The American makers, moreover, are apprehensive about raw materials, and less than confident that defence "ratings" will ensure adequate supplies of certain specialised steels. Labour is already scarce. But it appears that the industry may to some extent underestimate its ability to expand quickly and to organise sub-contracting.

More Light on Torquay

More information about the tariff negotiations between the United Kingdom and other participants at the Torquay conference was given in Parliament this week. Mr Bottomley, the Secretary for Overseas Trade, confirmed that no agreement that satisfied the criterion of mutual advantage had been possible between the United States and Britain, because the Americans felt that they could not enter into a wide agreement without a considerable reduction in Commonwealth preferences. The Americans' discussions with Australia, New Zealand and South Africa broke down for the same reason. The British negotiations with the Benelux countries also reached deadlock. These countries have a relatively low tariff—considerably lower than the British, which is now one of the highest in Europe—and Britain was prepared to accept a balance of tariff concessions that would work in favour of Benelux; unfortunately, however, the Benelux countries have been driven to threaten quantitative import restrictions in order to supplement the defences of their low duties and it was impossible to extract from them satisfactory assurances about how these import restrictions might be applied. Another notable failure was in the negotiations with Italy. Italy was unable to offer Britain acceptable concessions on certain particularly important items and the negotiations were, by agreement, dropped. It is significant that in his review of the Torquay conference Mr Bottomley should have dealt exclusively with the failures. There can have been very little to say on the credit side of the picture.

More Stock Exchange Statistics

The Stock Exchange's decision to pull its light out from under a bushel is slowly approaching the stage of action. The Council has confirmed that it does not intend to appoint a Public Relations Officer, although it is in consultation with a well-known firm of publicity agents. Meanwhile, it has asked members to hand in certain confidential figures from their books to a leading firm of chartered accountants. These figures will be aggregated under conditions of complete secrecy and, as a result, some time in the late summer or autumn it should be possible to publish an estimate of the total turnover of the Stock Exchange in 1949 and 1950. Included in this estimate, but shown separately, will be estimates of the total turnover in the gilt-edged market, of the business arising from placings before the grant of quotation, and of business done by members outside the Stock Exchange. Other statistics will show the number of bargains in 1949 and 1950; the number of partners and of their employees; and the total commissions charged by the Stock Exchange, together with the amounts returned to agents, clerks and so on.

RAND MINES, LIMITED.

(INCORPORATED IN THE UNION OF SOUTH AFRICA.)

BALANCE SHEET, 31st DECEMBER, 1950

CAPITAL AND LIABILITIES	
Share Capital—Registered 2,200,000 Shares of 5s. each, £550,000. Less 49,005 Shares of 5s. each in reserve, £12,251.	
Issued—2,150,995 Shares of 5s. each	£537,740
Investment Reserve—As per Balance Sheet, 31st December, 1949, £4,475,506. Add—Amount realised by the sale of Investments during the year ended 31st December, 1950, less book value thereof and amounts written off Investments and Freehold Properties	4,648,615
Shareholders—Dividends declared but unpaid, £484,235. Contingency Reserve pending claims for dividends forfeited since September, 1939, £132,800. Trustees of the Corner House Pension Fund, £788,000. Creditors and Provisions, £283,854.	1,688,889
Exploration Reserve—As per Balance Sheet, 31st December, 1949, £267,935. Less—Expenditure on Ventures charged thereto, £30,738—£237,197. Add—Transfer from Appropriation Account, £100,000	237,197
Appropriation Account—Balance Unappropriated	1,640,937
Contingent Liabilities.	
There are Contingent Liabilities as under, viz:—I.—To finance and to subscribe for shares in certain undertakings. II.—To guarantee housing loans to employees. III.—For contracts open for the supply of Stores, etc. IV.—To guarantee commitments of associated Companies.	
	£8,853,387

PROPERTY AND ASSETS.	
Freehold Properties and Ventures at cost less depreciation	£2,421
Shares, Debentures, etc., at or below cost but not exceeding market value, or Directors' valuation, where not quoted	5,668,290
Shares in Subsidiary Companies, at or below cost, but not exceeding Directors' valuation	42,888
Plant, Stores, Vehicles, Furniture, etc., at cost less depreciation	13,638
Advances to Subsidiary Companies	22,900
Debtors, Loans and Payments in Advance, etc.	202,510
Deposits, Fixed and on Call	1,400,178
Government Stocks, etc.	821,868
Cash at Bankers and in Hand	84,379
Dividends to be received on Shareholdings	557,355
	£8,853,387

APPROPRIATION ACCOUNT.

Taxation	£32,417	Balance Unappropriated—	
Forfeited Dividends Account	43,077	As per Balance Sheet, 31st December, 1949	£1,412,704
Transfer to Exploration Reserve	100,000	Balance of Profit and Loss Account—	
Dividend Account—		For the year ended 31st December, 1950	1,412,575
Dividend No. 94 of 3s. 6d. per share, declared 8th June, 1950, £376,421. Dividend No. 95 of 3s. 6d. per share, declared 14th December, 1950, £376,424	752,848	Transfer from Shareholders Contingency Reserve	43,000
Balance Unappropriated—31st December, 1950—Carried to Balance Sheet	1,640,937	NOTE—The Accounts have been drawn up in accordance with the normal practice of the Company; an amount of £173,109 realised by the sale of Investments during the year, less book value thereof and amounts written off Investments and Freehold Properties having been dealt with through the Investment Reserve shown in the Balance Sheet.	
	£2,569,279		£2,569,279

The full Report and Accounts may be obtained from the London Secretaries, A. Meir & Co., 4, London Wall Buildings, London, E.C.2, from whom a general Plan of Properties is also obtainable.

This will be a welcome—although not immediately exciting—addition to the store of information about the national economy. Only when estimates of turnover for a fairly long run of years are available will it be possible to make some assessment of the trend of the proportion of the nation's saving that flows towards productive use through the Stock Exchange mechanism. Hidden within the books of Stock Exchange members are some highly important pointers to the effect that the welfare state is exerting on the flexibility of the capital market, and thus on the future prospect for sound economic development in this country. It is perhaps not surprising that the ignorant detractors of the Stock Exchange are unaware of this, since members themselves do not always seem to be alive to it. Mr Braithwaite and the Council of which he is chairman are performing a real public service by this belated—and still rather small—step towards statistical enlightenment.

Scarce Alloy Metals

The shortage of non-ferrous metals has spread to nickel, tungsten and molybdenum, and the Minister of Supply announced last week that he was taking steps to restrict civilian consumption of these three metals. As from May 1st supplies of nickel for stainless steel production will be cut to 70 per cent of the 1950 level, and supplies of nickel anodes for plating will be reduced to 50 per cent of last year's level. An order prohibiting the use of nickel for "less essential" purposes will be tabled shortly. The use of tungsten and molybdenum cannot be controlled so easily; they are primarily ingredients in the manufacture of alloy steel and to some extent they can be substituted for one another. Technical committees of the iron and steel industry have been set up to examine possible modifications to specifications of alloy steels in order to economise in all three metals. The Minister added that "all these measures will have to be supplemented as soon as possible by closer control of the distribution of nickel, tungsten, molybdenum and the alloy steels."

The shortage arises from a sharp increase in consumption for rearmament rather than from a curtailment in supplies. A table on page 999 gives a comparison of imports of non-ferrous metals for the first quarter of this year compared with 1950 and 1949. Supplies of nickel increased in this period, but imports of tungsten ores were less than half those of the same period of 1950—914 tons against 1,911 tons; supplies from Portugal, Burma and Bolivia were all much smaller. But tungsten could be bought at a price; at the end of February it was over five times its price of last June, though it has since fallen somewhat. Imports of molybdenum ore, which come entirely from the United States, totalled 13,700 tons in the first quarter of this year. This quantity was some 2,700 tons smaller than in the same period of 1950, but 2,200 tons more than in the first quarter of 1949.

The International Nickel Company of Canada is planning to expand its production of nickel this year by 5 per cent, and although its surface mines are expected to be exhausted by 1953, output will continue to increase through the expansion in underground mining capacity—a bold but costly move at the present time. Tungsten production is expanding in Portugal and new deposits are to be worked in Africa. The mining of tungsten ore is also to be started again in Devonshire. But there is little chance of any large-scale increase in the production of molybdenum, though the United States Government has taken steps to expand American output.

Special Steels

The restrictions expected upon supplies of alloy steels are likely to be dictated rather by the specific needs of defence than by any decline in output. In February, the latest month for which detailed figures are available, alloy

steel production as a whole, for the first time since the war, exceeded the rate of 1,000,000 tons a year, and output of high-speed (tungsten-bearing) steel ingots reached the annual rate of 17,700 tons a year. Production of these steels in the first two months of this year was higher than the 1950 rate for all qualities except nickel and manganese-molybdenum steels. But civilian consumption of these special steels may have to be restricted more drastically than even the 30 per cent cut in stainless steel (a typical example of which contains 18 per cent chromium and 8 per cent nickel) may suggest.

About two-fifths of the deliveries of alloy steels ordinarily go to the engineering and aircraft industries, two-fifths to the motor industry (including tractors), an eighth for export and the remainder to miscellaneous British consumers; by contrast, only about 25 per cent of total steel deliveries as a whole go to engineering and aircraft, and another 10 per cent to the motor industry. Nickel, together with chrome and other specialised metals, is a major ingredient of the special heat-resisting alloys, such as "Nimonic," used particularly in gas turbine manufacture; power units for jet aircraft take two or three times the quantity of nickel used in piston engines. Tungsten steels are most important to the defence programme, as to civilian industry, in machine tools; recently the high price of tungsten has led to the use of molybdenum as a substitute in high-speed steels, but now supplies of molybdenum, according to the Minister of Supply, amount to little more than will be required for rearmament needs. It is impossible to estimate the total demands that rearmament will make upon these steels; but it is worth noting that in 1943 British production of all qualities amounted to nearly 1,600,000 tons, and had to be supplemented by very heavy imports from America that added perhaps 20 per cent to the total home-produced supplies.

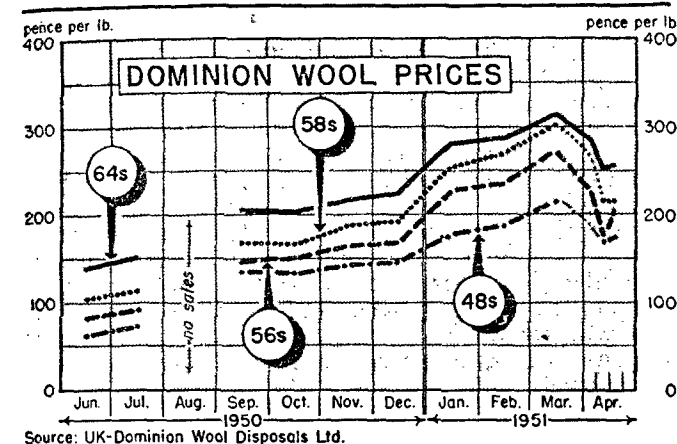
Tungsten and molybdenum are mainly used in alloys, but nickel is the most important raw material of another industry—electroplating. The 50 per cent cut in the supply of nickel anodes to this industry will accelerate the economies in decorative "trim" already being considered by car manufacturers; and will tighten the screw upon cutlery and tableware firms, which will also be affected by the cut in supplies of stainless steel. For many of the small metal-using firms in the Midlands, these cuts, following upon the restrictions in the use of copper, zinc, and aluminium, mean simply that unless they can secure a defence contract or sub-contract, they may quickly be forced to contract their business.

Firmer Wool Prices

The wool market has become firmer. Prices at the Australian sales last week rose by about 5 per cent and in London, though prices recovered more moderately, much less wool was withdrawn from the auctions. There is still no evidence of a resumption of American buying. Bradford and the continent between them have provided the main support to the market and, because of the absence of the United States, manufacturers have been able to procure much-wanted supplies at cheaper prices. The fall in prices in the first two weeks of April was the sharpest ever recorded in the wool market, and the lower qualities fell proportionately more than the higher. On average the fall amounted to about 25 per cent and most of it occurred in the first two days. Prices now are slightly higher than last December's, but well below the levels reached in January, February and March.

So far only the froth has been taken off the market. The sharp rise in wool prices in the first three months of this year was encouraged by official American pronouncements that large quantities of raw wool would be required to clothe American servicemen and to fill the American stockpile. The proposed pre-emption scheme to channel supplies to meet American military requirements was abandoned in Decem-

ber. British and European manufacturers, fearing an even more acute scarcity than existed, bid for whatever was offered; they had to compete with American manufacturers who were expecting to receive large defence orders, and prices rose to fantastic heights. It is noteworthy that the sub-



sequent fall has not forced prices below their December levels, for at this time of year offerings in the Dominion markets are generally very large. No doubt the suspension of the New Zealand sales because of the waterfront strike provided some support.

Wool is only one example of how American buying methods have upset the normal market mechanism. American merchants have swung from one extreme to another, but primary producers reacting to their influence have been blamed for "gouging" the American public. In December and January American merchants were willing to buy wool at any price. Now they will not buy at all. And these same tactics were evident in the American Government's own buying policy. At first there was no intention

to stockpile raw wool. This decision was reversed at the beginning of the year after criticism from a Senate committee. Yet a few weeks ago it was announced that no more purchases for stock would be made. In these circumstances it is surprising that wool prices have not fluctuated more violently.

No Change for Rubber

The international rubber conference has adjourned once more, but this time indefinitely. No agreement was reached on either international allocation or guaranteed prices, though on leaving Rome the delegates were pleased with the work they had accomplished. Before the conference opened, Britain and Malaya had already introduced export licensing for rubber and thus met part of the American case—that abnormal shipments to China and Russia should be stopped. An allocation scheme was discussed at the conference, based upon a lower price now in return for a guaranteed market for the next two or three years. Agreement in principle was apparently achieved, but numerous practical difficulties remained to be solved. Rubber is not a homogeneous commodity and, if the different grades were apportioned to consumers on a percentage basis, some of the smaller countries would receive quantities of low-grade that their manufacturers could not use. On the other hand, the larger consumers who could use the low-grade rubber were not willing to allow the smaller countries a larger proportion of the higher grades.

Such practical difficulties could have been overcome had the participating countries considered the present shortage sufficiently acute to warrant the effort involved. But rubber is no longer so scarce as it was in February (when the conference first met in London); nor is it so dear. The United States as champion of the consumers' cause had begun to believe that supplies this year might be adequate to meet

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its own requirements for defence and civilian purposes as well as those of other western powers, provided shipments to countries behind the iron curtain could be restricted to normal quantities. It therefore did not press the case for allocation.

The Rubber Study Group also met in Rome last week and made a statistical survey of world production and consumption of both natural and synthetic rubber. It estimated world output of natural rubber in 1951 at 1,870,000 tons, or only 20,000 tons more than in 1950; Indonesian output is expected to remain at 700,000 tons, while Malayan output, it was thought, would decline slightly. Requirements for manufactured goods were put at 1,530,000 tons. Synthetic production in member countries is expected to reach 915,000 tons this year compared with a consumption of 900,000 tons. Defence requirements and purchases for stock are expected to absorb the apparent surplus of both natural and synthetic rubber.

* * *

Electrical Industries and Defence

Exports of electrical equipment last year reached a value of £159 million, compared with £140 million in 1949: this figure represents roughly seven times the value of prewar exports and three times the prewar volume. Approximately 32 per cent of these exports were made up of electrical machinery, including turbines and condensers, and the remainder consisted of electrical goods and apparatus. The Commonwealth took about 60 per cent of all British exports of electrical products: the three largest foreign buyers were the USSR, the Netherlands, and Eire. Though the total is not large, Canadian electrical imports from the United Kingdom rose by 50 per cent during 1950.

The industries in this group, which have a yearly output valued at more than £500 million, are among the most

important consumers of non-ferrous metals and other scarce raw materials. It would appear from the annual report of the British Electrical and Allied Manufacturers' Association and the speech last week of its chairman, Mr G. Leslie Wates, of Johnson and Phillips, that these shortages have hardly yet begun to affect output—though exports have shown a decline in the first quarter of 1951. The association is taking a census to estimate the minimum amounts of the wide range of raw materials that would be necessary to maintain or increase production. While some sections of the industry expand, others may have to switch to different work or close down. At one end of the scale, makers of domestic electrical appliances such as toasters come under the prohibitions upon the use of copper and zinc after the middle of this summer; at the other, makers of certain types of electrical machinery and equipment may need to expand their output to meet defence production and to interfere as little as possible with exports and supplies for essential investment. Up to now production in all sections appears to have been maintained by running down stocks of materials.

Mr Wates devoted much of his speech to the industry's attitude towards the Monopoly Commission. He made clear his preference for investigation by the Commission to the American anti-trust investigations, and he mildly rebuked those in the industry into whose discussions of monopoly control "politics would keep creeping in." Attention from the Commission was "not a lawsuit or a prosecution . . . but an inquiry as to whether our business practices conform to modern ideas of the public interest." These practices, Mr Wates emphasised, were not as yet matters of law but matters of economic judgment. But his further conclusion—"What a wonderful opportunity for us to educate the Commission and through them the whole country as to the reasonableness of our well-established customs"—may be greeted by the Commission with some reserve.

BULLINGTON RURAL DISTRICT COUNCIL

APPOINTMENT OF GENERAL ASSISTANT IN THE TREASURER'S DEPARTMENT

It is desired to fill the above position as from the beginning of July and applications, upon forms which may be obtained from me, should be made not later than May 19th. The appointment (which will be made subject to production of evidence of medical fitness) will be in the Clerical Division salary scale, carrying an initial salary of £400 rising by one increment of £10 and two increments of £15 to £440 per annum.

The Council will assist the successful applicant in obtaining housing accommodation.

The duties attaching to the position will cover a wide range and include the collection of cash when required. Applications are sought from those wishing to make a career in local government finance and to take the appropriate professional examinations.

A. E. OSWIN,
Clerk of the Council.

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ASSOCIATION OF CHEMICAL AND ALLIED EMPLOYERS requires Assistant Secretary. Principal duties visiting and advising member firms and assisting with business of meetings. Good education and industrial experience essential. Knowledge of law or economics desirable. Salary according to qualifications.—Reply by letter, giving full details of training and experience and copies of testimonials to the Secretary, A.C. and A.E., 2/3, Duke Street, St. James's, London, S.W.1.

ASSISTANT SECRETARY required by the Scottish Council (Development and Industry). Good administrative and business experience essential. Initial salary £1,000 p.a. Superannuable.—Applications, with copies of not more than three recent testimonials, to The Secretary, Scottish Council (Development and Industry), 1, Castle Street, Edinburgh, 2.

THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History and Social Sciences, you may wish to sell (periodicals excluded).

Company Notes

British Oxygen.—The strength of the latest balance sheet of British Oxygen fortifies the good impression of the preliminary profits statement, discussed in a recent note. Trading profits have risen from £3,300,567 to £4,312,514, and a final ordinary dividend of 12 per cent has been declared on the enlarged capital of £4,162,922, after the payment of an interim dividend of 8 per cent on £3,469,102 capital; in 1949 a total distribution of 20 per cent was made on the smaller capital. The year's achievement is impressive, for one stage of the capital development programme was completed and finance for the next stage has been provided by the private placing of £4,000,000 unsecured loan stock and the issue on right's terms of 693,820 new ordinary shares.

The rise in the net book value of fixed assets from £9,347,327 to £12,057,397 reflects the addition of new capital equipment and the modernisation of old equipment; a good part of the year's capital expenditure has been used for plant, machinery and cylinders, the book value of plant at cost having risen from £6,187,651 to £7,871,975, and of cylinders from £5,643,891 to £6,564,498. Nor will the pace slacken this year, for outstanding capital commitments are put at £3,800,000. Part of this outlay will be met by retained earnings, and as in the previous year over £600,000 has been ploughed back from revenue.

	Years to December 31,	
	1949	1950
Consolidated earnings:—		
Trading profit	3,300,567	4,312,514
Taxation	1,250,673	1,749,167
Depreciation	966,624	1,212,220
Group earnings for ordinary shares	837,672	1,030,623
Ord. divs.	381,602	414,905
Retained by subs.	251,919	319,899
Added to gen. reserves and c/f.	354,151	295,819
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	9,347,327	12,057,397
Net current assets	3,063,668	8,475,003
Stocks	5,360,795	5,705,629
Cash	613,653	2,685,266
Reserves	5,723,519	8,464,583
Ord. capital	3,469,102	4,162,922
£1 ordinary stock at 94s. yields £4 5s. per cent.		

The raising of new money last year has augmented the company's liquid resources. All but £119,010 of bank overdrafts of £2,120,539 outstanding at the end of 1949 have been repaid, while cash has risen from £613,653 to £2,685,266 and there is £1,078,787 as the balance of the new issue proceeds to swell this total. With the expansion of working capital from £3,063,668 to £8,475,003, further capital developments should not impose too great a strain on the company's financial resources. The programme of capital expansion suggests that the company is looking to the future with every confidence and shareholders will expect, and no doubt will receive, their fair measure of return.

*

Union Castle.—Despite a sharp fall in profits, Union Castle are to pay a higher ordinary dividend of 10 per cent, against 8 per cent; these results disappointed some investors' expectations and after the dividend announcement the price of the £1 ordinary shares fell 4s. 9d. to 41s. 3d., giving a yield of £4 17s. per cent. The fall in group profits, before taxation and depreciation and excluding credits relating to previous years, from £5,110,859 to £4,302,729 is attributable by the directors "wholly to increased operating costs." As four new or reconditioned ships were brought into service between the autumn of 1949 and the end of 1950, it is possible that gross revenue was higher, but operating costs probably rose far more rapidly to outstrip any increases in revenue in 1950. Special credits relating to previous years of £45,075, against £318,066, have contributed to the parent company's net profits of £1,478,579, against £1,972,917. While the provision for British taxation has fallen from £1,826,417 to £1,055,046, depreciation charges have risen from £1,431,496 to

£1,714,117. As the ordinary dividend only absorbs £143,850, against £120,560, net profits may appear to provide ample cover for the dividend; but cautious investors will appreciate that reserve appropriations made by shipping companies often partake of a specific rather than a free character, and are not therefore necessarily to be regarded as freely available for distribution.

It is doubtful whether increased freight rates will keep pace with rising costs in the current year, but equity shareholders will surely have ground for disappointment if the raising of the ordinary dividend despite an easing of profits is not to be interpreted as a sign that the company is confident of being able to maintain this dividend in 1951. A problem of concern to Union Castle and to all shipping companies is the suspension of initial allowances and the outcome of the representations of the Chamber of Shipping to the Chancellor will be awaited with particular interest.

*

Vickers.—The doubling of Vickers' ordinary dividend from 6½ to 12½ per cent appears to have exceeded the best hopes of the market, for on the day following the announcement the £1 ordinary shares spurted 7s. 9d. to close at 54s. 9d. At the current price of 52s. 3d. the yield is nearly £4 16s. per cent, but the price may partly reflect market conjectures about the company's policy regarding the compensation received for its majority holding in English Steel. The year's total distribution, the directors state, represents 10 per cent and an additional 2½ per cent having regard to the transfer to reserve of £3,036,110 as supplementary dividends from subsidiaries, representing profits not required to be retained by them. This qualification may arouse some speculation about the distribution for the current year, but it is not unreasonable to hope that, even without further supplementary dividends from subsidiaries, earnings will grow to cover at the least a dividend of 12½ per cent. Much, of course, depends on the future course of trading, and the latest results give good grounds for confidence. In the year to December 31, 1950, after charging £3,575,537, against £3,354,711, for British taxation, and after making a special provision of £317,800 (nil) for depreciation of British Government securities, group net profits have risen from £2,712,193 to £2,838,074. Group revenue reserves and undistributed profits have also risen from £17,900,039 to £19,592,824. The figures for 1950 and the comparative totals for 1949 exclude any sums relating to English Steel, now that the company is vested in the Iron and Steel Corporation.

Probably the most important factor affecting the market valuation of Vickers' equity is the still unsettled question of how the company will deal with the compensation, valued in February at £15,300,000, received for its holdings in English Steel. The English Steel figures are not consolidated in the latest results, but that merely records the legal fact that Vickers no longer have any direct interest in the assets or profits of English Steel, and is not in itself a pointer to the treatment of the compensation money received for the English Steel undertaking. Shareholders, with the knowledge that the compensation is equivalent to 24s. 10d. per ordinary share, will await the full report in the hope that the Vickers' directors will make some announcement about the possibility of a capital repayment.

Rearmament will keep Vickers' plant busy for some time to come. This factor and the chairman's statement last year that between £6 or £7 million might have to be spent on new plant in 1950 and 1951 may have some influence on any capital distribution proposals. Whatever decision is made, the middle-term prospects for the group, and for its shareholders, seem satisfactory.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, April 18, 1951	Price, April 25, 1951	Net Yield, April 25, 1951 (m)	Gross Yield, April 25, 1951
War Bonds 2½% ...	100½	101	£ s. d.	£ s. d.
Mar. 1, 1951-53			0 13 3	1 18 9½
War Bonds 2½% ...	101½	101½	0 13 8	0 15 2½
Mar. 1, 1952-54			0 14 10	1 17 2
Exchequer Stk. 2½% ...	102½	102½	0 14 10	1 17 2
Feb. 15, 1955				
War Bonds 2½% ...	102½	102½	0 14 0	1 19 0½
Aug. 15, 1954-56			0 18 6	2 2 11½
Funding 2½% ...	102½	102½	1 3 1	1 42 9½
June 15, 1952-57			0 14 3	2 4 10½
Nat. Defence 3½% ...	103½	103½	1 3 7	2 12 10½
July 15, 1954-58			1 18 0	2 6 3½
War Loan 3½% ...	102½	103	1 17 11	3 8 0½
Oct. 15, 1955-59			1 13 7	3 2 9½
Savings Bonds 3½% ...	98½	99	1 17 0	3 1 3½
Aug. 15, 1955-65			1 18 0	3 7 5½
Funding 2½% ...	97½	97½	1 17 0	3 1 3½
April 15, 1956-61			1 18 0	3 7 5½
Funding 3½% ...	94½	95½	1 18 0	3 7 5½
April 15, 1959-69			1 16 5	3 6 0½
Funding 3½% ...	97	97½	1 15 11	3 5 6½
Aug. 1, 1966-68			1 12 8	3 9 9½
Funding 4½% ...	103½xd	103½xd	1 19 2	3 16 1½
May 1, 1960-90			2 4 7	3 14 7½
Savings Bonds 3½% ...	94½	94½	1 18 4	3 8 1½
Sept. 1, 1960-70			1 2 3	3 6 1½
Savings Bonds 2½% ...	91½xd	91½xd	1 18 7	3 3 7½
May 1, 1964-67			1 13 10	3 11 0*
Victory Bonds 4½% ...	105½	105½	2 3 11	3 14 3½
Sept. 1, 1920-76			1 19 4	3 9 7½
Savings Bonds 3½% ...	92½	92½	1 19 11	3 19 6½
Aug. 15, 1965-75			2 0 2	3 16 7½
Consols 4½% ...	100½	101½	1 18 0	3 12 3½
(after Feb. 1, 1957)			2 2 3	3 15 8½
Conversion 3½% ...	91½	91½	2 0 2	3 16 7½
(after Apr. 1, 1961)			2 0 2	3 16 7½
Treasury Stk. 2½% ...	66½	66½	1 19 5	3 15 3½
(after Apr. 1, 1975)			2 0 2	3 16 7½
Treasury Stk. 3½% ...	78½	78½	1 18 0	3 12 3½
(after Apr. 5, 1966)			2 2 3	3 15 8½
Treasury Stk. 3½% ...	99½	99½	2 0 2	3 16 7½
June 15, 1971-80			2 0 2	3 16 7½
Redemp. Stk. 3½% ...	86½	86½	2 0 2	3 16 7½
Oct. 1986-98			2 0 2	3 16 7½
War Loan 3½% ...	91	89½xd	2 0 10	3 17 7½
(after Dec. 1, 1952)				
Consols 2½% ...	66½	66½	1 19 5	3 15 3½
Brit. Elect. 3½ Gtd. ...	92½	92½	2 1 10	3 11 10½
April 1, 1968-73			1 19 10	3 9 9½
Brit. Elect. 3½ Gtd. ...	91½	91½	2 0 9	3 11 0½
Mar. 15, 1974-77			1 19 10	3 10 2½
Brit. Elect. 3½ Gtd. ...	97½xd	97½xd	1 18 7	3 12 2½
Nov. 15, 1976-79			2 4 5	3 16 2½
Brit. Tpt. 3½ Gtd. ...	87	87½	2 1 8	3 13 6½
July 1, 1978-88			2 2 3	3 12 3½
Brit. Tpt. 3½ Gtd. ...	92½	92½	2 0 1	3 10 2½
April 1, 1968-73			2 2 3	3 13 10½
Brit. Gas Gtd. 3½% ...	85½xd	85½xd	2 1 5	3 13 0½
May 1, 1990-95				
Brit. Iron & Steel 3½% ...	97½	97½	1 19 6	3 13 8½
Feb. 15, 1979-81			1 19 4	3 13 7½

(e) To earliest date. (f) Flat yield. (g) Assuming redemption in 1957. (m) Net yields are calculated after allowing for tax at 9s. 6d. in £. * Assumed average life 15 years 4 months.

Last Two Dividends	Ordinary Stocks	Price, April 18, 1951	Price, April 25, 1951	Yield, April 25, 1951
(a) (b) (c)				£ s. d.
20 a	40 b Anglo-Am. 10/-	8½xd	8½xd	3 11 0
25 h	5 a Anglo-Iran. £1	5½	5½	5 9 1
5 a	15 b Assoc. Elec. £1	95/-	95/-	4 4 3
22½ c	27½ c Assoc. P. Cem. £1	103/11	101/3	5 8 7
40 c	35 c Austin 5/-	31/11	30/7½	5 14 3
15 a	20 b Buss £1	145/7½	149/4½	6 7 6
40 c	10 a Boots 5/-	47/-	49/-	4 1 8
8 c	10 c Br. Celanese 10/-	29/3	32/-	3 2 6
8 a	10 b Br. Oxygen £1	95/-	94/-	4 5 1
5 a	7½ b Coats £1	63/9	63/9	3 18 5
5 b	5 a Courtaulds £1	43/6	44/-	4 10 11
20 c	6½ a Distillers 4/-	22/9	23/-	3 9 7
15 c	15 c Dunlop £1	60/-	58/9	5 2 1
10 c	12½ c Ford £1	53/11	55/7½	4 9 11
17½ c	27½ c Gen. Elect. £1	92/6	91/10½	3 16 2
11 a	21 b Guinness £1	134/4½	134/4½	4 15 3
15 a	17½ b Hawker Sid. 5/-	37/10½	41/10½	3 17 7
7 b	3 a Imp. Chem. £1	48/6	49/4½	4 1 1
13½ a	18½ b Imp. Tobacco £1	96/3	96/6	6 12 8
5 a	7½ b Lanes. Cotton £1	46/10	48/1½	5 3 11
20 c	10 c Lever £1	49/4½	51/3	3 18 1
15 c	15 c Lon. Brick £1	58/9	61/3	4 17 11
45 b	15 a Marks & Sp. A/S	88/9	96/-	3 2 6
8 a	8 b P. & O. Def. £1	61/6	66/6	4 16 3
17½ b	7½ a P. Johnson £1	38/-	37/-	6 15 2
15 b	15 a "Shell" Stk. £1	92/6	93/9	4 1 3
12½ a	12½ b Tube Invest. £1	7½	7½	3 10 9
3½ a	16½ b T. & Newall £1	98/9	98/11	4 1 7
8 c	10 c Union Castle £1	43/6	41/-	4 17 7
17½ c	5 c U. Sub. Betong £1	70/-xd	70/7½xd	14 3 2
21 a	10 b Vickers £1	46/3	52/6	4 15 3
15 a	27½ b Woolworth 5/-	46/-	47/6	4 9 5

(a) Interim. (b) Final. (c) Whole year. † Price of tax.

NOTICES

DORSET COUNTY COUNCIL EDUCATION AUTHORITY

POOLE COLLEGE FOR FURTHER EDUCATION

Principal: A. H. ANDREWS, A.R.C.A., F.R.S.A., N.R.D.

Commerce and Languages Department:

(1) Graduate to teach Social Studies—Social History, Geography, Government.

(2) Teacher with Degree in Commerce and/or professional qualification, for Mercantile Law, Company Law, General Principles of Law, and general commercial subjects (not Shorthand or Typewriting).

Duties in both cases will be mainly to teach full-time ex-Grammar and ex-Secondary Modern School students taking secretarial courses or preparing for the General Certificate of Education, part-time day release students, and also students preparing for professional examinations.

Expected salary grading Burnham Scale for teachers in establishments of Further Education, Grade A.

Successful applicants will be required to commence duties on September 1, 1951. Further details and application form, which should be returned within a fortnight of the appearance of this advertisement, may be obtained from the Principal, Poole College for Further Education Market Street, Poole, Dorset.

UNIVERSITY OF LONDON

A lecture on "Implementing the Transport Act of 1947 with special reference to Labour Relations" will be delivered by J. Beustead (British Transport Commission) at 5 p.m. on May 8th at London School of Economics, Houghton Street, Aldwych, W.C.2.

ADMISSION FREE, WITHOUT TICKET.

JAMES HENDERSON, Academic Registrar.

UNIVERSITY OF LONDON

A lecture on "Monopolistic Competition Revisited" will be delivered by Professor E. H. Chamberlin (Harvard) at 5 p.m. on April 30th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.

ADMISSION FREE, WITHOUT TICKET.

JAMES HENDERSON, Academic Registrar.

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Economics tenable at the London School of Economics and Political Science (salary £1,050—£1,250—£1,450 a year). Applications (10 copies) must be received not later than June 4, 1951, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

SHORTLY free for engagement. Active, well-read, versatile, educated, 31-year-old Administrator-Economist. Keen on representing company in Cyprus, Lebanon, Syria, and M.E. area. (Would consider East Africa.) Now holding Government appointment in Middle East. Fluent Arabic. Wide experience, excellent references. Hard work and good salary required.—Box 623.

Statistical Summary

EXCHEQUER RETURNS

For the week ended April 21, 1951, total ordinary revenue was £55,202,000 against ordinary expenditure of £90,318,000 and issues to sinking funds £210,000. Thus, including sinking fund allocations of £340,000 the deficit accrued since April 1, 1951, is £25,615,000 compared with a deficit of £46,000,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	April 1, 1951 to April 21, 1951	April 1, 1951 to April 21, 1951	Week ended April 21, 1951	Week ended April 21, 1951
	£'000	£'000	£'000	£'000	£'000
ORD. REVENUE					
Income Tax.....	162,400	52,214	64,688	14,916	18,307
Sur-tax.....	128,000	8,450	9,300	1,900	2,200
Estate, etc., Duties.....	180,000	11,950	11,500	4,000	3,200
Stamps.....	55,000	2,700	3,600	800	1,200
Profits Tax.....	312,650	11,260	20,900	2,500	2,800
E.P.T.	500	10	20	300	10
Other Inland Rev.	1,500	400	200	100	70
Special Contribut.					
Total Inland Rev.	230,240	87,884	110,208	24,516	27,787
Customs.....	930,500	40,836	61,166	14,782	20,111
Excise.....	720,500	16,399	17,000	9,099	6,900
Total Customs and Excise	1,651,000	57,235	78,166	23,881	27,011
Motor Duties.....	62,000	2,430	3,172	11	134
Surplus War Stores.....	20,000	1	11	...	...
Surpl's from Tradg.	50,000	...	...	...	...
P.O. (Net Receipts).....	5,400	...	...	...	...
Wireless Licences.....	13,600	...	...	...	...
Sundry Loans.....	27,000	176	76	127	20
Miscell. Receipts.....	105,000	5,470	8,211	72	250
Total Ord. Rev.	423,840	153,196	197,843	48,596	55,202
SELF-BALANCING					
Post Office.....	179,431	7,700	8,400	3,200	3,500
Income Tax on E.P.T. Refunds	4,900	111	82	10	2
Total	442,071	161,007	206,325	51,806	58,704

Expenditure	Estimate, 1951-52	April 1, 1951 to April 21, 1951	April 1, 1951 to April 21, 1951	Week ended April 21, 1951	Week ended April 21, 1951
	£'000	£'000	£'000	£'000	£'000
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt.....	535,000	43,748	51,358	3,413	22,152
Payments to N. Ireland.....	38,000	1,153	1,281	...	...
Other Cons. Funds.....	11,000	50	479	...	466
Total	584,000	45,411	53,118	3,413	22,618
Supply Services.....	361,292	153,320	170,000	65,620	67,700
Total Ord. Expd.	419,692	198,731	223,118	69,033	90,318
Sinking Funds.....	...	464	340	230	210
Total (excl. Self-Bal. Expd.)	419,692	199,195	223,458	69,263	90,528
SELF-BALANCING					
Post Office.....	179,431	7,700	8,400	3,200	3,500
Income Tax on E.P.T. Refunds	4,900	111	82	10	2
Total	438,125	207,006	231,940	72,473	94,030

After increasing Exchequer balances by £114,154 to £3,275,548, the other operations for the week increased the National Debt by £45,625,202 to £25,971 million.

NET RECEIPTS

Nil

NET ISSUES (£ thousand)

P.O. & Telegraph (Money) Act, 1950.....	650
E.P.T. Refunds.....	3
Export Guarantees Act, 1949, s. 3(2).....	465
Local authorities Loans Act, 1945, s. 13(1).....	4,700
Cotton (Centralized Buying) Act, 1947, s. 21.....	3,000
Overseas Resources Development Act, 1948, s. 17(1).....	1,000
Finance Acts, 1946 and 1947: Post-war Credits.....	367
Total	10,187

RECEIPTS	PAYMENTS
Treas. Bills.....	50,256
Nat. Savings Certs.....	1,500
2% Def. Bonds.....	750
Tax Reserve Certs.....	910
Ways & Means Advances.....	13,945
Total	67,361
21% Def. Bonds.....	611
21% Ter. Annuities.....	1,577
Other Debt:—	
Internal.....	48
Treasury deposits.....	19,500
Total	21,735

FLOATING DEBT (£ million)

(£ million)						
Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bk. of Eng-land		
1950						
April 22 1951	2920.0	1959.2	447.6	...	455.0	5731.8
Jan 20 1951	3220.0	1844.6	396.8	...	445.0	5906.4
" 27	3200.0	1801.9	407.8	...	420.0	5929.7
Feb. 3	3190.0	1842.4	385.6	...	420.0	5837.9
" 10	3170.0	1808.1	402.7	...	395.0	5775.8
" 17	3170.0	1801.2	439.8	...	360.0	5771.0
" 24	3180.0	1749.4	419.8	...	340.0	5689.2
Mar. 3	3170.0	1733.8	421.5	...	339.0	5664.3
" 10	3180.0	1737.3	440.7	...	314.0	5572.0
" 17	3180.0	1799.6	396.6	6.5	294.0	5676.7
" 24	3170.0	1811.6	428.9	...	284.0	5694.5
" 31	5009.9		446.8	...	283.5	5740.2
April 7	3190.0	1774.8	432.8	...	338.5	5736.1
" 14	3200.0	1749.3	436.5	...	363.5	5749.3
" 21	3220.0	1779.5	450.5	...	344.0	5794.0

TREASURY BILLS (£ million)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
April 21 1951	230.0	306.4	230.0	10 2.82	65
Jan. 19 1951	230.0	321.3	230.0	10 2.79	60
" 26	240.0	337.8	240.0	10 2.92	61
Feb. 2	230.0	336.4	230.0	10 2.52	54
" 9	250.0	334.5	250.0	10 4.51	22
" 16	260.0	337.7	260.0	10 3.00	69
" 23	250.0	331.4	250.0	10 3.04	67
Mar. 2	260.0	346.2	260.0	10 2.87	65
" 9	260.0	339.3	260.0	10 2.97	68
" 16	250.0	332.7	250.0	10 2.96	65
" 22	250.0	332.9	250.0	10 2.94	65
" 30	250.0	332.4	250.0	10 2.98	65
April 6	240.0	320.3	240.0	10 3.13	67
" 13	250.0	351.2	250.0	10 2.67	59
" 20	240.0	354.5	240.0	10 2.60	54

NATIONAL SAVINGS (£ thousand)

	Totals 2 weeks ended	Week ended April 14, 1951
	April 15, 1950	April 14, 1951
Savings Certificates:—		
Receipts.....	3,650	10,000
Repayments.....	4,400	6,200
Net Savings.....	Dr. 750	3,800
Defence Bonds:—		
Receipts.....	720	1,995
Repayments.....	2,039	2,145
Net Savings.....	Dr. 1,319	Dr. 150
P.O. and Trustee Savings Banks:—		
Receipts.....	25,336	30,688
Repayments.....	22,364	30,751
Net Savings.....	2,972	Dr. 63
Total Net Savings.....	903	3,587
Interest on certificates repaid.....	933	1,488
Interest accrued.....	4,787	4,867
Change in total invested.....	+ 4,757	+ 5,966

BANK OF ENGLAND RETURNS

APRIL 23, 1951

ISSUE DEPARTMENT

Notes Issued:—	£
In Circulation.....	1313,843,312
In Bankg. Department ..	35,508,511
Total	1350,356,823
Govt. Debt.....	11,015,100
Other Govt. Securities.....	1334,724,410
Other Secs.....	747,856
Coin (other than gold).....	3,512,634
Amt. of Fid. Issue.....	1350,000,000
Gold Coin and Bullion (at 24s. per oz. fine).....	356,323
Total	1350,356,823

BANKING DEPARTMENT

Capital.....	£
Rest.....	14,553,000
Public Depts.....	3,234,909
Public Accts.....	19,552,939
H.M. Treas. Special Acct.....	14,174,234
Total	5,378,715
Govt. Secs.....	364,641,441
Other Secs.....	30,167,546
Discounts and Advances.....	6,402,789
Securities.....	23,764,766
Notes.....	35,508,511
Coin.....	823,093
Total	432,140,581

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

COMPARATIVE ANALYSIS (£ million)

	1950	1951
	April 26	April 11
Issue Dept.:		
Notes in circulation.....	1277.7	1318.3
Notes in banking department.....	22.6	32.0
Government debt and securities.....	1299.3	1345.8
Other securities.....	0.7	0.7
Gold and Coin.....	0.4	3.9
Valued at s. per fine ox.....	219/0	245/0
Banking Dept.:		
Deposits:—		
Public Accounts.....	13.9	25.2
Treasury Special Account.....	169.8	5.4
Bankers.....	238.8	297.5
Others.....	83.5	86.2
Total.....	562.0	414.4
Securities:—		
Government.....	501.0	362.1
Discounts, etc.....	22.0	15.1
Other.....	28.4	24.2
Total.....	551.4	399.5
Banking dept. res.....	28.4	32.8
"Proportion".....	% 5.0	% 7.8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,375 to £1,350 million on January 10, 1951.

GOLD AND SILVER

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

	SILVER	GOLD
1951	London per ounce	New York per 100 tola
April 19.....	78.5	90.16
" 20.....	78.5	90.16
" 21.....	78.5	90.16
" 22.....	78.5	90.16
" 23.....	78.5	90.16
" 24.....	78.5	90.16
" 25.....	78.5	90.16

COMPANY MEETINGS

THE EMPLOYERS' ASSURANCE

CONTINUED SATISFACTORY EXPANSION

The seventieth annual general meeting of The Employers' Liability Assurance Corporation Limited will be held on May 16th in London.

The following is an extract from the statement by the chairman, the Rt. Hon. Lord Courtauld-Thomson, K.B.E., C.B., circulated with the report and accounts for 1950:

The combined premiums of our group for 1950 were £20,930,730, an increase of £5,830,847 on those for 1949. The corporation's underwriting profit for the year was, at £537,772, of only moderate size compared with that of 1949, when the results were outstandingly favourable. The interest earned on our investments was £688,377. After making a contribution of £230,000 to the staff pension account and charging sundry other expenses of £37,138, there is a total trading profit of £1,023,304. The provision for United Kingdom taxation is £542,497, and the net profit for the year is £480,807. We have appropriated £150,000 to increase the provision for unexpired risks in the fire account.

The directors are recommending the payment of a final dividend of 2s. 6d. per share, less income tax, making a total dividend of 4s. per share, less income tax, for the year. This modest increase can hardly be said to conflict with the national policy of moderation and restraint in these matters. The net sum distributed by way of dividend for 1950 would then amount to £164,490, and the carry-forward in the profit and loss account would be increased by £166,317 to £730,866.

FIRE, ACCIDENT AND GENERAL

The fire account again shows a good increase in premiums at £1,519,228, compared with £1,165,766 in 1949.

Motor business, again our largest separate class, yielded £7,236,249 in premiums. The bulk of this came from the United States, where our premium income showed an increase in total, but a small underwriting loss resulted. In the United Kingdom, results in the motor class were again unsatisfactory.

Premiums from workmen's compensation insurance at £4,493,589 are higher in total by £1,162,779. The rest of the premiums in the accident and general account, derived mainly from personal accident, burglary, fidelity and public liability insurances, amounted to £5,429,371. The total premiums in the United Kingdom show an increase of 8 per cent. on those of 1949, but our margin of profit was generally narrower. A notable exception was fire business, where we had a satisfactory year.

LIFE AND MARINE

Our associated life office, the Clerical, Medical and General Life Assurance Society, continues to do well, and has recently announced the result of its valuation for the five year period ended on December 31st last. The divisible surplus amounted to £1,357,200. New business for 1950 amounted to £5,385,498, an increase of £928,840 on the 1949 figure; the life assurance fund improved by £853,820 to £19,320,054.

Our marine subsidiary, the Merchants' Marine Insurance Company Limited, made further progress in the year under review. The net marine premiums were £572,797, an increase of £14,216, and the marine fund at the end of the year amounted to £871,391, or 152 per cent. of the premiums.

Taken at market values, our investments as a whole show appreciation over book values.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY, LIMITED

INCOME £15,100,000
TOTAL ASSETS £92,900,000

BONUSES TO LIFE POLICY-HOLDERS

The ninetieth annual general meeting of the Royal London Mutual Insurance Society, Limited, was held on April 24th in London.

Mr J. K. Wiseman, F.C.I.I., chairman and joint managing director, in the course of his speech, said: Life assurance has for many years been recognised by the people of this country as an attractive and convenient method of regular saving. Particularly does this apply in the 10 million homes regularly called on by the agents of the industrial life assurance offices, for the periodical visit of the insurance man creates the habit of regular saving; there is no other form of thrift which provides comparable machinery for regularly putting something by.

The aim of the Labour Party is to create a State monopoly, which could not possibly be of advantage to the policyholders. So long as this danger threatens, your board will consider it their duty to do everything in their power to avert it.

FIVE YEARS' PROGRESS

December 31, 1950, was the end of another quinquennium in the society's history.

The annual income, which in 1945 was £11,686,000, has increased in 1950 to £15,141,000, while the funds in the same period have shown an increase of £24,751,000, being now £92,603,000.

ORDINARY BRANCH

The premium income in the ordinary branch (including consideration for annuities granted) amounted to £3,416,000, an increase of £111,000 over the previous year.

As I have already mentioned, December 31, 1950, was the occasion for a valuation of the liabilities of the ordinary branch by the society's actuaries.

The surplus shown by the valuation amounts to £3,363,497.

A simple reversionary bonus at the rate of 1 per cent. in respect of the four years 1946-49 and 1 4s. 0d. per cent. in respect of the year 1950 is allotted to fully participating with-profit policies.

The directors have pleasure in announcing that interim bonus will be payable during the ensuing year at the increased rate of £1 10s. 0d. per cent. per annum.

GENERAL REFRACTORIES LIMITED

FRESH RECORDS IN HOME AND EXPORT MARKETS

SIR RONALD W. MATTHEWS'S STATEMENT

The fifty-first annual general meeting of General Refractories Limited, was held on April 24 at the Royal Victoria Hotel, Sheffield.

The following are extracts from the statement by the chairman (Sir Ronald W. Matthews, D.L., J.P.) which has been circulated with the report and accounts:

It is my privilege once again to submit for your consideration my statement on the operations of the company for the year to December 31, 1950. It gives me particular pleasure on this occasion because the year under review was the Jubilee year of your company.

From small foundations the present structure has been built, growing steadily from year to year, until today you have a large group of companies producing practically every type of refractory product required by the consuming industries, not only in the home market but also in most foreign countries where refractory materials are used.

An interesting feature during the year was the development of "Ferrocilad." Your board looks forward to increasing sales of these bricks when their intrinsic advantages are fully realised.

RECORD TURNOVER

The turnover figures for 1950 were the highest ever recorded by the organisation, and fresh records were achieved in both the home and export markets. The trading surplus of the group amounted to £485,753, an increase of £20,502 over the corresponding figure for 1949.

Very strenuous efforts have been made in recent years to expand the company's export business, and the very substantial increase for the year of more than 40 per cent. over 1949 is particularly gratifying.

The group profit for the year, after providing for interest, depreciation and taxation, amounts to £173,483, to which has to be added £25,089 provision for taxation in past years no longer required, making a total of £198,572. The balance of £149,966 represents the group profit dealt with in the accounts of the parent company. There has to be added to this sum the amount brought forward £84,216, aggregating £234,182. From this has to be deducted the transfer to general reserve £75,000, leaving available £159,182, out of which your directors recommend a dividend of 15 per cent., less tax. In addition, to celebrate the Jubilee of the company the directors recommend a dividend of 15 per cent., less tax. In addition, to celebrate the Jubilee of the company the directors recommend a special additional dividend of 5 per cent., less tax. This leaves a balance to be carried forward of £87,682, as compared with £84,216 brought in.

In the company's balance sheet, the outstanding feature is the strength of the financial position, the liquid surplus being £440,618, compared with £386,128 last year.

As regards the future, there must be, as a result of the regrettable need for rearmament, an enormous demand for the products of the industries we serve; whether the supply of raw materials necessary to meet that demand will be available only time can show. On that and on the effect that nationalisation will have on the output of steel must depend the demand for our own products. One assurance I can safely give you—your company will not fail to play its full part in meeting national needs.

The report was adopted.

THE RHEOSTATIC COMPANY

LARGER TURNOVER AND INCREASED PROFIT

The fourteenth annual general meeting of The Rheostatic Company, Limited, was held on April 26th at Slough.

Mr M. J. Gartside, B.Sc.(Eng.), A.M.I.E.E., M.Amer.Soc.H.V.E., chairman of the company, in the course of his speech, said: The resulting larger turnover has provided increased profit compared with the previous year. The net profit amounted to £31,308 after providing £38,688 for taxation. The board have increased the general reserve by £14,535 to £60,000 and recommend a final dividend of 12½ per cent., making 16½ per cent. for the year.

Your company now has a greater volume of orders for temperature controls than ever before in its history and although output of the Slough and Frimley Works has been expanded considerably it is still insufficient to meet current demands and deliveries are consequently lengthening.

As a result of the excellent work of the company's development departments, the products now manufactured cover a wider range of applications than previously. Apart from the domestic markets of electric water heating and cooking, in which your company maintains its paramount position, a larger proportion of the total output is now spread among the important fields of central heating, air conditioning, gas firing, coal stoking and oil burning.

The original business of the company, the manufacture of unbreakable resistors, is steadily maintained and a new design of resistor particularly suited to electric traction applications is now available to the market and is attracting great interest at home and abroad.

RECORD EXPORT SALES

Orders received from overseas and the corresponding export sales have attained record figures and their value continues to rise.

The consolidated accounts presented to you indicate that the profits earned by your subsidiary companies in France and South Africa are more than double those of the previous year. Subsidiary and associated companies have not only provided useful revenue by way of dividends and royalties on local manufacture, but have enabled the company's position to be strengthened in their respective fields and have brought substantial export orders to the parent company for the many instruments not locally manufactured.

INCREASED PRODUCTIVE CAPACITY

Referring now to practical details at home, the increased demand on our productive capacity has necessitated the building extensions foreshadowed a year ago, and part of these extensions will be in use very shortly.

I know that shareholders would like some indication of the future trend of the business. It is impossible to make any forecast in the present unsettled conditions but, half way through the current financial year, I can say that your company has so far earned profits at a rate which would be adequate to maintain the present standard of dividend despite the burden of the increased tax on distributed profits.

The further extensions of buildings and plant which are necessary to meet the growing turnover of the company will require additional finance in the near future and your board hopes to be able to announce plans for increase of capital at an early date.

The report and accounts were adopted.

INTERNATIONAL NICKEL OF CANADA

RECORD PEACE-TIME DELIVERIES

The annual meeting of The International Nickel Company of Canada, Limited, was held on April 25th at Toronto.

Dr John F. Thompson (chairman and president), in the course of his speech, said: The year under review was a year of transition from civilian to defence economy. During 1950 world business in all metals developed at a rapidly increasing rate, as rearmament demands were added to those of industry. Concurrent with this increasing demand, we went into full production at our Canadian plants and at our subsidiary operations in the United States and the United Kingdom.

During the year our deliveries of nickel established a new peace-time peak record. Deliveries in all forms totalled 256,410,543 pounds, an increase of 47,118,286 pounds over 1949. The company's deliveries of platinum, palladium, rhodium, ruthenium and iridium totalled 267,316 ounces in 1950, as compared with 214,735 in 1949.

PRODUCTION PROGRAMME

For the second time within a decade your company's production facilities are being taxed to the utmost by abnormal demands for nickel. Today, as during World War II, these are being engendered primarily by defence requirements of the Western nations, but are augmented also by heavy civilian requirements. Although all military requirements are being met—in addition to substantial deliveries to stockpiles—the abnormal overall demand has exceeded the current nickel supply.

Notwithstanding the fact that ore-reserve tonnages have to date been fully maintained, the realisation that mines are a wasting asset keeps the company actively engaged in exploration for new sources of nickel.

Ore reserves at the year-end stood at 252,859,725 short tons, compared with 251,805,157 short tons at the end of 1949. The nickel-copper content stood at 7,669,219 short tons, compared with 7,630,009 at the end of 1949.

Steady improvement in our mining and metallurgical methods over the past twenty years has made it economically possible to use ores of lower-grade than could have been considered in the past.

As reflected in our statement of earnings for the year, our net earnings increased £16,513,535 over 1949; the cost of pay-rolls, supplies and services increased £18,894,359; and taxes based on income increased \$9,622,601. The net profit of \$48,765,849 was equivalent to \$3.21 per share on the common stock, compared with \$2.08 per share for 1949 and \$2.55 for 1948.

It is estimated that capital expenditures in 1951 will exceed \$20,000,000. Such expenditures in 1950 were \$18,683,606, an increase of \$129,755 over 1949. By countries expenditures last year were: \$16,604,594 in Canada, \$1,519,928 in the United States and \$559,084 in the United Kingdom and other countries.

DIVIDENDS

During 1950, four quarterly dividends of forty cents per share were paid on the common shares, with an extra dividend of forty cents in December, the same as payments in the past three years. Four regular quarterly dividends of \$1.75 per \$100 of par value were paid on the preferred shares.

Mr Robert C. Stanley, who presided at these annual meetings as president or chairman of the board for the past twenty-eight years, died on February 12, 1951. He contributed a lifetime of distinguished service to Canada and the nickel industry.

The report was adopted.

MAPLE AND COMPANY LIMITED

RECORD GROUP TURNOVER

MR C. C. REGNART'S STATEMENT

The sixty-first annual general meeting of Maple and Company, Limited, was held on April 19th in London, Mr Charles Clare Regnart (president of the company) presiding.

The following is an extract from his circulated statement:

The turnover of our whole group has again shown a very large increase, amounting to over half a million pounds, breaking all records. Had it not been for the "free market" rate of exchange in the Argentine being depreciated from 25 pesos to the pound to 38.26 pesos to the pound, the dividend and bonus would have easily been maintained. In fact this depreciation has caused us a loss of more than the equivalent of 5 per cent. dividend on the ordinary stock capital.

Now a word about our subsidiary companies. First, Maple and Company (South America), Limited. Our trade increased and the profit in pesos is satisfactory.

Maple and Company (Paris) Limited.—I am pleased to say this company is again expanding satisfactorily.

Henry Barker Smart and Brown, Limited, have had an excellent year, and go from strength to strength.

H. H. Martyn and Company, Limited, of Cheltenham, have again a full order book,

and are still heavily committed for many months to come.

CONTRACT DEPARTMENT

The contract of the year without doubt was the completion of the Southampton Ocean Terminal Dock Building for British Railways, which was formally opened by the Prime Minister on July 31st last.

We are now busily engaged on extensive orders for furnishing and decoration for the *Ocean Monarch*, for Messrs Furness Withy and Company, Limited, *Oronsay* for the Orient Line, *Normannia*, for British Railways, *Port Adelaide*, for Messrs Port Line, *Patricia*, for Messrs Svenska Lloyd, and *Aureol*, for Messrs Elder Dempster.

Contracts in hand, other than for ships, include among others very large ones indeed for the complete reconditioning, redecoration and refurbishing of the Washington Hotel, Mayfair; we have similar contracts for the Criterion Restaurant and also for the extensive alterations, additions and re-equipment of the Shakespeare Memorial Theatre at Stratford-on-Avon. This department has again a full order-book for the coming year, and the most outstanding one is the American Military War Memorial at Cambridge.

Exports again exceeded the previous year, and large orders are now in hand in Egypt, French North Africa, South America and the Persian Gulf.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the chairman said: The effect of profits tax on the company is a serious one, and now it is proposed

by the Chancellor of the Exchequer to increase this tax from 30 per cent. to 50 per cent. on distributed profits.

However, providing the peso exchange position does not deteriorate further, which seems improbable, but which, of course, is unpredictable, there should be a substantial profit accruing this year from our subsidiary in the Argentine, as opposed to the serious losses of the past two years already mentioned in the balance sheet, which in both cases we have met out of revenue.

This fact should more than offset the effect of the proposed increased tax.

Our home trade still continues to expand both in London and all our branch establishments to a very marked degree, and we can only hope that this trend will continue throughout the year.

Our new branches at Bristol and Leicester which opened in June, 1950, and March of this year respectively will provide a substantial contribution to the group for the first time. The opening of these branches has once more demonstrated the wonderful appreciation and popularity of the name of Maple throughout this country, and I look forward with every confidence to their being established as successfully as those of Leeds, Birmingham and Nottingham, where you will appreciate there is a big and increasing potential market for furniture and furnishings, from the least expensive to the best. It is realised that the services your company can give in conjunction with the goods offered are unique throughout these provincial centres.

The report and accounts were adopted and a dividend of 10 per cent., together with a bonus of 2½ per cent. was approved.

NOTICES

THE UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE

Applications are invited from candidates for appointment to Assistant Lectureships in the Faculty of Commerce and Social Science. The appointments will be in Grade III (£400-£500 per annum) and in the first instance for a probationary period of three years. Qualifications, or an interest, in finance or economic statistics for commerce (economics, accounting and commercial law) would be an advantage. The University is prepared to consider applications from men and women taking their degree in June of this year who expect to win high honours.

Applications, accompanied by the names of three persons willing to act as referees, should be received not later than May 31, 1951, by the undersigned, from whom further particulars may be obtained.

C. G. BURTON,
Secretary.

BOARD CHANGES

INSURANCE ENGINEERS LIMITED.—Mr J. Kirk, A.C.I.I., has been appointed Chairman, and Mr W. A. Osborne, F.I.A., Deputy Chairman.

AN International Company manufacturing fine pharmaceuticals has vacancies for one or two first-class propagandists. These will be senior appointments and only experienced applicants with proved success in the field of medical propaganda will be considered. The Company's present employees have been notified of these vacancies. Applications will be treated in strictest confidence and should be made in writing to Box 630.

LEVER BROTHERS AND UNILEVER LIMITED require a deputy to the Chief Accountant with a view to early promotion to the position of Chief Accountant. Applicants must have professional qualifications, preferably Chartered, and outstanding professional or industrial experience and achievement. Character, ability and qualities of leadership of highest order are necessary. Age preferably 35 to 40 but not over 45.—Apply, The Chief Accountant, Unilever House, Blackfriars, London, E.C.4.

STATISTICAL ASSISTANT (female) required for market research department of large manufacturing concern in the Greater London area. Preference given to applicant with academic qualifications. Reply giving full particulars of age, education and experience to Box 632.

SALES MANAGER.—Substantial Company requires a Sales Manager to develop their speciality trade. Permanent post for right man. Commencing salary £1,200 per annum rising on results. Replies in confidence giving full particulars of past experience.—Box 163, Robertson and Scott, Edinburgh, 2.

DIRECTOR Social Research organisation requires experienced personal assistant (man). Someone with writing ability and who is acquainted with social sciences preferred. Salary £450-£500.—Write, giving age and full details, to Box 631.

AMERICA—Transportation only from £50 return. Sailings s.s. *Charlton Star* chartered by The Open Road, Inc. Rotterdam, Southampton, Montreal, from May to October. Write International Travel and Study Commission, 2, Littlegate, Oxford, for details.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the following posts:—
(1) READER, SENIOR LECTURER OR LECTURER IN THE HISTORY OF ECONOMIC THOUGHT.

(2) SENIOR LECTURER OR LECTURER IN ECONOMIC HISTORY (with special reference to the period before 1750). Preference will be given to candidates who have a special interest in General or European Economic History.

(3) LECTURER OR ASSISTANT LECTURER IN SOCIAL HISTORY.

Salary scales per annum: Reader £1,250 x £50 x £1,600, Senior Lecturer £1,150 x £50 x £1,500, Lecturer £500 x £50 x £1,100, Assistant Lecturer £450 x £25 x £500. Initial salary and status according to qualifications and experience. Membership of the F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than May 15, 1951, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the whole-time post of Secretary to the Appointments Board (woman). The post will be concerned mainly with advising Arts and Economics undergraduates and graduates, both men and women, about careers, with their placing in suitable employment, and with the establishment and maintenance of contacts with employing bodies and schools. Candidates should be under 40 years of age, and the possession of a University degree is desirable. Salary from £850 to £1,200 per annum, according to age and experience, with membership of the F.S.S.U. Duties to commence as soon as possible. Further particulars may be obtained from the Registrars, The University, Manchester, 13, to whom applications should be sent not later than May 19, 1951.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN HISTORY. Candidates should have special qualifications in Economic History. Salary scale £450-£500 per annum with membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent NOT later than May 15, 1951, to the Registrar, the University, Manchester 13, from whom further particulars may be obtained.

SOUTH WESTERN ELECTRICITY BOARD

Applications are invited for the position of INFORMATION OFFICER at Board Headquarters, Bristol.

Commencing salary within the range £705-£1,020 per annum according to qualifications and experience. Applicants should preferably possess a University education, a knowledge of printing processes and layout (production of staff magazine), and have experience in Press relations and preparation of material for publication. An intimate knowledge of South-West England will be an advantage.

Applications, giving age, qualifications and experience, present appointment and salary, to the Assistant Secretary (Establishments), Electricity House, Colston Avenue, Bristol, 1, within 14 days.

INFORMATION Bulletins, Journals of Societies or Institutions: editing, design, layout and finalisation of text for printer. Moderate fees. Inquiries from Embassies, literary, social and industrial bodies.—Box 611.

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THE ALEXANDRIA WATER COMPANY, LIMITED ALEXANDRIA, EGYPT

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the seventy-third ORDINARY GENERAL MEETING of the Shareholders will be held at the Company's Offices, 61, Avenue Fouad 1er, Alexandria, on Thursday the 24th May, 1951, at four o'clock in the afternoon, for the transaction of the ordinary business of the Company, pursuant to Act of Parliament, to fix the directors' remuneration and for the purpose of considering and, if thought fit, passing the subjoined resolutions as special resolutions:—

Resolution I.—To elect Mr. Robert Walton, O.B.E., the manager of the Company, as a director of the Company and, for that purpose, to declare Article 106(a) of the Articles of Association suspended in his favour.

Resolution II.—To substitute for Article 80 of the Articles of Association, the following Article:

The number of the directors of the Company shall not be less than five nor more than ten, and such one more director as the Egyptian Government shall have power to appoint and shall appoint.

Holders of share warrants to bearer desiring to attend or to be represented at the Meeting must deposit their share warrants in London before May 10, 1951, or in Alexandria before May 21, 1951, until after the Meeting, at the National Bank of Egypt, 6, King William Street, London, E.C.4 or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

A Member of the Company is entitled to appoint a proxy to attend and vote at the Meeting in his stead and any proxy so appointed need not be a Member of the Company.

Dated, Alexandria, Egypt, March 22, 1951.

By Order of the Board.

ROBERT WALTON, Manager.

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with Limited Liability)—CANADIAN PACIFIC RAILWAY PERPETUAL FOUR PER CENT. CONSOLIDATED DEBENTURE STOCK.—NEW BRUNSWICK RAILWAY FOUR PER CENT. DEBENTURE STOCK.—CALGARY AND EDMONTON RAILWAY FOUR PER CENT. DEBENTURE STOCK.—ATLANTIC AND NORTH-WEST RAILWAY FOUR PER CENT. FIRST MORTGAGE REDEEMABLE DEBENTURE STOCK.—In preparation for the payment of the half-yearly interest due July 2, 1951, on the above Stocks, the Transfer books will be closed on May 18th and will be reopened on July 3, 1951.—E. F. TREMAYNE, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. April 20, 1951.

REQUIRED by Chief Chemist of large chemical manufacturers in Lancashire, TECHNICAL SECRETARY to supervise the administration of laboratories. Applicants should preferably have a Science Degree, although previous experience in a similar capacity might be acceptable. Good shorthand and typing speeds and previous experience of office administration essential. Salary around £500 per annum according to qualifications, etc., age preferably over 30, but a younger person with the requisite experience would be considered.—Box 633.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 16, George Street, Mansion House, E.C.4.

WICKETS fall to the good-length bowler who occasionally lets loose a "wrong 'un"—and in advertising it is careful planning plus ideas that are different that breaks up sales resistance.—Consult Samson Clark & Co., Ltd., 57-61, Mortimer Street, London, W.1. MUSEUM 5050.

Postal Tuition for B.Sc.ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical, research, and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the three examinations at home under the experienced guidance of Wolsey Hall (est. 1894): fees are reasonable, and may be paid by instalments, if desired.

Prospectus from the Director of Studies, Department P17

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Applications are invited for two posts in the Department of Economics and Social Science.

(a) Lecturer in Economic Statistics at a starting salary within the range of £550 to £850 p.a. according to qualifications and experience.

(b) Research Assistant in Economics for one year, with the possibility of renewal for a further one or two years. Salary £450 per annum.

Further particulars may be obtained from the Registrar, University College, Cathays Park, Cardiff, to whom six copies of application together with the names and addresses of three referees should be sent not later than May 18, 1951. (Signed) E. R. EVANS, Registrar, Cathays Park, Cardiff.

BRITISH ELECTRICITY AUTHORITY

ADMINISTRATIVE OFFICER—COMMITTEE SECTION
SECRETARY'S OFFICE

Applications are invited for an appointment as Administrative Officer in the Committee Section of the Secretary's Office at the Authority's headquarters in London.

The Committee Section, which is in the charge of an Assistant Secretary, services all Standing Committees, Conferences and Joint Committee Meetings of the Authority, other than those concerned with the negotiating and advisory machinery and certain technical engineering meetings. The successful candidate will be required to assist in organising and supervising the work of the Section and to deputise for the Assistant Secretary in his absence.

Applicants must have some practical experience of Committee work in a large organisation. Knowledge of the electricity supply industry, although not essential, will be an advantage.

The salary for the appointment, which is superannuable, will be within the provisional salary range £900—£1,250 per annum (men) or £800—£1,100 per annum (women).

Letters of application, stating age and giving details of experience and qualifications, should be forwarded to D. Moffat, Director of Establishments, British Electricity Authority, British Electricity House, Great Portland Street, London, W.1, to be received by Monday, May 7, 1951.

Please quote reference AE/160.

THE CUNARD STEAM-SHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS for ORDINARY STOCK and PREFERENCE STOCKS will be closed from May 9th until May 22, 1951, both dates inclusive.

By Order of the Board.

H. EAVES,

Secretary.

Offices: Cunard Building, Liverpool.
April 26, 1951.

SECRETARY/RESEARCH ASSISTANT required for Manager of Market Research Department, in leading Advertising Agency, average speeds in Shorthand and Typing. Higher School Certificate or degree Economics. Research responsibilities will depend on qualifications. 5-day week. Canteen.—Apply Mr. Caffin, F. C. Pritchard Wood and Partners Ltd., 25, Savile Row, W.1.

STATISTICAL ASSISTANT (lady aged 25-35) required for a position of confidence with a leading commercial establishment in London. Applicants should have experience in statistical, actuarial or costing work. Apply, in writing, giving full details of age, education, qualifications and experience, to Box 629.

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May 5, 1951

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Persia's Road to Ruin

SUCH is the state of emotion and confusion in Teheran that Mr Morrison could safely say little more in the House of Commons on Tuesday than he did say. Confronted with the Persian threat to seize without further ceremony the property and interests of the Anglo-Iranian Oil Company, he said quite rightly that there could be no negotiation on the matter under duress. Knowing that power in Teheran now lies with extremists who have misled and intimidated their countrymen, Mr Morrison went as far as he could in saying that the British Government were "most anxious" to settle the dispute by negotiation. He would have been fully justified in speaking more strongly, even in alluding to the powerful cards that can still be played by the Company and the Government; but to do so might have fanned the ardour of the nationalists. And the one hope now—admittedly a very frail one—is that the consequences of what Dr Mossadegh proposes to do with Persia's oil will become apparent to his countrymen and that their ardour will cool before the prospect. The situation is grave and deserves far more attention in this country and in the United States than it has received. For the next few days should show whether the Persians, having nationalised their oil, will now proceed to expropriate by force, or threat of force, an enterprise of vital international importance.

Events have moved with a swiftness that has taken the Anglo-Iranian Oil Company, the British Government and public opinion in both countries by surprise. On March 15th the Majlis and later the Senate unanimously endorsed proposals to nationalise the petroleum industry and a commission was set up to consider ways and means of carrying them out. Before the time appointed for the commission to report its findings, the extreme Nationalists forced their way to power; then, without thought or even proper discussion, both houses, the Majlis and the Senate, unanimously supported the Nationalists' resolution to declare the Anglo-Iranian Oil Company already "nationalised" and proposed that a commission of eleven Persians should forthwith take over the affairs of the "late Company."

As recently as last Thursday (April 26th) the thirteen-day strike in the Company's refinery of Abadan and in the petroleum fields came to an end. Hussein Ala, who was then Prime Minister, thought it a suitable moment to discuss with the British Ambassador, Sir Francis Shepherd, possible solutions to the problems of nationalisation. He appeared to favour a project somewhat similar in general outline to that suggested in *The Economist* of April 21st, which was, however, far too generous to the Persians to be supported at that time by all the members of the board of the Anglo-Iranian Oil Company. This envisaged the formation of a new, purely Persian, company which would hold the sole rights to the oil from the present oilfields and would own and operate the wells, pumping stations and pipelines. The role of the Anglo-Iranian Company would be to refine the oil and market it—in fact deal with all the essential international operations.

The Persian Government would ultimately obtain its revenue not from royalties on the oil extracted, as at present, but by selling its own nationalised oil to the A.I.O.C. But, as neither the proposed new company nor indeed the Persian Government would have sufficient funds to compensate the Anglo-Iranian for the loss of its concession and at least £300 million of equipment, compensation would be paid for some forty-odd years to come in oil, with an additional agreement that the highly trained British staff should work for the new Persian company during the period that compensation was being paid. Some such solution would have gone a long way to meet "nationalist aspirations," would have ensured efficiency in the industry and revenue to Persia, and provided a means for Persians to take a governing part in running their own oilfields.

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While this solution was actually being discussed, the Soviet-inspired Azerbaijani radio, doubtless alarmed by the end of the strike and the restoration of order and normal working conditions in the Abadan refinery and the fields, launched an attack on the extreme Nationalist leader, Dr Mossadegh, to whom they had previously given their support. He was accused of betraying the people's cause and "supporting the treacherous Government of Ala, who is an agent of the imperialists."

Hussein Ala, who had never wished to be Prime Minister, then resigned because the Petroleum Commission, apparently inspired by Dr Mossadegh, refused even to consider his reasoned proposals. The Commission immediately suggested that Dr Mossadegh should become Prime Minister. This proposal appears, at least for a few hours, to have shocked the irresponsible and reckless Persians, as the Nationalist leader was well known to have no policy, nor did he wish to consider any policy save the immediate "nationalisation" of the petroleum industry. Dr Mohammed Mossadegh is a rich, educated landowner, over 70 years old, who has devoted himself to the organisation of a party whose sole aim is to "nationalise" or rather expropriate the Anglo-Iranian Oil Company. In his deep and bitter dislike of foreigners he has convinced himself that the miserable poverty of millions of Persians is entirely due to the fact that their only large industry is in the hands of foreigners. Naturally such a theme, coupled with the promise of riches for all Persians as soon as the "wicked foreigners" have been expelled and Dr Mossadegh's plan has been realised, finds enormous support among the illiterates of Teheran. They have not seen the excellent living conditions of the refinery and petroleum workers, and it would make little difference to these highly volatile people if they had. The sick, downtrodden Persians cannot be expected to think for themselves, and the educated Doctor just has not bothered to do so. He does, however, admit that his policy is, at least for the moment, exactly the same as that of the Communist (Tudeh) Party; he even acknowledges that his extreme right-wing nationalism is helping the Communists. He claims, however, to believe that when he has pushed the British lion out of Southern Persia he will be able to escape from the mouth of the Russian bear in the north.

Unhappily, Dr Mossadegh who, if stupid, is at least sincere in his beliefs, is surrounded by a gang of criminals, religious fanatics and adventurers. Many

members of his clique show the muzzle of their guns so often that they have succeeded in intimidating the Persian politicians and the townsfolk of Teheran, who were never famous for their bravery, and, indeed, since the assassination of General Razmara there has been some justification for their fears. The gunmen in the background account for the unanimity of the support for "nationalisation" in the Majlis and the Senate.

The extreme form of violent nationalism preached by Dr Mossadegh bears little or no resemblance to the idealistic nationalism of Pole, Czech and Greek in the nineteenth century. Persia has no oppressor save its own rich and corrupt landlords, and with the exception of a few years during the last war there has been no foreign interference in its Government or administration. The press of Teheran, which has given its full support to Dr Mossadegh, is corrupt and cowardly. The editors are normally willing to print anything so long as suitable payment is made. But recently their fear of the bullets of Mossadegh's henchmen has made them devote themselves solely to vilifying the oil company and attacking the British.

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The manner in which the Persian Governments have rushed towards their ultimate ruin during the past few weeks leaves no doubt in the minds of observers on the spot that they will continue to race ahead to destruction until such administration as exists in Persia, which has been neither efficient nor effective since the war, breaks down altogether. The possible danger to British lives and property cannot lightly be dismissed. Student riots in Teheran or Abadan can so easily be started with a few coins and, if the new and inexperienced Prime Minister loses control of the police and the army, there is a possibility of the largest refinery in the world being reduced to rubble.

Englishmen, even those who have lived for some time in Persia, find it difficult to understand or to accept the wanton lunacy of a considerable section of the Nationalist Party. There are, of course, hundreds and thousands of Persians who fully realise the folly of the present policy. There were about sixty-seven plans put before the original oil commissioners, many of which were moderate and sensible. Today, however, the known moderates are keeping themselves well in the background, away from the gunmen. Even some of the extremists know that if the rule of law breaks down and anarchy develops, the only people who will benefit are the Tudeh Party. This well-organised, well-disciplined Communist Party could, without doubt, organise a *coup d'état* and take charge of the country. It might well have the support of a considerable section of the Teheran population, who are inclined to feel that they have tried every type of government and can lose nothing by giving the Tudeh leaders a chance.

Apart from the dangers of the Soviet-inspired party taking over the country, it is obvious that Dr Mossadegh's proposals are technically unworkable. The Persians could not run the drills, the pumps or the refinery for more than a few days without foreign technical assistance. They could easily ruin the plant within a few hours. Dr Mossadegh in his maddest moments would be willing to see the petroleum run from the wells into the sea if he could rid Persia of the British. He

appears at times to forget that his Government must depend entirely on payments from the oil company. Perhaps the urgent need for ready cash in the state till caused by the fact that the company has wisely refused to hand over the £2 million advance for May will cause him to be more reasonable.

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If this, the largest British oversea investment, is destroyed by violence or expropriated under duress, every other oil concession in the Middle East will be threatened with a similar fate. Production and selling of oil will be at the mercy of political passions and the economic and strategic plans of the western world will be deeply affected, for oil is perhaps the most vital of all raw materials. If only for this reason the United States, too, is vitally affected by the dispute, and it is regrettable and alarming that the effect of American counsels so far has been to weaken rather than strengthen British resolution. Quite apart from the State Department's tendency to misunderstand the passions that agitate the Middle East nationalist and the kind of measures needed to deal with them, it would be deplorable if Dr Mossadegh should be acting in the belief that a team of American technicians would be

The Festival

THE Festival of Britain was conceived in the mood of victory and has come into being long after that mood has passed. It has had, until lately, an unsympathetic Press and has become entangled in party controversy on the view—which is quite unjustified, as any visitor to the South Bank can see for himself—that it is a propaganda stunt by the Labour party. People of all parties have complained that scarce labour and raw materials would have been better used to build houses, schools and hospitals—and perhaps in the next breath have objected to an import of Italian prefabricated buildings. They have grumbled at the estimated net cost to the taxpayer of £9,000,000, with some additional loss on the Festival Gardens. They have echoed the question, "What have we to celebrate?" In the middle of 1950, indeed, we might have celebrated economic recovery and independence of Marshall aid. This year, like a family which has arranged a picnic on a wet day, we can only determine to enjoy ourselves nevertheless. That, in fact, is what the public, by all the signs, has decided to do. And not the public of the United Kingdom alone. Advance bookings at home have been heavy, and it is impossible to book a passage from South Africa, Australia or New Zealand. The Festival bids fair to be a success.

The highly successful Exhibition of 1851 (it made a profit of £190,000) also had a bad Press before it opened. When the idea was first put forward *The Times* thundered against the use of Hyde Park, which would "be turned into the bivouac of all the vagabonds of London." And "can anyone be weak enough to suppose that a building erected on such a scale will ever be removed?" Battersea, thought *The Times*, would have been a better place for it. Another main criticism concerned the extreme undesirability of attracting so many foreigners to this country. These were expected, com-

quickly available to take over and run an industry expropriated from its British owners. The least that Washington can do in the present situation is to make it clear in Teheran that such action would not be allowed; and that no American petroleum company would seek to obtain any form of concession in Persia.

Persian oil is absolutely vital to Britain. The British public has not yet awakened to the full consequences that would follow from an interruption of its flow. But if, when they do, it has to be said that the Americans have deserted the British in the first real test of their relationship in the Middle East, then the North Atlantic alliance will have suffered a blow from which it might never recover. The whole structure of western policy is crucially at stake in Persia. The present crisis may or may not be due in part to past mistakes of British policy—but certainly no more so than the Korean crisis was due to past mistakes of American policy. It is imperative that America, like Britain, should back up its partner with full loyalty in action, however many doubts and hesitations may be felt and publicly expressed. Washington should realise that this is a test of the partnership that is likely to be decisive and cannot be evaded.

plained the Prince Consort, "to commence a revolution here, to murder Victoria and myself, and to proclaim the Red Republic in England; the plague is certain to ensue from the confluence of such vast multitudes and to swallow up those whom the increased price of everything has not swept away." Britain could afford its xenophobia in 1851. Today visitors are presented on landing with a card saying "Welcome to Britain," and it is anxiously hoped that in spite of the international situation some 700,000 of these undesirables—100,000 more than last year—may be persuaded to visit these shores with some £60 million in their wallets.

There was anxiety in 1851, too, about whether the exhibition would be ready. A *Punch* cartoon showed the Prince struggling into a footman's jacket and saying to Britannia, "Oh, Mum. . . Here's all the company come . . . and the candles isn't lighted, nor the supper ready . . . nor Nothing." Such was the anxiety about the paintwork that what the Queen called a "bribe" of £1,000—a deplorable word for an incentive bonus—was offered to the contractor Mr Fox to get it ready on time. The Queen was "happy to record" that Mr Fox would not take the money, and he did, in fact, get it finished. When the exhibition opened contemporary comment was as full of superlatives as a film trailer; *The Economist* said that May 1, 1851, was one of the most memorable days in the history of the whole human race.

Whatever the pleasures of the Festival of Britain we shall not experience the awe, the wonder and the faith which caused our forefathers to break into torrents of emotional prose. To them the 1851 Exhibition was a festival of peace, "which," in the words of the Queen, "united the Industry of all Nations of the Earth." Three years later the nation was at war, against the Russians.

The faith in the beneficence of scientific and industrial progress is another Victorian sentiment which is hard to share. Those who watched the "Machinery in Motion" section at the Crystal Palace were filled with pride, not only at man's growing power over his environment, but that the Almighty "had vouchsafed to confer on us so much of His Own Power." Whereas to us in our middle-aged disillusion the greatest wonder of our time, atomic science, appears not as a contribution to world civilisation, but as the possible instrument of its destruction. Nor can we share the Victorian delight in the cheapness and plenty which, they were sure, went hand in hand with industrial progress. In 1800, a contemporary commentator exclaims, the price of smelter tin was £100 per ton, in 1849 it was only £75 (Britain was at that time the largest tin producer in the world); linen which was 1s. 4d. a yard in 1832 was only 8½d. a yard in 1849. Such comparisons moved *The Economist* in an article entitled "Some Moral Aspects of the Exhibition" to argue that progress towards "an equality of enjoyments" was such that the Queen was hardly any better off than her subjects.

Better garments than are made of cotton, wool and silk, her Majesty cannot command, and they are now possessed by the bulk of the people. Than the railway, she has no swifter means of locomotion.

The writer would have been surprised to find how much further the equality of enjoyments could go, and still more surprised that industrial progress could be accompanied by sharply rising prices. Britain in 1851 had left the lean years behind, imports were being freed and food was, therefore, cheap and plentiful. Britain in 1951 is reducing imports of basic foodstuffs and paying more for them.

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Alas, we shall not experience that certainty of superiority which was such a comfort to our forefathers. Foreigners, observed *The Economist* of 1851, might have something to teach us in the way of manners, "but in general they will have more to learn from us than we from them." The Great Exhibition allowed people to make comparisons between British and foreign goods, and in this way had a special interest and satisfaction which the Festival lacks. For the comparisons of 1851 were almost invariably favourable to Britain. We awarded ourselves 78 out of 174 prizes, and France 54. Of our competitors in the twentieth century, Germany was beginning to show signs of its later industrial strength, but Japan was not in the picture and we were able to be comfortably contemptuous about the United States. The Americans, boastfully it was thought, had applied for more space than they could adequately fill. "What was our astonishment," wrote *Punch*, "to find that their contribution to the world's industry consists as yet of a few wine glasses, a square or two of soap, and a pair of salt cellars." (But there was also that great invention, the sewing-machine.) The wooden agricultural implements shown by the Americans were described as heavy and clumsy, contrasting unfavourably with the light but strong British models in iron. The reaping machine shown by Mr McCormick, of Chicago, was admittedly important; but Britain could boast a combined threshing, straw-shaking and dressing machine drawn by a small steam engine—the beginning of mechanised agriculture.

Fundamentally, perhaps, the purpose of the 1851

Exhibition was to demonstrate to the British a superiority of which they were already convinced, while the 1951 Festival is to dispel the intrusive twinges of inadequacy which they have been feeling in recent years. The complacency of a hundred years ago perhaps helped to produce later discomfiture in that it led manufacturers to be slow in matching the technical improvements of competing foreign industries. Some of the industries which were pre-eminent in 1851 had lost that position by the end of the century. The watch industry, for example, until the mid-nineteenth century the largest in the world, was completely killed by German and Swiss competition, and has been revived only since 1945 with Government assistance. Other old-established industries, such as steel, cotton textiles, textile machinery, which did not feel the full impact of foreign competition until after the first World War, then sought a defeatist solution in tariff barriers and restrictive practices. And, meanwhile, other countries were getting ahead in great new industries such as rayon, light metals, plastics, machine tools and chemical engineering.

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The collapse of Germany and Japan in 1945 gave British industry an opportunity to which it has risen well. At the same time the war lengthened the lead of American industry, which was able to continue its development while our own was engrossed in war production. Most of the people who admire the exhibits in the "Power and Production" Pavilion would ruefully take for granted the generally greater technical efficiency of the United States. There are a few industries which have always held their own. British shipyards turn out 40 per cent of the total tonnage of all the world's shipyards. The china shown at the South Bank is as unchallenged as when Queen Victoria bought Mr Herbert Minton's tea service as a gift for the Emperor of Austria. The finer British worsteds are still preferred. British cutlery holds as high a place as when schoolboy visitors to the Great Exhibition yearned for the huge knife with 1,851 blades. And if we have nothing to rival the combine harvester, no country caters as Britain does for the smallholder.

It is encouraging, too, to be in the van of some newly developing industries. In jet aircraft Britain has led not only in design but in developing the special heat-resistant steels for their manufacture. Exciting experiences await the public in the "Telekinema" where television and three-dimensional sound pictures are shown—this is getting perilously near the "feelies" of Mr Aldous Huxley's "Brave New World." Evidence of Britain's important contribution to radar is there in plenty, a sad reminder, however, of the usual routine that British scientists provide the ideas, and the United States, being richer in capital, technologists and the spirit of competitive enterprise, applies them.

The Festival will be a source of pride and delight. Why envy the Victorians their fool's paradise? Their faith was rooted in a belief that temporary advantages were permanent; yet we could make that mistake, too. Their complacency ignored the appalling living conditions of half the population; our danger is the contrary error—that of excessive concern with welfare while our industrial position, on which all welfare ultimately depends, goes by default.

Ministry of Materials

THE Prime Minister has stated that the decision to create a separate Government department to handle all questions relating to the procurement—that is, to the domestic production and to the import—of industrial raw materials was taken long before the disputes within the Cabinet over the budget blew up. He did not say whether his decision to recommend the appointment of Mr Richard Stokes to the new post also dates back to the same period; but it well may, since he is obviously the man in the Parliamentary Labour Party best equipped to fill it. Nevertheless, since the announcement came after Mr Bevan's and Mr Wilson's resignations and not before them, the new Ministry inevitably wears the air of an attempt to meet criticism and to make a fresh start in raw materials policy.

A fresh start is certainly needed. Raw materials—not simply since the outbreak of the war in Korea, but throughout the whole postwar period—provide perhaps the clearest particular example of a general defect that has run through the Labour Government's economic policy. An over-elaborate mechanism of control has been kept in being; but it has not been operated with any sense of direction. Disavowing control for control's sake, the Government has not used it for any other purpose. Bulk buying has been insisted upon as a dogma; but its performance has been a long series of attempts to outguess the world or to defy events. Little has been done on principle; far too much *ad hoc*. There has been plenty of planning, but no plan. There has been no discernible policy save to judge every case upon its merits.

This record has been due in part to this Government's chronic inability to make up its mind to any decisions that might disturb its complacency. But in the particular case of raw materials it is also very largely due to the absence of a single department whose primary responsibility they were. It is important to analyse exactly why the creation of a separate Ministry of Materials will, it can be hoped, bring an improvement. The creation of a Ministry does not mean that any new administrative functions will be performed. It ought not to mean that any new jobs are created or any new civil servants employed to perform them. As Mr Strauss said in Tuesday's debate, "the new department will be staffed by people now engaged in the work to be transferred." The only inevitable consequence of the formation of a new department is that there is an additional Minister and an additional Permanent Secretary.

But this is the vital difference. It is very difficult for a civil servant to take any decision that may be publicly challenged or that involves the expenditure of public funds without the express authority of the responsible Minister, obtained through the Permanent Secretary. Raw materials have hitherto been divided between the Board of Trade and the Ministry of Supply. The Ministry of Supply has been busy nationalising steel and organising the production of munitions; the Board of Trade has been busy with an extraordinary catalogue of varied duties. As a result, problems of raw material supply have not been able to engage more than fugitive fractions of the attention of those alone who can make policy. The problems have had to wait interminably

for answers—only, far too often, in the end to be remitted back to what the civil service calls lower levels to be settled *ad hoc*.

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This, it is to be hoped, is what is now to be put right. There need be no more administration of raw materials; but there should be a great deal more decision, out of which a policy can be shaped. The change can hardly help but be for the good. In the international discussions on raw materials, which are growing daily in complexity, it will be a great gain to have a single focal point in London, which will have at least the opportunity to form a view of the whole picture and keep it steadily in mind. An opportunity—for the creation of a Ministry and the appointment of a Minister, though they make a consistent policy possible, do not by any means make it certain. The international discussions will inevitably take on the form of bargaining this position against that—a maze in which it is very easy to get lost without a clear head. And Mr Stokes's own qualities are those of courage and energy perhaps more than of synoptic judgment.

Nevertheless, the new move is a good one, and it comes at a time when it is possible to hope for progress in the field of raw materials. The statements of American policy made in the last few days by Mr Acheson and Mr Charles Wilson were generalisations; but as such they were encouraging, and the American decision on the allocation of sulphur to Britain provides at least one example of good will in practice. But the chief reason for a certain optimism lies in the possibility that the shortage of raw materials may be slightly easing. What has been happening in the past ten months is that on top of a high level of consumption of materials there was imposed an enormous wave of re-stocking, partly by governments but in much the largest degree by private industry. This supernumerary demand is now very much smaller—either because the re-stocking is completed or because high prices have made it too expensive—and supplies are increasing. (The moral can be pointed in passing that it is the functioning of the price system that has enabled at least the first steps to be taken towards the restoration of balance.) If the re-stocking demand continues to fall, it may be discovered that the level of demand for consumption is not—or at least not yet—so far above the level of supply as to place a negotiated international allocation out of reach. The task that Mr Stokes is confronting is not an impossible one.

It was nevertheless declared to be impossible on Tuesday by one Labour and several Conservative speakers, for a reason that bears examination. The criticism was that while the new Minister is to be responsible for the procurement of materials he is not also to be responsible for their allocation between different demands upon them. This is, at first sight, an impressive line of argument; it sounds very plausible that the "two halves" of the raw materials job should be put together. But in point of fact it is a mistaken argument. Other things, as well as raw materials, are procured, and allocated between different uses, and the two functions are rarely entrusted to the same hands. The Ministry of Supply

procures munitions; but it does not allocate them among the service departments. The Ministry of Labour, in a sense, "procures" manpower; but even at the height of its wartime powers under Mr Bevin, it never allocated manpower. In the case of raw materials, the distinction is even clearer. Procurement is an administrative function; it involves dealing with an immense mass of detail and creates work which can appropriately be handled by a hierarchy with upper and lower levels and more or less responsible work; in short, it is proper to be performed, if it has to be performed at all by the state, by a government department. But allocation is a judicial function which can be performed, and during the war was very successfully performed, by a single Minister and one or two skilled advisers. It does not require a Ministry; in fact, there are positive advantages in those who allocate being entirely separate from those who procure. On this point, the Government's decision has been right.

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But there is another question to be asked. Has the process of administrative reorganisation gone far enough? Are the Ministry of Supply and the Board of Trade now reduced to manageable size? The proper size of a government department can be almost precisely determined. All matters of any importance, as has been said, must pass across the desks of the Permanent Secretary and of the Minister; it is essential to the proper functioning of the British constitutional system that it should be so. It follows that the maximum desirable size of a department is the size that throws up no more matters of importance than can adequately be dealt with, in reasonable working hours, by one Permanent Secretary and one Minister, assisted, to the limited extent that such assistance can be given or taken without diluting responsibility, by a Deputy Secretary and a Parliamentary Secretary. Judged by this test, both the Ministry of Supply and the Board of Trade are still too large. Some part of the undeniable delay in placing defence contracts can almost certainly be traced to the preoccupation of the Minister of Supply and his chief

advisers with the nationalisation of iron and steel, a preoccupation which has not by any means diminished since the setting-up of the Iron and Steel Corporation. Even with raw materials gone, the range of the Board of Trade is enormous, and though some of the miscellaneous sections doubtless put little strain upon the heads of the department, there is still the big division between the problems of industry and those of external commerce which, though they impinge upon each other (as what groups of problems do not in the modern world) are basically distinct and quite different in character. The process of reorganisation would be advanced another step by the creation of a Ministry of Industry, to take over from the Ministry of Supply and the Board of Trade their functions of control and regulation over domestic productive industry, leaving the one to concentrate on supplying the needs of the armed forces and the other on managing the external trade of the country—both of them large enough tasks to absorb any one Minister's energies.

This is not, it is perhaps necessary to repeat, a plea for more civil servants or more government interference with private activities. It is simply an argument that such functions as the state does perform it should arrange in such a way that they can be performed with intelligence and despatch. So long as the state has so much to do there is an inescapable dilemma between a large number of departments, creating the difficulty of seeing that they move in step with each other, and a smaller number of departments so huge that they can hardly move at all. The former difficulty can be considerably reduced by the device, which is much more recent than most people appreciate, of standing committees of the Cabinet, acting as little Cabinets for the resolution of difficulties within groups of Ministries and served, if need be, by their own secretarial staffs. Many Ministries of manageable size, with all the difficulties that numbers create, are clearly preferable to a few gigantic sloths. "Co-ordination" is certainly desirable; but it is no substitute for policy, nor deliberation for decision.

Development by Corporation

SOME three and a half years ago, when the Overseas Resources Development Bill was making its way through Parliament, the public corporations it was setting up were widely applauded as a notable contribution towards colonial development and as a necessary supplement to the development and welfare plans of the colonial governments. Since then, development by corporation has come under a cloud. The Overseas Food Corporation is drawing a retirement pension; and shortly after its groundnut scheme was reduced to a small experimental project, at a loss of some £30 million, it was announced that the Colonial Development Corporation's scheme for producing eggs in the Gambia had also failed. At the same time, misgivings had been aroused for another reason. During the second reading of the Overseas Resources Development Bill, the Under-Secretary of State, then Mr Rees Williams, said flamboyantly

We are going forward hand-in-hand in co-operation with the colonial peoples, facing all difficulties together, and

finally rejoicing and benefiting from the results of our labours.

Instead, the Colonial Development Corporation has largely ignored the provision in the Overseas Resources Development Act requiring it to consult local interests in the colonies about its activities. As a result it has on more than one occasion provoked local hostility—and at least once hilarity at the way it was being bled.

The publication last week of the Colonial Development Corporation's third report would therefore in any case have been an occasion for some new thinking about its function. The most significant fact about the report, however, is its revelation that a great deal of new thinking has been done within the corporation itself. The text bears the unmistakable imprint of Lord Reith, who succeeded Lord Trefgarne as chairman last November, and it gives the impression of complete candour—a readiness to admit mistakes and to remedy them, and a readiness also to acknowledge the forces working in the corporation's favour. A new broom sweeping very

clean is clearly illustrated in the following passage:—

The organisation at headquarters is being clarified and strengthened; responsibilities better defined. An executive management board of chief officers will shortly be in regular operation. All affairs and all staff will have their focus of decision, responsibility and authority in one or other of its members.

More important is the statement that "all overseas representatives and managers have been told to take appropriate steps" to ensure that colonial peoples understand, approve of and co-operate in the corporation's schemes and objectives."

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Yet, this administrative overhaul, desirable as it is—and even essential in some respects—is not the first thing to be looked for in the report. The uncertainty about the place of the public corporation in colonial development has still to be dispelled. But it is important that the reason for this uncertainty should be made clear. Very often, the Colonial Development Corporation is criticised because it has undertaken projects that private enterprise would not have touched. This criticism, by itself, is unjustified. The whole point of setting up the corporation was, in the words of the report, "to undertake work which others were not prepared to do." The corporation was never intended to take the place of ordinary commercial enterprise. It was intended to undertake or participate in schemes that were necessary or desirable but beyond the scope of the private investor. Through its activities not only would publicly owned capital be introduced into the colonies, but the way might be made easier for private capital to come in at a later date.

This concept of the Colonial Development Corporation does not excuse some of its mismanagement in the past—particularly its rushing into the Gambia poultry scheme without proper trials, on which the new report is severely self-critical. But even though this, and other schemes that show no prospect of paying their way, are radically overhauled or closed down—as the report promises—the corporation still seems to be faced with an impossible task.

The difficulty is that although it is absolved from undertaking only ordinary, commercially attractive, schemes, it is still bound, over a period and over the whole of its operations, to be a financial success. For the first seven years the advances made to it by the Colonial Office are to be interest-free; but the interest accumulates, and eventually both capital and interest will have to be repaid by annuities over thirty-three years. Thus eventually enough money must be earned by its successful schemes, not only to pay back the advances made in respect of them, but also to carry the weight of the unsuccessful ventures like the Gambia poultry scheme.

Perhaps it is not surprising that, in the circumstances, the corporation has behaved somewhat like a chicken, picking and pecking at a miscellaneous set of projects, some because they look commercially attractive and revenue-earning, others because they are of obvious value to the development of the territory concerned. The criticism has often been made of the corporation that it has started too many schemes at once, instead of concentrating on a few good ones. The corporation's defence—and it is justified—is that it is bound

by its constitution to promote colonial development, and that when a sound and reasonable scheme is put forward it cannot hold back.

In its new report, the corporation tries to play down its own importance. It says that its potential influence in the colonies is apt to be exaggerated because, in relation to the size of the colonial populations and the new capital needed, £100 million is a small sum. This is perfectly true. The point is that even if the sum were ten times as great, it would still be doubtful whether the corporation, under its present constitution, would achieve its avowed purpose—"corporation investments should be so laid out as to attract other capital, and to stimulate capital accumulation within the colonies." How can a corporation, with such limitations on its freedom as are inherent in its terms of reference, so direct its investments that they become a growing point for colonial development?

A way out of the difficulty can, however, be dimly seen in the report itself. Perhaps the most promising of all the undertakings it describes is the Tanganyika coalfields investigation. At the request of the Tanganyika Government, the corporation has so far committed £409,000 to investigating the coal resources of the territory, a sum which is by no means large in relation to the possible eventual capitalisation. But, in the present context, the significant point of the investigation is, not that it is being done at the request of the local government—colonial governments have often put up schemes to the corporation, some of which have been most dubious—but that it is closely linked with the Tanganyika Government's plans for extending the railways. In fact, the programme of investigation was speeded up last year at the request of the Government because "results are required for determining [railway] alignments." If it is assumed that the results of the investigation are satisfactory, the exploitation of the coalfield will have to be co-ordinated with other aspects of economic development—labour is an obvious example.

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Does this not point to an obvious conclusion? Can co-ordination of this sort properly take place by a triangular route between Tanganyika, Dover Street and Whitehall? Even if regional devolution, on which much emphasis is placed in the corporation's report, is as effective as it is evidently intended to be, major decisions involving the expenditure of the British taxpayer's money cannot be taken by the man on the spot. Instead of one corporation, with headquarters in London and bearing eventual responsibility for all the varied schemes started all over the colonies, should there not be local development corporations in the colonies, or in groups of colonies, themselves? The essence of the proposal is that the local governments should have a large stake in the finance and management of the boards; instead of hoping to secure funds for doubtful propositions, or for desirable but isolated projects, they would then be much more likely to relate the corporations' schemes to their development and welfare plans and to their labour and fiscal policy.

It would not be feasible to have a separate development corporation for each colony. Moreover, a central organisation in London would still be needed, for advice, and for help in obtaining technicians and equip-

ment. It may be asked how the colonies can provide the funds for investment in the colonial boards. At the moment, the boom in raw material prices has altered the whole financial picture of many colonies. Already, they are using their extra revenue to participate with the corporation in some of its projects. The advantage of breaking up and decentralising the corporation is that its projects would then be based on intimate local knowledge and tempered by the thought that local money is at stake.

NOTES OF THE WEEK

Last Round of the Deputies

The western deputies have very properly decided to force Mr Gromyko's masters out into the open, or to finish with the talks for good. For nine weeks, the three deputies have let him talk, in private discussion to them, and in formal conference to public opinion outside. They have given him every opportunity to show that his Government wants a conference at which real negotiation might take place on questions that have not been prejudged. Nine weeks, they have rightly concluded, is enough for anyone.

They have now put before him three possible bases on which the Foreign Ministers might meet. The first is a final attempt to find a detailed statement of the outstanding problems, in a form and order on which both sides could agree. The latest western offer contains the major concession that German demilitarisation appears as item one before the general discussion of armaments; the only point at which it conflicts with the Russian demands is that "level of armaments" still appears before "reduction of armaments." For Mr Gromyko to reject this would be to strengthen the suspicion that Moscow is primarily interested not in disarmament but in checking the American and European attempt to catch up to its own level of strength.

The second proposal is that the deputies should agree to differ on the basis of their previous positions, and leave the outstanding differences to be resolved by the Ministers themselves when they meet. The third is to abandon any detailed formula and merely to present the Ministers with a list—in the barest possible terms—of the general headings of the problems which even the Russians have agreed that they must discuss if there is to be a meeting at all.

It is true that the Deputies must be said to have failed if they cannot reach agreement on the first possibility. Neither of the other two could fulfil the real purpose of the preliminary meeting, which was to prevent the Ministers from sliding out of substantive negotiations because they could not decide what they were really negotiating about. But those two proposals had to be made; for through them, the west have imposed on Mr Gromyko the sole responsibility for deciding whether the Ministers shall meet. If he is instructed to turn down all three, having already given them the chilliest of receptions, it will take all and more than all the ingenuity of Communist propaganda to convince the free world that the failure was not Moscow's fault.

Streamlining Nato

It is important not to feel too impatient at the announcement of further organisational changes in the North Atlantic Treaty Organisation (Nato). It is true that little seems to have been done in the last few months except to deepen the confusion and conflict over the practical problems of western defence production; and the organisation of Nato cannot be exonerated from the charge that it has spent the first two years of its existence fiddling with committees while

The idea of colonial development companies is not new. They were contemplated when the Colonial Development and Welfare Bill of 1945 was passing through Parliament. One of their purposes, it was then said, would be to educate the colonial capitalist in the virtues of sound investment and in management. At a time when the colonies are advancing so fast in the political sphere, the economic education that could be provided by local development corporations would be a very valuable counterweight.

the needs which those committees were set up to meet have been clamouring for attention. But for a fairer judgment it is necessary to examine rather more closely than has so far been done the causes of the present disorganised scramble and shuffle towards rearmament.

It is being forgotten that the reactions of Europe and America to the unexpected Korean attack were fundamentally different. Europe was cautious, America was bold—and both had very good reasons for their attitudes. Europe stepped hesitatingly into the preliminaries of rearmament; America began rearming fast. What was intended as recently as last spring to be one process—the joint effort to organise the defence of Western Europe and the approaches to the Atlantic—has become two processes. One is the independent rearmament of the United States, the predominant world power; the other is the organisation of a peacetime—or cold wartime—deterrent alliance. The former has gone ahead since Korea with all the freedom and power that American ways allow; the latter has from the first been tangled in unfamiliar problems of organisation and procedure, almost crippled by the growing pains of a new institution about whose future no one has clear ideas. This was bound to produce just the confusion which now reigns in practically all the economic aspects of western planning. But amid the tumult over prices and the recrimination over sulphur it must be remembered that it is only because the first—the American process—has been bounding forward, that the latter—the Nato process—has been able to afford the luxury of deliberation in its provision of men, weapons and supplies.

A stage has been reached where no one, least of all the Americans, any longer pretends that the two processes can be allowed to stay apart. America has now to cut its cloth with the needs of Europe in mind, and Europe must organise its own efforts up to a level comparable with the American if its claims on resources are to be justified. The efforts of individual nations have to be co-ordinated in the light of world needs and resources.

This is the new task which Nato can no longer escape. Hitherto it has been incompetent to plan economic strategy in this sense. It has had two high level bodies that function really efficiently: the representatives of American, British and French chiefs of staff in the Standing Group—all fighting men handling military matters; and the Committee of Deputies—all civil servants handling political matters with expertise and economic questions with the diffidence of amateurs. In principle they were charged with looking after the butter as well as guns; in fact they have been incompetent to do so, and have relied largely on the already flourishing organisations of OEEC and ECA.

This has now been changed. There is now to be a Finance and Economic Board, which will provide not only a planning body where experts can pool their information and ideas, but a forum where economic grievances can be examined before they become political issues. The Deputies, too, are

to change their role; in future they are to represent heads of governments and all their interests instead of representing primarily the interests and points of view of Foreign Offices. In short, specialisation is to be reduced, the walls between compartments fall away, and there should at last be a chance to see the defence problem as a whole through the eyes of a properly qualified and international team of officials.

Australia Votes

It is almost certain that Mr Menzies's Liberal-Country party coalition has won the Australian elections with a majority in both the Senate and the House of Representatives. His majority in the lower house has dropped from 27 to almost 15, but in a membership of 121 this is still a workable figure. However, his gamble of asking for a double dissolution—for only the second time in Australia's history—made the voting for the Senate the crucial test. The key state was Queensland, where the Communist issue on which Mr Menzies based his campaign is more prominent than elsewhere. If his coalition secures six Senate seats from Queensland to the Opposition's four he should obtain a majority of two in a membership of 60 and so break Labour's hold on the upper house, which has been a carry-over from the period of Labour government before the general elections of 1949. This success in Queensland is virtually assured, although there are still votes to be counted; the government looks now like getting a bonus by winning in Western Australia.

The election campaign has been quieter and less bitter than might have been expected. It began with a good fighting speech from Mr Chifley, the Labour leader, and a rather tame start by Mr Menzies. But the Prime Minister soon made up for this in a rousing tour of Queensland and at Cairns held one of the best meetings of his career. In general, his two parties succeeded fairly well in deflecting attention from the problem of inflation, on which Labour placed its main emphasis, to that of Communism, which was the fundamental issue over which he had gone to the country. Mr Menzies's own proposals for dealing with Australia's galloping inflation are to concentrate on increasing production, for which there is certainly scope, rather than try to clamp down on prices. Whatever happens, prices, incomes and costs will go on rising for the next twelve months.

The big question now is whether a new Liberal-Country party coalition can carry through by referendum the amendment to the constitution which Mr Menzies desires, if the central government is to have increased powers to deal with the Communists. In attempting to obtain more authority for Canberra, he has still to face opposition from within his own Liberal party as well as from the State governments. In seeking to ban the Communists, whose 22 election candidates secured only 40,000 votes and all forfeited their deposits, he will antagonise many to whom such legislation is understandably repugnant. On both counts, the government will need to present a crystal-clear case if it is to secure the necessary support in the country and the sympathy of Australia's friends in the world.

Washing Their Linen

Both issues on which Mr Bevan based his resignation—the health service charges and the raw materials shortage—were debated in the House of Commons this week, the first on the committee stage of the National Health Service Bill, and the second on a Conservative motion. Surprisingly enough, the more serious and important of these discussions proved to be that dealing with the health service charges. In it not only did the rebel section of the Parliamentary Labour party demonstrate its dislike of the proposed charges for spectacles and false teeth, but many of these

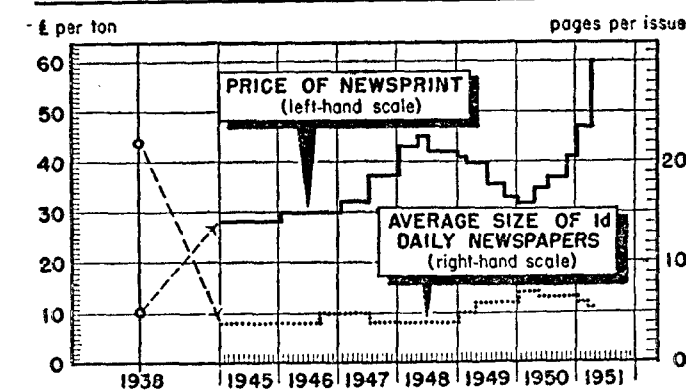
members made it clear that they based their dislike on their opposition to the view that rearmament should have priority over the social services. Though only five Labour members were prepared to carry their opposition into the voting lobby, when the clause imposing the charges was put to a division, at least 20 to 30 others abstained in a way reminiscent of the revolts on foreign policy in the last Parliament.

This demonstration took place despite the announcement, made early in the discussion by the Minister of Health, that the Government would go some way to meet its critics by limiting the charges to a period of two full financial years, that is, until April, 1953. The committee discussions on the main clause of the Bill presented the extraordinary Parliamentary spectacle of the Labour party thrashing out, in the publicity of the Chamber, this major issue of policy, in front of a delighted audience of Tories who had enough sense on this occasion to keep silent, except for an occasional stir to make sure that the pot stayed on the boil. It was as if the public had been admitted to a private meeting of the Parliamentary Labour party.

The depth of feeling on this issue is at first sight surprising—and it certainly appeared to surprise some Ministers in the early hours of Thursday morning—for the party has swallowed other more drastic inroads on the social services; for instance, the ceiling on food subsidies met with little protest. This feeling cannot be adequately explained as personal support for Mr Bevan, since this remains mainly limited to the circle of his friends. Its true explanation may well be that what is finding expression in this health service issue is an underlying uneasiness among a section of the Labour movement about the new level of rearmament. Sacrifices in the social services, which in the autumn of 1949 were accepted as a price of economic recovery, are being bitterly opposed when they appear as the price of armed defence. This certainly weakens Mr Attlee's hand on the central issue of national security and must contribute to forcing a general election this year.

Three-Halfpence

The penny daily newspaper disappears after today, and its departure marks the end of a period. The last of the regular penny purchases to survive, it now joins the company of the mourned—the penny postcard, the penny bun, the penny bus fare, the penny bar of chocolate, the penny dreadful. That it has lasted so long in a world of rising costs is a matter of surprise. Its reprieve has been due to



three factors: the great increases in the circulation of all newspapers since 1939; the shortage of newsprint which kept down the size and therefore the cost of production of each paper; and the greatly enlarged revenue from advertisements.

The immediate occasion of the increase to three-halfpence (and the *Daily Worker's* increase to 2d.) is last week's announcement that the equalised price of newsprint was to go up from £47 to £60 a ton. This is the biggest of the

long series of increases that have occurred in the last thirteen years and have carried the price of the newspapers' main raw material to six times what it was in 1938. Today's meagre five (average) pages cost as much as thirty pages before the war, and no penny paper was as big as that even in those days of plenty. Unfortunately this latest increase does not look like being the last; there seems every likelihood that the price of Scandinavian pulp will be higher still for the second half of this year, with a consequential rise in the price of newsprint over here. Even with the price at £47 a ton, several newspapers were already making losses, and might have been compelled to put their prices up. What is interesting is that the various newspaper proprietors should have been prepared to take concerted action. Their interests vary so much that on a short view they might well have preferred to act individually. The finances of combines with morning and Sunday papers differ from those with only morning and evening papers; those with a chain of provincial papers are different again. Some could have carried on at a penny for some time to come even with newsprint at £60 a ton. What has brought them together is the certainty that some newspapers would be compelled immediately to go to three-halfpence, and that this would upset the delicate balance of advertisement rates and distributive margins. By acting together, the newspaper proprietors can insist on a reconsideration of the whole basis of their terms with advertisers, wholesalers and retailers.

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These are, however, matters of domestic concern to the newspapers. Of more general interest is the question whether the extra halfpenny will reduce circulations and whether readers will be given anything better for it. A higher price for a single newspaper might well have affected its sales. It is doubtful if the all-round increase will seriously affect circulation, since a newspaper will still cost less than a single cigarette. As far as quality is concerned the newspapers have been quick to promise their readers an increase in editorial matter and a reduction in advertisement space. In the short run, the profits from the extra halfpenny should provide an ample margin for this. The future will depend on how much further the price of newsprint is pushed up.

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Dearer Food

The first effects of the Government's decision to keep the total cost of food subsidies at £410 million, in the face of rising world prices, are now being felt. Last week-end, the Ministry of Food announced higher prices for butter, margarine and cooking fats. Butter is to go up from 2s. to 2s. 6d. a lb., making a total rise of a shilling during the past twelve months. Margarine will be 4d. a lb. dearer at 1s. 2d., and the price of cooking fat will also rise by 4d. to 1s. 4d. a lb. The cost of imported butter and vegetable oils and oilseeds has risen during the past year but the subsidy on each of these three foods has also been reduced—from 1s. to 8½d. a lb. in the case of butter, from 4½d. to 3½d. for margarine and from 3½d. to 3d. for cooking fat.

The Minister of Food warned housewives five weeks ago that the weekly cost of rationed foods would increase by about eightpence. On present rations, the higher prices for fats account for threepence. The prospective rise in the price of meat may add another 1½d. or 2d. to the weekly bill and the 4d. a lb. increase in the price of tea will add a halfpenny. This brings the total weekly increase up to fivepence or fivepence-halfpenny. Another threepence has still to be found to reach Mr Webb's figure. Price is only one factor that affects weekly expenditure on food; the other is the size of the ration. The scale of rations this year is unlikely to be higher than in 1950—it may not be so high—so that further increases in food prices seem

probable if Mr Webb's prophecy of an eightpenny increase in weekly expenditure on food is to be fulfilled.

Butter is now becoming expensive, but few, if any, cannot afford to pay 7½d. for their weekly four ounces. The subsidy has been reduced sufficiently for it to be removed altogether at one bold stroke, and then rationing might also be abolished. Supplies of margarine have been more than adequate for the past twelve months and, but for the Korean war, rationing might well have come off last September. Only a brave government, however, would raise the retail price of margarine to 1s. 5½d. a lb. in order to drop the subsidy. Nevertheless, the Government has at last decided to break loose from the fetters of the retail price index, for these new increases in food prices, though they may mean only 5d. a week more on the cost of rations, are likely to raise the index by at least a point or two.

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South African Liberalism Rallies

The ill-wind of Dr Malan's attack on the Coloured vote has at least blown good to the South African Opposition. It has been forced into the open with a positive policy of its own. Mr Strauss has pledged his party, if returned to power, to entrench a Bill of Rights in the constitution. This Bill would secure the political rights of the Coloured people (but no word of hope for the nine million Natives?), the equality of the two official languages, the freedom of the press, religion and speech, freedom of movement, the right of free access to the courts, and the Union's position as a member of the Commonwealth. Here is a programme behind which the liberal forces in the Union can rally, though exactly how it is to be carried out remains obscure. Will this mean the calling of a national convention and the drafting of a new constitution? Will the entrenched clauses of a new constitution prove more solid against the determined onslaughts of any extremists of the future than the present constitution has shown itself to be? And how many weary years will it take to achieve so momentous a change?

There are those—including Dr Malan—who claim that this declaration is a gift to the Nationalists; that it will split the United Party, driving straight into the Nationalist camp its many members who feel strongly on the need to secure white supremacy. Dr Malan has stated, further, that to entrench freedom of speech will be catastrophic in view of the Communist danger; to secure freedom of movement will allow the Indians to spread across the country; and freedom of association will mean that Native trade unions must be recognised—all arguments likely to play on the worst fears of the Europeans.

But the struggle before liberals has now, at least, been crystallised around a crusading programme, which the United Party has hitherto sorely lacked. This, in itself, should break through the unhappy defeatism in which many South Africans have been caught, and canalise the feelings of decency which have fretted impotently at the course of the Union's policy since Dr Malan's advent to power.

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A Council of Empire?

That hardy annual of imperial policy—the creation of a Colonial Council or a Council of Empire—has shot up recently in the correspondence columns of *The Times*. There is a certain appeal in the idea. The Dominions have their Commonwealth Conferences, at which that strong but intangible unity of spirit which marks the Commonwealth association is given remarkable expression; but for the colonies there is nothing. On no occasion is there a joint and ceremonial manifestation of their relation to the Crown and to one another, and incalculable good might come from this relationship if it were wisely handled on all sides.



May

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Particularly today, when nationalism is sweeping colonial politics, and "Self-Government Now" is a certain rallying-cry, a good case can be made for demonstrating the broader framework into which nationalism can fit, with advantage to all and yet without losing its identity. A realisation by the colonial peoples of these possibilities would provide one answer to those who see in the present spectacular progress towards self-government nothing other than a disintegration of the Commonwealth.

The practical difficulties of creating a Council of Empire are legion. The Dominions already form a select "high table" of their own; a colonial council might seem to mark off the lesser fry and their position below the salt, and cause resentment rather than pride. The fact that this is a gathering of non-sovereign peoples might become painfully clear, and intensify impatience with anything short of complete sovereign status. Wrangles would develop as to the exact moment when an all but self-governing colony should move from one conclave to the next; and there would always be marginal cases arousing dispute.

One possibility, not sufficiently explored, is to call regional conferences in London. This was done once, and with success, in 1948 when an Africa Conference was summoned, consisting of members of the legislatures of all the African colonies. It was addressed by Cabinet Ministers, entertained by the King, and provided for Africans, Europeans and Indians from the different territories an appreciated opportunity to meet each other and also the British public. Why was this experiment not repeated and extended in similar regional conferences for the West Indies and the British territories in Asia? Burke dreamed of the links "light as air but strong as iron" which could bind Britain and its former dependences; but the links have to be wrought again in a design palatable to the task of twentieth-century nationalism.

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American Aid for Formosa

Mr Acheson has now published the text of an agreement reached at the beginning of February for American military aid to the Nationalists in Formosa. It is an agreement with "the Chinese Government," which the United States still formally recognises, and it binds the former to use the war material only "to maintain its internal security or its legitimate self defence." The aid is to be supervised by a military mission of about 100 officers headed by Major-General William C. Chase, who served in the Philippines before the war.

This agreement rules out any offensive action of Nationalist forces against the mainland of China, as advocated by General MacArthur, but it indicates an American commitment to continued support of the Nationalists in their last stronghold, and it would hardly be compatible with any American recognition of the Peking Government as part of a settlement in Korea. The quantity of equipment to be delivered is reported to be small for the time being, but the Defence Department will ask Congress for a much larger allocation for the coming fiscal year. This implies a long-term policy and suggests that the American Government, however much it disagrees with General MacArthur's views on other matters, now accepts his contention that on strategic grounds Formosa should not be allowed to fall into Communist hands. The protection of the American fleet is due, in accordance with President Truman's declaration, to be withdrawn from Formosa at the conclusion of the Korean war; but the intention is apparently meanwhile so to strengthen the Nationalist forces in the island that they may be able to hold out there indefinitely. This is what the Nationalists themselves say that they want, for they are humiliated by direct dependence on American naval protection and are confident that if they have a sufficiency of

American supplies they can defend Formosa so long as the Chinese Communists are not reinforced by Soviet naval units.

This American policy on Formosa can hardly fail to accentuate the cleavage between Washington and London over the question of recognition of the Peking Government and the seating of its delegates in the United Nations. Fundamentally the difference is that whereas the British Government apparently still hopes for friendly relations with the new China and is prepared to forgo any local strategic advantage in order to avoid conflict with it, American opinion, both official and unofficial, now regards Communist China as a hostile power which is already belligerent in Korea and would be an active enemy everywhere on the outbreak of a world war. On this view it would be the worst of folly to abandon an important strategic position and a friendly army of some 300,000 men. But the Americans cannot help the Nationalists if they recognise the People's Republic; it looks, therefore, as if they will go on refusing to recognise it, with all the international complications that this entails.

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Spaniards Strike Again

Last week's strikes in the northern provinces of Vizcaya and Guipuzcoa have heightened the sense of expectancy in Spain, which started to mount when riots flared up in Barcelona during March. For the first time since the civil war people are on tiptoe, waiting for something to happen, though they are not quite sure what they expect or want. The cause is economic, and the great question is whether during the next few months its effects can stretch so far into the iron-clad realm of Spanish politics as to unseat General Franco himself.

In Bilbao, as in Barcelona, strikers have now defied the law—which bans all strikes—as a protest against the high cost of living. On the government's own statistics they have every cause. The real wages of the average Spanish worker today stand at about 55 per cent of their value in 1936 when the civil war broke out. But in Bilbao, unlike Barcelona, the disturbances were not spontaneous. They showed careful planning, designed to bring out over a quarter of a million workers before May Day and thereby to forestall the Communists who certainly had very little to do with the strikes in the form that they eventually took. Now the northern provinces have returned uneasily to normal and the strikers say that the government must "do something about it so that we can live."

General Franco can do little that will have any immediate effect, except to put new heart into the people of Spain by purging his government of men who have been allowed for too long to batten on position and privilege. The chances are that he will associate himself with some move of this kind, that, if he does, the bulk of the army will stand by him, and that this will give the regime at least a breathing space. But what then? Even now the Spaniards are very unwilling to risk a violent upheaval and the exiled politicians have very little following. For Franco himself, the short term trend is favourable: a better harvest than last year's is in prospect, more hydro-electric power is available for industry, and most of the \$62.5 million loan from the Export-Import Bank is still in his pocket. On the other hand nothing being done at present is on a big enough scale to stop Spain's economy continuing its slide downhill, and sooner or later this must affect the political structure of the country. For the Generalissimo, as for every other Spaniard, the need is to reverse these trends before they again promote a violent conflict. He would be wise to use his breathing space gradually to retire from exclusive control of his country's destiny, and to allow the regime to soften into something more likely to receive sympathy—and a faster flow of economic aid—from abroad.

Pensions and Assistance

The debate on the second reading of the new National Insurance Bill provided an opportunity for two important ministerial statements. One, by Mr Douglas Jay, answered Mr Bevan's accusation, in his speech of resignation, that the Chancellor of the Exchequer was raiding the National Insurance Fund and that rearmament was being

financed out of the contributions that the workers have paid into the fund in order to protect themselves.

This accusation was not well received in the House of Commons at the time it was made. But among the electorate it may well win more sympathy; economic enlightenment has not gone far enough for the place of the National Insurance Fund's surplus in the national savings to be readily appreciated, and it is still widely believed that pensions and other benefits could be increased, without a corresponding increase in contributions, simply by drawing on the surplus. Some official propaganda on the economic function of the surplus, together with the facts given by the Government actuary on the mounting cost to the Exchequer of old age pensions, is greatly needed.

The other important statement was that the Assistance Board is revising its scales of payments to meet the higher cost of living and that the new scales will be brought into force at the same time as the higher pensions. This increase is unavoidable. If it were not made, old age pensioners who have to have their basic pensions supplemented by national assistance—that is, those whose needs are greatest—would merely have their assistance payments reduced by the amount that their basic pensions are increased and would consequently be no better off. At the same time, the higher assistance scales will help many elderly pensioners, under 70, whose basic pensions will be unchanged, and all those whose resources are inadequate for their needs and who consequently have to be given national assistance.

Yet, as was pointed out in the debate, the prospect of one form of government relief expenditure chasing another indefinitely is not reassuring. It is only too likely that further rises in the cost of living in the course of the next year or two will provoke further demands for such expenditure. What the Government—of whichever party—should set its face against is another increase in old age pensions. Relief should be concentrated on cases of real hardship, and the best way of achieving this is through national assistance.

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Agricultural Committees

The report of the committee on the organisation of the Ministry of Agriculture (HMSO, 1s. 9d.) represents an interesting investigation into the working of a Government department by a joint group of civil servants and independent industrialists. The Ministry in question has been placed in an unusual position by the rapid development of agriculture over the last twelve years. Agricultural policy has been executed locally by the county agricultural executive committees, acting as the Minister's agents, which, starting as a wartime expedient, have received statutory recognition and an increasing range of functions. It was an important part of the investigating committee's task to advise on the future organisation and relations of the county committees.

The report recommends two major changes. It wants to end the arrangement by which officers of the National Agricultural Advisory Service act also as officers for the county committees and their district committees. It is felt that farmers cannot have full confidence in consulting an advisory service whose officers (in a different capacity) may be called upon to take disciplinary action against them. In addition, it is hardly satisfactory that advisory officers should be burdened with extraneous duties. This recommendation

does mean, however, that the advisory service will lose an important means of contact (however suspect) with local farmers, and its success will depend on farmers showing a greater readiness to seek advice and on the advisory service displaying greater ingenuity in supplying it.

The second main recommendation is that the county committees should cease to operate trading services and to administer certain subsidies. These functions would become the direct responsibility of the Ministry, operating through a new county organisation. The argument put forward for this adjustment is that the committees are overburdened with routine duties. (May it not also be thought that the trading services will be run more economically if they are taken out of local farming politics?) The report is careful to stress that these changes should assist the county committees to concentrate on their fundamental duty of "promoting the development and efficiency of agriculture." It appears that many committees are not giving enough attention to ways of coaxing inefficient farmers to improve their standards.

* * *

Good Sense in Housing

Dr Dalton has taken two steps forward where Mr Bevan refused to budge. He has accepted the fact that housing standards are too high in relation to current resources and has agreed to modifications which will reduce costs without sacrificing essentials. He has also recognised that housing authorities are competent bodies, capable of building houses to agreed standards without having every draining board and power plug passed by a Ministry official.

The circular which embodies these changes of policy was sent to local authorities at the end of last week. It leaves the basic structural standards unaffected, but local authorities are now to be permitted to build 3-bedroomed houses below the present minimum of 900 square feet provided that the size of individual rooms is not reduced. They may also omit the second lavatory. The recent competition for the design of a £1,000 house, organised by *The Builder*, showed that economies in "circulation" space can be made without affecting "living" space and that costs can thereby be reduced. It is indeed clear that this pioneer work by the architects as well as economic pressures have affected Dr Dalton's decision. The circular justifies the change of policy by the success of "many able architects" in designing houses which are smaller than the Ministry's new minimum standard, but which still provide adequate living-space and are much cheaper.

The circular also releases housing authorities from the obligation to submit plans to Ministry officers, provided that the Ministry's standards of construction and space are adhered to and that the plans are prepared by a qualified architect. This delegation of authority is long overdue. It will also be welcomed by architects, since the incentive for local authorities to employ them will now be almost irresistible. Dr Dalton is to be congratulated on these two steps forward in the attempt to get houses built more quickly and more cheaply without a return to the shoddiness of the interwar years.

* * *

Jews in Arab Countries

Jewish communities throughout the Arab world have been gravely alarmed by recent events in Baghdad, which were described in *The Economist* of April 21, 1951. Many Jews in Egypt and the Lebanon are apprehensive lest renewed anti-Zionist agitation and legislation against foreigners may force them to emigrate to Israel, leaving behind the bulk of their possessions and the way of life they enjoy. Their rich communities in Cairo, Alexandria and Beirut are composed largely of hard-working businessmen. Their linguistic abilities, combined with patience, energy,

and a wealth of international connections, have enabled many Jews to conduct successful and expanding businesses in the Middle East where less able men gave up, overcome by postwar restrictions and the manifold difficulties resulting from "the state of war with Israel." In the banks of Beirut and Cairo and the cotton market of Alexandria the Jews would be sorely missed. Especially in Egypt owing to the Nationality Bill and the appalling difficulties experienced by many foreigners working there, it is hard to think where replacements could be found. The Egyptians are well known to be lamentably short of men trained for responsible work in the field of international finance and banking.

These Jews are generally able to speak Arabic and are loyal Egyptian and Lebanese subjects with no desire to move to Israel. Indeed, they have always been strongly anti-Zionist because they realised that the creation of a Jewish state would endanger their position in the Moslem world. Jews deemed loyal to Egypt were, with few exceptions, well guarded by the Egyptian police against the possibility of action from the hostile Moslem crowds. In fact, the police still mount extra guards outside the synagogues during religious services on Friday and Saturday. The Jewish community were relieved and surprised that they remained so unmolested. Although peace with Israel was not achieved, tension in the Arab States lessened. The Jewish communities believed their danger was past and they were safe in remaining in Egypt and the Lebanon until recent events in Iraq caused renewed fears.

The Israeli Government would be well advised to avoid any action that might further endanger the position of Jews in Arab countries. A gesture of generosity, such as releasing the money of refugees blocked in banks in Israel, would relieve possible pressure on those members of their race who have no desire to become subjects of Israel. The Arab Governments, on their side, would do well not to underestimate the large and important role played by Jews in the commercial prosperity which they now enjoy.

* * *

Stately Homes

Legislation to be presented next session for the preservation of "Historic Houses" will be no more than a step in the direction indicated by the Gowers Committee. It will embody the recommendation that the powers now distributed between the Ministry of Works (uninhabited ancient monuments only), the Ministry of Local Government and Planning and the local planning authorities should be concentrated in the hands of a single minister. The Gowers Committee had favoured the Minister concerned with Planning for this task, on the ground that it could not logically be separated from his other concerns. But the new Bill will propose that the responsible Minister should be the Minister of Works, for the sensible reason that he already has the necessary experts for his ancient monuments, royal palaces and ministries. The proposal of autonomous Historic Buildings Councils (one for England and Wales, one for Scotland) to "designate" the houses and watch over their preservation is rejected in favour of normal ministerial responsibility and Parliamentary control.

In an effort to keep houses and their contents together the present arrangement, whereby land and houses can be taken over in payment of death duties, and the Inland Revenue reimbursed out of the National Land Fund, will be extended to cover chattels. But it was not to be expected that the Government would take kindly to the main proposals of the Gowers Committee—income-tax relief for approved expenditure on maintaining a house and its contents, and relief from death duties so long as they were not sold. Instead the Ministry of Works will either do the work itself or make grants or loans for the purpose—provided that the occupier fulfils certain conditions such as making the house accessible to the public.

This is to reject the main premise of the Gowers report, which was that the best people to take proper care of historic

houses are the people who own them, love them and live in them. The scale of work done would then be far greater than it will be when entangled in departmental machinery and limited by the Ministry's technical and financial facilities—Mr Gaitskell gave a warning that "only a very small sum" could be released for this work. At least, however, the measure will be very welcome. To give special privileges to the rich to enable them to live in the style to which they are accustomed is out of the question for a Labour Government—and still more for a Conservative one.

Shorter Note

It is reassuring to learn that the British Chiefs of Staff, so much preoccupied with the defence of other countries, have delegated some of the domestic burden to a small planning group under the chairmanship of General Sir Miles Dempsey. With a sailor and an airman to help him he will consider the quite special problems of defending the British isles and prepare for himself and his colleagues to take command at sea, on land and in the air in case of war. There must be some reluctance in welcoming the appearance of any new committee, but this one is more necessary than most. What is surprising about the announcement that was made on Tuesday is the absence in this planning group of any representative of civil defence. So heavily is the civil defence organisation counting on the fighting services in case of war that the need for such representation should be obvious.

The Great Exhibition

London had a general holiday on Thursday. The bulk of the population were early on foot wending their way to Hyde Park, to be present at the inauguration of the festival of industry. Though her Majesty was, as on all such occasions, the principal attraction, and did not proceed from her Palace till 11 o'clock, yet the great multitude of persons who had tickets, and who fell into a procession reaching from Hyde Park corner almost to Holborn, caused a very early gathering. . . . Without pretending on the present occasion to appreciate all the bearings of this Exhibition, the opening of which at the time specified is almost a miraculous achievement, we may briefly notice its moral signification. The Queen of the mightiest empire of the globe—the empire in which industry is the most successfully cultivated, and in which its triumphs have been greatest—was fittingly occupied in consecrating the temple erected to its honour. . . . The contrast and the change we have noticed—the present devotion to peace, and the former appliance to war, telling of a future still more peaceful than the present—the former disdain of political power for humble industry, and the present honour it bestows, telling of a future when the hand or the skill of the labourer shall be held in still higher honour. . . . are convincing proofs of the moral improvement already made; and they give us irresistible assurances that a yet higher destiny awaits our successors even on earth. The Great Exhibition, as a sign of present peace throughout the civilised world, is a subject of great satisfaction; but as a sign of future and permanent peace, and of a community amongst nations, typified by their union in Hyde Park. . . . it is for reflecting minds a source of delight. . . . Some vanities it will foster, some needless luxuries it will encourage, some selfishness to gratify vanity and a desire for luxury it will strengthen—for what human exertion or contrivance is without alloy—some emulation growing into hateful rivalry or morbid spite it will engender, but notwithstanding the effects in this respect of the ostentatious display, it will produce a multitude of good; and the first of May, 1851, will, for a long period, be described in our books as one of the most memorable days in the history of Great Britain and of the whole human race.

The Economist

May 3, 1851

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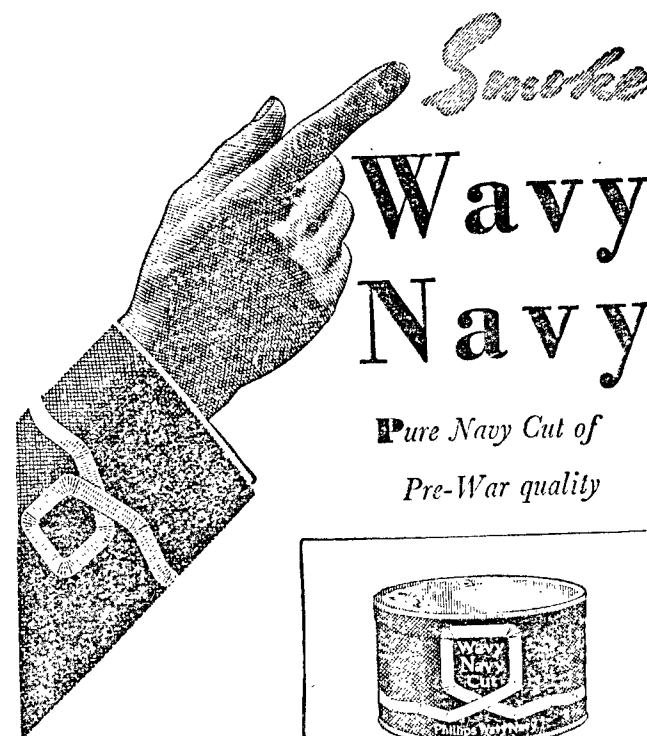
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BRITAIN AND AMERICA

NOW that Mr. Morrison has just had time to gather the reins at the Foreign Office, the most urgent task requiring his action is obvious.

The security of European civilisation rests upon equitable co-operation between Britain and the United States. *Not only on foreign policy, where there are differences, but in practical working arrangements for mutual defence, there is grave danger in anything less than the closest understanding.* It is necessary that Britain's problems and views should not only be well known but widely known in the U.S. and that realities should be thoroughly appreciated.

Our shortage of raw materials and essential tools for defence, due to American demands upon the world's supplies, is of the utmost seriousness. It menaces the defence programme. It threatens to cause unemployment. It has been stressed in Ministerial statements throughout this year; in the resignation speeches of Mr. Bevan and Mr. Wilson it has been again emphasised, and the Government has been constantly concerned to work out agreements with the United States for fair sharing. *Mr. Attlee placed this question strongly in the forefront of his discussions when he met President Truman, but unfortunately American public opinion has hardly an inkling of its significance.*

To a gathering of American business men in London yesterday Mr. Morrison himself underlined the need for foresight by the U.S. to prevent breakdown of the Western defence plans.

In our opinion Mr. Morrison ought to go to Washington and get things straight. There are also problems of the policies of the two nations towards China. Everything points to the need for conversations at top level, and Mr. Morrison should not wait for a problematical Four Power Conference before meeting his opposite number.

There is need for leadership from Britain. Mr. Morrison's journey is necessary.

Reprinted from the editorial column of the Daily Mirror of April 26. The Daily Mirror's net sale—over four and a half million—exceeds that of any other daily newspaper in the world.



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Letters to the Editor

The Budget

SIR,—In his letter in *The Economist* of April 28th, Mr Harrod criticised the Chancellor of the Exchequer for having taken credit for the whole of the expected deterioration in the favourable balance of payments as an offset to the reduction in the budget surplus, although this deterioration is (at any rate as forecast!) due mainly to a worsening of the terms of trade. Surely the Chancellor has his answer? In estimating savings (in money terms), he said that "it is difficult, I think, to count on any increase in personal savings, in view of the rise in the cost of living." His estimate of home investment (in money terms) was an increase of £30 million; and he said: "Having regard to the rise in prices of investment goods—capital equipment and so on—this implies no increase in total real investment." It seems reasonable to suppose that these increases of prices for which the Chancellor allowed include those associated with the adverse movement of the terms of trade. (Those who prefer to work in real terms can refer to paragraph 109 of the *Economic Survey*.)

There is, however, a similar line of criticism to which the Chancellor's presentation is more vulnerable. It appears to assume that extra taxes, and discouragement of dividend distributions, will operate entirely at the expense of consumption.—Yours faithfully,
King's College, R. F. KAHN
Cambridge

Malan's Breach of Faith

SIR,—There exists a very great controversy with regard to the representation of the coloured population in the South African Parliament, and popular opinion outside the Union appears to take for granted that these people will be deprived of practically all rights of freedom, should the Representation of Non-Europeans Bill be made law.

The facts will be that the coloured will have their own representatives—European—in the Union Parliament, the business of those so appointed being solely concerned with that of the folk

who elect them, viz. the particular problems and requirements in day-to-day life of the coloured population.

The position which has reigned up to the present, i.e. the coloured being on the common electoral roll—or, in other words, voting together with the European population—would naturally appear to most people living in democratic Europe as being quite fair and reasonable; but this in complex South Africa meant that their votes simply boosted those of the Europeans, whose subsequently elected representatives were always far more concerned with affairs of the European electorate, to the great detriment of the coloured electorate, used more or less as political pawns.

I trust that what I have said above may help to make more clear what is happening in this respect in South Africa, and to remove the idea that non-white skinned people in the Union are being persecuted to an almost Nazi degree.—Yours faithfully,

H. P. C. SIMS-WHITE
London, W.2

That Billion

SIR,—Your reply to Professor Gordon Manley's protest against your use of "billion" for one thousand million disappointed me. It may be that the large majority of users of the English language use "billion" to mean 1,000 million, though I myself doubt this. I am sure, however, that the large majority of those who read and study *The Economist* themselves use "billion" to mean one million million and that they, knowing moreover that *The Economist* is an English publication, interpret its technical terminology in the English sense. In these circumstances a good deal of misunderstanding must arise and it would be safer not to use the word billion at all, or at least to state its American meaning clearly when it is used.—Yours faithfully,

E. R. HONDELINK
Petersham

[We are not imposing "billion" on anyone—or even on ourselves, except in American contexts. But when "billion" is used in *The Economist*, without further

explanation, it means 1,000,000,000.—EDITOR.]

SIR,—In your editorial note appended to Professor Manley's letter in your issue of March 10th, you wrote that "Milliard has never been an English word." The following is a quotation from your own columns:—

Persia, which has expected milliards as a rightful reward for services in the war, tends to spurn such conditions.

The Times of April 4th, in its first leader, has this

... the armed welfare state, fattened by half a milliard pounds of subsidies, cannot be kept within those limits.

Do you still maintain that "milliard" has never been an English word?—Yours faithfully,

C. H. GRAY, Secretary,
International Executive Council,
World Power Conference
[Yes.—EDITOR.]

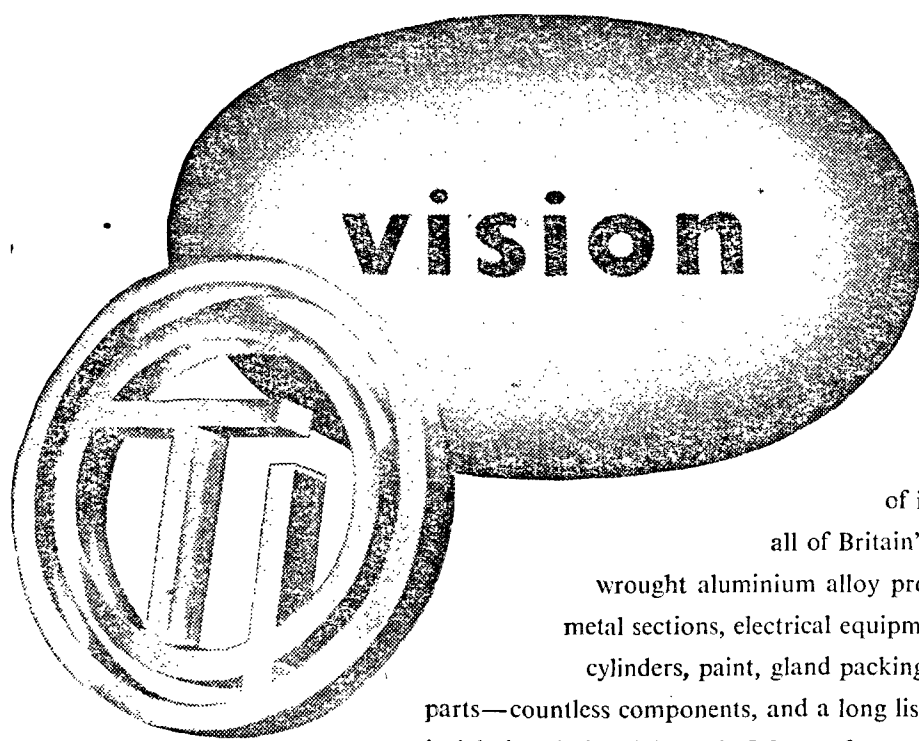
The Stone, Scot Free

SIR,—The Note in *The Economist* of April 27th will, I am sure, engender yet further feelings of "Celtic emotion."

The Stone of Destiny was taken to England and held there to act as a symbol giving the false impression that the ancient Kingdom of Scotland had been completely suppressed. The passage of time surely does not make the Stone any less an article of stolen property, removed by a conqueror, and as such its lodgement in a church is an act of sacrilege. The restoration of the Stone to Scotland was also, I believe, intended to act as a symbol of the fact that the spirit of Scotland is still very much alive.

For over eighteen months the Scottish Covenant Association, with the backing of 2,000,000 Scots, have been trying to obtain from the Government and the Opposition, respectively, consideration of Scotland's claims to a form of self-government within the United Kingdom. These attempts have met with rebuffs. How much longer can the English afford to ignore the feelings of the patient people of Scotland on the question of Home Rule?—Yours faithfully,
Glasgow J. M. Y. BROWN

vision



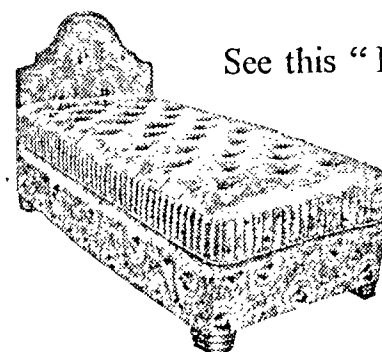
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Books and Publications

Subjective History

Camille Desmoulins and Other Studies of the French Revolution. By J. B. Morton. *Werner Laurie, London.* 208 pages. 13s. 6d.

One of the purposes of Mr Morton's studies is to show that revolutionaries need not be "ignoble adventurers slaking their thirst for power." That in private life they may be tender friends and gentle husbands is very probable. But while contemporaries often cannot help looking at political figures subjectively, posterity must judge their action in its political context. Napoleon's attitude towards Josephine, Stalin's towards Alliluyeva or Camille Desmoulins's towards his wife Lucille is of small historical interest for both the apologist and the detractor.

The author seems more interested in personalities than in social developments. Yet revolutionary history can only be explained by conflicts of social forces; even when the guillotine is running amok heads are not cut off quite gratuitously or without political discrimination. Mr Morton's approach often handicaps his analysis. Thus in the title essay on Camille Desmoulins, the *Gavroche* of the Revolution, he is at pains to explain why the self-styled attorney-general of the lantern, the brilliant pamphleteer who did so much to send the Girondins to their graves, subsequently, in the *Vieux Cordelier*, attacked the terror and pleaded for clemency. We are left under the impression that this seeming contradiction is to be explained by the conflict between the "guttersnipe" and the "noble" streaks in Camille's character. The whole attitude of Desmoulins, of course, must be seen in the light of the struggle between Danton and Robespierre, the interpretation of which has split French historians into warring factions.

To ask Mr Morton for social analysis is somewhat unfair. His purpose seems to be to describe and to entertain, which he does successfully, and not to analyse and to explain; though scholarly in their exposition, some of the sketches border on what the French call history in slippers. Thus there is an entertaining description of Mirabeau's pantagruelian youth and loves; an essay on the puzzling, because not profitable, marriage of the ex-bishop of Autun, Talleyrand; the mysterious break between St. Just and Henriette, the sister of his friend Le Bas, is restated; and the life of Théroigne de Méricourt, the leader of the women's march on Versailles, is outlined.

Mr Morton's method is at its most interesting in the essay on Fouquier-Tinville. Usually the very name evokes the image of a bloodthirsty executioner. Yet here the Public Prosecutor is shown as the civil servant of the guillotine, pleading superior orders for his defence. The combination of civil servant and revolutionary seems now less self-contradictory than before. Though it

does not analyse its deeper forces, the book brings out the external pathos of the revolution through accurate descriptions and skilful use of quotations. Thus in the title essay the famous scene is revived, when, at Robespierre's instigation, the Jacobins decide to burn the *Vieux Cordelier*, and Desmoulins answers his former friend, who always fancied himself as a practical Rousseau, by a quotation from his idol: "To burn is not to answer." More than a century and a half later this reply has lost none of its force.

Pressure Groups in America

The Nineteen Fifties Come First. By Edwin G. Nourse. *Henry Holt and Company, New York.* 184 pages. \$2.00.

Dr Edwin Nourse, known to all economists as sometime head of the Brookings Foundation, resigned last year as Chairman of the Council of Economic Advisers to the President. He disapproved of reckless deficit spending at a time of full employment. In this little book, he brings home to his countrymen the seriousness of the issue. He does not object to government planning; but he appears to fear that present day American democracy makes intelligent planning next to impossible, on the grounds that it is not directed by the country's constitutional authorities—the President and Congress—but by farmers' unions, organised labour and, to a lesser degree, by business men. All represent shortsighted collective egoism and act on the assumption that the national cake grows automatically larger whenever they manage to snatch a bigger slice of it.

Dr Nourse praises those farmers' executives, labour leaders and business men who recognise, regret, and sometimes even reprove the foolish greed of their mandatories; but he records, sadly, their inability to control it. He quotes, as an example of the prevailing blend of Keynes-Marxist economics, a statement by the American Federation of Labour—as bourgeois-minded a body as can be imagined:

The long-term tendency from the beginning of the century until the boom of World War II has been for the rise of national productivity to exceed the rise in national income, with an accompanying proportionate rise in unemployment.

Its remedy is shorter hours, with of course the same wage packet. This will either push down output to the level of national income, as John Lewis does when he decrees a miners' holiday, or will expand the national income because more workers will be paid for the same task. Fortunately, the American worker

is still profit-minded. He expects his employer to find ways and means for increasing production and productivity, so that he can earn higher wages. He is now getting frightened of inflation, but he knows no better way of fighting rising prices than to clamour for higher wages. In Dr Nourse's opinion, the politicians who dare not resist pressure groups are as culpable as the pressure groups themselves.

Though this little book was written before the struggle over the new war economy had fully developed, it is an invaluable guide through the maze of present day American perplexities. It underlines the futility of fighting secondary inflation by price controls while primary inflation goes on and new money is created by the Reserve Banks, which have to issue it against the government bonds forced upon them. Controls can hide secondary inflation for some time; they are like an ointment, which relieves the rash, but does not kill the infection which causes it.

Jane's Trains

World Railways, 1950-51. Edited by H. Sampson. *Sampson Low, Maiston.* 620 pages. £3 3s.

"Jane's Fighting Ships" has been published for more than fifty years, and "Jane's All the World's Aircraft," hitherto its only companion, was founded as long ago as 1909. It is at first sight odd that so obvious a subject as railway transport has had to wait so long for similar treatment. No doubt the main reason is that, while the ocean and the air are much the same everywhere, the operating conditions of the world's railways vary greatly. This diversity is the source of much of the railway enthusiast's satisfaction, but it makes the task of compiling and selecting material for a book of this kind very difficult. It must be regretted, though it is understandable, that "World Railways" is published for the first time only when developments in locomotive power, and particularly the growing use of diesel electric traction, threaten to accelerate the progress of standardisation. But there is no reason to fear that the romance will be taken out of the railways fast enough to destroy the appeal of this and many successive editions.

For many of the largest systems, "World Railways" succeeds admirably in giving a concise account of working conditions and methods and thorough analyses of the types of locomotives in use. There are two main weaknesses. It is not the editor's fault that the countries of Eastern Europe get comparatively little attention; but with all allowance for differences in the amount of information obtainable, to devote 283 pages to the United States and only 126 pages to the whole of Europe, including Britain, is not quite a balanced "survey of representative rail systems." Secondly, where plenty of information is given,

THE ECONOMIST, May 5, 1951

it is sometimes annoyingly uneven. The comparisons that readers will want to make are hampered by some inconsistency as to what facts are put in and what are left out in describing railway systems of comparable importance.

But such a book as "World Railways" cannot spring fully fledged before the public. It must grow by adaptation through successive editions. For a first edition, it is admirably edited and produced. At least one boy of two years old has looked rapturously at every page; that is to say, the illustrations are good. The older enthusiast, whether amateur or professional, will not fail to get his more sophisticated pleasures from the tables and diagrams and all the symbolism of locomotive description.

Basic Economics

The Substance of Economics. By H. A. Silverman. *Pitman.* 387 pages. 18s.

An Introduction to Economic Analysis. By J. K. Eastham. *The English Universities Press.* 392 pages. 15s.

Very broadly speaking, introductory works on economics fall into two classes; those designed for the general reader, enabling him to judge more intelligently the economic component in current social questions, and those designed as foundation reading for students whose future careers depend in one way or another on acquiring familiarity with theoretical techniques and terms. Both the books under review fall into the second class, being comprehensive introductions for those contemplating a definite course of study. Neither makes any attempt to woo that shadowy figure, the General Reader, nor makes concessions to the skimmer. But there the likeness ends.

Mr Silverman's well-known textbook, substantially revised for this its thirteenth edition, is a crammer's magic carpet to an undistinguished pass. Neatly laid out, with heads and subheads, definitions and classifications, it enables any conscientious parrot to produce a reasonable facsimile of an answer (however approximately relevant) to practically any question likely to be found in a paper of Intermediate standard. For anyone ambitious to proceed beyond that standard it is rather worse than useless. It is incurably obsolete, the revisions hanging on the thirty-year-old original (already old-fashioned when published) like a nickel-plated radiator on a Model T Ford; it abounds in first approximations disguised as axioms; it gives more space to Ricardo than to Keynes. Nevertheless, one can confidently predict its continued success. Few students of elementary economics really aspire to know anything about economic problems or theories; most merely want to pass, as effortlessly as possible, an examination in which a "subject" called economics is a necessary impediment, and then forget the whole thing. For this majority, "The Substance of Economics" is made to measure.

Mr Eastham's book is for the minority who are genuinely interested, who mean to do more than scrape a pass, who regard the intermediate examination as

what its name implies. It is also for those teachers—one may hope not a minority—who regard education otherwise than as a production-belt process. It is accurately described in its blurb as giving "a coherent account of contemporary analytical technique"; its limited but admirably achieved task is to provide the student with a well-chosen, sharp-edged and tempered outfit of tools. The actual practical uses and limitations of these tools in understanding real-life situations are a matter outside Mr Eastham's scope; this is not yet the (probably unattainable) perfect introductory volume, which should at once analyse the economic problem and integrate it with its social setting. There might accordingly be some danger, for the solitary and unguided student, of acquiring from this book a slightly cut-and-dried habit of thought. This is only to say, however, that "An Introduction to Economic Analysis" needs to be read either in conjunction with other complementary matter, or with appropriate mental reservations; that need is the price of its excellence within its own deliberately narrow field. Comparative statistics of its sales and those of "The Substance of Economics" would throw an interesting light on the current quality of basic economic teaching.

Communist Envelopment

The Curtain Falls. The Story of the Socialists in Eastern Europe. Edited by Denis Healey. *Lincolns-Prager, London.* 99 pages. 4s. 6d.

Czechoslovakia, Poland and Hungary are the three countries of Eastern Europe with the longest and strongest socialist traditions. The socialist parties of these countries grew up towards the end of the last century on a solid foundation of working class support. This book tells the story of how, after the war, the Communists first embraced them because they were—in the words of Aneurin Bevan in his foreword—"a temporary convenience," and then proceeded rapidly to destroy them. After a general survey by Denis Healey of the "new Russian empire," the gradual liquidation of the Hungarian, Czech and Polish socialist parties is described by a leading member of each, Antal Ban and Vaclav Majer, who both held Cabinet posts in Hungary and Czechoslovakia respectively from 1945 to 1948; and Adam Ciolkosz, who was a Socialist MP in Poland before his escape in 1940.

The dispassionate and sober accounts of these three men bring out clearly the difficulties of the democratic Socialists in Eastern Europe after the war. Their Communist opponents were completely unscrupulous and ruthless, and possessed the decisive advantage of the backing of the Red Army. They were themselves fatally weakened by their fellow-travelling left wings which in each case provided a grapple by which the whole party could be hauled into suicidal fusion with the Communists. There was not much chance for a prolonged independent existence when even the official leaders were under Communist domination. In retrospect, it is easy enough to say that those who clearly

understood the real nature of the Communists' game should somehow have prevented so many of their associates from being taken in by them. But in the immediate postwar years the socialists of Eastern Europe were not the only people to believe that peaceful co-operation with the Communists was possible, necessary and preferable. Even today the lessons of Communist history have not been completely assimilated; and it is to help drive them home that this book has been written.

Text and Reference Books

Rail and Road Statistics. By F. A. A. Menzler. *Royal Statistical Society.* 23 pages. 1s.

The Housing Statistics of Great Britain. By Marian Bowley. *Royal Statistical Society.* 15 pages. 1s.

Oils and Fats Statistics. By the Economics and Statistics Department of Lever Brothers and Unilever Limited. *Royal Statistical Society.* 19 pages. 1s.

These papers are welcome contributions to a series designed to cover the sources and nature of statistical information in certain fields of statistics. In both transport and housing statistics, the main problem is to try to find the way through the maze of official figures by understanding any changes in their scope over time and the precise meaning of the various definitions which are often in the unhelpful phrasing of official language. Mr Menzler is an invaluable and orderly guide and, although his paper is intended to cover mainly British statistics, he adds some interesting references to the problems of international comparisons. Dr Bowley's survey shows up very clearly the inadequacy of information about many aspects of housing and, although remedies may not always be feasible, it is hoped that the appropriate authorities will follow up some of her suggestions. Both these papers fill in some of the historical background.

Statistics about oils and fats are in a different category. Their collection in any useful form is only of comparatively recent date and even today their interpretation requires considerable care and technical handling. This paper, dealing mainly with the British position but touching also on world production and trade, gives many instructive examples of the computation of estimates of supplies and disposals of oils and fats, using both official and private statistics.

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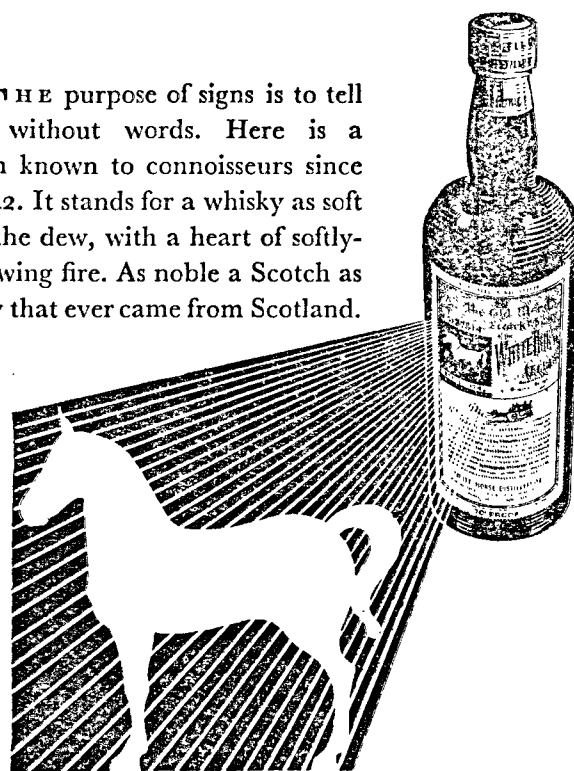
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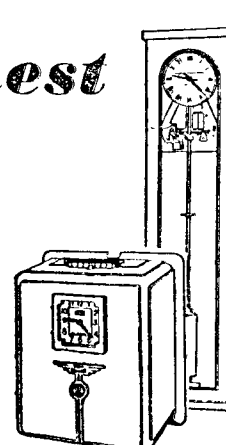
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AMERICAN SURVEY

Atlantic Perils

Washington, D.C.

THE proper personification of Anglo-American relations is the appealing figure of dear little Vera, to whom, as the song relates, the great big saw keeps coming nearer and nearer and nearer. There she lies, bound and helpless, awaiting her fate while the world watches and shudders. But the great big saw never does actually cut her in two; it cannot do so if the serial is to be continued through further instalments. Nevertheless, it gives many a spectator a nasty turn, wondering how Vera is going to be saved each time.

Anyone who has taken recent note of developments in the Anglo-American serial may well have resigned himself to a succession of possible nasty turns in the coming weeks. Mr Aneurin Bevan has sketched out one situation; General MacArthur has done the preliminary work on another; and still others are visible to the practised eye as it ranges over the prospect from Japan to Iran.

Mr Dean Acheson, the Secretary of State, in a statement last week, reduced Mr Bevan's rather rambling complaint to twenty crisp words. The allegation, he said, was that "the United States was gobbling up most of the raw materials Britain also needs with resultant jeopardy to Britain's economy." To nobody's surprise Mr Acheson rejected this view of the effects of American stockpiling and offered to America's allies soothing assurance that "the export and import policies of the United States are designed to take full account of the essential needs in other friendly countries for materials to supply their basic economy and defence programmes." Mr Acheson's best friend, however, could not have felt that this was a statement which disposed of the raw materials problem. It left high in the air the question of what is to be done about Britain's (to mention nobody else's) needs, and it did little to discourage the imaginative from forming vivid mental pictures of what could conceivably happen to Vera in this episode.

Suppose raw materials shortages were to produce in Britain serious unemployment at a time when, whatever Government might be in office, the temper of the people was already being severely tried by the new,

sharpened austerity promised by Mr Herbert Morrison. Suppose the Russians were to exploit this moment with a new peace offensive. What would there be to prevent the spread in Britain and across Western Europe of a wave of anti-American "neutralism," such as might divide and wreck the Atlantic community, disrupting at the tenth or eleventh hour the chance of Western arms superiority on which the peace of the world depends?

It can probably be assumed that any cold sweat which may have broken out in London over the contemplation of this prospect has been reproduced even more freely in Washington. Mr Charles E. Wilson, the defence mobiliser, has flown from Washington to Paris and London to see what can be done. Maybe he would have gone whether or not Mr Bevan had extended the area of disagreement with Mr Attlee from teeth to tanks; but it will be difficult to argue that the revelation that a potentially serious anti-American, anti-rearmament brew is simmering in Britain has not made the Administration in Washington think harder about raw materials. It is not possible, though, to conclude that the better-than-it-might-have-been American allocation of sulphur to Britain, announced last week, was an outcome of Bevan-phobia. The allocation was decided upon before the Minister of Labour took his leave and it represents the utmost the responsible

Herblock in the Washington Post

American government officials felt they dared do in the face of very heavy pressure from home consumers—pressure that will be maintained in respect of all scarce materials, whoever may resign from the British Cabinet.

But these are perils which may be deferred for a little while. Before they materialise, grievous trouble could overtake Anglo-American relations from another direction. Even if the Communist Chinese should not begin, in the meantime, to bomb the United Nations forces and supply centres from the air, and even if there should be no need for a swift co-ordination of British and American views on the bombing of Chinese bases in Manchuria, there are General MacArthur's theories, influence and personality to be reckoned with.



In Chicago last week the General—until recently the repository of the world's hope that this first international police action was going to point the way to collective security—spelled out more plainly the argument to which he has now dedicated himself. It is that, although the "nations with but token forces" in Korea are well content to see a prolonged and indecisive campaign there which involves the "slaughter of America's sons" on a "staggering" scale in relation to the forces committed, America's interests require swift victory by way of a "positive policy attuned to the military realities."

This is a line which can hardly fail to appeal to the isolationists and jingoes, and it is one which could hardly be improved upon as a means of exciting distrust and scorn of Britain. More of it will doubtless be heard as the Congressional committees pursue their investigations and the well-financed China lobby gets into its stride. Other charges may be woven into the indictment: the reluctance of Britain to cut off Hong Kong's trade with Red China, the willingness of Britain to trade with Russia and Poland, and the anxiety of Britain to see Red China given an opportunity of participating in negotiations on the Japanese Treaty.

*

General MacArthur's Republican-isolationist-China-first supporters can be counted upon to make every use of the most serious contemporary threat to Anglo-American unity: the cleavage of policy which has tied one country to the recognition of the Communist Chinese and the other to the support of the Nationalist Chinese. The consequences of the new military aid agreement between the United States and General Chiang Kai-shek's regime, announced in Washington last week, are yet to be revealed. The American objective is to make the Generalissimo better able to resist any forcible attempt to reunite Formosa with the Chinese mainland. But it needs no political genius to conceive of circumstances in which the long-term effect of the agreement might be to make him better able also to resist a peaceful United Nations solution of the problem of Formosa.

The evidence that the Administration is making Formosa secure against Communist attack may weaken one of the arguments of General MacArthur and the Republicans (though the agreement was made long before the General was relieved of his command); and, in time, public preference for the judgment of the elected President, his Cabinet and his military chiefs may defeat the MacArthur crusade. It also may be true, as is now being suggested, that much good will come, in the end, out of the new "great debate"—that it will clarify American thinking on the Far East, underline the truth that the principal enemy is imperialist Russia, and dispose of the threat to the policy which gives Europe priority over Asia. Events in Iran may draw the United States and Britain closer together and the earlier unfortunate tendency of each nation to sing "Anything You Can Do I Can Do Better" may disappear.

The Pacific Pact may be negotiated and signed without any further recourse by Mr Herbert Morrison to the theme that Britain is being frozen out—a curious theme, in the light of the known background. And the Japanese Treaty may be completed without serious Anglo-American complications over the question of which China is to be consulted about it. Everything may turn out all right for dear little Vera; but the script at this point cannot be seen to promise her much rest or relaxation.

Migrants on the Move

[FROM A CORRESPONDENT IN IOWA]

THE distressed "Okies" of "The Grapes of Wrath," who came to California as migrant farm labourers in the nineteen-thirties, found employment in the nineteen-forties in the bomber factories and petrol stations, or perhaps bought a small irrigated farm cheaply from the Japanese-Americans who were deported inland in the panic of 1942. The Joads from Oklahoma are prosperous now, but most of them have been replaced amongst the seasonally migrant "stoop" labourers, ill-paid, ill-housed, unorganised and under-employed, by Mexican or Mexican-American families. In March, 1950, more than 5,000 of the migrant families wintering in the rich San Joaquin Valley of California were found to be destitute. The local authorities and farm organisations, tired of being called inhuman monsters and honestly troubled about what to do with these people, asked the Governor of California for an inquiry. They got one. So did the members of Congress who asked President Truman for a nation-wide investigation. The reports of both inquiries have recently been issued, and a Congressional committee is also now investigating the influx of Mexican migrants, which swelled sensationally in 1950.

Adolf Hitler saw the film of "The Grapes of Wrath" in 1940 and was convinced that the Americans had destroyed their sturdy farmer class and hence could not fight a real war. Americans prefer to exaggerate in the other direction, to see seasonal migrant labour as only a temporary, marginal phenomenon bound to disappear as mechanisation takes over the hard work. Yet seasonal migrant labour has been going on, with many of the same characteristics, for fully seventy years, and the technological changes of the past decade or two have increased its relative importance as a part of hired farm labour.

The tractor, the combine, the maize-picker, and a host of other machines have greatly reduced the amount of hired labour needed on grain and livestock farms. The combine long ago drove into folklore the hordes of men and boys who "rode the rods" under railway goods wagons from Texas into Canada to bring in the wheat harvest. Some combine crews still make the great trek, but they are skilled workers and the owners of expensive machinery, not foot-loose hoboes.

By 1945, 30 per cent of California's sugar beet crop was harvested by machine; by 1950, 85 to 90 per cent; and in Michigan in 1950 60 per cent was by machine. Even in cotton, great progress has been made: 1 per cent of the crop was picked by machine in the San Joaquin Valley in 1945, 17 per cent in 1949, 35 per cent in 1950. In the Mississippi Delta, where hand-picking wages are lower and climate and conditions more difficult for machines, only 5 per cent of the cotton was harvested mechanically in 1950; but the Delta already has more machines than the San Joaquin Valley, and their use is spreading steadily on the larger farms.

Nevertheless, by eliminating much winter and round-the-year work, machinery has sharpened the remaining seasonal peaks. Instead of nearly every farm having a "hired man,"

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

only a few do now. The agricultural labour force consists of some 10 million farmers and working members of their families, with, in addition, 1,000,000 regular "hired men" who work 150 days or more a year, 2,250,000 who work for shorter periods in one place, and 1,000,000 who migrate to follow the crops. These migrants work almost entirely on some 125,000 farms out of the nation's 6,000,000, chiefly the large commercial farms specialising in cotton, fruits, vegetables or sugar beets.

The migrants go into 44 States, men, women and children jammed into the lorries of the labour contractors, working a few weeks here, a few days there, and spending long periods looking for work or just waiting. The East Coast circuit is nowadays traversed mostly by Florida Negroes; the Texas-to-Michigan-and-Minnesota and Texas-to-California-to-Vancouver routes mostly by Mexicans or Mexican-Americans from the border areas. Puerto Ricans were flown in to save the Michigan beet crop last year.

The 1,000,000 migrants went down to 600,000 during the war, but the number has crept up again since. As a result under-employment and hardship have reappeared, yet each year contract labour has been imported from the West Indies and from Mexico. In addition, swarms of illegal Mexican immigrant labourers have come in; even though nearly 600,000 of these "wetbacks" were deported, or left voluntarily, in 1950, the President's Commission estimates that there are still 400,000 of them amongst the 1,000,000 migrants. There is no quantitative limit on legal immigration from Mexico, but there are troublesome qualitative tests and formalities; with only 900 border patrol officers on the 1,500-mile frontier, it is easy enough to slip or swim across. Attempts are now being made to legalise these entries, as has already been done in thousands of cases since 1947.

*

The various investigations produced a large number of specific remedies for the appalling situations which often arise. The President's Commission, among its 56 separate recommendations, proposed that less reliance be put on foreign labour, that the immigration laws be enforced more strictly, and that the sequence of work for the migrant families be more carefully planned; it also suggested that better social services and education should be provided for them and that a minimum wage law, an unemployment compensation law and child labour laws should be applied to migrants. The California committee made nearly as many recommendations, along the same lines; it also advocated active efforts to make migrants feel that they really belong in the community. In practice, the new war boom is likely

to ease the hardships of the migrants far more than any amount of social services. So whether or not the recommendations are adopted, their purpose will nevertheless be attained for a time, giving mechanisation another chance to nibble away at the necessity for them.

Meanwhile the Mexicans and Negroes of the migrant crews are no longer strangers in the land. They have colonies and connections all over the country now, which help them to find other work than following the crops, as most of them want to do. And while the wandering lasts it offers an unparalleled way of searching for a choice spot to settle down. In the key states of Texas and California there have been boom conditions for a decade; this makes it easier for the migrants to get a living wage.

Hopeful also is the spread of a new attitude towards migrant labourers and of a new sense of responsibility among employers. All over the United States, employers are returning as a matter of policy to the measures to which they were driven by harsh necessity during the wartime manpower shortage; they are trying, by organisation, to make better use of the supply of migrant labour. Since 1943 Texas has had an official Good Neighbour Commission, charged with improving relations between "Anglo-Americans" and "Latin Americans," by means of education and conciliation. Mexican officials at first were sceptical about it, but they are beginning to think it means business. Instead of banning Mexican contract labour from the whole state of Texas, as they used to do, they now only put communities which have had too many unpleasant incidents "out of bounds" for a time. Even the exploiters of cheap "wetback" labour no longer try to defend their system in terms of "Anglo" supremacy over swarthy cotton choppers and stoop labourers, but in terms of the civil and human rights of these fine, hard-working Mexicans, whose brothers and cousins and aunts are American citizens.

American Notes

Storm Warning on Inflation

The Defence Production Act must be renewed for two years and its provisions expanded, the President has told Congress, if the United States is to ride out the inflationary storm which is expected to break with full force next autumn and winter. He asked Congress not to be deceived by the temporary economic calm, by the falling-off in buying, steadier prices, and a momentary budget surplus. This quarter the government will begin once more to run a deficit. Since last June, military orders worth over \$26 billion have been placed, but only a small portion of these has been filled, and nearly \$60 billion more are still to come. The present



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breathing-spell must be used to make everything ship-shape for the big blow.

The Defence Production Act is the basic charter for mobilisation: it provides for economic stabilisation through authority to control prices, wages, and credit, and for the defence programme by powers to control materials and provide incentives for industrial expansion. Most of the new plant will be built by private enterprise, but the President now asks the authority, used extensively during the last war, for the government to build defence factories which are not attractive to the private investor. He also wishes power to pay subsidies to high-cost producers; price controls, however fair they are in the main, run the risk of choking off marginal production which is needed.

Most of the new powers the Administration seeks, however, are anti-inflationary, and highly controversial. If they are granted, rent control, which has been quietly withering away, will be revived in full force, and applied for the first time to new houses and commercial premises. Credit terms for the purchase of old houses financed by private lenders would be regulated, also for the first time; licensing of traders would be introduced to make the enforcement of price controls easier; margin controls would be applied to the commodity exchanges, and a restraining finger laid on farm prices, the chief free element left in the economy. The effectiveness of all controls will be imperilled, however, if Congress does not give the President the \$10 billion tax increase he has requested.

Hearings on the Bill begin next week and may last a month or more. The first witness is expected to be Mr Wilson, the defence mobiliser, who has found that for every \$10 billion appropriated by Congress for arms, about \$2 billion worth of weapons has been lost through inflation of costs. But even this alarming testimony is unlikely to secure a smooth passage for the President's amendments. Senator Maybank, the technical sponsor of the Bill, who must pilot it through committee, strongly disclaims any closer relationship; he says openly that he dislikes some of its provisions. Few Congressmen are enthusiastic about giving the President fresh powers and many think that the rigorous regulation of the economy which he proposes should be necessary only when the nation is engaged in a full-scale war.

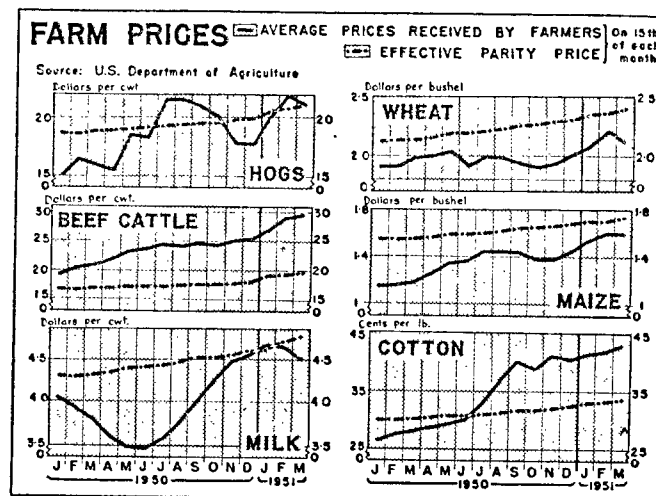
Freezing the Farmer

What Senator Maybank, a Democrat, but the chief spokesman for the agricultural south, cannot stomach is the proposal to freeze parity prices for farm products at the beginning of each marketing season. When the Defence Production Act was passed last year, the farm bloc insisted that no price controls should be imposed on farm products selling below parity. Parity is a calculated price, at which a farmer would secure the same purchasing power he enjoyed in an earlier period; it takes into account the changing costs of the things a farmer must buy.

Mr DiSalle, the Price Administrator, has found that this provision ties his hands as far as most farm products are concerned; the only important ones selling above parity are meat, wool, and cotton. To make matters more difficult, parity prices are recalculated each month; as industrial prices have risen, the level at which agricultural prices might be brought under control has continued to mount. As the chart shows, maize, selling at \$1.60 a bushel in March, was above the parity price of a year earlier, but in the meantime parity has risen to \$1.74.

The Administration's proposal would not freeze most farm prices; it would merely fix, for a year, ceilings—and generous ones—above which they could not rise. It would not end, but it would slow down, the process by which higher food costs justify labour in demanding cost of living adjustments, which in their turn make dearer the things the farmer buys and raise his parity price.

Mindful of the farm vote, which gave him his second term, and of the fact that Democrats, as well as Republicans, are loyal to their rural constituents, Mr Truman has not gone nearly as far as the trade unions want; they have demanded that authority be sought to fix all farm prices. But he may have gone too far for Congress. The House Agriculture Committee, scenting what was in the wind, has just staged special hearings at which Mr Brannan, the President's Secretary of Agriculture, was the star witness for the farmer. Mr Brannan's argument was that farm income has fallen steeply since 1947 (its peak year) while other incomes have been rising; any attempt to prevent farmers regaining on the swings what they lost on the roundabouts would be unfair and discourage the drive for greater production. Some Congressmen are even talking of a farmers' boycott of the mobilisation programme, similar to that staged by labour



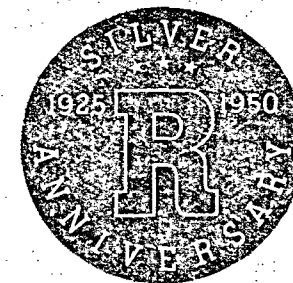
when the unions were over-ruled on a wage formula. What is more likely is that if the Defence Production Act is to be extended by June 30th, parity may have to be left as it is.

Livestock producers are already up in arms because the Price Administrator has at last moved to use his powers to control the prices at which slaughterers buy cattle. A series of reductions has been ordered which will total about 18 per cent by October. Beef normally makes up about half the meat consumed in the United States, but at present prices pork and poultry have had to take its place on all but wealthy dinner tables. If the roll-back does not drive too many cattle into the black market, consumers should begin to benefit by the summer and by the autumn they should be paying not much more for beef than they did before the Korean war.

Ready to Strike Back

President Truman has at last filled in for Congress the details of the defence expenditure which was outlined only by a round \$60 billion in the budget for the 1952 fiscal year which he presented last January. Congress, already restive at this four months' delay, may not take very seriously the request that the appropriations be dealt with as a matter of urgency, but at least it should be relieved that the services' original hopes of \$104 billion have been squeezed down to \$60.7 billion. This compares with \$47.6 billion, either approved or in process of approval, for the current fiscal year which ends on June 30th. Only \$39.5 billion will be spent directly during the coming year, compared with \$19.4 billion during the 1951 year. The remaining appropriations for 1952 are either to liquidate previous obligations or authorise future contracts. Funds for the atomic energy programme, for stockpiling, and for military aid to other countries (estimated at \$6.5 billion) will be dealt with separately.

In his accompanying message, President Truman said that the rulers of the Soviets had made it clear that they were ready to push the world to the brink of war to get what they



Highlights of the 1950

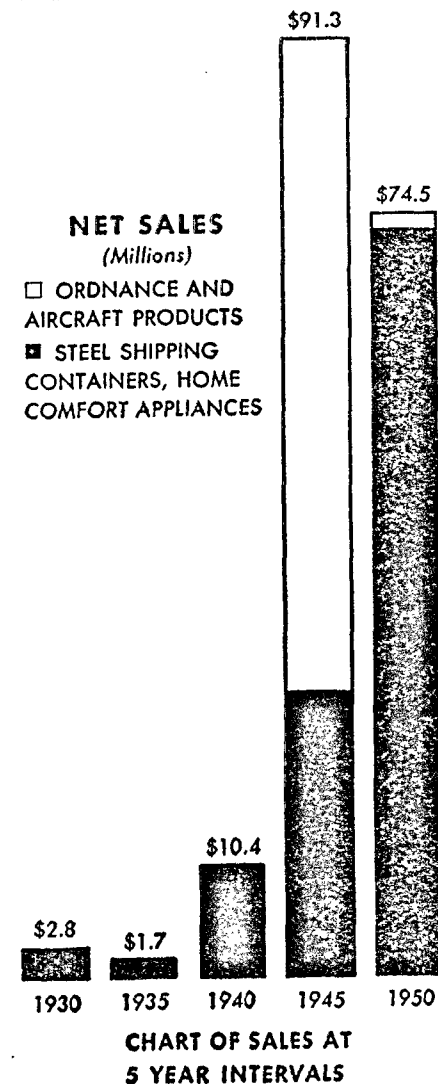
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CONSOLIDATED FINANCIAL POSITION

December 31, 1950

CURRENT ASSETS:	
Cash	\$ 3,564,553
Marketable securities	69,266
Accounts receivable (net)	9,626,799
Inventories	10,719,483
Total current assets	\$23,980,101
DEDUCT—CURRENT LIABILITIES:	
Accounts payable	\$5,276,646
Federal taxes on income (estimated)	5,501,983
Other	1,297,120
Total current liabilities	\$12,075,749
WORKING CAPITAL	\$11,904,355
INVESTMENTS, ETC.	1,311,965
PROPERTY, PLANT AND EQUIPMENT (Net)	16,258,321
PREPAID ITEMS	241,463
	\$23,713,104
LONG TERM INDEBTEDNESS TO BANK	5,000,000
EXCESS OF ASSETS OVER LIABILITIES	\$24,713,104
Represented by:	
4½% preferred stock (\$100 par)	\$ 2,369,900
Common stock (\$1 par)	1,000,000
Excess of amounts received over par value of preferred and common stocks issued	
and gains, net, from other transactions in capital stocks of the Company	10,497,299
Earnings retained for use in the business	10,845,905
	\$24,713,104

CONSOLIDATED EARNINGS FOR 1950

INCOME:	
Net sales	\$74,465,686
Miscellaneous	193,135
Total income	\$74,658,821
COSTS:	
Cost of goods sold	\$59,256,947
Selling, general and administrative expenses	5,037,643
Interest	101,633
Federal taxes on income (estimated)	5,355,000
Total costs	69,801,223
1950 EARNINGS	\$ 4,862,593
DIVIDENDS PAID:	
Preferred stock	\$ 109,643
Common stock	1,900,000
	\$ 2,009,643
Other charges and credits (net)	54,301
1950 ADDITION TO EARNINGS RETAINED FOR USE IN THE BUSINESS	2,907,251
EARNINGS FOR PAST YEARS RETAINED FOR USE IN THE BUSINESS	7,938,654
EARNINGS RETAINED FOR USE IN THE BUSINESS AS OF DECEMBER 31, 1950	\$10,845,905
Provision for depreciation of plant and equipment charged to earnings, \$990,246.	



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wanted. The purpose of his military programme was to ensure that the free world would be able "to strike back decisively and at once at the seats of the Soviet power," should the Russians decide to push the world over that brink.

The following table shows what the President's programme will mean in terms of men in the various services during 1952. In that fiscal year the goal of 3,500,000 in the armed forces will be achieved; the total, now in the neighbourhood of 3,000,000, has more than doubled since Korea. The Army has already nearly reached the figure given in the table, but it will be the autumn of 1952 before the Air Force completes its 95 wings, as groups are now called; it expects to have 87 wings in service by the end of next month.

ARMED FORCES IN 1952

Service	Expenditure \$ Million	Men Serving (thousands)	Units	Men In Reserves (thousands)
Army	15,700	1,831	18 divisions	465
Air Force	13,000	659	95 wings	36
Navy	{ 11,400 }	780	1,161 ships	195
Marines		182	24 divisions	

Broken down in a different way, the President's budget provides \$10.5 billion for the costs of military personnel, mainly pay and allowances; \$12.3 billion for operation and maintenance; \$29.7 billion for major procurement costs, which include \$14.5 billion for aircraft and \$4.9 billion for combat vehicles and artillery; \$1.5 billion for research and development, an increase of 20 per cent over this year; and \$4.5 billion for a military public works programme, understood to be chiefly a question of expanding bases. Details of this last item, not yet authorised, will be given to Congress later and will apparently for once be kept private. The Russians must be grateful for the American thirst for knowledge and distrust of concealment, which forces the President to support his case for defence funds with 223 pages of particulars, and means that the testimony of military officials before Congressional committees seldom remains secret.

* * *

Crime in the Open

The British may be a nation of gamblers, but their little flutters add up to less than \$2 billion a year while the gambling turnover in the United States is about ten times as much. This difference in scale is one reason why, in the opinion of the Kefauver crime investigating committee, the British solution of making off-course betting legal is not applicable to the United States. The other reason put forward by the committee is that the American gambling empire is built on corruption, of police and government officials in particular. There are many who believe that, if gambling were made legal, its unsavoury foundations would crumble away; but at the moment such a proposal is hardly practical politics.

The empire, as charted by the committee, is really two interlocking cartels, centred in New York and Chicago, with branches in the main gambling centres, California, Nevada and Florida, and elsewhere. The cartels are connected in a number of ways, but the chief links are said to be Mr Frank Costello, the New Yorker whose cloak of respectability were very thin during the committee's hearings, and the Mafia, the secret society of Sicilian origin which murders to order. Such an empire can only be broken up by vigorous law enforcement at the local level and by an aroused public opinion. But the Kefauver Committee has struck telling blows and in its latest report it also suggests some twenty ways in which the federal government can help to pull down the structure of organised crime. Among the new laws it recommends are stricter tax regulations, which would force gamblers to disclose details of their operations, and restrictions on the transmission of money for gambling and of betting information by interstate communications.

The Republicans are, of course, making the most of the committee's refusal to temper the wind to Mr O'Dwyer. Its report states categorically that, as mayor of New York, both by his actions, and failures to act, he contributed to the growth of organised crime in the city. This blast at Mr O'Dwyer will strengthen the Republican view that there are still a number of Democratically-controlled cities where hearings might be held to the political advantage of the opposition. Senator Kefauver contends that, after examining 800 witnesses in 14 cities in the past year, the committee has collected all the information needed as a basis for federal action and that, if it is not to be allowed to die quietly, it should at least concentrate on drafting the necessary laws for Congress. This is what it hopes to do, the Republicans permitting, during the remainder of its life, recently extended to September 1st. Senator O'Connor, a Democrat from Maryland, will now be chairman, to give Mr Kefauver more time for his political and private family.

* * *

Paper for the News

As the American Newspaper Publishers Association met in New York last week, its main concern was shortage of paper for the country's 1,772 daily papers and 549 Sunday papers. The dailies have a circulation of nearly 54 million, the Sundays of over 46 million, both records. Nevertheless, the publishers' concern seems somewhat exaggerated when it is realised that the Association's members, who do not include by any means all of the American publishers, used 394,387 tons of newsprint in March, that the United States takes about 60 per cent of world output and that annual consumption of newsprint in America has increased in the last five years from 50 to nearly 80 pounds a head. But newsprint companies have been reducing supplies to their customers by 10 per cent and publishers have had on occasion to pay as much as \$300 a ton, nearly three times the official price, which in any case is likely to go up before long. It is already double the prewar price.

Worse still, from the publishers' point of view, Canada is preparing to bring newsprint under government control. This should be of assistance to the International Materials Committee, which has just started work on newsprint, but it may also be a by-product of President Auriol's visit to Canada. Its object may perhaps be to enable larger supplies of newsprint to be sent to France for the use of the anti-communist newspapers there. This is presumably the sort of thing that Mr Carroll Binder, US representative on the UN committee on freedom of information, had in mind when he told newspapermen that the United States should try to help the free press abroad to continue publishing, and that it should look for ways of increasing the supply of newsprint and of allocating such increases fairly. But the United States will have to curb its appetite for Canadian newsprint if more is to be fed to countries abroad, at least until additional newsprint machines can be installed. And by the time that can be done, the shortage of sulphur will almost certainly be causing output of newsprint to be reduced.

North American production of newsprint in March was just under 557,000 tons; all but about 90,000 tons came from Canada, which at present sells 90 per cent of its output to the United States. Twenty-five years ago the United States manufactured nearly 1,700,000 tons of newsprint annually. Output fell sharply during the depression years; it is now climbing back, but is still below 1,000,000 tons a year. This year imports from Europe are expected to provide about 200,000 tons and the United States will have to get the rest of its requirements from Canada. Altogether about 5,820,000 tons of newsprint should be available for the United States this year, rather more than in 1950, but 130,000 tons less than estimated needs.

THE WORLD OVERSEAS

Dangers to German Democracy

(From Our Special Correspondent)

THE communal elections in Schleswig-Holstein on April 29th and the state elections in Lower Saxony next Sunday are of more than local importance. The election campaigns have set many straws floating in the wind of German political life. They show that the weak, decentralised government is in no state to stand the strains imposed by the post-Korean situation; and while it gives a lamentable exhibition of helplessness in the economic field, the political extremists are becoming more actively opposed to each other and to Bonn. Communists, neo-Nazis and the refugees (who form one-fifth of the population) are all in one way or another enemies of the democratic central Government. As a result of the sharpening of the cold war, German politics are now beginning to show some of the ominous symptoms of the Weimar Republic in the twenties, in spite of the many differences between the two situations.

With all reserve, the present warning signals cannot be overlooked. The Government, indeed, is not doing so; it is trying to strengthen its power over the *Länder* in order to meet the danger at the outset. Dr Adenauer and his Minister of the Interior, Dr Lehr, have found it necessary to declare that there is now a threat to the constitution from the extremists on both sides, and that police action must be taken by the *Länder* at once. The *Bundestag* last week (April 26th) banned the Communist campaign for a referendum on the issue of a peace treaty in 1951—an obvious trick by which Moscow hoped to pose as the champion of German patriotic aspirations. The *Land* governments agreed to follow the Federal lead. And Dr Lehr has gone to Lower Saxony to induce that State to thwart the activities of the Nazis, notably the Socialist Reich Party, led by the Nazi "hero" ex-Major-General Remer and a new figure named Doris. The Federal Minister has almost no police of his own, and is dependent on the good will of the *Land* ministries as well as on the political opinion of the men in the local forces. He has complained at the way in which the police have hitherto failed to do their duty. The president of the *Bundestag*, Dr Ehlers, was insulted not long ago in a Lower Saxony town, by members of the Socialist Reich Party and the organisation of ex-officers known as the *Bruderschaft* (which incidentally has connections with pro-Russian military colleagues in the Soviet Zone). The Federal flag, they declared, was "the flag of the 1945 collapse and of crawling to foreigners." The Remer party's own election meetings reproduce the familiar Nazi atmosphere, with jackbooted guards, and cries of "Hang him!" echoing the orators' denunciations of Bonn politicians.

Confusion of Fronts

The political fronts, however, are not clear. This is largely owing to the "wait-and-see" attitude of the public, which is waiting to see whether Moscow or Washington is the winning side in the world. Some Nazi groups are purely anti-Communist and totalitarian. Among them is a group ("call us a movement") formed by an associate of the dissident Nazi, Otto Strasser. The "leader" of this body, Erwin Berner, is aided by a son of the ex-Kaiser and Princess Hermine, Prince Ferdinand von Schönaich-Carolath. It is typical of the confused alliances, however, that Otto Strasser's representatives in Western Germany, men named Giessen

and Fricke, have recently taken preparatory measures to form a party in the Ruhr which will, it is reported, maintain contact with the party of Dr Gereke. The latter was removed from the post of Agricultural Minister of Lower Saxony for negotiating with Moscow's envoy, Ulbricht, and is one of the leading advocates of an agreement with the Soviet Germans on unity. Various former Hitler Youth leaders and SS officers have joined groups with this line.

It is disquieting that, in Schleswig-Holstein, all the big parties which form the Bonn coalition government have proved too weak to stand alone. They have melted away into election pacts with local groups, including Remer's party. Altogether 200 "parties" contested the communal seats last Sunday. The politics of Schleswig-Holstein and Lower Saxony are dominated by the problem of the dispossessed, since the greater number of refugees, and, consequently, the greatest proportion of unemployed, are to be found in these two *Länder*. The state elections in Schleswig-Holstein last autumn brought the refugee party, the BHE (*Bund der Heimatvertriebenen und Entrechteten*), into a position of importance for the first time, and also made this *Land* the first to have an ex-member of the Nazi party as Premier, in the person of Dr Bartram of the Christian Democratic Union. Dr Bartram still thinks it was patriotic to support Hitler, and finds it an advantage that the Schleswig-Holstein Government now "consists of men who for twenty years have not left the political stage" and so "have never lost touch with practical realities."

Dr Adenauer himself has given up trying to find experienced democrats to fill all the posts in his new civil service. The backward trend has now gone so far that men who occupied positions of some importance under Hitler—careerists who cannot be excused like the "little men" who stayed in obscure jobs at the price of becoming nominal party members—are now back at their desks. In some cases, they are in more important positions than ever. Moreover, those civil servants who sacrificed their careers for their consciences now often find themselves unwanted "dug-outs" drawing lower pensions than their colleagues who "never left the political stage."

In general, the central government is being administered by men who are either inexperienced or else are unconvinced democrats: and all of them have gone through years which have undermined the old Prussian spirit of integrity. The country is, moreover, vastly over-governed by these officials. Owing to the decentralisation upon which the Americans and French insisted and which the Germans—except for the Socialists—willingly accepted, there are no less than eighty Federal and *Land* ministries for a population about equal to that of Britain.

But what of the best guardians of political democracy, the Social-Democrats? It is one of the most deplorable signs of the times that Dr Schumacher should be fighting the elections in Lower Saxony, and to a lesser extent in the Rhineland-Pfalz, on the Schuman Plan. After winning last autumn by denouncing rearmament, he finds it good tactics now to call the Plan a plot for enslaving Germans for fifty years to come. Dr Adenauer, aided by the French and the free trade unions of the west, has drawn the ground from under Dr Schumacher's feet by winning the German T.U.

Federation for the Plan. But the Federation is refraining from announcing its approval until after the elections next Sunday. It may therefore still be possible for the Social-Democrats to convince the Protestants of Lower Saxony that they are to be the victims of a Catholic conspiracy against their national, class and religious interests in the Saar and Ruhr.

Next Sunday will show whether Dr Schumacher can hope eventually to come to victory in Bonn on the strength of his slogans. In the meantime he has greatly embittered those Frenchmen who have been working for an understanding and strengthened the hand of M. Schuman's opponents. It was the right-wing coalition group, the *Deutsche Partei*, which was directly responsible for the fact that a placard bearing photographs of British tanks crushing crops in Lower Saxony was displayed last week in the hall of the *Bundeshaus*, while parliament disclaimed responsibility for the 1950-51 occupation costs; but Dr Schumacher's propaganda was indirectly to blame for this and other signs of hostility to the west.

The Camel Hair Curtain

THE camel hair curtain effectively prevents many tourists, business men and journalists from visiting Egypt and the Arab states. In addition, it provides a barrier through which news from these countries is intercepted before reaching the world outside; and news from London, Washington and the countries beyond the curtain is held up or even changed in tone before the Arabs are allowed to read it.

The curtain fell on the member states of the Arab League—Egypt, Jordan, Iraq and Syria, the Lebanon, Transjordan, Saudi Arabia and the Yemen—as the British Mandate for Palestine ended in May, 1948. Martial law was declared and a strict censorship imposed. In Egypt senior officers merely redrafted the proclamations issued by the British Army during the war. A press, telegraph and mail censorship was instituted which was based on the instructions drawn up by the Allied authorities in 1939. Censors were hastily collected from government offices and street cafés to control all English and French language, press and news agencies operating in Egypt; and as letters and books were also carefully censored, a large staff was needed. The results are only funny in retrospect. Telegrams were all handed by the Cable Company to a censor, after which, as the process was “blind,” no one knew what garbled message—if any—reached London, nor, indeed, what instructions were sent from London offices to their agents in Egypt. Cable addresses were forbidden and any name, however unlikely, which the censor thought to be Jewish caused the sender or receiver to be put on a list of suspects even if he escaped actual arrest. Few British correspondents attempted to report the war in Palestine because the only despatches the Egyptians allowed to be sent to the outside world were glowing accounts of the daily victories of the brave Egyptian army. No correspondents were allowed to go to the front.

The censors cut anything and everything that came their way. One senior British correspondent mentioned in a feature article that the Egyptian Prime Minister was born in a dusty and remote town of upper Egypt. The words dusty and remote were deleted because, as the censor explained on one of his rare public appearances, “Our towns are not dusty and to suggest a place is remote is an insult to the Egyptian State Railways.” A publication of the Royal Institute of International Affairs entitled “Land and Poverty in the Middle East” was banned. The official reason given was “because there is no poverty in Egypt.” History text books which mentioned Israel or the Jews were all banned and many hundreds destroyed. The air-mail edition of London newspapers were all delayed and any news item from the Middle East was torn out or the entire issue burned. *The Economist* was banned for many months because any form of criticism was forbidden.

For the traveller the dreary formalities which were necessary to obtain an exit visa took four or five days of concentrated effort in dirty overcrowded government offices. The visa was finally stamped in the passport only if the applicant had behaved as the Egyptian authorities required. Entry visas were even more difficult to obtain, and if the applicant was a Christian he had to produce a letter from a clergyman to confirm his statement of faith.

In Transjordan two gentlemen with but a slight knowledge of English were appointed as censors. One of them, unable to understand the telegrams handed to him but anxious to retain the extra pay received for his special work, crossed out with red pencil every other line of the telegrams. The second merely placed telegrams in the drawer of his desk for a week or two until all interest had faded. He then stamped them for transmission to London and New York. A censor operating in Damascus used to transmit the last page of a telegram and allow a few days to elapse before sending the first. In Beirut the censor's office was miles from the centre of the town and the censor, who was rarely in his office for more than two or three hours daily, could only speak French and Arabic. In quiet times he allowed business men and foreign correspondents to make their own translations, but at times of political crisis he referred everything to the Ministry of the Interior and messages were often delayed for days. Every Arab censor was guilty of changing messages, adding a glowing word of praise about their King or President and sometimes altering the sense of a despatch.

The Arabs through their lack of method, efficiency and common sense wore their friends down more quickly even than the Russians. It was exasperating to observe that the Tass correspondents in Cairo and Beirut always had their messages promptly passed by the censor: “We know the message will be sent by the Russian Legation radio if we don't pass it,” the censors said. Some censors could, of course, be bribed with money, others with whisky, but those who drank the whisky and burnt the message were common.

Camps in the Desert

Behind the camel hair curtain it is dangerous to disagree too strongly with the regime. The desert concentration camps of Egypt to which men and women said to be Jews, Communists or members of the Moslem Brotherhood are sent, bear some comparison with those of central Europe or the Soviet Union. Even in the small country of Jordan a few of the more violent members of the opposition have been taken to the waterless fortress of Bekir in the desert some two hundred miles away from the nearest human habitation. A truck brings food and water every week to the inhabitants, who can wander as they wish. They can never escape.

Although the Palestine war is over “the state of war with Israel” still exists and many of the inconveniences which were introduced as emergency measures are likely to remain permanently. Today it is easy to obtain an exit visa, but it is still a tedious and lengthy task to collect an entry visa. It is particularly stupid of the Egyptians who wish to boost their tourist industry, which was once so flourishing but has naturally suffered a most serious decline. The emergency laws were said to be retained to prevent Israeli agents entering Egypt, but several of these gentlemen retained their pre-Israeli passports and with nordic names and foreign passports several Israeli officials have enjoyed winter trips to Cairo. Letters and telegrams are still delayed by censorship and in Cairo there is a large warehouse packed full of old letters and parcels—a backlog that has piled up waiting for someone to censor.

Throughout the Middle East the local press is virtually controlled by the governments in power, which permits criticism according to their mood and their power. Naturally the more firmly they are established the less censorship they impose. In Egypt this control is serious,

as Cairo newspapers are technically well produced and they circulate throughout the whole area. At the moment the Egyptian Government allows comment and even mild criticism of themselves, but only flattering references may be made to the Palace. But Egyptian writers like to be abusive and editors find this form of journalism most popular and financially profitable and they praise Allah that there is always the British lion to bait. The Arab viewpoint is best illustrated by the following incident. An Englishman was delayed by the censor at Almarza Airport (Cairo) and as the Egyptian slowly scrutinised every paper in the brief case he protested by saying, “Please be quick, you have already delayed me three-quarters of an hour.” To this the Egyptian replied, “We have waited seventy years to keep an Englishman waiting three-quarters of an hour.”

Behind the camel hair curtain it is more difficult to collect accurate information than in a European or Christian country. The foreign correspondent knows that if he writes messages the local government really dislikes he will be expelled at a few hours' notice. Thus much of the news we read and to which we listen is coloured by censorship and distorted by omissions. But there is no doubt that, if the present restrictions were lifted and Americans and Englishmen could enjoy the freedom to work in the Arab countries that Arabs appreciate in the United States and England, relations between Moslems and Anglo-Saxons would improve. It is because truth is suppressed that sensationmongers, especially those who have no affection for the Arabs, write articles for the daily press and magazines which exaggerate Arab faults and weaknesses and omit their many virtues. The Arab peoples, like the Russians, must rely on the BBC and the Voice of America for news not only about the world but, more important, about themselves.

The French in Morocco—II

Economic and Financial Difficulties

[FROM OUR SPECIAL CORRESPONDENT]

THE drama of contemporary Morocco lies in the fact that the protecting power is too poor to undertake the massive economic development which all “undeveloped” peoples both need and demand. Thus France can do no more than preside over a small-scale European colonial expansion in a country which requires an injection of about 500 thousand million francs. “*C'est un bon petit boom du dix-neuvième*” said one happy settler in Casablanca and it certainly is. To the European visitor this kind of Indian summer of the good things of French colonial life hardly a thousand miles from Paris has indeed a kind of period charm; but as a pioneering venture in the mid-twentieth century it is pulled up short in its urban aspect by the social demands inseparable from the industrialisation of a native population, in its rural aspect by the impossibility of rapidly extending to the Moroccans the advantages which European capital has brought to the *colons*.

The French Morocco of today is, it must be admitted, something of a *tour de force*. It is startling enough to find the Moroccan economy held firmly within the monetary zone of a drastically impoverished *métropole*; when, into the bargain, the country is ruled directly by a consul who manages to dispense both with his own government and with the natives who would like to help him it is difficult not to render homage to “eternal France.” But the stark facts of economic life suggest how much more will have to be done if, during the rest of the century, Moroccan sentiment is not to be canalised into the stream of abstract propaganda for political self-determination.

General Juin's explosion of wrath in the Council of Government in December of last year was prompted by attacks on the policy of the administration in the general budget report presented by Si Ahmed Lyazidi, President of the Moroccan Federation of Chambers of Commerce, Industry and Artisanate. The main objections advanced by Lyazidi, who is a prominent member of the Istiqlal, were that a vast army of French functionaries ate up 80 per cent of the ordinary budget; that the corps of police was altogether excessive; that only 7 per cent of Moroccan children could go to school and that, at the present rate of population increase and with the present policy of the protectorate, the school problem would take a century to solve.

Grievances—and the Reply

The Budget report also claimed that there was in Morocco only one doctor for 45,000 inhabitants; making 200 doctors in the whole country against 14,000 policemen; that the Residency's housing policy was directed preponderantly towards building houses for the European immigrants into Morocco (the European population increased from 280,000 in 1939 to 420,000 in 1950); and that the 75 per cent of the Moroccan population which lived on the land had gained almost nothing from the Protectorate's technical services or from tertiary road-building, which was for the sole benefit of Europeans. (The only agricultural enterprise mentioned with favour by Si Ahmed Lyazidi was the abortive attempt at collectivisation and tractor farming in certain areas which was made by the *Direction de l'Agriculture* soon after the war with the aid of certain Communist-minded civil servants.) The Budget Report further complained of the unjust exonerations of Europeans from a differential tax, the *fellahs* paying nine-tenths of the *tertib* (the tax on agricultural production which provides two-fifths of the total of direct taxes) in spite of their relatively poor holdings. Finally Lyazidi objected to the taxes on the import of sugar, textiles and tea which fell on the poor masses of the Moroccan population.

To these and similar charges the Residency has replied partly by contesting the statistics, partly by the general affirmation that without the French the Moroccans would be in a very much worse plight than they are in at present; that, in fact, there would be no roads, no modern medicine, no irrigation, etc.; that Morocco was benefiting from the Marshall Plan funds which are channelled to Morocco through Paris (13 thousand million francs in 1950). As to fiscal policy as a whole, it is undoubtedly the policy of the Protectorate to attract capital from France, Belgium and Switzerland by keeping taxes low for immigrants. The entry of foreign capital is thus viewed as the only means of creating taxable revenue at a later date. Consequently there is really no question of soaking the *colons* immediately in order to finance more advanced social legislation.

The expansion of the economy to a point at which a large budget would be feasible will never, it seems, be done by the Saff sardine boom or the development of the phosphate mines. To achieve such a state of affairs American capital is necessary. But the Residency is very firm on the point that there is no economic possibility of a *grand boom américain* in Morocco, an opinion which reflects its shyness of letting American capital in for fear of the United States gaining too great a hold on the country. But without private investment by Americans it is hard to see how the little postwar boom can do more than exacerbate the incipient xenophobia of the natives and increase the influence of the Istiqlal. The flight of capital from France to Morocco has been greatly exaggerated by rumour. According to one official estimate it scarcely exceeded 17 thousand million francs in 1950 or about 0.7 per cent of the French budget of that year. This kind of economic expansion obviously cannot inaugurate a second phase in the French administration of Morocco; it can only provide a sanctuary for middle-aged French provincial businessmen for whom, as for the

English fox hunting community in Eire, *la vie est plus agréable là-bas*.

Taken together, the postwar influx of Europeans and the continued administrative aloofness of the French from the native population have made the Moroccans afraid that the Protectorate intends to go on protecting for ever; protecting not Morocco against external enemies but the French against the Moroccans. This inkling of a future submersion is a highly inflammable fuel. It is hard to leave Morocco without feeling that France should ideally stay there, but as things are will not be able to stay except by force. Hitherto the proud religious spirit of Islam has led the Moroccans to accept foreign domination as the will of Allah—in feudal south Morocco among the Berbers there still seems to be almost no strain between Moroccans and Europeans. But a further intensive settlement of Europeans in the Atlantic towns and the northern plain must surely stir up nationalism among the masses, who are beginning to come in to work in the towns. Should the French promise independence in the year 2000? Should they stonewall on the constitutional issue but at the same time do everything possible to bring technical education and all forms of amenities to the Moroccans?—“*pour les associer*,” as General de Gaulle says. Should they enlarge the Protectorate by associating with themselves in some way other European powers? Should they actively seek American economic aid? Only one thing is sure. They must do something new.

(Concluded)

China Behind the Korean Front

[FROM OUR HONGKONG CORRESPONDENT]

UNTIL recently, the Mao Tse-tung regime in China was mild, especially in the South; it stopped short of the all-out Communism applied in the Soviet Union. In the last few months there have, however, been marked changes, with some abandonment of the façade of “people’s government” and the pretence of a united front of all national interests. The swift and ruthless communisation of the whole country is now being imposed by dictation and terrorism.

Regional differences are, however, important. Manchuria and the Peking-Tientsin area are “mobilised” as the main war-bases for the present stage of the conflict. The remote northwest (Chinese Turkestan) is undergoing energetic, but necessarily long-term, development by the Russians themselves—a clear indication that they are planning for a more fundamental, and not yet imminent, phase of the conflict. The South is not on the same footing; it is less important industrially, and is still in an early stage of communisation. That process has, however, begun. In February the frontiers were closed, and trade, navigation and travel were controlled; new measures of conscription and thought control were applied. Meanwhile, the long awaited extension of the agrarian reform to the southern provinces took place. Mass trials and mass executions became the rule. This news is not an invention of counter-revolutionary propaganda; these proceedings are reported and praised in the Communist press, which counts thousands of persons liquidated, and urges the extension of the purge. It is officially decreed that “compassion” (*jen*) has no place in revolutionary thought, and must be totally eradicated.

It seems that an attack on the China coast—General MacArthur’s prescription—would not strike anywhere near the real centres of Communist power in China. And the step might alienate the sympathy of a large part of the population. At first sight, this moment of turmoil and

resentment might seem a good one in which to strike. But such a move would merely confirm the Communists’ contentions of American aggression, and lead to popular acceptance of their version of “national defence.”

No Welcome for Chiang

A few months ago the opinion was widely voiced that American troops would not be wholly unwelcome in Kwangtung Province, by reason of the general stagnation of the area under the Communists, who have concentrated on the development of the North. It is now seen that the paramountcy of Soviet interests in general, and the war situation in particular, must lead to the accentuation of this regional inequality; action against South China now would throw the blame on the “imperialist warmongers,” but later the animus will be against the Communists, and South China could be to Peking the sort of false asset that Italy was to Hitler.

It would be dangerous to underestimate the extent to which the Kuomintang faction is discredited in China. While sooner or later American forces might conceivably be welcomed there, few would seriously suggest that the welcome would extend to the former regime or its troops. General MacArthur’s demand for the immediate use of the 600,000 troops now in Formosa is the most dubious part of his calculations. Most Chinese and foreign observers of the civil war know that the Communists got their arms and equipment not so much from the Soviet Union, as from the American supplies they captured from the Nationalists; they fear that this process might largely be repeated. Moreover the unpopularity of the previous regime was so great that many are unwilling to believe that there can have been any progress in Formosa, despite loud claims and some evidence.

Meanwhile staggering blows have been struck in Korea. Some people anticipate an early Communist collapse on that front. Many consider that the Korean war is unpopular in China; the drain of good troops, and the sense of practical dependence on the Soviet Union are actively resented. The regime in its early days got credit for restoring the international dignity of China and winning serious consideration, and even fear, abroad. Negative results in Korea have since damped this ardour.

Denmark in the Second Round

[FROM OUR COPENHAGEN CORRESPONDENT]

ELECTIONS to minor second-rate constitutional assemblies are often a nuisance. For three to four months the elections for renewing only one-third of the Danish Upper House (*Landstinget*) which anyway in its present form is obsolete and rudimentary paralysed most political and economic activity in the country, at a time when quick action was needed. In November last year Parliament, as a preliminary, had put an extra £25 million on the taxpayers’ shoulders to meet the cost of new defence measures and, partly, the deficit on the balance of payments. But everybody knew that still more drastic cuts were necessary to meet the inflationary pressure and the foreign exchange deficit. Politicians enjoyed different views spoke openly about a threatening Stall delayed ruptcy like that of 1813. But because of unimporise packed tions, which politically could only be a straw in is piled up action was postponed for three months, while i balance of payments was deteriorating at the rate of virtually than one million kroner a day. A compromise has, however, now been concluded amongst the four big political power. Ceiling prices are to be set for grain. Butter and bacon the less are to be frozen, the Government’s subsidy for sugar prious,

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is to be reduced. Other measures are the compulsory saving of 200 million kroner (£10 million), a number of new domestic excise taxes, amounting to another 200 million kroner, and higher prices for public services.

Altogether, through the two sets of legislation, the purchasing power of the population has been reduced by about 1,000 million kroner (£50 million) a substantial amount, considering that the total State budget is about £125 million. The economic situation is, however, still not under control. In 1950 the deficit on the balance of trade with foreign countries doubled again, the total deficit being 750 million kroner. Marshall aid reduced this to half, but the financing of the remainder has drained Danish resources to the limit. Denmark is, therefore, facing the second phase of its reconstruction.

As more taxes are out of the question, the Government will have to attack the citizens' income through restriction of credit. This can largely be done administratively through reducing public works and cutting state support for house building. An increase of the National Bank's discount (5 per cent since November, 1950) is not contemplated but another technical financial method, a revaluation of the krone by up to 12 per cent, is being sponsored by the Conservatives, one of the two government parties, and by industry. The Liberal Agrarians, however, who head the Government, oppose the idea; under it the farmers would get less money for their exports.

Complaints Against Britain

Considerable bad feeling has indeed been voiced recently against the British Ministry of Food. The Ministry's spokesmen have constantly maintained during trade negotiations that they could see no reason for increasing the prices paid for Danish bacon, butter, and eggs, as the profitability of Danish agriculture was still very satisfactory and as present prices evidently had encouraged increased production. This has been true so far, principally owing to extraordinarily good harvests. But today the situation has changed. Denmark's farming industry is exporting to Great Britain for sterling but has to pay for its imports in dollars. Bacon production may be taken as an example. In December, 1950, the price of feed grain was 45-50 kroner, today it is 78 kroner. Under these circumstances, as the president of the Danish Producers' Association, Mr Clausen, recently said, "it is very poor business indeed" to feed pigs on imported grain, if the British Government is unwilling to increase the price beyond the 5½ per cent extra it gave in December.

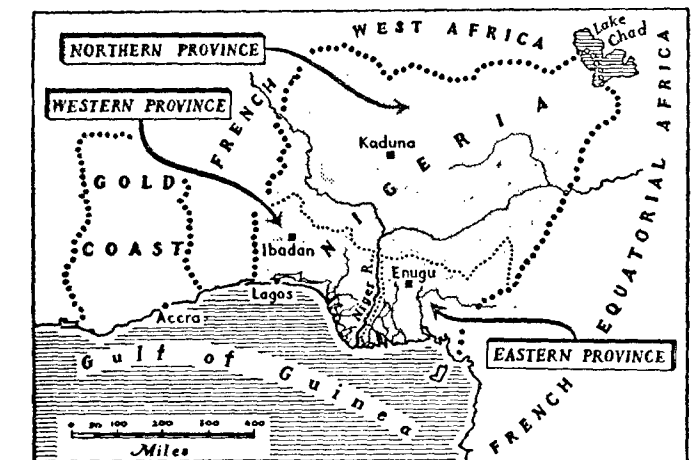
Denmark is delivering 60 per cent of Britain's total imports of bacon, but it can now be seen that there will be a severe reduction in the exports of bacon at the end of this year. The farmers have already delivered many porkers to the factories. The long-term agreement with Britain, which expires at the end of September, 1952, does not oblige the Danes to export a certain quantity, but only says that they must sell Great Britain 90 per cent of their surplus bacon. Denmark rejoiced when it heard that Great Britain could abstain from taking any more Marshall aid, but commentators added bitterly that Denmark is doing a lot to foot the bill.

Denmark has in fact bound its whole economy to Britain. Although agricultural products no longer make up all its exports—one-third are now industrial—its whole economy is based on long-term contracts with Britain, which probably were sound before devaluation and the Korean war. The Danes are worried because they now have to fight for the 7½ per cent increase in prices which the long-term agreements provided for while they have to pay the much higher prices prevailing in the world markets for imports of coal, steel, feeding stuffs, manufactured goods, and so forth. Even then they cannot get their usual imports of coal from Britain, but have to go as far away as India to get their scanty supplies.

Towards the Birth of a Nigerian Nation

AFTER the Gold Coast—Nigeria. Plans are now speeding forward for the holding of the first nation-wide general elections in the summer; the new constitution is to be introduced at the end of the year. An Order-in-Council has been published empowering the Governor to compile a voters' roll and to make the final electoral arrangements. But although Nigeria is to undergo political changes no less radical than those in the Gold Coast, there is unlikely to be the same excitement about them. For this huge country—four times the size of Britain and with a population of over 25 million (no one knows the exact number) is to have a federal constitution. The first elections will be for three separate Houses of Assembly for the three main regions—North, West and East. Dignified buildings are already being erected in Kaduna, Ibadan and Enugu. Later the central House of Representatives in Lagos will be constituted.

The elections in the regions will be indirect. Each province or division will in the first instance choose an electoral college, and these in turn will select the members of the Regional Houses of Assembly. The Regional Houses, in their turn, will elect the members of the House of Repre-



sentatives. This combination of federalism and indirect elections will obviously cut across straightforward party politics, and it is next to impossible that any one leader or any one party should gain the sweeping successes, and the limelight of world publicity, which has been achieved by Kwame Nkrumah in the Gold Coast. Each of the regions is inhabited by nations or tribes distinct in origin, social structure, race and language—each nursing a certain suspicion against the others—and there is no individual politician who can command much support or enthusiasm outside his own area. In Lagos, the capital, with its mixture of persons from all parts, party politics undoubtedly flourish, but Lagos has been incorporated in the Western region, albeit with special representation, and must work through the Western House of Assembly.

Yet Nigerians, as such, will have the dominating voice in the new political framework. The House of Representatives will be composed of 148 members, of whom 136 will be elected Nigerians—the remaining 12 being officials and commercial representatives. The executive body is to be a Council of 18 Ministers, drawn from the House of Representatives, and consisting of 12 Nigerians (four from each region) and six officials. This Council will decide all matters of policy, introduce legislation to the House and prepare the annual budget. Under the new ministerial system, individual ministers will have portfolios and answer for their subject in the House of Representatives.

The formulation of this constitution has involved a complicated process of consultation with Nigerians, right down to the village level. In each region different demands were made, with the result that each regional legislature will be composed and elected in a different way—in the North and West there are to be two chambers (a House of Chiefs as well as a House of Assembly), but in the East, where the institution of chieftainship is undeveloped there will be only one. The greatest problems were, however, encountered when it came to finding a compromise between the three regions on the central legislature and executive. The North, with half the population of Nigeria, demanded half the seats in the House of Representatives, and eventually won its way, though only by agreeing to have no more than a third of the unofficial seats in the Council of Ministers. It also claimed that half the budget should be devoted to its needs—a special committee, which has not yet reported, has had to grapple with this difficult matter. No less delicate issues were involved when it came to separating off the subjects on which the Regional Houses would be empowered to legislate from the powers of the centre, but a division has now been agreed upon.

If this complex structure can stand the strain of regional antipathies, loyalties to the chiefs and nationalist ambitions, the achievement will be extraordinary. It is an attempt, among a preponderantly illiterate and widely diverse population, to bring together all elements in the founding of a new nation.

Soviet Foreign Trade

[BY A CORRESPONDENT]

THE immense difficulty of obtaining reliable statistics, upon which conclusions of some value could perhaps be based, is well known to all who have made any attempt to study the Soviet Union's economic relations with foreign countries. Since 1939 the Soviet authorities have stopped publication both of statistical reports on foreign trade and also of total figures of turnover; and the disclosure of any unpublished information is treated as a matter of high treason. But a recently issued report on "The Economic Relations of the U.S.S.R. with foreign countries during the war and the postwar period," by B. H. Kerblay*, summarises the results of what has evidently been a careful and scholarly piece of research on such evidence as exists.

During the war years the various Lease-Lend agreements enabled the Soviet Union to maintain a very adverse trade balance; but the cessation of these agreements in 1945, coupled with the Soviet Union's greatly reduced ability to export, suddenly curtailed supplies from the West. It was clear that large-scale foreign trade would be possible only if fresh credits could be obtained to replace those which had been provided for the war period. At one time the support which the Soviet Government had given to the negotiations for the creation of the International Monetary Fund and the International Bank for Reconstruction and Development encouraged the belief that the USSR might benefit by way of a considerable annual credit. The possibility of fruitful collaboration between East and West did not seem so utterly remote in 1946: indeed, in that year the Soviet press was pointing out the great benefits which American assistance would confer upon European countries. However, the fundamental incompatibility of Soviet and western aims put an end to all hope of genuinely flourishing trade relations. It is true that, in spite of all obstacles, a certain amount of business has continued to pass between the Soviet Union and West European countries. Switzerland, for instance, has to some extent attempted to profit by Germany's collapse by creating a new market for itself in Russia; and Britain has imported grain and raw materials from there, with a view to conserving

* Published as Bulletin 5 on Soviet Economic Development by the Department of Economics and Institutions of the USSR, Faculty of Commerce and Social Science, University of Birmingham.

dollar reserves. But, in general, the Soviet trade relationship with the West is stagnant, and it is difficult to envisage circumstances in which it might revive.

The Soviet Union's dealings with East European countries are, of course, a very different story, and they are probably the most interesting aspect of Soviet foreign trade relationships; but, in view of the prevailing political circumstances, it is perhaps doubtful whether the word "foreign" is really applicable. East German exports to the Soviet Union, which, in 1947, represented only 1 per cent of the Soviet Zone's total exports, rose to 42 per cent in 1948, while imports from the Soviet Union occupied 34 per cent of the total in the same year. According to an agreement signed in April, 1950, a further 35 per cent increase in trade was envisaged.

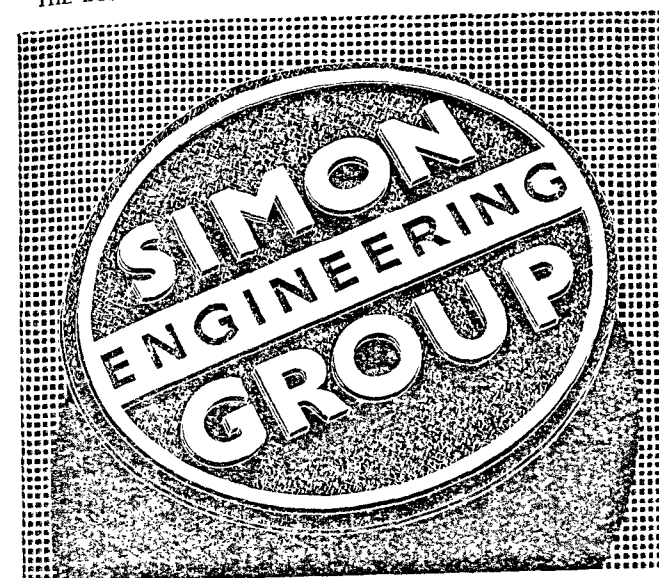
Mr Kerblay points out that, in proportion as the Soviet Union's economic interests have extended beyond its own frontiers into the territories of its East European neighbours, so has its foreign trade ceased to be simply an expression of its own needs, as was the case before the war, and has become an expression of the needs of a vast economic zone, in which the Soviet Union plays, in certain respects, the role of a central exchange. Such extensive economic co-operation has naturally transformed the functions of the Soviet foreign trade monopoly: instead of being, as formerly, an instrument for protecting a single economic system, it is now an instrument for the integral planning of several related economies.

De Gaulle and the Elections

[FROM OUR PARIS CORRESPONDENT]

GENERAL DE GAULLE's pre-election speech on May 1st in the Bois de Boulogne added little to the political philosophy he has repeatedly expressed during the past four years. It now only remains for the nation to decide whether his prescription for the cure of the French body politic is really what the doctor ordered. This time, however, as recently at Rheims, the General threw a bouquet to certain unnamed leaders of *Les Parties* "who made their glorious contribution in the struggle for the fatherland and liberty," thereby showing his intention to win over, after the election, a great number of deputies elected on other tickets. Thus the tactics of the RPF are to be philosophically exclusive before the vote and politically inclusive after it; first to *rassembler le peuple* and later *rassembler* the remains of the party politicians. The General ended with the words "when the people have spoken I will make a rendezvous with them and inaugurate the enterprise. Where? Why? In the Champs Elysées." At the same time de Gaulle has asked the nation to send him postcards at his home in Lorraine and make suggestions as to how "France should be governed, served and made to prosper." It is this type of utterance, with the tendency towards the use of referenda, which, if the press is any guide, continues to cause a certain anxiety in the nation. It does not want the coach and four driven through even so poor a thing as the Fourth Republic.

If the RPF get a big vote and manages to win the allegiance of a large group of Radicals it is possible that the new parliament will show a stable majority in face of an unstable opposition of Communists and a few score Socialists and MRP—the reverse of the dying house. Much would then depend upon the successful government's attitude to the Communists—who are, of course, longing for a large Gaullist representation. Were the RPF to undertake large-scale repression of Communism as such, disorders would certainly result. The need to push ahead with the defence of the country is vital, but at the same time the population must be nursed out of its indifference and distrust of the Centre—a change so important for the public finances among other things. De Gaulle may be the rallying point but much political wisdom will have to be exercised by his party, otherwise M. Queuille, the Moderate, will be greatly lamented.

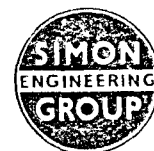


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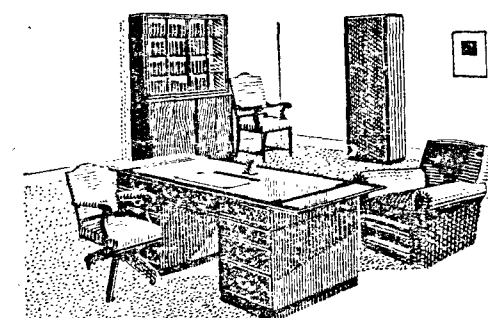
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THE BUSINESS WORLD

The Case for Monetary Policy—I

The Budget not Enough

IN one sentence of his budget speech, Mr Gaitskell went further towards admitting the case for higher interest rates than any Chancellor of the Exchequer has done for many years. "The recent rise in interest rates," he conceded, "may also exercise some check on investment." The market has taken this to mean that, despite the advent of a quasi-war economy, the Chancellor has no intention of adopting wartime techniques of interest rate management or of abandoning the policy pursued since the collapse of the Daltonian experiment in ultra-cheap money. In other words, the authorities will continue to allow "natural" forces to exert their effect on gilt-edged values, and will not be prepared to create credit merely with the object of trying to resist any fundamental trend in the market. Given this prudent aloofness and given, too, the prospect of rising inflationary pressure, it seems certain that the long-term trend of interest rates will continue to be upwards.

There is no sign, however, that Mr Gaitskell has any intention of deliberately encouraging their rise. On the contrary, even in the budget speech he declared that "other measures" besides the "recent rise" in rates would be necessary to check investment—these "other measures" being next year's withdrawal of the initial allowances, the issue of further instructions to the Capital Issues Committee, and a new appeal to the banks. It is significant that when Mr Gaitskell speaks of "restraint in credit policy," he means restraint, not by the monetary authorities in the classical manner, but restraint by the commercial banks—in pursuance of a "qualitative" directive that makes the very opposite approach to that of discipline by the interest rate. It is precisely because the interest rate is eschewed as a deliberate weapon that the system of priorities and directives is needed.

Later in the budget debate the Chancellor showed his standpoint more clearly still. He challenged members of the Opposition to show how a more vigorous use of monetary policy could bring down prices, claiming that it would not do so

unless it was pushed so far that it created losses and unemployment. That is our argument. I cannot see that if we were to tighten credit further we should have any perceptible effect on the price of wool, on the price of rubber, on the price of tin. As a matter of fact, the probable consequence of doing that would be that we should make our own merchants unable to buy the goods.

This leaves little room for doubt about the Chancellor's attitude. But although there are elements of truth in his contention, it still begs the real question—which is not whether a tighter monetary policy in Britain could reverse the rise in world primary prices, but whether it could assist him to resist inflation at home. An increasing number of expert observers, both in the City and

among professional economists, are convinced that it could and indeed that it is only by this means that the inflation can be kept within reasonable bounds.

It is common ground that a really tough deflationary policy would provoke an increase in unemployment, whether it were pursued by budgetary or by monetary means. It is clear, too, that if an attempt were made to push deflation to the point at which the rise in import costs might be absorbed without any considerable rise in the domestic price level, the resulting unemployment might be very heavy indeed. But this is not the object of the advocates of tighter money, any more than it is the Chancellor's object. The purpose of both is to ensure that the rise in domestic prices that is resulting from the rise in import costs shall not have superimposed upon it an inflationary rise resulting from an excess of monetary demand at home; though both will hope that any measures designed to extinguish that excess demand may make some contribution (though perhaps only a slight one) towards relieving the pressure on world commodity markets as well. The Chancellor approaches this problem exclusively from the budgetary side; but the fact that a budgetary deflation based on a "true" surplus of, say, £500 million might provoke severe unemployment does not deter him from pursuing budgetary disinflation by a much smaller surplus. Similarly, the fact that a credit contraction consonant with a long-term interest rate of, say, 5 per cent or more might be dangerously severe is no logical ground for refusing to pursue disinflation by a much milder degree of credit contraction. The difference in both cases is one of degree. Restraint by monetary policy is not, in principle, any more antagonistic to employment than is restraint by budgetary policy.

On these supposedly "social" grounds there is not, therefore, any logical reason for pursuing the one policy and rejecting the other. On the contrary, the advocates of monetary restraint find genuine social grounds for urging that both policies should be pursued simultaneously—because budgetary policy alone is unlikely to suffice and because a failure to keep inflation within bounds will jeopardise both the defence programme and the level of employment, will cut the standard of living of the masses more severely than it need be cut, and will unjustly erode still further the worth of all social payments, private pensions and life assurance, and all fixed incomes. Believers in the efficacy of monetary policy do not suggest that it should take the place of disinflationary budgeting. Since monetary restraint perforce exerts its main impact on the private sector of the economy, any such suggestion might imply that the private sector (and especially industrial investment) should accept disproportionately severe cuts in order that

Government spending should escape correspondingly lightly, which would be quite unacceptable.

Since the budget, Mr Gaitskell has in effect conceded the first stage in this argument. He emphasised last week-end that if production fails to rise this year by the officially assumed 4 per cent, a still tougher budget will be needed; yet he is very conscious of the difficulties of raising taxation. His critics believe that, even if the output target were to be achieved, the budget would still be insufficient to repel inflation, because his tax measures will not exert as large a disinflationary effect as he assumed. The general level of taxation has long passed the point of diminishing returns; the effect of any addition is increasingly frustrated by repercussions on private savings, on consumption of high-taxed commodities and on output. The full efficacy of the budgetary weapon of disinflation can be restored only by substantial retrenchment in Government spending—and Mr Gaitskell professes to believe that there is no scope for anything more than marginal economies. Given such a policy, the persistence of an inflationary gap appears inevitable even on sanguine assumptions about output, and it is likely to widen throughout the rearmament phase. It will certainly be much more dangerous, in any case, than in recent years, because the virtual collapse of the wage-stabilisation policy means that any given inflationary pressure will produce a spiral movement much more rapidly.

★

For all these reasons, there is urgent need to reinforce the budgetary effort at disinflation; and it is foolish to refuse, for merely doctrinaire reasons, to bring monetary policy to its aid. Opponents of this policy generally assume that it could achieve nothing unless it produced a sudden plunge into really dear money. They agree that an interest structure related to a Bank rate of, say, 6 per cent or more really would check demand, and yet deny that a rise in rates by $\frac{1}{2}$ per cent or even 1 per cent would have any effect at all. Their technique of argument generally resembles Mr Gaitskell's when denying the scope for retrenchment: "Tell us," they say, "any single project that would be held back or diminished at a time of full employment by a moderate rise in the cost of borrowing." Many definable projects could in fact be instanced as vulnerable to a rise in interest rates—notably, for example, the more ambitious of the longer term projects of the British Electricity Authority and, of course, housing, if interest rates were to be allowed to reflect themselves properly in the level of rents (though in this case the benefit would probably be reaped not so much by a contraction in the volume of housing as by greater economy in its use and by maintenance or conversion of properties that are now being allowed to decay). The opponents of monetary policy may retort that these are precisely the kind of projects that, for "social" reasons, they desire to keep immune from any effort at disinflation. If Government and Parliament accepted this view, they could still devise ways of keeping them immune—with the added advantage that, if a rational rate of interest figured in their costs, the nation would clearly see precisely how large a price it was paying (in terms of Government subsidy) for its decision to prefer allegedly "social" tests to economic tests of the optimum outlay of national resources.

The proper reply to those who deny the effectiveness

of interest rates is not, however, to cite instances in which they would be effective; on the contrary, it is to point out that it is precisely because no one can possibly know and catalogue the manifold instances, and neatly classify them in degrees of vulnerability, that the sifting function of a variable interest rate cannot be duplicated by a planning mechanism. Such a mechanism, if operated by a physical licensing system of sufficiently great complexity, might conceivably succeed in exerting a sufficient restraint upon total demand; but, if it did succeed, it would be at the cost of intolerable frictions, wastages and anomalies. A variable interest rate, like any other price mechanism, sifts automatically a virtually infinite number of marginal and near marginal demands, and discriminatingly grades the remainder according to economic "priorities" established naturally in the market-place. In particular, it provides an objective calculus of the relative worth of short-term and long-term projects. In the eyes of doctrinaire critics, the strongest condemnation of it is that it is "blind." That, in a sense, is its virtue; but if it is admitted that "social" priorities must be distinguished from economic tests, the sifting process of variable rates can still be combined with the planning mechanism—helping to reduce its anomalies and dealing with the innumerable demands that are physically beyond its compass.

A defence of interest rates on these classical grounds alone is perhaps unlikely to convince the confirmed sceptics. They appear to regard the demand for finance as infinitely inelastic—at all events at moderate levels of interest rates. Is it really to be supposed, however, that if the average rate charged on bank advances and by the building societies and insurance companies, and the rate effectively paid by a seller of gilt-edged were one half to one per cent higher, the volume of finance through these channels would be precisely the same? Even Mr Gaitskell does not believe that, because he fears that tighter money might make it impossible for "our merchants" to buy expensive and scarce raw materials. The very object, however, of any disinflation policy, whether budgetary or monetary, is to make marginal buyers unable or less able to exert their demand, especially for the scarcest materials, in order that there shall be a better supply for those catering for more essential needs and more assured markets. This is in principle the purpose both of the Government's budgetary policy and of its physical controls; and it is absurd to suppose that the process of curtailing marginal demand is right and proper when pursued by these methods yet dangerous when pursued by monetary policy.

The truth is that either policy might work dangerously or unconscionably if pushed to extremes; and the more it is desired to secure effective but not over-drastic disinflation, the more necessary is it to apply both policies in parallel. Provided that it were linked to a reasonable degree of budgetary restraint, a policy of monetary restraint could unquestionably give very valuable aid—even though it was never pushed to the point at which it would create a larger volume of temporary unemployment than the Government is at present prepared to countenance. A second article will suggest the kind of monetary policy required on this assumption—without prejudice to the much wider question whether the arms programme can in any case be achieved without some inflation unless the volume of transitional unemployment rises from time to time above its present level.

Taxation and Profits

AMID all the excitement about half charges for dentures and spectacles, one aspect of the recent Budget seems to have gone almost unnoticed. This is the new dependence upon company profits as a source of tax revenue. In this, there is an admission and an assumption—the admission, that other taxes have reached their point of maximum return with no further room for exploitation, and the assumption that there is a strong case in terms of social justice that the cost of rearmament should be charged on business profits. The Economic Secretary's contribution to the Budget debate three weeks ago laid great stress on this argument. Indeed, Mr Jay proved to his own satisfaction the general benefit that could be expected to flow from the raising of the profits tax to 50 per cent—profits would be high enough to pay shareholders the same dividends as last year, plus the increased profits tax and to put to reserve sufficient "to cover the whole of the higher valuation of commodity stocks." He pursued these ideas in a general proposition:—

I suggest that if there is one really outstanding economic lesson of these last five years, it is that taxation on profits can be pushed to much higher levels than were once thought possible, without any of those evil consequences that many people . . . used to predict.

Thus are the automatic fruits of inflation, bred by errors of economic policy, harvested to nourish the present purposes of the Government. In this dialectic, there is no admission of the drain upon industry's fixed and circulating capital caused by the heavy taxation of unnaturally inflated profits. "The evil consequences" are not plain to see; they are the things that are not done—the depreciation provision that falls short of what is needed, the drain on current savings that should be devoted to new enterprises but instead are used up merely to keep existing capital assets in being. A recent inquiry by the Federation of British Industries based on a sample of 90 companies with £1,000 million of assets, suggests that in real terms their physical assets were slightly lower in 1949 than in 1938—and much lower in relation to turnover. This may not seem a calamity, but it is a challenge to the easy assumption that the present physical stuff of industry, after the tax collector has taken his toll of that part of it that accountancy conventions allow to be dressed up as "profits" year by year, can be relied upon to furnish an automatic increase in productivity and output so that the damage can be hidden.

It will be more than ever necessary to keep these doubts in mind this year. All the pointers suggest a year of bumper profits—on paper. The Stock Exchange sees no other prospect before it; planners and Ministers have assumed a profits boom as one ingredient of their financial policy, forgetting that it is also largely a consequence of financial and economic policy in the past; industry is of a mind to distribute rather higher dividends where it reasonably can and not to make too much of the extra cost of profits tax in absorbing resources that would otherwise be put to reserve, and in this it is being aided and abetted by the Chancellor and his colleagues. This would be a perfect situation but for one fact—that these claims upon business profits will be met only by making further depredations on the real

substance of industry's resources. Every argument about the money figures for profits and dividends ought to be concerned, not with the peculiar new school of public morals that holds that "profits are a very good thing in the right place and in the right amount" but with the real nature of the processes that make them as high as they are—the weakened forces of competition, the conventional methods by which they are measured, the patent inadequacy of provisions for replacement of assets, the paper increases that reflect rising prices of stocks that have to be replaced at higher cost.

PROFITS, PROVISIONS AND DEPRECIATION
(£'000)

	Reports Published Jan.-Mar., 1951		Reports Published Apr., 1950-Mar., 1951	
	542 Companies		2,691 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	186,492	214,996	1,076,174	1,182,763
Income from investments	21,010	20,239	80,286	82,119
Other current income	404	409	9,006	8,188
Non-recurring credits	4,923	6,526	38,630	47,863
Total income	213,319	242,170	1,204,096	1,320,933
Repairs and maintenance	1,089	1,198	8,121	9,085
Depreciation	21,493	24,518	151,842	182,754
Income tax (excl. profits tax)	62,992	71,187	263,590	391,513
Profits tax	22,718	26,145	117,409	129,191
Directors' emoluments	8,743	9,434	39,675	41,914
Administration charges, etc.	7,523	8,934	31,975	35,268
Contingencies, provisions, etc.	23,132	19,870	97,204	95,324
Pensions	2,087	1,842	17,715	16,868
Minority share in profits	1,093	1,493	15,132	17,006
Profits retained by subsidiaries	10,530	11,416	63,421	63,362
Deferred interest	6,240	5,807	21,638	23,463
Preference dividends	6,974	6,756	34,238	34,407
Ordinary dividends	27,854	31,442	128,246	136,450
Revenue reserves	13,240	16,624	88,885	97,901
Brought in (parent company)	43,507	42,718	196,178	221,163
Carried forward (parent company)	42,718	49,222	221,183	247,610

NET WORTH EARNINGS AND DIVIDENDS
542 COMPANIES REPORTING JANUARY-MARCH, 1951

	Preceding Year	Latest Year
	£ Million	£ Million
Issued ordinary capital	504.9	308.0
Real equity or net worth (i.e. net assets after deducting liabilities and prior charges)	697.7	733.4
Ordinary earnings*	50.1	66.0
Ordinary dividends†	27.9	31.4
Earnings rate per cent. :—		
On issued capital	33.6	38.4
On net worth	14.7	16.1
Dividend rates per cent. :—		
On issued capital	16.6	18.5
On net worth	7.3	7.8

* Including amounts retained by subsidiaries and after taxation. † After tax.

These are a few of the considerations that should be kept in mind this year as the profits boom proceeds—for there is little likelihood that it will stop. Certainly in the company accounts published in the first quarter of this year there is every sign of boom and the second quarter's figures, when they appear, will show a further increase. The accompanying table summarises the first quarter reports; detailed figures with the usual analysis by industry appear in this week's issue of the *Records and Statistics Supplement*. The gross trading profits of 542 companies whose reports appeared between January

and March show an increase of 15½ per cent, from £186½ million to £215 million; the previous quarter's companies had shown an increase of 18 per cent. The total income of the first quarter companies was nearly £30 million higher at £242.2 million. Of this increase £3 million extra was set aside for depreciation reserve, taxation absorbed nearly £12 million, reserves (including in many cases amounts set aside for extra depreciation) were increased by £11 million and ordinary shareholders received dividends increased to the extent of £3½ million net. The increase in the previous quarter was just over £2 million net. It is a little difficult to understand what all the fuss about increased dividends amounts to when sums of a few million pounds only are at stake. The National Income White Paper put the increase in "dividends and interest" at £24 million, from £803 million to £827 million; this includes debenture interest and preference dividends, both of which have shown some tendency to increase, and it is a gross figure equivalent to about £13 million after tax is deducted. The same document showed that wages

and salaries, after provision for taxes, rose last year by £377 million.

It is old-fashioned to argue that the shareholder deserves something better than a penny for every two-pence that the Chancellor now collects in taxation on his profits. His fate, in the view of those who believe that a healthy and expanding economy needs no assistance from personal savings, is a matter of indifference. But even if this is true, the fate of industry's capital resources is of the highest importance. There is a limit, as Mr Jay has recently acknowledged, beyond which taxation on profits cannot be pushed without doing damage to the economy. The Economic Secretary did not attempt to say where the limit should be put, and the Chancellor, by removing the initial allowances next year, has conveyed the impression that in his view the limit is a long way off. This is against all the advice and experience of industry, and the danger is that this year profits will give the appearance of the limitless cruse, to be tapped at will without risk to the lifeblood of industry.

Business Notes

Barbed Wire for the Ring Fence

Mr Gaitskell's budget eschewed new taxes, and changed existing taxes in ways that are simply understood—6d. on the income tax, and the total suspension of the initial allowances, for examples. Interest in the Finance Bill is thus largely concentrated on the details of the measures heralded in the budget speech, particularly those to circumvent the avoidance of Profits Tax. The Bill includes one obnoxious feature about which the Chancellor was silent in his speech, namely the clause that seeks power to obtain information from banks and other financial institutions about interest paid gross to individuals; this is criticised in a following note.

On the "avoidance clauses" the broad conclusion is inescapable; they are widely and indeed harshly drawn, and if they succeed in their object, which is doubtful, it will be by virtue of a further incursion of administrative decision instead of clear law-making and by erecting further barriers to the free movement of capital. In other words, Clauses 28 and 32, as they stand, confess the consequences of driving taxation to the very limit. The first resurrects the old and objectionably wide formulas used in the hope of preventing avoidance of EPT; the Commissioners, being of the opinion

that the main purpose or one of the main purposes for which any transaction . . . was effected was the avoidance or reduction of liability to the profits tax

may make "such adjustments as they consider appropriate." It is true that there is appeal to the Special Commissioners, but the clause as it stands opens the door far too widely to administrative decision. Of Clause 32, it can only be said that it is wholly incompatible with the idea that London is the financial centre of the world or that Britain is a satisfactory place to which new capital can be brought. No company can cease to be resident in the United Kingdom, or transfer its business to a non-resident, or allow an overseas subsidiary to raise capital, or transfer shares in an overseas subsidiary, without Treasury consent. These acts become unlawful, on the ground that they conduce to avoidance of income tax and profits tax. Similarly, any person

who does or is a party to the doing of any act which to his knowledge amounts to or results in, or forms part of a series of acts which together amount to, or result in, or will amount to or result in

something that is so unlawful will in the absence of proof

to the contrary be liable to imprisonment for up to two years and/or to a fine not exceeding ten thousand pounds.

Thus, the Government seeks to add another stretch of barbed wire to the fence erected by the Exchange Control Act. The precise legal force of that Act and the need in particular for Treasury consent to the transfer of residence of companies (as, for example, in the recent cases of Rhokana and Rhodesian Anglo-American) has been a matter of argument among lawyers; the Finance Bill seeks to establish, on quite different grounds of loss of taxable capacity, a barrier to the movement of capital and enterprise. The price of success in this endeavour will be high, for to the extent that the Clause succeeds in keeping within this country what is already here, it will certainly deter new capital from coming at all.

Capital Bonuses and Profits Tax

Clause 28 of the Finance Bill provides that where there has been a bonus issue of capital at any time after April 6th, 1949 (it is hard to assess the significance of the date except that it is retrospective), any subsequent capital reduction will be treated as a distribution for purposes of the Profits Tax. Similar provisions apply where the reduction comes first and the capital is later increased by a bonus issue. In both cases the amount of the distribution is limited to the lesser of the amounts applied in increasing or reducing the capital, and loan capital is covered equally with share capital except for loan capital subscribed in cash. The clause will apply only where the sum capitalised could have been utilised in making a "distribution" under existing rules. Hitherto, although the law has not been specific on the point, reductions of capital have not been treated as distributions and this has led some concerns to attempt to avoid the higher rate of tax chargeable on distributions by capitalising reserves and then, sometimes almost contemporaneously, having a capital reduction. Such attempts might be frustrated by the decision in the recent Scottish case of *In re A and D Fraser Ltd.* in which the Court of Session refused to confirm a reduction of capital on the ground that it was a transaction to avoid taxation. This, however, was a Companies Act case and the Revenue are clearly taking no chances.

The consequences of the new clause, however, extend

beyond the prevention of avoidance. Profits Tax is now charged at the rate of 50 per cent, relief being given at 40 per cent on the excess of the chargeable profits over the distributions to members. The total of this non-distribution relief represents the maximum additional profits tax that will become payable if in any year distributions exceed the chargeable profits; as the years pass this quantum of relief becomes greater, and its possible withdrawal is a more serious danger. It must be remembered also that non-distribution relief arises not only when profits are withheld from distribution but also where they are paid to non-resident corporations holding control. The expression "distribution" already covers much more than dividends paid out of profits earned since the beginning of 1947: it includes dividends paid out of balances of profits of earlier periods, distributions of capital profits and, in the case of director controlled companies, certain remuneration or loans paid to controlling directors. Now it is to be wider still.

* * *

Effect on Redeemable Preference Shares

If after April 6, 1949, a company makes a bonus issue out of reserves that would otherwise have been distributable, and also redeems redeemable preference shares, the amount applied in such redemption will be treated as a distribution and the rate of profits will be fixed accordingly. This week's Monsanto Chemical issues, in which a bonus issue of ordinary shares was followed by a cash issue of redeemable preference shares, will presumably not be affected, even when (and if) the preference shares are redeemed, since the bonus issue was made by the capitalisation of the share premium account, which would not appear to be a distributable sum. But many other companies that in the past issued redeemable preference shares on mandatory redemption terms, and that have made bonus issues in the last two years, or make them in the future, will find themselves faced with heavy additional liabilities, which may amount to as much as 40 per cent of the amount capitalised or applied in redemption. It is not clear from the Bill whether any premium on redemption would be treated as a distribution.

Thus the clause is a further blow at redeemable preference shares, which can be a very useful form of capitalisation where there are expectations that, given time, profits can be ploughed back to provide permanent finance. It is true that no distribution will result from the redemption unless there is, at some time or other, a bonus issue, but this would involve an act of abnegation that should not be required: after all it is often necessary to tie up free reserves in the form of a bonus issue before further cash capital can be obtained. The clause does not appear to affect companies that make bonus issues of capital without there being any likelihood of reductions of capital in the future.

Up to the present only a few enlightened companies have disclosed the amount of non-distribution relief they have received. Such relief merges with the free reserves and would not normally be drawn upon. But the hazards are increasing and reserves are not really free if on a distribution part would be payable, not to the members, but to the tax-collector.

* * *

Breach of Banking Secrecy

Much concern has been aroused in banking circles at the proposal in the Finance Bill to empower the tax authorities to demand from the banks returns of all interest payments made or credited, without deduction of tax, for amounts of £15 or more in any specified year, and the names and addresses of the individual recipients. The traditional principle that a banker's dealings with his customers shall be strictly confidential has always been guarded as jealously as

though it were one of the essential freedoms—and, indeed, it can well be argued that it is. If bank accounts were open to scrutiny by Government officials at will, the door to the police state would be opened very wide indeed. In the past, governments have respected this principle; in particular, it was carefully and deliberately preserved in the Bank of England nationalisation Act, in the course of the debates upon which Dr Dalton was constrained to accept an appropriate delimitation of the new power given to the Treasury to "request" information from the banks. Desirable though it is to take all reasonable steps to check tax evasion, this is not a sufficient ground for breaching a principle of such significance. Any breach at all would be bound to ease the way for possible future intrusions for less desirable purposes. Mr Gaitskell should think again; and, so far as bank accounts are concerned, should be content to rest upon the quite different existing power—to secure information, in cases of law-breaking, only by order of the Court related to an individual account.

In view of the importance of the issue at stake, it is remarkable that this proposal did not find a place in the budget speech; it thus came as a shock, on publication of the Finance Bill, to all save a handful of senior bankers. The banks had been informed beforehand of what was afoot, but not, apparently, in such a way that there could be said to have been any real consultation with them. It may be presumed that their response left the Chancellor in no doubt about the extent of their distaste for the project. So far as can be gleaned from a scrutiny of the Bill, the intention would not be to order the returns in question for all bank accounts affected. The wording of the clause specifically gives power to require returns either from a bank as a whole or from any of its branch managers—a phrasing that suggests that the authorities might be contemplating a programme of regional drives. A piecemeal approach would, of course, reduce the labour thrust upon the banks; but it would still be very

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considerable—even though the proportion of personal deposit accounts carrying balances averaging at least £3,000 (thus yielding £15 gross at $\frac{1}{2}$ per cent) must be small. To sift these out for the authorities a bank would, of course, have to survey the whole.

* * *

Imperial Chemical Industries

A 12 per cent dividend (against 10 per cent for 1949) was a little less than the market had expected from ICI, but that fact has not prevented the £1 ordinary stock units from advancing this week to 51s. ex dividend. The figures revealed in the preliminary statement are of dimensions without rival among British industrial concerns. Group profit, before taxation and depreciation, amounted to nearly £39½ million compared with approximately £24 million in 1949. Thus the setback in trading results recorded by the 1949 figures has been handsomely made good. The group's manufacturing assets have been revalued at their replacement cost on January 1, 1950, discounted for their remaining useful lives; on this basis depreciation has been provided amounting to £8,694,823 in 1950, a figure not strictly comparable with that of £6,660,622 for 1949.

After charging depreciation on this scale, group profits amount to £31,018,457 against £17,323,509 for 1949. The tax collector seizes practically £12½ million (against £6,500,000 in 1949), and the net income of the parent company, after allowing for some increase in profits retained by subsidiaries and other adjustments, amounts to £16,843,912 against £9,791,503. The increase in the ordinary dividend absorbs an extra £530,000 net; this is a sum almost insignificant by comparison with the increase in net profits, the bulk of which feeds the capital purposes of the group, including obsolescence and replacement of assets reserve (£5,000,000) and stock replacement reserve (£4,000,000).

Revaluation of the assets has resulted in a surplus over previous book values of £96,120,273, which has been transferred to capital reserves; this sum, approximately £58½ million represents provisions to central obsolescence and depreciation set aside up to the end of 1949. This revaluation, coupled with the transfers from profits in 1950, raises the total capital reserves of the company to £118,154,089 and total revenue reserves to £26,368,816. Together with the share and loan capital, these figures indicate that ICI commands total resources of £250 million. It is a matter for congratulation that the company has come nearer than many to meeting the enormous responsibilities of maintaining its resources—and such gigantic ones—intact.

* * *

Argument on Raw Materials

The debate on raw materials in the House last Tuesday was disappointing. It was expected to be something of a fireworks display, but the fireworks proved to be damp squibs. Government spokesmen gave no facts or figures to demonstrate that the plight of industry was not as serious as Mr Bevan and Mr Wilson had recently suggested—as, indeed, it is not. They made no attempt to assess the supplies of materials that may be forthcoming during this year; all that, presumably, is left to Mr Stokes's new Ministry. The Government's view was perhaps best summed up by Mr Strauss, the Minister of Supply:

It is too early to say whether we will get the raw materials we need for our defence and essential civil production, but we are certainly not justified, here and now, in saying that we will not.

This is comfort of a sort, but it would be more reassuring if past experience had shown that the Government's foresight in these matters was more to be relied on.

Of twenty-six of the raw materials that Britain has to import (listed on page 999 of *The Economist* last week),

only two—sulphur and molybdenum—come entirely from the United States. In addition Britain gets about half of its import of cotton linters from America, about a third of its import of raw cotton, a fifth of its petroleum, less than a fifth of its copper (refined from British scrap and/or Rhodesian blister), a tenth of its softwood, and less than a tenth of its zinc. Six of the twenty-six commodities (tin, antimony, cobalt, rubber, wool and jute) come entirely or almost entirely from the sterling area. The others come from Canada, Europe and European overseas territories. These figures do not suggest that Britain is particularly dependent on the United States for most of its raw materials. The offence for which the United States is indicted by critics on the Left is that American industry stocked up quickly—thus offending the principle that all horses should run at the same speed and that the fair result of the Derby is a dead heat of the whole field.

* * *

Priority for Machine Tools

Mr Strauss was able to be more specific—and encouraging—about the provision of machine tools for defence production. He confirmed that so far the Ministry of Supply has ordered 6,500 tools, the value of which he put at £49 million, and is ordering a thousand more. He reported that United States Government priority ratings had been obtained for some 4,500 machines—and since he spoke Mr Charles Wilson has added that defence order priorities are likely to be issued from Washington for another 2,600 tools for Britain within the next few days. The Ministry had “ordered all the machine tools of the types required that were available in Western Europe”—some 8,000, costing £27 million, many of them from Germany. Ordering the balance of machine tools required—14,000 to 16,000—from British firms has gone rather more slowly, with orders for only 8,000 now placed, but the Minister did “not anticipate much difficulty about getting the remainder.” Mr Strauss emphasised that much depended upon the administration of American tool priorities and the expansion of the American industry's capacity; study of these problems will be the purpose of the delayed visit to Washington of the Director General of Machine Tools.

Mr Shinwell later added that supplies of machine tools would not materially affect production for defence in the current year. Deliveries of tools are at present somewhat behind expectations, and may well continue to be so until this autumn; but the expansion of American output should then progressively redress the balance of deliveries, and there is some reason for confidence that such quantity production for defence as depends upon installation of new machine tools will not lag seriously behind the programme.

* * *

Sulphur as Before

As was expected, the allocation to Britain of 95,000 tons of American sulphur for the present quarter has enabled the Board of Trade to bring into force the less onerous of the two schemes it had prepared to govern the distribution of sulphur within British industry from the beginning of this month. This scheme, based upon supplies of 100,000 tons for the quarter, will allow most users of sulphur and sulphuric acid between 80 and 90 per cent of their rate of consumption during the whole of 1950. This is equivalent in most cases to rather lower percentages of their consumption at the end of last year, on which earlier quotas were based, but the Board added that when the schemes are fully implemented “no consumer should receive either less sulphur or sulphuric acid than he has had since the start of the year, and many will benefit by some increase in the rate of supplies.”

Supplies to the producers of superphosphates are to remain



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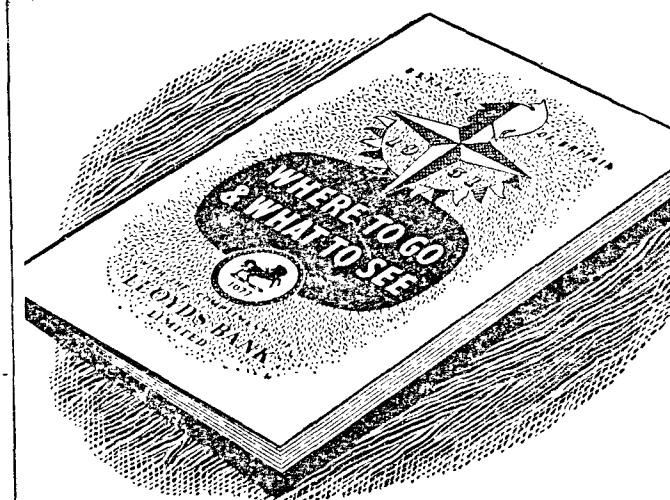
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at the present level of approximately two-thirds of capacity, while those to key industries such as iron and steel, explosives, metal extraction, tinplate, and certain oil refining processes will be maintained in full. The rayon industry will continue to receive supplies of sulphur and acid at its present level, 20 per cent below the 1950 rate. Mr Harold Wilson's verbal "disaster," therefore, can be relegated to the stockpile of purple Parliamentary phrases. One of its queerer results, in the meantime, was the description, in the House of Commons, of bacteriological production of sulphur in the laboratory as "a result which might help to relieve the shortage of sulphur." The production of sulphur by the action of bacteria—first noticed in the sediment of certain pools in the Libyan desert—is indeed being studied by the Department of Scientific and Industrial Research, which some months ago produced a properly restrained account of the phenomenon. But the DSIR was at pains to emphasise the impressive remoteness of this natural phenomenon from the practical job of turning out sulphur on any scale; Mr de Freitas's bacteria are hardly likely to be harnessed to help the present sulphur shortage unless it lasts longer than the most doleful estimates.

Steel Facts and Implications

By the end of last summer the steel industry's stocks of imported iron ore, pig iron, and scrap had been built up to an exceptionally high level. In part this reflected the need to have "everything always available everywhere" to permit of uninterrupted operation to capacity and record output; in part, it marked the industry's normal attention to future prospects for materials. By drawing upon these stocks to supplement current deliveries of materials, steel output was maintained during the winter, until the slight fall recorded in March, in spite of disorganised shipments that cost the industry 600,000 tons of ore and of reduced deliveries of German scrap. During the six months from September last these drawings on materials in stock afforded rather more than a million tons of steel; by the end of March, stocks of imported ore and of scrap had been reduced by slightly more than half and those of pig iron by two-fifths. Such reductions are far beyond the limited drawings upon stocks that normally take place in the industry during the winter and the present level of stocks would not permit of any appreciable further reduction during the remainder of this year.

What these facts may imply was the subject of some difference early this week between the Minister of Supply (briefed by the nationalised Iron and Steel Corporation) and the British Iron and Steel Federation. The facts were not in dispute. Nor were such details of immediate prospects as the Minister gave. All parties agree that total imports of German scrap this year can be "nothing like last year's 1,900,000 tons"; about a million tons this year appears to be the general hope. Ore imports should slightly improve as soon as the disorganisation of shipping by hastily contrived bulk shipments of coal and other materials has subsided. Imports of pig iron may increase slightly. And there should be some increase in the smelting of home ore, though this, owing to its lower iron content, will require more coke and reduce the average productivity of the blast furnaces. There may be some slight differences in the expectations that the Government and Corporation on the one side, and the Federation on the other, attach to the home scrap drive, though all protest its supreme importance.

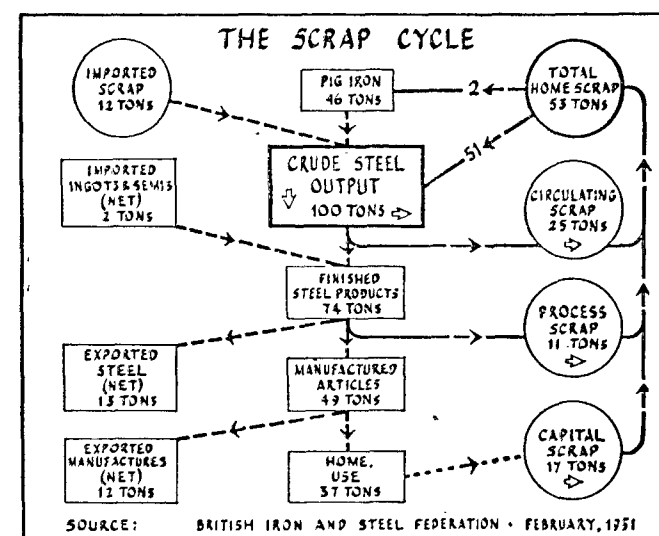
Mr Strauss, however, deduces from this evidence that steel production this year will be lower than last year. The Federation has again expressed its confidence that the lower limit of the target set in this year's Economic Survey, 16 million tons, can be achieved. On the face of it the two views are not inconsistent; last year's output, after all, was nearly 16,300,000 tons. But it does appear that the Government and Corporation may be thinking in terms of an output

slightly below that forecast in the Survey. The margin is probably not beyond a reasonable range of error; and the difference has perhaps been somewhat exaggerated. The variance in conclusions from the same set of facts probably represents, on the one hand, the natural bullishness of the Federation, speaking for an industry that since the war has been able to confound the pessimists and, on the other hand, the bearishness of the Corporation, now entering upon responsibility for an industry it is as yet unable to control, coupled with the automatic anxiety that now besets any production department of the Government at the mention of raw materials. It does seem, however, that on the most sanguine estimates demand for steel by the end of this year will be exerting great pressure upon supplies and that the pattern of output may be changed as materials are diverted to Margam. Though all parties are reluctant to decide upon allocation, details of the least obstructive form for such a scheme are being carefully studied by all three.

* * *

How Much Scrap?

Nearly half the ferrous scrap used in steel-making in this country comes from within the steel industry itself. The "scrap cycle" as described in a recent issue of the British Iron and Steel Federation's *Statistical Bulletin*, is more complex than is generally realised. To begin at the steel furnace, every hundred tons of crude steel ingots and castings (together with two tons of imported ingots and semis) yield 74 tons of finished steel products and 25 tons of "circulating scrap" (the waste cut off the ingot in primary operations and returned to the furnace within a few hours); the remaining three tons consist of mill scale and irrecoverable losses. Of the 74 tons of finished steel, 13 are exported and thus lost for scrap recovery purposes, 11 return as "process scrap" from the steel-using industries, and one is lost. This leaves 49 tons for steel consumers at home, who export 12 tons in manufactured form. For every 37 tons retained for home use, about 17 tons of "capital scrap" (i.e., discarded plant and equipment) were returned to the



iron and steel industry last year. Total home scrap supplies, therefore, amounted to 53 tons for every 100 tons of ingots and castings produced; two tons of this go to the blast furnaces and 51, plus 12 tons of imported steel scrap, back into the steel furnace. About 30 tons of the final 63 tons come from within the steel industry.

Would a much larger return of scrap be possible? This question derives special importance from the shortage that now besets the steel industry owing to the decline of supplies from Western Germany. It is not easy to answer. It is

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unlikely that returns of circulating and process scrap could be greatly increased. The return of only 17 tons of capital scrap for every 37 tons of steel retained at home may seem inadequate; but it must be remembered that present home consumption is more than twice the annual rate for 1926-35, when much of the steel now becoming available for scrap may have been incorporated into equipment. The life of steel products, of course, varies from the few months of a tin can, through the 5-10 years of a motor vehicle (at present artificially extended) to the 40 years or more of structural steel. Bearing in mind the irrecoverable losses, such as steel in ships lost at sea, in expended ammunition, and loss by rust and corrosion, it seems that a high proportion of the available home scrap is being secured, and it may be that not a great deal more is to be had—though the rate of return could usefully be accelerated in many cases. This conclusion, perhaps, lies behind the not wholly surprising omission, in the Federation's otherwise exhaustive survey, of any discussion whether economic incentives would bring out more scrap or bring it out faster.

* * * "M and G" General Trust Fund

Several features in the offer of units in the "M and G" General Trust Fund command attention. It is the first unit trust to seek and obtain a Stock Exchange quotation. It is the first offer of units for cash of a size to require and receive the consent of the Capital Issues Committee. And it marks a twenty-year anniversary of the first unit trust introduced in this country, by the same management. This last feature, indeed, explains the conversion offer that is made, concurrently with the cash offer, to unit holders of First British Fixed Trust, the fixed life of which comes to an end in June; at the same time, conversion offers are extended to holders of the Second, Third and Fourth British units, which terminate at various dates up to 1954. These conversion offers appear to be on very satisfactory terms, particularly as the trusts, as originally constituted, have been increasingly affected by nationalisation.

The yield on the new "M and G" units at the opening price of 20s. is put at 4½ per cent. The managers will have power to invest "in any security in respect of which permission to deal is effective on a recognised Stock Exchange in the United Kingdom." It will be conducted, in accordance with the long-standing policy of the Municipal and General Group, as a "cash fund" trust, as a result of which the benefits of advantageous dealing will accrue to the trust.

The experiment of Stock Exchange dealing will be watched with interest, not least by other unit trust managers. The market will be provided with units by the managers at a commission of one half per cent; jobbers will then be free to make their own price, and it should in general be narrower than the margin on which the managers would normally operate. Thus, a Stock Exchange quotation, though it gives an undoubted cachet to the units, may reduce the

opportunities open to the managers for dealing at their own quotation. Such competition should not be regarded merely as an act of abnegation on the managers' part; it may be that the volume of demand via the Stock Exchange will show considerable powers of expansion. At any rate, the experiment is timely, the operation well conceived, and the management highly esteemed. These are at least the right ingredients for attracting risk capital from the small saver.

* * * New Aluminium Agreement

The twenty-year agreement made by the Ministry of Supply at the end of last year with the Aluminum Company of Canada has now been replaced by a new agreement valid until 1974. In return for an additional sum of \$15 million, making a total loan of \$40 million by the British Government, the amount of aluminium metal received by the United Kingdom from Canada will be increased from 220,000 metric tons to 250,000 tons in 1952 and to 260,000 metric tons in 1953. A programme of expansion, to be partly financed by the British loan, was announced last week; it is to include new development in north-eastern Quebec which should result in increased output of ingots in a year's time, and also in British Columbia, which is likely to take about three years to come into production. The ingot capacity of the organisation will as a result eventually be increased by 150,000 metric tons to a total of more than 550,000 tons.

The Ministry of Supply decided that new arrangements were necessary primarily because supplies of aluminium scrap have not come up to expectation; indeed, the drive for scrap non-ferrous metal has produced inadequate results generally. The immediate postwar accumulation of aluminium scrap from discarded aeroplane bodies and engines is now probably exhausted and supplies are likely to be limited. The new agreement does not affect the quantity of virgin aluminium in prospect this year. For 1952 it means an increase of 30,000 metric tons and in 1953 of 40,000 metric tons. British ingot output was about 30,000 metric tons in 1950 and can be increased only marginally by a thousand tons or so. Norway is not likely in these years to be able to send to this country more than 15,000 tons, and supplies from elsewhere are doubtful. Thus some 295,000 metric tons of virgin aluminium should be available to the British fabricating industry in 1952 and over 300,000 tons in 1953. These amounts should be sufficient in 1952 and 1953 to meet both the needs of rearmament and the demands of all but inessential civilian manufacture; indeed, the Ministry expects to increase the monthly allocation later this year.

For twenty years from 1954 the new agreement provides for the Ministry of Supply to have first call on 250,000 metric tons instead of 200,000 tons. Thus after 1951 adequate supplies of aluminium should be forthcoming. Moreover by 1954 it is hoped that the proposed Norwegian plant at

Sunddalsöra will be ready with a capacity of 40,000 tons; this would double Norwegian capacity and the new plant will provide entirely for export trade in aluminium, in which Britain is Norway's biggest customer. These signs of expansion suggest that one shortage, at least, is on the way to being remedied. On the other hand, it was indicated at the annual meeting of the British Aluminium Company this week that no decision has yet been taken whether the joint British-Canadian project for aluminium production is going to be sited in the Gold Coast or in North Borneo.

* * * Penny on the Pint

It seems that the increase in the retail price of Guinness by 2d. per pint (following the wholesale increase of 12s. per barrel) is to be followed by increases in most other beers of one penny per pint. The publicans have long complained to the brewers that rising costs have been causing them hardship and that an increase in the retail gross margin is imperative if they are to make ends meet; since brewers' profits have been falling, this has virtually meant an increase in the retail price. The brewers have hitherto been bound by their undertaking to the Treasury not to raise the price of beer for twelve months following the 1950 Budget, which raised gravities by three degrees. London brewers have now, through the London Brewers' Council, agreed in principle to an increase of one penny, but have suggested an allocation to licensees from the total proceeds of 24s. per barrel (there are 288 pints in a barrel) less favourable than the 20s. understood to have been requested by the licensees, who have accordingly, through the London Central Board, expressed their dissatisfaction. Similar negotiations about the sharing of extra proceeds are taking place throughout the country, but they are unlikely to delay the general increase in prices.

Costs of brewing, as well as of retail distribution, have risen substantially since the end of the war. At the last annual meeting of Dutton's Blackburn Brewery it was stated that malt had increased between 1939 and 1950 from 64s. 1d. per qtr. to 161s. 7d., hops from 214s. 11d. per cwt. to 563s. 3d., sugar from 25s. per cwt. to 69s. 5d. and coal from 24s. 4d. per ton to 62s. 6d. Public monopolies such as the railways, or a private monopoly, may "justify" an increase in price by recounting its rising costs; industries working in competitive conditions cannot. The customer is not concerned with costs if he can easily buy elsewhere; and today pubs and beer must fight hard to keep their customers. Much as they may wish to help licensees, it is not wholly within the power of the brewers to fix the price of beer and ignore the consequences. An increase in price will affect sales. The secretary of the Licensed Victuallers' Defence League has spoken of "a slight fall in sales." But how "slight"? The Chancellor's estimate of revenue from the beer duty for 1951-52—£250 million—was 5 per cent less than the provisional receipts for 1950-51 of £262 million. If he assumed that the price of beer would remain unchanged, and that demand would continue its downward trend of the past five years, the increase of a penny a pint must be expected to reduce sales even further. Consumption has already fallen from 33.6 million bulk barrels in 1945-46 to 26.8 million in 1949-50; in the year ended March 31, 1951, it will probably have fallen below 26 million. The further 5 per cent fall expected by the Chancellor would alone mean a total consumption of no more than 25 million bulk barrels. An additional penny may increase both brewers' and licensees' earnings in the short run. Are the longer-term effects so certain?

* * * Sharp Rise in Bank Deposits

The clearing banks' statement for the four weeks to April 18th reveals a much sharper rise in bank deposits than

is customary in the first statement of the financial year. Net deposits have risen by nearly £111 million, the biggest April increase ever shown, in contrast with a rise of £76 million twelve months ago and one of £44 million in April, 1949. Rather unexpectedly, the whole of this increase in the rate of credit expansion was attributable to bigger Government requirements for credit. Partly for this reason, too much should not be read into the month's experience, for a period that spans the end of the nation's financial year is apt to be distorted by large movements in Government finance that do not conform to any definable pattern. The form in which the Governmental demands are reflected in bank assets this month was also distorted by special circumstances. Just before the banks' statements were made up, a flood of Government dividend payments and Milk Marketing Board disbursements had caused an unusual glut of liquid funds in the money market, and it was not until the following day that the Bank of England began to mop up this by "reverse" sales of bills to the banks and the discount market. Had the statements been made up on the following day, much of the £30 million rise in cash reserves, shown in the latest statement, would have swollen the banks' holdings of call money, Treasury bills and Treasury deposit receipts instead; even as it is, these assets expanded by nearly £70 million in the four weeks, so that the Exchequer's total borrowing on floating debt from the banking system (including the Bank of England) seems to have risen by £100 million, compared with only £34 million in the equivalent period of 1950.

By contrast to the experience of recent months, bank advances rose during the month by only £12 million, against nearly £37 million last year and £15 million in 1949. It is true that last year's rise was inflated by exceptionally heavy borrowing by the British Electricity Authority, in anticipation of the floating of its market issue. But the comparative stability of advances last month, even though it is in line with seasonal tendencies, is hard to reconcile with the rising needs for the finance of costly imports. Taken in conjunction with the increase in Government borrowing, it must be regarded as an unexpected, and possibly temporary, aberration from the banking trend that has been discernible ever since Britain's surplus on external account drained away into deficit at the beginning of 1951.

* * * Liner Company Results

Recent statements from the chairmen of leading shipping companies underline the diverse experience of various liner trades in present conditions. They tend to emphasise the danger of depending too much on the apparent implications of a single pointer such as a general index of tramp freight rates. The Cunard group, for example, although it has interests in other trades, is largely concerned in trans-Atlantic business, in which it is now beginning to suffer from the "historic result of devaluation"—rising costs. These had not taken full effect during 1950, so that the operating surplus was larger than in 1949, although taxation absorbed practically all the increase. To judge from the results of the first quarter of this year, however, 1950 will probably prove to have been a peak year. On the other hand, Elder Dempster Lines, which is engaged chiefly in the West African trade, suffered a decline of about 20 per cent in voyage results. This was caused partly by increased operating costs, but principally by the expensive delays incurred in the main ports. The group also incurred high costs in taking tramp tonnage on time charter to supplement its normal liner services—made necessary by the continuing development of the West African territories, which appears to be outstripping the capacity of the available terminal facilities.

Reduced earnings in 1950 have been reported also by Royal Mail Lines, but this resulted primarily from another

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obstacle with which shipowners in many trades have to contend—the disruption of a normal flow of trade caused by mismanagement in bulk buying. The cessation of meat imports from South America rendered idle many of the costly refrigerated liners specially constructed for this staple import. Similarly, in the timber trade, the Currie Line was adversely affected last year by the refusal of the timber control to accept normal market trends. In that case, however, the Government was forced eventually to pay formidable time charter rates in order to avoid a complete stoppage of imports.

While the experiences of the liner companies have thus varied widely during 1950, certain factors have had effects common to all. The greatest of these common problems is the financing of replacement of tonnage, now becoming obsolescent, at prices that show no prospect of remaining stable. The Orient Line, for example, is about to take delivery of a passenger liner that cost more than £3,000,000; but a similar liner that has just been ordered will cost about £1,000,000 more. The Cunard fleet, which now stands in the accounts at a book value of about £29 million, would cost at least £120 million to replace at current prices. It is hardly surprising that the shipping industry should be seriously perturbed at the proposal of the Chancellor of the Exchequer to abolish the 40 per cent initial depreciation allowances next year.

* * *

Shipbuilding Output

Merchant ships under construction in the world at the end of March, according to the returns published by Lloyd's Register of Shipping, amounted to 5,097,084 tons gross, an increase of 278,331 tons compared with the figures for the previous quarter. In neither case were figures available from Russia, Poland or China, and most of the increase is accounted for by full information from Japan, figures for which were incomplete three months ago. At the beginning of the year 231,350 tons gross were attributed to Japan, whereas the current figure is 479,610 tons. Shipbuilding in Germany has increased by 63,775 tons to 261,285 tons, while both France and the United Kingdom show increases of just over 28,000 tons during the quarter. France and Japan are now the biggest shipbuilding countries outside the United Kingdom, but large orders have since been placed in Germany as a result of the removal of practically all restrictions on shipbuilding in that country.

In the United Kingdom progress during the quarter was at a rather lower rate than in the previous quarter, although higher than in the same quarter a year ago. Taking the average for the last four quarters, however, it is apparent that a steady cycle of production is being maintained at just over 1,300,000 tons gross per annum started, launched and completed. The proportion of tankers under construction continues at slightly more than 55 per cent of the total, and 36 per cent of the total is for export, nearly half of it for Norway. Of the total under construction in the world, 1,332,657 tons are for registry in Britain, 678,610 tons for Norway, 597,024 tons for France, 416,580 tons for Japan, 285,299 tons for Italy, 266,676 tons for the United States and 230,042 tons for Germany; of these countries only Norway and France have ships being built outside their own territories.

Merchant shipbuilding orders received in the United Kingdom during the quarter reached an extremely high level. According to the Shipbuilding Conference they amounted to more than 1,500,000 tons gross, over three times the total for the whole of 1949. The removal of the initial depreciation allowances, however, will adversely affect British shipowners' ability to order further replacement tonnage. This factor will not affect foreign shipowners, who have contracted for one-third of the new tonnage ordered from British yards during the last quarter. The total order book

of the British shipbuilding industry now amounts to 5,000,000 tons gross, of an estimated value of £435 million; two-thirds of this total still remains to be laid down. Nearly 60 per cent of the work on order consists of tankers; this predominance of tankers was maintained in the orders booked in the last quarter, despite the increase in the number of orders for dry-cargo liners and tramps.

* * *

Superphosphate Supplies

A new fertiliser factory built by Fisons, Ltd., opened last week, the first in this country for the production of triple superphosphate. It has an annual capacity of 120,000 tons, but there is no prospect of its working to this capacity until supplies of sulphuric acid improve. The factory would need about 30,000 tons of natural sulphur a year: the industry is receiving enough to permit production only at 62.5 per cent of capacity.

The total output of superphosphates had been running at about one million tons a year, but since last September the industry has borne the brunt of the cuts in sulphuric acid. Easing of sulphur supplies has brought it no more than an assurance that for the present its allocation will be cut no further. Production in the 1950-51 season (which started in July) is not likely to exceed 800,000 tons. Consumption during the 1949-50 season was nearly 1,250,000 tons and the removal of part of the subsidy last July did not appear to have much effect on farmers' purchases during the remainder of the year. In order to meet demand, the Board of Trade last year planned to import about 283,000 tons of superphosphate between last July and June this year; up to the end of March, about 212,500 tons had been brought in. There should be no difficulty in obtaining the remaining 70,500 tons within the prescribed time, since average monthly imports have recently been exceeding 40,000 tons, and in March nearly 47,000 tons were brought in. But production on the continent, the main source of imports, is also affected by scarcity of sulphuric acid; if British fertiliser production remains at its present level, it may prove more difficult to continue to supplement home supplies with imports during the 1951-52 season.

Consumption next season, however, may be considerably lower. The second half of the fertiliser subsidy is due to be removed in July and this, combined with the rising cost of production, is expected to lead to a sharp increase in prices. The cost of sulphur is rising rapidly and the freight charges on phosphate rock have nearly trebled. New prices have yet to be negotiated, but some members of the industry expect them to be high enough to check consumption. Against this there is the change in farming practice that has led to a much greater dependence on fertilisers, and the need to stimulate grassland, which in turn increases the demand for superphosphates.

A further element of uncertainty is introduced by the success of recent experiments using nitric in place of sulphuric acid. With the addition of some new plant, existing fertiliser factories might be converted to these processes; that developed by Imperial Chemical Industries gives a product that contains nitrogen as well as phosphates. ICI at present produces no superphosphates and the company's entry into this field could mean strong competition for existing producers. These experiments, therefore, are being closely watched by the superphosphate producers.

* * *

Falling Motor Output

The cut in steel allocations to the motor industry is beginning to affect the number of cars sent abroad, and exports for the first quarter of 1951 were the lowest for more than a year. A total of 88,821 cars and car chassis were



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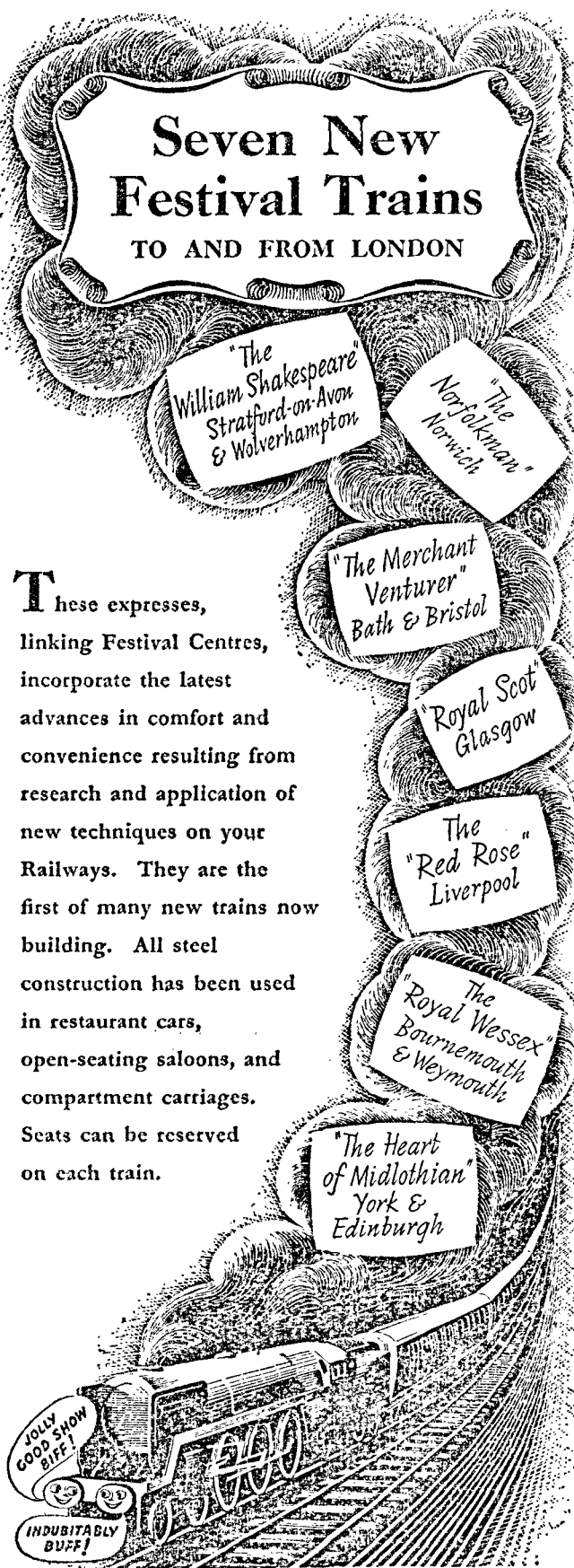
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exported during the period, compared with 102,280 cars and chassis in the preceding quarter. Supplies of sheet steel were cut by 20 per cent from the beginning of the year, and output during February was down to little more than 40,000 cars and chassis, 11 per cent lower than average monthly production at the end of 1950. Output has not yet fallen by the full extent of the steel cuts, because it has been possible in many cases to switch production from complete cars to chassis; there has been no difficulty so far in obtaining in local markets the sheet needed to build bodies for these chassis. Only a small proportion of the scarce non-ferrous metals are used in the chassis; hence, given a small decline in total production, the shortage, for example, of zinc of die-casting quality, has not limited chassis output.

Among the big manufacturers, Vauxhall Motors is still on a four-day week and the Rootes factories are soon expected to start short-time working. The Austin Motor Company, on the other hand, returned to normal working within a week of the imposition of the steel cuts, even though lack of stocks and uncertain deliveries of materials have forced its factories to work on a day-to-day basis. The Morris factories, with one small exception, have returned to normal working after dismissing a few men; the Ford plant has throughout been working normally, doubtless helped by the fact that model changes were being made that would in any case have restricted output. The Standard company has also continued to produce at its normal rate of 600 vehicles a day, though this has been achieved to some extent by increasing the ratio of tractor to car production. Each tractor takes roughly a third of the quantity of scarce materials needed for a passenger car, and the marked increase in tractor exports in the past months suggests that other tractor-producing motor companies are working on similar lines. In the first quarter of the year, 26,724 tractors were exported, compared with a total of 83,939 for the whole of 1950.

The industry does not yet know how big a cut is likely to be made in its supply of alloy steels. These are used extensively in engines and chassis frames; any reduction in supplies may therefore bring about the proportionate fall in the industry's output that ingenuity has averted so far. The cut is not, however, expected to be large.

Private Power Plants

Discussions are about to begin between the British Electricity Authority and the Federation of British Industries concerning a further extension of the waiver upon conditions in the Authority's power supply contracts with certain industrial users that preclude the use of private generating plant except during electricity cuts. These conditions upon the supply of power have not been enforced since 1947, when installation of independent factory generating plant was encouraged by the Ministry of Fuel and Power following the fuel crisis. The Authority has waived them until March 31, 1956. But the removal of the initial allowances for new capital equipment from next April would mean that fuel saving plant that might not be allowed to be used for more than four years would obviously become uneconomical to install. Arrangements are therefore being sought to extend the concession further.

Much of this equipment does save fuel—particularly in industries using process steam. The installation of a back-pressure turbine between the boiler and the heating or process steam system almost automatically generates power with a greater thermal efficiency than the best generating station, simply because the heat in the exhaust steam is utilised; in practice such a measure of re-equipment usually becomes worth while as and when the boiler installation has to be renewed. The same is not necessarily true of small diesel generating plant, though for standby purposes this offers an alternative source of power relying upon a fuel that, for a time at least, is less likely to

become scarce. The turbines, for many industries, are a good commercial proposition, and the diesel plant may at any rate save the interruption of continuous industrial processes. The BEA's opposition to certain installations in the past, manifested in the negotiation of the prices at which it supplies power to the factories at some times and receives it from them at others, in many cases has probably reflected the traditional insularity of the electricity supply industry. But at least in some cases the industrial consumers concerned have sought to buy supplementary power from the authority at the hours of peak load for the same price as they expected to pass it into the grid during off-peak hours; this might be good business for them but not for the BEA. The BEA does not as a rule emphasise the principle that power prices should be based upon the relative cost at the time of consumption; when it does so, it should not be cast as the villain of the piece.

* * *

Meat Ration Secured

Britain's meat supplies during the next three vital months at last seem secure. The large home killings during April and May will enable stocks of imported meat to be built up. But because of the serious delay in shipments from Australia and New Zealand stocks would not have been sufficient to maintain even the eightpenny ration until August or September when the bulk of home-produced meat will be available. The Argentine agreement has provided Britain with 200,000 tons of carcase meat during the next twelve months, though it is still uncertain whether any sizeable quantity will arrive within the next six weeks. The new agreement with Uruguay, however, concluded last weekend, has saved the situation.

Uruguay stopped shipments to Britain last August when this country refused to pay £97 a ton for supplies in 1950-51. Now the Ministry of Food has agreed to pay the same prices as for Argentine meat—an average of £128 12s. a ton in addition to a retrospective payment for supplies shipped after September, 1949. The actual quantity of meat covered by the agreement has not been disclosed. It is certain to be small and probably not more than 60,000 tons. But Uruguay has agreed to ship immediately even though final agreement about adjustments of prices and the period of the contract has still to be reached.

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Course of Production

The official index of industrial production for February, and the estimate for March, suggest that the first quarter of this year will show an increase of slightly over three per cent compared with the first quarter of last year, and almost exactly three per cent compared with the 1950 average. The quarter is not entirely comparable, owing to the fact that Easter fell in March: February's figure is seven per cent higher than February, 1950, and according to the official index equal to that of November last year. Production at the February level throughout the year would provide the four per cent increase assumed in the *Economic Survey* for this year. The "B"

INDICES OF INDUSTRIAL PRODUCTION (1946=100)				
	1951		1950	
	Jan.	Feb.	Jan.	Feb.
Official Interim Index :—				
All industries	141	150	135	140
Mining and quarrying	116	123	116	119
Manufacturing	147	156	138	144
Building and Contracting	112	125	125	127
Gas, Electricity and Water	146	147	136	136
London and Cambridge Index :—				
Total Index "A"	138	146	134	139
Total Index "B"	136	144	131	137
Total Index :—				
Working Day Basis "A"	139	146	135	139
Working Day Basis "B"	137	144	133	137
Textiles	142	150	139	145
Motors, Cycles and Aircraft	208	201	187	205
Food, Drink and Tobacco	107	112	102	93
Chemicals and Allied Trades	139	147	132	137
Fuel and Power	136	141	129	131

series of the London and Cambridge index of production, however, shows production in February as only five per cent higher than in the same month last year, and two points lower than in November.

The time-lag in compilation makes it impossible to draw much information from the indices concerning the recent performance of particular industries. In the official index, manufacturing production in February showed an increase of

8 per cent, compared with a 6 per cent increase in January; and building and contracting had recovered from the exceptionally bad weather conditions of January. In the London and Cambridge index, the "motors, cycles and aircraft" group showed a fairly sharp drop compared with January, and was lower than a year before; the "chemical and allied trades" group recovered almost to its highest levels last autumn, and the textile industries also rose compared with January, though not quite to the levels of last October and November.

Shorter Notes

The Standard Motor Company has been asked by the Ministry of Supply to examine the possibility of building the Rolls-Royce Avon jet engine, either in a new factory which would be built on the company's site at Coventry or in a building provided by the Ministry. Large orders have recently been placed for this engine; Rolls-Royce Ltd. is building one new factory for Avons and re-tooling another and three other aircraft manufacturers are putting down assembly lines for its production. The fact that a motor manufacturing concern has been approached to build jet engines suggests that the full engine programme is now thought to be beyond even the large capacity of the British aircraft industry. It seems probable that British manufacturers will be asked to supply engines for aircraft built in Nato countries, in particular the Avon, which has not been licensed for manufacture abroad.

*

United Molasses have recommended a final dividend of 6½ per cent, tax free, payable on the ordinary capital as increased in February by a 100 per scrip bonus issue to £3,909,000. The total distribution for 1950 is equivalent to 43.81 per cent gross on the original capital of £1,954,500 against a payment of 27½ per cent gross and a tax-free distribution of 2½ per cent in 1949. Total profits of the group, which includes Anchor Line, have jumped from £2,238,633 to £3,643,644 and £619,994, against £355,997, has been added to reserves and carry forward.

*

Cammell Laird.—The low yield on the 5s. ordinary stock units of Cammell Laird of £3 16s. per cent. at the current price of 15s. 9d. is more a reflection of investors' hopes that the company will distribute some part of the compensation received for its holdings in English Steel than of immediate dividend prospects aroused by the latest figures. Total profits have fallen from £1,256,529 to £1,195,309, but net profits are up from £436,976 to £465,299, since certain special provisions made in 1949 are not repeated. Ordinary shareholders (who received a 100 per cent bonus issue in June, 1949) are to receive a final ordinary dividend of 9 per cent, making a total payment of 12 per cent, against 9½ per cent. Distributable earnings provide ample cover for the dividend and the company will not be mulcted in additional profits tax on preference dividends, since

	Years to Dec. 31,	
	1949	1950
Earnings :—		
Trading profit	897,880	796,118
Total income	1,256,529	1,195,309
Depreciation	97,867	94,021
Taxation	558,000	566,000
Earnings for ordinary stock	436,976	465,299
Ordinary dividends (per cent)	185,487	226,313
Added to general reserve and carry forward	251,489	238,986

	Years to Dec. 31,	
	1949	1950
Balance Sheet Analysis :—		
Fixed assets, less depreciation	1,005,216	994,485
Investments in assoc. co's, etc.	1,613,929	2,113,105
Net current assets	4,247,504	4,470,018
Stocks	8,692,385	9,175,244
Cash	2,498,108	2,418,728
Reserves	2,676,258	3,433,391
Ordinary capital	3,550,000	3,550,000

5s. ordinary stock at 15s. 9d. yields £3 16s. per cent.

it has only one class of share capital. On the intriguing question of the compensation received for Cammell Laird's holdings in English Steel, the contrast between the end-year book value of £819,389 and the payment of £6,827,396 (equivalent to 9s. 7d. per 5s. stock unit) still stands; but no hint on what will be done is given in the latest accounts

beyond the mere recording of the transfer of the English Steel holdings.

Little major change is apparent in Cammell Laird's latest balance sheet. Liquid resources have been slightly strengthened; "quick" assets now total £5,458,632, against £5,195,506. Stocks and work in progress are entered at £9,775,244, against £8,692,385, while instalments received on account of work in progress are shown at £9,793,216, against £8,455,988. Capital reserves have risen by £499,846, representing a bonus issue by Metropolitan-Cammell Carriage and Wagon. This associate company of Cammell Laird has enjoyed a very successful year, with a rise in the trading account balance from £1,001,276 to £1,691,517.

Cammell Laird's order book should be full for some time to come on civil and defence work; and a yield of £3 16s. may not extravagantly discount what lies in store.

*

London Brick.—The most serious problem facing the brick industry, even for such highly mechanised concerns as London Brick, is probably the shortage of labour. London Brick's approach to the problem is marked by a comment in the report which attributes the increase in production and deliveries of bricks last year to "progress in the scheme of increased mechanisation, together with improved labour supplies." Greater production is reflected in the rise of group trading profits from £845,168 to £1,055,498. The company has maintained the ordinary dividend at a rate of 15 per cent, but this is paid on the increased capital of £2,600,000. The earnings cover has also risen, despite the appropriation of £126,659 to a reserve for deferred liability arising from initial allowances over and above the heavier tax provision of £367,264, against £353,270.

Net additions to fixed capital assets amounted to £718,422 in the year. This includes the cost of a brickworks at Bletchley; in November the whole of the property of Bletchley Fletton was sold to London Brick for £110,000. A greater part of this

	Year to Dec. 31,	
	1949	1950
Consolidated earnings :—		
Trading profits	845,168	1,055,498
Total income	869,982	1,066,142
Depreciation	250,940	251,817
Taxation	353,270	367,264
Earnings for ordinary stock	199,768	258,836
Ordinary dividends	185,625	214,500
Ordinary dividends per cent.	15	15
Added to general reserves and carried forward	14,143	44,336

	Years to Dec. 31,	
	1949	1950
Cons. balance sheet analysis :—		
Fixed assets, less depreciation	2,820,330	3,348,644
Investments in assoc. co's, etc.	1,424,712	1,794,341
Net current assets	1,699,780	1,681,031
Stocks	1,042,122	1,281,184
"Quick" assets	1,403,887	1,793,792
Reserves	2,250,000	2,600,000
Ordinary capital		

£1 ordinary stock at 50s. 6d. yields £3 1s. per cent.

capital expenditure reflects further progress in mechanisation to overcome labour shortages. The pace will not slacken this year, for outstanding capital contracts are estimated at £500,000. Cash and other quick assets, which have risen from £1,042,122 to £1,281,184 in a year of heavy capital expenditures, should provide a sufficient means for meeting any strain on financial resources caused by the capital programme. The addition of £350,000 to the share premium account, which now stands at £550,000, represents the premium received from the issue of 350,000 £1 ordinary shares at 40s.

Not only will immediate demands for bricks have to be met this year, but some effort will have also to be made to build up stocks so seriously depleted last year; the government have asked for an output of between 7,000 and 8,000 million bricks in 1951, a target which may prove difficult to hit. London Brick will have its full part to play; and as some progress has been made in solving the problem of labour shortages, the prospects for the firm—and for equity holders—appear good so long as manufacturing costs can be kept under close control.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, April 25, 1951	Price, May 2, 1951	Net Yield, May 2, 1951 (n)	Gross Yield, May 2, 1951
War Bonds 2½% ...	101	101	£ s. d.	£ s. d.
Mar. 1, 1951-53			0 12 10	1 18 6
War Bonds 2½% ...	101½	101½	0 14 5	1 19 6
Mar. 1, 1952-54			0 14 4	1 16 10
Exchequer Stk. 2½% ...	101½	101½	0 14 4	1 16 10
Feb. 15, 1955				
War Bonds 2½% ...	102½	102½	0 14 1	1 19 2c
Aug. 15, 1954-56			0 18 7	2 3 1½
Funding 2½% ...	102½	102½	1 3 1	1 13 4c
June 15, 1952-57			0 14 4	2 5 1c
Nat. Defence 3% ...	103½	103½	1 3 7	2 13 0½
July 15, 1954-58			0 18 1	2 6 5c
War Loan 3% ...	103	103	1 4 3	2 12 5½
Oct. 15, 1955-59			1 17 2	3 7 7c
Savings Bonds 3% ...	99	99½	1 13 4	3 2 7c
Aug. 15, 1955-65			1 17 2	3 1 6c
Funding 2½% ...	97½	97½	1 11 10	2 16 1½
April 15, 1956-61			2 5 7	3 15 1c
Funding 3% ...	95½	95	1 18 3	3 7 8c
April 15, 1959-69			1 16 5	3 6 1c
Funding 3% ...	97½	97½	1 15 11	3 6 7c
Aug. 1, 1966-68			1 12 5	3 9 7c
Funding 4% ...	103½xd	104	1 19 1	3 16 1½
May 1, 1960-90			2 4 6	3 14 7c
Savings Bonds 3% ...	94½	94½	1 18 3	3 8 1½
Sept. 1, 1967-70			2 1 3	3 6 1c
Savings Bonds 2½% ...	91½	91½	1 18 8	3 3 8c
May 1, 1964-67			1 13 9	3 10 11½
Victory Bonds 4% ...	105½	105½	2 4 4	3 14 10c
Sept. 1, 1920-76			1 19 8	3 10 0½
Savings Bonds 3% ...	92½	92½	2 0 9	4 0 7c
Aug. 15, 1965-75				
Consols 4% ...	101½	100½	2 0 5	3 17 1½
Feb. 1, 1957				
Conversion 3½% ...	91½	91½	1 19 9	3 15 10½
(after Apr. 1, 1961)				
Treasury Stk. 2½% ...	66½	66½	2 0 2	3 16 8½
(after Apr. 1, 1959)				
Treasury Stk. 3% ...	78½	78½	1 18 1	3 12 4c
(after Apr. 5, 1966)				
Treasury Stk. 3½% ...	99½	99½	1 17 11	3 12 2½
June 15, 1977-80			2 2 6	3 14 5c
Redemp. Stk. 3% ...	86½	86½	2 0 9	3 12 5½
Oct. 1986-96			2 1 0	3 18 0½
War Loan 3½% ...	89½xd	89½xd	1 19 8	3 15 8½
(after Dec. 1, 1952)				
Consols 2½% ...	66½	66½	2 2 2	3 12 3c
Brit. Elect. 3% Gtd. ...	92½	92½	2 0 1	3 10 2½
Apr. 1, 1968-73			2 0 10	3 11 1c
Brit. Elect. 3% Gtd. ...	91½	91½	1 19 11	3 10 3½
Mar. 15, 1974-77			1 18 7	3 12 2½
Brit. Elect. 3½% Gtd. ...	97½xd	97½xd	2 4 11	3 16 10c
Nov. 15, 1976-79			2 2 5	3 12 6c
Brit. Tpt. 3% Gtd. ...	87½	86½	2 0 3	3 10 4½
July 1, 1978-88			2 2 7	3 14 3c
Brit. Tpt. 3% Gtd. ...	92½	92½	2 0 3	3 10 4½
Apr. 1, 1968-73			2 1 8	3 13 6½
Brit. Gas 3% ...	85½xd	85½	1 19 6	3 13 10c
May 1, 1990-98			1 19 5	3 13 8½
Brit. Iron & Steel 3½% ...	97½	97½		
Feb. 15, 1979-81				

(e) To earliest date. (f) Flat yield. (g) Assuming redemption in 1957. (h) Net yields are calculated after allowing for tax at 9s. 6d. in £. * Assumed average life 13 years 4 months.

Last Two Dividends			Ordinary Stocks	Price, April 25, 1951	Price, May 2, 1951	Yield, May 2, 1951
(a)	(b)	(c)				£ s. d.
20 a	40 b		Anglo-Am. 10/-	8½xd	8½	£ 11 0
15 b	5 a		Anglo-Iran. £1	64	5	6 0 0
5 a	15 b		Assoc. Elec. £1	95/-	96/3	4 3 2
22½ c	27½ c		Assoc. P. Cen. £1	101/3	102/6	5 12 0
40 c	35 c		Austin 5/-	30/7½	31/3	5 12 0
15 a	120 b		Bass £1	149/4½	148/1½	6 8 7
40 c	10 a		Boots 5/-	49/-	52/6	3 16 2
8 c	10 c		Br. Celanese 10/-	32/-	33/-	3 0 7
8 a	10 b		Br. Oxygen £1	94/-	94/-	4 5 1
5 a	7½ b		Coats £1	63/9	68/1½	3 13 5
5 b	5 a		Courtaulds £1	44/-	47/-	4 5 1
20 c	6¼ a		Distillers 4/-	23/-	23/-	3 9 7
10 c	15 c		Dunlop £1	58/9	62/3	4 16 4
15 c	12½ c		Ford £1	55/7½	56/3	4 8 10
17½ c	17½ c		Gen. Elect. £1	91/10½	92/6	3 15 8
11 a	21 b		Guinness £1	134/4½	138/9	4 12 3
15 a	17½ b		Hawker Sid. 5/-	41/10½	42/7½	3 16 3
3 a	9 a		Imp. Chem. £1	49/4½	51/-xd	4 14 1
13½ a	18½ b		Imp. Tobacco £1	96/6	97/6	6 11 4
5 a	7½ b		Lancs. Cotton £1	51/3	50/-	5 0 0
10 c	10 c		Lever £1	61/3	53/9	3 14 5
15 c	15 c		Lon. Brick £1	96/-	61/3	4 17 11
4½ b	8 b		Marks & Sp. A 5/-	66/6	100/3	2 19 10
8 a	8 a		P & O Def. £1	66/6	64/6xd	4 19 3
17½ b	14 a		P. Johnson 10/-	37/-	39/-	6 8 2
15 b	15 a		"Shell" Stk. £1	93/9	95/-	4 0 2
12½ a	12½ b		Tube Invest. £1	98/1½	7½	3 11 5
3½ a	16½ b		Union Castle £1	41/-	100/-	4 0 0
8 c	10 c		U. S. Betong £1	41/-	40/-	5 0 0
17½ c	5½ b		T. & Newall £1	70/7½xd	67/6	4 16 6
2½ a	10 b		Vickers £1	52/6	53/3xd	4 13 10
15 a	27½ b		Woodworth 5/-	47/6	49/6	4 5 10

(a) Interim (b) Final. (c) Whole year. † Free of tax.

Cunard Steamship.—The immediate satisfaction felt by ordinary shareholders with the rise in Cunard's operating surplus from £3,894,708 to £10,780,750 has been somewhat damped by the chairman's cautious statement that the indications are that 1950 is likely to have been a peak year. The benefits gained from devaluation are now being swallowed up by rising costs. The volume of transatlantic passenger traffic was well maintained in the year, but was affected by international crises. While devaluation gave a fillip to westbound Atlantic cargo traffic, the eastbound flow was small, and higher freight rates were needed to meet higher handling costs. In trading to India and Australasia, high rates for chartering ships and the slow turn-round led to increased operating costs. The chairman, however, is not unduly disturbed by the prospects of a lower operating surplus in 1951, and equity shareholders will no doubt draw consolation from the fact that the dividend was raised from 10 per cent to 12½ per cent in the knowledge of this possibility.

The most serious problem confronting Cunard is the replacement of tonnage. The charge for depreciation of £2,512,776, against £2,445,203, is described by the chairman, Mr F. A. Bates, as "no better than notional being based on the original but now unrealistic first cost." The company continues to add to reserves to supplement the depreciation provision—£1,250,000, against

£1,000,000, was put to reserves and £1,244,862, against £1,406,215, was retained by subsidiaries in 1950—but "the tax computation has not yet been revised to meet the new replacement factors." Outstanding contracts for new ships are estimated at £3,200,000 and five ships of between 8,000 and 9,000 gross tons are on the stocks. To meet these immediate capital outlays, the company's liquid resources appear adequate; the fall in cash from £17,481,405 to £10,662,587 has, for example, been largely

	Years to Dec. 31,	
	1949	1950
<i>Consolidated Earnings:—</i>		
Operating surplus, etc.	8,894,708	10,780,750
Total income	8,984,651	11,005,688
Depreciation	2,445,203	2,512,776
Taxation	3,002,805	4,989,891
Ordinary dividends	428,996	516,638
Ordinary dividends (per cent) ...	10	124
Retained by subsidiaries	1,406,215	1,244,862
Parent Company reserves	1,000,000	1,250,000
Added to carry forward	241,142	40,349
<i>Cons. Balance Sheet Analysis:—</i>		
Fixed assets, less depreciation ..	31,793,848	31,602,893
Quoted investments	3,754,464	11,227,325
Cash and T.R.C's.	20,937,405	16,069,587
Reserves	25,489,481	27,473,690
Ordinary capital	7,798,346	7,798,346
<i>£1 ordinary stock at 42s.6d. yields £1 19s. per cent.</i>		

Statistical Summary

EXCHEQUER RETURNS

For the week ended April 29, 1951, total ordinary revenue was £76,174,000 against ordinary expenditure of £51,280,000 and issues to sinking funds £140,000. Thus, including sinking fund allocations of £480,000 the deficit accrued since April 1, 1951, is £871,000 compared with a deficit of £212,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Actual, 1950-51	Actual, 1951-52	Week ended April 29, 1951	Week ended April 29, 1950
Ord. Revenue	152,400	71,036	86,265	18,822	21,577
Income Tax	123,000	10,150	11,100	1,700	1,800
Sur-tax	180,000	15,850	15,200	3,900	3,700
Estates, etc., Duties	55,000	3,850	5,100	1,150	1,500
Stamps	312,650	13,560	24,100	2,300	3,200
Profits Tax	500	10	20	...	...
E.P.T.	1,500	600	270	200	70
Other Inland Rev.	230,240	115,956	142,055	28,072	31,847
Special Contributions	930,500	56,552	72,887	15,716	11,721
Customs	720,500	50,100	47,983	33,701	30,985
Excise	165,100	106,652	120,872	49,417	42,706
Total Customs and Excise	62,000	2,822	3,439	392	267
Motor Duties	20,000	955	11	954	1
Surplus War Stores	50,000	...	...	...	...
P.O. (Net Receipts)	5,400	...	...	...	...
Wireless Licences	13,600	1,000	1,000	1,000	1,000
Sundry Loans	27,000	374	76	198	...
Miscellaneous Receipts	105,000	725	6,364	1,745	153
Total Ord. Rev.	423,840	234,974	274,017	81,778	76,174
Self-Balancing Post Office	179,431	11,700	13,200	4,000	4,800
Income Tax on E.P.T. Refunds	4,900	114	122	3	40
Total	442,071	246,788	287,339	85,781	81,014

Expenditure	Estimate, 1951-52	Actual, 1950-51	Actual, 1951-52	Week ended April 29, 1951	Week ended April 29, 1950
Ord. Expenditure	535,000	44,917	52,463	1,169	1,105
Int. & Man. of Nat. Debt	38,000	2,307	2,562	1,154	1,281
Payments to N. Ireland	11,000	561	632	51	55
Other Cons. Funds	584,000	47,785	55,558	2,374	2,440
Supply Services	361,292	186,927	218,840	33,607	48,840
Total Ord. Expd.	419,692	234,712	274,398	35,981	51,280
Sinking Funds	...	474	480	10	140
Total (excl. Self-Bal. Expd.)	419,692	235,186	274,878	35,991	51,420
Self-Balancing Post Office	179,431	11,700	13,200	4,000	4,800
Income Tax on E.P.T. Refunds	4,900	114	122	3	40
Total	438,125	247,000	288,200	39,994	56,260

After decreasing Exchequer balances by £321,881 to £2,953,667, the other operations for the week decreased the National Debt by £13,300,153 to £25,958 million.

NET RECEIPTS

Nil

NET ISSUES (£ thousand)

P.O. & Telegraph (Money) Act, 1950	650
E.P.T. Refunds	44
Export Guarantees Act, 1949, s. 3(2)	290
Housing (Temporary Accommodation) Act, 1944 and 1947	50
Local Authorities Loans Act, 1945, s. 1(1)	7,400
Miscellaneous Financial Provisions Act, 1946, s. 2(1)	3,000
War Damage: War Damage Commission	337
Finance Acts, 1946 and 1947: Post-war Credits	11,775

CHANGES IN DEBT (£ thousand)	
RECEIPTS	PAYMENTS
Treas. Bills	20,270
Nat. Savings Certs.	2,400
3% Def. Bonds	410
Tax Reserve Certs.	4,792
	27,902
2½% Def. Bonds	575
Other Debt	9
Internal	16,120
Ways & Means Advances	24,500
Treasury deposits	41,204

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits	Total Floating Debt
1950	2930.0	1917.9	435.3	5282.9
Jan 27	3200.0	1801.9	407.8	5409.7
Feb. 3	3190.0	1842.4	385.6	5418.0
" 10	3170.0	1808.1	402.7	5380.8
" 17	3170.0	1801.2	439.8	5411.0
" 24	3180.0	1749.4	419.8	5349.2
Mar. 3	3170.0	1733.8	421.5	5325.3
" 10	3180.0	1737.3	440.7	5358.0
" 17	3180.0	1799.6	396.6	5376.2
" 24	3170.0	1811.6	428.9	5410.5
" 31	3100.9	1749.3	445.8	5296.0
April 7	3190.0	1774.8	432.8	5397.6
" 14	3200.0	1749.3	436.5	5385.8
" 21	3220.0	1779.5	450.5	5450.0
" 28	3250.0	1789.8	434.3	5474.1

TREASURY BILLS (£ million)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment	Allotted at min. Rate
1950	240.0	337.1	240.0	10	2.84
April 28	240.0	337.8	240.0	10	2.92
Jan. 26	230.0	336.4	230.0	10	2.52
Feb. 2	250.0	334.5	250.0	10	4.51
" 9	250.0	337.7	250.0	10	3.00
" 16	250.0	331.4	250.0	10	3.04
Mar. 2	260.0	346.2	260.0	10	2.87
" 9	260.0	339.3	260.0	10	2.97
" 16	250.0	332.7	250.0	10	2.96
" 23	250.0	332.9	250.0	10	2.94
" 30	250.0	332.4	250.0	10	2.98
April 6	240.0	320.3	240.0	10	3.13
" 13	250.0	351.2	250.0	10	2.67
" 20	240.0	354.5	240.0	10	2.60
" 27	230.0	359.0	230.0	10	2.44

On April 27th applications for 91 day bills to be paid from April 30 to May 5, 1951, were accepted dated Monday to Saturday as to about 48 per cent. at 99 17s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for May 4th. For the week ending May 5th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Totals 3 weeks ended	Week ended
	April 22, 1950	April 21, 1951
Savings Certificates:—		
Receipts	5,250	14,000
Repayments	6,900	8,700
Net Savings	Dr. 1,650	5,300
Defence Bonds:—		
Receipts	1,055	3,224
Repayments	3,374	3,235
Net Savings	Dr. 2,319	Dr. 11
P.O. and Trustee Savings Banks:—		
Receipts	37,970	43,705
Repayments	34,531	46,284
Net Savings	3,439	Dr. 2,578
Total Net Savings	Dr. 539	2,711
Interest on certificates repaid	1,450	2,038
Interest accrued	7,195	7,310
Change in total invested	5,292	7,933

BANK OF ENGLAND RETURNS

MAY 2, 1951

ISSUE DEPARTMENT	
Notes Issued:—	£
In Circulation	1318,547,646
In Bank, Department	31,793,177
Govt. Debt	11,015,100
Other Govt. Securities	1334,763,641
Other Secs.	704,159
Coin (other than gold)	3,513,190
Issue of Fid. Gold Coin and Bullion (at 248s. per oz. fine)	1,350,000,000
	356,823
	1350,356,823

BANKING DEPARTMENT

Capital	14,533,000	Govt. Secs.	348,656,441
Reserves	3,270,643	Other Secs.	35,559,327
Public Deps.	19,233,752	Discounts	...
Public Accts.	13,361,037	Advances	6,644,948
H.M. Treas. Special Acct.	5,373,715	Securities	28,914,179
Other Deps.	379,421,032	Notes	31,793,177
Bankers	289,241,033	Com.	559,482
Other Accts.	91,177,999		
	416,484,427		

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

COMPARATIVE ANALYSIS (£ million)

	1950	1951
May 3	1280.3	1314.9
April 18	1314.9	1313.8
April 25	1313.8	1318.6
May 2	1318.6	1317.7
Notes in circulation	20.0	35.5
Notes in banking department	20.0	35.5
Government debt and securities	1299.3	1345.7
Other securities	0.6	0.7
Gold and Coin	0.4	3.9
Valued at s. per fine oz.	248.0	248.0
Banking Dept.:—		
Deposits	18.4	14.7
Public Accounts	178.8	15.4
Treasury Special Account	278.0	319.3
Bankers	88.8	81.6
Others	564.0	421.0
Securities	500.2	368.7
Government	21.8	9.5
Discounts, etc.	33.8	24.4
Other	555.8	402.6
Total	25.9	36.1
Banking dept. res.	4.6	8.5
"Proportion"	9.0	8.0

* Government debt is £1,015,100, capital £14,533,000. Fiduciary issue reduced from £1,375 to £1,350 million on January 10, 1951.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	May 2, 1950	April 17, 1951	May 1, 1951
Cereals and meat	149.5	163.1	164.2
Other foods	151.6	174.1	174.1
Textiles	224.4	342.9	342.5
Minerals	268.2	335.4	339.3
Miscellaneous	164.3	194.4	195.9
Complete Index	185.0	226.9	228.1
1913=100	251.5	312.2	313.9

GOLD AND SILVER

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

	SILVER	GOLD
1951	London	New York
April 25	78.5	90.16
" 27	78.5	90.16
" 28	78.5	90.16
" 30	78.5	90.16
May 1	78.5	90.16
" 2	78.5	90.16

COMPANY MEETINGS

FORD MOTOR COMPANY, LIMITED

RECORD PRODUCTION AND EXPORT SALES

PROGRESS OF DEVELOPMENT PROGRAMMES

IMPACT OF WORLD REARMAMENT ON FUTURE OPERATIONS

SIR ROWLAND SMITH ON THE ACHIEVEMENTS

The twenty-second annual general meeting of Ford Motor Company, Limited, was held on May 2nd at Grosvenor House (Park Suite), Park Lane, London, W.1, Sir Rowland Smith, M.I.Mech.E. (the chairman), presiding.

The secretary (Mr J. M. A. Smith, A.C.A.) read the notice convening the meeting and Mr F. Pragnell, F.C.A., of Messrs Mellors Basden and Mellors, read the report of his firm.

The following is the chairman's statement which had been circulated with the report and accounts for the year to December 31, 1950:—

Following the precedent already established this statement is sent to you with the directors' annual report and accounts.

For us 1950 was a notable year, inasmuch as we exported more units than any other motor manufacturer in this country.

Production expanded substantially despite supply difficulties and major changes in factory layout necessitated by the commencement of manufacture of our new cars; our record production of 185,138 vehicles and tractors was 21 per cent. above the average level of the past two years.

A FINE ACHIEVEMENT

While strictly adhering to the Government home market quotas, 82.9 per cent. of cars and 69 per cent. of commercial vehicles sold went overseas; so also did 77.8 per cent. of tractors. In all, 146,099 units were exported, which, together with service parts, totalled £1,300,000, 64 per cent. better than our previous best achievement in 1949. Our exports to Canada and the United States produced over \$16,000,000. I am sure that you will wish me to thank our employees at all levels, from the men on the shop floor to the most senior executives, for their share in this fine achievement.

Prices of our products established in December, 1949, remained unchanged throughout the year. A 12.1 per cent. profit before tax (compared with 9.2 per cent. in 1949) on our record turnover of £64,750,000 yielded £7,816,796, after providing £1,200,000 for expansion of employees' pension and benevolent fund benefits. Of this profit 57.2 per cent. was for tax, 34 per cent. was ploughed back, and 8.8 per cent. is for dividend.

This dividend is at the rate of 12½ per cent. on the ordinary capital, a slight increase on the dividend paid during the past four years, which we believe to be reasonable having regard to the requirements of the business and public policy.

The 1950 profits resulted from exceptional production, and particularly from the consequent spread of overhead. It is now evident that such profits are unlikely to be repeated in 1951, a year during which we have to experience the introductory stages of our new models, substantial further changes in layout and shortages of sheet steel and other materials. It was in fact in anticipation of these coming adverse factors that we aimed at a high profit in 1950.

STIMULATED DEMAND FOR PRODUCTS

It is clear that during 1950 the rising level of world-wide economic activity stimulated the demand for motor products. In this country we reaped the benefit of the relatively stable costs and prices of the past few years, and sterling devaluation in the latter part of 1949 gave a further price advantage and impetus to export sales. Our company, with the good value it offered, participated to the full in this favourable situation, and we secured over 23 per cent. of United Kingdom exports of automobiles and tractors. Our output, though a record, would have been considerably greater had it not been for the restraint upon increased production imposed by restricted sheet steel supply.

The international political situation which developed during the latter part of 1950, and the inflationary trends which followed in its wake, caused a further stimulus to export sales. Many who feared an interruption of supplies took steps to replace articles which experience had shown to be scarce under such conditions, and cars, trucks and tractors were high on their lists.

OVERSEAS ACTIVITIES

Australia and Canada have dominated our export markets; next in importance were Republic of Ireland, Sweden and South Africa. Sweden's high place was largely due to the abolition of import licensing. In Europe generally keen competition was felt from both France and Germany, and this is likely to increase substantially in the near future. In Canada our sales more than trebled—18,749 units.

Tractor exports were maintained at a high level, 32,733 being shipped overseas, against 25,160 in 1949.

Two aspects of our export business have assumed special and increasing importance. During the year arrangements were made for the assembly of our vehicles in Brazil and Holland, while Australia, Egypt and South Africa began to assemble our tractors, making a total of twelve assembly points in all. These developments were dictated by considerations of relative freights, duties, etc., with the purpose of making our products available at the lowest cost and price in foreign markets. Secondly, our export spare parts sales have increased substantially, the inevitable result of greatly expanded post-war shipments, and this trend should continue.

Again in 1950 the Government permitted only a dangerously low supply of cars and commercial vehicles into the home market. In consequence the system of covenant on new cars has been strengthened so as to discourage speculation.

The shortage of vehicles in this country has placed a special responsibility on us and on our dealer organisation to provide complete and prompt service facilities, including reconditioned engines and parts, and their response has added to the fine reputation of Ford service.

The home market has been fully competitive only for tractors, and our position has been maintained. During 1950 we introduced a tractor engine reconditioning

scheme which enables farmers anywhere in the country to replace their engine units economically and maintain their operations without interruption.

INTRODUCTION OF "CONSUL" AND "ZEPHYR SIX"

As I have indicated, preparation for manufacture of the new cars went ahead concurrently with production of our existing range of vehicles. A new assembly line was built, involving intricate new factory layouts and the installation of many new machines. By a really magnificent piece of teamwork by all concerned it was possible to drive the first completed new car off the line on January 1st of this year, the target day which we had set ourselves many months before. The cars are now in production, the Consul in rising volume, and the Zephyr Six as yet only beginning. These cars had an outstanding reception at the Motor Show last October. It is, of course, for the public to pass judgment on them in operation. After extensive tests carried out under extreme conditions—sub-arctic in Scandinavia, mountaineering in Switzerland, and grilling in the Sudan—I am satisfied that they are outstanding in power, economy, safety, road holding, steering, visibility and all the things which go to the making of fine all-round vehicles.

We now have a balanced passenger car range in the Anglia, Prefect, Consul and Zephyr Six.

DEVELOPMENT OF MANUFACTURING OPERATIONS

Over £3½ million have been spent on tooling and development of the Consul and Zephyr Six. In addition, heavy expenditure has been incurred in the rearrangement and reallocation of other manufacturing operations to enable an efficient high volume production line to be set up for these models.

Other development programmes are progressing well. Apart from tooling of the new cars, capital expenditure during 1950 amounted to over £2 million, and a further expenditure of some £8 million is envisaged during the next three years. The forward plans of your company are continually under review by the directors

Recently, we have heard from the Chancellor of the Exchequer that some falling off in exports is inevitable among those industries, including our own, which may be most concerned with defence. We are indebted to our friends in the steel industry for their fine production achievements and co-operation with us in our difficulties, but unfortunately we have now been notified of seriously reduced allocations of sheet steel compared with last year. Other important supplies have also been affected.

Notwithstanding reduction in sheet steel supplies, we are told that export must be maintained to the fullest possible extent, which means that domestic supplies will be reduced to a level which seriously threatens the efficiency and safety of our road transport system.

While accepting in principle that defence must have priority, the reduction in our sheet steel supplies appears more than is necessary at this moment. Each ton of sheet steel diverted from the motor industry means, when converted into terms of motor cars, a heavy loss of export earnings. In particular we recognise the importance of dollar exports as the means of payment for many essential defence materials.

It is regrettable that conditions today are such that we, in common with others, once again may have to divert some of our energies from the making of normal peacetime products to defence requirements, but you can be assured that your company will again play its full part in this national effort.

PROBLEM OF RISING COSTS

Costs of our essential imported materials have risen steeply since the middle of 1950. The index of raw material imports into this country rose during 1950 from 134 to 195; during that period the wholesale price of rubber rose by 265 per cent., and of non-ferrous metals by 60 per cent. There was some time lag in the impact of these costs upon us, and we were able to defer increasing prices until early this year, when we were forced to put them up by a modest 2½ per cent. to 10 per cent., according to model. We look forward to the more rational allocation of world resources which may result from the deliberations of the raw material committees now sitting in Washington, but it is probably too much to hope that our present prices can be maintained indefinitely in the face of world-wide inflationary pressure.

Mr Ernest R. Breech, executive vice-president and director of the American Ford Company and well known for his work as a former member of the Anglo-American Council on Productivity, together with Mr Arthur J. Wieland, general manager of Ford International Division of the American company, were appointed to the board during the year, and now come up for re-election. Both these gentlemen bring with them a wide experience, which will be of great value to your company.

Mr Graeme K. Howard has resigned from the board.

In conclusion, while again paying tribute to the efforts which have made last year's achievements possible, I wish to assure you that the company is going forward with good heart to meet the more difficult times which lie ahead.

The report and accounts were adopted and the dividend of 12½ per cent. (less income tax) on the Ordinary stock and shares was approved.

The retiring directors, Mr Henry Ford II, Sir Rowland Smith, M.I.Mech.E., The Rt. Hon. Lord Perry of Stock Harvard, K.B.E., LL.D., Mr Ernest R. Breech and Mr Arthur J. Wieland, were re-elected.

The proceedings terminated with a hearty vote of thanks to the chairman, directors and employees.

UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

RECORD PRODUCTION AND TURNOVER MR HAROLD ST. J. JUDD'S STATEMENT

The thirty-eighth annual general meeting of the United Glass Bottle Manufacturers, Limited, will be held on May 24th in London.

The following is an extract from the statement of the chairman, Mr Harold St. J. Judd, circulated with the report and accounts:—

The consolidated profit and loss account opens with the group trading profit of £1,386,600, which exceeds that for 1949 by £71,000. From this, increased deductions result in the group profit before taxation being, at £998,440, £2,000 in excess of that for 1949. The provision of £548,070 for taxation on profit for the year is calculated in the light of the recent Budget and absorbs more than 54 per cent. of the group profit.

The net group profit at £479,390 shows an increase over that for 1949 of £5,000. The holding company profit for the year is £415,226 and exceeds the previous year's profit by £25,000. From the balance of profit available the board have set aside to general reserve £150,000, bringing that reserve to a total of £1,000,000, and to staff benevolent account £20,000, increasing that item to a total of £150,000.

The board recommend a final dividend of 5 per cent., less income-tax, making a total of 17½ per cent. for the year, as compared with a total of 15 per cent. paid for the previous year. The credit balance carried to the holding company balance-sheet is therefore £300,265; similarly the balance carried to the consolidated balance-sheet is £403,585.

PRODUCTION—SALES AND RISING COSTS

The group production and turnover for 1950 again reached higher figures than in any previous year, sales having climbed to a total of over 1,250 million articles. To deal with such output is no mean task considering this automatic machine production cannot escape the necessity for each individual article to be handled in the processes of inspection and packaging.

Our main production, consisting of a great variety of glass containers, earned appreciably less profit during the year under review as compared with the previous year because costs rose at a much more rapid rate than it was possible to adjust selling prices or to meet the rise out of increased turnover and efficiency. This condition was largely corrected by selling price adjustments in the early part of the current year, but is again of necessity under review owing to the recent increase in freight rates, petrol, etc.

The effect of any marked increase in transport charges is most pronounced, measured by the fact that our main factories alone handle inwards and outwards, mostly by rail, of the order of 650,000 tons per annum of materials and finished products. As an offset to the rising costs we were able to well maintain our group profit by the good results attained from our activities other than the bottle section.

Last year I referred to the average price increase applying to glass containers which was approximately 47 per cent. over prices prevailing in 1939 and that figure now totals only approximately 55 per cent. whereas our cost increases run in the 100's per cent. since 1939. Having regard to the purposes served by most of our production, we have kept our selling prices as low as possible, hence the moderate percentage increase in these prices as compared with the much higher rate we have to pay for all materials, equipment and services.

ACQUISITION OF ENGINEERING WORKS

Although our factories are well equipped with machine shops and latest types of machine tools, we have always found it necessary to contract out a certain amount of specialised machinery construction and reconditioning. With the tremendous growth of mechanisation in our factories this outside machine work has assumed great importance to the continuity of our production.

A large amount of this precision engineering work is carried out by Messrs Dilworth and Carr, Limited, Bow Lane, Preston, Lancs, and as an opportunity arose to acquire the shares of this company, after careful deliberation your board decided to purchase the full shareholding, the deal having been completed in June, 1950, and financed from our current funds.

It is the policy of your board not to in any way disturb the activities of Messrs Dilworth and Carr. We shall continue to place our quota of work with them and all other customers' requirements will be catered for as in the past. We consider the investment modest and sound, with the double advantage of every prospect of a reasonable return on the capital invested and the assurance that certain of our essential engineering work will be carried out.

EXPANSION

In my last statement I outlined a plan of expansion at our factory most suitable for the purpose, this being the Charlton-London factory. As our negotiations proceeded to secure the necessary building licence, after considerable delay it became evident that the Government Departments concerned would not grant a licence covering the projected extension to the main factory building. After the exercise of considerable engineering ingenuity we produced a compromise plan whereby the furnace extensions were fitted into the existing factory building.

This still left the absolute necessity for a new warehouse building which was already very much needed and essential to handle any additional production. We were eventually granted a licence for this building which is well on the way to completion and about 40 per cent. of the expanded output is already in successful operation, the remainder due for completion early next year. Even though the capital expenditure would have been much greater, from a manufacturing standpoint the original scheme would have been preferable, but the present plan will give the same amount of additional production and should well serve its purpose for many years to come.

THE FUTURE

So far this year augurs very well, in view of the fact that sales and production have increased and the balance of unexecuted orders is greater than ever before at this time of the year for both home and export markets. Considering the march of events it becomes more difficult than ever to predict future results on any specific basis, particularly considering the trend of rising costs, which, as already stated, oft-times have to be borne by the company pending selling price adjustments.

I have, however, every confidence in our company maintaining its position, so long as industry generally survives whatever ordeals the future may have in store. After patient effort the company has been built up on sound and well-organised lines, with a resiliency capable of meeting most of the impacts which are liable to be encountered.

THE CUNARD STEAM-SHIP COMPANY, LIMITED

DEVALUATION AND SHIP REPLACEMENT COSTS

MR F. A. BATES' STATEMENT

Mr F. A. Bates, chairman of the company in a statement to stockholders for submission at the seventy-fourth annual meeting to be held on May 23rd, says:

On July 4th (Independence Day) 1840, sailed the *Britannia* from Liverpool on her maiden voyage, with Samuel Cunard on board, leaving his partners George Burns and David MacIver to watch the sailing from the dock side. So began the company's Atlantic service. *Britannia* was the ship whose lounge was described by Charles Dickens as "having at the upper end a melancholy stove, at which three or four chilly stewards were warming their hands." From that beginning and that first ship—a sea queen of her day—has sprung the company's present fleet, so different, except in the unchanging Cunard spirit, from the standards of Dickens' description. Nor was he the only one of the great authors of last century to leave some record, critical or otherwise, of their voyages in our ships. Readers of Mark Twain will remember that he also "had a go." It is touches such as these from the brush of history which colour the background of the Cunard stage and mark the 1951 viewpoint of the company's progress.

BOARD AND MANAGEMENT

Where there is progress there must always be change, but with change comes renewal from the strong reserves of experience. It is with this thought that I refer to the death last November of Lord Royden, who remained an active director and a staunch contributor in all the board's deliberations to the last day of his life. He served on the board for 45 years and had been chairman for a period of eight years following the first War. His bequest to his colleagues is a great fund of experience and the memory of a long life devoted to the welfare and interests of our company.

At the end of December last, Mr S. J. Lister decided to retire from the board. He is another of those who have spent a long career in the service of the company, which in his case has extended to 58 years. Mr Lister has been a director of the Cunard Company for 21 years and general manager for 12, and was appointed to the same positions in Cunard White Star, Limited, on its formation in 1934. It would not be possible to put too high a value on his services to the company over so long a time.

Sir Richard Hopkins, who has been a most valued director and colleague, has found it necessary to retire from the board, owing to increasing responsibilities and duties which detain him in London. His sound counsel has been very helpful to myself and to the directors on many occasions and I am glad to know that his great interest in the company's progress is in no way relaxed by his retirement.

The new directors who have taken their seats since the last meeting are—Mr W. H. Brown, Mr Percy Furness, Lt.-Col. Austin G. Bates and Mr C. E. Pierce, and I am sure the members will be glad of the opportunity to confirm their election. Mr Brown, Mr Furness and Mr Pierce bring to the board their already great experience of the company's work in all its diversity both technically and geographically. Mr Pierce will shortly be returning from an extensive tour of our American organisation. Lt.-Col. Bates, long associated with the Brocklebank Company, has many qualifications on the technical and other sides of shipping administration

and on modern ship design which have already been of great service to our group.

As I foreshadowed a year ago, Sir Ashley Sparks has retired from the office of chief representative in the U.S.A. and has been succeeded by Brigadier J. H. Hardy. Sir Ashley, I am glad to say, is still a director and his long experience of our affairs on the other side of the Atlantic continues to be a source of strength to the company. As he has passed the age of 70, I shall be proposing to the members at the annual meeting his re-election, in accordance with the provision of the Companies Act.

Another change to which special reference should be made is the retirement of Mr Robert Crail from the position of general manager, while retaining his seat on the board. Mr Crail's services as general manager since 1945 have been of a very high order, his management responsibility having covered with marked success the very difficult period of renewing our fleet and reorganising the business of our ships following the war.

Mr F. H. Dawson, whose election to the board the members confirmed last year, has been appointed to the managerial position relinquished by Mr. Crail, and the members will, I know, wish him a happy and successful period of office. He has also been appointed to the Port and Brocklebank Line boards and, like his predecessor, has the good wishes and support of all the Cunard team and of its associated companies.

Whilst on the subject of board changes, I would like to draw the attention of the members to the resolution contained in the notice of the annual meeting, regarding the number of directors. The present articles provide for a maximum number of 18, but may be altered by ordinary resolution. The directors recommend that this maximum should now be increased to 22 and the requisite resolution will be submitted for the members' approval.

SPLENDID TEAM-WORK

Before dealing with the year's accounts, may I say how very sensible I am myself, as chairman, and equally so are all the directors and managers of our different companies, of the splendid team-work of all the staffs whether at sea or on land. Especially do I express the company's thanks to the masters, officers, and crews in the ships and to the staffs of all the offices in both hemispheres: they husband our ships and tend so well the passengers and cargo committed to our care. I make a special note of thanks to our agents and friends, many far distant in sea miles, but near to us in the company's esteem. A fitting motto for the companies within our group, including Cunard, Cunard White Star, Port and Brocklebank Lines, and all the rest of our organisation, might well be "Team-work round the clock, the year and the globe." Whether in the U.S.A. and Canada, in Australia and New Zealand, in India, Pakistan and Ceylon, in Europe or at home, or at sea in our ships, the same salt wind is in all our faces and the same bonding cement of joint endeavour in all our sea ventures. I sometimes pause to consider what a wonderful thing is the spirit that pervades the decks of a well-found ship from bridge to engine-room, or for that matter the decks of a company. It is the intangible asset which all are helping to build with every new keel laid in the company's history.

There can be no British way of life which does not prosper the ships and those who sail in them. Their service is rendered under circumstances very different from other industries in our island economy. The carrying of the ships begins where the land-ways end and their sailings from the home ports are into the blue waters of world-wide commerce. A main part of their life and voyages, so essential to the homeland, is yet spent in distant seas in competition with the ships of every other nation.

It is no catch-phrase that the seas are free to all. Competition between the nations to carry commerce is intense, and so it should be. The seas are still free, but, as history affirms, we have the Royal Navy to thank for it against the pirate and aggressor down the centuries. The Royal and the Merchant Navies are indivisible in their need of each other and to slacken in the tenets of our sea faith might be to change the course of history and risk the freedom both of Britain and the Commonwealth.

The urge to adventure and enterprise, which are the foundations of British Commerce, is still as strong as ever. Many a young man wants to go to sea for whom there is at present no ship, and many a would-be merchant adventurer is only barred from travel abroad by currency and other restrictions. This is dead loss to Britain's future. It will be well for the Cunard Company, and for all Britain's merchant navy, when economic theories at home that hamper adventure abroad can be buried in the grave of frustration with a line on the headstone—"Better sail in a ship than live in a sheep-fold."

1950 FIGURES

This is the fourth year of consolidation of the accounts. It becomes a bit easier with each year, but it remains a feat of office management and of accountancy to produce consolidated accounts of our round-the-world shipping companies within four months of the year's end. It is a kind of accounting relay race and congratulations and thanks are due to the departments and offices everywhere who have taken part in the race and made such good time in their relays.

In considering the figures there must be borne in mind the devaluation weight-cloth which is now on the company's back. Its handicapping result has not yet been fully assessed. A transient increase from devaluation came into the profit and loss account of 1950, but as I expected, this is now disappearing in rising expenses. The long-term effect of devaluation on the Cunard company is the depletion in purchasing power of the reserves set aside over twenty years or more to replace the older ships. It will be noted that on this occasion the word "profit" becomes "surplus" in the relevant items of the accounts, thus expressing the present uncertainties in the replacement problem.

The consolidated accounts provide an accounting picture comparable with the consolidated accounts of a year ago.

Depreciation at £2,512,776 is much, the same, but I should be lacking in frankness if I did not give warning that the figure so charged is no better than notional, being based on the original but now unrealistic first cost. It requires suitably multiplying to cover the replacement of the hull plates and machinery reckoned as expended during the trading of 1950. The using-up is obviously a trading expense, like anything else that has to be charged to Voyage Accounts at current cost. It will soon be impossible to get even a telephone call for the pre-devaluation cost and certainly not a steel plate. This £2,512,776 notional depreciation relates to ships the current replacement cost of which is estimated to be about £120,000,000. The useful life of a ship, unless special circumstances prolong it, is

generally taken to be 20 or 25 years. From these two factors—replacement cost and a ship's life—are compounded the real cost to the company of renewing the rusted plates and used-up equipment applicable to a year's trading.

It is clear that devaluation has introduced a new factor which greatly affects the replacement future. Pre-devaluation money expresses one part of the accounts and post-devaluation money another. The directors continue to make additional reserves to supplement the depreciation, but the tax computation has not yet been revised to meet the new replacement factors. The company now has to deal with the twin ills of multiplied replacement cost and inflationary taxation alike nationally imposed. Moreover, the poultice of devaluation, nationally applied has left a dark bruise on the cost of living of everyone. No excuses, however publicly expressed, stop the prices rising little by little of one thing after another. And this is the historic result of a devaluation; a Caesar did it and probably a Pharaoh. I have been told that the record for blue riband in devaluations is still held by John the Good, who became quite an addict. It may be remembered that failing to correct his finances by more and better devaluations and extortionate taxation, he was quite glad to get out of it all after being taken prisoner at Poitiers. He finally retired to England, leaving someone else to clear up his mess.

Commenting on the rest of the consolidated accounts, the operating surplus is shown at £10,780,750, being £1,886,000 more than last year, but taxes absorb £4,918,238, so the increased operating surplus brings no benefit to the company and even adds to the weight of taxation on its back.

It is a depressing thought that apparently the Cunard Company is getting involved in the law of diminishing returns. This is the law with which Chancellors have so often had trouble when trying to find sources of additional taxation. The increased surplus and the still greater tax have been achieved by using up an immense amount of life and work in order to pay so great a figure of tax money. Whip and weight-cloth are the incentives offered to us and without even the proverbial carrot for the donkey.

The consolidated figures below the line are, I think, self-explanatory. Small outside shareholding interests in minor subsidiaries take £1,519—a negligible figure which it has not been convenient to eliminate. The provision for pensions and cognate funds is £350,000—the same as last year. £1,244,862 is retained by subsidiaries and affords strength to their finances. The Cunard transfer to the public reserve at £1,250,000 is £250,000 up from last year's transfer. The consolidated balance carried forward is slightly increased to £1,240,836.

CUNARD PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

As I explained at the time, the figures of 1949 were affected in exceptional degree by the changes in the accounts then in progress, so the figures of 1950 are not in all respects comparable with those of the previous year. The depreciation of ships—£1,322,642—is, as I have already said, of a notional character based on original cost. Owing to the various changes the operating surplus of £7,756,454 is not comparable with the 1949 figure.

The tax debit—£4,218,451—includes provision for the retrospective increases announced by the Chancellor in the 1951 Budget. The 1949 tax was considerably reduced, as explained in my statement a year ago, by the incidence of the initial allowances.

The surplus balance carried down, at £2,231,238, is properly comparable, showing an increase of £136,939 over the 1949 figure,

subject to my caveat about the provision for wear and rust. From this balance the directors recommend the same provision for pension and cognate funds as last year, £350,000; also the transfer of £1,250,000 to reserves, which is £250,000 more than last year, and finally the dividends as already announced. The balance carried forward is £1,240,836, being the slight increase of £40,349 over 1949 already mentioned in my comment on the consolidated profit and loss account.

Turning to the Cunard Company balance sheet, the figures here are comparable with 1949 because the Cunard White Star assets transferred to the Cunard Company were incorporated in the Cunard 1949 balance sheet under their respective headings.

The ships at £13,707,726, as against £14,866,466 a year ago, reflect (a) the coming into service of s.s. *Assyria*, (b) the sale of two cargo ships acquired after the war to tide us over the shortage of tonnage, (c) the disposal, for breaking-up purposes, of *Aquitania*, and (d) the normal depreciation for the year.

The change in the figure of freehold and leasehold properties is unimportant.

The only other assets calling for comment are the holding of £4,500,000 tax reserve certificates to meet our increased tax liabilities and the investment of £2,500,000 in Exchequer stock. These latter transactions leave our cash at bankers at £4,939,172. Part of this money represents passage money received but not earned at the close of the year.

Under the reserves item our share premium account remains the same at £1,566,000. The rest of these reserves have increased to £12,205,000.

The remaining items are either self-explanatory, or of the usual omnibus character including creditors' and debtors' accounts and various provisions and reserves.

DIVIDENDS

An interim dividend of 2½ per cent. has been paid, and it is now proposed that a final dividend of 10 per cent. be paid, making a total of 12½ per cent. for the year as against 10 per cent. for the previous year. This increase of 2½ per cent. will cost us net—£143,295, including the increase in taxation, leaving the carry forward at £1,240,836.

The aspects which have to be considered in relation to any dividend declaration are manifold. In the first place the stockholder-members' services to the company, past, present and future, are as essential to its continuance and healthy growth as any other part of the company's economy. When they invest their funds in our adventures and in the risks of our shipbuilding and ship-operating they become members of the company, sharing the hazards with us all. Only two years ago they put up £3,900,000 more capital to buttress the company's fortunes. It is important to the company's future that the stockholder-members should realise that the company is grateful to them for their support, for on that road lies the company's credit when we next need their help. As to the prospects of maintenance of any particular dividend rate, the members will realise that the times are full of risk. Each year's accounts are the company's stepping stones, and caution is enjoined in stepping to the next. The directors have to bear in mind the wide interests of all concerned, stockholder-members, staff members, managers and directors alike, and not least of the old company itself, which holds our loyal duty as part of His Majesty's Merchant Navy.

LAST YEAR A PEAK YEAR

It is not very wise to try to be a prophet. If right, one gets no thanks; if wrong, the pro-

phesy becomes one's mustard plaster—not that so excellent a corrective is not good for all of us sometimes. However much a man may think he knows, he will always be a bit the wiser if he remembers history. The wise man of Ecclesiastes did not think much of prophets. He may have been quoting the wisdom of Solomon when he wrote—"a fool also is full of words: a man cannot tell what shall be; and what shall be after him, who can tell him?" It might be sensible, I suppose, to rest on that comforting remark about prospects, but I cannot help feeling that on this occasion I owe it to the members to risk the mustard and venture my present thoughts.

We have just completed the first quarter of the 1951 trading and the indications are that 1950 will prove to have been a peak year. In the present circumstances of our trades, I anticipate that the operating surplus in our consolidated profit and loss account for 1951 will be down from the comparable surplus of 1950. This is not to suggest that we are disturbed by that prospect and our managements and staffs are striving to promote all feasible economies. Our aims—preserving the interests of the stockholder-members, watching those of our staffs, and replacing our tonnage to serve the Cunard Company's future as well as that of our island home—are unchanged. We are watching the stepping stones.

In our sea business there are all the risks attendant on trading abroad with the open competition of the world coming up on our quarter and as well there are now looming risks which attend a home economy unsuitable for an island nation and planned by folk who do not seem to have much, if any, regard for history. For instance, I do not think anyone through the centuries has ever prophesied that the British people, so completely dependent on world trade and travel, would restrict themselves from freedom to travel to the degree at present in vogue, and from liberty to pay their way abroad at will. Unfortunately, too, there is another school who sprinkle their philosophy with urgings to each other that Britain will live all the better when the trade and belongings abroad by which the British get so much of their living, have been bandersnatched by someone else. This philosophy, alien to British history, seems not unlike the patter of a pre-stidigator, who removes a man's braces on the stage without his knowing it and leaves the victim clutching his trousers.

£15,000,000 IN TAXES OVER FOUR YEARS

The tax items in our consolidated accounts for the last four years amount practically to £15,000,000—too large a sum to be extracted before realistic provision is made for replacing the worn-out tonnage. Must it indeed be that so large a proportion of the labour expended on British ships by the countless hands that build, sail and cherish them shall be remembered only to have gone as dust with the wind, leaving nothing even to mark its going, like the imagery of Solomon in his Wisdom Ch. 5. vv. 9 to 14?

Let us mark well the foresight of all who have gone before us and the devotion of all now with us—the team-work which runs this young-old company. Thus in each of our trades have ships been built to be proud of and to win humble pride in their sailings and their service. Our larger ships may take five years or even more to plan and build. Built by British hands skilled in the shipwright's arts in whatever shipyard it may be, they sail out and home again a lasting asset to our country to focus and to foster commerce from round the world to all the ports of Britain—a hub of commonwealth. Is not this a finer concept to engage our hard-won fruits of trading than to tip them in a sandstorm of devaluation and taxation into an economic waste-bin borrowed from the days of John the Good.

BRITISH ALUMINIUM COMPANY LIMITED

INCREASED PROFIT

The annual general meeting of The British Aluminium Company, Limited, was held on May 1 in London.

Mr R. W. Cooper, M.C., the chairman, in the course of his speech, said: The profit for the year amounted to £1,784,774, an increase of £313,296 on the figure recorded last year brought about by a general hardening in the demand for our semi-fabricated products which is not solely related to the increases in defence demands.

Much work has been carried out to develop new uses for our metal in many fields since the war, and it is regrettable that it will probably be impossible fully to exploit some of these new outlets until the present world shortage of ingot aluminium has been relieved and more stable world conditions restored.

Our production of virgin ingot during the year was slightly less than in the previous year, owing to the disturbance caused by the installation of new and larger furnaces at our Reduction Works. The whole of this production was again sold to the Ministry of Supply.

Throughout the entire period under review the price paid to us has been considerably lower than that at which metal could be obtained anywhere in the world outside North America, and has provided only a meagre return on the large capital employed in the production of virgin metal.

It is our earnest desire to keep the price of ingot aluminium at the lowest possible level consistent with a healthy industry. We are, however, seriously handicapped by the steady increase in the cost of every material which we have to purchase.

Our Alumina Works at Burntisland and Newport have continued to operate satisfactorily. The reconstruction of our Reduction Works at Kinlochleven has now virtually been completed. Work is still proceeding at Lochaber. Our rolling mills continue to operate satisfactorily and their output has been increased over the previous year.

PRICE ADVANTAGE

The price of virgin aluminium was increased by the Ministry of Supply from £112 per ton to £120 per ton in October, 1950 and to £124 per ton in January of this year. These increases and increases in wages and the costs of many materials and of transport, have made it necessary to raise the price of all our products. Nevertheless, aluminium still retains a marked price advantage over other non-ferrous metals, all of which have been subject to greater increases during the period under review. Our metal has become so well established that by volume rather than weight it is now the second metal in the world, after iron and steel.

The demand for Super Purity metal steadily increased during the year. The shortage of ingot metal has made it necessary for us to ration users of our material, both at home and overseas.

As to the short-term future, although we expect to be hampered to some extent by shortage of raw material, we anticipate operating to the full extent of our capacity subject only to that limitation. In the long term we look forward to a continuation of steady expansion.

We recommend a final dividend of six per cent. on the old Ordinary Stock, making ten per cent. less tax, for the year, and a First and Final dividend of three per cent. on the £2,000,000 new Ordinary Stock.

The report was adopted.

FRIENDS' PROVIDENT AND CENTURY INSURANCE

The annual general meeting of the Friends' Provident and Century Life Office was held on May 2nd in London. Mr Herbert G. Tanner, J.P., the chairman, said—

A chairman is indeed fortunate who is able to report continued progress, greater prosperity and an increase in the bonus to policyholders of no less than 20 per cent. Such is my happy position today.

1950 was the first year of a new quinquennium and it closed as the last year of the old quinquennium had done with still further progress and more profit. New life sums assured increased by more than £1,600,000 to £11,282,896—a new record. The life premium income increased by over £400,000. The expense ratio in the life department has been substantially reduced. On the recommendation of the actuary the rate of interim bonus has been increased from £1 5s. per cent. to £1 10s. per cent.

Our fire trading has been outstandingly good and we have transferred to profit and loss the record figure of £266,968. The income has increased to just less than £2,500,000 and there is now a reserve in the fire account of more than 73 per cent. The excellent claims ratio has been achieved in spite of the high claims which resulted from the heavy destruction in the United States caused by storms and hurricanes.

The accident account is not so good owing to our misfortunes at home in the motor and employers' liability sections. There will come into operation on June 1st a much overdue increase in rates on certain classes of motor business. It is clear that the rates for employers' liability are in many cases much too low. The total effect is to transfer the very modest figure of £329 to profit and loss.

It has not been my practice to elaborate on the marine accounts. It is difficult when one starts on marine insurance not to become involved in matters which are in the realm of conjecture. In view of present conditions the future in this section of the business does not look too good. Underwriters have agreed that over and above any increases in particular cases there must be an increase of 10 per cent. in all hull premiums. From this department we have transferred £49,560 to profit and loss account.

The other departments have continued to prosper and I would in particular refer to the profits earned in sinking fund, continuous disability and hire purchase sections.

I am pleased to report that the gross rate of interest earned in the Friends' Provident has been maintained at £5 7s. 9d. per cent.

So far as capital is concerned there was substantial appreciation during the year, making the figures in the balance sheet much below market prices. You will see from the balance sheet that our holdings of mortgages increased by more than £1,600,000. This is largely due to the continued popularity of our house purchase schemes. Loans in excess of £1,000,000 were made to industrial and commercial companies. The total funds are now in excess of 36 million pounds.

The year has been outstandingly good. The dividend from the century has been maintained. There are record profits and the balance carried forward on profit and loss is increased by £196,146.

I think the results of recent years indicate that our reorganisation has more than justified itself and that whatever the future holds for us we are well equipped to meet it with confidence.

The report was adopted.

THE SEA INSURANCE COMPANY LIMITED

RECORD PREMIUM INCOME

The seventy-fifth annual general meeting of The Sea Insurance Company Limited was held in Liverpool on May 1st. A statement by the chairman, Major A. Harold Bibby, D.S.O., D.L., had been circulated with the report and accounts for the year ended December 31, 1950.

The total premium income for the year in all departments amounted to £2,274,848, the highest in the company's history.

The marine, aviation and transit account for 1949, after providing a sum of £534,319 to meet outstanding claims, shows a balance of £215,824 transferred to profit and loss account. The premium income for 1950 amounted to £1,579,474, a slight increase over the previous year. The falling cargo rates, heavy claims for theft, pilferage and bad handling all tend to make the future of the marine business uncertain.

The fire department premium amounted to £881,305, an increase of £283,355 on last year. An amount of £58,857 has been transferred to profit and loss account.

The accident department premium amounted to £609,080, an increase of £104,541 on the previous year. The account was closed by a transfer of £3,699 to profit and loss account.

The profit and loss account shows £158,000 reserved to meet U.K. taxation. It is again recommended that a final dividend of 8½ per cent. be paid which, with the two interim dividends already paid, makes a total payment of 22½ per cent. for the year, which is an increase of 5 per cent. over previous years.

The investment income of £71,771 compares favourably with last year's figure of £61,547 and amply covers the cost of the dividend at £61,875. The total assets now stand at £5,832,825, and the market value of the investments is considerably in excess of the figure shown in the balance sheet.

As from January 1, 1951, the directors' fees were increased to £7,500 from £4,500 at which figure they had stood since 1919.

The report and accounts were adopted.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY LIMITED

CONTINUED WORLD-WIDE PROGRESS

In a statement issued with the 115th annual report and accounts of The Liverpool and London and Globe Insurance Company Limited, the chairman, Col. A. C. Tod, C.B.E., T.D., D.L., said he presented his annual review with a sense of satisfaction at the excellence of the results.

New record figures were reached in premium income at £22,629,000 and in New Life business at £5,853,000.

Underwriting profit was £1,206,000. Apart from the exceptional results of 1949, this figure represented the highest profit in the Company's history.

Fire premiums rose to £9,738,000; accident premiums advanced to £11,162,000; Marine premiums increased to £1,729,000.

The directors recommend a final dividend of 17s. 6d. (against 13s. 6d. last year), making 31s. (against 27s. last year) per share, less tax, for 1950.

DERBYSHIRE STONE

SUCCESSFUL OUTCOME OF DIFFICULT YEAR

The fifteenth ordinary general meeting of Derbyshire Stone, Limited, was held on May 3rd at The New Bath Hotel, Matlock Bath, Derbyshire, Mr John Hadfield, M.Sc., A.R.I.C. (chairman and managing director) presiding.

The chairman, in the course of his speech, said: The trading profit and other income amount to £218,074, the corresponding figure for 1949 being £252,250, and for 1948 £194,570. The profits for 1950 are quite healthy, though your directors did anticipate, at this time last year, that the profit for the year would be higher than that earned in 1949. Until the end of August, 1950, cumulative profits were greater than those in the comparable period for the previous year, but from September onwards profits were adversely affected by the continuous, abnormally wet weather, culminating in heavy losses in December. On balance, and in view of all the circumstances, your directors consider that the company has emerged successfully from what turned out to be an unexpectedly difficult year.

Your directors recommend for the year ended December 31, 1950, a payment of 12½ per cent., less income-tax, on the issued Ordinary stock.

CAPITAL EXPENDITURE

Capital expenditure during the year amounted to £221,267. The budget for capital expenditure in 1951 is a little over £100,000, and when this has been spent our programme of extension and mechanisation at our larger works and the development of the Louth and Cotswold units will be virtually complete. At the Louth unit the production of agricultural chalk commenced in 1950, but the wet weather already referred to severely affected demand. The plant for the production of special whittings came into operation in March, 1951; the products are of high quality and are now available in useful quantities for such consuming industries as paint, rubber, putty, linoleum, etc., to which they will be offered. The new crushing and grinding units at our Cotswold works will be in production by the early summer, and the extensions, additions and schemes of mechanisation at Caldon Low Quarries, Staffordshire, which have been in progress for over three years, will come into operation in the latter half of 1951.

CURRENT YEAR'S OUTLOOK

Weather conditions during the months of January, February and March, 1951, have been exceptionally bad and the trading results for those three months have as a consequence been adversely affected; this is notably so in connection with the sale of agricultural lime and limestone, and the demand for roadstone materials has also been reduced. In attempting to assess the prospects for 1951, and providing the weather for the remainder of the year is average rather than bad, the tonnages lost during the first three months should be compensated for in some degree by a consequently increased demand. The ancillary activities of the company are in a healthy condition and the departments concerned with the production and sale of special products have all developed satisfactorily during the last twelve months and should show increased profits during 1951. Your company has more activities than at any time in its past, it is better equipped than ever before for the manufacture of its staple products and, provided that the general demand for roadstone supplies, for lime and limestone for agriculture and for chemical and industrial purposes is maintained, the company should have a successful year.

The report was adopted.

JOSIAH PARKES AND SONS, LIMITED

RECORD NET PROFIT

The annual general meeting of Josiah Parkes and Sons, Limited, was held on April 27 at Willenhall, Mr Cyril W. Parkes, J.P., chairman and managing director, presiding.

The following is an extract from his circulated statement for 1950:

The accounts for the year ending December 31, 1950, reflect in a large measure the benefits from the additional buildings, plant and equipment that have been brought into productive use during the year.

I referred, in my review last year, to the extensions which were then being built, and from the results you now have before you I feel you will be satisfied that the large expenditure involved has been fully justified. The major part of the transfer of plant and personnel to the new factory buildings was completed by the end of August, and during the whole of the time that this transfer was taking place production was maintained at a satisfactory level. The efficiency of the factory as a whole has continued to improve, and we are very pleased that our own production figures show a greater increase than is disclosed by the National Index of Industrial Production. This reflects great credit on the staff and workers who had to put up with considerable inconveniences for several months during last year.

Whilst shortages of materials are making manufacturing extremely difficult our order book continues to increase, and it would appear that not only in this country, but all over the world, people are doing a little "stockpiling." As in other times of shortage during the last ten years, we shall endeavour to keep our old friends supplied and what goods we have available will be distributed on an equitable basis rather than by reference to some of the "extreme" orders that have been sent to us which bear no relation at all to actual requirements.

INCREASED MANUFACTURING EFFICIENCY

The bright side of the picture is the continued improvement in the company's affairs generally. There has been a substantial increase in the profit earned, due, not to an increase in our margin of profit, but to the larger turnover and increased manufacturing efficiency. The net profit on trading at £119,601 is a new high record, comparing with £79,486 earned in 1949, but out of this it has been necessary to provide £73,519 for taxation, leaving £46,082 as retainable profit, compared with £30,507 in the previous year. These figures emphasise yet again the hampering effect of high rates of taxation upon an expanding business. Even on the results we are able to show this year, the amount of profit we are allowed to retain is inadequate to meet our costs of replacement and expansion, especially as the situation is aggravated by the steadily increasing replacement costs both of fixed assets and stocks. Out of the retainable profit of £46,082 we are proposing to distribute £16,500 net, leaving a balance of £29,582, against which, after allowing for depreciation, we have spent on capital account £86,868.

Having regard to the profits earned your directors decided that they were justified in recommending a moderate increase in the distribution to shareholders, particularly bearing in mind the substantial proportion of profit ploughed back into the business during past years. Even at the increased rate proposed the gross dividend represents a return of only 6½ per cent. on the total capital employed in the business.

The report was adopted.

GENERAL ACCIDENT

INCREASED NET INCOME

The sixty-fifth annual general meeting of the General Accident Fire and Life Assurance Corporation, Limited, will be held at Perth on May 23rd.

The following is an extract from the circulated address by the chairman, Mr R. G. Simpson:

The net income from all sources amounted to £31,493,669, an increase of £6,003,295. The operations of the year resulted in a balance of £1,285,422, which with the balance carried forward from last year, namely, £422,291 is available for allocation to the various reserves and funds, and in payment of dividends. We have transferred £358,644 to pension funds, and this includes a further sum provided in respect of the widows pension fund, which has become fully operative as from the commencement of this year and is highly appreciated by the staff.

The additional reserves of the accident and fire accounts have been increased by £350,000 and £200,000 respectively, sums deemed appropriate to the increase in business, and the reserve for future taxation requires an upward adjustment of £83,074. The interim dividends absorbed £113,438. It is recommended that a final dividend of 2s. 6d. per share on the ordinary shares be paid. The final ordinary dividend proposed compares with 2s. per share for 1949.

From the balance sheet you will observe that the assets have increased by £4,492,266 and now stand at £57,850,130. Your directors are satisfied that the investment portfolio is pre-eminently sound, and, with the substantial reserves carried, the financial strength of the organisation has been further enhanced during the year.

We embark on this new half century with full confidence in the corporation's ability to cope successfully with whatever difficulties may be encountered.

B. MORRIS AND SONS, LIMITED

INCREASED CIGARETTE SALES

The annual general meeting of B. Morris and Sons, Limited, was held on May 2nd in London.

Mr A. J. May (chairman and managing director) in the course of his speech, said: Compared to 1949 last year was a year of increased costs. This applied practically to everything pertaining to the manufacture of the company's products, and it was not possible to pass on all extra costs to the consumer. This, in conjunction with the falling off in the consumption of cigars and tobaccos generally, explains the difference in profit as compared to 1949. Fortunately, there was a considerable increase in the sales of our brands of cigarettes, which we hope to maintain this year.

We are well covered at present as regards leaf tobaccos, and the company is in a strong financial position. In view of the rise in values our fixed assets stand at a low figure in the balance sheet, and we may have them revalued during the year.

The high rate of duty is having a retarding effect on the trade. The level of prices for tobacco, owing to this high duty, is too high and is affecting consumption. This is a difficult matter to get over, but we shall do our best to do so, and hope there will be some reduction in duty before long.

In these days no one would try to forecast the future, but every effort will be made by those connected with the company this year to overcome the difficulties which exist, and produce a satisfactory result.

The report was adopted.

G. HOPKINS AND SONS, LIMITED

PROFITS WELL MAINTAINED

The fifteenth ordinary general meeting of G. Hopkins and Sons, Limited, was held on April 27th in London, Mr A. H. Johnson, O.B.E., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year 1950:

It is with great regret that I have to report the untimely death of our late managing director, Mr H. A. Culham, who passed away in March, 1950.

Profits have been well maintained, and this is very satisfactory, particularly in face of increased labour rates, rising raw material costs, and overhead charges, and an increasingly difficult material supply position. These adverse factors are, of course, common to all industry today and give much anxiety to those responsible for the management and continued prosperity of your company.

Turning to the parent company's balance sheet, you will see that the issued Ordinary share capital has been increased during the year by 282,266 shares. Of these, 31,066 shares were issued at a premium as purchase price for the Mitcham Plating Works, Limited, which has proved a useful addition to our production, and 251,200 shares were issued to shareholders at 3s. 6d. per share towards the close of last year. The premium on these shares, less issue expenses, amounted to £18,546, which has been added to share premium account and represents a useful addition to the company's capital reserves.

A certain amount of new plant and equipment has been received, and some of it has been installed in the subsidiary company's premises to increase that company's general usefulness, and further plant to a value of £11,609 is on order. It is hoped, subject to the delivery position, to re-equip the parent and subsidiary companies with up-to-date plant, partly to replace that which has become outmoded and partly to extend the general range of work capacity. The subsidiary companies have again contributed usefully and profitably to the group activities.

STRONG LIQUID POSITION

Your company's liquid position is strong, although rising costs are reflected in the increased stock and work-in-progress figures, and, partly on this account and partly on account of plant and machinery already received and paid for, the company is fully employing all its cash resources.

Turning now to the accounts and directors' report, compared with £51,646 in 1949, the parent company has shown a net trading profit of £52,800. Adding to this £39,083, the balance brought forward from 1949, and £55 interest received on tax reserve certificates, there is a total of £91,938, of which taxation provision requires £34,744, leaving an available balance of £57,194. After deducting £7,605 in respect of the Preference dividend and 7½ per cent. interim dividend on the Ordinary shares paid during the year, there remains a balance of £49,589.

Your directors have decided to recommend a final dividend of 10 per cent., which with the interim of 7½ per cent., makes a total distribution for the year of 17½ per cent., the same rate as has been paid over several years past. You will, I think, agree that this represents a very reasonable return, particularly bearing in mind that the proposed final dividend of 10 per cent. will be payable on the total Ordinary issued capital of £137,500, which includes that part issued towards the close of the year and therefore fully employed in earning the profits out of which the final dividend will be paid.

The report was adopted.

GOLD COAST SELECTION TRUST, LIMITED

The twenty-fifth annual general meeting of Gold Coast Selection Trust, Limited, was held on April 30th in London.

Major-General W. W. Richards, C.B., C.B.E., M.C., the chairman, in the course of his speech, said: The profit for the first six months of the current year exceeds that for the corresponding period of last year, and the operations of the companies in which we are mainly interested—Amalgamated Banker Areas, Ariston, Bremang, Gold Coast Main Reef and Marlu—generally show steadily improving results. We can therefore expect with some confidence that the dividends we shall recommend, based on this year's results, will be satisfactory. We paid an interim dividend last year in special circumstances and it will be our endeavour to present our accounts for the year ending September 30th next before the close of this calendar year.

The following is an extract from the circulated statement of the chairman for the financial year to September 30, 1950: Dividend revenue from our investments aggregated £113,373. Although stock markets showed signs of more general activity, the West African market, in which we are interested, was to a large extent clouded over by the uncertainty of the political future of the Gold Coast Colony, with the result that opportunities for extensive market operations were practically non-existent. We did, however, show a profit of £28,514 on the transactions effected. Expenditure, including depreciation, etc., aggregated £7,828, and the recorded profit is therefore £134,266.

In November last I went to the Gold Coast and visited all the mines in which this company is interested, and it was satisfactory to note the progress being made.

The report was adopted.

MARLU GOLD MINING AREAS, LIMITED

The sixteenth annual general meeting of this company was held on April 30th in London, Major-General W. W. Richards, C.B., C.B.E., M.C., chairman of the company, presiding.

The following is an extract from his statement circulated with the report and accounts for the year ended September 30, 1950:

Some 90,000 tons more ore was put through the mill compared with the previous year, yielding an additional 9,200 ounces of gold; costs showed a reduction of 8d. per ton. The erection of a plant, to treat the sulphide ore-body is proceeding, and it is expected that this plant, capable of treating 4,500 tons per month, will be in partial operation by about the end of the year.

The operating profit for the year is £187,570, compared with a loss of £12,045 for the previous year. Revenue from gold won was higher by approximately £260,000, while operating expenditure increased by approximately £60,000. The debit balance on profit and loss account is now reduced to £27,188. Provided no unforeseen events intervene, and subject to our capital requirements for our proposed underground mining, future profits should place the company in a position to resume dividend payments.

After noting the continuous improvement being shown in the monthly returns, members will have felt a measure of disappointment at the results disclosed in the progress circular for the quarter ended December 31, 1950. I am afraid such setbacks are inevitable in mining, but I can assure you that everything possible is being done to minimise such occurrences. The manager has stated that he has every reason to believe that we will be able to maintain future production at the anticipated level. This has been achieved for January and February.

The report and accounts were adopted.

AMALGAMATED BANKET AREAS, LIMITED

The fifteenth annual general meeting of Amalgamated Banket Areas, Limited, was held on April 27th in London.

Major-General W. W. Richards, C.B., C.B.E., M.C., the chairman, in the course of his speech, said: I am pleased to report that the current year's operations to date have been even more satisfactory than those for the year under review. We cannot expect to maintain quite such a high average profit for the whole year but our total profit for the current year after all charges and appropriations have been deducted is likely to be a considerable improvement on last year's results. It is our intention to recommend a dividend out of the current year's profits and to initiate a dividend policy which we intend to maintain. In the meantime we are consolidating our improved position.

The company is in a fundamentally sound position and we can look forward to a prosperous future. Great importance is attached to development of underground ore reserves and this will be top priority for the next three or four years.

The following is an extract from the statement of the chairman which was circulated with the report and accounts for the year to September 30, 1950:

The tonnage of ore mined and milled, at 537,690, was greater than that of the previous year's record by 31,151. Similarly, the gold recovery at 79,002 ozs. showed an increase of 5,594 ozs. The percentage recovery of 95.5 was fractionally lower by 0.2, but was yet very satisfactory. The final balance to the credit of profit and loss account after appropriations is £126,452. This result may be considered distinctly satisfactory.

The report was adopted.

JOHN BARKER AND COMPANY, LIMITED

RECORD TURNOVER

The fifty-eighth ordinary general meeting of John Barker and Company, Limited, was held on April 26th in London.

Mr Trevor A. Bowen, D.L., J.P., chairman and joint managing director, in the course of his speech, said: The results of the year's operations was a net profit of £946,749. Of this amount taxation in all the schedules (other than purchase tax) takes £469,016, or nearly one-half.

Our turnover constituted a record in the history of the company, but this is no doubt in some measure due to increased prices, and also to the extraordinary spate of buying by the general public recently. Taxation in all its schedules absorbs nearly one-half of our profits, but the higher taxes imposed by the recent Budget will further lessen the amount of our earnings.

A factor which is helping to maintain the high cost of living is purchase tax. I am definitely of opinion that the abolition or substantial reduction of this tax would not only give incentive to trade, and incidentally force much-needed economies in Government expenditure, but would also contribute greatly to general public satisfaction and undoubtedly ease the burden of young people desirous of setting up their own homes.

The directors recommend a final dividend of 15 per cent. on the ordinary shares, making 20 per cent. for the year. In the face of the slight fall in net profit it may seem a little unusual to recommend an increase in the amount of dividend, but I feel that the ordinary shareholders have earned this extra by their continued support of our conservative policy over many years.

The report was adopted.

THE INSTITUTE OF CHARTERED ACCOUNTANTS

MR H. G. ASH'S ADDRESS

The seventeenth annual general meeting of The Institute of Chartered Accountants in England and Wales was held in London on May 2nd.

The following are extracts from the presidential address of Mr H. Garton Ash, O.B.E., M.C.:—

At the end of March last a notice was issued to all members drawing their attention to a report by the Council on Education and Training for Membership. This report had been prepared because of the recommendations of the Carr-Saunders Committee on Education for Commerce. When it became apparent that the Minister contemplated the implementation of some of the recommendations which might affect the Institute, the Council decided to publish its report on Education and Training for Membership.

I feel obliged to stress three of the matters arising out of the Carr-Saunders report. The first one is the recommendation which would involve raising to at least eighteen years the age at which articles may be entered into. The Council has no desire to discourage young people from continuing their education to as late an age as they wish, but the Council takes the view that it would be unjust to close the door to persons between the ages of sixteen and eighteen.

The second matter is the proposal which would involve considerable interference with the Institute's examination system, by way of revision of syllabuses and the granting of exemptions based on the national certificates for commerce. It is the Council's duty to the present and future members of the Institute and to the public to resist interference with control of its own examination system, which is constantly under review.

The third matter is the alarming proposal for the adoption of the "sandwich" principle during the articles whereby courses in technical and commercial colleges would be taken in the daytime concurrently with practical training. It would be difficult to visualise any proposal so remote from the realities of the profession or so prejudicial to the interests of articled clerks.

TAXATION

Speaking personally, I find some trends in fiscal policy a little disturbing. For example, the initial allowances were to a large extent originally intended as an encouragement to post-war re-equipment and development. The Tucker Committee has in effect recommended that the initial allowance could be used as a means of at least partial solution of the problems created by rising costs of replacement of fixed assets. Then, four days after the publication of the Tucker Committee's report, the Chancellor announced the suspension of initial allowances as a means of discouraging capital expenditure in the interests of the defence programme. We seem, therefore, to have completed the circle and I think it is at least open to question whether the taxation machinery ought properly to be adapted to this extent as part of a system of economic planning.

Our economy will always be strained so long as there exists a threat of war. Nevertheless, the strain can be reduced provided every individual employer and employee does his or her utmost to achieve maximum production. The standard of living—and indeed the social services themselves—depend for their maintenance and improvement not on any form of financial gymnastics, but on the amount of productive work that everyone is prepared to do.

ILLINGWORTH, MORRIS AND COMPANY, LIMITED

The thirty-first ordinary general meeting of this Company was held at Bradford on May 2nd, Sir J. Donald Horsfall, Bt., J.P. (chairman), presided.

In his statement to the stockholders (issued with the company's accounts) Sir Donald reviewed the financial results of the year ended September 30, 1950, and said:

The circumstances and conditions in our industry cannot but be regarded with some misgiving. The consumer public have not yet felt the full impact of the enhanced prices of wool, and I very much doubt whether, during 1951, worsted clothing will come on to the market based on prices anything higher than those levels of some nine or ten months ago. No one can fail to be apprehensive about the measure of consumer resistance when the burden of these later prohibitive prices falls on the buying public.

To attempt to make an analysis as to future trends is an extremely complicated, if not impossible, task. I am, however, very pleased to be able to tell you that, providing there is no serious break in wool prices, the present year's results should be considerably in excess of those for the year under review.

The serious rises in wool prices have forced your directors to the decision that further capital is essential. Plans are, therefore, in hand for a further issue of capital in the near future.

The directors' report and the accounts, together with the board's dividend recommendation were approved; and Mr C. G. Tankard and Mr G. R. Mackay, F.C.A., were re-elected directors.

[Note—Sir Donald Horsfall's statement was written before the recession of wool values at the beginning of April.]

J. BERRY AND SONS

FULL ORDER BOOKS

The fourteenth ordinary general meeting of J. Berry and Sons, Limited, was held on May 2nd in London, Mr Leslie Berry, the chairman, presiding.

The following is an extract from his circulated review for the year ended December 31, 1950:—

Your company has again traded successfully, with a slight increase of the net trading profit at £52,118, after charging all working expenses and reserves for known liabilities. Full provision has been made for taxation, and a further transfer of £7,500 has been made to the general reserve, now standing at £32,500. The directors have decided to commence a capital redemption reserve fund for the redemption of the issued preference shares and have transferred £5,000 for this purpose.

The carry-forward has been increased slightly at £11,019. The balance sheet this year reflects the full operation of the revaluation of the company's freehold premises, capitalisation by way of bonus issue of 50,000 6 per cent. redeemable cumulative preference shares of £1 each, and the net difference of £41,261 standing to the credit of the capital reserve account. The balance sheet therefore reflects a much stronger and truer position of your company.

The demand for your company's products continues to grow and at the moment our order books are completely filled. The position regarding raw materials is becoming more and more difficult, but your directors have been concentrating on this for some time now and I believe that as a result of their efforts and provided nothing untoward occurs, we shall again experience another successful year's trading.

I once again pay tribute to the staff for contributing to the company's progress.

The report was adopted.

"SOFINA"

The annual shareholders' meeting of Société Financière de Transports et d'Entreprises Industrielles (Sofina) was held on April 26th in Brussels, Vicomte Van de Vyvere, chairman of the board, presiding.

After a brief reference to the transient nature of the stimulus given to business activity by Marshall Aid, the European Payments Agreement and rearmament expenditure, the directors' report makes, *inter alia*, the following statements:

"The Governments concerned are endeavouring to curb the consequent rise in prices, which, owing to its unequal incidence as between countries, commodities and income groups, threatens to upset international and domestic trade. Adequate safeguards against a business recession cannot, however, be found merely in price control. Business activity will not remain at its present level unless a policy which aims at keeping the means of production fully employed and gradually adding to those means is systematically pursued. . . .

"The essay which, in accordance with our custom, is appended to this report, recalls the magnitude of the needs calling for satisfaction and the extent of the resources by which they could be met. It also mentions the obstacles which hinder adequate utilisation of the wealth that nations could enjoy in common, obstacles which a rational policy could overcome in a world at peace.

"The business undertakings to which our company gives technical and financial assistance can make a substantial contribution towards developing resources in the countries where they operate and raising the standards of living. But several of these companies still find their progress impeded by the difficulties set out in previous reports. . . .

"In many countries the yield on investments in companies operating utilities is manifestly inadequate, and abnormally low returns are reflected in market quotations of their shares. In marked contrast with these quotations, current prices of industrial securities attest the satisfactory returns which large customers of the same utilities have not ceased to earn. Yet a moderate adjustment of their tariffs—far less than the general rise in commodity prices—would enable these utilities to obtain the fresh capital needed for progressive extension of their means of production. In the case of electricity companies this fair and indispensable adjustment would involve no more than a negligible increment in the costs of industrial production, and electricity bills would still stand at a very small percentage of total outlay in the budget of an average household at the same time, the general welfare of the country would benefit greatly from their improved productive capacity and from the investments which their successful development would attract."

Addressing the meeting, Mr Dannie N. Heineman, chairman of the Standing Committee, drew attention to methods of accounting and practices of price-limitation which may lead to a fatal shrinkage of productive resources.

Earnings for the year 1950 amounted to Belgian francs 176,752,370.69, as against 180,381,759.63 for the previous year. In these totals are included respectively 55,896,234.53 and 64,858,458.37, which could not be cashed in Belgian francs. In addition to the above earnings, profits realised on sales of securities amounted to Belgian francs 41,165,160.60 in 1950, as against 28,742,816.71 in 1949.

In the company's balance-sheet as at December 31, 1950, holdings are carried at B. fr. 1,922,988,375 or B. fr. 72,141,000 less than in the preceding balance-sheet.

Acquisitions of securities exceeded sales and redemptions by B. fr. 13,893,706.30, but total write-off, amounted to B. fr.

86,034,706.30, of which 68,088,785.43 were charged to profit and loss account.

Liquid assets (U.S. Government bonds and cash) stand at B. fr. 507,113,929.02, which is B. fr. 31,482,896.26 less than at the close of the preceding year. On the other hand, liabilities have been reduced by B. fr. 77,579,013.98 and advances granted—principally to subsidiary companies—have increased by B. fr. 64,855,985.28.

That part of the income of 1950 which could not be cashed in Belgian francs, and part of the profits on sales of securities have been applied, as in the previous year, to amortisations, the balance of the profit on sales of securities being carried to reserve.

As for the preceding year, a dividend of B. fr. 70 net per share has been declared.

Translations of the report and of the essay above referred to ("Unused Resources"), as also of Mr Heineman's address, are obtainable on application to Electric and Railway Finance Corporation Limited, Claridge House, 32 Davies Street, London, W.1.

CONWAY STEWART AND COMPANY, LIMITED

(Fountain Pen and Gold Nib Makers)

FURTHER SUBSTANTIAL PROGRESS

MR S. W. JARVIS'S SPEECH

The sixteenth annual general meeting of Conway Stewart and Co., Ltd., was held on May 3 at the Holborn Restaurant, High Holborn, London, W.C., Mr S. W. Jarvis (chairman and managing director) presiding.

The Chairman said: The accounts and directors' report for the year ended December 31, 1950, have been in your possession for some little time, and with your permission I will take them as read. (Agreed.)

It is again my privilege to announce, on behalf of the directors, further substantial progress. The net profit for 1950, after making full reservation for depreciation of plant and taxation, is £33,653, which compares with £25,471 for 1949. You will notice that in addition to the same allocations as in the previous year £3,067 has been written off, being the expenses of the purchase of the freehold property, and the sum of £2,516 written off goodwill, which now stands at £10,000 only.

CONSIDERABLE SALES EXPANSION

I am glad to say that during the past year our sales showed a considerable expansion, both at home and abroad; in fact, I can say, with confidence, that our prestige is higher than ever.

There are certain new features in the balance sheet which need some explanation. After 28 years we have been compelled to move from Shoe Lane. It had been obvious to us for some time past that increasing business has made larger premises necessary, and we have been fortunate to purchase an excellent freehold factory situated at 36-44, Copperfield Road, E.3, where the potential output is at least 50 per cent. more than at our late premises. The contingency reserve of £15,000 has been raised to meet the expenses of removal, etc.

NOTICES

DOMINION OF CANADA

THREE AND A QUARTER PER CENT. REGISTERED STOCK, 1955-63

For the purpose of preparing the Interest Warrants due July 1, 1951, the BALANCES will be STRUCK at the close of business on June 1, 1951, after which date the Stock will be transferred ex-dividend.—For Bank of Montreal, Financial Agents for the Government of Canada in London, A. D. HARPER, Manager, 47 Threadneedle Street, E.C.2. May 1, 1951.

QUIET ROOMS for meetings just off Trafalgar Square.—For details and bookings apply Housing Centre, 13, Suffolk Street, S.W.1. Whitehall 2851-3.

The cash position is particularly strong. Although we had paid £28,067 in respect of the purchase of the factory, the bank balance is increased from £30,903 in 1949 to £55,912.

MOVE TO NEW PREMISES

I am pleased to say that our sales for the first quarter of 1951 show a considerable advance on 1950. The move to the new premises was completed over the last week-end, and your directors hope that production will not be affected for very long. Under normal conditions I would have no hesitation in saying that we could continue to increase our sales, but it is difficult to forecast in these uncertain times.

Before closing, I would like to propose a vote of thanks to all members of our staff who have continued to give us such loyal service. A number have followed us to Copperfield Road, and we wish them and all new members happy times at the new factory.

The report and accounts were unanimously adopted, and a final dividend of 30 per cent. (making 40 per cent. for the year) was approved.

The retiring director, Mr T. H. Garner, was re-elected, and the remuneration of the auditors, Messrs. Chalmers Wade and Co., having been fixed the proceedings terminated with a cordial vote of thanks to the chairman, directors and staff.

I. GRIEW AND COMPANY

(Furniture Manufacturers)

SATISFACTORY RESULTS

The fifteenth annual general meeting of I. Griew and Company Limited was held on May 1st in London, Mr Louis Samuels (the chairman) presiding.

The following is an extract from his circulated statement: I am pleased once again to present to you a report which I am sure you will find not unsatisfactory, for I feel that the reduction in trading profits is only a small reflection of what has been a difficult year for us. The combined trading profits for the year amounted to £75,787, and after making various deductions, including taxation, there remains a net profit of £20,350.

If we take into account the fact that the actual capital applicable to the ordinary shareholder is £194,826, the dividend of 25 per cent. payable for the year represents a net payment of only 6.2 per cent., which can in no circumstances be considered excessive.

During the middle of 1950 there was a general and unaccountable falling off in demand throughout the furniture trade, and in the latter part of the year we experienced certain labour difficulties, which have since been satisfactorily resolved. These factors had a somewhat adverse effect on production and resulted in lower profits being earned by the parent company. The adverse factors have to some extent been offset by economies, and by improvements in methods of production. The latter end of 1950 brought with it a steady demand for furniture which has continued into this year, and the company has a very full order book. The company will continue its policy of giving its many retail

DAVEY AND ARMITAGE LIMITED

The position in regard to supplies of imported softwoods showed a further deterioration during 1950, but fortunately our subsidiary company was able to obtain greater supplies of hardwoods and wallboards. As a result, the trading profit showed an improvement of nearly £7,000 and the net profit was £10,131. The accounts provide for a dividend of 30 per cent. actual which represents a satisfactory return upon the parent company's investment.

From March 1, 1951, the quota system and price control for timber importers and merchants was cancelled although consumption of softwoods is still controlled by licence. The company has entered into substantial forward commitments and so can look forward to increased trading during 1951. It is probable that prices will continue to rise until world supplies are commensurate with the demand for timber, and we may, therefore, hope for the improvement experienced in 1950 to be continued.

The report was adopted.

BIRMINGHAM RAILWAY CARRIAGE AND WAGON COMPANY, LIMITED

FURTHER IMPROVEMENT IN OUTPUT

The ninety-seventh annual ordinary general meeting of The Birmingham Railway Carriage and Wagon Company, Limited, was held on May 1st at Birmingham, Sir Bernard D. F. Docker, K.B.E., J.P. (chairman), presiding.

The following is an extract from his circulated statement:—

The available balance is £296,464, as compared with £235,627 last year, and your directors have decided upon a modest increase in the rate of dividend and in distributing 10 per cent. on the ordinary capital we have reverted to the rate which was paid upon many occasions prior to the war.

I consider the liquid position of the company satisfactory.

There was a further small improvement in output for the year and I am pleased to report that the proportion exported constituted a record for the company. A notable export was the first diesel electric five car train for Egypt under our contract with the English Electric Company. We have had many contracts from Egypt and I trust that by their performance, these trains will further strengthen our relationship.

South Africa, Australia, New Zealand, the Argentine, Hongkong, Nigeria and Iraq have all featured in our more important exports this year and although competition is pressing very strongly and our increasing costs are making conditions more difficult, we are hoping to continue to obtain our proper share of the work on offer.

The report and accounts were adopted.

PROVINCE OF QUEBEC

FOUR AND A HALF PER CENT. REGISTERED STOCK, 1951 For the purpose of preparing the Interest Warrants due July 1, 1951, the BALANCES will be STRUCK at the close of business on June 1, 1951, after which date the stock will be transferred ex-dividend.—For Bank of Montreal, A. D. HARPER, Manager, 47 Threadneedle Street, E.C.2. May 1, 1951.

VACANCY will occur during the summer for a man or woman with bookkeeping or library experience and some secretarial training, knowledge of books on Economics and the Social Sciences an advantage.—Handwritten applications, giving age, experience, salary required, marked *personal*, to The Manager, The Economist's Bookshop, 11-12 Clements Inn Passage, Aldwych, London, W.C.2.

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*Chefoo	Surabaya	JAPAN	Manila
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PRESS NOTICE

NOTICE IS HEREBY GIVEN that the Seventy-fourth Annual General Meeting of The Cunard Steam-Ship Company Limited will be held in Cunard Building (Fifth Floor), Pierhead, Liverpool, on Wednesday, May 23, 1951, at eleven o'clock a.m.

(1) To receive and consider the Statement of Accounts and Balance Sheet to December 31, 1950, with the Reports of the Directors and Auditors.

(2) To sanction the declaration of final dividend for the year 1950.
(3) To elect Directors in place of those retiring but who, being eligible, offer themselves for re-election. In accordance with the provisions of The Companies Act, 1948, special notice has been received of the intention to move at the Company of Sir T. Ashley Sparks, K.C.M.G., K.B.E., who at the date of the Meeting will be aged 74 years and who retires and offers himself for re-election.

(4) To confirm reappointment of Auditors, and to fix their remuneration.

(5) To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:—

"That until otherwise determined by the Company by Ordinary Resolution, the Directors shall not be less than three nor more than twenty-two in number."

By Order of the Board,

H. EAVES, Secretary.
Note.—A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not also be a Member.

BRITISH ELECTRICITY AUTHORITY

EDITORIAL ASSISTANT

Applications are invited for the post of Assistant to the Editor of the Authority's Annual Report.

Preference will be given to applicants with some experience of editorial and publications work. Candidates should be able to handle simple statistics with a pen and to deal with correspondence, inquiries and other matters on their own initiative. A knowledge of shorthand and typing would also be considered an advantage.

The starting salary will be in accordance with qualifications but within Grade 2 of the National Council Permanent Salary Agreement, £420 per annum by £20 per annum to £480 per annum, inclusive of London Allowance.

Applications, stating age and full details of qualifications and experience, should be forwarded to D. MOFFAT, Esq., Director of Establishments, British Electricity Authority, British Electricity House, Great Portland Street, London, W.1, so as to be received not later than May 18, 1951.

Please quote Reference AE/167.

HOSTEL OF ST. LUKE, 14 Fitzroy Square, W.1—A Nursing Home for Anglican Clergy and families. Majority of patients treated free. Not under Ministry of Health. Dependent on voluntary contributions. Expenses heavy. Please help by subscription, donation, legacy to the Secretary.

THE PROGRESSIVE BUSINESS MEN'S FORUM—Luncheon, Criterion Restaurant, W.1, Thursday, May 10th, 12-2.30 p.m. Mr. Harold Wilson, M.P. will speak on "Raw Materials—Britain's Dilemma." Admission ticket only (12s. 6d. each). Phone WEL. 0136, 9.30 a.m.—5 p.m.

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THE ALEXANDRIA WATER COMPANY, LIMITED

ALEXANDRIA, EGYPT

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the seventy-third ORDINARY GENERAL MEETING of the Shareholders will be held at the Company's Offices, 61, Avenue Fouad Ier, Alexandria, on Thursday the 24th May, 1951, at four o'clock in the afternoon, for the transaction of the ordinary business of the Company, pursuant to Act of Parliament, to fix the directors' remuneration and for the purpose of considering and, if thought fit, passing the subjoined resolutions as special resolutions:—

Resolution I.—To elect Mr. Robert Walton, O.B.E., the manager of the Company, as a director of the Company and, for that purpose, to declare Article 106(a) of the Articles of Association suspended in his favour.

Resolution II.—To substitute for Article 80 of the Articles of Association, the following Article:—

The number of the directors of the Company shall not be less than five nor more than ten, and such one more director as the Egyptian Government shall have power to appoint and shall appoint.

Holders of share warrants to bearer desiring to attend or to be represented at the Meeting must deposit their share warrants in London before May 10, 1951, or in Alexandria before May 21, 1951, until after the Meeting, at the National Bank of Egypt, 8, King William Street, London, E.C.4 or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria. A Member of the Company is entitled to appoint a proxy to attend and vote at the Meeting in his stead and any proxy so appointed need not be a Member of the Company.

Dated, Alexandria, Egypt, March 22, 1951.

By Order of the Board,

ROBERT WALTON, Manager.

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable June 15, 1951, to shareholders of record at the close of business May 15, 1951.

Toronto,

By Order of the Board,

April 27, 1951.

J. R. BRADFIELD, Secretary.

MARKET RESEARCH OFFICER required. Must have degree in Economics (including specialisation in Statistics). The person appointed will work in close touch with the Manager of the Department, and preference will be given to a man (or woman) under 35 with practical experience of Market Research. Write fully and in confidence, stating salary asked, to J. K. Lambert, Messrs. F. C. Pritchard, Wood and Partners, Advertising Agents, 25 Saville Row, W.1.

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Look to the Bridge

EVEN those who thought they knew the volatile nature of American public opinion have been astonished at the breadth and force of the emotional wave that has swept across the United States since General MacArthur returned from Japan. Precisely because it has been so largely emotional, there is bound to be a reaction; but meanwhile one of the things that has been brought to the surface by the eruption is a burst of resentment against Britain. This is nothing new—indeed, it is a tradition in America to blame on Britain anything that goes wrong—and it would be foolish to take an alarmist view of it. But to disregard it completely would be still more foolish. The peace of the world—or, if peace cannot be maintained, the safety of the western world—so obviously and absolutely depends upon the firmness of the alliance that binds the free nations together, that anything that weakens the bonds, be it only for a time or only in appearance, should be taken very seriously. Any British Government which has its eye fixed on the main chance ought to be re-examining its own attitudes and policies to see whether there is not something it can do to strengthen the one central and essential bridge across which all the traffic of foreign policy must pass. There is, of course, no call to abandon any vital interests or to solicit any humiliations; but there is a call to offer something more than a graceless and obviously last-minute concession to pressure, which would seem (these words have to be written before Thursday's debate in the Commons) to be all that can be said about this week's decision to agree to a wider embargo on trade with Communist China.

There is one last chance to see whether Britain and America cannot work together in the Far East—and the task may not be nearly as difficult as it has been made to appear. There are, broadly speaking, four positions taken in the western world on the subject of the Far East. There is, first, reading from the right, the position of the American Opposition. The Republicans are by no means all of one mind—there is an obvious split between the Asialationists who want more war in Asia and the isolationists of the Taft-Hoover stamp who want to retreat into the western hemisphere—but they are all for the moment united behind General MacArthur, and they are permanently united in detesting European commitments. Secondly, there is the position of the American Administration. This policy favours confining the war, if possible, to Korea. Under pressure, it has agreed to help Chiang Kai-shek maintain himself in Formosa, but it does not favour letting him loose on the mainland. Nor does it favour bombing Manchuria or even—in deference to the views of the United Nations—pursuing enemy aircraft over the Yalu River. Next is the position of the British Government, which still hopes to secure an early end to the Korean war by negotiation with Peking, and in that hope will do nothing, if it can help it, to irritate the Chinese Communists, and will even make some gestures, such as inviting them to join the negotiations for a Japanese peace treaty, calculated to give them positive pleasure. Finally, there is the position of the British

and European Opposition of the Left, with its shades of opinion from the Bevanites through the Third Forcers, the neutralists, the Sinophiles, the pacifists and the fellow-travellers to the Communists.

In this spectrum, what is really remarkable is not the wide range from one extreme to the other but the comparatively short distance—the certainly bridgeable distance—between the positions of the two responsible governments. What is more, they are quite considerably closer together than they were five months ago, when Mr Attlee was in Washington. Since then, the American official position has moved quite a long way towards moderation. This has happened partly because the military position has improved and partly in response to the views of the other United Nations, but also—be it recognised with all honour to them—because Mr Truman and Mr Acheson have gradually worked out a sane policy and have had the courage to stick to it in spite of the inhuman pressures put upon them.

Opinions will differ whether or not the British Government has willingly—not counting extorted concessions—done anything comparable to build a bridge and move across it. But in either case, bridge-building ought to be much easier for the British Government now than it was in the winter. For one thing, the British Cabinet, like the American high command, has extruded its dissenting member and should therefore be less tied to immobility by the need for internal compromise. And for another the British alternative policy has collapsed. The policy of conciliating Peking, which was highly dubious at the start, has never paid a single dividend and is now patently bankrupt. There may be some people in the Foreign Office who still cherish a faint hope of having something other than insults to show for so much forbearance; but even they cannot still maintain, save perhaps for obstinacy's sake, that the prospective gains of the recognition policy are other than quite microscopic in comparison with the harm it has done to relations with the United States. It needs only an open Communist threat to Hongkong to bring His Majesty's Government helter-skelter into the American position.

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But if the change of course waits until then, it will be far too late for any good to be derived from it; indeed, its only fruit then will be deserved mockery. If it were possible, for once, to move in advance of events, some profit could still be earned in the currency of Anglo-American collaboration. The actual modifications of British policy that would be required in any such efforts to achieve unity are, in fact, small. It would probably be necessary to abandon publicly the attempt to seat Communist China in the United Nations—but the attempt has in fact been abandoned, so the acknowledgment ought not to be too painful. Much more than actual modifications of policy, what is needed is a determined effort to emphasise those aspects of British policy which make for harmony, instead of harping on the differences. At the very height of the MacArthur crisis a story, datelined from London, appeared in the reputable American papers to the effect that, in the Japanese peace treaty negotiations, the British Government was insisting on the return of Formosa to the Communists. This was, indeed, turning the knife in the wound. Almost certainly the view expressed to

Mr Dulles was no more than that some day when aggression was at an end in the Far East, Formosa should go back to China—a position not identical with the American, but not impossibly far from it. Unless they are off their heads British Ministers were not proposing to hand Formosa over to the Chinese Communists while they are killing British troops in Korea. But such a misunderstanding was allowed to arise, and to go uncontradicted, at a crucial time. Another example can be taken from the sad case of Hongkong's trade with China. Even as late as last week, it was painfully obvious that the Prime Minister had not bothered to inform himself about the matter. A clearer impression of chilly indifference could hardly have been given—although, when the facts are dug out, it can be demonstrated that the policy pursued has not been unreasonable. Having stirred up a storm in America, the British Government now has to accept much tighter restrictions—with all their painful and possibly dangerous consequences to Hongkong—than would have been necessary if they had remembered all the time that the Anglo-American alliance is paramount and can be kept in being only by constant solicitude—instead of painfully waking up to that obvious fact at a very late hour.

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Even if the Far East were the only area of crisis in the world today, the case for an open British initiative of *rapprochement* with Washington would be very strong. It is, in fact, immensely strengthened by what is happening in two other critical areas. One of these is that of raw materials. As a result of Mr Charles Wilson's visit to Europe, the crucial importance of a fair distribution of raw materials is now more clearly realised in Washington than ever before and the highest officials there are anxious to see that justice is done. But they will not be able to accomplish very much unless opinion in Washington, official and congressional, is more convinced than it is at present of the reliability and value of Britain as an ally. Mr Stokes, in going to Washington, is trying to catch a favourable tide; but he will find that it is useless for him to talk raw materials apart from high politics.

The other area of crisis is the Middle East. There the almost incredible folly of the Persian Government is creating a very nasty situation indeed. The roles of Britain and America in the Middle East are, in many respects, the opposite of those in the Far East. It is not very difficult to criticise past British policy in the Middle East—but no easier than to point to the misfortunes and mistakes of American policy in the Far East that led up to the Korean affair. But in the Middle East today, as in the Far East a year ago, the essential point is that the power that chiefly represents the western world in the area is being forced by the folly of others into very painful decisions and requires backing up. If Americans hesitate to give their support because they are dissatisfied with the nature and degree of the assistance they have received in the Far East, the answer is that about half as much assistance from them in the Middle East—the diplomatic support without even token forces—would transform the position.

If, in the Far East, as has been argued above, it is for Britain now to make the moves that will build a bridge between the policies of the two governments, then in the Middle East unquestionably it is for the Americans

to move the furthest. It is doubtful whether the real makers of American policy—Mr Truman, Mr Acheson, Mr Marshall—have ever had occasion to think at all deeply about the Middle East, except in connection with Palestine. It is virtually certain that they do not realise how much mischief American policy has done in that area, never willing to take responsibility itself, but equally unready to give any help to those who do bear the responsibilities of the western world in that crucial area. There is fully as much need for a re-examination of

Fair Deal for the Danes

THE visit of the King and Queen of Denmark to this country—a very welcome royal and family occasion—should be treated as something more than an item in the pageantry and ceremonial of Festival May. Such occasions, of course, show London at its most friendly, and some Danes will have felt pleasure in the thought that their royal family should be the guests chosen to grace a unique occasion. If they are many who have felt this pleasure, then the visit will have helped to smooth away the misunderstanding between the two North Sea peoples that the post-war years have bred. For too long the Danes have seen Britain at its worst: as the cause of some of their most acute economic difficulties, as a flint-faced bargainer, with a Government that has proved, in matters of trade, something much less than comradely to fellow Socialists. If pangs of conscience on this score have been felt during the royal visit only among an instructed few in Whitehall, others who take a broader view will ask themselves if all has been done that might have been done for this faithful ally at the mouth of the Baltic, direct neighbour to Russia and Germany, most helpless and vulnerable of the North Atlantic democracies.

Such reflections have a special relevance at a moment when complaints about the economic policies of the great American ally are playing their part in British domestic politics. For in Danish domestic politics the economic policies of the great British ally are a burning issue. If some in this country see American free enterprise and stockpiling as prime causes of high prices and industrial difficulties, most Danes see British Government purchasing and price stabilisation as prime causes of their foreign trade deficit and of the painful measures now being taken to rectify inflation. If the British demand as of right from the United States the raw materials needed for rearmament and full employment in the factories, the Danes demand from Britain as of right the food prices needed for full employment on their farms and for rearmament, as well as the coal needed for their homes and factories. This claim of right springs in each case from the feeling that traditional friends should not so rigidly observe purely business considerations as to damage each other's interests. What is sauce for the goose is sauce for the gander; and let it be said straight away that the Danish case against Britain is in many respects sounder than the British case against the Americans.

The Danish complaint against British trade policy does not need the support of political and strategic facts. These have to be recalled because they are so often lost to view; especially, it seems, in arguments between the Foreign Office on the one hand and

American Middle Eastern policy as there is of British Far Eastern policy.

Two such points of friction could mean disaster. If they are allowed to drift, that is what they will mean—disaster to the Anglo-American alliance that is the hope of the world. But the very fact that the roles are reversed, that each government has something to ask and something to give, provides an opening for statesmanship. We must hope that enough of that noble essence exists both in Washington and in London.

the Board of Trade and the Ministry of Food on the other. Denmark, in a few words, is for the Russians, in case of war, the key to the North Sea, to Norway, and to the envelopment of Sweden. Through the Öre Sound, only three miles wide at its narrowest between Zealand and Sweden, lies the outlet for their submarines from the former German ports of the eastern Baltic. Beyond, through the Kattegat and the Skagerrak, lies the route for transports and cruisers to the ports and former German submarine bases of Norway. Denmark itself is the ideal site for the landing of troops from the air, and to seize its airfields and ports would surely be a first object of Russian strategy against Western Europe. From Germany the road into Jutland by land lies almost open to the Red Army. From the strategic, as distinct from the political, point of view, there is no more important point in the continental defence system of the Atlantic Pact than Denmark and the waters around it. It is to the North Sea and the Atlantic what the Turkish straits are to the Aegean and the Mediterranean, a bottleneck which could and—in case of war—must be kept closed with mines and air power.

These facts are of special significance for the British Government; for the small Danish forces are largely dependent on this country for their training and equipment, for aircraft and ships. And although much help has been given, the present state of Denmark's forces suggests that it is not enough by far. The air force is still negligible, inadequate for local defence, impotent for naval operations. The navy, lacking air cover, could undertake only the most limited coastal operations, and that in safety only by night. The land forces—indeed all the forces—lack men and training because of the shortage of officers and non-commissioned officers. Yet, in spite of these weaknesses and the exposed position of their country, the Danes bravely decided with the Norwegians two years ago to throw in their lot with the nations of the Atlantic Pact. That was a small nation's gesture of trust in allies; but unfortunately the care of small European nations has not been a strong point in the foreign policy of the Labour Government. Indeed, one can go further and say that its public utterances have so far shown almost complete indifference to the strategic problem of the Baltic, to the facts that the Russians at Luebeck are already round the flank and at the rear of Denmark, and that the gateway to the North Sea is guarded by only one power, and that a neutral—Sweden.

Here then are good reasons in plenty for the British to look to their relations with Denmark, and to ask themselves whether it has been wise, or even necessary, to go

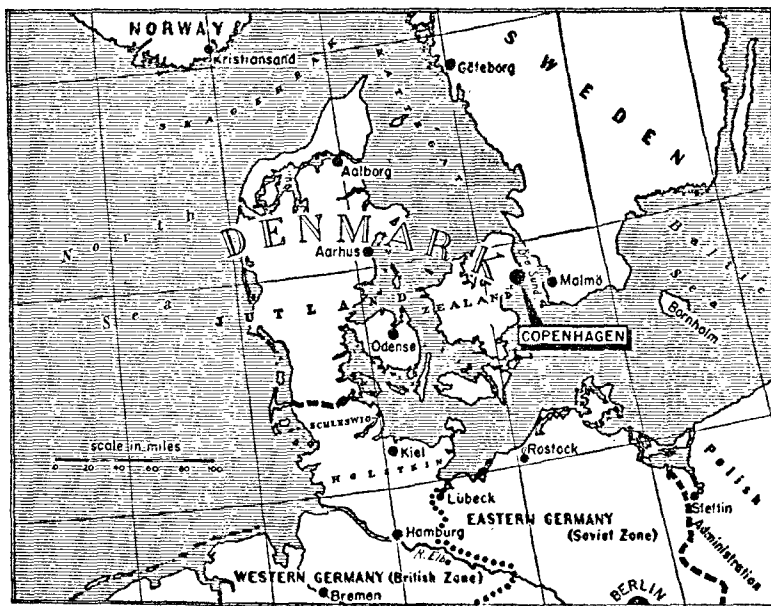
so far in their trading policies towards this ally as to run serious risks of estrangement. The root of the trouble can be traced back to the very different economic conditions of the 'thirties. Then, in 1933, the British Government browbeat the Danes into buying British coal, for which markets had to be found at any price. Agreement to buy 80 per cent of their annual requirements from Britain—instead of from Germany and Poland—was the condition for buying Denmark's butter, bacon and eggs. Since then—excluding the six years of war—the farmers of Denmark have produced almost exclusively for the British market and the principal industry of the country has been tied to the British economy. They aimed at producing a high quality of butter and eggs, basing their methods and costs of production on the knowledge that the best produce could be sold at good prices in the free British market. Those were days when people worried about the taste of butter and the freshness of eggs, paid attention to grading and quality, and were free to choose Danish bacon if they preferred it. Secure in this special market, Danish farmers persisted in their quality production, even when the prices of their imported feeding stuffs rose far above the low levels of the 'twenties. A pattern of production and trade was created in which 80 per cent of Denmark's agricultural exports came to this country, with Germany—and occasionally the United States—as the only alternative market.

During the war occupied Denmark ate butter in order to keep it from the Germans; before the war it had eaten margarine to keep butter for the British—much as the British now make do with old cars so as to sell new ones abroad. When peace came this thrifty habit could be restored and exports to Britain maintained only by imposing food rationing. The Danes had settled down to three years of this form of austerity when the British fuel crisis and the devaluation of the pound between them created a new situation. Denmark devalued, too, and immediately the price in Danish currency of imported feeding stuffs (which are absolutely essential to Danish "factory" methods of agriculture) rose by 44 per cent. The British Government, relying on the inability of the Germans to buy from Denmark at this time, refused to raise the prices it would pay for the finished produce, although at the same time it was permitting—indeed, encouraging—a rise in the export price of the coal that the Danes bought from this country. The Danish Government watched helplessly a simultaneous rise in its farmers' costs of production and fall in the value of its exports. Since September, 1949, the prices of Danish imports have risen by 54 per cent while those of exports have fallen. This is not the result of any blind economic

forces but of quite deliberate—though perhaps unco-ordinated—decisions by the British Government.

A point has now been reached where the Danish Government is struggling painfully to reduce a visible trade deficit with the United States of \$427 million and to stop the spiral of inflation resulting from the tying of wages and salaries to a rising internal price index (275 now against 216 just before devaluation). Already there has been one round of drastic measures—increased taxation, compulsory savings, increased railway fares—and another is about to begin, with restriction of credits and a cut in subsidies for new housing. All that London has been willing to do to help has been to increase its buying price for butter and bacon by $7\frac{1}{2}$ per cent, while the selling price of British coal has been going up by 20 to 25 per cent. To make things worse, only 700,000 tons of British coal are to be spared this year against the 4,200,000 tons the Danes require.

British officials can put up strong arguments for every decision that has been taken. Nevertheless, the story as a whole is a deplorable one of a strong country knowingly inflicting economic hardship on a weak Denmark has felt the cutting edge of the same British policy whose blunt edge made no impression on Argentina. Its farmers have been faced with an attitude that has subordinated all other considerations to the aim of keeping down the British cost of living and keeping Commonwealth producers sweet. If the coal that Denmark needs had been available, and at



a reasonable price, the predicament would have been less acute. As things are, its people face a new period of austerity and difficulty at a time when it is being asked to rearm for the common defence. And at the root of the difficulties it sees a British policy which, from the eastern side of the North Sea, looks uncommonly like national socialism.

Without drastic changes in the British Government's buying methods and policies—which are, unfortunately, as unlikely as they would be justified—no quick remedy for the economic side of Anglo-Danish relations is likely to be found; but the question should be asked whether some more could not be done to help Denmark in securing armaments which, with its payments difficulties, it will be unable to buy abroad. It should surely be possible, either within or outside the mutual aid plans of Nato, to give or lend British naval vessels and equipment, to make the purchase of fighter aircraft easier, and generally to assist Denmark in speeding up the strengthening of so crucial a position. Even to discuss such aid would show good will and generosity towards an ally which values the British connection more highly than any other.

Town Planners' Apology

DR DALTON has presented to Parliament a progress report on the work of the Ministry of Town and Country Planning*, covering the eight years (1943-51) of its existence as a separate department. The document is a comprehensive *apologia pro vita sua*, written more in sorrow than in anger by a Ministry whose actions have long required a considerable amount of both explanation and justification. This report meets, at any rate, the need for explanation. The organisation and work of the Ministry, the nature of the planning process, and the policies pursued in various fields are set down lucidly and in detail.

Moreover, criticism is beguiled by the sweet reasonableness with which it is all written. One by one the problems and difficulties of town and country planning in postwar Britain are patiently expounded, until the reader starts to believe that in all the circumstances the Ministry has done well to get anything done at all. Throughout, emphasis is laid on the great number of interests which have to be consulted and, if possible, reconciled. This applies when a planning scheme is being drawn up or the use of a particular piece of land has to be settled. It is hammered home that Britain is a crowded island, which since the war has become a great deal more crowded. More land than ever before is needed by the local authorities for housing, by the public for recreation, by the armed forces for training and defence purposes, by mineral undertakings and public utilities for economic development; at the same time the protection of good agricultural land has become, for the first time, an article of public policy. These facts explain why some planning decisions take a long time to be reached, and why some interests are often aggrieved by the decision—and blame the Ministry.

The report also explains patiently how it is that progress with many planning projects, such as the building of new towns and the redevelopment of the "blitzed" city centres, has been so woefully slow. The main reason given is, of course, that the building of new houses on accessible sites and of factories needed for the export drive had to be given a prior claim on the resources of the construction industries. In addition, it is pointed out that a great deal of preliminary work is necessary before major projects can be started, and that at least they are now ready to be pushed ahead rapidly when the signal is given.

The planning machinery itself, it is asserted, is running reasonably smoothly. The time taken in deciding planning applications has been speeded up, and county councils have delegated a large part of their work to county districts or to area committees. The number of appeals to the Ministry against local planning decisions (inevitably large in the first years following the 1947 Act) fell to 3,168 in 1950. A considerable number of these appeals concerned the building of single houses in country districts, and the Ministry has now urged local authorities to give permission more freely for this type of development. Generally, the Ministry has been lenient by comparison with the more zealous local authorities, some of whom have protested against the removal of planning controls over farm buildings and over modest extensions to private dwellings—

Dr Dalton's "experiment in freedom." Local development plans are now nearing completion and, once they have been approved, there should be much less uncertainty and delay in the operation of planning control.

All in all the Ministry can claim that it has acted with care and caution and a readiness to compromise. For a Government department to be so modest about its achievements and so realistic about its difficulties is without doubt a sign of grace. But it gives rise to an awkward question. If the Ministry's scope for positive action is so small, why should its powers be so large? This elaborate planning machinery was set up and armed with very considerable powers on the plea that it was going to achieve great things in the work of physical reconstruction. It now comes before the public to plead that economic scarcities prevent its plans from being executed, and that it is led a dog's life by the difficulties of arbitrating over land use. The public may well feel sympathetic towards this recital. But it is bound to want to know what it is getting in exchange for its money and for the very considerable disturbance which the planning authorities and their auxiliary, the Central Land Board (whose activities this report is not called on to justify), are causing.

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This question is not faced in the report. Nevertheless, an implicit reply is offered to it. The claim seems to be that, although town planning may not have achieved much in a positive way to date, yet it will do so in the future. The main Planning Act has been in force for less than three years, and the local development schemes are not yet operative. Everything is almost ready for a great move forward in physical reconstruction when the signal is given. The trouble is to know when the signal will be given, and the economic requirements of rearmament make the answer more dubious than ever. Moreover, there is something rather woeful about the game of seesaw which the Ministry has played with the other Government departments. After much bargaining, £4,000,000 has been set aside this year for a start on the reconstruction of all the "blitzed" cities of England, and the output of houses in the twelve new towns had reached (by the end of 1950) a combined total of 592, with 2,465 houses under construction. These are paltry results in terms of the enormous amount of planning and preparations which have gone towards these projects, and the high cost of overheads and staff connected with them. What is worse is that these programmes are only too likely to be cut back again as they were in 1948.

The Ministry cannot, of course, be blamed for the successive economic crises through which the nation is passing. It can be blamed for not knowing the meaning of effective priority. If the new towns, for instance, are worth having at all, then they are worth building at the cost of a cut in housing programmes in other parts of the country (a point which Dr Dalton at last seems to be realising). To build them in tiny fits and starts is both frustrating and costly, although the latter point is obscured by the elastic channels through which they are financed. The same point applies to the reconstruction of city centres. Alternatively, if these things are impossible luxuries, then they should not be undertaken at all.

* "Town and Country Planning," 1943-51. H.M.S.O. 5s.

A Ministry which spends its energies on carefully doling out resources among a multitude of projects, and calling for a fresh plan with every change in the economic breeze, can hardly expect to get things done.

A second defence which the Ministry can put forward is that, as Dr Dalton says in his preface, "the benefits of planning lie almost as much in what is not done as in what is done." This may well be so. But it is the very point on which the citizen wants more reassurance than the present report is able to give him. The routine work of planning administration mainly impinges on the citizen in a negative sense. It restrains him, on occasion, from doing what he wants with his land and buildings on the grounds that the final result will be in the general social interest. Inevitably, the benefits of town and country planning are slow to emerge. It is not fair to pass judgment on the regulatory aspects of town planning until the local development plans have begun to take shape—in practice (not on paper). But at least the planning authorities should bear in mind that, the less they have to show in the way of spectacular achievements, the more important it is that the routine administration of planning controls should be seen to yield a social dividend.

Dr Dalton is not unconscious of this need. To take one example, it emerges, strangely enough, that the protectors of rural beauty have got more justice out of the Ministry than is often supposed. The section on "Amenity" is the most persuasive in the report. The Ministry is doing a great deal to ensure that mineral workings do not harm the rural scene more than is unavoidable, that the Service departments waive their more unreasonable demands, and that woodlands are saved from unnecessary felling.

The Ministry has also been, on the whole, sympathetic towards the protection of good farmland—not all of which, of course, can be saved from development. It

regards the "lack of balance between town and country" in prewar years as a principal justification for its own existence. It has turned down some sites for new towns, and has greatly modified the acreage of those sites which have been chosen, so as to reduce interference with farming. It has urged local authorities to accept increased building costs in some circumstances as the price of protecting better farmland.

This policy illustrates, however, the grave economic difficulties which attach to deciding land use by administrative decision. It is easy to lay down principles, but to decide actual cases rightly involves (at the least) an enormous collation of information. Moreover, social interests are also involved (is it worth uprooting a few farmers to give a lot of townsmen a little more space and comfort each?), and the most the Ministry has achieved is a sort of rough scale of priorities, which may, in fact, make much less economic and social sense than appears superficially. It is small wonder that the Ministry groans somewhat under the weight of its responsibilities—but, after all, the Government did ask to be given them.

It is clear that the Ministry's optimism about the future, and faith in the efficacy of its own plans, is quite unimpaired. For instance, the report's section about London, after admitting that little has been done as yet to carry out the policy of the London plans ends smugly on the note that fresh plans are available for achieving these objectives. But does the Ministry really believe that in present circumstances it can achieve them? If not, it should give up this planning and replanning in a vacuum. Confidence in the future is a poor compensation for ineffectiveness in the past. The real question for the Ministry to consider is whether its capacities match its powers and responsibilities.

million. Now, and for the next few years, local productivity, though it is beginning to increase fairly rapidly in agriculture and fisheries, cannot keep pace with such a figure. Must the ingathering continue without limit? "Yes," says a majority, "for we have missed so many chances that we cannot leave a single life exposed to danger." Nevertheless, there appears this year in a Jewish Agency document the important phrase that "as long as immigration from Iraq proceeds at its quickened tempo, the Jewish Agency will be compelled to make a temporary cut in immigration from other countries."

But even if some such brake is applied, it seems clear that the admittance of 150,000 a year is planned for some years to come and that international payments must therefore continue to be balanced by extraordinary means. As the accompanying table shows, last year's principal balancing factors were the proceeds of the American United Jewish Appeal, drawings on loans made by the American Export-Import Bank, drawings on the sterling balances still remaining from wartime, and—last but not least—an item known as "imports without payment," which includes a variety of arbitrarily valued goods ranging from food parcels and private capital investments in kind to consignments of goods from "good uncles," which importers have been permitted to acquire provided that in so doing they make no call on the Treasury for foreign exchange. In planning for 1951 the Treasury is still hoping that the figure at which the total international balance is struck will not exceed the 1950 figure by more than 10 per cent. But where are the extra assets to come from? One item will be an all but final £9,000,000 from the sterling balances; these will peter out in February, 1952. The "imports without payment" device has been misused and has had to be curtailed. Some of the \$135 million lent by the Export-Import Bank is still available. Nevertheless a simple piece of arithmetic shows that even a United Jewish contribution at the 1949 level (the rate attained in the first three months of this year) will not fill the gap. The importance of the bond issue—and of a drive that is extra to, and not a replacement of, the older gift appeal—is self-evident. By July 4, when the wealthy American citizen disappears on holiday, the shape of Israel's prospects for this year and next should be fairly clearly discernible.

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Inside the country, nearly all that good planning and hard work can do to mitigate the unbalance is being done. Capital investment is being directed as far as possible into channels that will quickly reduce the import bill. So far, this policy's most impressive success is in the field of irrigation, achieved, to date, entirely from a persevering boring of deep wells. Thanks to this effort, agricultural production rose in 1950 by 40 per cent over the 1949 figure. Another impressive sight is the instantaneous use of the manpower contributed by the new immigrant. Transferred within days of his arrival to a so-called "transit camp" which is in fact a work camp, he is set to earn good wages (paid to him by the Jewish Agency out of American charity) which buy him his food and necessities; in return for this he terraces hillsides, lays roads, plants trees, lays waterpipes—in general, lays the foundations of more productivity. The army, which—so long as the state of armistice lasts—mops up unknown and excessive amounts of the nation's wealth

and manpower, makes up for some of this by giving at least nine months of its two-year term of conscription to agricultural training. Plans are also laid, of course, for greater production of exports, but, by comparison with the annual rise in the import bill, the increase in these is still negligible. Many projects are held up through world shortages of raw materials. The bulk of export proceeds still comes from two old standbys, citrus fruits and industrial diamonds, which together made up £19,000,000 out of the £112.5 million worth of exports in 1950. The difficulty of finding markets for industrial goods manufactured at an inflated and rising cost of production has therefore not yet become apparent, but it will.

ISRAEL: BALANCE OF INTERNATIONAL PAYMENTS 1950			
£1000,000			
	Credit	Debit	
Current account :—			
Exports and Imports	13.2	92.4	
Shipping	0.9	10.6	
Tourism	1.2	1.0	
Interest and dividends	...	0.5	
Miscellaneous	8.5	8.9	
Total current account	23.8	113.4	
Transfers of capital and Remittances :—			
Gifts to national funds	18.9	...	
Releases from sterling balances	14.9	...	
Drawings on Export-Import Bank loans	16.2	...	
Imports without payment	18.3	...	
Other capital import	21.3	...	
Total transfers of capital and remittances ..	89.6	Nil	
GRAND TOTAL	113.4	113.4	

Whichever way the financial planner turns, he encounters some new difficulty that throws him back to the problem of how to balance payments if large-scale immigration continues. For instance, his "imports without payments" scheme, which looked so promising, has turned out to be like one of those new drugs which produce one disease while relieving another; it entailed purchases of dollars on the free market that have helped to weaken the value of the Israel pound. The weakening has also been caused by using for purchases of capital equipment some of the foreign exchange set aside as backing for the currency. "Our productivity must be our cover," proclaims the Treasury, and, so saying, has allowed a cover which stood at £28.3 million as against circulation of £50 million in December, 1949, to slide to £5.01 million as against a circulation of £83.47 million in mid-April, 1950. Inflationary spectres loom everywhere. Already in February the Government had failed to resist a demand for wage increases by the metal workers. Since then countless other trades have been applying the screw. Wage demands now abound, and no political party wishes to gainsay them with elections due on July 30th. The inflationary spiral is mounting.

Yet, despite the weaknesses—the loss of confidence in the Israeli pound on the international market, the inflation, the mounting cost of production and the uncertainty about how international payments can be made to balance unless American Jewry pays—there is something jaunty, wholesome and invigorating about the scene inside Israel. It is a rare sight in the world today to see so many people who are confident that they are better off than they used to be. A majority are still living in a state of wonderment and pleasure at nationhood, a status which few of them expected nearly so soon.

Funds and Faith for Israel

(By Our Special Correspondent)

ON May 10th, Israel's Independence Day, Mr Ben Gurion, the Prime Minister, gave a command performance in New York. At the request of American Jewry, which has undertaken to run a powerful new campaign for funds provided that Israel will send over every available orator, he inaugurated in Madison Square Garden a drive in aid of a bond issue of \$500 million for Israel. This sum is one third of the cost of an economic development plan which the state hopes to carry out in three years, if world supplies of capital equipment allow. The remaining two equal thirds will be sought, the one from gifts and grants-in-aid (chiefly from the United States also) and the other in loans to be raised in Israel itself and in the Old World.

The bond drive must not be confused, therefore, with the United Jewish Appeal for money gifts which is made annually in America—an appeal which yielded \$150 million in 1948, just under \$100 million in 1949 and between \$70 million and \$80 million in 1950, about two-thirds of which went to Israel. That appeal is in progress also. The bond drive is an extra and a new departure. Whether it will clash with and reduce outright gifts is a matter of speculation and controversy. It

may well not do so while it enjoys the flush of novelty and of the American armament boom; but at a later stage the one method can hardly fail to impair the other.

This consideration, however, is brushed aside by the Israeli Treasury. The force of circumstances—a sheer shortage of resources—has driven that body into a policy that looks no further than rounding the next bend; the problems of 1952 lie beyond it—and can wait. Here is one aspect, probably the most important, of the strange compendium of financial stringency, efficient organisation, thrusting determination, narrow preoccupation with self, hard work, sleight-of-hand, pride of achievement and free grumbling that makes up the scene in Israel today.

The financial crisis constitutes the black side of this jumbled picture. How are the country's international payments to be made to balance year by year if national policy demands the continued admittance of flocks of Jews at present living in actual, or imagined, insecurity? In the year October, 1949, to September, 1950, nearly 173,000 arrived; there are likely to be a further 200,000 in the current calendar year. At present prices, every 150,000 new immigrants send the import bill up by £110

The fact that rations are not always honoured is probably the chief cause of any failure of internal confidence in the currency; but this is mitigated by such devices as the sale of dollar-linked savings bonds, redeemable in dollars in eight years' time.

Of course there is grumbling at the austerity and the shortages. Shop shelves are empty except of goods for which coupons are needed. Of course there is a flourishing black market in a land where requirements range from those of an ex-German to those of an ex-Yemenite; the latter does not need his soap and clothing coupons and sells them at once. There is endless exasperation at the most uncomfortable pressure on public services—telephones, buses, even water in the town of Tel Aviv. There is serious overcrowding in the cities, but there will be plenty of room in the countryside if, as is planned, there is intensive immigration and cultivation. The new agricultural settlements lie cheek by jowl in the strategic areas—notably in the Jerusalem corridor. The road to Jerusalem must never be threatened again. But elsewhere, and notably in the pleasant rolling country between Beersheba and the Jerusalem road, it is possible to drive for miles without meeting a soul. There is no real demand or need for *lebensraum*, and if—as is expected—the expansionist (*Heruth*) party loses seats at the July polls, it will show that the Israelis realise this.

In contrast to all other middle Eastern countries except Turkey, here is a people that does not procrastinate. It does not merely plan "development"; it works at it. Developments in embryo are visible everywhere. Some of them, already in operation, show what can be done, even with a desert, as soon as money, purpose and technical skill work hand in hand. No one contemplates failure. If the citizen of Israel grasps the precarious nature of his country's financial position (which is rare) he does not despair at the thought of it. For does he not hold the joker? What sort of a figure would American Jewry cut if it were to let him down?

NOTES OF THE WEEK

New British Warning to Teheran

The breach between the British and the Persian Government is now in the open. Amiable reiterations of the interests of both governments in "maintaining good relations and in consolidating the ties of friendship" no longer even attempt to hide the deepening bitterness. During the past three months Teheran statements when read in London have appeared unrealistic and unreasonable while London declarations have apparently been received in a similar manner in Persia. Exchanges which have brought the breach into the open began on May 8th when the Anglo-Iranian Oil Company made a proper request to the Persian Government to submit their differences to arbitration in accordance with the terms of the concession. Before the Persian Government had had time to consider this proposal, the Persian Ambassador in London delivered a note to the Foreign Secretary which in the strongest terms rejects the demand for arbitration and suggests that international bodies such as the Hague Court have no right to interfere in what Persia considers to be "a purely domestic matter." The Ambassador refused to discuss with Mr Morrison the terms of the Note on future developments and the methods Dr Mossadeq's Government proposes to employ in making "the necessary arrangements for enforcing the nationalisation law." It seems quite useless to point out to the men now in power in Teheran that

There is one serious shortcoming, besides the financial weakness, in Israel's make-up: that is the proverbial inability of Jewry to see the other fellow's point of view. Israel earnestly wishes to be a good neighbour. "Above all, we need peace with the Arabs." But the man who says so will simultaneously proclaim that his country needs, deserves and must have a \$150 million grant-in-aid from the American Government, and that it is no concern of his if this figure is out of proportion to that granted to any other Middle Eastern state. Again he will say (while treading down ex-Arab vines in his eagerness to show off his tractor) that compensation can never be paid to people who ran away. He sees in resumed relations with his neighbours only the advantage to himself. Their feelings seem to be outside the range of his imagination. His vision is narrowed still further by a disastrous shortage of foreign books, foreign newspapers and facilities for foreign travel, all denied to him on account of the lack of foreign exchange. He is living in a box. Nationhood, therefore, has hardly a chance to cure him of his age-long obtuseness in human relations with non-Jews.

Of all the speculations about Israel in which the mind can indulge, one of the most interesting and important is: what kind of a people is now being formed there? Will its standards fall from the would-be American towards the Oriental if all its people are for years forced to exist in conditions of severe scarcity of goods and services? The more backward newcomers from Asia and Africa are proving quick to adopt the superficial traits of the West, but are they picking up what is best in its way of life? They are breeding far faster than the ex-Germans. Will the children of the two stocks, who are inevitably the mixers, gravitate towards the higher or the lower standard? No one can tell what sort of a mixture will, in a generation, emerge from the crucible. The only fact that is certain at the present stage is that American Jewry will have to keep on buying bonds if it wishes to find out.

they voluntarily conceded certain small sovereign rights when they signed the concession in 1933.

The British Government is seriously hampered in any action it may wish to take by the fact that it is extremely difficult, if not quite impossible, to talk to the hotheaded men now in power in Teheran. London is also gravely disturbed by lack of sympathy and moral support from Washington. However, the issues at stake for Britain, the Atlantic Powers and, incidentally, Persia are so great that the Foreign Secretary has—with Cabinet approval—drafted a reply to the latest Persian Note hinting that if the Teheran Government attempts to take over the installations on the petroleum fields or the refinery at Abadan then the British Government will resist such action by force. It is no secret that there are sufficient numbers of British troops and aircraft in the Middle East to make such an operation possible. The British Government has carefully weighed all the possible consequences of the use of British troops, which include Communist disturbances in Teheran and troop movements on the northern frontier. It still believes force will not be necessary but it has rightly decided that unless some firm attempt be made to control the irresponsible Nationalists now in power in Teheran they will not only destroy their own country but inflame the whole of the Arab Middle East.

The British at Strasbourg

The European Assembly now meeting at Strasbourg presents on the surface a smooth and unusually business-like appearance. "Settling down," it seems to suggest: "accepting the limitations of international action and cultivating the possibilities that remain." Its agenda is precise and well-documented, covering specific issues such as should warm the heart of the most frigid anti-federalist; a report from the OEEC (true, it reveals nothing new and recommends no useful line of action, but contact has been established); a project for integrating European transport; a solid survey of full employment and the current problems of inflation; the Pfimlin plan for European agriculture; and others.

As its agenda has come down to earth, so its scope as a consultative body, which wields influence rather than legislative power, has been given new promise. Western Germany is now a full member; and M. Spaak as well as M. Schuman can claim credit for bringing Germans and French into a joint enterprise. Simultaneously, some move has now been taken towards forging the transatlantic link to which the British have clung so strongly in formulating their attitude to Europe. America and Canada are to be invited, if the Assembly follows the recommendations of its Ministers, to send representatives to the October session of the Assembly; and there is an interesting proposal to form a resources and purchasing board which could represent western Europe as a whole before the producers of raw materials.

So much for the surface. The deep waters remain as troubled as they have ever been. Most of the Europeans have retreated into what is called the functional approach; but they have done so in the hope, if not the belief, that this is merely a longer way to their ultimate goal—federal union for Europe with British participation. As things stand at present, this is a hopeless underestimation of the Labour Government's rooted antipathy to any form of supra-national arrangements with Europe. And it would be rash to expect much more in practice from the Conservatives. The Continent should have been warned by Lord Henderson's objection last week to Dr Adenauer's proposal for a "European" solution of the refugee problem. The truth is that "functional" means to Britain "inter-governmental" in the style of the OEEC; "functional" to the Continentals is exemplified by the Schuman Plan.

Sooner or later, this must lead to a clash, more disillusioning perhaps even than the initial impact of British scepticism on the early ambitions of the federalists. The full realisation of the gulf may dawn in the current debate on the amendments to the Statute; it may only emerge bit by bit as each attempt to set up a supra-national agency is frustrated. The obligation is on Britain to deflect some of the disappointment by a gesture with which it would finally accept the need for some European gathering with real influence if not with real powers. A Socialist M.P., Mr Anthony Crosland, has suggested that the Committee of Ministers of the Council of Europe and the ministerial council of the OEEC should be amalgamated.

Teeth, Spectacles and Pensions

At the cost of an extra £4,000,000 on pensions this year, and the promise to re-examine the health service charges again in 1954, Mr Gaitskill has secured the passage through the Commons of the two measures, the Health Service Bill and the National Insurance Bill, which embody those parts of his Budget that were criticised from his own back benches. With his flanks reasonably secure he will now be able to concentrate, after Whitsun, on the Tory attacks on the committee stage of the Finance Bill.

This has required some difficult Parliamentary manoeuvring which bears the stamp of Mr Attlee's own skill. No sooner

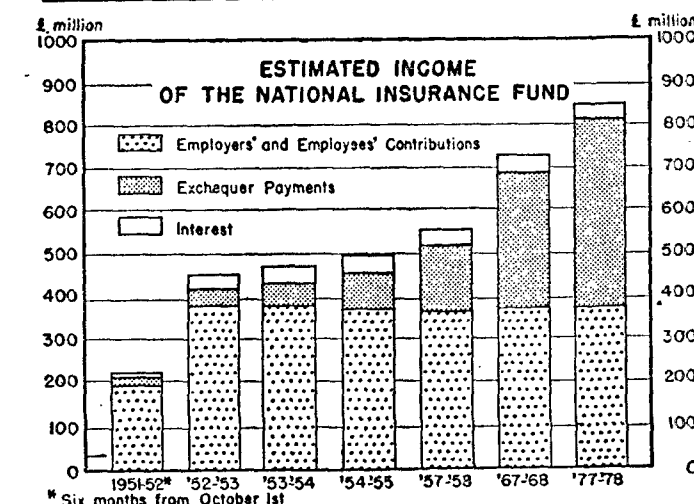
had the tumult on the committee stage of the National Health Service Bill died down, leaving the Parliamentary Labour Party shocked and anxious, than the Government had to face more trouble on the committee stage of the National Insurance Bill. This time, moreover, the pressure came, not from Mr Bevan and his associates, but from a group of trade unionists who stand well to the right, and who had been urging an extension of the higher pension rates ever since Budget Day.

The danger in this situation was that if the Government stood firm, and refused any extension of the pension increases, the trade unionists would be driven into the lobby, or at least would abstain from voting, alongside a gleeful Mr Bevan. Mr Attlee knows that the Bevanites, who so far are almost exclusively left-wing intellectuals, want nothing more than a common front with the trade union wing on some immediate issue, and he decided to compromise. Together with Mr Gaitskill and Dr Summerskill, the Minister of National Insurance, he met a delegation of members concerned with the pension increases, and on Wednesday the Government yielded by extending the benefits to a wider range of pensioners. (In brief, people who have reached the pensionable age of 65 for a man and 60 for a woman by the time the new rates come in will be eligible for them on retirement. People who reach pensionable age later will have to work for the higher rates—or wait five years.) In this way the threatened protest in the Chamber was averted, and a rebuff dealt to Mr Bevan, who got nothing for his denunciations of the health service charges, while the cautious men who pressed the pensions demand got a good deal.

Being "Lavish"

The concessions on old age pensions, announced by Dr Summerskill, Minister of National Insurance, do not go as far as the Labour critics would have liked. They will also, by distinguishing between people who reach pensionable age before and after the day that the new rates come into force, create anomalies which will lead to considerable discontent—and possibly renewed pressure for higher rates all round. But the concessions show once again what strength the pensioners' case can muster at Westminster.

Yet the steadily increasing burden of old age pensions has been emphasised from the Beveridge report onwards.



Recently, the Government actuary, in his report on the financial provisions of the new Bill, stated that the subsidies from the Exchequer will, in twenty-five years' time, have to be larger than was contemplated when the Act of 1946 was passed. And this is true although he has been instructed to assume an average unemployment rate of 4 per cent instead

of 8½ per cent. The accompanying diagram clearly shows the increasing burden on the Exchequer. It gives, for selected years up to 1977-78, the total income that the national insurance fund will need to meet its estimated expenditure; and it shows that, whereas contributions from employers and employees remain fairly constant, the Exchequer payments needed to keep the fund in balance rise rapidly.

Everybody deplores the existence of poverty in old age. The lot of the retired miner, whose circumstances often make it impossible for him to go on earning after reaching pensionable age, has been eloquently pleaded recently. But it cannot too often be stressed that to increase the contributory pensions of the poor by a few shillings also means increasing the pensions of all those who are already adequately, and even comfortably off. In 1954 the whole insurance scheme is to be reviewed, and then the time may come for both pensions and contributions to be altered in the light of the changed value of money. In the meantime, the poverty of old age pensioners should be relieved in the same way as is poverty among other sections of the community, that is, through the national assistance scheme—by which, incidentally, relief can be given more speedily than by changes in pensions. The warning of the Beveridge report ought to be recalled:

It is dangerous to be in any way lavish to old age, until adequate provision has been assured for all other vital needs.

* * *

The Place of Assistance

The recent debates in the House of Commons have thrown into relief the position of the National Assistance Board in the coming months. Last week a Conservative member, who obtained some Labour support, sought to impose on some machinery other than the Board the task of deciding whether a person should be allowed a grant towards the charges for false teeth and spectacles. A similar point was argued before, when the Board was made the instrument for assessing the "net disposable" income of a person applying for free legal aid. But in the present debates a clear division of opinion is apparent over the summoning of the Assistance Board into the national health service. The Conservatives' attitude is that *ad hoc* machinery should be set up to deal with the claims for grants to meet the charges. Their view is that the obligation to apply to the Assistance Board will deter many people with just claims to grants from making them. Their objection is not to the charges but to the method of avoiding hardship, which, in their view, will not be successful. Yet no other body has the organisation and skill possessed by the Assistance Board for assessing applications for financial help. The great virtue of the Board is that it works to national scales of relief but has wide discretionary powers in individual cases.

The Labour objection to the Board is much more fundamental. It is based on the re-entry of the means test, albeit under another name and far more generously applied, into the social services. This objection is very natural. The whole purpose of the Beveridge report and the legislation following from it was to provide, as of right, benefits and pensions adequate for subsistence and a comprehensive health service available to everyone. National assistance was to have a strictly limited and diminishing scope. Instead, basic assistance payments will soon be higher than sickness and unemployment benefits and "elderly" people's pensions, and now the assistance principle is being introduced into the health service.

Yet, once again, there is no alternative. The assumptions underlying the legislation of 1946-48 were that peace would be maintained, and the cost of living be stable. As it is, faced with the new rearmament programme and mounting inflation, the country will have to accept the extension of the assistance scheme, and consequently the return of the means

test, as the only way of keeping Government expenditure within bounds and at the same time relieving the worst hardships.

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Health Service Savings

After its stormy passage through the House of Commons the new National Health Service Bill has gone to the House of Lords, where it received its second reading on Wednesday. The only big change made in the Bill in the Commons cannot be said to have improved it. This is the new clause restricting the duration of the charges for false teeth and spectacles until April, 1954, unless they are continued by affirmative resolution of both Houses for further periods of one year at a time. The clause was moved by the Government in an attempt to placate the dissidents of its own party. It can have point only if by April, 1954, the country's finances will be able to bear a further increase in expenditure on the health service without the charges; or if there is a reduction in the cost of running the hospitals; or if the £25 million to be saved by the charges in a full year can be found by economies elsewhere in the service.

None of these possibilities is at all likely. The cost of the hospital service is virtually bound to go on increasing, particularly as such a large part of it is made up of salaries and wages, which will tend to rise with the cost of living. If the general practitioners' claim to a higher capitation fee is granted, another £7,000,000 will have to be found this year. All that the clause will do is to create uncertainty when hospital committees and boards are drawing up their budgets for 1954-55, which they will be doing in the autumn of 1953. If the clause is to do any good, the enforced renewal of the charges should be made the occasion for a more radical review of the health service. Clapping a charge on false teeth will not re-establish the priority of the local authorities' dental services for mothers and children. If a limit is to be maintained on the total cost of the health service—so that some needs will have to be left unfulfilled—a system of priorities will have to be established. The method of financing the health service should be recast with this object in view.

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Morale in Korea

While the debate on policy between the Truman Administration and General MacArthur goes on before a Congressional Committee, the United Nations forces in Korea are fighting a war as tough and bitter as any of modern times. The Chinese Communists' will to gain decisive victory is apparently still unimpaired, and their plan seems to be to launch a series of offensives in the hope of breaking through the Allied lines or wearing down the resistance of General van Fleet's army. The first blow was parried and ended in an Allied success, but not until after the Allied line had been severely hammered. At the moment there is a lull, and the member nations' forces can claim considerable success in repelling a mass onslaught on their line. In this action the Gloucester Regiment suffered heavy losses in its gallant stand on Hill 235, which symbolised the very nature of this strange campaign. This great action of a British unit in the common cause has been recognised by a United States Presidential unit citation which declared that the "indomitable spirit and heroism of the famous Gloucestershire battalion will long be remembered as an outstanding example of courage and determination by all freedom-loving people."

General Marshall has now put squarely to the American people the choice between the limited war in Korea, at present being carried on and the "great hazard towards developing a much enlarged struggle with consequently larger casualties or a complete world war." General Marshall pulled no punches in his condemnation of General Mac-

Arthur's policy; in particular he flatly contradicted the latter's low estimate of the strength of Russia's Far Eastern forces. As General MacArthur was wrong when he believed that Communist China would not intervene in Korea, Americans may not be easily convinced that he is right when he declares so confidently that Russia would not intervene to save China. General Marshall, however, has not been content to warn America against MacArthurism; he has given his own formula for victory. Part of his testimony on this subject was deleted by the censor, but in the part that was published he defined his aim as inflicting "the greatest number of casualties we could in order to break down not only the morale but the trained fabric of the Chinese armies." In other words, the American Defence Secretary recognises that this is a war of morale and endurance, and it should be clearly recognised also on this side of the Atlantic, where it is important that Government statements and speeches should give more prominence than hitherto both to the great international enterprise in which Britain is taking part and to the fact that British soldiers and sailors are waging war, and it is a war that the free world cannot afford to lose.

This is much more than a war to save Korea; it is ultimately a war to deter Russia which the free world cannot afford to lose and which it can win by forcing a draw on the battlefield. Nothing but experience can be expected to convince Moscow and Peking that aggression will not pay and that the free world has not only the capacity, but also the will, to fight if attacked. Stalin has publicly committed himself to the view that the Communists will win in Korea because Allied soldiers have nothing to fight for. Actions such as the defence of Hill 235 should make Stalin's advisers consider whether there may not be in the free world some native hue of resolution which he has previously overlooked.

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The Lesson of Lower Saxony

The elections in Lower Saxony last Sunday brought success to various groups which have one thing in common—the desire to overthrow Dr Adenauer. Eleven per cent of the voters in a very high poll favoured the blatant Nazis of the Socialist Reich Party. Sixteen members of this party will sit in the new *Land* legislature, including presumably its leaders, the former Major-General Remer, Dr Dorls and Count Westarp—all men who openly aim to revive National Socialism. Their success was achieved in spite of, or even because of, the way in which Dr Lehr, the Federal Minister of the Interior in Bonn, energetically entered the field against the party in the last days before the poll. On the eve of the election, the Federal Cabinet banned "Reichsfront," Remer's copy of the Nazi stormtroopers, although the Land Government of Lower Saxony had permitted its jack-booted members to operate at election meetings.

It is equally disquieting to find that Dr Adenauer's pro-Western party, the Christian Democratic Union, practically disappeared in the elections. It was engulfed in the alliance it formed with the *Deutsche Partei*, a party which has two members in the Federal Cabinet, and is not very much less Nazi than the followers of Remer. The alliance lost ground heavily last Sunday (though it still won 23 per cent of the votes) and most of its victories are attributed to its right wing. The election organiser for the CDU-DP alliance in Lower Saxony, it may be noted, was Dr Ehrlich of the *Deutsche Partei*, who was billed on placards as former *SS Obersturmfuehrer* and Nazi party representative in Italy. The Social Democrats, on a nationalist platform, retained their position as the largest political group, with one-third of the votes; while the refugees' party, the BHE (*Bund der Heimatvertriebenen und Entrechteten*) won 15 per cent.

The lesson of Lower Saxony for Western policy-makers is clear. It is that the dispossessed and unemployed—particularly the Protestants among them—will turn to Nazism

against the predominantly Catholic and Western policy of the Christian-Democrats; and that an unholy alliance between the Neo-Nazis and Moscow's German dupes is always a possibility.

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The Nazis and the Russians

From a different point of view Lower Saxony—like Schleswig Holstein—is bound to be an important danger spot. Both are filled with Protestant refugees, many of whom are unemployed. Lower Saxony's chief heavy industry, the former Hermann Goering works at Watenstedt-Salzgitter, was created by the Nazi regime only to be crippled by Allied dismantlement. The Soviet Germans have had some success in their efforts to show that Salzgitter and Lower Saxony's important canning industry might be saved by reunion with the Soviet zone.

The Socialist Reich Party, like almost every other neo-Nazi group, has some leaders who toy with the Soviet Germans as well as others who proclaim their task to be the fight against Bolshevism. Dr Dorls is alleged to have declared that his party would "act as traffic controllers for the Russians if they marched into the West," and a number of party members split off on the eve of the elections in protest against this attitude. For the west, the fact to bear in mind is that the SRP and the Communists were the only parties in the *Bundestag* who did not vote last January against holding talks with the Communist Herr Grotewohl. It must not be forgotten that whether they oppose Communism or fall in with the Soviet Germans, the new Nazis will never be anything but enemies of democracies. If the SRP is not to multiply, Dr Adenauer's government and the western powers must both heed the lesson of Lower Saxony and seek a political answer to it.

* * *

A Bad Piece of Development

Dr Dalton is to be congratulated on his sensible compromise judgment in the Briar Patch case—a case which has aroused, very properly, a degree of heated public opinion suitable to a symbolic cause. Mr Ralph Kirby's improperly sited, improperly constructed, and generally irregular bungalow is, in principle, condemned; it is a "bad piece of development" and bad pieces of development, one with another, have messed up enough of England already. It is, however, reprieved for three years, which brings its total life up to within a substantial proportion of that allotted, in theory, to a prefab; and much may happen in three years, including, on an optimistic view, such an easing of the housing situation as would reduce the penalty involved in its condemnation from the catastrophic to the merely inconvenient.

This is as it should be. Those stern-souled upholders of the law who claimed that omission to pull down Mr Kirby's home about his ears on Christmas Eve—as was once the amiable intention of the Easthampstead authorities—amounted to a grant of *carte blanche* to every form of illegal development, and the torpedoing of the whole planning principle, have consistently confused two separate matters: the need for a deterrent against infractions of the plan and the desirability of doing away with bits of bad housing. There are plenty of deterrents available, in the form of fine and imprisonment, for other offences; there seems no reason why in this case the punishment should fit the crime more closely than in others. Persons who eat meals in restaurants without paying are not, after all, subjected to a stomach pump. Why, therefore, insist that those who infringe building regulations be punished with homelessness?

Because, it may be answered, the matter of their offence remains a public eyesore, obstacle, danger, or whatever is comprised in the term "a bad piece of development." This

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is, however, an argument for demolishing eyesores, obstacles, and bad bits of development in general—starting, according to common sense, with the worst, not with the merely fractionally substandard. When all England from end to end contains no worse “piece of development” than Briar Patch, that will be the time to start pulling Briar Patch down; and that will be a happy day indeed for planners and public alike.

* * *

Mr Bevan and the Unions

It is still too early to say whether Mr Bevan has much support in the country at large for his stand against the Government. Even among the trade unions no clear reaction to his designation is yet apparent. A fairly large minority dissented from the statement by the executive council of the TUC deploring Mr Bevan's action; but some of the dissenters have later explained that they were not objecting to the condemnation of Mr Bevan, only to the implication in the statement that the TUC approved the Budget when in fact the Budget had not yet been studied. The meeting of the economic committee of the TUC on Wednesday has taken the matter no farther forward, and opinions continue to be divided. The Scottish TUC, for its part, has roundly condemned the Budget, particularly the health service charges and the increased entertainments tax, and therefore presumably supports the stand that Mr Bevan has taken. But so far as the major unions are concerned, only Mr Figgins for the railwaymen has come out with unequivocal support for him.

Neither resolution nor statement, however, necessarily represents the opinion of the majority in Scotland or in England and Wales. The delegates have not yet been briefed by their branches, and statement and resolution were made without any reference to the rank and file of the trade union movement. Indeed, the indications at political meetings have been that the great majority of trade unionists were quite undecided in their opinions. Mr Bevan's reputation during his short term at the Ministry of Labour was high, and the unions had strong hopes of what he might do for them. There was also a natural dislike of the return to austerity inherent in the rearmament programme. At the same time, Mr Bevan had yet to win the confidence and trust which Mr Attlee enjoys, and it seems unlikely that many trade unionists will follow him. The non-Communist part of the movement is not so sharply divided into left and right as is the Labour party, and Mr Bevan cannot consequently count on an automatic following of discontented left-wingers. But it will be some months before minds are made up, and opinion may not crystallise before the annual meeting of the TUC in the autumn.

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South Bank and Fun Fair

The South Bank Exhibition is brilliantly conceived and staged and architecturally delightful. There is nothing very remarkable about the content of the exhibits: solid fare is provided only in the Dome of Discovery, where perhaps it is too solid. But the *décor* and the *montage* (two French words for which, significantly, there are no English equivalents) are graceful, charming and full of self-mocking humour. This is most in evidence in the “Lion and the Unicorn,” which attempts the self-conscious and difficult task of throwing light on the British character. Its section on the development of British civil liberties is certainly a theme for the times, and could have been extended at the expense of other exhibits whose significance is more obscure. The wafer-biscuit machine, the glass-blowers and the paper-makers in “Power and Production” are very popular, and more of these industrial processes in operation might well

have been included. Fittingly, “The Sea” is one of the most attractive pavilions. Another is “Homes and Gardens,” dealing with today's problem of saving space, and showing fine furniture which recalls a great reputation lost somewhere in Tottenham Court Road.

If British taste has improved in this respect, it remains unchanged in the matter of food. The catering is evidently based on the theory that the English prefer the food they are used to. But do they? They have taken, all too literally like ducks to water, to the continental delights of eating and drinking out of doors. It will be a pity if Britain's “contribution to the arts, science, industry and technology” makes a less vivid impression on the visitor than its lack of contribution to the culinary art.

The fun-fair at Battersea now makes its bow, in spite of yet another dispute to add to the long history of labour trouble. (A high proportion of the manpower is Irish.) Earlier this week some 900 men were working to rule, partly out of pique at some comments in the *Daily Mirror*, partly because the balance of a bonus due to them when the work is 98 per cent completed was still withheld. The appearance of surrender to this blackmail has been avoided by the payment of a bonus by the contractors instead of by Festival Gardens Ltd., as a token of their “faith” that the gardens will be ready for the week beginning May 21st. Presumably it will as usual be Festival Gardens Ltd. which, on behalf of the taxpayer, pays in the end.

* * *

Incentives for Yugoslav Peasants

The way in which the Yugoslavs are taking increasingly practical views of their economic problems was again illustrated last week end, when they moved another step away from the Soviet design for a Marxist economy. They have openly confessed the failure of their attempt to provide adequate supplies of cheap food to the urban population by buying fixed quotas compulsorily from the peasants at prices far below production costs. In future, therefore, the peasants may dispose of all their milk, meat, potatoes, peas, beans and lentils at free market prices. Only grains, animal fats and wool will remain for the time being subject to compulsory deliveries.

This concession was granted to the collective and state farms some weeks ago. Its extension now to the independent peasants (who still farm about 75 per cent of the arable land) represents a determined attempt by Marshal Tito to stimulate greater production and also, incidentally, to come to better terms with some of his least enthusiastic supporters. At the same time, rationing has been restricted to bread, fats, sugar and soap; and it is hoped that the greater supplies coming on to the free markets will eventually bring down prices. Former ration-card holders will be protected meanwhile against excessive prices. They will receive “cash coupons” which will entitle them to an 80 per cent reduction in the free market price of limited quantities of the food-stuffs now freed from compulsory buying. In other words, the Government has undertaken to subsidise the price of some foodstuffs to most sections of the community.

The new policy may well fail in its object if the village shops contain nothing on which the peasant can spend the extra cash put in his pocket. It is also clear that no marketing policy can stimulate agricultural production beyond a certain point if the farms do not simultaneously receive a far greater injection of fertilisers, seeds and machinery than they have so far. It is believed that the Yugoslav Government is well aware of these limitations on its drive to raise more food; and the provision of consumer goods and agricultural machinery, is among the subjects under discussion at the unfortunately prolonged talks on aid to Yugoslavia now taking place in London between the three western powers.

Controversy over West African Marketing

Three years ago the Gold Coast and Nigeria set up statutory boards for the marketing of cocoa, palm-oil products, groundnuts and cotton. Today these boards have already accumulated a tempting reserve of £150 million and are under sharp fire from two parties: first, from Africans who would prefer to see this huge cash reserve distributed in the form of higher prices for producers; second from a range of well-meaning persons who would like to use the funds for a variety of development projects and social services. There are those who go so far as to suggest that the marketing boards be abolished altogether, and that these valuable industries should be left to the unfettered market conditions of prewar days. The strength of the criticism and the unrest it reflects can be measured by merely citing one fact: whereas cocoa is now being sold on the world market at about £300 per ton, the West African producer is receiving about £130 per ton.

What the critics forget is the state of the West African industries in the prewar era, when wide and uncontrollable fluctuations in price and a sense of being “exploited” by buyers and exporters had led to widespread disturbances, culminating in 1938 in a six months' stoppage of all sales by Gold Coast producers. The Nowell Commission, which reported at that time, condemned the way the producers were being treated, and it was generally agreed that a stabilisation policy should be followed. This was the background against which the boards were established and, had there not been an unprecedented sellers' market in the last few years—or should a slump come in the next—the boards would no doubt earn a general blessing.

Today it is explained that the gap between the buying and selling prices of Gold Coast cocoa, for instance, is deceptive. To costs about £100 per ton must be added to cover freight, marketing and the increased export tax, so that the amount remaining for price stabilisation is hardly more than £70. Of the £53 million which this particular board has accumulated, £35 million has been allocated for price stabilisation; the board has also contributed millions towards endowing the University College, awarding scholarships to children of farmers, cocoa research and rehabilitation. The Nigerian boards are financing a whole range of activities under the Regional Production Development Boards. It must surely be a choice between two policies: to pay higher prices to farmers encouraging them to purchase goods already in short supply and tempting them yet further away from local food production, or to skim the cream off the unusually favourable market for general betterment and as a buffer against an uncertain future. In present circumstances the latter is clearly the wiser course.

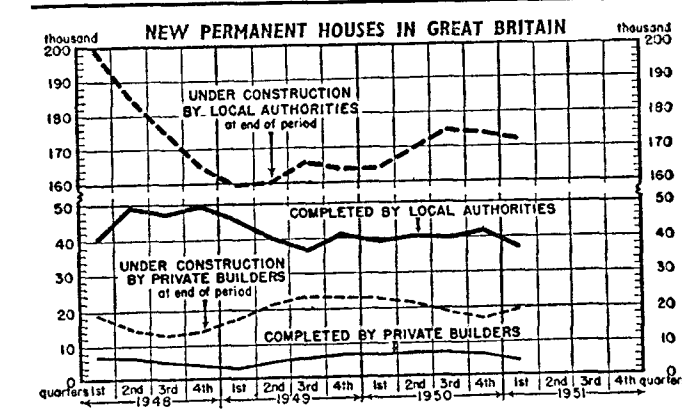
* * *

Houses for the Old

The latest official manifestation of concern for old people is a new pamphlet, “Housing for Special Purposes,”* which deals principally with houses for the old. This is a manual of guidance for housing authorities who are interested in building houses for old people, for single workers and for other special categories. It is complementary to the two larger manuals already published by the Ministry of Health, which deal mainly with bigger houses.

Preoccupation with houses for the old does not only spring from humanitarian feelings, for, with the present shortage of housing, it is uneconomical for elderly couples or single people to occupy houses that are too large for their needs. It is hoped that the provision of more small bungalow houses or two-storey flats will encourage a better distribution of housing space according to family requirements. This is clearly a sensible policy, although old people are not always so ready to move as the policy-makers would

like. Among those who would gain, if old people could be housed in small bungalows and larger houses thereby released for families, would be the ratepayer, for the same Exchequer subsidy is given for a two-roomed cottage with kitchen and bathroom as for a five-roomed house. But in spite of this financial advantage, the issue is not so simple for a local authority whose waiting list is dominated by the needs of families with children.



The case for building a larger number of smaller houses is demonstrated yet again by the latest quarterly housing returns,† which were published this week. The number of houses under construction continues to hover about the 200,000 mark without any appreciable increase in the number completed. The only short-term steps that could be taken to improve the rate of output are to build smaller three-bedroomed houses, which Dr Dalton has recently agreed to, and to build more very small houses, particularly for the old.

* * *

Harping on the Stone

The debate in the House of Commons on Wednesday, initiated by Lord Brabazon of Tara, did not escape entirely from the Gaelic twilight of the last few months but there was a world of difference between, say, the contribution of Viscount Samuel and some of the outpourings earlier in the year. Lord Brabazon himself began by insisting that the Coronation Stone is old enough to have been Jacob's resting place but at least he marched forward in time beyond 1296. The removal of the stone last December had all the characteristics of a students' raid on the totem of a rival college. At least the Scottish peers who took part in the debate accepted that the stone was a symbol of equal reverence in the two kingdoms. Lord Samuel, speaking as a Liberal, agreed with the view that the stone should be deposited in Scotland but brought to Westminster for a coronation. Lord Strabolgi suggested a double coronation, at Westminster and in Scotland; Lord Llewellyn pointed out that, constitutionally, the King was also King of each of the Dominions, with a separate government in each, which would justify a claim for a separate coronation in each of the seven countries. But Lord Clydesmuir touched on the crucial point in the present argument, the misfortune to relations between the two peoples that has followed the linking of the Coronation Stone itself with the present discontent among the Scots over the amount of say that they have in their own affairs.

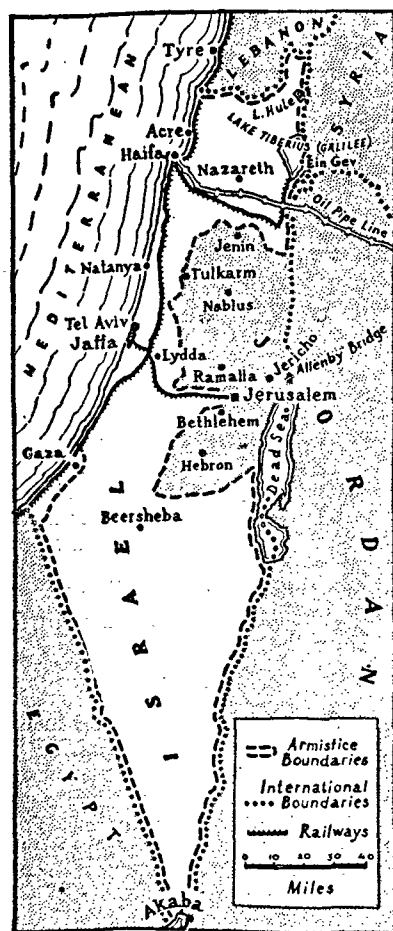
The Government has yet to make up its mind about the Stone. It is, of course, idle to suggest that its future custody should be decided by minds uninfluenced by emotion. The whole significance of the stone, on both sides of the Border, is emotional. The present Government, whose response to anything but a conventional class-feeling symbol is unusually low, has shirked the Scottish issue for six years. In con-

† Cmd. 8221 and 8222.

sequence, it has allowed an unsatisfied emotion to crystallise around a concrete, and largely irrelevant, object. The case against depositing the stone in Edinburgh is that, by now, the stone is not only a part of Scottish history. It is part of Commonwealth history. In the same way, Westminster Abbey is not only an abbey in England; it is the spiritual centre of a great part of the Commonwealth. A coronation, in form, may still be the crowning of a King of England. In reality, as the present King is so profoundly aware, it is the crowning of a King of a multitude of peoples.

Israel versus Syria

The quarrel which both Syria and Israel have now laid before the United Nations presents a very even balance of blame on both sides. It concerned a demilitarised zone that was formed as part of their armistice agreement. In March the Jews, pursuing a plan begun in 1934 for the drainage and reclamation of the malarial marshes round Lake Huleh, dug a channel into the zone. The Syrians complained to Uno, and its umpire ruled that the digging must temporarily stop. The diggers went on, and the Syrians put themselves into the wrong by opening fire. The Israelis, instead of leaving them in the wrong, went one worse by bombing from the air a post



inside Syria. Since then, intermittent exchanges of fire have been going on along the whole length of the zone, which is a long thin strip measuring about 16,000 acres, running intermittently from the Huleh area in the north to the point just south of the Sea of Galilee where Syria joins Jordan.

Amidst the noise of argument and gun fire, one major consideration has disappeared from sight. That is: what does each side think it is getting by going on shooting? The Syrians have nothing to lose by it. The state of near-war with Israel is no handicap to them. It scarcely affects their economy. Their army, which loves playing a role in local politics, is deriving nothing but gain from a situation in which it can win banner headlines daily at negligible cost in risk and ammunition.

The sober appraisal of the issue from Israel's standpoint leads to another conclusion. As any Israeli civilian will at once proclaim, peace with the Arab is a major objective. To achieve it would mean a reduction of army expenditure that a needy country can ill afford; it would also mean the import of local meat and fruit that would relieve horrid austerity. Something is wrong in the co-ordination between brain and hand when a country keeps up minor fusillades with a neighbour whose goodwill it needs so badly. In a word, Israel must weigh which matters most to it, hurrying into a few acres of the demilitarised zone, or attaining peace with the Arab states. There seems to be a difference of opinion on this point between its army (which believes in being "tough

with the Arabs") and its civilians who need peace. At the present moment, the army is winning the argument and peace is further off than it was three months ago.

Shorter Notes

As the bogey of General MacArthur grows daily larger, there are renewed and slightly anxious whispers in Europe about the means of preventing the same thing from happening there. Who, in fact, will command the Supreme Commander in Versailles? An article on page 1106 describes the latest reshuffle in the administrative apparatus of the North Atlantic Treaty Organisation; but it will be seen that nothing more has been done to cover this point. The reason is, or ought to be, that nothing is in fact needed. In the first place, SHAPE's task is not to fight a war but to prevent one; there is no question now of crossing parallels. Secondly, NATO, unlike the United Nations, has a comparatively clear line of political control already established, running from the Council, through the Deputies to SHAPE headquarters. Thirdly, the problem is in the last analysis one of personalities; General Eisenhower is not a MacArthur; he would prefer not to be described as a politician, but he undoubtedly has—rather more than a number of professional politicians—a highly developed sense of the diplomatic.

The striking improvement in public health in the British Caribbean, over the past 25 years, is illustrated by statistics of the expectation of life now published by the Development and Welfare Organisation in the West Indies. The average length of life of males in Jamaica in 1920-22 was 35.89 years and of females 38.20 years; in 1945-47 it had risen to 51.25 and 54.58 years respectively. A similar increase of 15 to 16 years in life expectation is registered in all the Caribbean colonies for which figures are available.

Burdening the Government

The extent to which some men, from the suspicion of others, or from a desire of ease and enjoyment beyond their reach, or from mere restlessness, demand the interference of Government, is one of the most curious phenomena of our time. It can never assume power enough to satisfy them. They continually heap new duties on it, and urge it to be grasping and ambitious. Though it be composed of men, a perfection is expected from a mere organisation, and demanded far beyond human nature. We are opposed to their demands, from a thorough conviction that the more heavily the Government is burdened, the more readily it is broken to pieces. The schemers propose to ensure a better supply of water, improved sewerage, or more favourable sanitary conditions; but they tend to bring about the destruction of the Government and the disturbance of the country. They would heap duties on it no human power can perform, and centre on it the irresistible discontent of universal disappointment. Whatever means may be adopted to secure the supply of water, the worst of all is to make it the business of the Executive Government, or of a board appointed by, and responsible to, the Government. . . . Those who have most loudly demanded that all the companies should be swept away now find fault with the Government measure. . . . Probably they would have a new department for the supply of water, another for the sewerage, another for the burials, and their schemes would multiply the cares and departments of Government, till the whole community were occupied in taking care of one another. For them it is unfortunate, but the world will not follow their recommendations, because they would speedily so impede or stop production that at no distant period nothing worth taking care of would be left.

The Economist

May 10, 1951

All this...

and a 7 too!

NUMBER SEVEN

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ALSO *Abdulla Turkish and Egyptian*

Defence and Export



YEAR ago the difficulty was to make the western populations recognise the urgency of the need to arm. Reverses in Korea taught the lesson which exhortations could not drive home. This is the year of conversion of western industries to the new policy. Already shortages of material threaten; the problems of maintaining international stability in the economic sphere are real and immediate. It is thus entirely in the interests of the rising countries of the new world that Europe should lose no single chance of export trade if it can be taken without jeopardising the concerted effort to rearm.

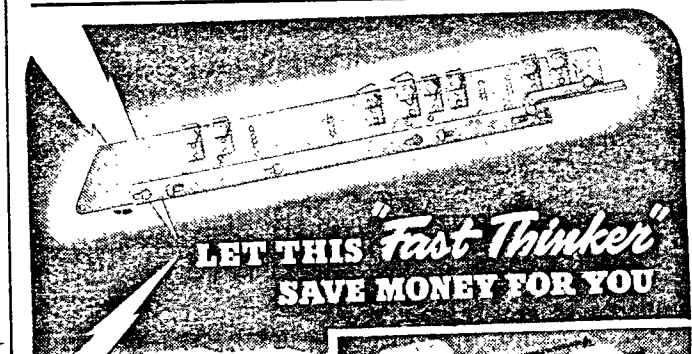
Because so many of the needs of life, even refined life, which used to be imported from Europe are now manufactured in the new countries it becomes imperative to exploit to the utmost those opportunities where specialised products are offered from Europe which cannot be obtained elsewhere. Such a situation obtains in regard to certain categories of aircraft, turbines, and even the lighter piston engines. It is in the interests of the western countries as a whole that capacity be applied to the drive for exports in these special products.

Furthermore, it is important that wherever possible the needs of rearmament be integrated with the demands of the export markets. There are outstanding examples of aircraft and power units which, with minor differences, are able to serve both requirements. Deliberate action is necessary, however, if the free world is to benefit substantially from such opportunities.

No better example could be cited at the present time than that of British turbine-engined transport aircraft having jet or propeller-turbine power.

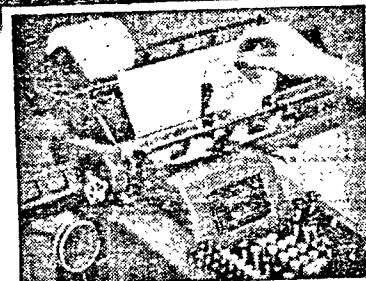
"In our haste to build a wall against the threat of bandits from the hills," said the ancient Chinese philosopher, "let us not neglect the seasonal planting of the rice."

DE HAVILLAND



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Letters to the Editor

Baghdad and the Oil Talks

Sir,—Your article of April 14th gives only one of the reasons why the development of oil in Saudi Arabia has been more rapid than in Iraq, namely, that when the war interrupted the flow of materials, priority was given to established fields in Arabia in preference to exploratory work in the Basrah concession. An equally important factor which retarded development in Iraq was the fact that Iraq itself and the route of its pipeline outlets to the Mediterranean were the scene of military operations.

The war not only delayed exploratory work in the Basrah concession but had an even more immediate result in retarding the development of the Kirkuk field. Production from this field began in 1934 when it reached nearly 1,000,000 tons; by 1937 it had risen to 4,000,000 tons per annum, representing the maximum capacity of the 12 in. pipelines from Kirkuk to Haifa and Kirkuk to Tripoli. Plans made in 1939 for new 16 in. pipelines to Haifa and Tripoli were frustrated by the war, during which not only the Middle East, but also the Mediterranean were the theatre of military operations. Pipe for the 16 in. lines was ordered early in 1945 and by the spring of 1948 the line to Haifa was completed to within 50 miles of the Mediterranean seaboard when the disturbed conditions in Palestine caused the suspension of operations. Labour and materials were transferred to the northern line from Kirkuk to Tripoli. Pumping through this line began in July, 1949, reaching full capacity in 1950, with the result that by October, production from the Kirkuk field rose to an annual rate of 7,500,000 tons.

In view of the statement of your correspondent "Iraqi" in your issue of April 28th, that the denial to the Iraq Petroleum Company of the pipeline system to Haifa is "hardly capable of explaining the very low rate of oil production which has been prevailing in Iraq for a long time," it is pertinent also to recall that production installations in the Kirkuk field were planned on the assumption that the 12 in. and 16 in. pipelines to Haifa would be in operation.

By 1950 facilities at Kirkuk were capable of a production of 15 million tons per annum, or nearly four times the prewar production. They are now being expanded to 26 million tons per annum to utilise the capacity of the 30 in. line due for completion early in 1953, as well as the 12 in. and 16 in. pipeline systems.—Yours faithfully,

C. T. BARBER
Iraq Petroleum Company,
London, W.1

Charity and the Hospitals

Sir,—I have read your correspondent's article with very great interest and you may think that the following figures, which I have been able to collect since the beginning of the year, have some bearing on it.

Out of 425 deceased persons' estates of an approximate gross value of rather less than £5,000,000, 63 persons gave 121 separate legacies amounting to rather less than £253,000 to different charities (exclusive of hospitals). Over the same sample of estates I can find only ten testators who have wished to benefit hospitals (twelve separate legacies in all) amounting to almost exactly £40,000, but of these testators two died before the appointed day in July, 1948 (the legacies became payable following termination of limited interests) and these two testators accounted for £38,500 of the £40,000 given to hospitals. In the result, therefore, out of 420 or so testators who had the opportunity of altering their wills after the coming into force of the National Health Service Act only eight felt any desire to leave moneys to hospitals and gave the trivial sum of little more than £1,500.—Yours faithfully,

D. R. MARSH
London, E.C.4

Educational Priorities

Sir,—In your note last week on the House of Commons debate on educational priorities, you say, "Mr Maude went so far as to argue that expenditure on the universities should be sacrificed in favour of the primary schools."

What I actually said (*Hansard*, April 17th, Col. 1690) was this: "If we get to a point where we cannot have enough places for primary school children, and where we cannot give them a decent standard of education, then I, personally, would reduce expenditure on university education to meet that. That is what I meant by a No. 1 priority."

I would respectfully suggest that those two statements are not at all the same.—Yours faithfully,
ANGUS MAUDE
House of Commons

Malan's Breach of Faith

Sir,—I was interested in your comments and those of your Johannesburg correspondent in your issue of April 21st.

The genius of British imperial administration has been to close its eyes to anything that, though not in keeping with the better traditions of the British way of life, could be remedied only by methods too unpleasant to be contemplated—for instance, the withdrawal of British influence. Malan's mistake is not "apartheid" or "basskap," but making a political and administrative issue of these two very necessary bulwarks to white supremacy.

There are many different-hued peoples with whom the white can mix. But, and this is probably the feeling of the bulk of all settlers from Europe to Southern Africa, close association with the black man, on a level of equality, whilst perhaps theoretically desirable, is possible only for the armchair emigrant safely surrounded by millions of fellow whites.

The British consider themselves experts in administering non-white peoples. But let it be remembered that in no lands where the non-white predominate have the British settled and made their home with the exception of Southern Africa. It had best be realised by the British in the United Kingdom that an attitude of disinterested "liberalism" towards problems that affect their personal life not at all will do little to help mutual understanding.—Yours faithfully,

J. H. WINTER
Cape Town

Books and Publications

Cassandra in Search of a Myth

The Age of Longing. By Arthur Koestler. Collins. 448 pages. 12s. 6d.

Mr Koestler does not confine himself to the domain of pure fiction. His latest book is a prophecy of doom, and since it deals with the major political problem of our times—the conflict between East and West—it can also be judged as a piece of political writing. "The Age of Longing" is set in Paris tomorrow, in the early fifties, on the eve of an invasion by the "Free Commonwealth"—the future name of the Soviet bloc. While the latter devours one European "rabbit State" after another the West watches paralysed and can find no purpose for which either to fight or to die. Hannibal stands at the door, but the Frenchmen, if they have no plane to Morocco, are bought, bewitched or bewildered.

The contrast between an oversimplified powerful East and a caricatured impotent West is the theme of the book. This is illustrated even by the love story. Hydrie, a neurotic American Catholic, who has lost her religious faith is fascinated by Nikitin, a "Commonwealth" attaché, and the symbol of the new Soviet generation. He is a half-baked intellectual, who believes blindly and hence has ready-made answers for everything. Even when Hydrie discovers the inhuman side of Nikitin's creed and her attraction turns into revulsion, her attempt at murder is a failure. The invincible self-confidence of the Nikitins is contrasted with the hopelessness of their opponents, who have no faith, no myth, no discipline. True, the "Commonwealth" writer Leontiev "goes to Capua," that is to say, deserts; but he belonged to the Old Guard and anyhow prostituted himself for so long that he can no longer write an honest book. Unless the West can find a driving force, the warning seems to be that the world will belong to the Nikitins.

The picture is skilful and superficially convincing, but there are faults even in the exposition. Did Hydrie's discovery of the real Nikitin have to occur in a bedroom scene? The many anatomical and psychoanalytical metaphors would lead one to believe that the author has been contaminated with a form of French flu. Leontiev's performances in a Parisian cabaret are in bad taste and unnecessary. The characterisation is also poor: there are too many stock figures such as thinly disguised fellow travellers, a stereotyped American student, and the neo-nihilist "whynotist" philosopher. The dividing line between tragedy and farce is blurred. These are faults of invention and of style.

There are, however, graver drawbacks. The basic premise, that European "rabbits" will be devoured under the disapproving eye of an inactive America is outdated. The prophetic novelist, unlike the political writer, can experiment with history. Half-way through this book the Commonwealth Leader dies: yet the monolithic structure of his

State remains unchanged. But is not this picture of permanent Nikitinism too static and unrealistic? Is it not one-sided? History is more complex than Mr Koestler's imagination can conceive. The drama would have gained in intensity and veracity if it had portrayed Capua's impact on the Nikitins as well as the Nikitins' impact on Capua.

Even this unilateral view is distorted. Mr Koestler parodies the "whynotist" circles of Saint Germain, but his story scarcely leaves the Left Bank where Parisian Bloomsbury resides, and crosses the river only to enter a restaurant or salon. A real inquiry into France's dilemma should probe the attractions of the "Commonwealth" for the workers of Lille and the reaction towards it of, say, an Auvergnat peasant. The author's interests, however, lie elsewhere, with those who have lost their faith and seek a new one. Since "Arrival and Departure" the ranks of his crossless crusaders have swollen to include, besides ex-communists, ex-Polish landlords like his character Boris and ex-Catholics like his American Hydrie. It is the latter who finally sums up the longing of those who have left the Party, but still thirst for the myth and discipline of Stalinism:

Oh, if she could only go back to the infinite comfort of father confessors and mother superiors, of a well ordered hierarchy which promised punishment and reward, and furnished the world with justice and meaning.

Is Europe suffering from amnesia? Has it forgotten its recent painful experiences with those who sought and those who created new myths? This Cassandra paints our state in black in order to drive us out in search of a remedy. Yet some remedies run the risk of being more deadly than the presumed disease.

Dynamic Imperfection

Capitalism. By David McCord Wright. Economic Handbooks Series. McGraw-Hill. 246 pages. \$3.50. 28s.

Professor Wright is one of those all too rare economists who can integrate as well as analyse; who, without cheapening their subject, can both relate it to wider social matters and state that relation in language which the civilised layman can understand and enjoy. He has, too, a gift less easily defined; a capacity—one imagines deliberately cultivated—for always looking behind the word for the thing, the real, complex, shifting phenomenon, for refusing to let any argument turn into a mere juggling with semantic counters. These gifts serve him superlatively in "Capitalism."

Capitalism is one of a number of economic settings in which society can deal with its universal civic problems, which Professor Wright lists as the selec-

tion of rulers, the arbitration of disputes, the enforcement of decisions, production for customary living standards, and allocation of that production—plus, in a society with progressive aspirations, growth and the improvement of the quality of life. That these problems are universal and do not "wither away" in even the most perfect Marxist society is a proposition which he demonstrates unanswerably. He concedes that as an economic setting capitalism is not essential or even markedly superior where growth and the improvement of quality are matters of indifference and no importance is attached to giving the consumer what he wants. Growth, however, implies needs which no rival system can meet as well, and problems to which the rivals are equally incapable of providing a perfect solution; while a demand for democratic freedoms (choice of job, choice of consumption, opportunity to find one's own level, participation in decisions) calls for an effective competition among leaders whether in politics or business, and for an economic independence among the rank and file, incompatible with the existence of a sole employer.

Growth demands entrepreneurship, the function of "putting over" the new. Inventions and saving together make progress possible, but in the absence of the "putter-over," the marriage-broker of ideas and resources, the former will lie fallow and the latter run to waste. The entrepreneur can, of course, be a public servant, but outside the free-enterprise economy incentives to dynamic entrepreneurship will be weak, selection of entrepreneurs will be rigid, and, in time, the opposition of vested interests to change will be paralysing. (Anyone believing that Russian experience refutes this is referred, with condolences, to the text.) For growth implies instability. Demand does not increase symmetrically; new techniques devalue existing skills; above all, investment to meet new demands and exploit new techniques is inherently and inevitably discontinuous and jerky.

Professor Wright does not claim for capitalism that it makes the best possible job of this intractable problem, or indeed of others. The question of the degree of competitiveness, the size of the producing or controlling unit, is much less simple than the out-and-out trust-busters believe. The ethics and psychological motives of capitalism are inadequate; its techniques for mitigating the discomforts of growth, even for preventing their unnecessary magnification, are still highly imperfect. Some of its faults are remediable, but not all. The reader, in fact, is left in a mood to quote, *mutatis mutandis*, Harold Laski's famous dictum on democracy:

You can knock down the case for capitalism in ten minutes. You can knock down the case for any other system in five.

One would like to quote Professor Wright himself, extensively, on such matters as profits, pressure groups,

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Newman's University, Idea and Reality.
By Fergal McGrath. *Longmans.* 537 pages. 30s.

Of the writing of books about Newman there is no end. This strange personality continues to attract biographers year after year. Father McGrath's contribution is of great value and compelling interest. It deals with the period during which Newman was Rector of the Catholic University in Dublin. This stage of his career is described in some detail in Wilfrid Ward's "Life of Newman," but Ward's treatment was necessarily incomplete because he had no access to many relevant sources. Father McGrath has explored every possible hole and corner for new material. The result of his researches has been to throw much new light on this important phase of Newman's life. The great volume of diaries, letters and memoranda has enabled him to tell his story in Newman's own words.

The story is fascinating. It reveals a web of ecclesiastical intrigue and misunderstanding. The Roman authorities, the English Catholics, the Irish bishops and Newman himself were at cross purposes. From the very beginning of

the educational experiment in the Catholic University, the Irish bishops and Newman were in opposition. Newman offended the conservative Archbishop Cullen of Dublin by his progressive views on Irish politics and the ultra-national Archbishop MacHale of Tuam by his English outlook and valuations. He had indeed undertaken a task in which it was impossible to succeed. He did not receive the whole-hearted support either of the Irish hierarchy or of the Catholic laity, and was engaged in a war of conflicting temperaments and opposed ideals to which there could be only one conclusion—his resignation.

It would be, however, a great mistake to dismiss Newman's career in Dublin as an unmixed failure. His rectorship was the occasion of his composing "The Idea of a University" and other essays on academic subjects which are among the acknowledged masterpieces of English prose. His practical administration of the University was, it is shown by Father McGrath, successful. He attacked his problems with courage and found the right solutions. He sowed the seeds of Catholic higher education in Ireland which, after many controversies and vicissitudes, came to fruition in the establishment of the National University. Newman did not himself consider his Irish mission a failure. He had a prophetic hope that his labours would not fail to produce good results, even after a long delay. "When I am gone," he said "something may come of what I have done at Dublin." What has come is University College, Dublin, a large, growing and flourishing establishment, and one of the foremost centres of Catholic learning in the English-speaking world.

The Severest Handicap

Eyes in Industry. Edited by Sir J. Marchant. *Longmans.* 234 pages. 30s.

The severity of the handicap imposed by blindness is generally recognised; it may, indeed, be thought by some to be over-emphasised if the possibilities of re-educating the unsighted are overlooked. Nevertheless the attention paid in this country to industrial hazards which frequently result in permanent reduction of vision, if not in total loss of sight, has been less than they merit. Moreover, the limitations imposed by bad sight are unfamiliar, very often to the individuals concerned. Tasks calling for precise visual judgment, as is the case in numerous present-day industrial processes, are, in these circumstances, performed inaccurately or under conditions of physical strain to the detriment of work and workman alike.

The approach to these problems demands some knowledge of the human visual system, both as an optical apparatus and as an organ of the body. The early chapters of this excellent work, addressed primarily to industrial workers, deal briefly and simply, therefore, with the structure and function of the eye, the defects to which it is subject, and the standards by which its efficiency may be judged. Means of increasing visual capacity by corrective spectacles,

by improved illumination and contrast, and, in special cases, by the use of magnifying aids are dealt with in some detail; the increased efficiency that results is illustrated by statistics drawn, perforce, largely from American sources.

Ocular injuries are quoted as forming some 4.4 per cent of all industrial injuries; but their average cost, in compensation and medical expenses, is found to be twice that of damage to other parts of the body. Their incidence and origin in various branches of agriculture and industry are reviewed at length by the authors, and measures for the prevention of ocular accidents are discussed. The simple and authoritative advice on the recognition and treatment of injuries of the eye is supported by illustrations of unusual value in a book of this character.

Bird's Eye View

A Bird's Eye View of World History.
By Rene Sédillot. *Harrap.* 271 pages. 12s. 6d.

This is an attempt to look at the past through the wrong end of the telescope, to see everything in proportion but very small. In more spacious days there was a vogue for universal histories in 20 volumes; nowadays there is a vogue for universal histories in a few hundred pages. M. Sédillot, who takes only 266 small pages to get from Paleolithic Man to his own generation, must surely have set up a record. The result is such an assembly of dates and facts as will satisfy, if not surfeit, anybody determined to get his money's worth in the course of five hours' reading. Inevitably this breath-taking survey has its limitations. Some of M. Sédillot's judgments are irritating and some of his statements are justified, if at all, only by his self-imposed limitations of space, but the relatively untutored amateur of history should, nevertheless, emerge with a fair general view of the principal events of the past.

On trends or movements M. Sédillot is a less sure guide. He presents modern history as a process dominated by a succession of Top Nations. After the age of Italy came the age of Spain, the centuries of France and the Anglo-Saxon centuries. This sometimes has a distorting effect, as for instance when the American War of Independence, which falls within the centuries of France, is represented primarily as a victory for France against a British challenge. Similarly in the Middle Ages: here we have the Thousand Years of Christianity, during which the barbarians appear as a foil and as mere destroyers who make no contribution to European civilisation. So neat a juxtaposition makes for clarity but it is not always good history.

Italian-English, English-Italian Technical Dictionary. *Ulrico Hoepli, Milan.* 894 pages. Lire 3000.

This is a second and enlarged edition of a dictionary chiefly concerned with engineering technical terms. American technical terms have received special attention. Technical abbreviations in common use, conversion factors and equivalent measurements are included in a special section.

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AMERICAN SURVEY

Undermining the Government

Washington, D.C.

BY a coincidence of some symbolic significance, Senator Vandenberg died less than three hours before General MacArthur arrived in Washington and, egged on by the Republicans, challenged the constitutional position of the President. For Mr Vandenberg was the last surviving Republican who had been a Senator while a member of his own party was in the White House. And it is only too obvious that the new generation, which has never had responsibility, has grown progressively more irresponsible. By and large, the Republicans in Congress no longer know or care what their tactics are doing to their country's system of government or to public confidence in its institutions; they only care about winning the election in 1952.

There has never been anything effeminate about domestic politics in the United States, but there is a difference, and a profound distinction should be drawn, between trying, by whatever means are handy, to persuade the electorate that the other political party is inefficient, dishonest or even traitorous, and setting out to undermine the whole structure of the federal government by attacking the career officers of the Foreign Service and the regular officers of the Army, Navy and Air Force. Much of what is said by the Republicans suggests a distressing ignorance—or a distressing readiness to believe in public ignorance—of how decisions are reached in a government such as that of the United States.

When Senator McCarthy told an audience that Mr Truman made his policy late at night, after too much Bourbon and Benedictine, it was probably only the mixture of drinks which was a product of his own innate boorishness. No doubt he genuinely believed that important decisions were made, as he would undoubtedly make them himself, if he were President, on the spur of the moment by the light of personal prejudice. And there are many people, in the Senate as well as out of it, who really think that Mr Alger Hiss made American, and, presumably, Mr Churchill's, policy at Yalta all by himself or that Mr Owen Lattimore, by running over to Washington occasionally from Baltimore, changed the course of history in the Far East. There is one Senator on the Republican side, however, who should know better because he lived in the White House in his youth while his father was President.

Yet it was Senator Taft who shocked some of his most respectable supporters by announcing that his confidence in the integrity of the judgment of the Joint Chiefs of Staff had been shaken and that he had come to the point where he no longer accepted them as experts. "It is a strange thing," Senator Fulbright told him, "that only a short time ago, before General MacArthur appeared on the scene, the

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

country had faith in General Bradley," the chairman of the Joint Chiefs. But General Bradley cannot help Mr Taft next year and General MacArthur can, unless he listens to the blandishments of Colonel McCormick and decides to be President himself. Senator Taft would, perhaps, do well to remember the trouble his own father had, as Governor-General of the Philippines, with his military commander, General Arthur MacArthur, the father of the current Messiah.

★

It was not only the integrity of the Joint Chiefs that Mr Taft questioned during a two-day debate in the Senate. It was also the whole range of known information on which American policy in the Far East, whether it has been good or bad, has been based and on which, unless he proposes to accept the wishful accounts of General Chiang Kai-shek's "intelligence," he would have to base his own policy, should he be elected. Senator McMahon, Democrat of Connecticut, asked Mr Taft whether he was not aware that the assistance given to General Chiang Kai-shek enabled him, at the end of the war, to gain control of "the areas and the arms held by 1,200,000 Japanese troops." "I do not think that is true" was his answer. Mr McMahon tried again. Did not the Senator know that, after the end of the war, "we supplied arms to the Chinese Nationalists sufficient to equip thirty-nine divisions"? "No," answered Mr Taft. Mr McMahon persisted:

If the Chinese Nationalist troops should give the same sterling performance they previously gave when they dropped their guns and ran away, is the Senator of the opinion that we should call quits and abandon them, or does the Senator believe that we should follow them up?

To this Mr Taft replied:

The Senator from Connecticut simply shows that he has the same unreasoning prejudice against General Chiang Kai-shek that General Marshall has. . . . He has repeated the rumours as to the Chinese Nationalists giving away our arms and surrendering to the Communists without a fight, and all the rest of it, which are pure propaganda spread by the Chinese Communists and the State Department.

Senator McMahon then asked Mr Taft whether he was aware that General Barr, a member of the Joint Military Advisory Group on China, reported to the Department of the Army that

during the critical year of 1948 no battle was lost by the Chinese Nationalists because of the lack of munitions and equipment, but rather, Barr reported, the military debacle, in his opinion, can be attributed to the world's worst leadership and many other morale-destroying factors leading to the complete loss of the will to fight?

"That is an opinion of a gentleman with which I completely disagree," Senator Taft asserted airily. It would be interesting to know what he would use for information if he were in the White House.

To make his foreign policy he would presumably use General MacArthur, since he told the US Chamber of Commerce that the United States

THE ECONOMIST, May 12, 1951

should at least try the plan of General of the Army Douglas MacArthur; use Chinese Nationalist troops, bomb Chinese Communist bases in Manchuria and blockade Communist China.

The economic policy to accompany this "more aggressive attitude" would, on the other hand, be entirely his own, "a reduction of half a million in the United States armed forces objective and a \$20 billion cut in the American mobilisation budget."

Such irresponsibility in an opposition is only possible, however, with an Administration which permits it. The Democrats in the Senate make reasoned, and sweetly reasonable, speeches; members of the Cabinet, the Joint Chiefs and other officials painstakingly explain the roots and the objectives of American policy. But, as one columnist said the other day,

the masses, who are thinking for themselves even less than ever now that their masters can reach them on a wholesale basis by inflammable mass media, are on a rampage against reason.

In the Senate, the Democrats finally shrug their shoulders in despair before Senator Taft's denials of fact; and, when General MacArthur appeared before the Committees, he was, again and again, backed into a corner and then allowed to escape because nobody had the courage to dispute his equivocations.

The *New Yorker* magazine, commenting on the General's statement that "in war there is no substitute for victory," pointed out that one-half only of each soldier in Korea is fighting a skirmish in the war between East and West; the other half is involved in the first police action ever attempted under a universal banner and "in the cop's unhappy world, there is no substitute for patience." Patience is not one of the prime qualities of the American people and it is on their impatience that the Republicans, and General MacArthur, are now playing—on their impatience and their addiction to ideologies.

The Soviet Union was not the main enemy today, the General said, but "Communism throughout the world, including the interior of many of the fine democratic countries." He proposes, as Senator Fulbright put it, "to proceed to victory without dilly-dallying along." A man with the intelligence that Mr Taft's admirers claim for him should be able to see the flaws in this proposition, but he can, no doubt, also see its attractions. To fight the Thirty Years' War in thirty days—and win it—is an appealing programme. It is a programme that could bring victory at home in 1952. And, as one of the Senator's colleagues remarked recently, whoever worried about campaign promises after the election?

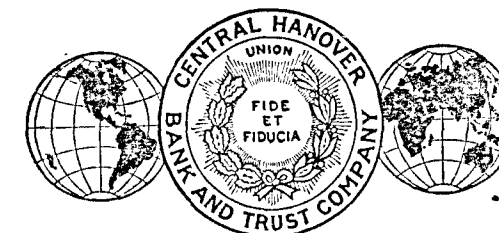
American Notes

Marshall's Reply

General Marshall, unlike General MacArthur, never speaks for the sake of making a political holiday. His evidence this week before the Senate Foreign Relations and Armed Services Committees has naturally been less eloquent and dramatic and has had much less popular appeal than General MacArthur's last week. But the Secretary of Defence presented the Administration's answer to General MacArthur effectively, even if factually and unemotionally. No one who studies his statement objectively can fail to agree with his view that the hazards of General MacArthur's proposals for the Far Eastern war far outweigh their possible advantages, provided at least that it is still hoped to avoid a third world war.

For General Marshall believes that to carry the present war on to the Chinese mainland would not earn a decisive victory in Korea, that it would be likely to bring war with Soviet Russia, in Europe as well as in Asia, and that it would almost certainly mean that the United States would lose its allies, whose help the Secretary of Defence values, even if General MacArthur does not. General MacArthur, as a field commander, was not qualified to balance the global aims and interests of the United States as are those in Washington who are responsible for the nation's total security. It was the General's refusal to recognise his limitations and, above all, his insistence on expressing publicly his dissatisfaction with his country's policy that made his dismissal unavoidable. On the particular point of whether or not the Joint Chiefs of Staff had agreed with the proposals for attacking China, the Secretary of Defence showed that General MacArthur had picked out of a sixteen-point document the four points that supported his views. In any case, the document contained not firm conclusions, but tentative proposals; furthermore, made last January when the situation in Korea was deteriorating, they were designed to counter hypothetical developments which never materialised.

General Marshall, stating the fundamentals of the Administration's case, has left the military details to the Chiefs of Staff, who will follow him on the witness stand. But even so a certain amount of his evidence has not been published, either at his own request or at that of the official censors who are checking the transcript, which now amounts to well over 1,000 pages. Amongst the subscribers to it is the *Daily Worker*, a discovery which has helped the Administration to resist Republican attempts to open the hearings to the public. It already seems that the publication of certain documents may provide the key to secret codes. Security can hardly fail to be further endangered before the proceedings are over, since all members of the Senate are permitted to attend and two Senators are supervising the censors to make certain that all deletions are really necessary.



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Confusion about Loyalty

For over two years Miss Dorothy Bailey, a federal employee discharged under the government's loyalty programme on evidence supplied by the Federal Bureau of Investigation, has been contesting her dismissal on the legal grounds that she was not allowed to confront, or even know the names of, those who accused her of having Communist connections. The Court of Appeals upheld the government's view that witnesses in such cases, certified by the FBI to be "reliable," should not be required, for security reasons, to give evidence in public. The Supreme Court has just refused to reverse this decision. But, on the same day as it denied Miss Bailey's right to a full hearing, by a 4-to-4 tie vote, the Court upheld, by 5 to 3, the right to such a hearing of associations named in the Attorney General's list of subversive organisations. In Justice Jackson's outspoken opinion, the Court took "an inverted view of the law" by granting to a group what it refused to an individual.

Government loyalty review boards are required to use the Attorney General's list; membership of an organisation appearing in it makes a person's suitability for federal employment suspect. But after the Supreme Court's decision it is probable that any dismissals based upon membership of a listed organisation will be disputed. This new complication comes just as the task of the loyalty boards had been simplified in another way. The President has authorised the discharge of federal workers when there is reasonable doubt of their loyalty; previously there had to be reasonable grounds for believing them disloyal.

Had the new standard been applied earlier, dismissals would probably have been more numerous; the fact that there have only been 308 in four years has been taken, by critics of the loyalty programme, as evidence that it has not been drastic enough. Pressure for this change from a positive to a negative approach has grown since the conviction of Mr William Remington, who worked for the Department of Commerce, for perjury for concealing his past membership in the Communist Party. He had earlier, after a long fight, been cleared of a disloyalty charge and it is not suggested that he belonged to the party when in government service. Another case that is to be reopened is that of Mr John Service, a well-known Far Eastern specialist in the State Department.

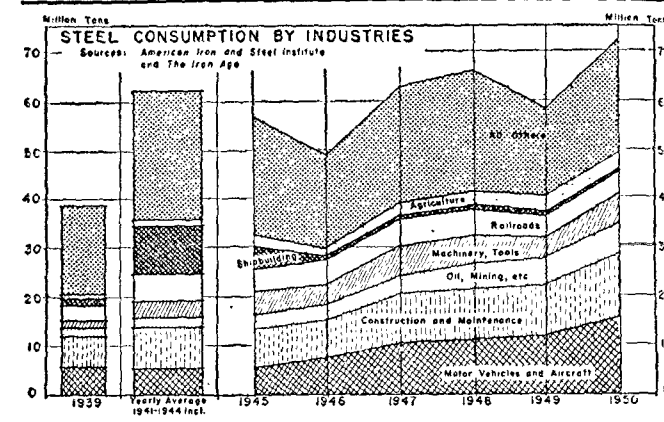
Before announcing the new rule, Mr Truman had hoped to have the advice of his Commission on Internal Security, set up to sort out the confusion arising from these problems of loyalty, security and civil liberty. But it is increasingly doubtful whether the Commission will ever be able to function, as a result of the Senate Judiciary Committee's refusal to waive the law that forbids those employed by the government to work for any private firm that does business with it. This denial of an exemption that has frequently been granted to others looks like another effort by Senator McCarran, chairman of the Senate Committee, to keep loyalty firmly under his own thumb.

Steel Shortages

Week after week America's steel furnaces work at over 100 per cent of capacity, pouring out about 9,000,000 tons a month. But they will soon be forced to slow down unless they can find more steel scrap. One company is already reduced to only five days' supply at some of its plants, instead of the desired 60, and the average for the industry is under 20 days' supply. During the first quarter 12 per cent of this huge output of steel was going into direct military requirements; by the end of the year they will be taking 20 per cent and another 30 per cent, if not more, will be needed for indirect military and essential civilian products, even though the merchant shipbuilding programme of the last war is not likely to be repeated this time.

Already some small consumers are on short commons;

makers of television sets and dairy equipment, for example, complain that they cannot find even the limited amounts of steel that they are permitted to use. It is possible that the coming Controlled Materials Plan may not take effect quickly enough to save a certain number of weak firms from starving to death. There are apparently two kinds of cuckoo in the nests: some of the essential civilian industries, such as manufacturers of railway rolling stock and oil well equipment, who receive special rations of steel, are said to be swallowing more than they can digest, while makers of such things as trucks, who until now have been allowed all the steel they can buy, are consuming more than ever before. The National Production Authority is, however, putting some of



the gluttons on a diet, and may even cut down the plant expansion that is intended to ensure plenty for everyone by 1953.

This industrial expansion is gobbling up structural steel so fast that little is left for anything else. The latest order relating to the use of steel for construction leaves houses costing less than \$35,000 as practically the only buildings that can now be started without permission—and the demand for these has already been curbed by restrictions on mortgages. It is unlikely that even the building of schools, hospitals or highways will be authorised unless their pressing necessity can be proved. The other chief consumer of steel, the automobile industry, is to be limited to 70 per cent of its last year's consumption from July onwards, instead of the 80 per cent which it has had since April. There have been shut-downs in a number of motor factories because of shortages of materials, but the industry is already well enough supplied with defence orders to protect it from any serious transitional hiatus.

* * *

The Marines Dig in

While the Marines earn fresh laurels in Korea, their friends in Congress have not been idle. Ever since the end of the war, and particularly while Mr Johnson was Secretary of Defence, the fear of the Marines has been that their combat functions would be absorbed by the other services—their aviation by the Air Force, amphibious warfare by the Army—and that under the Unification Act the Corps would be unified out of existence. Now, despite the opposition of the Department of Defence, the Senate, without a dissenting voice, has passed Senator Douglas's Bill to authorise the raising of the strength of the Marines from two to four full divisions and from two to four air wings. This means a total strength of about 300,000 men, compared with the present 200,000, and some 80,000 before the Korean attack.

Senator Douglas, who at 50 entered the Marines as a private, was twice wounded in the Pacific and emerged a lieutenant-colonel, sought more for his old Corps. But in the Bill, passed by the Senate, 400,000 has become the maximum, rather than the minimum strength, to avert criticism that the Corps—in open defiance of the Unification Act—

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was being turned into a "second army." And of the proposal that the Marines should have direct representation on the Joint Chiefs of Staff, all that remains is that the Marines' Commandant is to be made a consultant to the JCS. It was manifestly ridiculous that a force of 200,000 men should be placed upon an equal footing with the three basic services, apart from the Army's suspicion that the proposal was only a device for securing another vote for the Navy.

In its more modest form, the Bill is likely to sail through a sympathetic House. It is more an emotional tribute to the Marines than a considered estimate of the role they should play but, even if it is not mandatory, the Department of Defence cannot wholly disregard it. In private Mr Truman may still feel that the combat glories of the Marines are rivalled by their capacity for self-advertisement. But he is unlikely to repeat his error of last summer, when he complained that the propaganda machine of the Marines was second only to Stalin's, and that they would remain merely the "police force" of the Navy. In fact, their official functions also include the capture and defence of naval bases, and such land operations as are necessary for the success of any naval undertaking. Senator Douglas has an even grander task in view; he would make the efficient, quick-moving Marines—once regarded as the "spearhead of dollar diplomacy"—the American unit to be placed at the disposal of the United Nations when their police force is formed.

* * *

Peace on the Assembly Line

The Ford Foundation, the great charitable trust to which the family of Mr Henry Ford has bequeathed the major part of their estates, has put its first important models into production. It has created a Fund for Adult Education, to further non-academic projects, and another for the Advancement of Education, with an initial grant of over \$7,000,000, to encourage experiments in both long and short range educational questions. The first problem with which the second fund is dealing arises out of the present emergency: four hundred promising boys, all less than 16½ years old, are to be given "pre-induction scholarships," which will enable them to take liberal arts courses at four selected universities for two years before they begin their military service. This unusual approach to the educational difficulties arising out of conscription bears the mark of Dr Robert Hutchins, who has resigned from the University of Chicago to become an associate director of the foundation.

But educational experiments are only one of the five classes of vehicles that are to be put on the road by the Ford Foundation. It is to be not merely the finance company that many other charitable trusts already are, but a factory actually contributing to the advancement of world peace. Its production plans, recommended after long study by a group of distinguished Americans, are all connected with the social sciences, since the basic problem is thought to be "man's relations to man." The plans include broad proposals for studying, in addition to educational advancement, the relief of world tension, the strengthening of democracy, the improvement of economic conditions and the conduct of mankind. But the trustees are well aware that it will be a long time before they can hope to put permanent peace on the market.

The detailed job of getting the present models onto the assembly line has purposely been left to the president of the foundation, Mr Paul Hoffman, who is well suited for the work by his experience in the motor industry and as the administrator of the Marshall Plan which helped Europe to help itself. He has not so much money to oil the wheels with this time, but there are some who think it is more than the social science industry can absorb, and that mass production methods are not adapted to research work. The annual income of the foundation, thought to be about \$50 million at present, depends upon the dividends paid by the Ford

Company, for its assets consist almost entirely of non-voting stock in the company. These assets have recently been valued at just over \$500 million, far more than those of any other charitable foundation. The trustees are in theory permitted to realise capital: in practice this might not be easy, for the tax-exempt foundation was originally set up so that the Ford family would not have to sell the company's shares to the public in order to pay death duties.

Shorter Notes

The United Labour Policy Committee celebrated May Day by returning to full co-operation in the defence programme after two months' absence. Mr George M. Harrison, of one of the Railroad Brotherhoods, is to become an assistant to Mr Charles Wilson, the defence mobiliser, and labour representatives are returning to the other emergency government agencies. ULPC emphasises however, that it is not yet satisfied with all defence policies by any means, although considerable progress has been made in settling its grievances. One notable advance has been on the Wage Stabilisation Board, now reconstituted with additional powers and eighteen members, under the chairmanship of Dr George Taylor.

*

New pricing formulæ have been announced for imported manufactured goods, to relieve importers from the chill which has fallen upon their business ever since the January price freeze. They will now be permitted to add to the landed cost of such imports as British cars, Scotch whisky and French perfume the dollars and cents mark-up which prevailed during the year before the Korean outbreak. About a quarter of the country's imports is affected by this order, and around 30 per cent had been held up because importers could not make a fair profit under the price ceiling. Most bulk imports and strategic metals are left out of the new order, either because they have already been dealt with or because they will be covered by orders which are still in preparation.

*

Mr Blair Moody, who has been appointed to succeed the late Mr Vandenberg as Senator from Michigan, is, like him, a newspaperman, but unlike him he is a Democrat. This means that the Democratic majority of two in the Senate has risen to four, and that the party is entitled to two more seats on committees. The opportunity is being taken to oust Senator McCarthy, Mr Acheson's sworn enemy, from the Appropriations Committee, where he was on the sub-committee dealing with State Department funds. Mr Vandenberg's place on the Foreign Relations Committee has been left for a Republican, Senator Owen Brewster of Maine.

*

It now seems certain that the import duty of 2 cents a pound on copper will be lifted before long. Both Houses of Congress have finally accepted the suspension, as long as the price of copper is above 24 cents a lb., and have only to reach agreement on how long it shall last. This relief comes just in time to prevent the price of copper going up by the full 3 cents a lb. which the United States has agreed to add to the price now paid for Chilean copper.

*

The development of a half-size turkey, weighing only about 8-14 lb. when fully grown, will, it is hoped, induce Americans to double their turkey consumption. At present this averages only 5 lb. a year a head. The new turkey will fit into a small oven and a family can polish it off in one or two sittings. When only half grown it can be broiled or fried; regular turkeys are too bony to be cooked in this way. From the producer's point of view, the chief fly in the ointment is that the small turkeys seem to eat just as much as the large.

THE WORLD OVERSEAS

The Soviet Way of Saving

(By A Correspondent)

A FEW days after the May Day celebrations the Soviet Finance Minister A. Zverev launched a new State loan—the sixth since the war—this time for 30 billion roubles redeemable over 20 years with lottery prize drawings equivalent to a rate of interest of approximately 4 per cent. The propaganda machine has been quickly switched over to this field, the subscription campaign is in full swing and by now reports are coming in from all over the Soviet Union about the "enthusiastic reception" given to the new Economic Development Loan. This has become a routine operation somewhat akin to taxation by its quasi-compulsory character and annual regularity. Yet Soviet State loans may be more aptly described as a form of forced saving, a subsidiary means at the disposal of the Government in its efforts to balance saving and investment and to stem the pressure of effective demand on the available supply of consumers' goods.

Last year's 20 billion roubles Reconstruction and Development Loan was quickly oversubscribed. More than 27 billion roubles's worth of bonds were sold and together with the sale of State bonds to banks, co-operatives and industrial undertakings the total of approximately 31 billion roubles forecast in the Budget estimates was reached. This accounted for more than 7 per cent of the total revenue. In this year's estimates the expected share of the State loans is the same and they should account for over 33 billion roubles. By analogy with last year's experience—and there is no reason for the enthusiasm to be abated—this year's State loans should exceed the estimated amount and probably also provide a higher percentage of the revenue. This attempt at transferring a larger proportion of cash from the consumers' pockets to the State's coffers may be one sign that the Soviet Government, with heavy investment, cultural and defence programmes, has difficulty in defending the rouble, revalued in December, 1947, against the inflationary pressure caused by the four reductions in the price of consumers' goods which have occurred since then—the last as recently as March of this year.

A Test of Morale

Through State loans, it may be said, the Soviet Government is taking, or rather borrowing, with one hand a part of what it had given away with the other. Price reductions may result from cost reductions passed on to the consumers or by a lowering of the turnover tax. In both cases the State loses sources of revenue and the purchasing power of the income recipients is increased. The State could make it up by an increased turnover but this method may involve too great a shift towards the production of consumers' goods. True, in the Soviet planned economy—as opposed to a free economic system—the pulls of consumers are unlikely to affect the structure of production, which is determined by the planning authorities. But too much money chasing too few goods brings about all the inconveniences of a "goods famine": shortages, queueing, rationing, etc. Price reductions were probably accompanied by an increased supply, but to check demand the Government has also at its disposal—besides the turnover and profits taxes—the subsidiary means of direct taxation, State loans and a savings drive—in that order of magnitude.

Direct taxation is relatively unimportant in the Soviet Union. Since the wage rates are planned to increase pro-

ductivity, direct taxation is considered as a disincentive and the turnover tax—similar to the British purchase tax—is preferred. Hence direct taxation is not very progressive and accounts for only just over 9 per cent of the Budget revenue against some 55 per cent for the turnover tax. Neither can savings play a very important disinflationary role in the Soviet system. Despite the relative rise in the Soviet standard of life, the growing net of savings banks and the introduction of lottery drawings, only 19 billion roubles were saved last year and this year's expected savings should amount to 21 billion—somewhat less than two-thirds of the State loans. This is understandable, since there is no scope for private investment and none of the advantages of the rentier can be enjoyed. The latter point also applies to State loans, since the winner of a large lottery prize is not allowed to stop working and to live on his capital. Yet during the short subscription drive all sorts of indirect pressure can be made to bear on the Soviet citizen, and his "morale" is at the same time tested; thus the State loan campaign has become a powerful weapon in the disinflationary arsenal of the Soviet authorities.

One Month's Wages Invested

Precedent is here a safe guide and it indicates that about two weeks after the launching of the new loan by Zverev it should be subscribed and over-subscribed, though bonds will still be available for sale. The campaign is now in full swing and in all industrial enterprises the workers are "unanimously" deciding to buy bonds for the equivalent of their monthly wage, the payment to be spread over 10 months. The basic unit is 100 roubles, but multiples up to 500 and fractions down to 10 are available to suit all pockets. Lottery drawings—40 in all—starting next year will be held twice yearly. Redemption drawing starts in 1957. The whole loan should be redeemed by 1972. By that time 35 per cent of the unit bonds should have won prizes (the highest are now 25,000 roubles) equivalent to an overall rate of interest of 4 per cent. The remaining 65 per cent will be redeemed at par.

Technically the loan does not differ from its predecessors. Before the war premiums were a combination of interest and prizes. The public favoured the latter, thus showing that it did not rely on a steady income from State loans. Since the war lottery drawings have been preferred and by now interest tranches have been dropped altogether. Yet, it is clear that despite his fear of the vagaries of money, and loans the Russian prefers this form of contribution than an equivalent 8 per cent income tax. He obviously prefers to lend money, even at the risk of substantial loss, than to give it away. This, combined with the pressure, enables the authorities to sell the loan quickly. Yet the "welcome" is not uniform all over the country. It has always been easier to get "unanimous" subscriptions in town factories than in country collective farms. Till 1937 the towns bought approximately 90 per cent of the loan. Only well after the end of collectivisation did the countryside account for 30 per cent. During the war the share was greater. Loans in general then played a greater role in Soviet economy. Yet the main burden has been probably shifted again on the town dwellers and though Zverev exhorted the peasants to continue their habit of paying for the bonds in cash, it is doubtful

whether the collective farmers—substantially more than half the population—will buy over 30 per cent of the loan.

Generally, State loans are rising, even in real terms, and their incidence is wider, while the rate of interest is falling. This is partly due to the relative rise in wealth, but mainly to the greater efficiency of the subscription collecting machinery. Zverev in his speech mentioned that during the prewar Five-Year Plans a total of 50 billion roubles was raised by loans, 75 billion roubles were raised during the war and 150 billion during the postwar Plan. On the morrow of the revaluation of the rouble all previous loans, except the 1947 issue, were consolidated at one-third of their nominal value. Allowing for redemption, the total floating debt should not substantially exceed 150 billion roubles, and judging from the debt services—5 billion roubles this year—could even be less. There are now 70 million bondholders and the rate of interest has fallen from 8-11 per cent in the first loans to 4 per cent now.

State loans campaigns are used for patriotic exhortation. Zverev has associated the new loan—the first since the war to refer only to economic development and not to reconstruction and development—with vast hydro-electric development and canal building projects. He contrasted these pacific projects with the “war economies” of this country and the United States. References to warmongers are part of the routine, yet it is interesting to note that the Soviet minister has judged it opportune to insist so much on the peaceful character of the Soviet plans while launching the campaign for forced saving in the Soviet Union.

Nato on New Lines

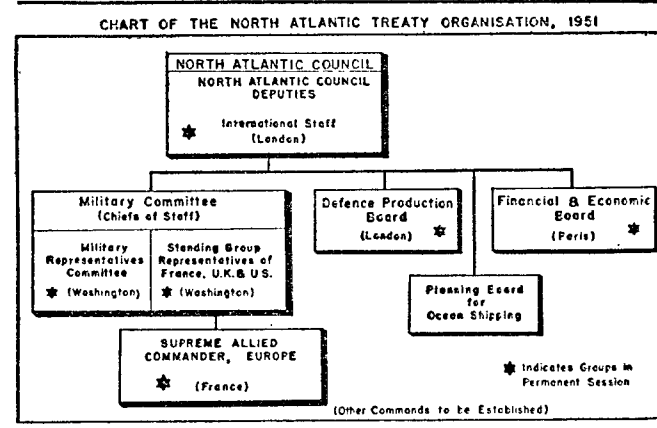
At the end of last week the administrative octopus of the North Atlantic Treaty Organisation suffered an amputation of several legs, in the hope that thereafter it would be able to move with greater speed and with less dispersal of effort. The effect of the operation is simply this: Nato has at last realised (or rather recalled) that its task is essentially one, that its problems cannot be divided, and that in its organisation it must not try to divide them. As the complexities grew, some attempt to handle them was made by setting up specialist committees which could get to grips with specific issues. Up to a point that was right and inevitable; but that point was passed some time ago, and specialisation began to destroy its own ends. The objective, which was and is to find the arms and the men with which to defend Europe became lost amidst a surfeit of experts and a welter of argument about unemployment in Genoa, the state of the foreign exchange reserves, and the correct calibre of the rifle.

Now a move has been made to draw the threads together again. At the centre of the organisation there is to be a body which will be dedicated, full-time, to taking a broad view of the progress, or lack of progress, in all the separate parts. If in future there is an unpremeditated announcement about an Admiral which has unfortunate political repercussions; if one of the smaller countries feels that it has not been able to present in political terms the difficulties of increasing its economic and military efforts; if production plans are frustrated by the lack of materials, there will be someone to blame; for the reconstituted Deputies should now be in a position to weigh all these factors before rather than after the event. As with the broad picture, so with the specialist horizons. Central authorities have already been created for military problems (the Standing Group) and production (the Defence Production Board); now there is to be a consolidated authority for economic and financial matters (the Financial and Economic Board). Thus for each of the three main facets of the Organisation's work there will be a single authority, able both to take a comprehensive view of the problems within its province, and to consult and advise the two other authorities, none of which can operate in a vacuum.

On the political side, the two ministerial committees for

defence and finance have been removed, and the Council itself—previously the monopoly of the Foreign Ministers—has become a gathering of the heads of state, or such other Ministers representing the heads of state as may be appropriate to the subject. It will meet (as did its predecessor) about three times a year. At the same time, the top official committee—previously the Foreign Ministers' deputies—automatically assumes a new status; its members, having acquired an international staff, become the permanent representatives of the heads of state, through whom all recommendations to the Council, military, political or economic, must pass, and who will have the power to settle most current issues off the cuff.

On the economic side, a central authority will handle for the first time all economic problems arising out of the work of the military and production committees. It is to have a permanent director comparable to Mr Herod on the Defence Production Board; it is to be situated in Paris, staffed by senior members of delegations to the OEEC and ECA, and equal in status to (and at least as powerful as) the DPB. It has two theoretical advantages over the old arrangements. First,



it pulls together the scattered groups within the organisation which have been thrashing away at different aspects of the economic dilemma in different places and directions. The advisory group on raw materials in London, the permanent staff of the ministerial finance committee, and the Paris-based working group on the distribution of the financial burden will now become one body, charged with ensuring the “best use of financial and economic resources . . . in support of the common defence effort.”

The second advantage stems from the link with OEEC; it is that the economic problems of defence may no longer be treated as a complex separable from the general economic problems of western Europe as a whole. The two are, of course, one and the same thing and have been ever since real mobilisation began. The anomaly of an organisation for “normal” problems of peace (OEEC) co-existing with an organisation for “special” problems of part-war has been or should have been, ended for good. There remains, however, the question of the FEB's relations with the raw materials groups in Washington, for which no provision seems to have been made. Through the OEEC, which already has a representative on the steering group in Washington, it will acquire an indirect contact; but that is not nearly enough. A solution may require that the new board not only strengthens its lines to Washington, but takes the problems of intra-European raw materials firmly into its own hands.

The theory of the reorganisation, then (which has obviously enchanted the tidy-minded cartographers of Nato) is that there will be a neat line of specialist bodies—military, production, and finance—all reporting directly to the representatives of the heads of state who may deal summarily or submit upwards to the supreme Council itself. The practice, one is told, will not be so neat, there may be joint meetings,

interchange of personnel, direct exhortations to governments and other breaches of the paper hierarchy; and rightly so. The trouble with the working end of Nato so far has been an excessive regard for the organisational proprieties.

Cotton and Discontent in Uganda

THE Secretary of State for the Colonies is now on a visit to East Africa where one of his preoccupations will be to inquire into the workings of the Uganda cotton industry. It is time this was done for Uganda cotton is a classic example of how not to do things. Ill-equipped, riddled with dishonest practices, inefficient and a focus of racial animosity, the industry has so far defied official attempts to put its house in order. In 1929 its position was being investigated; in 1938 a Commission reported on its problems. In 1948 yet another Commission had its say; in 1949 there were violent disturbances in Uganda, in which eight people were killed. One of the main grievances was found, by yet another Commission of Inquiry, to be discontent with the conditions in the cotton industry. Today, at last, there are plans for a drastic reorganisation which may, so it is rumoured, take the form of a complete nationalisation of cotton-ginning. At the mere prospect of this, the existing ginners are up in arms—but some radical changes are now unavoidable.

What happens in this industry is not merely of local interest. It is the kingpin of the economic life of a country of 5,000,000 souls—in 1949 cotton represented more than £17 million out of Uganda's total export of £23 million. One and a half million acres of land lie under cotton, and the market for it appears limitless. The present variety is of a long staple and is mainly sold in India, with Britain as the second customer, but shorter staples could be grown and the British market could take as much as could possibly be produced.

The growing of cotton is exclusively in African hands, and the output per acre is excessively small. The Director of Agriculture has estimated that the present yield of 230 lb. per acre could quite easily be increased to 500 lb., which means augmenting the value of the crop by well over £10 million. But the agricultural staff which might train the peasants is totally inadequate. The Commission of 1948 found only 22 senior officials, supervising not only cotton, but all agriculture throughout the colony. In the Sudan, with a smaller cotton acreage, 125 scientists and inspectors were employed on cotton alone.

The ginners are all owned or staffed by Indians. They are small and scattered. Their equipment is antiquated, their buildings old and unhygienic with unsatisfactory conditions for workers. Furthermore, ginning has become a monopoly. Each gin must have a licence, and as there are already too many, no new licences are given. To enter the field one must go through the difficult operation of buying an existing gin. This, until the Government recently came forward with help, has effectively excluded all Africans.

The Africans are naturally resentful, particularly as the Indian ginners are suspected—and have been declared guilty by a Government Commission—of corrupt practices. The 1948 Commission pulled no punches in describing the deliberate cheating of the grower by the ginners and their agents, the buyers. The buyer falsifies the weights, with the result that the grower only receives payment for about 90 per cent of the cotton that he actually hands over. By secret agreement, the buyer and the ginner share the illegitimate profits thus gained. And even if the ginner should be honest, the buyer may not be; he has his own private tricks whereby he gains an extra illicit profit. Numerous devices

to defraud and befuddle the illiterate seller are recounted. The race animosity consequently aroused is such that one of the recommendations of this particular Commission was that a local African should always do the weighing.

Appalling Storage Conditions

The ginners are also guilty of neglecting the quality of the cotton they produce. There is an absence of any primary classification of the cotton received, which no subsequent grading of the bales can overcome. In the Sudan there is a strictly controlled system of pre-ginning classification, and only seed of the best quality is reserved for the next season's planting. In Uganda's present lay-out of small, decentralised gineries, it seems impossible to achieve anything like this. The storage conditions are also appalling—infested with insects, and rotted by damp.

During the war, with the cessation of private cotton buying in Liverpool and India, arrangements for bulk sales of cotton were introduced by the Uganda Government. More recently a Lint Marketing Board has been created, which fixes the price to the grower for his raw cotton and also the price at which lint is bought from the gins. These arrangements infuriate the Indian ginners, whose profits have been curtailed, and also leave the African growers dissatisfied, as the prices they receive are below those on the world market. The profits made by the Board have been put into a special Cotton Price Assistance Fund, as a buffer against hard times to come. A year ago the balance of this fund—after some money had been used for African welfare—amounted to over £7,000,000. The very existence of such an unspent balance is an irritant to the cotton-growers, yet the Government claims that to distribute the surplus would reduce its reserves against a rainy day, and that to give too high prices for cotton would lead to the neglect of food-stuff production, a risky procedure as Uganda's food supplies cannot easily be met by imports. But the Board has made the bad mistake of not explaining itself sufficiently to the Africans, or associating them in its work.

The Government has been far too slow in tackling all these grievances. Proposals made by the Cotton Commission of 1938 were not fully implemented, and in 1948 African organisations were again petitioning for the remedying of malpractices which had been exposed ten years earlier. When these petitions met with little response tempers rose and were played upon by politicians until bloodshed could no longer be avoided. It was obvious what would be the result of such published statements as the following by the Secretary of the Uganda African Farmers Union:—

Our cotton is our own and we should protect it and rule ourselves and prevent the foreigners who take all the wealth and leave the natives to starvation, while their tummies are growing out, from taking it. Therefore every African of Uganda should avow that it is better to die than give away the wealth of the country of their heredity.

The Government has now announced that it is their policy to provide for the participation of Africans in the ginning industry, and also to train them in the technical and managerial branches of the industry. Co-operative societies have been fostered and two gineries have already been leased to African co-operatives. But everyone knows that this is insufficient, and that a much more drastic reorganisation is being discussed behind the scenes. It might prove possible to help African co-operatives to take over many more gineries; an alternative would be the public acquisition of the whole ginning industry. Either course would arouse violent Indian opposition, but the determining factor will be the wishes of the Africans. One thing is not doubted by any impartial observer—that fundamental changes must come soon if a most valuable industry is to be developed, and an end put to the disturbed conditions from which Uganda has suffered during the last ten years.

Canada Tackles Defence Costs

[FROM OUR OTTAWA CORRESPONDENT]

THE budgetary problem facing Mr Douglas Abbott, the Canadian Finance Minister, this year was in many ways parallel to the problem facing Mr Gaitskell or any other of the western governments. In other ways it was peculiar to Canada, and the peculiar Canadian circumstances produced in the budget passed two weeks ago, its most striking feature, an entirely new fiscal device called "deferred depreciation."

In Canada more than in any other western country the defence programme comes into conflict, not so much with consumer spending or with social services as with capital development. The level of capital development in this country ever since the war has been such that it alone would have strained available supplies of basic materials and of labour without any added defence programme. New mines, new oil and gas wells, new transportation facilities, new building, new factory capacity would, if unrestricted, use all and more than all the steel available. This is the most serious shortage; but others follow. To make room for a defence programme costing \$1,664 million (over \$890 million more than last year) the main Canadian necessity is to restrict non-essential capital expenditure.

The prosperous financial condition of most business corporations raised some doubt about the effectiveness of any of the orthodox means of discouraging expenditure. Even with a corporation income tax at the new rate of 50 per cent (52½ per cent in Ontario and Quebec, where the provincial tax is higher than elsewhere), most corporations are in a liquid position and have adequate resources to finance capital

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development without borrowing. If any direct controls could curb expansion, they would have to be controls on construction, and the Canadian Government's experience in the last war was that these are almost impossible to impose effectively and fairly.

The solution adopted by the Government, which looks as though it may become in one form or another a standard device, is to defer depreciation allowances on all new capital assets for four years. The right to charge depreciation for tax purposes is not cancelled or reduced: it is carried forward. A new and depreciable asset acquired now cannot appear in the tax calculations for 1951-52; it may appear in the year 1955-56, and from then on. The effect of this is expected to be to induce a great deal of caution in capital expenditures on what Mr Abbott called "frills, gadgets and generally 'dressing up' offices, stores and buildings." It should remove the incentive to spend corporation funds on "quick turn-over" investments which might otherwise be encouraged by the high rates of tax. The prudent investor will want to feel sure that his project is likely to be profitable in the long-run: unless it is soundly based he may find himself out of profits at the very time when he is allowed to charge his deferred depreciation.

This new device has, moreover, been made flexible in recognition of the fact that capital development of the right sort must be allowed to continue in the interests of the defence programme. Projects of a certain class have a blanket exemption from the new depreciation rule: they are projects for producing or distributing electricity, gas or water, telegraph and telephone services, pipelines, gas or oil wells, and lumbering. In addition other investments may be excepted (and allowed to charge depreciation normally) on a certificate from the Minister of Trade and Commerce. Such certificates will be granted for defence projects, and in general for transport or communications systems, or anything which increases primary production in agriculture, mining, petroleum, lumber or paper. Genuine and proper development of natural resources should not, therefore, be impeded, but the speculative attempt to use up precious materials in meeting inessential consumer demand will be sharply discouraged.

Emphasis on Commodity Taxes

The pre-eminence which this ingenious scheme was given in the Canadian budget reflects the fact that Mr Abbott was more concerned with the economic effects of his fiscal policies than with the bare necessity of raising another \$400 million in new revenue. Nevertheless this money had to be raised, and the means of doing it were designed, so far as possible, to discourage spending without discouraging earnings. For that reason unusual emphasis was put upon commodity taxes, which it is hoped will not stimulate increased wage demands as income taxes might have done if they had been imposed at a lower level. The current exemptions (\$1,000 for an unmarried man and another \$1,000 for a wife) are unchanged, but a "surcharge" of 20 per cent on existing tax rates is imposed as from July 1st. An equivalent 20 per cent surcharge on corporation income tax, applies as from January 1, 1951. With a 5 per cent provincial tax added (7 per cent in Ontario and Quebec) this brings the rate of corporation tax to just over 50 per cent, and Mr Abbott was very emphatic that he does not like a tax rate higher than 50 per cent. "I think it is bad psychology," he said, "to permit people to say that more than half of any income earned or any savings made will go to the government."

These increases in direct taxes are expected to raise just over \$200 million of extra revenue this year. The other \$200 million needed will come from commodity taxes. The general sales tax is increased from 8 per cent to 10 per cent, the highest level it has ever reached. It applies, at the wholesale level, on nearly all consumer purchases, but there is a list of exemptions which includes 95 per cent of all foods, all fuels, building materials and machinery. Mr Abbott, therefore,

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was able to claim that it affects only one-quarter of the things bought by people in the lowest income groups, and only one-third of the purchases of people earning up to \$6,000 a year.

The Canadian Government is also going some way along the British path of "luxury taxes," though they are not called that. A special excise tax of 15 per cent was already in force on a long list of goods ranging from motor-cars to toilet articles and including radios, gramophones, clocks, golf balls, cigarette lighters, cameras and films, luggage and suchlike. This tax is now being increased to 25 per cent, which with the 10 per cent sales tax makes a total of 35 per cent. Electric refrigerators, stoves and washing machines are also being brought into the field with a 15 per cent excise tax on top of the 10 per cent sales tax. Cigarette and tobacco taxes are also up, but alcoholic beverages remain unchanged. Tariff changes include the first instalment of a new tariff schedule on plastics and the abolition of duty on a good many items of farm equipment and mining machinery. Immigrants are also given three years within which they may bring in their effects duty-free, a concession designed to enable them to use non-transferable currency in their country of origin to purchase equipment or furniture which they can bring to Canada.

Amid a rising clamour for direct action to reduce prices in Canada, Mr Abbott has had the courage to bring in a budget which actually increases the cost of nearly everything except food and fuel. His intention has been to strike at the roots rather than the flower: to curb spending at both the capital and consumer level without discouraging production. For the mass of people, to whom inflation means high prices and nothing else, it may not be very palatable; but the government believes it is the most effective action open to it.

Slovak Communists on the Mat

At most meetings of Communist Party central committees the same sort of dirty linen is washed, the same sort of sins of omission and commission are confessed. The speeches made at the recent meeting of the Slovak Communist Party's central committee reveal a picture which is fairly typical, to a greater or lesser degree, of the state of affairs inside most of the Communist Parties of eastern Europe. But the frank revelations of the backslidings of the Slovak Communists are particularly interesting just now when there is every indication that some of the most prominent of them—Clementis, Novomesky, and Husak—will shortly be brought to trial for their "bourgeois nationalism" and other crimes.

Indeed, it is "the most repulsive practices" introduced into the Party by these people that are said to be largely responsible for the present unsatisfactory situation. According to Bastovansky, the secretary-general of the Slovak Communist Party, these practices include the suppression of criticism and self-criticism, "fractional grouping," "replacing collective leadership by personal dictatorship," and burdening the Party with circulars and purely administrative work so that it is distracted from its political and ideological work. These faults are now to be ruthlessly eradicated and the Party is to return to the Bolshevik principles of party work first laid down by Lenin, of which the most important are democratic centralism, internal party democracy and criticism and self-criticism.

Whatever Lenin himself may have meant by these principles, it is clear that they are now being used to make sure that the will of the politburo is carried out in the most remote local Party organisation, and that no local leader ever engineers himself into a position in which he can even think of challenging the authority of the central committee. But the existence—admitted by Bastovansky—of all kinds of big and little dictators within the Party is not only a potential threat to the higher authorities; their "arrogant and arbitrary

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behaviour" is also dangerous because it destroys the confidence of the workers in the Party. Local Party officials have been resorting "lightheartedly and inadmissably" to administrative action, and Mr Bastovansky found it necessary to point out that authority to issue orders for the arrest of a citizen rested exclusively with the appropriate security officers whose function and authority must not be usurped by Party officials.

Internal Party training and education is also in an unsatisfactory state. Even high Party officials have shown a "negative attitude" towards the problems of political education and have said that they were too busy to study Marxism-Leninism. District Party committees have failed to give enough careful thought and attention to the central committee's directives on educational matters. Lectures have been badly prepared; lecturers have failed to turn up; and valuable Party pamphlets have been carelessly left lying about in drawers and cupboards. This must seem a deplorable state of affairs to those who believe that only a more complete mastery of the theory of Marxism-Leninism will enable Party members to deal with all the problems in industry, agriculture and local government with which they are faced.

The Slovaks, a very large proportion of whom are Catholic peasants, have always shown themselves to be particularly unappreciative of Communist propaganda. It is, therefore, hardly surprising that the Slovak Communists have not managed to create as close ties and as sympathetic relations with the ordinary people as they should have done. The small circulation (106,000) of the chief Party newspaper shows that a large part of the workers—and even a good number of Party members—do not bother to read it. In any case, Party propaganda is not sufficiently lively, concrete or attractive and Party members are not carrying out their duties of political agitation. If Mr Bastovansky's words are heeded, workers in the factories and in the fields must expect to be summoned to endless meetings and inundated with countless leaflets and "other tested propaganda weapons." The object is not only to recruit new members—"extraordinary attention" is to be paid to this, especially as the recruiting of shock-workers has been badly neglected—but also to create around the Party "a vast circle of non-Party activists."

Mr Bastovansky drew particular attention to the "dangerous isolation" of many local Party committees from the life of the peasants and their ignorance of peasant needs, anxieties and problems. His anxiety is clearly a reflection of the intense opposition of the Slovak peasants to collectivisation. This is leading to a lagging behind in agricultural production and, in some districts, to "extraordinarily grave deficiencies." The blame for these agricultural troubles is, of course, laid at the door of the kulaks who have infiltrated into the collectives in large numbers in order to destroy them from within. The district Party committees, largely led astray by the bourgeois nationalist, Husak, have failed to appreciate the dishonest and anti-social nature of the village rich and have not waged a merciless fight against them. To make these committees more efficient and more aware of their duties is now, according to Bastovansky, the Party's most important task.

Finland Holds Out

ON May 2nd an agreement was made between the Finnish Government and the representatives of employers, trade unions and farmers for an "economic truce." Wages and prices are to be kept stable until September 30th, an Economic Council is to be created to draw up a long-term programme of economic stabilisation, and measures are to be studied to relieve those suffering especially from the burden of taxation. The employers' and trade union leaders, in subsequent official statements, expressed their satisfaction and once more exhorted the population to work harder and to observe self-discipline.

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This is not the first agreement of this sort. Hitherto the inflation has proved stronger than the good intentions of cabinet ministers or professional bodies. There is, however, one good reason for hoping that this agreement may be more successful than its predecessors. For the last year the trade union leaders, who are Social Democrats, have been unable to resist pressure from the workers for higher wages for fear of being outbid in demagoguery by the Communists. This was the chief reason for the strike in the engineering industry last autumn which did so much harm to Finland's economy. Two weeks ago, however, elections were held for delegates to a new trade union convention, which is to meet next June and will elect the national trade union leadership. Lavish expenditure of funds whose origin is obscure, employment of hundreds of full-time agitators, and the usual threats of Soviet intervention failed to give the Communists victory. The Social Democrats successfully combated the apathy which, in Finland as in other countries, is the best ally of the Communists in workshop elections. In a poll of 80 per cent of those entitled to vote, the Communists only won a third of the delegates. Four years ago at the last elections they had as much as 40 per cent. This impressive Socialist victory has made it much easier for the trade union leaders to act constructively in economic questions of national importance.

Finland, however, is never free from danger. The press and radio of Moscow have recently been generous in their abuse of the Finnish lackeys of American imperialism. The substitution as Soviet Minister in Helsinki of General Savonnikov, inexplicably "relieved of his functions," by Mr Lebedev, an expert in the manufacture and manipulation of puppets who has learnt his skill in Warsaw, is not an encouraging event. Finland will have a general election in July. The prospect of a loss of Communist votes indicated by the trade union election may make Moscow consider more drastic policies. The lesson of February, 1948, in Czechoslovakia has its relevance. But at least this much can be confidently predicted. Unlike Czechoslovakia, Finland will not be taken from within.

Europe's Emigration Needs

[BY A CORRESPONDENT]

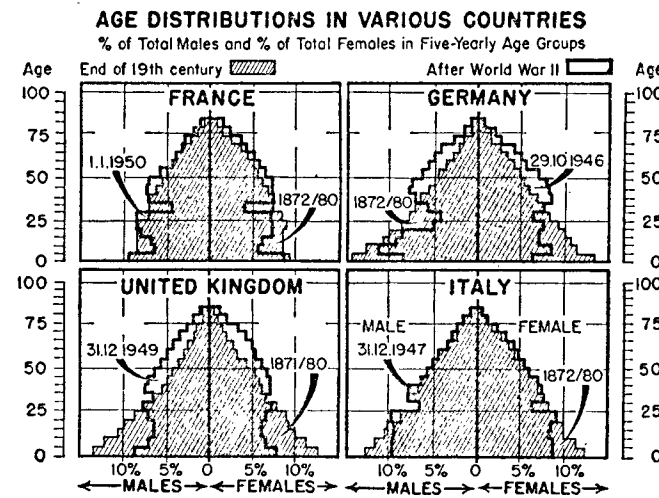
THE conception of emigration in the European mind is distorted by more than the usual time-lag in readjustment. Some fifty years ago the golden legend of a universal panacea began to float back across the Atlantic thanks to the phenomenal absorption of European peoples by the United States in the last few decades before the first World War. The legend was accepted as a miracle in southern Italy.

The absorptive capacity of the United States depended, however, to some extent upon the prosperity of Europe. Today—as a recently published booklet* has pointed out afresh—the whole question of emigration has been transformed by catastrophe and upheaval. Thus simply to remove people from Europe may help neither them nor Europe. In the first place the South American republics may have the necessary space, but they lack the resources which need to be on a grander scale than half a century ago because of the greatly increased development of industry. In the second place most West European nations (and it is only with their problems that we are here concerned) have become top-heavy; that is to say they have a high and increasing proportion of old persons who, rather than producing themselves, tend to depend upon the productive efforts of others. A thoughtless facilitation of emigration would simply increase this proportion since it is the young who are naturally predisposed to emigrate; the departure of young people would thus intensify the uneconomic relation of age-groups in most of the countries of Western Europe.

* "The Importance of Emigration for the Solution of Population Problems in Western Europe," by Dr Hilde Wander. Martinus Nijhoff, The Hague 1951. 46 pp. 2.75 Guilders.

Emphasis upon this consideration is perhaps Dr Wander's most important contribution to the study of emigration.

She also gives her attention to the difficulty which has become most conspicuous since the end of the last war. Everywhere there has been a lack of technically skilled workmen; each country has inevitably striven to keep its technicians at home or to send away its unskilled hands. Until the recent agreement by which Britain is bringing in Italians to be trained as miners, little progress was made in the matter of shifting workers from Italy because Italy itself was short of highly trained men, and neither France nor Argentina wanted untrained Italian peasants. The whole trouble was magnified by agricultural unemployment. Even so short a time ago as the slump of the early thirties unemployment in countries less industrialised than Britain was alleviated because town workers could often go home to their country cousins and help there; many unemployed Germans held out in that way. But since then the countryside has become—or been admitted to be—over-populated, in Germany particularly because of the many German refugees from the East; this in its turn means that many of those who would wish to emigrate are unskilled land workers whom no foreign country wants. Nor can post-Korean War rearmament do very much to overcome this difficulty although the demand for skilled industrial workers is every-



where increasing. Dr Wander demonstrates a steady decrease in the West European demand for foreign labour, using OEEC and ILO statistics, but only up to the beginning of 1950.

Over one major issue Dr Wander would herself appear to take an anachronistic view or perhaps only to show vacillation. Several times she implies that the Western world would do well to return to the liberalism—surely an ambiguous word in German—of its fathers. She nevertheless recognises that another cardinal change in the general situation consists of the necessity for governments or international organisations to finance emigration, on the one hand because individuals in general have not the means and on the other because uncontrolled emigration would tend to move the people least suitable either as emigrants or as immigrants.

About two million people, we learn, emigrated overseas from Western Europe between 1946 and 1949 (this figure does not allow for repatriation), and in 1948 and 1949 about 700,000 people, mostly Italian, German, Austrian or DPs, emigrated to Belgium, France, Sweden, Switzerland and Britain. But, as Dr Wander concludes, the remedy for the over-population of Western Europe lies in the increase of productivity and the provision of more employment at home in Western Europe, emigration playing only a secondary part. And clearly a great deal might be hoped from the integration of Western Europe upon the largest possible scale with a proportionate increase in the mobility of labour.



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THE BUSINESS WORLD

The Case for Monetary Policy—II

Action Short of Bank Rate

THE budgetary method of resisting inflation during the rearmament phase, it was argued in last week's article, is unlikely to be sufficient; it could and should be reinforced by monetary measures—even though the Government remains determined that the combined effort at disinflation shall not be pushed so far as to raise transitional unemployment perceptibly above its present level. On this assumption, what kind of monetary policy would be appropriate?

Plainly, it must not be either an extreme or an inflexible policy. A too drastic restraint of credit, like a too drastic budget policy, would produce needless dislocation (though some dislocation is a necessary consequence of any serious attempt to check inflation). A too rigid, even though moderate, monetary policy would throw away one of the peculiar advantages of proceeding by this method. Budgetary policy, being normally predetermined for twelve months ahead, is not only extremely rigid and subject to big time lags in its response to given changes, but is also founded upon long-range forecasts that make it peculiarly prone to error. Monetary policy, if wisely deployed, can be infinitely flexible, can be varied appreciably or imperceptibly from day to day, and exerts its effects virtually without time lag. In principle, it is therefore the perfect instrument to complement a policy of budgetary disinflation, and to correct the mistakes of even the best-laid budget.

It follows that monetary policy cannot be founded upon a preconceived level, or any given level, of interest rates. There is no means of determining in advance whether a rate of, say, $4\frac{1}{2}$ per cent at long-term would prove to be either too low or too high to achieve the kind of equilibrium at which the policy would aim; all that is certain is that the requisite level would be above the present level of just over $3\frac{1}{2}$ per cent. But the fact that the need is for variable rates, and for a variable degree of restraint over the volume of credit, does raise one not inconsiderable practical difficulty: the monetary authorities have not for years had any experience of operating a positive monetary policy. Since 1939 they have in effect been acting merely as technical managers of the pool of funds in the short money market—a formidable task in these days of astronomical payments to and by the Government and one that has been tackled with great skill and resource, but not one that demands the penetration and nice judgment that are needed when monetary policy is used positively as a means of economic control. Moreover, even in the 'thirties, when monetary policy last sought this wider objective, the authorities did not appear ever to have evolved any clearly defined principles of operation. Before that, in the most recent period of fully variable interest rates, "management" was closely conditioned by the exigencies of the gold standard. There is not, therefore, any existing body of principles

or precedents that would be directly applicable to present circumstances and needs.

For this reason, it is desirable that in any approach to a positive monetary policy the authorities should feel their way cautiously and experimentally. Some advocates of dearer money believe, indeed, that they should confine themselves to the one sphere in which they have operated positively in recent times—the gilt-edged market. This would certainly be the easiest method; unless a really considerable adjustment were needed, it would not raise any awkward technical problems and might even avoid any interference with the pattern of short money rates (which some people might regard as an added advantage). The authorities would need to do no more, in principle, than to reverse the techniques pursued by Dr Dalton in 1945-46. Instead of fully investing any extra-budgetary income surpluses in the long-term market, they would keep them as short as possible—which means, in effect, that these surpluses would finance the Exchequer's current needs and thus would reduce its borrowings from (or increase its repayments to) the banking system.* If this cessation of net new purchases of gilt-edged, and the corresponding decline in the Government's demands for bank credit, did not produce a sufficient effect, a further adjustment of the same kind could be produced—as delicately or as abruptly as desired—by switching part of the existing departmental holdings from long into short gilt-edged securities and, in particular, into floating debt. This latter process would, of course, involve a net sale of securities to the gilt-edged market; quite moderate selling would be likely to have strong psychological effects on the level of gilt-edged yields.

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A raising of long-term rates by these means would certainly exert some disinflationary restraint, but its effects would be arbitrarily circumscribed. As the experience of the past five years has demonstrated, yields on gilt-edged can be raised substantially without provoking adjustments in other rates. In this period, the yield on irredeemables has risen from $2\frac{1}{2}$ per cent to over $3\frac{1}{2}$ per cent, but the average rate charged on bank advances has not increased; the rate on commercial bills has risen only moderately; and there has been a very long lag in the response of such rates as those offered on National Savings securities or charged by the Public Works Loan Board. For this reason, such restraint as a gilt-edged policy of this kind would exert upon the

* It is worth noting that the proposed reduction in Exchequer payments to the National Insurance Fund will exert this effect automatically—unless the diminution of purchases of securities by the Insurance Fund is deliberately offset by equivalent switching of departmental funds from floating debt into marketable securities.

creation of credit could be largely frustrated in other ways. For example, an industrialist who was deterred by the rise in rates from financing an "approved" outlay by selling gilt-edged would probably get the finance quite readily from his bank at no increase in cost. The diminution of the Government's dependence upon the banks would merely result in additional loans to industry.

To be really effective, therefore, a positive monetary policy would need to extend beyond the gilt-edged market. Unless a very large adjustment were necessary, this probably does not mean that it would be necessary to raise Bank rate, as many orthodox observers assume. It does mean, however, that the short money market could no longer be kept immune. The fundamental feature of monetary practice since 1939, and one that distinguishes it from all previous phases, is that the central bank has no real control over the volume of its own assets (lendings or purchases of securities) and therefore no real control over the volume of money (mainly in the form of commercial bank deposits). This loss of control dates from a wartime change in its attitude to the discount market. During the prewar cheap money phase, the authorities did indeed generally save the discount market, except at half-year-ends, from any classical recourse to the Bank of England for accommodation at or over Bank rate; they did this by voluntarily buying bills themselves, at market rates, at moments of stringency, thus alleviating the cash shortage and preventing market rates from rising towards Bank rate. Although a policy of stabilised cheap money logically required an automatic release of credit at such times, the authorities firmly insisted on keeping the credit reins in their own hands. During the war, however, they handed them over to the discount market and the banking system: the initiative for the creation of credit by this route in effect now lies with the discount houses. Whenever the market is short of funds, it offers bills to the Bank's agent (the "special buyer"); and this assistance is never refused unless the authorities either know that sufficient credit will be available later in the day or prefer to create it themselves through other channels.

In effect, therefore, the volume of credit has come to be controlled by a planner's priority certificate. The Government gets automatically all the credit it needs from the banking system, and other borrowers usually get it too—provided they have the backing of a Government department or can persuade the banks that they need it for purposes not excluded by the official directive. The banking system never needs to worry whether

any new lendings will strain its resources and compel it, for example, to sell gilt-edged securities; it knows that it can always get automatically whatever additional cash is needed to support its rising deposits by merely refraining from buying bills from, or renewing loans to, the discount market; the latter gets the extra cash by selling its bills, on the same terms, to the central bank.

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From the moment that these automatic facilities were granted, the central bank in effect abdicated from its position of sovereign controller of the volume of money—except for such limited control as could be exerted through the gilt-edged market. It follows, therefore, that before any policy of monetary restraint can be extended beyond that market the authorities must first revert to the prewar system, under which they kept the formal initiative in credit creation firmly in their own hands. Such a change, though of vital significance, could be made quite unobtrusively and without causing any dramatic effect. The authorities, if they acted in character, would confidentially "remind" the discount houses that they ought not to count upon the facilities of the special buyer "as of right," and would emphasise that in future he would operate only upon his own initiative. Unless they wished to lever up the whole rate structure forthwith, the authorities would no doubt also point out that this was merely the prewar system, under which money and bill rates were generally stable at levels far below the 2 per cent Bank rate.

It is possible that this procedural change, combined with a "positive" gilt-edged policy, could exert a significant effect even though it were never used to create such stringency in the money market as would involve an increase in rates above their present levels. The crucial fact would be the warning given to the banks that they could no longer take it for granted that enough additional cash would always be provided to support any increase in their deposits. Even though supplies continued to be adequate at the current level of market rates, the element of doubt would inject a new and additional caution into the banks' consideration of demands for advances or contemplated purchases of investments. Marginal borrowers would find it more difficult to get accommodation, would get less than they sought, or would even be pressed to reduce existing advances. Inevitably, some of the pressure of excess demand for raw materials and other resources would be relaxed.

If the banks did not react sufficiently to this warning,



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the way would have been prepared for more tangible specific action, still short of an increase in Bank rate. There are many fine gradations in the screw of pressure that could be turned upon the short loan market; but any perceptible and sustained tightening would so impress the discount houses with the risk of buying three months' bills at present rates that some increase would be inevitable. If the authorities played their hand astutely, and only gradually tightened the supply of funds in the short loan market, they could probably exert quite a large and salutary effect upon the total volume of bank credit without provoking more than a modest increase in market rates—of the order, for example, of a rise in the Treasury bill rate by successive steps of 1/16 per cent to 3/4 per cent. Any such advance would certainly provoke a more than proportionate rise in rates charged on commercial bills.

If the policy needed to be pushed further still, then, indeed, it would raise the question of an all-round increase in rates. Each successive bout of stringency in the short loan market, and each small advance in market rates, would so intensify the "warning" that, beyond a given point, the authorities would no longer be able to reassure the market that a really abrupt advance was not in contemplation. The discount houses

and "outside" banks, fearing some kaleidoscopic change in the circumstances to which they have been accustomed for so long, would probably then begin to reduce their tenders for Treasury bills; if this forced the authorities to take up an undue proportion themselves, the resultant enlargement of the supply of central bank credit might threaten to frustrate the whole policy, because the market and banks would then presumably refuse to re-purchase the bills from the authorities except at higher rates.

This possibility underlines the fact that, if the object were to exert the maximum effect with the minimum advance in rates, the authorities would need to show a high degree of diplomacy, skill and judgment. But their traditions in market management in the past offer good grounds for hope that much—and perhaps sufficient—could be achieved even by policies of this moderate kind. Within these limits, the effect of any rise in rates upon the cost of financing the floating debt would be insignificant. Up to this point, therefore, the familiar argument that a tighter money policy must be ruled out because of its repercussions on the budget, does not even merit a reply. It deserves consideration only in the context of a more substantial and all-round increase in rates. The kind of policy required if that became necessary will be examined in a concluding article.

British Trade with China

THE extent and propriety of British trade with China are matters on which more exaggeration, more misunderstanding and more British ineptitude are evident than in most of the issues between the American and British peoples and governments. This is indeed a "hot potato" which has lately been given an extra cooking by General MacArthur and tossed at the Prime Minister. Mr Attlee, with lamentable ineptitude, dropped it in a steaming mess in the House of Commons on Thursday of last week, leaving it to the new janitor at the Board of Trade to clear up the traces last Monday. Sir Hartley Shawcross in his full and frank statement showed that Britain had not exported any goods that might directly help China in its military operations. But much damage had been already done and many suspicions remain in the United States.

The key facts in this argument are complicated. They involve direct trade between Britain and China and with Hongkong, and also a similar pair of trade relations between Commonwealth Countries and China and Hongkong. Some of the criticisms of British trade policy in the East treat trade with Hongkong as being synonymous with trade with China. Let the assumption for the moment be accepted. Total British exports to the Chinese mainland (including Hongkong) last year amounted to £30 million, less than 1½ per cent of total British exports. If all these exports had consisted of vital war equipment, which is absurdly untrue, the contribution they would have made to Chinese military operations would have been relatively small. In fact, no part of them consisted of war materials. The development of trade between the Commonwealth and China during the past nine months is another matter, and one far more difficult to assess physically, financially and morally. The figures are defective and delayed;

Hongkong with its large entrepot trade with China creates a major difficulty even when trade figures list China and Hongkong separately and figures often refer to only broad categories of goods.

The question of restricting goods to China did not arise until last September when the first Chinese troops were identified as operating with the North Korean army. On December 3, 1950, the United States Government placed a complete embargo on all exports to the Chinese mainland and to Hongkong. The development of trade with China during the past nine months needs to be traced from quarterly figures, but these, unfortunately, are not available for most countries. Details of British exports to China in the first quarter of this year were given by the President of the Board of Trade on Monday. The total amounted to £1,300,000 for the quarter compared with £3,600,000 in the whole of 1950, and with only £295,000 in the first quarter of 1950.

During the first three months of this year Britain has sent iron and steel manufactures (£230,000) including tubes, pipes, tinplate and wire cable; the tubes, pipes and fittings were mainly for maintenance of the Shanghai power station, and the tinplate was used exclusively for packing liquid eggs for shipment to Britain. Machinery exports totalled £225,000 and consisted mainly of boiler house plant and textile machinery. Electrical goods (insulated cables, and electro-medical apparatus) accounted for £163,000, chemicals, drugs and dyes for £105,000, bicycles and tyres for £70,000 and non-ferrous metals (chiefly lead sheet) for £57,000. These items in themselves look innocent enough. The President of the Board of Trade also assured the House that all

goods of direct military importance and those that might assist Chinese military operations are entirely prohibited while supplies of many other goods are restricted to what are considered normal quantities for civilian use in China. He added that a careful watch has been kept on trade with China since fighting started in Korea last June. It is something that British policy has at last been clearly stated, though the last word has probably not yet been said on the question of an embargo on exports to China.

The wider question of the importance of Commonwealth trade with China and Hongkong can be examined against the background of figures presented in the first table. Last year, the only Commonwealth countries that had a significant trade with China were Malaya, Britain, Pakistan and India—in that order by value. Malayan exports to China, consisting mainly of rubber, increased sharply last year and were substantially larger than in 1948. British exports to China also increased last year but much more modestly. They represented, however, less than half of the value of exports in 1948. More than a third of the total of £3,600,000 consisted of copper manufactures in the form of wire, tubes and strip; a further £500,000 consisted of iron and steel manufactures (tubes, tinplate, wire, bars and rods), £450,000 of textile machinery, £350,000 of wool tops and £150,000 of goods grouped in the trade returns under "vehicles (including locomotives, ships and aircraft)" but which apparently consisted of bicycles and tyres. Trade figures for Pakistan cover only one full calendar year, but it is clear from trade reports that exports to China increased during 1950. Raw cotton and raw jute together accounted for almost all the £2,800,000 worth of goods sent in 1950. India was the only other Commonwealth country listed in Table I that exported to China last year goods worth more than £1,000,000; the total was in fact £1,850,000, not very much larger than for 1949 and barely a third of the exports of 1948. India's exports consisted almost entirely of raw cotton and raw jute and their manufactures. In 1950 the United States exported £13.5 million worth of goods to China compared with £22.8 million in 1949 and £67.8 million in 1948. The volume of trade was thus already declining before the embargo was imposed last December. Nevertheless, the value of American exports to China last year was only a little less than Malaya's exports.

Direct trade with China shows only part of the picture. The other part is covered by trade with Hongkong, but it is impossible to show how much of this trade ultimately goes to China. Of Hongkong's total exports of £235 million last year, £92 million (39 per cent) went to China. In 1949 the proportion was 29 per cent and in 1948 24 per cent of a total that did not reach 30 per cent of the 1950 figure. Hongkong's exports to China doubled last year and were more than five times larger than in 1948. It is proper to add that Hongkong's exports to other countries also increased during this period though not so sharply as those to China. Statistics of entrepot trade can be misleading, unless they show clearly the source of goods. Trade statistics for Hongkong do not show the countries of origin of its exports—hence the disparity of the figures for Hongkong's trade as they appear in the two tables. Nevertheless it is clear from Table II that a significant part of Commonwealth exports to Hongkong and, indeed,

from other countries ultimately find their way into China. The Commonwealth has naturally a much larger trade with Hongkong than with China. Last year South Africa and Ceylon were the only two of the eight Commonwealth countries included in Table I that exported less than £1,000,000 worth of goods to Hongkong. Britain ranked first with £28 million, followed by Malaya with £20 million, Pakistan with £12 million, and India with nearly £10 million. United States exports to Hongkong last year amounted to £38 million, and Japanese exports to £14 million.

Britain's exports to Hongkong covered a host of different goods. Textiles, including apparel, amounted to £6,500,000 but the largest single item last year was ships and boats which amounted to £2,200,000. Motor cars, chassis and tyres added another £1,200,000. Exports of machinery totalled £2,500,000 and consisted mainly of textile machinery, generators, motors and spare parts. Iron and steel manufactures, mainly wrought steel and plate, were valued at £2,400,000; non-ferrous metals (brass and aluminium) at £1,500,000; electrical equipment (cables and electrical instruments) at £1,500,000; and food, drink and tobacco at £1,500,000. Malaya's exports to Hongkong have increased each year since the war, but the rise in 1950 was phenomenal and rubber accounted for most of the total. Exports to Hongkong from both Pakistan and India increased sharply last year and raw cotton and jute and their manufactures were the main items. Australian exports were also significantly larger last year and comprised wheat flour and wool semi-manufactures. Exports from Canada showed little change on the 1949 figures and wheat flour, fertilisers and certain non-ferrous metal manufactures were the main commodities.

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The results indicated by this analysis of trade with China may be summarised as follows. Direct trade between Commonwealth countries and China increased in 1950 but not to any alarming extent, with the single exception of Malayan exports of rubber. Commonwealth and foreign trade with Hongkong increased more sharply, and the main Commonwealth commodities concerned in this trade were rubber, and to a lesser extent cotton and jute. The chief sources of supply of these goods were Malaya, Pakistan and India. But Japanese and Thai trade with Hongkong also increased quite sharply last year, and some proportion of these supplies presumably went to China. It would therefore seem that the only vital war material that has been sent to China, directly or indirectly, during the past year or so is rubber, and it is clear that the quantities involved have increased surprisingly since last June. Both Britain and Malaya introduced export licensing for rubber at the beginning of April and during that month only 2,500 tons were shipped from Malaya to China. This quantity represents an annual import for China of 30,000 tons, which is considered to be China's normal civilian requirements. It might well be that even this quantity is too large since China can obtain rubber from other countries such as Indonesia, Thailand and Vietnam as well as by smuggling.

Four years ago a British trade mission visited China and reported that vast quantities of material and equipment were required to repair and restore damaged industrial plants, power plants and transport. The

present Communist Government is vigorously pursuing a policy of industrialisation and the goods vital to China, not least in pursuing a war, are capital equipment. Rubber is also a valuable commodity but it is probably much less valuable to the Chinese than petroleum, railway equipment and industrial plant. Few countries are equipped to meet China's industrial needs and of these neither Britain nor the United States has sent any significant quantities of capital equipment during the past nine months.

The problem of imposing a complete embargo on China would raise many issues. The first point is that action would have to be concerted, which implies a decision made by the United Nations. The second point is whether it would be sufficient for the western powers to refrain from exporting to China, or whether they would have to control all shipments to China. A full economic blockade would be difficult to enforce, both technically and politically, in circumstances short of war. The third point is the replacing of supplies from China that the United States, Britain, and other countries of the west require. And finally there remains the delicate position of Hongkong.

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Trade with China is not a one way affair. Last year, the United States, Britain, Japan and most of the Commonwealth countries imported more from China (in value) than they sent to China, though they exported more to Hongkong than they imported, which may have restored the balance. China's main exports have been tungsten, tung oil, soya beans and other oilseeds, and much larger quantities of these goods were shipped to both the United States and Britain after the Communists assumed power than before. Last year Britain received £3,500,000 of liquid or frozen eggs, £750,000 of vegetable oil and oilseeds, of which £500,000 consisted of tung oil; bristles accounted for £620,000, feeding-stuffs for £530,000 and miscellaneous raw materials for £630,000. Hongkong supplied Britain with vegetable oil and oilseeds (£3,650,000), mainly in the form of tung oil, bristles (£645,000), non-ferrous metals and scrap (£140,000), hides and skins (£390,000), miscellaneous raw materials (£680,000) and foodstuffs (£340,000). The pattern of imports from China and Hongkong into Commonwealth countries has been similar, with perhaps a greater emphasis upon cotton and silk textiles. India has recently taken considerable quantities of Chinese grains and rice. An embargo on trade with China means in the last analysis foregoing these imports. The lack of Chinese supplies of tungsten has already made itself felt in both Britain and the United States.

Hongkong holds a peculiar position in Far Eastern trade. It is virtually the banking centre for the whole of the Far East area and the main centre for marine insurance for the Pacific. It lives entirely on its entrepot trade with China. It is the fourth or fifth largest port in the world judged from shipping returns and it has a large airport. It carries on a certain amount of manufactures, but its prime source of income is from trade and trading ancillaries, and it is an important source of invisible exports for Britain. It would be possible to blockade China without blockading Hongkong, but the volume of business conducted in Hongkong would be seriously curtailed. The colony provides a useful base for naval units and it gives access to the Chinese mainland for the western powers. The importance of Hong-

kong is not that it is a member of the Commonwealth; it is a vital link in the trade between the east and the west. A crippled Hongkong is probably of less political value to Britain and the United States than a prosperous Hongkong that may, inevitably but not disastrously, admit a certain amount of contraband trade with China.

If an embargo on Chinese trade is to be effective it must hurt China more than it hurts the western powers. Rubber is more important for the west than it is for China, and even if all shipments of rubber to China were stopped it would be arguable whether the fighting capacity of the Chinese army would be greatly reduced. On the other hand, Britain and the United States already

TABLE I.—TRADE WITH CHINA
(£'000)

	With China			With Hongkong		
	1943	1949	1950	1948	1949	1950
Britain: Exports	8,717	2,405	3,593	20,705	28,134	28,035
Imports	8,901	3,922	10,364	5,510	10,265	12,060
Australia: Exports	1,791*	573	638	3,284	3,738	5,100
Imports	2,229	1,294	1,723	N.A.	N.A.	N.A.
Canada: Exports	7,223	3,671	677	2,049	2,686	2,633
Imports	971	90	1,743	463	795	725
Ceylon: Exports	225	157	215	N.A.	N.A.	N.A.
Imports	1,277	457	371	N.A.	N.A.	N.A.
India: Exports	5,441	1,728	1,852	2,346	5,766	9,587
Imports	1,277	457	371	1,391	2,510	1,332
Pakistan: Exports	N.A.	N.A.	2,787	N.A.	N.A.	12,293
Imports	N.A.	N.A.	6,631	N.A.	N.A.	2,123
South Africa: Exports	N.A.	N.A.	N.A.	N.A.	1,653	978
Imports	N.A.	N.A.	N.A.	N.A.	976	353
Malaya: Exports	1,642	801	14,553	4,724	7,703	23,796
Imports	12,426	8,876	11,217	5,384	5,565	10,538
United States: Exports	67,800	22,800	15,500	20,900	33,400	37,800
Imports	29,900	29,300	51,800	900	1,200	2,100
Japan: Exports	...	837	5,974*	...	6,987	14,490*
Imports	...	5,923	11,170*	...	172	91*

* Eleven months.

TABLE II.—HONGKONG TRADE BY MAIN COUNTRIES
(£'000)

	Imports				Exports		
	1943	1949	1950		1948	1949	1950
China: Exports	26,913	37,239	60,058	China: Exports	17,530	45,300	91,664
Imports	24,217	42,656	40,954	Imports	12,797	15,035	33,925
U.S.A.: Exports	18,808	25,839	25,295	U.S.A.: Exports	9,528	15,053	20,243
Imports	5,201	6,789	18,763	Imports	8,525	16,784	13,024
Malaya: Exports	4,945	5,052	14,374	Malaya: Exports	4,693	9,218	11,720
Imports	6,014	6,887	11,383	Imports	3,381	8,224	8,224
Thailand: Exports	2,968	5,647	10,507	Thailand: Exports	4,296	3,479	7,670
Imports	...	...	...	Imports	...	...	...
TOTAL IMPORTS	93,647	181,563	237,585	TOTAL EXPORTS	73,182	154,651	234,802
China as % of Total Trade	28.7	20.5	25.3	China as % of Total Trade	24.0	29.3	39.0

have to bear the heavy burden of rearmament, and a blockade could be justifiably added to that burden only if it yielded material results. Action against Italy in 1936 taught the world that economic sanctions are best left alone unless they can be applied effectively. With China it is highly problematical whether an embargo could be effectively enforced. Britain and its dependent territories and the United States might well prevent any of their exports from going direct to China or Hongkong. But it is less certain that countries like Thailand, Indonesia or even India and Japan (after the peace treaty is signed) would be willing to enforce it rigorously. The curtailing of shipments of rubber (now in force) and control of other potential strategic materials, coupled with the prohibition of the export of war equipment and petroleum (also in force), may well yield better results than cutting China off from all trade with the western world.

Business Notes

Finance Bill Debated

At least it can be said of the debate on the second reading of the Finance Bill that the leading speakers on both sides put their points of view with admirable clarity. But of common meeting ground—of the kind that marked some phases of the Budget debate itself—there was little or none. This brought taunts from the Financial Secretary and the Chancellor—presumably in the hope of distracting attention from the features of the Bill that had not been singled out for mention in the Budget speech itself. "As in the war," said Mr Jay, "it is necessary now to counter types of tax avoidance that are steadily increasing." That justified Clause 28 of which he claimed that "although this may at first sight appear drastic, it is only a straightforward reproduction of a provision that was in force throughout the war affecting EPT." This argument was denounced by Mr Lyttelton in properly scathing terms. The clause is a device to give the revenue authorities executive power to rearrange the taxpayer's affairs to best suit the tax collector.

On Clause 32, which seeks to prevent the transfer of companies abroad, Mr Jay argued that it was owed in fairness to the humble taxpayer and others who did not resort to tax avoidance. "Here again," Mr Jay added, as if in final argument, "similar powers existed during the war." As he and the Chancellor described the clause, it became quite clear that the Treasury (whose consent would be needed before such transfers were allowed, without any recourse or appeal on the taxpayer's part from their decision) would look to the consequences and not merely to the intention of the transfer. In the Chancellor's words:

If no loss of tax is involved, or if any loss of tax is outweighed by really compelling reasons, then consent will be given without more ado. In other cases there may be a more difficult balance.

The Chancellor's suggestion that a small advisory committee might be set up to assist him, and his assurance that "the issues will not be decided purely on revenue grounds" are quite insufficient safeguards against the wide powers that the Treasury seeks. This is, on the widest fiscal, economic and constitutional grounds, a thoroughly objectionable clause, and it is outrageous to seek to justify it, as the Financial Secretary did, on the grounds that "similar powers existed during the war." Is this the way that precedent broadens down from precedent, from wartime to peacetime?

Mr Gaitskell's further observations on dividend policy leave a somewhat different impression from that suggested by his remarks in the budget debate. There was, he said, an impression in some quarters, "to judge by certain press comments," that having increased the profits tax, the Government were indifferent to an increase in dividends. He wished to make it clear that this impression was incorrect. The Chancellor does not prefer in the interests of revenue a greater payment of dividends, "because this, in our opinion, would conflict with the interests of the economy," and he added a threat of action "to ward off the inflationary effect of any general departure from the policy of moderation and restraint."

* * *

Machine Tools from Home

A logical third step in ensuring that the 35,000 extra machine tools required for the defence programme will be delivered in time by the summer of next year, was announced by the Minister of Supply this week. Mr Strauss's department originally placed orders with British producers for as many tools—some 8,000 in all—as they could promise without affecting their other commitments. Simultaneously it

began to place extensive orders with machine tool manufacturers overseas, and has since devoted considerable attention to ensuring punctual delivery of these orders which, when completed, should provide some 19,000 to 20,000 tools. It has now come back to the home machine tool industry. The remaining 7,000 to 8,000 tools required will have to be obtained by the diversion of machines promised to civilian customers; in the next eighteen months, the Minister estimated, this diversion will mean a 35 per cent cut in tool deliveries to home civilian customers.

This displacement will bear most hardly upon those civilian industries that use the more specialised tools and are accustomed to re-tooling at frequent intervals. The most obvious example is the motor industry. A general cut of 35 per cent, moreover, would imply the diversion of a much higher proportion of certain very complex tools, of a type ordinarily produced in very small quantities. The effect of the Government's new move may therefore be felt particularly by motor companies that would be turning in the next year or so to the introduction of new models. But other factors, such as material supplies, and defence orders would in any case have affected output and new development during that period. All in all, the proposed cut in prospective deliveries of new tools can hardly be counted as a high price for the defence programme: pressure upon the British machine tool industry is still being held down to a level that many in the industry would have thought impossible a few months ago.

The arrangement by which advisory panels of machine tool manufacturers and users will examine the needs of customers whose promised tools may have to be diverted, and possibly suggest substitution of less scarce equipment, appears a sensible one. It is always possible, of course, that a company denied a particular machine for its civil production may later receive the same tool in order to carry out a defence contract.

* * *

New Purchasing Commission

In obtaining machine tools from abroad the Ministry is relying upon the established trade channels through which it has already placed orders in Europe for 11,350 tools costing more than £30 million, while contracts and deliveries for the 7,000 odd machine tools already ordered from the United States are now being discussed in Washington by Mr Rawson, Director General of Machine Tools. But responsibility for placing other defence orders abroad—with the exception of food or raw materials—is to be centralised in a new purchasing commission set up within the Ministry of Supply, with a number of offices in Western Europe.

Separate departments of the Ministry have already placed big orders for defence stores in Europe, but usually only in cases where they could not be accepted by British manufacturers. Thus orders for £3,800,000 worth of textiles and clothing have been placed in Germany, £2,000,000 worth in Belgium, and £900,000 worth in Italy. Orders for armaments that have been placed in Belgium, Italy and Sweden total £2,200,000 and another £3,000,000 worth of general stores has been ordered from Germany. One function of the new commission will be to carry this policy a stage further and to find out what capacity is available in Western Europe that could be used to meet British defence needs and so "enable British manufacturing capacity to be used for essential home production and exports to a greater extent than the substantial rearmament programme would otherwise permit." This is particularly important in the case of cotton textiles, the only branch of the textile industry

with an opportunity of increasing its exports beyond their present rate.

Mr Strauss has made it clear that the commission will not help foreign contractors to obtain raw materials. Many manufacturers, particularly in Germany, wished these British orders to be related to a definite allocation of scarce materials. But this could be provided by the Ministry only at the expense of British manufacturers, and it has been done on only one occasion. In that instance cotton cloth owned by the British army in Germany was given to German manufacturers engaged on British defence orders. It was about 25 per cent of the total quantity that will be used on these orders.

* * *

Automatic Transfer Machinery

Although the diversion of machine tools from civilian uses will affect the plans for re-equipment of the British motor industry, some concerns, including Vauxhall and Ford, have to some extent anticipated events by the installation of what is called automatic transfer machinery. Firms in the United States and, it is reported, in France have some of this machinery in use. Vauxhall Motors last year installed James Archdale automatic transfer tools, mainly for drilling the cylinder head castings for the Bedford models. The company intends also to machine the Bedford gearbox casing using American transfer machines.

The Ford Motor Company in the machining and assembly of the four-cylinder Consul and the six-cylinder Zephyr models has gone further in reorganisation as part of its £12 million programme of improvement and expansion. Both models are machined by the same tools and assembled in the same line; identical dimensions of the cylinder block (apart from length) and of other parts have been skilfully designed for this purpose. A whole series of machine processes of the cylinder blocks is devised to ensure the minimum of handling. About a dozen automatic transfer milling, boring, drilling and reaming machines are employed; and for each group of operations the cylinder block is moved into position, automatically located and clamped; it is then machined, unclamped and passed on automatically. The Ingersoll 9-station process milling, drilling and reaming machine is one of the more fascinating of the seven multi-station automatic transfer machines used. The pressure of the starting button begins the automatic cycle and the operator controls the operations wholly by a series of press-buttons. Automatic transfer is also used for the transmission cases, gear housings, bearing caps and cylinder heads. The result is an impressive increase in productivity compared with methods that hardly deserve to be called old. However, neither Vauxhall nor Ford is yet getting the full value of the new methods in output, mainly because of limitations in steel supply. Machinery of this kind will clearly strengthen the position of these firms and of others in the British automobile industry in meeting growing competition from the United States and European car manufacturers.

* * *

World Bank Loan in London?

During his visit to London this week Mr Eugene Black, president of the International Bank, has been negotiating with the British Treasury and with certain British banks to secure sterling for the financing of loan projects that are in contemplation. Several Commonwealth and other countries have recently approached the Bank for sterling loans; this is partly a sign of the increased strength of sterling, but also a sign that would-be borrowers are still unwilling to borrow dollars for conversion into sterling, thus incurring dollar capital charges. There are two sources from which the World Bank could secure sterling. First, it could, by arrangement

with the British Government, call up for lending purposes part or all of the local currency portion of Britain's paid-in subscription to the Bank (now amounting to about £82 million); this would mean that a previously dormant section of the recorded total of sterling balances would suddenly become a source of strain on the British economy. Alternatively, the Bank could float a loan on the London capital market, as it has already done on five separate occasions on the American and Swiss capital markets.

It is believed that arrangements for a small loan issue of this sort—probably of about £5,000,000—are now under way. The loan would probably be placed in the first instance with a consortium of six British banks, but a Stock Exchange quotation would be sought for it so that these banks could market the bonds. Any sterling raised in this way would, of course, have to be usable only within the ordinary framework of sterling exchange control. The terms on which the loan might be issued must be a matter for negotiation between the World Bank and the proposed consortium—negotiations that will no doubt have to take account of the unpropitious atmosphere for any fixed interest issue at this time. In one sense, World Bank bonds are “super-gilt-edged,” since they carry the guarantee of the governments of all member countries, including Britain and the United States; a provision in the new British Finance Bill will give them the same stamp-free status that British Government securities enjoy. But the market in limited issues of this sort cannot be as wide as that for domestic government securities. In New York, at the present time, the yield on World Bank loans tends to be about 0.4 per cent higher than that on equivalent United States Government bonds. One useful purpose served by an issue in London would be to enable the market here to “get used to the feel” of World Bank loans.

* * *

The Cost of Port Delays

The cumulative effect of waterfront stoppages and port delays in the southern Dominions has now reached the stage at which the movement of trade has almost ceased. In New Zealand the dockers have been on strike since February 19th, and more than 50 ships belonging to the liner companies serving the UK-New Zealand trades are now completely idle or are being worked by ships' officers or New Zealand soldiers. Some ships that arrived in New Zealand from the United Kingdom as long ago as last December are still lying in port without having discharged their cargoes. As a result, about 500,000 tons gross of shipping has effectively been withdrawn from service and other world-wide trade routes have been affected. Even if the strikers were to resume work immediately the arrears of cargo would take weeks to clear. The shipping companies concerned, therefore, have had no alternative but to discourage shippers as much as possible by imposing a surcharge of no less than 50 per cent on all freight rates, outwards and homewards. The fine new passenger and cargo vessel *Ruahine*, due to sail on her maiden voyage from London on May 21st, is one of the first to which the new rates apply. Her owners are quite unable to foresee when she will return to this country for a second round voyage.

While the stoppage has not been as complete in Australian ports, conditions there have been growing progressively worse. A 10 per cent surcharge is already in force for cargoes shipped by the Australian conference line and at the end of March these lines warned shippers that they would be unable to maintain scheduled sailings owing to the disruption to the timetable caused by delays in port. The demand for tramp ships is so strong that the liner companies could not afford to charter extra vessels to maintain their sailing schedules at existing conference rates. But it is apparent that exporters to Australia

are prepared to pay the premium for additional tonnage; the motor car manufacturers have taken matters into their own hands by chartering two tramp vessels on their own account, paying considerably more than liner conference rates. Shippers who have less than complete shiploads to cater for must rely on the liner companies to provide space, and have asked for the opportunity of shipping their cargoes even at greatly enhanced rates. The conference has now succeeded in obtaining three extra vessels to take cargo during this month, for which shippers will be asked to pay an additional surcharge of 40 per cent, which, it is stated, will cover the estimated cost of chartering without any allowance for profit.

* * *

Looking Ahead in Coal

In a paper prepared for the conference of the British Association of Colliery Management at Harrogate this week, Mr Humphrey Browne, head of the production department of the National Coal Board, made public some aspects of the Board's present thinking about future policy. Mr Browne's main theme was that the necessary pressure for immediate output must not be allowed to divert attention from development under the NCB's 15-year plan, in the preparation of which he played a leading part:

Every ounce of production is desperately needed; but not to the extent of prejudicing gravely the whole economic position and security of the nation within a decade—and that is the danger. . . . For ten years—since just after the fall of France—we have lived from crisis to crisis. The deep-seated disease in the industry cannot be cured by palliatives.

Mr Browne recognised the weakness of certain assumptions upon which the figures in the long-term plan were based—in particular those concerning manpower—and stressed the importance of the technical advances that “must” be made within the next decade, but that the plan rightly did not assume. Of these advances, the most important must be at the coal face: the elimination wherever possible of the rigid 24-hour cycle in longwall mining, by the introduction of new power-loading machines and the rearrangement of conventional operations, to complement the emphasis laid upon more efficient underground transport, winding and surface handling in the development plan.

The coal industry's greatest weakness, in all departments, is lack of sufficient men of the right kind. Mr Browne was right to emphasise to an audience of colliery managers, who make up the “line of command” in the industry, their increasing dependence upon specialised staff, a dependence that mining engineers do not always find comfortable to admit. He did not think that the mining industry had developed, as other industries had, a system of technical control attuned to the complications of its operations today. The day-to-day problems of colliery management bear so heavily upon those responsible that the proper assessment of the importance of current output and colliery planning, for example, may be too much for any one mining engineer. The planning department of the industry, at the pithead as well as higher up, needs strengthening to take this responsibility: the shortage of high-grade staff makes this process difficult in itself, and it could be lamentable if it were hampered further by indifference upon the part of colliery managers.

* * *

IFC and Risk Capital

The Industrial and Commercial Finance Corporation has had another moderately successful year, though it has not exactly set the Thames—or for that matter the area of its new branch office in Birmingham—on fire. In the year to March 31st, its advances and investments rose by £4,584,300, to just over £20 million; this rise was rather greater than that in 1949-50, but approximately the same

as in 1947-48 and 1948-49. The flow of repayments from past loans, however, has increased steadily, to £1,301,000 in 1950-51. About half the gross value of the 84 new loans made last year was in amounts of £100,000 or more; most of the rest was accounted for by loans of between £20,000 and £100,000. These loans were spread widely across the country, although the Corporation feels that outlying waters may not yet have been fished as heavily as those in London. They were also spread very widely across industry, although there was a particularly sharp rise in lending to the textile industry last year, to 9.2 per cent of the whole. Some 35 per cent of the Corporation's outstanding investments at the end of the year were in secured loans, some 22 per cent in unsecured loans and 29 per cent in preference shares; the most significant change in this distribution last year was a switch of £665,000 by existing borrowers from unsecured loans into preference shares—a switch that might not have taken place if those borrowers had foreseen the higher distributed profits tax that lay ahead. The Corporation has had to write down another £150,000 of weak holdings out of current earnings; total provisions of this sort have now amounted to £865,000 over five years. Despite this, profit before tax amounted to £580,665, against £360,630 in 1949-50, and it has been found possible to increase the reserve for contingencies from £100,000 to £500,000.

All this, in the eyes of a public that has learned to associate the name of postwar Finance Corporations with groundnut and egg fiascos, makes satisfactory reading, although disappointment may be felt in some quarters that the ICF has still lent only £20 million of its £45 million of investible funds. At a press conference last week, Lord Piercy, the chairman of the Corporation, argued that demand for fixed capital by small and medium industrialists since the war “has not been avid,” although their demand for working capital—in the last year or two—most certainly has. It is natural, however, that industrialists prefer to get working capital at, say, 4 per cent, from the banks rather than preference capital at, say, 6 per cent from the Corporation—especially as the latter costs them the equivalent of 9 per cent under the new rate of distributed profits tax. Despite this, many of the requests for new loans that came to the Corporation last year were probably from industrialists who had expanded their bank borrowing to the limit allowed on their existing capital ratios; one suspects that some of the two hundred odd applications that were transmitted to the Corporation through accountants and solicitors last year, as well as most of the hundred odd transmitted through the banks direct (out of total applications of 634) were in effect requests for the underpinning of bank advances in this way. Lord Piercy estimated on Tuesday that the proportion of the Corporation's current loans going towards provision of working capital may be nearer 75 per cent than 60 per cent, compared with 40 per cent five years ago. Whether the scrapping of the initial allowances system will bring more applications to the Corporation, for the provision of both fixed and floating capital, remains to be seen.

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Falling Steel Output

Shortages of scrap and of imported iron ore had a slightly more marked effect upon steel production in April this year than in March. Total output last month, at an annual rate of 16,771,000 tons, was higher than in the previous month, but probably not sufficiently to offset the effect of the Easter holidays upon March output; and it was lower than in the same month of 1950, when Easter fell in April. Pig-iron output was lower than in any month since last August, and considerably lower than in April last year, owing to the shutting down of certain blast furnaces and the reduction of output from others (in some cases caused by the use of lower-grade home iron ore). It is not surprising, therefore, that the central organisations of publicly and privately owned steel should be discussing special arrangements to secure more British tonnage to bring in iron ore from Sweden, Spain, Africa and Newfoundland; only about 2½ million tons of ore have been imported in the first four months of this year, compared with 2,830,000 tons in the first third of 1950. The British Iron and Steel Corporation (Ore), Limited, the subsidiary company of the Steel Federation that is responsible for all ore imports, has already contracted for the 8.6 million tons of ore it requires to import during the whole of 1951, but it needs more ships than it has yet been able to charter. British ships, however, normally carry less than half of Britain's imports of ore. Co-operation in obtaining tonnage, of course, would not reduce the greatly increased freight charges; and whatever the arrangement BISCOR may devise to pass on these rates to the industry, they threaten a rise in steel prices of possibly more than £3 a ton.

Opinion in the industry about the outturn of the year's output continues to be divided, among individual steelmakers as well as between the industry's governing bodies and the Government. There is some apprehension that when the new Margam sheet mill comes into operation this autumn it will absorb a disproportionate share of raw materials, supplies of which are already particularly difficult in Welsh steel plants. The closing of three steelworks in Wales—Bryngwyn Works at Gorseinon, Landore Works at Swansea, and the Briton Ferry Old Works, Glamorgan—may be followed fairly shortly by other closures. The shortages of raw materials have thus caused a return to the original policy under the industry's development plan, which contemplated that Margam should take the place of certain older small melting works and rolling mills in the area; then, after sheet steel became scarce, it was hoped that the new plant would be run in tandem with the old steelworks, at least until it reached full production. Now, when raw materials are short and labour for the new plant is not fully secured, it may well be politic to close some of the older mills and use materials and labour to better advantage at Margam. On the possible control of distribution of other types of steel, the outlook appears unchanged; the nationalised steel Corporation, as well as the private Federation, seems to be favouring something much less than a general paper allocation scheme, possibly with overriding priorities assured for the most essential users and other consumers left to compete for the remainder of supplies.

Dearer Copper?

Agreement has been reached between the United States and Chile on the price for Chilean copper. The American Government has agreed that Chilean copper in the United States should be sold at 3 cents a lb. (£24 a ton) more than the present price. At the moment it seems likely that the official New York price will remain at 24½ cents a lb. (£196 a ton) with the American Government paying a subsidy of 3 cents a lb. on imports from Chile. The Chilean Government's request for a higher price was based on the fact that it obtains a large part of its

revenue from an export tax geared to the price of Chilean copper in the United States. As the official American price of copper has remained unchanged although the "grey" market price has risen to 40-45 cents a lb., Chile claimed that it was deprived of a legitimate increase in its revenue. In return for the higher price, the Chilean Government has undertaken to encourage an expansion in copper production. The price of Chilean copper to other countries will also be raised by 3 cents a lb.

The United States Senate passed a bill this week suspending the duty of 2 cents a lb. (£16 a ton) on copper imported into the United States. The suspension takes effect from last April 1st and will remain in force until February 15, 1953. When this bill becomes law it is probable that the official price for copper in New York will be raised to 26½ cents a lb., which has hitherto been the price for imported copper. The question remains whether the Ministry of Supply will have to raise its selling price of copper. Britain is hoping to get at least 10,000 tons of copper from Chile and will presumably pay the higher price. This extra cost might have been foreseen by the Ministry when it raised the price of copper by £8 a ton six weeks ago. But Rhodesian producers, and possibly Canadian producers, are also likely to claim a higher price. In Europe, copper is at present selling at anything between £300 and £400 a ton compared with the Ministry's price of £210 a ton.

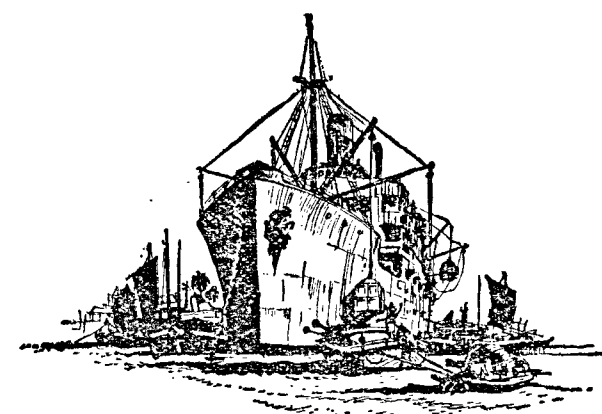
* * *

Limited Achievement at Torquay

A white paper on the Torquay tariff negotiations published this week reveals that 147 bilateral agreements were concluded. Six new countries joined, among them the Federal Republic of Germany, Austria and Turkey. Britain obtained lower import duties on its manufactured goods from Germany, Austria, Turkey, Peru and the Philippines as well as minor concessions from Denmark, Norway and Sweden. France withdrew certain reductions in import duties that it granted two years ago and conceded others in return. But no agreement was reached with Benelux, Italy or the United States. Britain in return has agreed not to increase certain import duties and to reduce others; the total volume of imports involved is very small.

Britain reduced its margin of preference on only one item—dried figs; it imports hardly any from the Commonwealth in any case. But other Commonwealth countries scaled down their preference margins on British goods, though the reductions cover only 2 per cent of their imports from Britain. Canada was torn between remaining faithful to the system of imperial preference and expanding its trade with the United States. Its exports to the sterling area are restricted by currency difficulties and it had little option but to secure concessions from the United States. The price it had to pay was to reduce a number of preference margins and some of them Britain considered important to its trade with Canada.

It is difficult to assess the value of the concessions made and received. Britain made concessions on imports that in terms of 1949 trade were valued at £7,800,000; there were "bindings" in respect of trade worth £3,500,000 and reduction in duties for the remainder. In return Britain received concessions on trade valued at £70 million in 1949; £50 million covered "bindings" and £20 million covered reductions. On this calculation Britain seems to have gained handsomely. But the real value of a concession depends on the possible expansion in trade that it opens up, and under the most favoured nation clause countries benefit from agreement reached between other countries. Moreover the new countries joining the agreement had to make greater concessions to existing members, since the new entrants will automatically benefit from the tariff reductions negotiated in the earlier conferences.



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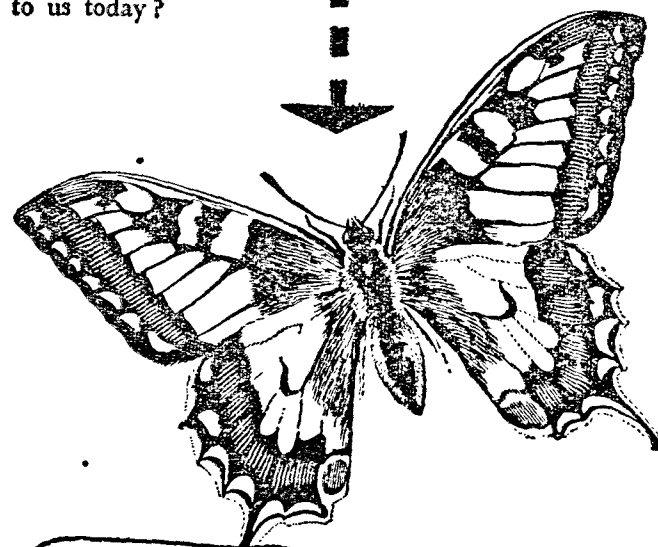
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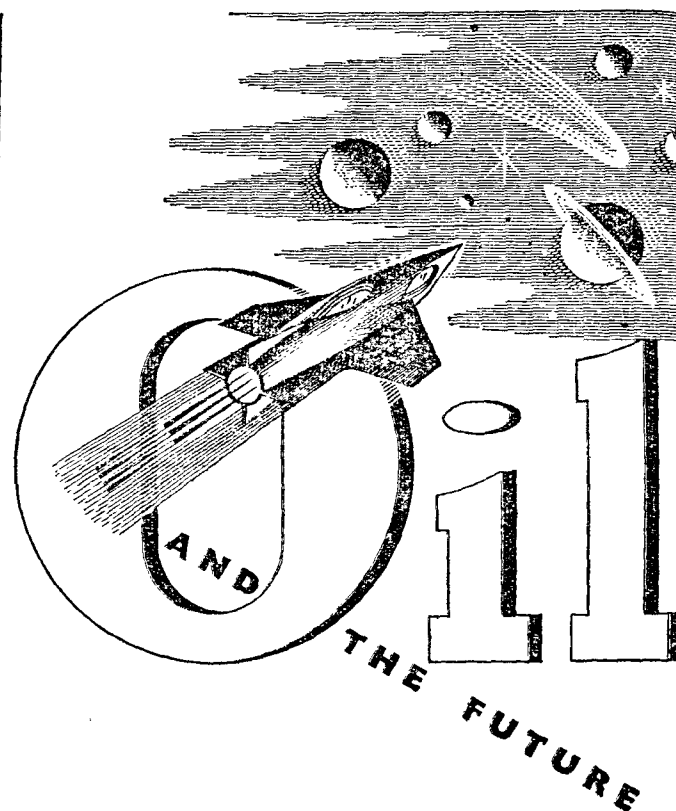
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Sulphur Shortage and Prices

The report of the International Sulphur Committee at the end of last week confirmed the statistical shortage of sulphur in the world in 1951; the committee expected supplies to be short by at least one million tons, that is about one-fifth of American output and a little more than double British consumption last year. It is difficult to assess the accuracy of this figure until the bases of the calculation are made available; much depends on the interpretation of consumption and consumption depends in part on price. The committee recommended close examination of resources and control of the use of sulphur. Its suggestions for supplementing the supplies of American sulphur by the expansion in the use of pyrites or anhydrite for sulphuric acid production and by the increased extraction of sulphur from waste industrial gases have already been pondered and are in part being acted upon in this country. But price is really the arbiter. If, for example, the United States raised the price of elemental sulphur, the goad to exploit other sources of sulphur such as pyrites or waste industrial gases would be correspondingly sharper. At the present time the price is unreasonably low.

Of the activities in this country the new company, United Sulphuric Acid Corporation, has not yet decided finally where to site its plant for acid production from anhydrite; and there are plans for further extension of the use of pyrites for acid production. However, although the deposits of pyrites in south-west Spain, which is the main supplier to Britain, are immense, during the next year or two supplies may not be able to keep pace with the expansion of their use. Portugal and Cyprus also send this country pyrites; Norway plans to open up new and large deposits but does not usually export to Britain. But the quantity of pyrites available for export from Portugal, Cyprus and Norway together this year is not likely to exceed the supplies from Spain. Treatment of waste industrial gases could also provide additional sulphur if the processes were considered economic. Experiments were carried out before the war to perfect plant for the recovery of sulphur from waste power-station chimney gases, but since the war none has been put into operation. Another similar source might be the coke-oven gas produced in iron and steel works that is normally fed direct to the furnaces. Such additional and incidental sources of sulphur are certain to gain in importance if reports are true that sulphur deposits in the United States will not last more than a decade or two, but they would have a more immediate significance if elemental sulphur cost more. Many of the existing mines in Italy, too, are nearing exhaustion and although some large deposits are said to exist they have not been surveyed; heavy expenditure is required in Italy to overcome neglect both before and during the war. Reserves are thought to exist elsewhere in the world, in New Zealand and Iceland, for example, which are at present unexploited.

Design Review at the Festival

During the course of several years' preparation for the Festival, the Council of Industrial Design has accumulated an impressive record of the products of British industry from thousands of items submitted to it for display at the exhibitions. Only ten thousand of these could be used as exhibits, but a review has been prepared of between 20,000 and 30,000 of the best that all industries submitted to the Council. This can be consulted at the South Bank Exhibition; indeed, in some ways it is one of the most ambitious projects on view. Under five headings transport, engineering, science, household and personal goods the Council has attempted to give a selective catalogue of the products of British manufacturing industry. Panels composed of technical experts called in by the Council, and usually also of representatives from trade associations, examined the products submitted by each manu-

facturer. They were passed for inclusion in Design Review only if they met a high standard of design functionally as well as aesthetically. About 500 textile samples are shown, and other items are displayed in files giving a photograph, technical details, price and the name of the maker.

A service of this kind and scale, based on critical selection, has never before been attempted and could prove a valuable catalogue covering a wide range of industrial products. Although Design Review was not opened until the end of this week, the Council has had numerous trade inquiries, many from buyers who came to this country for the British Industries Fair. It is unquestionably a trade display, neither the items nor the method of presentation having been designed to attract the public, and it is the kind of service that the Council should be encouraged to put on a permanent basis. There are two difficulties. The first is the cost of preparing and maintaining Design Review. The second is that its comprehensiveness, and hence its value to buyers as a quick source of information, depends on the willingness of industry to submit products to the kind of critical assessment that must be made if the Review is to preserve an essentially selective character. Design Review at the Festival contains an occasional notable omission, which suggests that some manufacturers with good products were not aware of the project. The Council intends to accept new items and revise old ones throughout the Festival.

* * *

EEA's Borrowing and Buying

The issue of £300 million to the Exchange Equalisation Account, which was announced by the Chancellor in Parliament at the beginning of last month, was duly effected last week; the latest Exchequer return shows a net increase of £223 million in Treasury bills outstanding. This is the third instalment of £300 million that has been issued to the EEA in ten months to enable it to keep up its heartening rate of net purchases of gold and dollars. When the first postwar issue to the account was announced on July 5, 1950, its sterling resources were believed to be virtually exhausted—even after making allowance for the fact that it must have made a profit by selling dollars at a depreciated sterling rate in the early years of the war. In the nine months to the end of March, 1951, the EEA bought £475 million of gold and dollars and borrowed £600 million in sterling, but up to £50 million of the £125 million "margin" that may have been left to it after these operations was possibly absorbed by net purchases of gold and dollars during April. If the assumptions on which this arithmetic is based are correct, the EEA would seem to have had little more than one month's supply of sterling left at the current rate of gold and dollar purchases before the latest issue was made to it.

Meanwhile, some interesting light on the EEA's buying policy is shed by information recently released in America. This shows that Britain purchased \$1,550 million of gold but added only \$88 million to its dollar balances in 1950; in the second half of the year indeed, Britain is said to have bought \$1,200 million of gold and run down its dollar holdings by \$252 million. The *Federal Reserve Bulletin* for March, in which these figures are published, estimated Britain's gold reserve at \$2,900 million at the end of the year, and its dollar reserve at \$662 million. These estimates, which show Britain's total reserve to have risen by \$1,632 million to \$3,552 million in 1950, are not quite in line with the official British figures, which show it to have risen by \$1,612 million to \$3,300 million. But this discrepancy, which is probably due to the inclusion of some private dollar balances in the Federal Reserve's figures, does not vitiate the main conclusion—namely that the British authorities seem to have been keeping a wary eye in the second half of last year on the possibility that the dollar price of gold might be raised, and that they considered it worth while to forgo interest on dollar investments in order to guard against this eventuality.

"Ardil" in Production

Between 7,000,000 and 9,000,000 pounds of the synthetic textile fibre "Ardil" will be produced this year by Imperial Chemical Industries at its new factory at Dumfries. When the plant comes into full production next year, it should be able to turn out 22 million pounds of fibre a year. The main raw material is protein from groundnut meal after the oil has been extracted. Unilever has worked closely with ICI on this project and will supply the meal from a new plant in Cheshire that has an initial capacity of 30,000 tons of oil a year. A solvent extraction process is being used there which gives a yield of 98 per cent of the oil compared with 93 per cent by older methods. The oil represents just less than half the original weight of the shelled groundnuts, and the remaining 54 per cent consists of meal containing 50 per cent of protein. When it is in full production the "Ardil" factory should be able to use about 44 million pounds of meal a year.

"Ardil" is primarily a wool substitute, intended for blending with wool in proportions of between 30 and 50 per cent. It has several wool-like properties, including warmth and moisture-absorption, but it lacks something of wool's strength or its elasticity. Unlike nylon and some of the other new synthetic fibres, "Ardil" cannot be claimed to add new technical qualities to the wool mixtures in which it is used. But it holds out the prospect of a reduction in their cost; "Ardil" costs 50d. a pound and may become cheaper when the factory is in full production, whereas wool prices today range between 150d. to 200d. a pound.

The wool industry has not been able to offset these price increases to any great extent by increasing the output of mixture yarns because of the difficulty in obtaining additional supplies of rayon and cotton. There should therefore be no difficulty in selling as much "Ardil" as can be produced, even though its present price is double that of rayon staple. There are some in Bradford who are waiting for the new fibre to prove itself. They may be prepared to admit that a wool "Ardil" mixture will bear a closer resemblance to pure wool cloth than a wool-rayon mixture of similar proportions, but they need to be convinced that the tensile strength of "Ardil" will enable them to work it at the

tension normally used for wool spinning, and to apply the same processing of the mixture yarn and cloth as for other materials. A price advantage of the kind now presented by "Ardil" will, however, be a powerful encouragement to ingenuity in its use.

Shorter Notes

The Court of the Bank of England has issued a hand-somely illustrated and wittily written brochure, telling the story of the Bank's development "over two and a half centuries . . . in a typically British way into something quite different from what it was to start with." The brochure, which costs two shillings, is designed for Festival visitors to the City but one suspects that some of the sidelights in it—such as why the Bank's messengers wear pink tail-coats (they are in the private servants' livery of the first Governor) or the reason for the wind-vane in the Court room (which is there to forecast arrivals of sailing ships in the Port of London and with it the probable variations in the day's demand for money) will be new to some of those visitors' hosts.

The report of British European Airways for the financial year ending on March 31st is in preparation, but the chief executive of the Corporation reports that the amount of traffic carried rose by 23 per cent compared with the previous financial year. It was made up of 939,586 passengers, 10,077 tons of freight and 5,248 tons of mail. In spite of rising prices, the cost of each unit of work fell by 10 per cent and the corporation expects to show a revenue of £9,000,000, with some reduction in its net revenue deficit. Operations in the first eight months of the financial year showed a profit, with losses only in the four months from December onwards, when traffic shows a seasonal decline.

Group operating profits of Dunlop Rubber in 1950 jumped from £9,480,850 to £17,620,116. The ordinary dividend has been raised from 15 per cent paid on £8,383,023 capital to 17½ per cent on the revised capital of £12,853,969. Subsidiaries retain £1,259,760, against £301,415, and £1,915,000, against £2,000,000, is added to general reserve.

Company Notes

Babcock and Wilcox.—The substantial advance in Babcock and Wilcox's group trading profits from £2,631,352 to £5,088,289 is mainly due to "an unprecedented increase in output." Since the war, turnover has risen each year by between 12½ and 15 per cent; in the latest year, the increase was as much as 40 per cent. Considerable extensions of the company's plant, the development and adoption of new processes and a greater flow of supplies from sub-contractors have all contributed to this excellent achievement. These results have enabled the company to raise the ordinary dividend from 15 to 18 per cent, a rate which is covered three times by distributable earnings, and to make impressive appropriations to reserves; some £650,000, against £396,029, has, for example, been

transferred to general reserves. Improvements and extensions are still being made as rapidly as possible, as is reflected by the estimate of £1,325,000 for outstanding capital commitments, but the chairman, Mr Lionel Fraser, is still anxious that ways and means should be found to increase "the number of hours of productive effort" in the company's works.

The capital development programme and the burden of stocks, which now total £10,454,414, against £9,143,541, has imposed some strain on the company's liquid resources and cash totals no more than £491,740, against £354,524. "Increased productivity, together with payments to aid the expansion of subsidiary companies," has led to a rise in bank overdrafts from £1,566,907 to £1,945,915, but the chairman expects that "the overdraft should be self-liquidating over the course of a few years." The disposal of certain industrial holdings is reflected in the marked fall in trade investments from £1,284,644 to £460,896.

Babcock and Wilcox's increased rate of output now slightly exceeds the intake of orders, but the order book is described as highly satisfactory. But Mr Fraser refers to the likelihood of "a deterioration in the supply of skilled labour and materials as a result of the pending rearmament programme." Despite these difficulties, output is expected to increase in the current year; the achievement of such an increase would mean shorter delivery periods for steam-generating plant, "the key to the power shortage at home" and the answer to foreign competition.

De Havilland.—Rearmament at home and abroad largely accounts for a year of intensive activity by De Havilland and is reflected in the rise in group trading profits from £1,274,631 to £1,601,612. The directors, who have recommended the maintenance of the ordinary dividend at 10 per cent, are aware that equity shareholders "have not so far shared in the better trading results," but the increased costs of replacement and of investment in stocks at a time of inflation and under the heavy weight of taxation demand "a steady and conservative policy." Moreover, the funds which are retained by subsidiaries, in order to build up ample reserves, are fully employed and "it would be incorrect to consider that we can expect any much greater contribution to the parent company's available surplus for some time." The company took a considerable risk in 1946 when a high rate of production of Vampire fighters was maintained for the export market; this policy has proved successful and many shareholders will hope that they will share in its fruits in the future.

The burden of stocks and work in progress, the book value of which has risen from £8,663,253 to £9,360,956, is admittedly heavy and in order to finance investments in current assets the company have been forced in past years to seek accommodation from the bank. In the latest year, De Havilland have been able to reduce this indebtedness from £2,343,379 to £2,091,911. This sum, however, is still considerable and gives added weight to the company's need for new perma-

(Continued on page 1127)

BROMINE



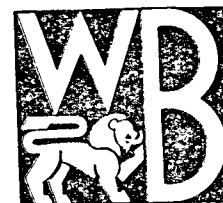
In ancient Rome, purple was the sign of Imperial rank. The dye they used for colouring their robes came from a sea-snail called murex brandaris, found in the Mediterranean. This dye is now known to be a compound of the element bromine—the only bromine compound ever found in a living organism. Bromine, a brown, fuming liquid related chemically to the greenish-yellow gas chlorine, is highly corrosive and dangerous to handle. Its name derives from the Greek "βρῶμος"—a stench. Most of the bromine needed by industry today is, like that used by the Romans, extracted from sea-water, but the extraction process is carried out by chemists instead of by sea-snails. During the war I.C.I. helped to develop a factory in Cornwall where bromine is extracted from sea-water to make ethylene dibromide—a chemical used with tetra-ethyl lead in the production of anti-knock petrol. Photography needs silver bromide, which is used in practically all films and plates and many kinds of photographic paper; methyl bromide is employed in one type of modern fire extinguisher, and potassium bromide in medicine. I.C.I. uses bromine compounds to make some of the 'Caledon' and 'Durindone' dyestuffs used for the dyeing of cotton.



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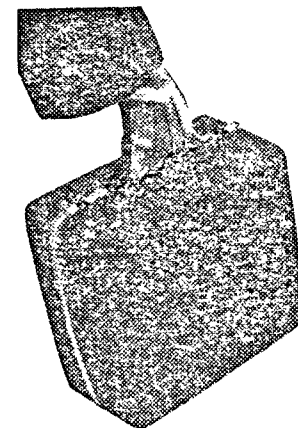
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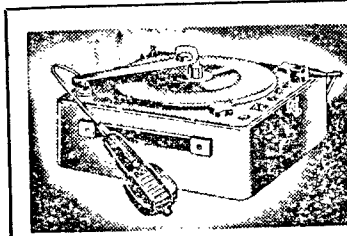
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(Continued from page 1124)

pent capital. This has been under consideration for some time by the directors, but they have decided, in view of the increase in the distributed profits tax, to reconsider the question. No better example could be found of the arbitrary effects of high profits tax upon the capital structure of industrial companies.

De Havilland's ventures in aircraft design and production have proved highly successful. The defence programme will call for a

	Years to Dec. 31, 1949	1950
Consolidated Earnings:—		
Trading profits	1,274,631	1,601,612
Total income	1,446,274	1,767,940
Depreciation	510,599	512,306
Taxation	478,297	618,024
Group earnings for ordinary stocks	301,064	375,894
Ordinary dividends	100,500	100,500
Ordinary dividends (per cent)	10	10
Retained by subsidiaries	174,494	178,094
Added to general reserves and carry forward	49,150	127,989
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation	2,204,544	2,011,343
Net current assets	3,861,051	4,679,629
Stocks	8,663,253	9,360,956
Cash	525,309	1,080,805
Reserves	3,304,415	3,906,197
Ordinary capital	1,827,275	1,827,275
£1 ordinary stock at 46s. 3d. yields £4 7s. per cent.		

high rate of production for Vampire and Venom fighters, and BOAC have already placed orders for Comet jet airliners; thus De Havilland's order book should be limited only by productive capacity. The three major problems facing the company appear to be factory space, labour and machine tools. Material supplies should not present "too grave a problem," presumably, in part, because the company has long-term contracts for materials.

Marks and Spencer.—Retail buying has been stimulated in the past year by fears of higher prices to come, but even when allowance is made for this fact the advance in Marks and Spencer's profits from less than £6,000,000 to nearly £7,500,000 is a notable achievement. It is a tribute to the skill of the company's buyers in providing attractive and competitive merchandise despite the difficulties of rising costs. After Woolworth and British Home Stores had raised their ordinary dividends, the market had confidently expected similar benefits to come from Marks and Spencer, until on the eve of the dividend announcement the 5s. "A" ordinary shares were around 100s. To some investors the final dividend of 60 per cent and the modest scrip bonus seemed a trifle disappointing. The capitalisation of £49,168 10s. from general reserve (just inside the CIC's limit of £50,000) will provide one "A" ordinary share for every 45 ordinary and/or "A" ordinary shares held. But disappointment did not strike too deep, and shareholders soon showed more confidence that a total distribution of 75 per cent (against 60 per cent) and the scrip bonus was not the end of dividend increases or scrip bonus prospects; after the announcement the shares reacted only slightly and at the current price of 98s. 6d. the "A" ordinary yield 3½ per cent—a yield that looks to the future with the solid assurance of high ordinary earnings in the present.

	Years to March 31, 1950	1951
Earnings:—		
Profits	5,844,656	7,335,898
Depreciation	687,822	733,044
Taxation	2,530,000	3,525,000
Earnings for ordinary stock	1,991,452	2,076,814
Ordinary dividends	713,925	879,061
Ordinary dividends (per cent)	60a	75b
General reserve	...	505,321
Stock contingency reserve	...	350,000
Added to carry forward	1,377,527	691,932
(a) On £2,163,409 capital. (b) On £2,212,577 capital.		
5s. "A" ordinary stock at 98s. 6d. yields £3 15s.		

With the aid of this generous margin of earnings, Marks and Spencer have been able to strengthen the already impressive reserves; £505,321 has been added to general reserve, £350,000 to stock contingency reserve and

£691,932 to the carry forward. In the previous year £1,377,527 was added to the carry forward, but no appropriations to stock and general reserves were made. This is the third consecutive year that Marks and Spencer have made a scrip bonus issue within £50,000 limit, and the comparatively low yield shows the measure of attraction for some investors of a regular scrip bonus. It is a case, perhaps, of the weight of taxation getting the better of strict investment logic.

Associated Portland Cement.—Group trading profits of Associated Portland Cement have risen from £6,129,325 to the record figure of £7,166,970 in a year of peak output and deliveries. Exports, however, declined slightly owing to shipping difficulties and the need for keeping the home market supplied, but the export trade brought in 33 per cent of the profits in 1950. Full capacity output kept the price of cement low in comparison with the high costs of coal, power and labour; the price of cement, excluding packaging, is now 87 per cent higher than in prewar years, but this compares very favourably with the 130 per cent increase in the price of building materials as a whole. Higher productivity has also made a contribution to these record results, and output per man-week is now 23 per cent better than the best prewar years. Having raised the ordinary dividend from 22½ to 27½ per cent, the directors feel that future prospects are such that it will be possible to maintain the higher rate in the future.

	Years to December 31, 1949	1950
Consolidated earnings:—		
Trading profits	6,129,325	7,166,970
Total profits	6,328,700	7,361,437
Depreciation	1,227,976	1,414,093
Replacement reserves	680,000	815,000
Taxation	3,158,757	3,327,961
Group earnings for ord. stock	644,609	1,012,155
Ordinary dividends	495,000	605,000
Ordinary dividends (per cent)	22½	27½
Contingencies and capital reserves	71,162	117,809
Added to group general reserves and carry forward	174,453	407,155
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	13,453,422a	14,965,988b
Net current assets	10,680,441	10,924,930
Stocks	4,336,087	4,849,174
"Quick" assets	8,882,509	8,581,143
Reserves	10,797,898	12,511,951
Ordinary capital	4,000,000	4,000,000
(a) Includes £1,816,471 capital works in progress.		
(b) Includes £3,165,163 capital works in progress.		
£1 ordinary stock at 105s. yields £5 5s. per cent.		

The past year was not without its difficulties. Supplies of packaging materials are far from satisfactory; bags, which cost 2s. 6d. per ton of cement before the war, now cost 17s. 6d. In addition, the chairman, Mr G. F. Earle, expresses concern that "crushing taxation makes it very difficult to build up funds necessary to replace out-of-date machinery." In order to make good the shortfall between the normal depreciation allowance and actual replacement costs, the company has transferred £815,000, against £690,000, to replacement reserves.

The considerable additions to fixed capital which Associated Portland are making are reflected in the book value of capital works in progress of £3,165,163, against £1,816,471 and in the estimate of outstanding commitments of £1,499,237. Despite heavy capital expenditure in the year, net current assets are actually higher at £10,924,930, against £10,680,441, but cash has fallen from £2,822,648 to £1,973,133.

Full output is expected to be maintained in the current year and the British Portland works at Shoreham, which are now in almost full production, should contribute to a very high rate of production this year. Production at the moment is a little higher than last year, but the weather and shipping difficulties have held up deliveries. The chairman, however, welcomes larger stocks and looks forward "with reasonable confidence to satisfactory results."

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, May 2, 1951	Price, May 9, 1951	Net Yield, May 9, 1951 (h)	Gross Yield, May 9, 1951
War Bonds 2½%...	101	101	£ s. d.	£ s. d.
Mar. 1, 1951-53	101½	101½	0 12 6	1 18 7½
War Bonds 2½%...	101½	101½	0 14 5	1 19 7½
Mar. 1, 1952-54	101½	101½	0 14 3	1 16 9
Exchequer Stk. 2½%...	102½	102½	0 11 11	1 17 1½
Feb. 15, 1955	102½	102½	0 17 3	2 1 9½
War Bonds 2½%...	102½	101½	0 2 4	1 5 1½
Aug. 15, 1954-56	102½	101½	0 3 11	2 9 5½
Funding 2½%...	103½	103½	0 3 2	2 2 2½
June 15, 1952-57	103½	103½	0 17 10	2 6 4½
Nat. Defence 3%...	103½	103½	1 4 1	2 12 5½
July 15, 1954-58	103½	103½	1 15 9	3 6 1½
War Loan 3%...	99½	99½	1 12 11	3 2 1½
Oct. 15, 1955-59	99½	99½	1 17 4	3 1 9½
Savings Bonds 3%...	97½	97½	1 11 11	2 16 3½
Aug. 15, 1955-65	97½	97½	2 5 6	3 15 2½
Funding 2½%...	95	95½	1 18 2	3 6 4½
April 15, 1956-61	97½	97½	1 16 1	3 5 9½
Funding 3%...	104	104½	1 11 11	3 9 2½
Aug. 1, 1956-68	104½	104½	1 18 11	3 15 1½
Funding 4%...	94½	94½	2 4 6	3 14 7½
May 1, 1960-90	91½	91½	1 18 3	3 8 1½
Savings Bonds 3%...	105½	105½	2 1 2	3 6 3½
Sept. 1, 1960-70	105½	105½	1 18 7	3 3 8½
Savings Bonds 2½%...	92½	92½	1 19 8	3 10 0½
May 1, 1964-67	100½	100½	2 1 10	4 0 2½
Sept. 1, 1920-76	92½	92½	2 0 5	3 17 2½
Savings Bonds 3%...	66½	66½	1 19 9	3 15 1½
Aug. 15, 1965-75	78½	78½	2 0 3	3 16 10½
Consols 4%...	89½	89½	1 18 7	3 12 0½
Feb. 1, 1957	86½	86½	1 18 5	3 11 10½
Conversion 3½%...	86½	86½	2 2 8	3 14 3½
(after Apr. 1, 1961)	89½	89½	2 0 10	3 12 7½
Treasury Stk. 2½%...	89½	89½	2 1 0	3 18 0½
(after Apr. 1, 1975)	66½	66½	1 19 8	3 15 7½
Treasury Stk. 3%...	92½	92½	2 2 2	3 12 3½
(after Apr. 5, 1966)	91½	91½	2 0 10	3 11 2½
Treasury Stk. 3½%...	91½	91½	1 19 11	3 10 4½
June 15, 1977-80	97½	97½	1 18 9	3 12 4½
Redemp. Stk. 3%...	88½	88½	1 18 7	3 12 2½
Oct. 1966-96	86½	86½	2 2 4	3 12 10½
War Loan 3½%...	92½	92½	2 2 4	3 12 6½
(after Dec. 1, 1952)	85½	85½	2 0 2	3 10 4½
Consols 2½%...	97½	97½	2 2 7	3 14 4½
Brit. Elect. 3% Gtd.	97½	97½	2 1 9	3 13 7½
April 1, 1968-73	97½	97½	1 19 6	3 13 8½
Brit. Elect. 3½ Gtd.	97½	97½	1 19 4	3 13 8½
Mar. 15, 1974-77	97½	97½	1 19 4	3 13 8½
Brit. Elect. 3½ Gtd.	97½	97½	1 19 4	3 13 8½
Nov. 15, 1978-79	97½	97½	1 19 4	3 13 8½
Brit. Tpt. 3% Gtd.	97½	97½	1 19 4	3 13 8½
July 1, 1978-88	97½	97½	1 19 4	3 13 8½
Brit. Tpt. 3% Gtd.	97½	97½	1 19 4	3 13 8½
April 1, 1968-73	97½	97½	1 19 4	3 13 8½
Brit. Gas Gtd. 3%...	97½	97½	1 19 4	3 13 8½
May 1, 1990-95	97½	97½	1 19 4	3 13 8½
Brit. Iron & Steel	97½	97½	1 19 4	3 13 8½
3½%...	97½	97½	1 19 4	3 13 8½
Feb. 15, 1979-81	97½	97½	1 19 4	3 13 8½

(a) To earliest date. (f) Flat yield. (h) Net yields are calculated after allowing for tax at 9s. 6d. in £. * Assumed average life 13 years 4 months.

Last Two Dividends			Ordinary Stocks	Price, May 2, 1951	Price, May 9, 1951	Yield, May 9, 1951
(a)	(b)	(c)				£ s. d.
20 %	40 %	Anglo-Am. 10/-	8½	8½	9 4	
25 %	5 a	Anglo-Iran. £1	5	5	6 14 3	
5 a	15 b	Assoc. Elec. £1	96/3	97/6	4 2 1	
22½ c	27½ d	Assoc. P. Cem. £1	102/6	105/7½	4 2 2	
40 c	35 c	Austin 5/-	31/3	32/4½	5 8 1	
15 a	120 b	Bass £1	148/1½	150/7½	6 6 5	
40 c	10 a	Boots 5/-	52/6	54/-	3 14 1	
8 c	10 c	Br. Celanese 10/-	33/-	33/6	2 19 8	
8 a	12 b	Br. Oxygen £1	94/-	96/6	4 2 11	
5 a	7½ b	Coats £1	68/1½	65/7½	3 16 2	
5 c	5 a	Courtaulds £1	47/-	47/6	4 4 3	
20 c	64 a	Distillers 4/-	23/-	24/-	3 6 8	
15 c	17½ b	Dunlop £1	62/3	68/9	5 1 9	
10 c	12½ c	Ford £1	56/3	56/3	4 8 11	
17½ c	17½ c	Gen. Elect. £1	92/6	93/9	3 14 8	
11 a	21 b	Guinness £1	138/9	140/7½	4 10 11	
15 a	17½ b	Hawker Sid. 5/-	42/7½	42/6	3 16 6	
3 a	9 b	Imp. Chem. £1	51/-	50/7½	4 14 10	
13½ a	18½ b	Imp. Tobacco £1	97/6	98/9	6 9 8	
10 c	10 c	Lanes. Cotton £1	50/-	52/6	4 15 3	
15 c	15 c	Lever £1	53/9	51/3	3 18 1	
15 a	15 c	Lon. Brick £1	61/3	61/3	4 17 11	
15 a	60 b	Marks & Sp. A5/-	100/3	98/-	3 16 6	
8 a	8 b	P & O Def. £1	64/6	65/-	4 18 6	
17½ b	7½ a	P. Johnson 10/-	39/-	39/6	6 6 8	
15 b	15 a	"Shell" Stk. £1	95/-	95/-	4 0 3	
12½ b	12½ a	Tube Invest. £1	7	7½	3 10 10	
3½ a	16½ b	T. & Newall £1	100/-	102/6	3 18 1	
8 c	10 c	Union Castle £1	40/-	40/-	0 0 1	
17½ c	10 c	U. S. B. £1	67/6	63/9	15 13 9	
21 a	10 b	Vickers £1	53/3	53/3	4 13 5	
15 a	27½ b	Woolworth 5/-	49/6	49/6	4 5 10	

(a) Interim. (b) Final. (c) Whole year. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 5, 1951, total ordinary revenue was £97,565,000 against ordinary expenditure of £99,290,000 and issues to sinking funds £360,000. Thus, including sinking fund allocations of £840,000 the surplus accrued since April 1, 1951, is £37,054,000 compared with a surplus of £43,370,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	April 1, 1950 to May 5, 1950	April 1, 1951 to May 5, 1951	Week ended May 5, 1950	Week ended May 5, 1951
Ord. Revenue	£'000	£'000	£'000	£'000	£'000
Income Tax	162,400	88,360	103,669	17,324	17,404
Sur-tax	128,000	11,750	12,900	1,600	1,800
Estate, etc., Duties	180,000	19,450	19,100	3,600	3,900
Stamps	55,000	4,900	6,600	1,050	1,500
Profits Tax	312,650	17,460	28,000	3,900	3,900
E.P.T.	500	900	...	...	...
Other Inland Rev.	500	20	20	10	...
Special Contributions	1,500	650	...	50	40
Total Inland Rev.	2,302,400	143,490	170,599	27,534	28,544
Customs	930,500	75,629	86,937	19,077	14,050
Excise	720,500	91,000	95,900	40,900	47,915
Total Customs and Excise	1,651,000	166,629	182,837	59,977	61,965
Motor Duties	62,000	4,314	4,933	1,492	1,494
Surplus War Stores	20,000	9,545	18	8,590	7
Surpluses from Trade	50,000	974	...	974	...
P.O. (Net Receipts)	13,500	2,000	3,200	2,000	3,000
Wireless Licences	27,000	1,000	1,000	...	...
Sundry Loans	105,000	7,238	2,207	64	2,131
Miscell. Receipts	...	...	6,788	83	424
Total Ord. Rev.	4,236,400	335,688	371,582	100,714	97,565
SELF-BALANCING					
Post Office	179,431	13,700	15,200	2,000	2,000
Income Tax on E.P.T. Refunds	4,900	138	206	24	84
Total	4,420,731	349,526	386,988	102,738	99,649

Expenditure	Estimate, 1951-52	April 1, 1950 to May 5, 1950	April 1, 1951 to May 5, 1951	Week ended May 5, 1950	Week ended May 5, 1951
Ord. Expenditure	£'000	£'000	£'000	£'000	£'000
Int. & Man. of Nat. Debt	535,000	64,296	71,672	19,379	19,209
Payments to N. Ireland	38,000	3,461	3,844	1,154	1,281
Other Cons. Funds	11,000	561	532	...	...
Total	584,000	68,318	76,048	20,533	20,490
Supply Services	361,292	222,927	257,640	36,000	38,800
Total Ord. Expd.	419,692	291,245	333,688	56,533	59,290
Sinking Funds	...	1,074	840	600	360
Total (excl. Self-Bal. Expd.)	419,692	292,319	334,528	57,133	59,650
SELF-BALANCING					
Post Office	179,431	13,700	15,200	2,000	2,000
Income Tax on E.P.T. Refunds	4,900	138	206	24	84
Total	438,125	306,157	349,934	59,157	61,734

After increasing Exchequer balances by £313,380 to £3,267,047, the other operations for the week increased the National Debt by £273,314,664 to £26,231 million.

NET RECEIPTS (£ thousand)	
Tithe Act, 1936, s. 26	515
EPU (Financial Provisions) Act, 1950, s. 3	185
	698

NET ISSUES (£ thousand)	
P.O. & Telegraph (Money) Act, 1950	260
E.P.T. Refunds	102
Export Guarantees Act, 1949, s. 3(2)	140
Housing (Scotland) Act, 1950, s. 94(2)	533
Local Authorities Loans Act, 1945, s. 13(1)	7,200
New Towns Act, 1946, s. 12(3)	68
Cinematograph Film Production (Special Loans) Acts, 1949 and 1950	200
Cotton (Centralized Buying) Act, 1947, s. 21(1)	2,000
Overseas Resources Development Act, 1948, s. 17(1)	750
Finance Acts, 1945 and 1947: Post-war Credits	381
Exchange Equalisation Account	300,000
	311,511

CHANGES IN DEBT (£ thousand)	
RECEIPTS	
Treas. Bills	240,504
Nat. Savings Certs.	400
3% Def. Bonds	520
Tax Reserve Certs.	29,825
Ways & Means Advances	4,635
	275,933
PAYMENTS	
21% Def. Bonds	575
3% Ter. Annuities	1,390
Other Debt	...
Internal	652
External	4
	2,621

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways & Means Advances	Treas. Deposits by Banks	Total Floating Debt
1950				
May 6	2560.0	1872.9	420.0	4853.7
1951				
Feb. 3	3190.0	1842.4	385.6	5418.0
" 10	3170.0	1808.1	402.7	5380.8
" 17	3170.0	1801.2	439.8	5411.0
" 24	3180.0	1749.4	419.8	5349.2
Mar. 3	3170.0	1733.8	421.5	5325.3
" 10	3180.0	1737.3	440.7	5358.0
" 17	3180.0	1799.6	396.6	5376.2
" 24	3170.0	1811.6	428.9	5410.5
" 31	5009.9	446.8	...	5456.7
April 7	3190.0	1774.8	432.8	5397.6
" 14	3200.0	1749.3	435.5	5384.8
" 21	3220.0	1779.8	450.5	5450.3
" 28	3230.0	1789.8	434.3	5454.1
May 5	3220.0	2040.3	439.0	5699.3

TREASURY BILLS (£ million)

Date of Tender	Amount	Average Rate of Allotment	Allotted at Min. Rate
1950			
May 5	250.0	337.6	250.0
1951			
Feb. 2	230.0	336.4	230.0
" 9	250.0	334.5	250.0
" 16	260.0	337.7	260.0
" 23	250.0	331.4	250.0
Mar. 2	260.0	346.2	260.0
" 9	260.0	339.3	260.0
" 16	250.0	332.7	250.0
" 23	250.0	332.9	250.0
" 30	250.0	332.4	250.0
April 6	240.0	320.3	240.0
" 13	250.0	351.2	250.0
" 20	240.0	362.0	240.0
" 27	230.0	359.0	230.0
May 4	240.0	364.8	240.0

On May 4th applications for 91 day bills to be paid from May 7 to May 12, 1951, were accepted dated Monday as to about 15 per cent. at 399 17s. 4d. and applications at higher prices were accepted in full. Applications dated Tuesday to Saturday were accepted at 399 17s. 5d. and above in full. Treasury Bills to a maximum of £250 million are being offered for May 11th. For the week ending May 12th the banks will be asked for Treasury deposits to a maximum of £25 million at 154 days.

NATIONAL SAVINGS (£ thousand)

	Totals 4 Weeks ended April 29, April 28, April 28, 1950, 1951	Week ended April 28, 1951
Savings Certificates		
Receipts	7,050	18,500
Repayments	9,500	10,800
	2,450	7,700
Net Savings	2,450	7,700
Defence Bonds		
Receipts	1,400	4,134
Repayments	4,629	4,280
	3,229	Dr 140
Net Savings	3,229	Dr 140
P.O. and Trustee Savings Banks		
Receipts	50,440	56,443
Repayments	47,141	61,503
	3,299	Dr 5,060
Net Savings	3,299	Dr 5,060
Total Net Savings	Dr 2,390	Dr 222
Interest on certificates repaid	2,014	2,532
Interest accrued	2,603	2,753
Change in total invested	+ 8,239	+ 9,650

BANK OF ENGLAND RETURNS

MAY 9, 1951

ISSUE DEPARTMENT

Notes Issued	£	Govt. Debt	£
In Circulation	1327,957,955	Govt. Debt	11,015,100
In Bank Dept.	22,398,867	Other Govt. Securities	1334,763,947
		Other Secs.	708,159
		Coin (other than gold)	3,513,634
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	358,321
			1350,358,321

BANKING DEPARTMENT

Capital	£	Govt. Secs.	£
Capital	14,553,000	Govt. Secs.	362,115,441
Res.	3,307,712	Other Secs.	39,079,773
Public Deps.	17,858,889	Discounts and Advances	10,961,549
H.M. Treas. Special Act.	378,715	Securities	25,115,233
Other Deps.	388,400,154		
Bankers	300,050,403	Notes	22,333,857
Other Accts.	88,349,749	Coin	524,853
	424,119,755		424,119,755

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

COMPARATIVE ANALYSIS (£ million)

	1950	1951
Notes in circulation	1283.8	1313.8
Notes in banking department	16.6	36.5
Government debt and securities	1299.3	1345.7
Other securities	0.7	0.7
Gold and Coin	0.4	3.9
Valued at s. per fine oz.	248/0	248/0
Banking Dept.	248/0	248/0
Deposits		
Public Accounts	23.6	14.2
Treasury Special Account	178.8	5.4
Bankers	275.2	305.8
Others	92.8	89.0
Total	570.4	414.4
Securities		
Government	520.4	364.6
Discounts, etc.	15.6	6.4
Others	29.6	25.8
Total	565.6	396.8
Banking dept. res.	22.7	37.3
"Proportion"	3.9%	9.0%

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,375 to £1,350 million on January 10, 1951.

GOLD AND SILVER

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

	SILVER	GOLD
1951		
May 3...	d. 78.5	c. 90.16
" 4...	78.5	90.16
" 5...	Markets Closed	205 11
" 7...	78.5	90.16
" 8...	78.5	90.16
" 9...	78.5	90.16

COMPANY MEETINGS

THE PRUDENTIAL ASSURANCE COMPANY, LIMITED

ANNUAL GENERAL MEETING

ANOTHER SUCCESSFUL YEAR

TOTAL INCOME EXCEEDS £100,000,000

IMPRESSIVE FIGURES OF GROWTH

SIR GEORGE LEWIS BARSTOW'S REVIEW

The one hundred and second Annual General Meeting of the Prudential Assurance Company, Limited, was held on May 10, 1951, at 142, Holborn Bars, London, E.C.1.

Sir George Lewis Barstow, K.C.B., chairman of the Company, presiding, in the course of his remarks, said:—

PROGRESS OF BUSINESS

First, I may perhaps draw your attention to the fact that last year the total income of the Company for the first time exceeded £100,000,000. In 1933—17 years earlier—our income was only half this figure. During the same period of 17 years our total assets have grown from £277,000,000 to £608,000,000. We take pride in these impressive figures not merely because of their magnitude but because they could not have been achieved if the Prudential had not gained and held the trust of its millions of policyholders.

ORDINARY BRANCH

In the Ordinary branch the number of policies issued during 1950, including those issued overseas, was 130,000, assuring sums of £94,400,000. The total sums assured, including bonuses, under policies in force at the end of the year exceeded £675,000,000. The premium income, including that in respect of deferred annuities and group pension schemes, was £32,500,000.

The business in this branch continues to develop in a satisfactory way. A persisting feature is the favourable mortality experience. The benefits of light mortality are passed on to the public in various ways—by reductions in premiums, by increases in bonus, by a more liberal policy in the assurance of lives without medical examination and in other administrative ways. These benefits have mitigated the effect on our business of other factors which have been adverse in recent years, such as the influence of inflation on expenses and the restriction of investment.

At the beginning of the year the liabilities in the Ordinary branch included a reserve of £5,000,000 for revival and other contingencies not embraced in the main valuation. A sum of £2,000,000 has been released from this reserve for transfer to the Ordinary branch contingency fund and, in addition, £1,000,000 has been allocated to the latter fund out of the surplus for the year. With these transfers the Ordinary branch contingency fund now stands at £5,000,000 and forms a central reserve which is available to support the valuation of either the assets or the liabilities should changes in economic conditions so require.

The Directors have declared a reversionary bonus in respect of the year 1950 at the rate of £1 8s. per cent. for policies issued in the United Kingdom. This represents an increase of 2s. per cent. over the rate for 1949.

OVERSEAS LIFE BUSINESS

Another year of sound progress has been achieved by our Overseas branches. More than 37,000 policies were issued overseas assuring sums of £32,000,000 which is a new record. The overseas sums assured, including bonuses, under policies in force have increased during the year to nearly £200,000,000 and the premium income for the year exceeded £7,000,000. The importance of this part of our business is demonstrated by the fact that the sums assured in force overseas now amount to about 30 per cent. of the total Ordinary branch business.

As I explained last year, it is necessary in determining the rates of bonus to have regard to the varying extent to which factors such as interest, mortality, expense and taxation affect the surplus in the territories in which we are operating. Following this principle the Directors have declared reversionary bonuses in respect of the year 1950 at the rate of £1 6s. per cent. for policies issued in Australia, New Zealand and Canada, £1 14s. per cent. for policies issued in South Africa, East Africa, the Rhodesias and Nyasaland and £1 per cent. for other overseas territories. These rates are an increase of 2s. per cent. for policies issued in Canada, and of 4s. per cent. for policies issued in South Africa, East Africa, the Rhodesias and Nyasaland, and are unchanged for the other overseas territories.

A NEW DEVELOPMENT IN GROUP PENSION BUSINESS

I have now much pleasure in announcing an important extension of our activities. Group Pension Schemes have been assured by a number of life offices for upwards of 20 years and have constituted a considerable and growing proportion of the business written in the last few years. The premium income of the Prudential in respect of such Schemes exceeded £5,000,000 in 1950.

Participation in profits is long established in respect of life assurance policies but it has not hitherto been extended to group pension schemes written in this country. We have felt for some time past that the benefits of participation in profits should be extended to this class of business and it is therefore with satisfaction that I announce that the Prudential is now ready to issue group pension policies with participation in profits. This will constitute an entirely new class of business and we feel that the step which we are now taking will be a major development in the progress of British insurance.

The main principle leading to this new step is fundamentally the same as that which led to the introduction and to the vigorous development of the participating system for individual assurances. This principle is to ensure that there shall be a close relationship between the premiums a policyholder pays and the benefits he receives even though a long period elapses and marked changes of fortune occur between the commencement

of the contract and its termination. The history of the participating system for individual assurances has entirely justified the soundness of this basic principle: through many vicissitudes the with-profit contract has proved to be in the interests of the insuring public. Under group pension business the case for a participating system is even greater than under individual assurances because the uncertainties are increased by the exceptionally long period for which the contracts run.

We have given earnest consideration to the most suitable basis upon which this new participating class of business should be founded. It is true that in the United States there are participating pension schemes under which the profits are distributed each year in the form of a reduction in the premiums payable. This method really amounts to a varying premium scheme and is difficult to apply to the small regular contributions made by employees. We have concluded that a preferable system in the conditions ruling in this country is to allocate the distributable profits in the form of annual additions to the accrued pension together with a special and final bonus addition to the pension when it commences. It is intended that the bonuses should depend upon the profits of this new class of business as a whole, so that each scheme will be protected from chance variations in its own experience.

The new type of participating pension scheme will be flexible and will share in any favourable experience in much the same way as a privately invested scheme. At the same time it will retain the advantages of guaranteed security, pooling of risks, simplicity of administration and freedom from investment responsibility, which are attributes of pension schemes assured through a life office.

I do not hold out the hope that our new business figures will be quickly affected by this development, since it may well take time to establish itself in public regard. Nevertheless we are confident that it is soundly conceived and that it is in the public interest. We believe that it will eventually become a prominent feature of insurance business and we are naturally proud to be the pioneers.

INDUSTRIAL BRANCH

In the Industrial branch the number of policies issued during the year was 1,399,000, assuring sums of £74,300,000. The average sum assured per policy was thus over £53. The total sums assured, including bonuses, under policies in force at the end of the year, exceeded £925,000,000, and the premium income for the year exceeded £40,000,000.

The expenses were 24.23 per cent. of the premiums, as compared with 23.84 per cent. for the preceding year. Remuneration to the staff, including provision for pensions, accounts for 85 per cent. of the total expenses in this Branch. In the inflationary conditions of

Since the inception of the profit-sharing scheme over £99,000,000 has been allotted for providing bonuses to Industrial branch policyholders. The amount of bonus paid on claims by death and maturity in this branch last year represented an average addition of over 19 per cent. to the sums assured payable under the policies.

GENERAL BRANCH

The expansion of fire, accident and marine business to which I have referred in previous years was continued in 1950. The General branch premium income was £8,300,000, an increase of over £1,000,000. In addition, a premium income of £1,000,000 was obtained by our American company, making a total premium income of £9,300,000, of which about £5,100,000 was derived from overseas sources.

The underwriting results again show marked improvement over those for the previous year, a pleasing feature being the continued improvement in our overseas experience. All accounts have contributed substantially to the favourable result and the outcome of the year's operations may be regarded with considerable satisfaction. Whilst the outlook for the General branch is encouraging, it should be mentioned that in 1950 we were remarkably free from those major disturbances which we have to expect from time to time. It would, therefore, be unwise to count on the maintenance of such favourable results.

The net surplus for the year, excluding the amount brought forward, is £564,000, compared with £332,000 for 1949. I indicated last year that we should have to contemplate larger transfers to the Additional reserve fund for strengthening our reserves to match the increasing commitments resulting from the growth of our business and the Directors have accordingly transferred £400,000 for this purpose. In addition, a sum of £50,000 has been transferred to the General branch contingency fund.

A sum of £117,000 has been set aside for dividends and is more than covered by the net interest on the General branch funds after deduction of the relevant profits tax and income tax. The net rate of dividend on the "B" shares is 1s. 9d. as compared with 1s. 6d. a year ago.

The figures of our American company, the Prudential Insurance Company of Great Britain located in New York, are annexed to the accounts before you. The Company's underwriting results have been good. A dividend of 10 per cent. was paid last year and has again been declared for this year. The financial position is such as to permit of expansion in favourable circumstances.

INVESTMENTS

During 1950 the higher level of market rates of interest which was experienced in 1949 was maintained and a larger field for investment outside the gilt-edged market became available to us in the latter half of the year. As a result it has been possible to invest our accruing funds on a more satisfactory basis than for several years.

The trend towards rising commodity prices, resulting from the devaluation of sterling in the previous year, has been intensified by the reaction of the Western democracies to the recent events in Korea. Rearmament programmes and the stockpiling of essential commodities have sharply accelerated the rise in prices. This in turn has increased the cost of new capital development and created a general demand for further working capital to enable industry to maintain adequate stocks of goods and materials. Much as the circumstances that have created this situation are regretted, the necessity for rearmament cannot be questioned and I am pleased

that the Prudential has been able to play its full part in supplying the needs of industry.

In particular, in addition to our subscriptions to public issues, we have taken substantial participations in several large private issues of loan capital raised by important companies in a form more suited to institutional investors than to small subscribers. There is reason to expect that the increased demand for further capital will continue in the immediate future and perhaps for some years to come. The burden of taxation has seriously reduced the ability of industry to accumulate adequate funds. The incidence of profits tax has induced a reluctance to raise additional capital in the form of preference or ordinary shares, and this will be accentuated by the recent increase in taxation on distributed profits. Moreover, the high level of income tax and surtax renders it increasingly difficult to raise any form of fresh capital from shareholders or from the general body of private investors. When possible new capital will no doubt continue to be raised by public flotation but where finance of a specialised character is called for and also when market conditions are unsettled a more direct contact between borrower and lender can be advantageous to both parties and at the same time ensure that industry's essential financial requirements are forthcoming.

During 1950, in addition to new money arising from the increase in our funds, considerable sums became available for reinvestment as a result of maturities and realisations. In total more than £50 million has been invested. It may be of interest if I indicate broadly the net effect of these transactions on our portfolio of investments. Our holdings of British Government and British Government Guaranteed Securities have increased by nearly £4,500,000; United Kingdom Municipal and County and Public Board Securities by over £1,000,000; Dominion and Colonial Government Provincial and Municipal Securities by over £3,000,000 mainly in respect of our overseas business; Debenture and Debenture Stocks, among which are included the large issues of loan capital to which I have referred, have increased by more than £20,000,000, preference shares by nearly £2,000,000 and ordinary shares by more than £3,500,000; properties have increased by £5,000,000 and mortgages and loans by over £1,000,000.

At the end of the year the market values of the assets were as usual compared with their book values and I am pleased to say there was a substantial surplus in each branch.

If you refer to the Revenue Accounts you will observe that in each of our three branches we have this year made a transfer to Investment Reserve Account. The appearance of these items inaugurates a change of practice and it is the intention to make similar transfers each year. The underlying principle is that in respect of the higher yielding classes of securities a part of the interest income should be placed to reserve at the time of receipt as a provision for future contingencies.

The gross rates of interest earned on the Funds during 1950 were £4 1s. 3d. per cent. in the Industrial branch and £3 19s. 10d. per cent. in the Ordinary branch. These rates compare with £4 0s. 7d. per cent. and £3 16s. 9d. respectively in the year 1949. I indicated last year that the rate in the Industrial branch in 1949 was higher than it would otherwise have been because the interest receipts included payments of a non-recurring nature. This in part accounts for the relatively smaller increase in the Industrial branch yield in 1950. The higher rates of interest obtainable on new investments have also had more effect in the Ordinary branch than in the Industrial branch owing to the relatively greater expansion achieved in the Ordinary branch, which branch includes our rapidly increasing overseas business.

The geographical analysis of our assets is as follows:—

United Kingdom	89.8%
Dominion and Colonial	8.5%
Foreign	1.7%

In respect of Stock Exchange securities only, the distribution between the various classes is:—

Government and Municipal	63.3%
Debentures and Bonds	14.5%
Guaranteed and Preference Stocks	9.2%
Ordinary Stocks	12.5%

DIVIDENDS

As shareholders are aware the Prudential is in an exceptional position in regard to the distribution of surplus. Our Articles of Association lay down with precision the respective shares of the policyholders, the staff and the shareholders; and it is not open to the Directors once the amount of the surplus has been fixed to alter the proportions of the respective parties.

In March, 1949, we went so far as to obtain special powers from the shareholders to enable us to carry part of the shareholders' allocation to a Special Dividend Reserve fund in order to conform with the wishes expressed by the Government in the fight against inflation. These powers enabled us to defer payment of dividend and for the years 1948 and 1949, in full accord with the Government's wishes, we pegged the distributed dividend at the 1947 level. However, deferment of payment *sine die* is almost tantamount to cancellation. Moreover, as events developed, wages generally including payments to our own staff continued to rise and it did not seem fair that the shareholders alone should be asked to make sacrifices. Let it not be thought for an instant that the Prudential, the work of which has for so many years been specially among the wage-earning classes, grudges this increase in their earnings: quite the contrary, but we felt that it was our duty to consider also the claim of shareholders. We therefore decided in November last to make a payment from the Special Dividend Reserve fund of 3s. 6d. per "A" share.

It is your Directors' view that they should continue to exercise moderation in dividend declarations. Accordingly, they have declared a dividend of 17s. on the "A" shares and carried to the Special Dividend Reserve fund the balance of the shareholders' share of the surplus in respect of the year 1950. This rate of dividend compares with 15s. 5d. in the previous year.

The Directors have also announced that it is their present intention to declare before the end of the year a further special dividend on the "A" shares of not less than 2s. 6d. The dividend on the "B" shares has been increased from 1s. 6d. to 1s. 9d. All the rates of dividend to which I have referred are free of tax.

INSURANCE PUBLICITY

The threat of State control of the business of the industrial assurance offices and the menace to the future of all British insurance implicit in that threat have not disappeared. The course of events, however, has been unpropitious for the development of ambitious plans for nationalising insurance. We at any rate know that State control of industrial assurance would be contrary to the will of the majority of the policyholders and staffs and that it could not be brought about unless this particular issue were obscured in the public mind by other issues. Although we shall continue to be vigilant it may well be that we can look forward to conducting our business without the disturbance caused by a continuing threat to our corporate existence.

and possibly even without being subjected to ill-informed and out-dated criticism of the kind which was so widely used in attempts to justify State control of our business.

In any event, the insurance industry, profiting from its experiences of the last few years, realises that it has been too modest about its achievements and that in consequence the general public are insufficiently aware of the contribution British insurance makes to the national economy and of the services it is able to render to the individual and to industry. This shortcoming is in process of being rectified. Shareholders have no doubt seen some of the advertisements, dealing with various aspects of insurance, which have been appearing in newspapers throughout the country and in many periodicals. Some of these advertisements are sponsored by the British Insurance Association, others by the Life Offices' Association and others by the Industrial Life Offices. Those of the British Insurance Association deal more particularly with the world-wide services of British insurance, while those of the other two organisations deal with ordinary life and industrial life assurance respectively. We believe that these advertisements fulfil a valuable purpose in creating a better and wider understanding of what British insurance does and of the range and value of the benefits and services it affords.

In our publicity we continue to stress the role of life assurance in the national savings fight against inflation. When it is considered that savings through insurance are the most stable and reliable form of thrift and that they are effected voluntarily by individuals personally shaping their own finances in the way that is most suitable to them, the important role we play in a free society cannot be questioned.

The report and accounts were unanimously adopted.

SILVRO MANUFACTURING COMPANY

(Makers of "Bonsoir" Shirts and Pyjamas)

The fifteenth annual meeting of Silvro Manufacturing Company Limited was held on May 4th in London, Mr Manley Cooper (chairman) presiding.

The following is an extract from his circulated statement:

The present trend of cotton prices is one which causes much anxiety. At the moment we hold large stocks at prices considerably below present market values for many months ahead, and can, therefore, select our own time for any further purchases.

As a result of the year's trading, the net worth of your business is £184,811 as against £168,271 the previous year.

The profits at £72,290 have maintained an upward trend and your directors are able to recommend the same dividend distribution of 30 per cent. as last year, to be paid on the increased ordinary share capital.

We have re-equipped your Crewkerne factory with new machinery and it is now working to capacity. At Stoke Newington the war damage has now been finally completed and the supply of labour has shown some improvement with a consequent increase in production. It is to be hoped that this trend will continue as the plant and machinery has a further productive capacity of some 15 per cent. The order book is such as to require that additional capacity.

Our overseas sales are increasing rapidly. Turnover both with dollar countries and European countries has continued to show an upward movement and we are now exporting to some 18 countries overseas.

So far as the current year has gone, our trade is substantially ahead of the same period last year.

The report was adopted.

ALLIANCE ASSURANCE COMPANY, LIMITED

INCREASED BUSINESS

The annual general meeting of the Alliance Assurance Company, Limited, will be held on June 6th in London.

The following are points from the review of the report, accounts and balance sheets for the year 1950 by the chairman, Mr Anthony G. de Rothschild:

Life Department: The net new business completed during the year amounted to £6,264,563, compared with £6,097,458 in 1949. The purchase money for immediate annuities, at £54,860, exceeded the 1949 figure of £47,419, but no very marked increase can be expected in this class of business so long as the present unsatisfactory position with regard to income tax on annuities persists. Deferred annuities were issued, providing for £123,538 per annum against £91,281 in the previous year.

Claims by death amounted to £575,097, compared with £740,964 in 1949. The 1950 figure was exceptionally low and it can hardly be expected that the current year will show so favourable a result. During the year the "Alliance" Life and Annuity Funds increased by £721,495 to £26,080,355.

Fire Department: The net premiums amounted to £5,138,951, an increase of £687,259 over those of 1949. The claims, including contributions to Fire Brigades, amounted to £1,559,843, which is £26,951 more than those for the previous year.

The surplus, after increasing the provision for unexpired risks, amounts to £996,997, compared with £829,999 in 1949, and this has been carried to profit and loss. Apart from the general rise in values at home and abroad, a satisfactory volume of new business has been obtained.

Accident Department: The net premiums amounted to £3,875,964, which is £266,604 more than the income for 1949. The result, after providing for unexpired risks, is a surplus of £443,934, compared with £381,449, and this has been transferred to profit and loss. This satisfactory result has been achieved in spite of a loss on the motor account. The derationing of petrol in this country resulted, as was expected, in an increased number of claims, and the cost of individual claims continued to rise.

Marine Department: The net premiums amounted to £2,007,159, an increase of £144,047 over the premiums for 1949. The underwriting account for 1948 has now been closed with a balance of £347,309, which is £145,424 higher than that for the 1947 account. After providing £215,997 to maintain the reserve for claims attributable to previous years at £425,000, the sum of £131,312 has been transferred to profit and loss.

Trustee Department: The fees received for the past year amounted to £16,143, which is a slight increase on those for the previous year. Here, again, the increased costs of administration of trusts are compelling us to give consideration to the fees to be charged in future.

Investment Department: During the year the market prices of Stock Exchange investments again fluctuated considerably, although the movements were not nearly so marked as in 1949. It is therefore satisfactory to record that the favourable margin between book and market values showed an improvement when compared with the position at the end of the previous year.

The following appropriations have been made: £675,000 to the staff pension trust fund, of which £25,000 relates to the fund of a subsidiary company; £500,000 to the general reserve; £25,000 to the widows' and orphans' fund. The directors have decided to maintain the dividend at 20s. per share, less income tax.

HUMPHREYS LIMITED

(Building and Civil Engineering Contractors)

IMPROVED NET PROFIT

MR A. V. BRIDGLAND'S REVIEW

The fifty-ninth annual general meeting of Humphreys Limited, was held on May 8th in London, Mr Aynsley Vernon Bridgland (the chairman) presiding.

The following is an extract from his circulated statement:

The trading profit for the year ended November 30, 1950, amounted to £50,526, as against £52,436 for the previous year.

There are now 535 preference shareholders and 793 ordinary shareholders. Before tax, the earnings cover the preference dividend over nine times. After paying the preference dividend, the untaxed profits equal 2s. 3d. per share.

The net profit for the year under review amounted to £51,653, as compared with £48,385 for the previous year. Of this £51,653, we must set aside for future taxation no less than £29,045, leaving £22,608 as the taxed profit for the year just ended.

The proposed dividend of 15 per cent. on the ordinary shares, with the 5½ per cent. dividend on the cumulative preference shares, will absorb £11,275, after deduction of tax, and the carry forward will thus be increased from £44,785 to £56,118, that is by £11,333—in other words by an amount slightly in excess of that required for dividends on all shares.

In the balance sheet you will see on the liabilities side that the secured banker's loan now amounts to £473,856. A year ago I told you this figure would increase considerably above the £90,928 at which it then stood. I repeat that this loan is properly safeguarded by firm financial arrangements made for its eventual repayment in full—the major portion, in fact, will be repaid within three months.

During the year we have had all our fixed assets valued for insurance purposes, and I am pleased to tell you that the relative figures in the balance sheet may be taken as very conservative.

The surplus of current assets over current liabilities amounts to £309,188.

The first part of the third, section of Exchange Buildings, Liverpool, was completed ahead of schedule, and caused some favourable comment in that city.

OVERSEAS VISITS

Before long we shall complete a large overseas contract on which we have been engaged for some time. With a view to examining the possibilities for further overseas work, I have myself recently paid a visit to South Africa, and at the end of last summer our overseas contracts manager also visited that continent. I think that profitable work may result from these visits.

The Government's policy of nationalisation affects considerably the cost of building. Since the nationalisation of coal, the railways, electricity and transport—and now steel—advances in prices have been announced in each industry and these may well continue. Each such increase, of course, has the effect of increasing the cost of a building, over and above which there have been the increased wages which have been awarded to building operatives.

Generally speaking, a building now costs nearly three times as much as before the war. The restrictions imposed by the planning authorities, coupled with the rising cost of construction, may soon reach a point when further buildings cannot be erected to let at an economic rental.

The report and accounts were adopted.

NORTHERN ASSURANCE COMPANY LIMITED

115TH ANNUAL GENERAL MEETING

ANOTHER EXCELLENT YEAR

RECORD NEW LIFE ASSURANCES

The one hundred and fifteenth annual general meeting of the Northern Assurance Company Limited was held on May 9th at Aberdeen, The Rt. Hon. the Lord Forbes, D.L., chairman of the Aberdeen Board, presiding.

The following is an extract from the chairman's statement, which had been issued with the report and accounts:—

In our accounts for 1949 the higher sterling value of our transactions in United States dollars and certain other currencies, as a result of devaluation, was not wholly apparent, but those for 1950 now before you reflect this factor throughout. The year itself was relatively free from marked currency fluctuations, however, and the adjustments carried through the 1949 accounts have ensured that the trading results for 1950 fairly reflect the actual currency results.

ASPECTS OF INFLATION

The expansion of the company's business in real terms in all departments is also masked by the rise in prices which occurred with gathering momentum throughout the year, although its impact varied between different classes of business, being most violent in the insurance of key commodities for defence.

The company has enjoyed its full share of business, but there are other aspects of inflation which are less welcome. The marked rise in the values of stocks in transit and in inventories reflects itself almost immediately in values exposed to risk. Similarly, the rise in freights results in an increase in the insured values of vessels to keep pace with their earning power and the cost of replacement. On the other hand, the insured values of static property, such as buildings, tend to follow well in the wake of the rise in money values. Moreover, since claims come after premiums, a continued rise in prices naturally involves an additional strain, particularly in the marine department, where settlements may take several years to run off.

The strain is felt not only on the profitability of the business, but also on the amount of business which can be sustained because, while our resources continue to grow, inflation and high taxes together make it difficult for them to keep pace with the volume of business. There is also a marked accumulation of values exposed to risk, particularly in these days of bulk purchase, when cargoes and stocks may reach values which test the capacity of insurance markets everywhere.

FUNDS EXCEEDINGLY STRONG

The funds of our company are exceedingly strong, enabling us to take our full share of existing markets and to extend our activities into new ones at home and overseas. Nevertheless, this aspect demands constant vigilance and, in spite of the marked increase in our income, your directors would welcome the end of the present inflationary trends.

The limiting effect of actual resources on the amount of business we are able to transact also applies in certain areas overseas where it is necessary to cover currency liabilities as far as possible with assets on the spot. In the United States of America, for example, it would have been possible to underwrite a much larger volume of income

had dollars been available to strengthen our reserve position. Your directors regard it as of supreme importance that our dollar reserves should be kept at the highest possible level in relation to income, consistent with our obligations to the Treasury, and for that reason our dollar business has been held in check, although its sterling value has increased.

I take this opportunity of saying that we much appreciate the friendly and co-operative attitude which the Treasury and the Bank of England have always adopted towards this difficult problem.

CHANGES IN FORM OF ACCOUNTS

The British insurance business has a unique record stretching back over several centuries and for 115 years our own company has made a worthy contribution to it. We believe, therefore, that, through the medium of the annual report and accounts, our company should tell its own story and help to spread the knowledge that private enterprise insurance is serving the community, throughout the civilised world, ably and well. Therefore, the document circulated to you has been prepared in what we hope will be found to be an attractive form and will tell you an interesting story of what the company is doing; copies are also being sent to our staff and connections all over the world.

DEPARTMENTAL RESULTS

It is satisfying to see that the fire profit for 1950 has fallen only slightly below the record figure for the previous year, in spite of a deterioration in our experience in the United States, largely as a result of the severe storm losses which took place in that country in the closing weeks of the year.

The accident account did little more than break even, owing to adverse experience in the motor section—particularly overseas. To some extent, however, this result is mitigated by the conservatism of our provision for unexpired risks, which we have maintained at 50 per cent. of a much larger premium income.

The outlook for marine business is rather less clear today than for some years past, but, although in a period of rapidly rising income the relation of the fund at the end of the year to the premiums written in that year becomes less significant, you may be assured that the marine fund is adequate to enable us to face with confidence any likely deterioration in experience, in spite of the large sum now transferred to the profit and loss account.

LIFE ASSURANCES: A RECORD

Coinciding with its record achievement in securing new life assurances of £5,123,908, the "Northern" life department marked in 1950 the close of its latest quinquennium. Five years ago the total production of this department in sums assured was no more than 30 per cent. of today's figure, and we congratulate the actuary for having preserved the integrity of these funds with such conspicuous success during this period of marked expansion. The "Northern" can rightly claim to have taken its proper place among the life offices of this country and it is confidently hoped that the excellent bonus declared upon our participating policies—

namely, 37s. 6d. per cent.—will enable this success to be maintained.

Life assurance business today has many complications, particularly as regards arrangements for pensions of employees and senior executives. Our clients and agents look to us for a great deal of advice on matters of this nature and we pride ourselves upon the service that we give in this respect. We hope not only to maintain this service in the future but to improve it.

MORE INTEREST EARNED

Although the dividend which your directors feel it proper to recommend must be weighed against the earnings of the company as a whole, it has become the prudent custom of many insurance companies to relate it solely to the interest earned on the investments of the funds. It is, therefore, most pleasing to see a marked increase in this item in the profit and loss account, partly as a result of devaluation, partly due to the amounts retained in the business in the last few years and, of course, to no small extent due to the activities of our investment department.

No major changes in our investment policy occurred during the year. A further substantial sum was invested in mortgages arising out of our house-purchase scheme. In the past few years, owing to the Government's nationalisation schemes, our investment portfolio has undergone a good deal of involuntary revision, but our constant endeavour has been to preserve the real value of our assets. You will see that our holding in ordinary shares is now 13 per cent. and, although this category of investment is far from being a complete protection against inflation, we do believe that to hold a reasonable proportion of our investments in sound equities is the right policy in present circumstances.

DIVIDEND INCREASED

It has given your directors great pleasure to recommend to you an increase of 1s. per share in the ordinary dividend, together with a consequential increase in the dividend payable on the participating preference shares. In these times, when the cost of living is increasing rapidly, the claims of equity shareholders require more than ever to be considered and, while inflationary tendencies cannot in the end benefit companies of our kind and demand the exercise of even more conservative policies your directors feel this increase of dividend to be well justified.

The balance-sheets have been designed to show clearly the surplus resources of the company, amounting to no less than £7,771,706 after valuing all the assets and liabilities on a most conservative basis. The small decline in the amount of this surplus is due to the transfer of £750,000 on July 1, 1950, to start the new staff pension fund, but, as the obligations undertaken by the company under it are generally the same as those carried voluntarily beforehand, this decline is more apparent than real.

WIDE VARIETY OF OPPORTUNITIES

Many of the skills and techniques required to conduct our complicated business on a sound footing can be acquired only by practice and the guidance of experienced colleagues. Nevertheless, the rapid changes of the present time and the conditions under which staff is nowadays recruited combine to call for further measures. Too many young men of good education find their way into academic or Government service and are lost to commercial institutions like our own, and the task of obtaining the right type from a limited field of selection has never been more difficult. Yet the size of our organisation and the absorbing interest of its work offer excellent opportunities to those who wish to extend their abilities fully in satisfying and remunerative employment.

NORWICH UNION INSURANCE SOCIETIES

RECORD NEW BUSINESS

The annual meetings of the Norwich Union Insurance Societies were held at Norwich on May 7th and 8th.

Speaking at the Life Society's meeting, the President, Sir Robert Bignold, said that the Society had had another successful year. The new business at £35½ million (of which £13½ million came from overseas) was a record. The mortality experience had been exceptionally favourable and the net rate of interest at £3 16s. 8d. per cent. showed a small increase on the 1949 figure. The total funds had increased by nearly £5,000,000 and now stood at over £80 million. The decrease of 10s. per cent. in the expense ratio was noteworthy having regard to the large increase in the new business figure.

Pension schemes representing a capital value of £7 million had been completed over and above ordinary life contracts. Each year they had to find investments for about £10 million, and he thought it was a matter of congratulation that they had been able to place nearly 70 per cent. of their new money in first-class mortgages, while another 10 per cent. had gone into real estate.

QUINQUENNIAL VALUATION

On December 31, 1950, they completed another quinquennium. He had no hesitation in saying that the condition of the Society's investments was entirely satisfactory and the value put upon the assets was a very conservative one. It was a source of gratification that on the advice of the actuary they were able to announce on January 1st bonuses in excess of those declared in 1945, whilst interim bonuses would, until further notice, be at the full quinquennial rates.

THE FIRE SOCIETY

At the annual meeting of the Fire Society, the chairman, Sir Robert Bignold, said that the premium income for 1950 for the fire, accident and marine departments amounted to £10,826,023, the highest in the Society's history, and while those figures pointed unmistakably to solid development, it would be readily appreciated that devaluation and inflationary tendencies had registered their effect on the amount of income he had mentioned. The effect in hard currency countries was now reflected for a full year. The bulk of their premiums was derived from overseas and thus they had become very much concerned in the effects of devaluation and inflation. It could be claimed that modern history was reflected in the records and achievements of British insurance. The Society had a long and honourable participation in that important unit of the country's commercial life.

Fire premiums increased by £969,427 to £5,648,776, the resulting profit being £668,744, compared with £463,646 for 1949.

The accident income had increased by £729,042 to £4,304,204, the profit for transfer being £341,097, compared with £413,048. Premiums in the marine department had increased by £189,410 to £873,043; the transfer to profit and loss was £50,000.

Net interest totalled £199,650. Income and other home taxes absorbed £492,796, leaving £749,521 for transfer to the appropriation account. Net dividend required £145,200, £200,000 was transferred to the pension fund and £80,000 was used to write down real estate. £250,000 was added to the Fire and £50,000 to the accident revenue account, leaving the balance carried forward at £327,921 against £303,600.

Total assets had increased by £1,694,785 to £16,356,072.

The reports and accounts were adopted.

LEGAL AND GENERAL ASSURANCE SOCIETY

RECORD NEW LIFE BUSINESS

ACCIDENT INSURANCE ACCOUNT

The one hundred and fourteenth annual general meeting of The Legal and General Assurance Society, Limited, was held on May 9th in London.

The Hon. W. B. L. Barrington (chairman) in the course of his address said:—

Once again I am able to report another record in new life assurance business transacted. In the ordinary section the total net figure amounted to £27,867,600, an increase of £5,116,677 over the previous year. Decreasing term and group business, including increases in existing group schemes, reached a total of £26,313,593, an increase of £4,562,000.

The total net new sums assured in both sections was, therefore, £54,181,193 and showed an increase over 1949 of no less than £9,679,373, the largest increase in new business in one year in the history of the society.

In addition, deferred annuities were issued providing for the payment of £2,959,689 per annum, mainly in connection with pensions.

The net premium income in respect of new business for the year was £3,490,428.

MORTALITY EXPERIENCE

The usual investigation into our mortality experience has been made, and again the death claims for 1950 were less than the amount expected under the mortality tables used.

RATE OF INTEREST

The net rate of interest earned by the life assurance and annuity fund, excluding the amount invested in purchased reversions, was £3 12s. 1d. per cent., compared with £3 11s. 9d. per cent. for the year 1949. The gross rate showed an increase for the year of 3s. per cent., but owing to the heavier incidence of income tax the net rate shows only an improvement of 4d. per cent. I am pleased, however, to record this increase and to report that it has been possible during the year to invest money at a rather higher level of interest than in the recent past.

EXPENSES OF MANAGEMENT

It gives me great satisfaction to be able to state that the ratio of commission and expenses of management to our life premium income was actually reduced during the year from 9.47 per cent. to 9.05 per cent.

FIRE INSURANCE ACCOUNT

The net premium of the fire insurance account, including the business of the "Gresham Fire," amounted to £1,777,272. Claims and contributions to fire brigades absorbed 41.06 per cent. of the premium income; commission and expenses of management including dominion and foreign taxes 46.39 per cent. There was an underwriting surplus in the account of £176,241 which, after adding interest on the fund amounting to £42,343, brought the gross surplus up to £218,584.

United Kingdom taxation paid and reserved, including the tax on the profit for the current year, required the sum of £80,873, and the account has been charged also with £53,844 being its contribution to the staff pension fund and the purchase of annuities for existing staff pensioners. The resultant balance of £83,867 represents the net profit on the account which in accordance with our usual practice during a quinquennium has been added to the additional reserve, which now stands at £447,172.

MARINE ACCOUNT

I am pleased to report the progress of our marine account in the second year of its existence. The new premiums amounted to £291,493. Claims paid for 1949 account, increased from £46,631 to £70,040 and claims paid for 1950 account amounted to £67,971, expenses of management were £8,379 and after allowing for net interest and the exchange adjustment the balance amounting to £308,758, is retained in the fund.

FUNDS AND PREMIUM INCOME

The total funds of the society and its subsidiaries, excluding the Gresham Life Assurance Society, increased by £15,873,587 to £138,991,347, of which £130,876,170 represents life assurance and annuity funds. The total premium income from life business amounted to £19,040,621 and from all classes £22,256,953, an increase of £3,768,313 as compared with the previous year.

ASSETS

The assets of the society now amount to £144,335,792, having increased during the year by £17,034,907.

The directors have carried out a review of all the society's assets and are satisfied that there is a considerable margin of appreciation over the value at which they appear in the balance sheet. In the case of the Stock Exchange securities, these increased by £2,340,214 to £79,437,831, and the fresh investments made during the year are represented mainly by additions to our holdings of debenture stocks and ordinary shares.

As we have now entered into the final year of the current quinquennium, I should like to make a brief reference to the rapid growth of the society's funds. In 1936, the year of the society's centenary, the total assets amounted to £39,724,653. At December 31, 1950, 14 years later, they totalled £144,335,792.

The report and accounts were adopted.

CALEDONIAN INSURANCE COMPANY

ANOTHER SUCCESSFUL YEAR

The one hundred and forty-sixth annual general meeting of this company was held, on May 10th, in Edinburgh.

The chairman, Mr J. F. Carnegie, C.A., in moving the adoption of the report, said:—
Net new business for the year was £2,312,830 and showed an increase of £32,792 over the figures for the previous year. Deferred annuities for £73,900 per annum were issued, as compared with £70,768 for 1949.

The premium income increased by £42,532, and our net interest income at £313,274 was greater by £11,673 than the amount obtained in 1949.

Our mortality experience for the year was again favourable and death claims for 1950 amounted to £244,562, as compared with £275,016 for the previous year. Surrenders at £86,643 showed an increase of £17,186 over the figure for 1949.

The ratio of commission and expenses to premium income was 16.06 per cent. and showed an improvement over the ratio of 16.45 per cent. for 1949.

The life assurance and annuity fund at £10,067,482 increased by £214,087 during the year.

The year 1950 was the last of another triennium. The rates of reversionary bonus declared for the three years ended December 31, 1950, were 32s. per cent. per annum and 30s. per cent. per annum calculated on the sum assured for ordinary participating whole life and endowment assurances respectively. At our last triennial valuation the corresponding rates of bonus declared were 25s. per cent. per annum and 24s. per cent. per annum. Reversionary bonuses have also been declared in respect of all other classes of participating policies. The valuation basis, already strong, has been strengthened further by the creation of additional reserves, and our valuation is stronger than that required if all our assurances had been valued at a rate of interest of 2½ per cent. per annum. During the triennium the average net yield on our funds was £3 3s. 3d. per cent.

FIRE DEPARTMENT

The premium income for 1950 was £3,018,885—almost £1,000,000 in excess of the figure for 1949, which itself was a record for the department. It should be noted, however, that the greater part of the increase was attributable to the devaluation of sterling.

We have decided to revert to our former practice of carrying in the fire insurance fund a provision for unexpired risks in addition to the usual forty per cent. of premium income and have transferred back from general reserve the sum of £500,000, which was placed there in 1942. We also have transferred from the appropriation account the sum of £250,000 to strengthen further this additional provision.

Our fire underwriting at home and overseas other than the United States was very successful, and the sum of £245,375 transferred to the profit and loss account exceeded last year's record figure.

ACCIDENT DEPARTMENT

The premium income for the year at £2,291,522 was again a record for the department. From this department the sum of £51,258 was transferred to the profit and loss account.

MARINE DEPARTMENT

The account is satisfactory, and a sum of £70,000 was transferred to the profit and loss

account leaving the fund at £826,775, which is 209.2 per cent. of the premium income compared with 205.9 per cent. for the previous year.

TOTAL PREMIUM INCOME

The total premium income for all departments for 1950 was £6,569,063 which, quite apart from the increase due to the alterations in the dollar exchange rates to the United States and Canada, indicates continued development of our business.

ROYAL INSURANCE COMPANY LIMITED

105TH ANNUAL REPORT

ANOTHER SUCCESSFUL YEAR

PREMIUM INCOME OVER £35,600,000

STRONG RESERVE POSITION

COL. A. C. TOD'S SURVEY

The annual general meeting of the Royal Insurance Company Limited will be held on May 30th in Liverpool.

The following statement by the chairman (Colonel A. C. Tod, C.B.E., T.D., D.L.) has been sent to stockholders with the one hundredth and fifth annual report and accounts.

Our figures for the year 1950 reflect something of the surge of inflation but something, too, of the high level of industrial activity. Both factors have contributed to the attainment of new high records in our premium income and in our new life business.

Fire, accident and marine premiums show an aggregate increase of £2,000,000 over the previous year, and, at £35,697,000, establish a record.

Claims in the fire and accident departments were considerably heavier than in the previous year.

The fire, accident and marine profit amounts to £2,588,000, or 7.25 per cent. of the premiums. Except for the record year of 1949, this profit is the highest in the company's history.

In the light of present-day costs, our general expenses at 15.56 per cent. of the premiums, demonstrate the economy with which our service—a detailed, personal and expert service—is administered.

BACKGROUND TO OPERATIONS IN 1950

The year will be remembered as a year of happenings leading to large claims. In the United States of America there were hurricanes in May and October and a tragic explosion at South Amboy, New Jersey, in the spring, all of which resulted in substantial claims upon insurers. In November came the severe storm which ravaged the North-Eastern States of America. It cost the insurance industry some \$150 million, and involved our own group of companies in more than seventy thousand individual claims.

In Canada, too, there were the Rimouski and Cabano conflagrations and the Winnipeg floods.

It must be remembered that the basic service of an insurance company is to pay the claims of its policyholders, and occurrences such as these provide an opportunity to demonstrate spectacularly the value of the protection and service we continuously provide to the public. It says much for the inherent quality of our business that, notwithstanding these quite unusual and severe claims, we have been able to show such a satisfactory result in the fire department upon which such claims have mainly fallen.

PROFIT AND LOSS AND APPROPRIATION ACCOUNTS

The amount of interest, dividends and rents (less tax) not carried to other accounts was £103,849.

The balance for the year transferred to the appropriation account was £230,943 after providing for taxation.

The directors are pleased to be able to recommend an increase in the dividend from 3s. to 3s. 6d. per share, and an allocation of £30,000 to the staff pension fund.

The report and accounts were adopted.

Another characteristic of 1950 was the marked increase in motor claims. Both in this country and abroad there was a sharp rise in the incidence of claims, accompanied by a further rise in the average cost per claim. As you know, adjustments have already been made in motor premium rates at home; and in the United States and other places abroad, special and energetic steps have been taken to adjust the rate levels in keeping with current experience. We hope to see an improvement this year, but obviously it will take some time before the effect of the increased rates is fully felt.

OVERSEAS BUSINESS

In the United States of America, our premium income achieved record dimensions. The over-all underwriting profit was very satisfactory, although the casualty business did not contribute on this occasion, largely because of the difficulties attendant upon the underwriting of automobile business.

In Canada, our premium income has never been higher, and satisfactory underwriting profits resulted, although, here again, automobile business did not contribute its quota.

Our business in Australia continues to show considerable expansion, and, whilst claims were somewhat higher than last year, results were nevertheless good.

Premiums in New Zealand also showed an increase, and there was a satisfactory profit.

In South America, South Africa, India, Pakistan, Europe, and indeed in our overseas territories generally, our business continued to progress, the year closing with satisfactory figures and with good auguries for the future.

Only in China is the story the reverse from pleasing, in that adverse conditions have impelled us to decide on withdrawal after over one hundred years of business there, a development I foreshadowed last year.

LIFE DEPARTMENT

Year	1950	1949
New sums assured	9,240,613	8,291,264
New annuities (per annum)	308,178	206,263
Claims by death	1,009,743	883,375
Maturing endowment assurances	1,278,721	1,260,745

The expansion in new life business is to some extent a natural result of rising price levels, but that is not the complete story in that the demand for life cover continues to grow.

The mortality experience has continued favourable, and, with improved investment yields, we found it possible, as from the beginning of this year, to reduce our premium rates for new policies under the

Whole Life and Endowment Assurance tables.

FIRE DEPARTMENT

Year	1950	1949
Net premiums	16,916,294	16,235,608
Profit	1,856,308	1,846,931
Percentage of premiums	10.97	11.36

Our Home Fire business has been well maintained; premiums have continued to increase; and results have been favourable. This important section is always remarkable for its steadiness. It is perhaps all the more necessary to remind you of the vital function it performs in providing the security so very essential to the well-ordered conduct of our national trade and industry.

ACCIDENT DEPARTMENT

Year	1950	1949
Net premiums	15,453,602	14,284,369
Profit	351,159	853,475
Percentage of premiums	2.27	5.97

Our Accident premiums show further expansion, but results are not so good as last year, largely due to unfavourable experience in the motor section. Claims costs in many sections of our accident business—burglary, third party, employers' liability, to name the more important—are all showing a tendency to increase, and the trend needs constant vigilance.

MARINE DEPARTMENT

Year	1950	1949
Net premiums	3,327,386	3,176,741
Fund as at December 31st	6,743,203	6,585,318

Our 1949 Marine underwriting has resulted in a profit of £380,823 after providing for future claims on this account. Full provision has been made for the increasing cost of ship repairs due to high prices of raw materials and rising wage levels. It seems inevitable that this trend will become even more marked because of the demands of rearmament.

PROFIT AND LOSS ACCOUNT

In the light of the increased incidence of profits tax, we are now charging interest with its quota of profits tax as well as income tax, and after this deduction, net interest amounts to £1,671,000. The profits transferred from underwriting accounts, already referred to, aggregated £2,588,000.

The only other item calling for particular reference is the transfer of £1,000,000 to the general reserve, thereby increasing the latter to £3,000,000. Having regard to the development of our business since the general reserve was built up to £2,000,000, this is considered a wise and prudent step.

After providing for the final dividend and other specified outgoings, a balance of £4,531,000 is carried forward, an increase of £276,000.

FOREIGN EXCHANGE

Apart from the United States and Canada, currency figures have been converted at approximately current rates of exchange. In dealing with our business in the United States and Canada, we have continued to convert the dollars at approximately \$4.86=£1. Actual remittances, however, from all countries have been taken at the sterling values realised.

DIVIDEND

In my statement last year, I indicated that it was hoped to recommend an increase in the dividend as soon as conditions allowed. The directors have now felt justified in recommending an increase of 1s. per £1 stock in the final dividend, making 8s. 6d. for the year.

COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

RESULTS AGAIN VERY SATISFACTORY

LT.-COL. JOHN LESLIE'S REVIEW

The annual general meeting of the Commercial Union Assurance Company, Limited, will be held on May 28th at the head office of the company, 24, Cornhill, London, E.C.

The following is an extract from the review by the chairman, Lt.-Col. John Leslie, D.S.O., M.C., D.L., which has been circulated with the report and accounts:—

Our results for the year 1950 have again been very satisfactory. The margin of profit is below that of 1949 but the results then were more favourable than usual by reason of the absence of major catastrophes.

Owing to the fact that our business is world wide we have naturally borne a share of the several very large losses experienced overseas during 1950, but in relation to the volume of our premium income these lose much of their importance and we are able to take them in our stride without any great effect upon our figures.

FIRE DEPARTMENT

Net premium income, 1950	£18,769,329
Net premium income, 1949	£17,372,933
Increase	£1,396,396

The ratio of claims paid and outstanding was 42.26 per cent., commission absorbed 19.95 per cent. and expenses of management accounted for 22.32 per cent. After adjustment of the reserve for unexpired risks, there was an underwriting profit of £2,345,926, of which £1,500,000 has been transferred to profit and loss account. The fire fund now amounts to £16,745,285, or 89.22 per cent. of the premium income.

LIFE DEPARTMENT

The gross sums assured totalled £17,712,084, compared with £12,687,099 in 1949, and the 1950 figures easily set up a new record in the company's history. The average gross new sum assured of £1,466 compares with £1,152 and £1,109 for the two preceding years.

During the year the life fund increased by £1,782,270 to £41,026,789, and the average rate of interest earned thereon was £3 2s. 3d. per cent. after allowance for income-tax, to be compared with £3 3s. 4d. per cent. net for the previous year. The net premium income in respect of life assurance policies was £3,627,183, being £348,934 in excess of the 1949 figure, and in addition £569,673 was received as single and annual premiums under various types of annuity contract.

Until further notice during the remainder of the current quinquennium, which ends December 31, 1952, death claims and maturities of participating policies will receive interim bonuses at the full rate of bonus declared at the last distribution of profits, namely 32s. 6d. per cent. per annum compound reversionary bonus for new series policies, and reversionary bonuses equivalent to a minimum 26 per cent. per annum cash bonus for policies in the old series which was closed to new entrants on December 31, 1939.

MARINE DEPARTMENT

The claims paid and outstanding, after deduction of reinsurances and salvages, amounted to £1,153,350, and out of the profit of underwriting years now closed the sum of £275,000 has been transferred to profit and loss account. The marine fund

now stands at £3,453,064, or 196.05 per cent. of the premium income.

ACCIDENT DEPARTMENT

Net premium income, 1950	£18,308,511
Net premium income, 1949	£17,165,686
Increase	£1,142,825

The ratio of claims paid and outstanding was 54.66 per cent., commission 17.72 per cent., and expenses of management 17.81 per cent. The underwriting surplus was £1,795,565 and, after adjustment of the reserve for unexpired risks, there remained an underwriting profit of £1,338,435 or 7.31 per cent. of the premium income. The sum of £1,000,000 has been transferred to profit and loss account, and the accident fund now amounts to £12,628,824, or 68.98 per cent. of the premium income.

At home the steady expansion of recent years was continued and there was a general increase in our writings in the many classes of accident business transacted. Except in connection with the motor section, there was little change in the factors affecting the business.

PROFIT AND LOSS ACCOUNT

Gross interest, dividends and rents have increased by £297,824 and now amount to £2,140,885. Transfers from departmental accounts amount to £2,775,000, compared with £3,400,000 last year, but in this connection it will be seen in the fire and accident revenue accounts that the additional reserves (beyond the usual 40 per cent. for unexpired risks) have in both cases advanced materially. The necessity for reserves of unquestioned strength needs no emphasis.

After providing for taxation fully, on the basis of the current year's profits, there is a balance of £1,112,219 for transfer to the appropriation account. £250,000 is being transferred to the contingencies and taxation reserve, as against £50,000 last year, and as last year £25,000 is written off leasehold properties. This brings me to the question of the dividend. The revenue from interest, dividends and rents, after deducting income-tax thereon, together with the stockholders' share of life profits, now exceeds the net cost of a dividend at last year's rate of 7s. 6d. per £1 stock by a large margin, even after allowance for the amount of profits tax applicable to the interest income and to the dividend distributed. Reserves in the departmental accounts are exceptionally strong and, in addition, there is a general reserve of £5,000,000 and a contingencies and taxation reserve of over £5,000,000.

It is therefore evident that by the strictest canons of prudence the company could afford to increase the rate of dividend. The interim dividend declared in November last was raised from 3s. 6d. to 4s. per £1 stock, but an indication was then given that this course did not necessarily imply any increase in the final dividend. With the full results for the year before them, the directors have concluded that an increase of 6d. in the final dividend, making a total increase for the year of 1s., is amply justified. Accordingly, they recommend that the final dividend be 4s. 6d. per £1 stock which with the interim dividend of 4s. per £1 stock makes a total for the year of 8s. 6d. per £1 stock. These appropriations will leave a balance of £29,656, which raises the carry-forward from £678,888 to £708,544.

BABCOCK AND WILCOX

GRATIFYING RESULTS

HIGHLY SATISFACTORY ORDER BOOK

MR W. LIONEL FRASER'S REVIEW

The fifty-second annual general meeting of Babcock and Wilcox, Limited, will be held on May 31st at the Waldorf Hotel, Aldwych, London, W.C.2.

The following is an extract from the statement by the chairman, Mr W. Lionel Fraser, C.M.G., which has been circulated with the report and accounts for the year ended December 31, 1950:

It is with the deepest regret that I have to record the death of Sir John Greenly on December 31, 1950. Under his guidance your company made great progress, and the example which he set will remain an inspiration to those who may be called upon to carry on his affairs.

On January 9, 1951, Sir Archibald McKinsty expressed his desire to retire from membership of the board, as he felt it necessary to reduce his business commitments. Your directors desire to record their feelings of sincere gratitude for the devoted manner in which he served your company at all times, and they wish him a long and happy period in which to enjoy his retirement.

THE ACCOUNTS

You will observe that, after setting aside the sum of £732,628 for depreciation, providing for U.K. taxation, and making other adjustments, the balance standing to the credit of profit and loss account is £1,639,047. The preference dividends, less tax, required £52,334, and your directors now recommend that a final dividend of 10 per cent., less tax, plus a bonus of 3 per cent., less tax, be paid on the ordinary stock, absorbing £342,360, making 18 per cent. for the year, as compared with 15 per cent. last year.

UNPRECEDENTED OUTPUT INCREASE

The principal reason for the rise in the trading profit is an unprecedented increase in output. Furthermore, the very substantial extensions undertaken at the various works and the development and adoption of new processes, as well as changes in organisation, have not only much enhanced efficiency of production, but have brought about this gratifying result even earlier than had been expected.

I am happy to report that the order book is still highly satisfactory, although with our increased productive capacity the rate of output now slightly exceeds the intake of orders.

EXTENSIONS AND IMPROVEMENTS

Your Board will continue to exert themselves, to the utmost degree to help to satisfy the urgent need for your company's products. This is a national duty. Although encouraged by the progress already made—considerable progress, one can say—your directors will not fail to use all the skill, experience and ability at their disposal to assist in overcoming the present power shortages so painfully prevalent in our country today. Certainly there are heavy tasks ahead—we are not alone in that respect—but I am convinced that with the exercise of energy, courage and enterprise, your company can meet them successfully.

FUTURE PROSPECTS

As to the future, one hesitates to predict, especially as we are at present contending with mounting difficulties in the supply of

raw materials—the common danger besetting industry just now. Even so, we hope that output will again increase in the current year, although we cannot ignore the possibility that the unexpected may happen in these uncertain days. It is of vital importance that production should rise, for this would enable us to offer shorter delivery periods of steam generating plant, which is not only the key to the power shortage at home, but would also help us to meet foreign competition successfully. As you are aware, the export business of your company has always been on a large scale and has proved most valuable in the past in levelling fluctuations in the home market. Needless to say, we are continuing our efforts to stimulate and develop these exports as far as is possible having regard to our home commitments. Coming fresh into the company, I am conscious of the sense of urgency, alertness and responsibility which stimulates the whole organisation and I find this a healthy augury for the future.

RESEARCH AND DEVELOPMENT

Your directors have pursued energetically the policy of expanding our own facilities for research, and they remain convinced that supremacy can be maintained only by steady technical development of our products on the basis of sound scientific knowledge.

SUBSIDIARIES' ACTIVITIES

Your overseas subsidiary and associated companies and branches are all operating satisfactorily.

I am also glad to say that your subsidiary companies at home are all working with excellent effect. Dewrance and Company, Limited, have made good progress with the rebuilding of their works at Southwark, which will undoubtedly keep them to the fore as manufacturers of valves and similar equipment. The achievements of Edwin Danks and Company (Oldbury), Limited, also call for special comment, and of these the "Oldbury Stoker," one of the principal appliances manufactured by them, has proved very successful in the field of efficient fuel utilisation. Bailey Meters and Controls, Limited, have also made a record showing.

Progress, too, has been made by your company in the marine boiler business, and many ships of the Merchant Navy are now operating with modern designs of B. and W. boilers.

BONUS TO EMPLOYEES

I should like on behalf of all stockholders and of my fellow directors to pay a high tribute to all the staff and operatives, men and women, in the company and in the subsidiary companies and branch offices at home and abroad for their devoted and loyal service during the past year. Their contribution towards increased production is mainly responsible for the pleasing account I am able to render you of your company today, in view of which I am sure that stockholders will endorse the granting by your board, as an exceptional measure, of a special bonus of two weeks' pay to all employees of your company. Your directors want employees to regard this bonus as a tangible expression of appreciation of their fine endeavours during the past and previous years.

BLAW KNOX

PROGRESS IN ALL DEPARTMENTS

The annual general meeting of Blaw Knox Limited, was held on May 3rd, in London, Mr J. Theodore Goddard (the chairman) presiding.

The following are extracts from the chairman's circulated statement:

The net profit for the year which, after providing for taxation and liabilities of every kind, is £142,334, an increase of £32,352 over the previous year.

The past year has been marked by highly satisfactory progress in all departments of the company's business. There has been steady improvement in production, deliveries have been sustained at a high level, and the state of our order book is satisfactory.

I am happy to inform you that the new developments referred to in my previous statement are prospering. It has become necessary to expand production and increase our facilities by the installation of new plant and machinery. Subject to our receiving permission of the Authorities, it is the intention of your board to extend workshop space at our works, and we have accordingly appropriated from our surplus, £100,000 to development reserve. In addition £150,000 has been appropriated to general reserve.

Our overseas interests continue to expand and we now have trading connections with forty countries. Shipments to hard-currency countries are encouraging. The company's Transmission Tower business continues to flourish and is contributing significantly to the fulfilment of large power development schemes throughout the world. It is noteworthy that the company has been successful in obtaining a substantial contract for Transmission Towers for shipment to Canada.

Important contracts are in hand for the supply of special concrete mixing and batching plants for the construction of dams in Scotland, Australia, India and Switzerland.

Our steelworks department is also doing well and it is worthy of note that Blaw Knox open hearth equipment has been selected for the major steelworks expansion schemes that have been undertaken in recent years in this country and abroad.

CONSIDERABLE DEMAND

Currently, the demand for the company's products is considerable and I am confident that progress in the affairs of the company will continue to be maintained.

Times are difficult and although I survey the future with quiet optimism we are dependent upon the availability of supplies of materials used for the manufacture of its products. The supply position is one which your board has constantly under review and every effort is being made to avoid slowing down production due to this cause.

Attention is drawn to a new item included on the liabilities side of the balance sheet, viz., tax equalisation reserve. It has been thought advisable not to take into credit during the fiscal year in which it is allowed the tax on the initial allowances made by the revenue under the Income Tax Act 1945 in respect of new purchases of plant and machinery but to spread these allowances evenly over the useful life of the equipment.

Referring to the recommendations made by your directors on March 2, 1951, the bonus shares issued rank for the final dividend of 20 per cent. which your directors now recommend in their report, and I feel that the effort made to rectify in some measure the disparity which existed between the nominal capital and the capital employed in the business, was fully justified.

The report was adopted.

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS

RECORD OUTPUTS AND DELIVERIES PRODUCE RECORD PROFITS MR GEORGE EARLE ON THE OUTLOOK

The annual general meeting of The Associated Portland Cement Manufacturers, Limited, will be held in London on May 31st.

The following are extracts from the report of the directors to be submitted thereat:—

The consolidated net profit of the group, after providing £1,414,093 (1949—£1,227,976) for depreciation and a transfer of £815,000 (1949—£690,000) to plant and machinery replacement reserve, amounted to £4,869,840, which compares with £4,148,178 for 1949, an increase of £721,662.

The profit available for distribution was £713,001, which compares with £574,176 for 1949.

PRODUCTION AND DELIVERIES

The total cement production and deliveries showed an increase over the previous year's record figures. Exports, however, declined slightly, mainly owing to shipping difficulties and to the necessity for keeping the home market supplied. In spite of an advance in world prices for cement, our export prices were kept steady, it being thought best to adopt a policy of moderation when the profit margin was already considered fair. A feature of our export trade during 1950 was the increased business done with the U.S.A. and Canada.

The home trade profit margin remained low. Owing to increased output the cost of production remained practically unchanged in spite of an increase in the cost of coal, labour and stores. The sale of products other than cement was well maintained.

NEW WORK AND DEVELOPMENTS AT HOME

The new works of our subsidiary company, Light Expanded Clay Aggregates, Limited, is now almost completed and it is expected that production will commence in the very near future.

The share capital of Nottinghamshire Gypsum Products, Limited, has recently been acquired. This will assist in safeguarding our supply of gypsum, which is an essential raw material in the manufacture of cement.

The erection of the Central Research Laboratory at Greenhithe is proceeding. When completed all our research activities will be centralised there.

CHAIRMAN'S STATEMENT

The following is an extract from the statement by the chairman, Mr George F. Earle, which accompanied the report and accounts sent to stockholders:—

Our jubilee year was satisfactory. Record outputs and deliveries produced record profits.

In a mass production process, such as the manufacture of cement, full output is of the greatest importance if overheads are to be kept low. Thanks to our being able to do this we are able to sell our cement at a very low price, compared with the high costs of coal, power, and labour which are used in making it. You will find this illustrated in a graph attached to the accounts.

It seems probable that all our works will be kept at full output during this year, and we can look forward with reasonable confidence to satisfactory results. At the time of writing, our production is a little higher than last year, but owing to the weather and shortage of shipping, which was caused largely by the coal importations, deliveries are lower. We are, however, glad to have the larger stocks.

The price of cement, not including packages, is now 87 per cent. higher than prewar, while building materials as a whole show an increase of 130 per cent., and the

cost of manufactured articles, an increase of 126 per cent.

The package position is far from satisfactory. Prewar our bags cost 2s. 6d. per ton of cement—now they cost 17s. 6d. This is almost entirely due to the increased cost of paper, which has gone up from £17 a ton to £132. It is most disappointing that our customers have to pay these prices when they buy cement. It is outside our control, and there seems no likelihood of a drop in prices until the new capacity for pulp production is working.

DIVIDEND POLICY

We have been able to increase our dividend by 1s. per share. This happily coincided with our jubilee year; but your directors felt that the future prospects, which have been considerably helped by the returns from our investments abroad, are such that we ought to be able to maintain this higher rate of dividend in the future.

The higher dividend applies to our profit-sharing schemes—thus everyone in the business is sharing in its prosperity. The figures for this company and its subsidiaries, the British Portland Cement Manufacturers, Limited, and Alpha Cement, Limited, show that our salaries and wages in 1950 amounted to £4,357,000. In addition, our employees received in profit-sharing, pension provisions and other monetary benefits, £675,000—while our ordinary stockholders received, before tax, £1,200,000.

Taxation amounted to £2,475,000. The benefit to the Exchequer of a growing business is shown by the fact that our taxation liabilities in the first year of this company, when the rate of income-tax was 1s. 2d., were about £8,000.

BUSINESS AND POLITICS

It has been practically a tradition that business men take no part in politics, and a very good tradition it was—for, when it was formed, politicians did not interfere with business. They confined their work to producing conditions under which business could prosper, while at the same time, by wise legislation, improving the lot of the working man.

This is no longer the case. Many businesses, including our own, are controlled by the Government, and though we do receive help from our Ministry, especially in dealing with problems which arise owing to the action of other Government Departments, one cannot deny that at times decisions are made which affect business, for political rather than business reasons. Regrettable though it may be, this means that no business man can avoid being mixed up with politics to some extent, and let us all realise that this is so.

To take an example—the prosperity of our country depends on the efficiency of its producers, not only their efficiency today, but in the future, and modern methods of production are essential. Their installation is now extremely expensive, and we are greatly concerned with our crushing taxation which makes it very difficult to build up the funds necessary to replace the out-of-date machinery. The change in the profits tax, with no relief in taxation on undistributed profits, makes the position still more difficult. Government expenditure, for this reason alone, is of great moment to business men. We cannot afford to sit back and say that it is someone else's job to press for economies by our Government. I think that many business men will agree that the Government's policy of "soaking" business and also the senior executives, who receive salaries in line with their responsibilities, is bad economics and bad psychology.

BRITISH OXYGEN COMPANY LIMITED

A RECORD YEAR

The sixty-fifth annual general meeting of The British Oxygen Company Limited was held on May 10th in London.

Mr J. S. Hutchison, the chairman, in the course of his speech, said: I am very pleased to tell you that the year 1950 was a record year at home and overseas. New sales and production totals were achieved, our development programme made excellent progress and there was a substantial improvement in earnings over previous levels.

EARNINGS, DIVIDENDS AND RETAINED PROFITS

The consolidated trading profits are increased by £961,562 at £4,225,584. The allocation for depreciation is increased by £245,596 so that after depreciation the increase in profit is £715,966. Taxation home and overseas, including reserves for taxation on initial allowances, requires the very large sum of £1,749,167, an increase of £458,494 on the preceding year. The profit attributable to outside interests is £166,199, and the net disposable balance of profit for the year of £1,097,998 shows an increase of £192,951. The directors recommend a final dividend of 12 per cent., less income tax, payable on the new total of ordinary stock.

The successful issue of additional shares to ordinary stockholders on favourable terms, and the issue of the £4,000,000 of 3½ per cent. unsecured loan stock 1953-55 at 99½ per cent. in November last, provided the company with total additional resources of £6,408,370. The bank overdraft which had reached a level of approximately £3,000,000 was eliminated and there are substantial funds to meet capital expenditure payments for the next period. The directors regard the issue of the short-dated unsecured loan stock as an appropriate and economical means of balancing out requirements for additional permanent capital. The total of capital reserves, revenue reserves and retained profit is £8,464,583, which is very satisfactory.

PROGRESS OVERSEAS

It is pleasing to be able to record the excellent progress of our associated companies overseas in the past year. There are enormous potentialities for expansion of our business throughout the Commonwealth and we can confidently expect demands there for our products to increase rapidly over the next few years. The Australian company had a particularly good year. In Africa we had increased earnings and excellent progress was made in extending the use of our products and in the completion of our new plants and factories. In India we had a record year with sales and earnings substantially increased and we also fared well in our separate companies in Pakistan and Ceylon.

In Canada our new factory near Toronto will come into operation at an early date. Canada is clearly looking forward to a period of very wide development and we are glad to have the opportunity to offer our service to the rapidly expanding industries there. Our Norwegian company did well and developments are under consideration. Our trading in Egypt expanded and we hope that this improvement may be maintained and increased. Our new company in Hong Kong has made a good start.

New records were established in the United Kingdom last year which place our sales greatly above the peak figures of the war years and these new records indicate a very high level of engineering activity throughout the country. We continue to develop our works, plant and equipment as we have done in past years so that our production capacity will be adequate to meet the highest peaks of industrial demand. Prospects for the current year are good.

The report was adopted.

DOMINION STEEL AND COAL CORPORATION

UNPRECEDENTED DEMAND

The annual meeting of this company was held on May 4th in Montreal.

Mr L. A. Forsyth, the president, in the course of his speech said: Earnings for the year ended December 31, 1950, after provision for taxes, totalled \$4,481,033.99 or \$4.31 per share on the outstanding Common Class "B" shares—a decrease of \$771,029.08 in total earnings and of 74 cents in earnings per share, when compared with those of the year ended December 31, 1949.

This decrease in earnings is largely accounted for by a substantial decline, during the greater part of 1950, in business of the Eastern Can. Company's plant at Trenton, as compared with earnings at other operating units, although radically reduced during the early months of 1950, have, in their total, exceeded those of any corresponding period in the history of the corporation.

Total dividends of \$1.50 per share were declared on the Common Class "B" stock during 1950, consisting of three "regular" quarterly dividends of 25 cents each plus an increased "regular" dividend of 38 cents together with an "extra" of 37 cents per share in the last quarter. Announcement has been made of the establishment of a "regular" annual dividend basis of \$1.50 per share.

INGOT PRODUCTION

Production of ingots at Sydney and at Montreal increased 2.36 per cent. over that of 1949. During the course of my remarks last year, with reference to Wabana ore, I made special reference to the difficulty in securing export orders for iron ore. A programme which had already been undertaken toward the provision of modern and more efficient mining and transportation facilities at our mines, has of necessity been greatly enlarged and is now well under way. Orders have now been placed for the provision and installation of equipment which will enable us to open the shipping season of 1952 prepared to supply the needs of our plant at Sydney and to fulfil our commitments for the sale of ore abroad.

SYDNEY IMPROVEMENT PROGRAMME

During the years 1950 and 1951 capital expenditures, apart from those relating to Wabana and the modernisation of the blooming mill, have been authorised in a total amount of \$5,816,825.23 to purchase and install equipment calculated to improve operations and effect reductions in costs.

We shortly expect to complete and submit to your directors a revised programme which, while based upon the fundamental principle that quality and minimum cost are the primary requirements in the supply of steel, as of any commodity, will respond to the obvious urgency of the immediate future.

CURRENT OUTLOOK

In view of the rather remarkable and rapid change in the trend of commercial events during 1950, to which I have made a previous reference, I find myself today in a situation vastly different from that with which I was confronted when I addressed you somewhat less than twelve months ago.

Today the corporation has on its books orders for its products representing a demand unprecedented in its history. It can be said, I think, that this demand arises in respect of every product which the corporation produces, and that the backlog of orders now in course of execution exceeds, in respect of every product, all previous records. On the face of it, therefore, to say of 1951 that the prospects are excellent, is a form of understatement which I am, I assure you, greatly gratified to employ.

The report was adopted.

BRITISH ENKA LIMITED

CONSIDERABLE EXPANSION IN PRODUCTION

The twenty-sixth annual general meeting of British Enka Limited was held on May 8th in London, Mr A. D. Carmichael, C.B.E. (the chairman), presiding.

The following are extracts from the chairman's circulated statement:

The accounts for the year to December 31, 1950, show a working profit of £941,203, compared with £538,256 for 1949, and the net profit for the year was £300,241, comparing with £152,693 for the previous year. The satisfactory increase in profits in 1950 is the result of a considerable expansion in production and improvements in efficiency following the recent installation and bringing into full production of new additional machinery. The company has spent £2,109,450 on expansion and modernisation of its plant in the past five years.

The directors recommend a dividend of 10 per cent. The dividend recommended is well within a policy of moderation and restraint. It will be remembered that no dividends were paid for the first 20 years of the company's existence, that the nominal capital of the company was reduced by 25 per cent. in 1946 and that new capital was taken up by stockholders at a premium of 20 per cent. in 1946 and 25 per cent. in 1947. The directors have allocated to general reserve the sum of £400,000, part of which is from the profits of the year, and part from over-provision for taxation.

CONSISTENTLY GOOD DEMAND

Production and sales were substantially increased during the year. Progress was made in the modernisation of the plant. Prices of raw materials advanced, and the increases of wood pulp prices were phenomenal. It was no longer possible to meet these continuing increases by greater efficiency and higher production; accordingly the basic prices of our yarn, which had been unchanged since September, 1947, were advanced by a moderate amount in October, 1950, and again in January, 1951. The demand was consistently good for our products throughout the year, both at home and abroad, and we were unable to satisfy all the demands made upon us.

In addition to making high-grade textile yarns, we are the second largest producer in the United Kingdom of rayon yarn for the tyre trade and other industrial purposes. The demand for these types of yarn is strong and expanding.

With regard to the future, the relatively cheap price of rayon yarn creates greater openings than ever. Our present main anxiety is raw material supply, particularly pulp and sulphur derivatives.

It is appropriate to mention that early in 1951, the U.S.A. authorities reduced their exports of sulphur to the United Kingdom. The deliveries of derivatives of sulphur, which we purchase from British chemical manufacturers, were cut at a few days' notice. This compelled a reduction in the production of rayon yarn. By various means we have since been able to regain part of this cut in production, but the expansion which we had planned for 1951 is held up. We have entered into discussions with other large users and with I.C.I. regarding a joint scheme for the production of sulphuric acid from anhydrite, which is indigenous.

Sulphur is a vital raw material, not only for the rayon industry but for the whole economy of the United Kingdom. We hope, therefore, the British Government will be successful in persuading the Government of the United States of America to release the relatively small quantities of sulphur necessary to maintain vital industrial production in the United Kingdom.

The report was unanimously adopted.

ARMY AND NAVY STORES, LIMITED

The seventy-ninth annual general meeting of the Army and Navy Stores, Limited, was held on May 4th in London.

Maj.-General Guy P. Dawnay, C.B., C.M.G., D.S.O., M.V.O., the chairman, in the course of his speech, said: The year to which these accounts refer began badly from a trading point of view, and sales during the first six months, as in most other stores, were considerably below average. In the latter half of the year, however, a great improvement took place, with the result that the total sales for the year show an increase over those for 1949-50.

The net profit, after taxation, together with the balance brought forward from the last balance sheet amounts to £177,941, to which must be added the sum of £50,000 provision for taxation no longer required. It is proposed to pay a dividend of 10 per cent. with a bonus of 5 per cent. which will now incur the new rate of income-tax at 9s. 6d. in the £.

In recent years we have gone some way towards meeting the new requirements of the times.

The organisation and space which we have can lend themselves to considerably increased sales without a corresponding increase in expenditure. A co-ordinated plan has been drawn up covering the many aspects of the problem, and within the last twelve months visible signs have begun to make their appearance.

I do not feel inclined to say much, one way or the other, about the future course of the business, except that the less the interference to which we are subjected by authority, the better our prospects will undoubtedly be.

The report was adopted.

COTTON PLANTATIONS

OUTLOOK IN SWAZILAND

The annual general meeting of Cotton Plantations, Limited, was held on May 7th in London.

Mr P. D. Krollik, the chairman, said: The directors have had an increasing number of inquiries regarding the company's properties, and Mr E. M. Geatinge, a member of your board, is now in Swaziland to report on the position.

I regret to have to tell you that our manager in Swaziland, Mr MacSeveney, died suddenly of heart failure on March 2nd. He had been in the company's service for over 20 years, and since the outbreak of war had been in charge of the estates, cattle, and buildings, which he had maintained in good condition, in pursuance of the policy of care-taking adopted by the board. I feel sure that shareholders will wish to be associated with the messages of sympathy sent to his widow. Last year we engaged an assistant to Mr MacSeveney, and he is now in course of gathering such crops of cotton and tobacco as may be ready.

The comparatively better showing of the profit and loss account is due to the successful tobacco crop. The value of our investments at today's prices shows a substantial recovery on the figure mentioned in the report.

General.—In Swaziland there is nothing further to report on railway construction: investigation into irrigation within the territory continues. In his report on Colonial Development Corporation activity Lord Reith comments favourably on their Swaziland properties and developments.

I would remind you that we own just over 15,000 acres of land, freehold and unencumbered, and that we have no debt; the estates are situated either side of the Ingwavumu River, at Nsoko, Swaziland, 20 miles by motor-bus from the Union border at Gollie station, on the Durban line.

The report was adopted.

NOTICES

CITY OF BLOEMFONTEIN

FOUR PER CENT INSCRIBED STOCK 1954

CITY OF JOHANNESBURG

THREE AND A HALF PER CENT INSCRIBED STOCK 1955/56

CITY OF PRETORIA

THREE AND A HALF PER CENT INSCRIBED STOCK 1955/56

NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for interest due July 1, 1951, the Balances of the Several Accounts in the above-mentioned stocks will be struck on the night of June 1st next, and that on and after June 2nd the stocks will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
(London Registrars of the above stocks),
G. A. D. HARRISON, Manager.

Circus Place, London Wall, E.C.2.
May 5, 1951.

CITY OF BLOEMFONTEIN

FIVE PER CENT INSCRIBED STOCK 1960

NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for interest due June 30th next, the Balances of the Several Accounts in the above-mentioned stock will be struck on the night of May 31st, and that on and after June 1st, the stock will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
(London Registrars of the above stock),
G. A. D. HARRISON, Manager.

Circus Place, London Wall, E.C.2.
May 5, 1951.

UNIVERSITY OF SYDNEY, AUSTRALIA

Applications are invited for the position of SENIOR LECTURER IN MODERN HISTORY.

The salary will be within the range £1,050 to £1,300 (Australian) per annum, plus cost-of-living adjustment (at present £70 males, £55 females), with annual increments of £50. The salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to qualifications and experience. The successful applicant will be required to commence duties as early as practicable.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications is June 9, 1951.

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INFORMATION Bulletins, Journals of Societies or Institutions: editing, design, layout and finalisation of text for printer. Moderate fees. Inquiries from Embassies, literary, social and industrial bodies.—Box 611.

THIS advertisement, inserted by a well-known firm of Mechanical and Hydraulic Engineers, need only be answered by young men of good education, in their early twenties, who are intelligent, enthusiastic, and who have the ability to sell, allied to some general engineering knowledge and to whom interesting and remunerative careers as Technical Sales Representatives appeal. A thorough training will be given, after which those successful will have their appointments confirmed. There are three vacancies, and applicants should write fully, giving us a clear picture of their background, and their reasons for believing they would be successful, addressing their letters to "General Sales Manager," Box 643.

I.L.O. invites applications from men and women of British nationality aged from 30 to 45 years on May 31, 1951, for a post of Member of Division in the Manpower Division of the International Labour Office, Geneva, Switzerland. Qualifications required:—1. Knowledge and direct experience of vocational rehabilitation work. 2. Mother tongue English. 3. Working knowledge of French. 4. Some knowledge of Spanish desirable. Closing date for applications is May 31, 1951. On application with stamped, addressed foolscap envelope, further particulars and candidature forms may be obtained from the International Labour Office, 38-39, Parliament Street, London, S.W.1.

APPLICATIONS invited for post of Information Officer in Information Department, Office of High Commissioner for Pakistan. Post carries salary of £45 p.m. Duties include press research, writing articles and feature stories, etc. Applications should reach Establishment Officer, 35 Lowndes Square, S.W.1, by May 15th, stating particulars of academic qualifications, actual experience journalistic work and giving two references. Copies of published books, pamphlets, brochures, press articles, etc., should be enclosed with application if possible. These will be returned if so required.

MAJOR Oil Company invites applications from graduates in economics, aged between 25 and 30, with at least second class honours and some business experience. Successful applicant will be required to take charge of a section dealing with general market information.—Write, stating experience and salary required, to Box 639.

NATIONAL organisation has a vacancy for an Education Officer in Southern England. Preference will be given to a University graduate aged 30-40 and some press or publicity experience would be an advantage. Starting salary £700-£900, according to age and experience.—Please state policies when applying to Box 638.

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THE UNIVERSITY OF MANCHESTER

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UNIVERSITY COLLEGE OF HULL

Applications are invited for the Headship of the Department of Social Studies on the scale £1,300 x £50—£1,500 per annum, with superannuation benefits under the F.S.S.U. and children's allowances. Particulars may be obtained from the Registrar, to whom eight copies of the application should be sent, not later than May 31, 1951.

SUEZ CANAL COMPANY

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders will be held at the "Salle d'Iéna," 10 Avenue d'Iéna, Paris, on Tuesday, June 12, 1951, at 2.30 p.m.

Holders of not less than 25 shares who are desirous of being present or represented at the meeting must prove at the Head Office of the Company, 1 rue d'Assolvi, Paris, before 2.30 p.m. on Thursday, June 7, 1951, that they have deposited their shares with the Company or with any of the Company's appointed Agents. Shares may be deposited in London with Messrs N. M. Rothschild and Sons, who will in due course deliver a card of admission for the meeting.

Le Directeur Général,
MICHEL HOMOLLE.

AVELING-BARFORD, LIMITED

Notice is hereby given that the following Resolutions were passed at a meeting of the Board of Directors of the above Company, held May 1, 1951:—

"That dividends be paid on July 1, 1951, on the £250,000 5½ per cent Cumulative Preference Stock at the rate of 5½ per cent per annum for the six months from January 1, 1951, to June 30, 1951, and that the 5½ per cent Cumulative Preference Stock Transfer Books of the Company be closed from June 11 to 25, 1951, both days inclusive."

"That dividends be paid on June 1, 1951, on the £500,000 5 per cent Second Cumulative Preference Stock at the rate of 5 per cent per annum for the period from January 1, 1951, to June 30, 1951, and that the 5 per cent Second Cumulative Preference Stock Transfer Books of the Company be closed from June 11 to 25, 1951, both days inclusive."

By Order of the Board.

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H. C. RYAN, Secretary.

EXPERIENCED Secretary, expert Shorthand-Typist, knowledge of wholesale and retail wine trades; sales; building trade; car-driver. Free-lance or permanent work sought where these qualifications would weigh.—Box 640.

REQUIRED by Chief Chemist of large chemical manufacturers in Lancashire, TECHNICAL SECRETARY to supervise the administration of laboratories. Applicants should preferably have a Science Degree, although previous experience in a similar capacity might be acceptable. Good shorthand and typing speeds and previous experience of office administration essential. Salary around £500 per annum according to qualifications, etc., age preferably over 30, but a younger person with the requisite experience would be considered.—Box 633.

AN International Company manufacturing fine pharmaceuticals has vacancies for one or two first-class propagandists. These will be senior appointments and only experienced applicants with proved success in the field of medical propaganda will be considered. The Company's present employees have been notified of these vacancies. Applications will be treated in strictest confidence and should be made in writing to Box 630.

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Outlook Uncertain

THE spirits of the Labour Party are gently on the rise after their deep depression of the early months of the year. The peril of the Bevan secession, which had been threatening for some time, has been surmounted without bringing defeat in the House of Commons any nearer. With only two more months of the session to go, the safe harbour of the long vacation is coming into sight. The municipal elections, though they were hardly satisfactory to Labour, certainly did not, except in one or two places, show that sweeping overturn of votes that the Tories were hoping for. And now the latest Gallup Poll—which politicians watch the more closely the more they deride it—shows a fairly sharp recovery in the party's popularity with the electorate, not enough, indeed, to bring Labour anywhere near the Tories, but enough to revive hopes of at least being able to make a fight of it.

It is interesting to speculate on the causes of this little recovery. There is a certain seasonal tendency to think better of the Government—of any government—in spring, when the rigours of the winter are past; though if spring weather plays any part in it, this is hardly the year when the phenomenon could be expected to appear very strongly. Possibly the two-point rise is the public's tribute to Mr Gaitskell's honesty and to his courage in outfacing the party ogre. Let us hope so; for there is need of as many proofs as can be collected that honesty and courage pay political dividends.

But whatever the cause, the effect of this political ripple will inevitably be to plunge the political outlook back into uncertainty. For some time past, it has been taken for certain—in both parties—that there would be a Conservative government in office before very long. Now it is distinctly less certain that it will be soon; and perhaps a little less certain that it will happen at all. It is now generally accepted that there will be no summer election; and when it is analysed, the almost universal assumption that Parliament will be dissolved in the autumn rests on no very sure foundation—certainly no surer, for example, than the no less universal assumption on February 24, 1950, that another election would follow later in that year.

Only the Prime Minister can advise a dissolution; and he will do so for one of only two reasons: either because he wants to or because he cannot help himself. Each of these motives further sub-divides into two. He may be compelled to dissolve because his party splits and will not support him in the House of Commons. But the Bevan incident has demonstrated that, in the Labour Party, the sin of voting the party out of office is so mortal that not even fallen archangels will commit it. Or a dissolution may be forced if the Government's majority is worn away by the slow attrition of by-elections. It is true that one or two unfavourable by-elections would be enough to do the trick and that any Labour seat held by less than 5,000 must be considered to be in danger. But if the law of averages is to present the Tories with as many as two such opportunities before the autumn,

it will have to work very much more in their favour than it has done so far. It seems highly probable that Mr Attlee will be able to keep his microscopic majority on all save accidental occasions at least through the rest of 1951—and accidental occasions, just because they are accidental and can be deliberately reversed, can be ignored by any Cabinet that wants to stay in office. Snap divisions, though they may annoy, will not put the Government out unless it wants to go.

A Prime Minister may wish to dissolve either because he thinks he can improve his party's position by so doing or because he becomes so oppressed by the cares of office that he prefers to put the Opposition in. It is unlikely that the Labour Party strategists will see an opportunity of winning an election yet awhile. All that the recent recovery means is that, in an election held now, Labour would not be beaten quite so badly as seemed likely in March. So long as defeat seems probable, be the margin large or small, the course dictated by loyalty to the party will always be to hang on a little longer in the hope that some miracle will occur. There are some sound judges who, observing the outward signs of the very heavy strain

under which the leading members of the Government are living, believe that before long they will be praying for a good excuse to put themselves out of their misery. But this also was said fifteen months ago. For the whole of that fifteen months, all the experts have been sure that the election was only a few months off; and it is possible for them to continue in that belief for quite a long time yet.

Prophecy is hazardous and anything may happen. But it would be foolish to count with any assurance on a change of government in this country this year.

This is the conclusion to which assessment of the probabilities leads. But it is a disgraceful conclusion none the less. This journal, as its readers know, is not an advocate for any party and we should want an election no less if the roles were reversed. Our interest is in good government, and paralysed government must be shockingly bad government. For a Cabinet so exhausted in person, so barren in policy and so bankrupt in credit to cling to office for so long is an affront to political decency which deserves to be (and in all probability will be) punished by the electors.

Twelve in Search of a Plan

IF it were not for the suspicion—or hope—that the contortions of the North Atlantic Treaty Organisation over the last year were symptoms of growing pains in a new body politic for the western world, busy people would long ago have lost interest in them. As it is, many have lost patience with the procession of initials and the serried ranks of committees; they have put their faith in General Eisenhower and hope for the best. That is why, presumably, through all the altercation about raw materials and the "unplanned scramble" for guns as well as butter, hardly a word has been said about the role and responsibility of Nato. Yet, in theory at any rate, it should have been giving by now at least a passable imitation of "planning": ensuring fair shares of aid for all members, allocating production where it can be most efficiently done, substituting co-operation between allies for rivalry, and seeing to it that the Nato rearmament plan does not destroy much that the Marshall Plan has achieved. That at least was the theory; some body would do with the economic difficulties of organising Western Europe's defence what the Supreme Commander is doing with the military problems: create a team spirit to handle common resources for the benefit of all. The reality has been very different.

The time may yet come when many Europeans will thank providence that the Americans—and later the British—set about rearmament in their own fashion and at their own pace, without waiting for all the Atlantic partners to argue, agree and then advance in a perfectly dressed line. But at the moment the Europeans are exasperated with the confusion they have experienced and helped to cause. After a year's talk they see a sea of troubles rolling down on them: rising prices; a raw materials boom caused by the attack on South Korea; inflation which makes them recast the finances of their rearmament programmes once a month; a threatening strain on social fabrics which are already too precarious for the liking of politicians. Both privately and publicly they—and, indeed, some British ministers—had believed

that rearmament under Nato might come about without tears; but the shedding of the tears has begun, as it turns out, even before the rearmament. In Holland, for example, one government has fallen because it was reluctant to cut sufficiently deep into its welfare policy to satisfy the Americans of its firmness of purpose. The most recent rearmament proposals from The Hague, suggesting Dutch production of items for the common stock in return for dollar aid, have been turned down by Washington, which objects to being regarded simply as a source of easy dollars. Belgium has been more intent on the defence of its currency than on a programme of effort to defend Europe, as was hinted at in recent remarks of Mr Murphy, the US Ambassador to Brussels. From Rome there come complaints that even the limited measures so far taken have drained off a large slice of the meagre resources available for the rest of the economy. Italian businessmen talk of bankruptcies ahead caused by credit shortage. The final upshot is that in some European countries less than 10 per cent of the orders have been placed for some of the military items agreed on as a rough production schedule for 1950-51. Much of this delay, confusion, misunderstanding and disappointment could have been avoided if there had been an authoritative forum for discussion and decision.

There is now some prospect that these things will be done in a fairer and more tidy manner. Nato has been reorganised, and has set up a central body for economic policy discussion and planning, the new Financial and Economic Board. (To explain how it has replaced four other bodies is to delve into the jungle of the past which is best forgotten; but it is perhaps worth mentioning that it does not replace the Defence Production Board, which is concerned with the actual procurement of munitions, while the new body's field of responsibility is with the total size and with the financial

and economic effects of the rearmament programme.) The Financial and Economic Board (FEB) is to be located in Paris, where it can draw on the experienced personnel of the OEEC and the American ECA, most of them men who made a success of the European Recovery Programme and in the course of three years' work developed a real international loyalty and team spirit.

What can be fairly expected of them, coming as they do a little late on the rearmament scene? The first item on the agenda is an impartial examination by the twelve members of the strains that will be thrown on each nation's economy by its proposed defence effort. Six weeks ago these proposed programmes were supposed to be ready for submission; only the British programme is in fact ready, and the authority of FEB should speed work up. This will immediately involve a study of the effect that American and British rearmament is having on their weaker neighbours. That might lead to some attempt to bring trading and financial policies into line: they might, for instance, have something to say about the coal shortage with which Europe is threatened next winter by the failure of British exports. Lastly, when this work of estimating and comparing has been done, it should be possible for FEB to add up the submitted programmes and place them against the estimated needs presented by the military advisers. If there are deficiencies, its job will be to advise where the extra burden can be best carried and how it is to be financed.

If everything worked as it ideally should, each member of Nato should begin to feel that its special needs and anxieties are the common concern of all, and should cease to regard each ally as a rival for dollars or as a defaulter from real effort. But, it may be asked—as it has already been asked at Strasbourg last week—how can this infant body hope to assert itself in the rushing tide of American rearmament, of British purchasing in Europe and the debates of the international raw materials organisation now working in Washington? Can the wisdom of 12 FEB officials, speaking through one voice, make itself heard at the same table with such world producers as Canada and such eager buyers as the Germans—who are not yet members of Nato? Can they do anything to control the process in which the world powers, the United States and Britain, conduct one rearmament drive while their European partners conduct another? Is Nato to be one team or is it to consist of a first and a second eleven? The answer is that the new FEB can do a lot if it is loyally backed by the Americans and the British.

The significance of this conclusion lies in the fact that the responsibility lies on London as well as on Washington. Much, indeed, depends on whether the Americans decide to take Nato and its new board seriously—which in its turn fundamentally turns, not on what American officials say, but on whether Congress is ready to take the advice of an international body in distributing American assistance. There is no doubt that Congress has a preference for dealing with each beneficiary separately, so that it can keep control. But this prejudice was overcome in the case of the Marshall Plan and could be overcome again. Certainly the multilateral method is the only one that is compatible with the new ideas of Atlantic partnership. The United States is no longer the outside philanthropist, as in the Marshall Plan; it is one of twelve partners each of whom, at least in theory, has the same rights and obligations. Moreover, there is no doubt that in bilateral arrangements the wider effects of rearmament are lost sight of, and that no small nation has much chance of drawing attention to these broader issues when alone confronting the United States.

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But the issue will also turn on the attitude that the British Government adopts. If by its actions it shows that it prefers to deal with Washington direct and regards Nato chiefly as a device for satisfying other nations, then its chances of ever being anything more will be much diminished. But if London makes a real effort to breathe life into the new machinery and makes it the channel by which its case is stated to Washington, then a powerful argument will be added in Washington to those who advocate the multilateral approach.

Whitehall has an instinctive preference for the direct approach to Washington, based partly on a real belief (for which there is much justification) that more can be achieved more quickly between two parties who speak the same language than in an international committee, and partly on a slightly neurotic insistence that Britain still has the dignity of a great power to protect. Even on a calculation of short-run advantage, however, it is doubtful whether Whitehall's dislike of the multilateral approach is justified. In the Marshall Plan, for example, Britain was formally only one of the many beneficiary members, and no disasters resulted. Indeed, it can be argued that more American aid was forthcoming, and for a longer period, than could have been secured by any strictly bilateral application. Certainly that is likely to be the case in the future, for any specifically British

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ication for military aid from America is likely to be nble on the obstacle of Britain's dollar reserves. a common European negotiation with the Americans for a Nato pool of dollars, to be shared out on the principle of "to each according to his contribution to common defence," Britain would appear as the most zealous and powerful, if not as the most exposed, contributor and would receive a generous share.

The arguments of short-term self-interest are therefore strong. But there is a far stronger argument still. The British Government has consistently argued, in opposition to the European federalists, that it preferred arrangements between governments, and that it was more interested in links across the oceans than in links across the English Channel. Nato meets both requirements. Its supreme virtue is that the United States is a member on equal terms with the others. When FEB meets to discuss the balance of North Atlantic rearmament, it will not be the powers of the second class discussing among themselves their joint relation to the giant outside. The American programme and the demands it makes upon

scarce resources will be just as fully open to review there as any other. One may legitimately entertain some doubt about the extent to which the Americans will, in fact, be prepared to submit their actions to international review; but there can be no doubt whatever that it is in the British interest that they should do so to the maximum extent that they can be persuaded to accept.

If there were the quality of imagination in Whitehall of which Mr Bevin could sometimes produce flashes, the British Government would have seized on the conception of Nato and would be pushing its cause with every energy they could command. Not only in the short run, in order to see that Britain gets a fair share of what is now scarce in the western world, but in the wider perspective of building a real North Atlantic community. Nato should be regarded as a great opportunity for constructive statesmanship. Mr Morrison should weigh very carefully the comparative advantages of an exclusive tête-à-tête with Washington against those of leading a western company of which the Atlantic Pact has made the Americans and the Canadians full members.

German Turning Points

MR MORRISON will shortly be leaving to spend a week-end in Germany, for which Mr Bevin unfortunately never found time. Soon afterwards, Mr McCloy, the American High Commissioner, will go to Washington to present to Congress the case for further American aid to Western Germany. And discussions are now in progress between the occupying powers and the German Government about the contractual obligations which are eventually to replace the Occupation Statute. Turning points in Germany are clearly approaching.

A year ago, it seemed a reasonable judgment that Western Germany was firmly on the road to recovery, despite the "crises" which could no doubt be expected to occur and which the Germans could be relied upon to exaggerate. It was possible to feel some confidence that at least the free two-thirds of Germany would be firmly won for the West in the course of time; that its standards of living would continue to rise; and that the occupying powers of the West would be willing gradually to accept Western Germany as an equal partner in the western world and restore its freedom to exercise its own sovereignty, subject only to the two prohibitions that it must not manufacture arms or restore a dictatorship. Korea and its aftermath have brought a sharp change. Materially, the rapid rise in commodity prices has transformed the outlook for the German economy; and the public psychology has reacted no less decisively to the discovery that German manpower and German industries were needed for the defence of Western Europe against Russia. The period during which the Germans were prepared even grudgingly to accept orders from the occupying powers has been brought abruptly to an end. The German economy, which for a time prospered without plans because of the Germans' immense capacity for hard work and their returning confidence in the future, has been shown to have very weak foundations.

It is, perhaps, salutary to recall the immense handicaps under which Western Germany labours. They consist of the artificial division of the country down the middle, the influx of over 9 million refugees, the drastic

reduction of liquid capital brought about by inflation, the enormous destruction wrought by warfare and dismantlement, the seizure of patents and assets abroad, and the imposition of a decentralised and deliberately weak government. It is a formidable list. Yet these material disadvantages are, perhaps in the long run, less severe than their psychological counterparts—hysteria; a tendency to panic; a lack of any firm confidence in money, which the present generation has twice seen lose all its value; an absence of civic responsibility, manifested in tax evasion and corruption; a pervading mood of cynicism, resentment and selfish materialism.

When this is the background, it is small wonder that the foreground, as it shows itself in the policies of the Federal Government, is unsatisfactory. It is now very easy to see the weaknesses of the decentralised system which was imposed on the country by the Americans, the French and the Christian-Democrat Germans, against the protests of the British Government and the German Socialists. Germany has to meet the exigencies of the post-Korean economic situation with a Federal Government which is flouted by individualistic *Land* authorities, with a central bank whose anti-inflationary decisions are interpreted by *Land* banks and *Land* Ministers of Finance according to their local interests. Despite its unplanned and uncontrolled economy, Western Germany is, perhaps, the most over-governed country in the world. With a population of 47½ million, it has eighty ministries; over them are the High Commissions of three different powers. Latterly, a committee of the OEEC has also taken a hand in directing the German economy. It is small wonder that the German citizen, surrounded by this multiplicity of many-voiced authorities, in an occupied, dismembered state which does not command his allegiance or respect, goes his own way on the principle of *saute qui peut*, and the devil take the hindmost. His only loyalties are to himself, to his family and—fortunately for the German economy—to his place of work. In the little Rhineland resort which so hopelessly tries to play the part of a capital city, the Federal

Government ministries and experts half-heartedly sketch out plan after plan for meeting the demands of the High Commission and the OEEC, only to drop them as soon as a rival Minister or a pressure group complains. Lacking a trained democratic civil service, Ministers are forced to rely on inefficient newcomers or, increasingly, on men who have been corrupted by the Nazi system of government by Gauleiter.

Moreover, there is a real doubt whether measures which can be taken in more securely established states would be effective in Germany. Dr Erhard, the Minister of Economics, is sure that it would be dangerous to reintroduce rationing and government "control" of raw materials. The first licence, or ration document, he maintains, would bring back overnight the appalling conditions that prevailed before the Deutschmark was established and controls abolished. He is undoubtedly exaggerating; but those who do not know the psychology of the present-day German should hesitate before they dismiss this line of argument. Rationing may, in strict logic, be a means of avoiding inflation; but in the German mind ration cards are associated with the terrible experience of inflation that has been suffered after two world wars. It would not be difficult to bring about a loss of confidence in the mark, and if it happened, there would be a disastrous fall in output as men simply stopped working. Then, as before June, 1948, no amount of government controls could save the economy. Dr Erhard is, therefore, playing for time, hoping against hope that the world prices of raw materials will drop sufficiently for him to satisfy the trade unions that the cost of living has been stabilised. In the meantime, such controls as exist are exercised by industrialists for their own benefit.

The Federal Minister of Finance, Dr Schaeffer, is in much the same dilemma as his political rival, Dr Erhard. The occupying powers have presented an estimate of occupation costs for 1951-52 for DM6.6 billion or some 6 per cent of the rapidly rising national income. Neither the Government nor the *Bundestag* intends to accept this demand, which is, indeed, probably more than could in practice be spent in a year. But so long as the demand exists, there is little incentive for minor budgetary economies elsewhere and the *Bundestag* has, in fact, been busy passing or preparing a number of measures for increased relief to its own citizens, twelve million of whom are already drawing state aid. Federal Germany has still no budget for the year which began last April and faces the prospect of a deficit amounting to several billions of marks. Dr Schaeffer's modest new taxes have not yet been introduced, no reduction has been made in the over-generous allowances to industry for depreciation and expenses, and the central bank's attempt to reduce and control the flood of bank credit has been very limited in effect.

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In these circumstances, it is far easier to see what Germany needs than to see how the necessary actions are to be put in hand. The two great problems are raw materials and capital. Despite Dr Erhard's fears, some system of controlling the use of scarce materials is obviously necessary. It is, for example, quite wrong that, while in America cobalt is forbidden to the television industry, it should still be bought, with American money, by German luxury industry. A means of allocating raw materials without driving the public to panic will

have to be found. This would be the easier if it were possible to secure an increase in the total supply of materials available. This is, of course, every country's claim, but there are one or two points special to Germany that deserve mention. Foreign intervention has led to a forcing of German coal exports to the point of shortage at home, and, by recommendation of EPU, to a cutting down of imports. The behaviour of the Germans themselves has been largely responsible for the crisis in EPU, but it should be remembered that a country the size of Britain is still operating virtually without any reserves at all and that for Germany, above all other countries, there is no salvation in restriction. It is a truism—for all the British reluctance to accept it—that only by exporting more can Germany hope to live.

For reasons very similar to those that call for control of raw materials, there is also need for control of capital investment. It is generally recognised that capital must be directed into the basic industries if German industry is to take advantage of the recent relaxation of Allied restrictions, and benefit from western rearmament by recapturing export markets. German concerns have hitherto financed their own reconstruction to an astonishing extent. But much more is now needed, and the Germans agree with the OEEC that investment must now be directed—though not by the State. The Federation of Industries has rejected various plans which would have placed this power in the hands of officials, and has put up a scheme of its own to avoid such a development. But in this field, too, nothing practical has yet been done.

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It is, in fact, the political means to do the necessary that are not in sight and some impatience among the occupying powers is not unnatural. Just what the western powers can and will do is quite extraordinarily hard to say. But three guiding lines may perhaps be indicated. First, the time is past when the Germans will obey orders against their will. The most that can now be done is to give them a lead in a direction where their self-interest is apparent. In short, relations between Germany and the western powers are already those between sovereign states; they rest upon negotiation and bargaining leading to a freely accepted agreement. Secondly, it must be taken into account that the German attitude towards defence must necessarily be different from that of the other western nations; though the reluctance is no doubt exaggerated for bargaining reasons, it is genuine enough in essence.

The third and most important point follows from these two. Because the Germans are now effectively in command of their own affairs, and because their experiences and their outlook are basically different from those of other western peoples, it is no good wishing upon them policies that are mere copies of those that have been found effective in America or in Britain. One of the greatest dangers at the moment is the tendency which is found among some Americans to believe that the Germans should be good and to order them to be so. It must be realised that the American conception of "good" has changed bewilderingly since 1945. The Germans may some day understand that its fundamentals remain untouched, and that faith in individual liberty remains at the base of American policy; but all they see now is that they have been told to disarm and to rearm, to destroy their strategic industries and to rebuild

them, to free their economy and to control it, to liberalise their foreign trade and to restrict it, to deflate credit and not to shrink from a degree of inflation for the purpose of defence. If they grasp at all that the changed world situation is the cause of this confusion, their short memories lead them to conclude that President Roosevelt is to blame for handing so much of Europe to Stalin at Yalta.

A clue to the best way of handling the Germans may perhaps be found in the Schuman Plan. It is undeniable that the French have been the most relentless of Germany's western victors, and at the same time enjoy the best relations with them. One reason is that they are

the only western nation which has managed to catch the German imagination—a potent force which the British underestimate. The German attitude towards the Plan makes the sole existing breach in a wall of cynicism, bewilderment, egoism and hostility. It offers them solace to national pride, despite the thorny question of the Saar; it gives them food to appease their hunger for a European order and chances of future material benefits in exchange for some present sacrifices. Moreover, it will not, they feel, drag them into a devastating war with Russia. In short, the Schuman Plan provides a pattern for the sort of policy which might win Germany for the west without permitting it to dominate its neighbours.

A Sporting Nation?

THE British, it has often been said—not least by friendly foreign observers—are a sporting nation. Yet anyone who takes the trouble to pry into the facts of the nation's sporting life might well begin to doubt whether the reputation is deserved. There is, indeed, in this country a great interest in sport; the national psychology is deeply impregnated with the *mores* of the playing fields. But to be a sporting nation surely implies a high degree of active participation in sport. How high this degree is in present-day Britain is a subject on which it is difficult to dogmatise. Compared with the mass of statistics concerning wages, hours of work, expenditure on food and clothing, relatively little is known about leisure habits, and few social investigators have turned their attention to sport.

It is possible, however, by piecing together information from various sources, to see the main pattern of this part of the nation's social life. It would be pleasant to be able to quote statistics on the numerical ratio between spectators and players, but unfortunately all that can be said is that the results of several postwar social surveys seem to show that among the active age-groups of the population approximately twice as many confine themselves to watching as actually take part in any form of sport—and one may guess that the two who only watch do so much more often than the one who sometimes plays. Certainly the crowded arenas and stands at important sporting events are filled to a considerable extent with "armchair" critics of form—if tightly packed crowds of standing spectators can be so described.

A little more light can be shed on the relative popularity of sport and other entertainments. With the help of figures given by a number of sporting organisations it is possible to build up fairly complete estimates of attendances. Figures of the receipts of entertainment duty, published by the Commissioners of Customs and Excise, have been used to calculate total public expenditure on admission to entertainments and sporting events, and allowance has been made for tickets sold at prices below the minimum on which tax is payable, and for expenditure on entertainments which for various reasons are exempt from duty. The figures, which are given in Table I, refer to 1949, which is the latest full year for which detailed tax returns are available.

In round figures, there are 140 million attendances of paying spectators each year at football, cricket, boxing

matches and other games; about 50 million at race meetings of all kinds; and over 1,600 million at cinemas, theatres and all other entertainments, including amateur shows, of which the cinema accounts for 1,400 million. It is true that cinemas and theatres are open every evening, often with more than one showing, while opportunities of playing or watching games are largely restricted to the week-end. Nevertheless, it does not exactly correspond with the picture of a sporting nation to find that for every one who ever plays a game there are two content to sit and watch, while another twenty go to the cinema.

	Total Attendances (millions)	Total Expenditure on Admission (£ million)
Football.....	110	8.5
Cricket.....	5	0.45
Greyhound racing.....	33	3.8
Horse racing.....	6	3.7
Speedway.....	12	1.25
All other sports.....	25	2.5
TOTAL SPORT.....	191	20.2
Cinema.....	1,400	103
Theatre and all other entertainments (250±50).....		35

Note.—The rising cost of living and bad weather caused attendances and receipts for most sports to fall in 1950.

If money spent instead of numbers attending is considered, it is possible to include an estimate for the net national expenditure on gambling on sport—though that is a reinforcement of dubious value for the thesis of a sporting nation. Rough estimates give a total expenditure per head of the population in 1949 of slightly under 8s. for watching sporting events—almost half of which goes on tickets for race meetings; of £2 on cinema-going and of 25s. spent—that is to say, lost, for the total turnover is far higher—on betting. These amounts compare with £10 per head spent on beer and over £15 on tobacco.

It is clear from these figures that there is more entertainment than sport, and that, within sport, spectatorship is far more widespread than sportsmanship. How this came about is an interesting historical speculation. Possibly the picture of an older, happier rural England in which everybody joined in games on the village green is a pure fable, and that the workers whom the nineteenth

century cooped up in crowded industrial towns were not, in respect of opportunities to play games, being deprived of anything their rural ancestors had ever effectively enjoyed. Indeed, it may be that the opposite thesis is true—that it was only the emergence of endowed leisure (in the shape of Saturday afternoon off), which is one of the by-products of industrialism, that made organised and regular sport possible. Be that as it may, in football at least, semi-professional teams playing fixtures in competitions and abiding by a national code of rules began to make their appearance in the second half of the nineteenth century.

The connection between spectatorism and professionalism is not an inevitable one. Indeed, the organisation of sport as a public spectacle presents a bewildering variety of combinations of the amateur and professional elements. Some games, such as hockey, have no professionals at all. Others, such as rugby football, preserve a rigid distinction between the amateur and professional games. In Association football and cricket, amateurs and professionals play in the same teams, but the amateur has almost entirely disappeared from first-class soccer and he is fighting a losing battle in first-class cricket. Yet year by year the biggest crowd of all in London is drawn to a sporting contest that is wholly amateur and free, the University boat race.

Nevertheless there is an inevitable and a growing tendency for spectator sports to become more professional. To play a regular programme of matches, especially if travelling is involved, requires at least a nucleus of professionals. But when the wages of professionals have to be paid, it is necessary to have a good "gate," and to have it often—which, in turn, means a higher proportion of men who can give their whole time to the game. To sustain the "gate," it is necessary to win matches. A recent survey by PEP—significantly entitled "The Football Industry"—clearly indicated the importance to a club's financial stability, and even to the prosperity of the local town, of a high and attractive standard of play in order to maintain the level of attendances. That means expenditure on training, daily practice and the "purchase" of star performers. Sport, by this stage, has come close to being big business.

But, it will be objected, race meetings and sporting events that people will pay to see are only a small part of sport in the aggregate. While a round thousand or so professional footballers draw the crowds to league matches every Saturday for two-thirds of the year, there are probably half a million others playing the game for its own sake. And then there is the great volume of private, or non-team, sports such as golf and tennis. It is these things, surely, not the spectator events, that make Britain a sporting nation.

It may be that a higher proportion of the British population play games, for its own amusement, than of most (though hardly of all) other nations. But the proportion is still very small. To begin with, the "private" sports, golf and tennis, do not greatly affect the mass of the people; they are still, broadly speaking, the preserve of the relatively well to do (except for golf in some parts of Scotland). The volume of team sports that can be played is, of course, a function of the playing fields available. There are four main categories of play-

ing fields. First are those maintained by schools—and this article has tacitly set aside the question of sport in schools; generally speaking school playing fields are not available to other players. Second are the playing fields owned by clubs of all kinds, which are not many in the aggregate, if only because the cost of maintenance imposes such a burden on the members—whether directly in subscriptions or indirectly by such means as bar profits—that only those with a margin of income can afford to join. Third are the playing fields provided by employers; this practice (usually coupled with a subsidy for running expenses) is on the increase, but only the large firm can afford it and it does not affect more than a small proportion of the working population.

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For the great mass of the people who want to play games, the chief recourse is to playing fields provided by, or under the control of, the local authorities, and for this largest constituent of the total it is possible to give some figures. A survey was recently conducted by the National Playing Fields Association and replies were received from local authorities with a total population of 24 million. Some of the results of this survey are shown in Table 2.

TABLE II
PLAYING FACILITIES IN CITIES AND TOWNS WITH POPULATIONS OF OVER 15,000

Type of Playing Facility	Approx. Number of Population per Pitch, Court or Green
Association football.....	6,350
Rugby football.....	75,000
Cricket.....	12,000
Hockey.....	45,500
Tennis (grass).....	9,300
Tennis (hard).....	4,900
Bowls.....	12,500
Running tracks.....	410,000

Cricket and football are best served, but it appears that only two or three in every 1,000 of the urban population of Britain can hope to play football or cricket on a public pitch any Saturday afternoon. Potential players, even if they are confined to the age groups 15 to 35 and entirely exclude women, number about 145 out of every 1,000 of the population, so that a nation of sportsmen could, at best, only play once a year each. But League association football clubs can accommodate one in fifty and cinemas one in ten of the population at any given time.

International comparisons of the availabilities of playing fields are almost impossible to make. It so happens that one of the few available sets of comparative figures relates to the branch of sport that is worst provided for in this country—athletics. In England and Wales, with a population of 44 million, there are only 29 public cinder tracks and 37 private ones. Outside London and the Home Counties there are only 8 public tracks. Sweden with a population of 7,000,000 has 800 public cinder tracks, and Finland has 500, one in every town.

This, no doubt, is a special case. Common observation would suggest that, in general, other countries have even fewer publicly available facilities for team games (though not perhaps for athletics or cycling) than Britain. The Englishman can perhaps claim to be less fully deprived of the possibility of playing games than anyone else. But whether that makes the British a sporting nation must remain a very doubtful matter indeed.

NOTES OF THE WEEK

British Note to Persia

There has been considerable delay in the delivery of the new British Note to Persia and the original stiff draft will be modified in consultation with the United States before presentation to Dr Mossadegh or one of his ministers. This change of tone on the part of the British government coincides with much closer contact between Washington and London on the Persian oil issue than has prevailed hitherto. In short, the Americans have counselled moderation and have been listened to. To what extent they have in return assumed any responsibility for the consequences of "moderation" is much less certain—and is causing some anxiety in London. Mr Acheson, at his press conference on Wednesday, was studiously neutral. But this may have been for public effect, and he did at least make it clear that the American government would not countenance the sending of American technicians to replace British.

The new contacts between Britain and the United States are the only hopeful factor in the situation. In Teheran, security is being precariously maintained since the Prime Minister barricaded himself in the Parliament building, after his quarrel with the fanatical Moslem organisation, Fedayan Islam, whose gunmen lurk around every corner in the Persian capital. This religious terrorist organisation claims that they helped Mossadegh to power and have not received their due reward in full representation on the Petroleum Commission of eleven men appointed "to take over the effects of the late Company." Thus the two right-wing parties are on the point of fighting one another in the streets of the capital while the intentions of the Communist Tudeh party are unknown but menacing and the moderate intelligent Persians are, perhaps wisely, remaining indoors. The problems facing the British Government have greatly increased since Dr Mossadegh sought asylum in the Majlis and it is difficult to see, even if the Persians are willing to negotiate, who could undertake this. It is a grim situation in which the only hope appears to be in delay and the continued maintenance of such law and order as still exists in Teheran.

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Britain and China

During the past few days the British have made three moves to meet the American Administration's point of view on China. On Friday of last week they put a full ban on the shipment of rubber to China, and in the House of Commons Mr Morrison deliberately introduced into his Far Eastern policy speech a statement that "it would be premature to discuss the future of Formosa" until a settlement is reached in Korea. Then, on Monday, in the Additional Measures Committee of the United Nations, Britain consented after weeks of doubt to vote for an American resolution putting an embargo on the shipment of arms and war materials to China. In all three respects the British argue that their action represents a shift in emphasis rather than a change of policy. Rubber shipments had already been restricted, the British point of view had long been that Formosa should form part of a general settlement in the Far East, and there has in fact been a ban on British supplies of war equipment to China since last year. What has happened is that the British Government has now given positive and public expression to attitudes which had previously been rather negative and private.

Unfortunately, while the British have thus been made to budge a little there is still no real alignment between their view and the American. Each Government remains suspicious of the other. Washington thinks the British con-

cessions were made under pressure and denote no real change of heart—which is true enough in that London is still unwilling to do anything that would provoke an extension of the war in the Far East. London is still doubtful where Washington's policy will stand when the dust of the MacArthur incident settles—though the testimony of Generals Marshall and Bradley ought to be sufficiently reassuring about the intentions of the Administration, and it does not seem likely that the opposition will be able to force a major change, though minor concessions will be necessary. So the gap, though it has been narrowed, still remains. Yet if suspicion could be allayed, and if the gloss that each government thinks it necessary to put on its policy for the conciliation of its domestic critics could be removed, it would be found that there is very little real difference between the positions at which the two governments have arrived in the light of events. It would be well worth while making an effort at the highest level to see how much real agreement could be achieved.

Meanwhile, there are two aspects of the problem which need thinking out now. Britain still runs the risk of undoing some of the good done in America this week if it continues to back Communist China for Uno membership; whatever the legalistic arguments, another statement, following Mr Morrison's on Formosa, should now be made putting Britain's support of China's candidature into cold storage. Sir Gladwyn Jebb appeared to do this in a speech in New York this week, but confirmation from London would be welcome. Lastly, having taken the plunge on a public United Nations embargo of arms shipments to China, Britain should do its utmost to ensure that it keeps in step with Washington over the almost inevitable consideration of further measures to be applied. For the cry will assuredly go up sooner or later for a complete suspension of trade with China and then a naval blockade to enforce the suspension—and that will certainly create a new risk of war with Soviet Russia. The best way to prevent this is to work in the closest partnership with the United States that can be contrived.

* * *

Washington Speaks

General Bradley's courteous but firm refusal to divulge the details of confidential discussions between himself and the President has led the US Senate Committee inquiring into General MacArthur's dismissal to suspend its cross-examination until Monday. While the Committee makes up its mind how far it should go in taking risks with the safety of the United States and its allies, the public—and this includes the Kremlin—has an opportunity to digest the testimony so far given.

For Europeans perhaps the most interesting aspect of the hearings is the way in which the Administration has been forced by General MacArthur's challenge to enunciate, haltingly but fully, its own fundamental policy in waging the cold war. As the Administration sees it, the fighting in Korea is merely another but somewhat fiercer instalment of Washington's post-1947 tactics of meeting Russian "guerrilla diplomacy" by what might be called pugnacious stonewalling. It was by similar tactics that the Kremlin was induced to hold its hand both in Greece and in Berlin. This is a policy which the Joint Chiefs of Staff have pursued for two reasons—because they are anxious to avoid a world war and because they do not feel prepared for one.

The second principle of American policy which emerges from the debate is that Russia must be regarded as the heart, brains and sinews of the enemy and that if an open conflict

is forced upon the west, then the bulk of its resources must be launched against that target. Getting embroiled in an all-out struggle with Communist China would, as General Bradley vividly put it, "involve us in the wrong war at the wrong place at the wrong time and with the wrong enemy." A third point is the clear recognition by the Defence as well as the State Department that the United States needs the full support of its allies in Europe and is prepared to give a high priority to the views and vulnerabilities of these partners. Neither General Marshall nor General Bradley has shown any patience with General MacArthur's neo-isolationist thesis that, if the European allies are reluctant to swallow his recipe, the United States should go it alone.

So far in the testimony offered by members of the Administration observers will note two omissions. On the one hand, apart from a passing reference by General Bradley, there has been no clear-cut refutation of General MacArthur's accusation that the European powers have to date provided only token forces in fighting the Chinese Communists. In fact, the number of British Commonwealth and French troops bearing arms throughout the Far East—in Malaya, Hong Kong and Indo-China—is roughly equivalent to the 200,000 American troops engaged on the Korean front. The second omission lies in the absence of any precise statement from the Administration of what it would regard as a satisfactory outcome of the Korean incident. Would it take the line that the military commitments of the United Nations were ended if there were no longer any threat of a further incursion south of the 38th parallel? And if so, how would the American Government deal with the inevitable outcry from General MacArthur's supporters that American lives had been wasted on something less than victory?

* * *

Preferences After Torquay

The results of the Torquay Conference (summarised in a Business Note in *The Economist* last week) are manifestly unsatisfactory to the unbending upholders of imperial preference; they are even more so to those who regard Britain's often-repeated pledge of liberalisation as something more than a pious gesture made under duress. To the imperial autarkists the most disheartening feature is that the whole impetus for reduction has come from the dominions; notably (the unkindest cut of all) from Canada. The margins guaranteed under the Ottawa and other trade agreements—the so-called "contractual preferences"—could only be modified by mutual agreement; these, apart from very minor concessions in Australia and New Zealand, remain intact. The preferences which have been reduced are mostly "non-contractual," part of the "normal structure and operation" of each dominion's tariff, and so modified as the dominion concerned thinks fit. Contractual rights as between Britain and Canada were mutually waived in 1947; and at Torquay Canada profited by this freedom of action to achieve, alone among the dominions, a new trade agreement with the United States.

Yet even if this Canadian defection is taken into account, the edifice of imperial preference was not greatly damaged at Torquay; only 2 per cent of Britain's export trade to the Commonwealth suffers a loss or narrowing of its fiscal advantage. Britain and the dominions other than Canada stood pat on their contractual rights; and the colonies, represented through the United Kingdom delegation, have perforce stood pat too.

Here is, indeed, what may prove the most regrettable feature of Torquay's meagre harvest. The discreet language of the White Paper conceals any divergence of views between London and the various colonial governments. "No concessions," it states, "were offered on colonial tariffs and consequently there were no changes in colonial tariffs." The reader is left to guess by whom, and to whom, concessions might have been (but were not) offered, who was responsible

for striking the complex balance between the conflicting interests of colonial exporters and consumers; of individual colonies, the United Kingdom, and the Commonwealth as a whole; of Commonwealth solidarity and freer world trade; and for deciding that "No Change" was everywhere the best policy. Co-ordination is doubtless necessary. The precarious equilibrium of the sterling area still supplies cogent argument for caution. But the older argument for a sacrosanct preferential system, the argument based on imperial unity, is growing more and more two-edged as colonial self-consciousness increases. Decisions taken over the colonies' heads must not only in fact be in their interest, but must also appear to be so if they are not to lead to trouble.

* * *

Weights and Measures

There is a strong case for a gradual transition to the metric system as recommended last week by the Committee on Weights and Measures Legislation.* Not only does the imperial system put undue strain on powers of memory and calculation but it is not really a system at all. It is a conglomeration of units linked together to form a rough whole; no internationally recognised body, comparable to the International Metric Conference, is responsible for it; and it is not even uniform in the countries which use it. The United States has its own ideas about the ton and the gallon, and defines its yard and pound in terms of the metre and kilogramme—with resulting minute discrepancies which could be important in the precision manufacture of to-day.

A change from the present weights and measures to the metric system would certainly involve great dislocation and confusion, even if, as the committee proposes, it were to take place in concert with the United States and the Commonwealth over a period of twenty years, the Governments setting the timetable trade by trade. It would be very costly, for industry would have to supply itself, not only with measuring equipment but with tools, gauges and so on, to make metric sizes; and during the period of transition it would create a certain competitive disadvantage. The greater part of the evidence taken by the Committee favoured the existing law, whereby, since 1897, both imperial and metric systems have been legal. (It is noteworthy that the use of the metric system has made very little progress since then.)

The President of the Board of Trade has shown less courage than the committee. He has not accepted the proposal even in principle, but he has promised to seek the views of the United States and Commonwealth. He was unnecessarily reserved, too, about the proposal that the Commonwealth yard and pound should be made strictly identical with the American by basing them on the metre and kilogramme, the international prototypes of which are more precisely defined than those of the imperial yard and pound. Sir Hartley saw no objection to most of the other recommendations. This implies, among other things, that the size of "a nip" may soon be no longer left to the publican's discretion; that it will become an offence to give short measure in things beside food, coal, coke, sand and ballast—the only ones at present covered by weights and measures legislation; and that in five years or so the schools will be able to celebrate the disappearance of apothecaries' troy and penny weights, as well as of that bunch of aliases almost unknown outside arithmetic books, the rod, pole or perch.

It remains for another official committee to recommend the decimalisation of the currency, which the Committee on Weights and Measures suggests should precede the transfer to the metric system, and which could probably be done with very much less disturbance than is commonly supposed.

* Cmd. 8219. 3s. 6d.

Full Employment at Strasbourg

The report on full employment presented to the recent session of the Council of Europe at Strasbourg deserves more attention than it has yet received. It could be described as a continuation of the report presented to the United Nations by a group of experts in December, 1949, since it was a declared attempt to apply the principles there enunciated to the more compact European economy. There was some continuity of authorship in Mr Nicholas Kaldor; indeed, the new report, like the old, is definitely on the left in its presuppositions, and it will serve as useful evidence of the development of views among the more moderate socialists of this and other countries (Mr Anthony Crosland, MP, was another of the authors) on the central economic problem of the present age. The new report embodies several distinct advances on the old. There is an effort now to recognise the existence of other causes of mass unemployment as well as the lack of effective monetary demand on which the Keynesians concentrate—though these other causes, once mentioned, are rather waved away. An equal emphasis is now laid, as is only proper, on the risk of inflation and of deflation, and there is at least an attempt to meet the criticism that full employment plus free collective bargaining equals constant inflation (the answer is the rather unhelpful one that free collective bargaining must go).

These are considerable gains; there is an honest endeavour to reconcile the needs of Keynesian theory with the hard facts of political reality. But the new report still leaves the reader who wishes to be a realist as well as an idealist in the dilemma in which the original Uno report of eighteen months ago placed him. On the one hand, far too little thought has been given by governments to how they are to discharge the obligation to maintain full employment that they have all assumed, and it is right and proper that lively minds should be directed to the problem and should point out to governments the way they must go.

*

But on the other hand one cannot help feeling that these confident prescriptions of exactly what should be done and of exactly what will result from doing it are suffused with a degree of optimism that almost amounts to credulity. This appears both in the diagnosis of the problem and in the measures that are suggested to meet it. The Strasbourg report, for example, accepts apparently without question, the view that governments can control the level of employment if they make up their minds to do so. This is based on the belief that "since the war a number of European countries have kept (our italics) unemployment at negligible levels." But they have done nothing of the kind; unemployment has been kept at negligible levels for them by the long continuance of the world wide postwar inflation. Such positive measures as, for example, the British Government has taken have almost all been on the side of restraining this inflation, and there has really been no experience at all to show whether or not a democratic government can, by the new techniques, keep unemployment low when the economic weather turns unfavourable to the attempt. Or again, the report asserts that, while "the complete elimination of unemployment could only be achieved at the cost of creating considerable inflationary pressure," there is no danger in pushing unemployment as low as 2 or 3 per cent. How do they know? It is simply not true to say that there is "no evidence" of the dangers of such high level employment; what the authors mean is that they do not want to accept the evidence.

The same optimism appears in the prescriptions for action. The policy outlined assumes that governments can and will take prompt and effective action when economists—who themselves are assumed to be able to make precise and uncontested diagnoses—tell them to. It assumes that trade unions in democratic countries will accept a "national wages policy." It assumes that governments will accept the judicial

findings of bodies like EPU. It might be a useful test to ask Mr Crosland, who is an honest man, how many of the things the report says governments should do he can really see the Labour Government doing.

Granted that the problem of stabilising employment has got to be solved, does it do good or harm to tell the public that it is nearer to solution than there is, as yet, any warrant for believing? Granted that nobody yet knows whether governments can by any means discharge the obligations they have already accepted, is it right or wrong to invite them to commit themselves to precise methods?

* * *

Staff Talks in Singapore

This week at a staff conference in Singapore senior British, French and American officers have been discussing the technical aspects of South East Asian defence. The main initiative for this conference came from the French, who have long wanted to know how they would stand if the Chinese invaded Vietnam in force. The meeting has had no power to take decisions which are bound by their nature to be largely political, but it has certainly helped to clear the air on a technical level and was indeed overdue. Although for the last two years intermittent defence talks have taken place between the British and French, they have not been on as high a level nor as comprehensive as those this week, and the Americans have never previously been present except as observers. For this conference the French High Commissioner and Commander-in-Chief in Indo-China, General de Lattre de Tassigny, and the commander of the American First Fleet, Admiral Struble—from Hawaii—flew down to Singapore with a small staff of advisers. The Australians and New Zealanders also sent observers.

The two most pressing problems before the conference were the possibilities of co-ordinated action between the three powers if either Indo-China or Siam were to be invaded by the Chinese. Of these the more immediate though not necessarily the most serious was Indo-China. There, the present situation is that General de Lattre has consolidated his victory of last January, when he smashed the Vietminh's all-out drive to capture Hanoi, by beating off their second offensive in March and April. The rainy season, usually a period of stalemate lasting till October, is now beginning, and the Vietminh have acknowledged temporary defeat by issuing orders to abandon mass attacks in favour of guerrilla warfare.

The ultimate chances of a Chinese "volunteer" invasion must be reckoned about even, so long as Peking continues in its present course of blind hostility to the whole non-Communist world. As yet, however, although a force of several thousand Chinese is reliably reported to have crossed the frontier into Indo-China already, there is no immediate sign that the main army in Kwangsi and Yunnan, numbering perhaps 300,000 men, is about to march. General de Lattre can probably now handle the present forces opposing him. But he is holding a front of vital concern to everyone interested in the future of South East Asia, and if Indo-China is openly invaded it would be a serious mistake for Britain and America not to send troops and aircraft to his assistance; inaction would undo much of what has been achieved in Korea. The staff talks in Singapore should have seen to the technical problems and possibilities. It is now up to the governments concerned to prepare public opinion for the facts.

* * *

The Position of Siam

In Siam an impressive façade stands on crumbly foundations. The Prime Minister, Marshal Pibul Songgram, has chosen to base his foreign policy on the United Nations instead of adopting the traditional Siamese custom of playing off one great power against another. This is a courageous

action and one that has so far paid dividends. It has gained American military and economic aid and earned for Siam a good deal of international kudos. In recent months, one after another of the United Nations' subsidiary organisations has set up its eastern headquarters in Bangkok. This has meant an inflow of permanent tourists spending foreign currency, particularly dollars, and, since many of the people of Bangkok regard the United Nations and the United States as much the same thing, has helped to engender a feeling of security.

Although in Bangkok itself there is much talk of Siam being a bastion of democracy in South East Asia, no one outside the country sees Marshal Pibul's rule as anything but a dictatorship—benevolent or repressive according to the point of view. He came to power by a *coup d'état* in November, 1947, and has beaten off several subsequent attempts to unseat him by similar means. For the time being he has committed his own political prestige to alignment with the western powers; in return American military aid serves both to prepare Siam to some extent against minor external aggression and to strengthen the army and police on which the present regime depends.

How far this brittle political framework would stand up to the jolt of a serious change for the worse in the campaign against the Communists in neighbouring Vietnam, is hard to say. Siam is going through a period of great prosperity and a new moneyed class is growing up with a vested political interest in the present form of military government. But there is still a strong opposition group, sympathising with the former leftist ruler, Pridi Panamyong, who was last heard of in Canton and making Communist friends. The western defence chiefs in Singapore will have been bound to consider what action to take if Siam collapses; the safety of Malaya depends, for one thing, on holding the Kra isthmus at a narrow, defensible point with good lateral communications, which in war might mean moving up to 300 miles into a hostile Siam. For the present, however, the defence of Siam itself is a primary interest of the anti-Communist powers, and to achieve it requires the closest and most friendly political relations with the present sympathetic government in Bangkok.

* * *

Greece and Turkey for Nato?

After more than six months of hesitation, the western powers are at last making up their minds what formal protection they will afford to Greece and Turkey. The odds now are that they will be included, as full partners, in the Atlantic Pact. The delay has done great harm, and it should have been avoided, but it can be urged in extenuation that the two issues mainly involved are both very complex and difficult. First, should Greece and Turkey be given any more formal guarantees than they now enjoy? And secondly, if so, by what means?

On the first issue, the negative arguments are that it is foolish to add new commitments when the existing ones are already a burden, and that to bring the American-led alliance so closely under the soft under-belly of Soviet Russia would be dangerously provocative. But to these doubts it can be answered that there is already a commitment arising out of the facts of geography and strategy. The western powers could not, in fact, afford to let Greece and Turkey fall under Russian domination if they could possibly prevent it, so vital is the place they occupy on the map. If a commitment already in fact exists, no new burden is added by admitting it. As for the risk of provocation, that had to be taken, and has been taken, long ago. Western policy is based on building up enough strength to deter Russian aggression. The whole policy runs the risk of provocation and to pursue it energetically does not add to the risks.

But if Greece and Turkey are to be brought into the western system, it still does not follow that membership of

Nato is the most appropriate means. For reasons that were discussed in *The Economist* of April 28th, neither country is an ideal candidate for this particular alliance. The Atlantic organisation, it can well be argued, is already carrying more than it can hope to deliver safely, in terms of organisation, planning and resources. To add further burdens, radically different in kind and outlook, may well break its back. Once the Atlantic concept has been made to embrace the eastern Mediterranean, there will be immediate pressure to extend it still further east and south, until the original design has been distorted beyond recognition.

The British and most of the other Western Europeans have held this view strongly. It now appears that they have been convinced, partly by American preferences (and it is the Americans who will have to provide the additional resources) and partly by the insistence of the Greeks and the Turks themselves. They have, after all, between 35 and 40 divisions to bargain with and Dr Yalchin, the Turkish Foreign Minister, has insisted (with the aid of well-timed reports of neutralism and disillusion in Turkey) that nothing short of full membership of Nato is going to persuade Ankara that it is worth running the undoubted risks of accepting American bomber bases in Anatolia, or of promising to fight if Soviet Russia attacks elsewhere in Europe.

* * *

Pensions in Nationalised Industry

The Acton Society Trust has done a public service in publishing a pamphlet* on the new contributory pension scheme for coalminers, for it raises an issue of great importance to the community as a whole. The authors of the pamphlet trace the history of the miners' demand for a pensions scheme, which is more than fifty years old, and

* "The Miner's Pension." 2s.

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show how deeprooted it is in the industry, especially in the areas which were particularly badly hit by the depression. Here the old miner's chances of supplementing his national old-age pension by part-time earnings, or of postponing his retirement and thereby earning a higher old-age pension, are very small.

Yet the case for a miners' pension scheme cannot be granted simply out of sympathy for the hard lot of a certain section of miners. As is pointed out in the pamphlet, these should be provided for by some special *ad hoc* measure, especially since most of the miners concerned, having been out of work for some years, would not be eligible for the new pension. What has to be decided is whether a special pensions scheme should be adopted in a nationalised industry and, if so, on what conditions. The taxpayer will, in the future, have to bear a large part of the cost of the old-age pension. Must he also undertake to contribute towards a special pension scheme for a limited section of the community? The workers in nationalised industry will argue that it would be unfair for them to be excluded from special pension schemes simply because they work for the state instead of for private employers. The postman and the policeman have pension schemes, and the miners have an additional grievance in that a pension scheme has already been introduced for non-manual workers in the coalmining industry. Further, the principle of a flat rate of national old-age pension was adopted in the Beveridge report, and consequently in the ensuing legislation, in order to provide a national minimum above which people could rise by voluntary or special occupational schemes.

In private industry, however, the directors have to justify a staff pension scheme to the shareholders. In nationalised industry, the danger is that the board concerned will, as with higher wages, merely pass on the cost to the consumer by raising prices—with a consequent increase in the cost of living, which will deflate the value of the national pension (and other social insurance benefits) still further. The Acton Society Trust's pamphlet does well to bring out the circumstances in which the decision to agree to a scheme for the miners was taken—after the miners' leaders had met the Prime Minister at a time of fuel crisis and as part of a bargain to increase the output of coal. In this at least steps should be taken to see that a precedent has not been set for other nationalised industries. No similar decision should be taken without full and public discussion.

A Cancer Centenary

The Royal Cancer Hospital and its research offspring, the Chester Beatty Institute, have been celebrating the hospital's centenary. It was founded in February, 1851, by William Marsden, a Yorkshireman, with an inborn passion for doctoring and the imagination of a reformer, who helped to revolutionise our hospitals by starting the Royal Free in 1828 and later the Cancer Hospital—also free.

Seventy-five years earlier the eighteenth-century surgeon, Pott, had declared that a disease which attacked chimney sweeps was not venereal disease, as was commonly believed, but a malignant tumour, "induced by a lodgment of soot," which called not for the physician's mercury, but for the surgeon's knife. This observation was probably the first hint of chemical substances inducing cancer; but it was not followed up, and even after the cellular nature of the disease was demonstrated by Virchow, the German pathologist, in 1858, the English public continued to suffer from a mass of superstitions. People believed that cancer was caused by eating meat—and tomatoes. They believed that it was caused by living in the Caterham Valley. They believed that secret cures were handed down in certain families, and they would travel hundreds of miles to obtain treatment. And though doctors could operate and denounce

quack remedies, they could bring little comfort to the frightened heart.

At the end of the nineteenth century cancer research in England was born again. The Cancer Hospital, with its long clinical experience, was then in a good position to play a leading part. In 1910 a research institute was started in close connection with the hospital, and since then cancer research has branched out in many directions—pathologists, radiologists, nuclear physicists, biochemists, protein chemists, physical chemists, virus experts and geneticists all contributing their special services.

*

For the ordinary man, however, one thing stands out—there is still no one "cure for cancer." He is thus inclined to think that all this research is barren; and it cannot be too often brought home to him that, as a result of research, there are scores of people living and in good health today, who were in cancer wards more than ten years ago. More publicity should be given to a form of research which anyone can understand—the statistical work done in the hospitals, which shows clearly how good are the chances of survival from many forms of cancer, provided that it is diagnosed at an early stage. The greatest ally of cancer is still the fear which restrains the patient from consulting a doctor in time. To use Pott's eighteenth-century phrase, the growth should never be allowed to "get its head," for once it has "got its head" the patient's hope of recovery is reduced by 60 to 75 per cent.

* * *

A Punctured Housing List

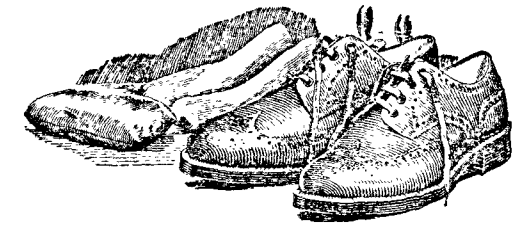
Last week, the London County Council examined its scheme for assessing the needs and priorities of applicants for council houses. The huge lists in every local authority area of families in urgent need of new houses have so often been cited, especially for political purposes, that it is salutary to look at the London County Council's new figures.

The council has in all some 200,000 applications for houses. Since 1945 it has built nearly 43,000 dwellings, and at this rate, the end of the housing list would not be reached for more than twenty years. In order to get its building programme into perspective the council has, belatedly enough, had the waiting list analysed and the applications put into three categories. In category A are the urgent cases, the most important factors determining urgency being overcrowding and ill-health. Category B covers cases "with some housing need, but not of an urgent character"; it includes families where an extra bedroom is needed to separate brother and sister.

Category C covers those families with little or no basic housing need, but requiring separate or improved facilities. The figures in each category are as follows:—

Category	Number of Families	Percentage of Total
A	62,343	31.3
B	56,645	28.4
C	80,323	40.3
	199,311	100.0

That 62,000 families are in urgent need of housing is bad enough, but it is manageable by comparison with 200,000. That 40 per cent of the London County Council's applicants should have no basic need for housing shows both how popular council houses are and how unreal arguments about housing needs can be, if they are based on such inflated lists of applicants. This unreality is enhanced by the fact that many applicants will have their names on the housing lists of the metropolitan boroughs where they live or work, so that many of those in category A are no doubt being given priority by some other authority as well.



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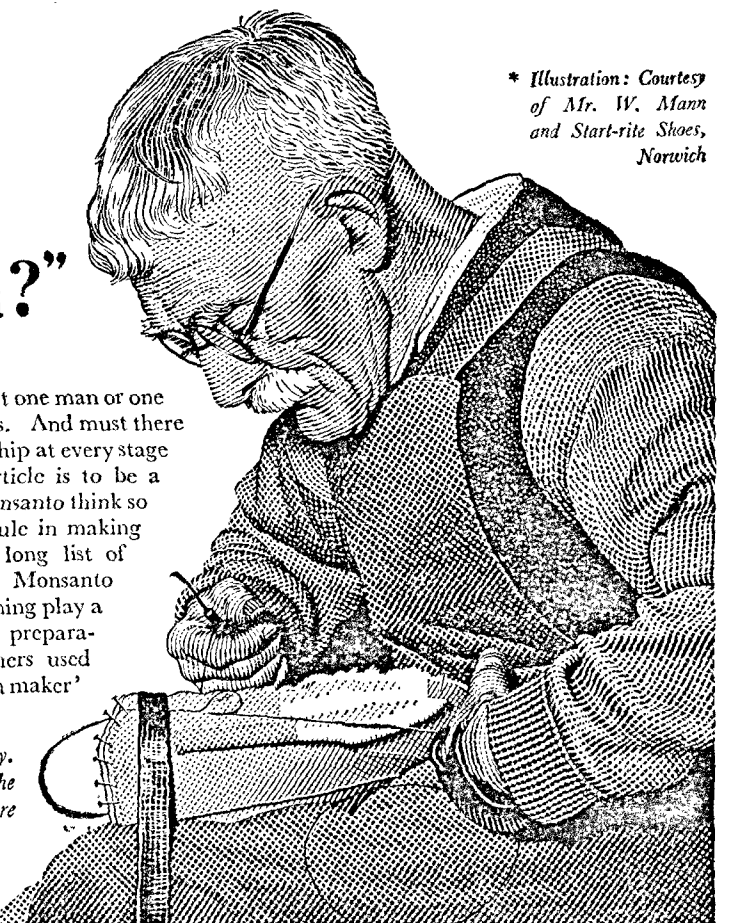
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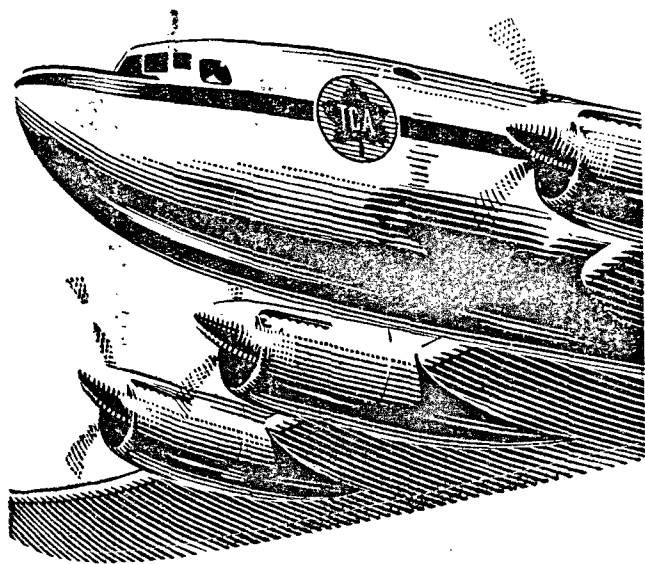


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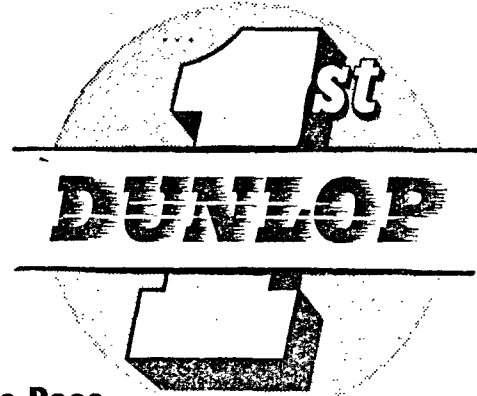
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Tussle for German Coal

The International Authority for the Ruhr has opened its discussions on German coal exports for the third quarter of this year. According to the Economic Commission for Europe, the shortage of coal exports in Europe for the third quarter will amount to no less than ten million tons. The estimate may be over-high; but the quarter is normally one for stocking, and other factors, including a tendency to reconvert from oil to coal, have swelled the deficit. Under these circumstances, the pressure on the Ruhr is greater than ever. The German officials, however, have refused to supply the 6.2 million tons which are again demanded of them for the quarter, though the coal trade is anxious not to lose future markets. Regardless of the fact that Britain has huge obligations for Atlantic defence, while Germany has not, the Germans complain that there is unfair discrimination against them. Their raw materials adviser, Dr Friedrich, ignoring British exports outside of Europe, has stressed that Britain was only responsible for 7 per cent of total European coal exports during the first quarter of this year, while Germany contributed 49 per cent.

The Germans further complain that they were forced to reduce the export price of Ruhr coal before the boom began, and have not been allowed to take advantage of the present demand. The Poles have raised coal prices by 100 per cent, and the Germans maintain that they, too, could secure an extra DM20 million a month. They would, furthermore, like to reduce the quantity of coking coal which they export. The steel industry argues that it has only been able to keep up its production because of an ingenious private deal whereby American coking coal was bought (to the extent of 1.9 million tons over twelve months) in exchange for semi-finished steel products, at a coal-steel rate of exchange which left a profit for Germany.

The French are, as hitherto, among the most urgent claimants for German coking coal. They now are basing their demands on "the spirit of the Schuman Plan" as well as their needs. They propose, since German exports cannot satisfy all requirements, they should be confined to countries which have signed the Schuman Plan. If this suggestion were to be accepted, it would hit, among others, Sweden, from whom the German steel industry draws its high-grade iron ore. The Germans, for their part, are anxious that Sweden should be drawn into the Schuman Plan in order to safeguard their ore supplies.

For the countries outside the Plan, the French suggestion is an ominous indication of the possibility that the single market set up by it may develop into a closed market which could exert strong pressure on outsiders.

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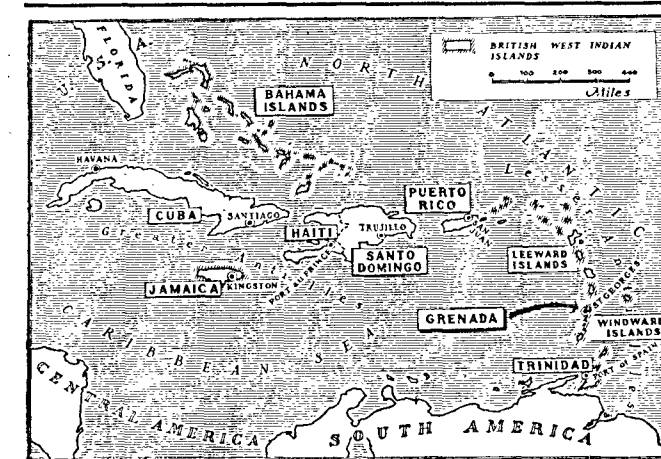
Disturbances in Grenada

All civilian airliners were commandeered last week by the Trinidad Government in order to send troops to Grenada, where a recurrence of February's disturbances was feared. The three weeks' strike at that time resulted in six cases of injury, damage of £195,000 to 80 estates, and a further £18,000 damage by arson. By April 30th, 81 persons had been convicted and 123 were awaiting trial. Threats that a further public demonstration would be staged during the trial of Eric Gairy, the strike leader, have now caused reinforcements of troops to be flown in.

To grasp the real nature of these sudden disastrous outbreaks of violence to which the West Indies are prone, is by no means easy. The islands are poor enough, and workers' conditions are often sufficiently bad to breed a continuous undertone of revolt which, with the spread of education and political consciousness, may flare up into trouble under any special provocation. But the provocation frequently comes, not from any particular "oppression," or any new burden or act of injustice, but from the personality of leaders striving for power. In Grenada, a new "leader," in the person of Eric Gairy, has emerged. He

is in the tradition of the extraordinary Uriah Butler of Trinidad, and the equally extraordinary Alexander Bustamante of Jamaica. Gairy dresses in top hat, white gloves and spats, black coat and striped trousers. He carries a cane and—like Butler—a Bible. Religious fervour is evoked and when the crowd tires of political speeches it sings hymns. Relatively to some of the other West Indian islands, Grenada is prosperous. Two trade unions have existed for many years and have negotiated peacefully with employers, but they have been losing their hold over the broad ranks of agricultural workers. Gairy, with his brand of revivalism, has mobilised the people throughout the countryside into a new union of his own, the Mental and Manual Workers' Union, and the essence of the struggle has been for the recognition of this union and the consolidation of Gairy's personal power.

When the first strike broke out, the Colonial Office immediately dispatched its Labour Adviser, who set up a Wages Council with the aim of bringing Gairy's union as well as the existing unions into discussion with the employers. Two separate agreements were signed, in all but identical terms, with the two sets of unions. This did not solve



any fundamental problems but could at least give things time to settle down. There is no industrial issue at all in the new outbreak of unrest, which is more of a demonstration of loyalty to Gairy. It is a difficult situation for the Colonial Office to handle—the usual recipes for colonial trouble, "political advance" or "economic development," provide no solution. A new constitution for Grenada is, in fact, already on the stocks, but political demands have played no part in the present upset. This type of malaise seems curiously bound up with the West Indian temperament, but it has sharp dangers for peoples on the threshold of responsible nationhood.

* * *

Titoism in the French Elections

During the past few months there have been suggestions that the breakaway movement in the French Communist party is as serious as that in Italy. It is too early to say that a genuine French Titoist party has been born. The group of dissident Communists in the CGT under M. Charles Lemoine and M. Darius Le Corre will, however, be of nuisance-value against the orthodox party in the elections next month. M. Le Corre has already been assaulted by Stalinists at a press conference, a treatment which will almost certainly be given to any of the several probable Titoist candidates in the election campaign. The emergence of these deviationists is, it is reported, considerably riling M. Auguste Lecoeur, leading light of the younger French Communists, whose special responsibility is the Communist network of northern France. It is possible that M. Thorez, the invalid Secretary-General, will be re-exported from Russia as a last minute filip to the floating Communist vote.

The long series of circumstantial "revelations" in *Humanité* of American military installations in France points to an intensification of the anti-war drive during the elections. The current Communist slogan is: "National independence: liberty, bread, peace." The Third Force will be attacked as the American Party, the Gaullists as Fascists, the MRP as Papists, and the Socialists as traitors to the working-class. A sharp increase in world tension would provide a favourable setting to the Communist electoral bid, which relies on a combination of international escapism and domestic economic discontent. With General de Gaulle in the field, the Stalinists are making—as they must—one final effort to stand as the patriotic party.

* * *

Where are the Eggs?

This year the so-called "spring flush" of eggs has been not much more than a trickle, at least in the big towns. The weather, of course, is held to blame. But if Buchan's cold spell has prevented hens from laying their full spring quota of eggs, it cannot be held responsible—even by Mr Webb—for the maldistribution of supplies throughout the country. At towns as far apart as Shrewsbury and Horsham grocers have had to cope with large supplies of home-produced eggs as well as allocations of imported eggs from the Ministry of Food, and to get rid of them customers were allowed to buy as many as they liked. Grocers in the cities had to be content with their allocations of two eggs per registered customer—although eggs seem plentiful enough in London restaurants.

A Government trading department has two main tasks. The first is to procure an adequate supply, and the second to see that the supply is distributed fairly either according to a scale of rations or according to demand. The Ministry of Food has failed lamentably in both tasks as far as eggs are concerned. Admittedly it is now trying to buy what eggs it can from overseas suppliers, whereas a few months ago it was turning down offers, even though these foreign producers could have sold their eggs to the British public at a price below the subsidised retail price. The Ministry of Food is at present paying Denmark only 2½d. an egg compared with 3½d. paid to British producers. The excuse that the unseasonable weather could not have been foreseen is in itself an admission that Government trading is too inflexible to adapt itself to changing conditions.

This is not the first time the Ministry has failed to secure an equal distribution of eggs throughout the country. Its allocation system may be technically efficient, but it has not prevented the appearance of a "grey market" for eggs nor has it prevented a glut in one place and a scarcity in another. Perhaps the Ministry will learn one day that a perishable food is handled more efficiently by private traders than by a Government department.

* * *

Cricket in the Lords

The House of Lords has now disposed of the Cheetham Cricket Club case. On August 9, 1947, a batsman on this Manchester ground achieved such perfection of timing and effort that his stroke drove the ball bowled to him practically 100 yards and lifted it so that it cleared the top of a fence, seventeen feet above the level of the pitch, placed no less than 78 yards from the crease. Unfortunately the ball, at the end of this remarkable flight, hit and injured a Miss Stone, who was standing in the road, outside her own house. She sued the club committee, lost her action at the trial, won in the Court of Appeal and has now suffered a final reverse in the House of Lords. In the meantime she has, unwittingly, brought appreciable grist to insurance companies, in that, after the Court of Appeal's decision, a large number of clubs thought it advisable to insure against the risk that their batsmen, too, might on occasion be so

fortunate as to hit such a six and so unfortunate as also to hit another passer-by.

But the decision is of interest not only to cricket clubs and sports organisations, and their insurers. In their judgments the law lords examine a point of law of the widest importance. How far does liability for negligence extend? In other words, how far down the chain of possible consequences from his act is a man supposed to look before he carries out the act he contemplates? Is it, for instance, the duty of every motorist to assume that a vital part of his car may at any moment break and deprive him of control, to the detriment, again, of the innocent passer-by? Must the owner of a factory accept the same risk with his machinery every time his engineer switches on the power?

Had Miss Stone succeeded in the House of Lords, the answer to these questions might each have been "yes." Liability for negligence would have been immeasurably widened; in effect, every man would be guaranteeing to the whole world that no action of his could ever produce any injury to anyone else. The view the law lords took was that the mere possibility that injury may follow any particular action is not sufficient to found a claim for damages for negligence if injury does in fact follow. The existence of some risk is "an ordinary incident of life," even when every care has been taken. The real test is, would a reasonable man contemplate that injury to another might follow from what he did, and that question must be one for a judge to answer in each separate case. This decision is another example of the English courts' extreme distaste for any rule with absolute qualities; it is the absolute, the lawyers feel, that creates the hard case. The fact that this tendency also increases the opportunities for their potential clients to litigate is purely coincidental.

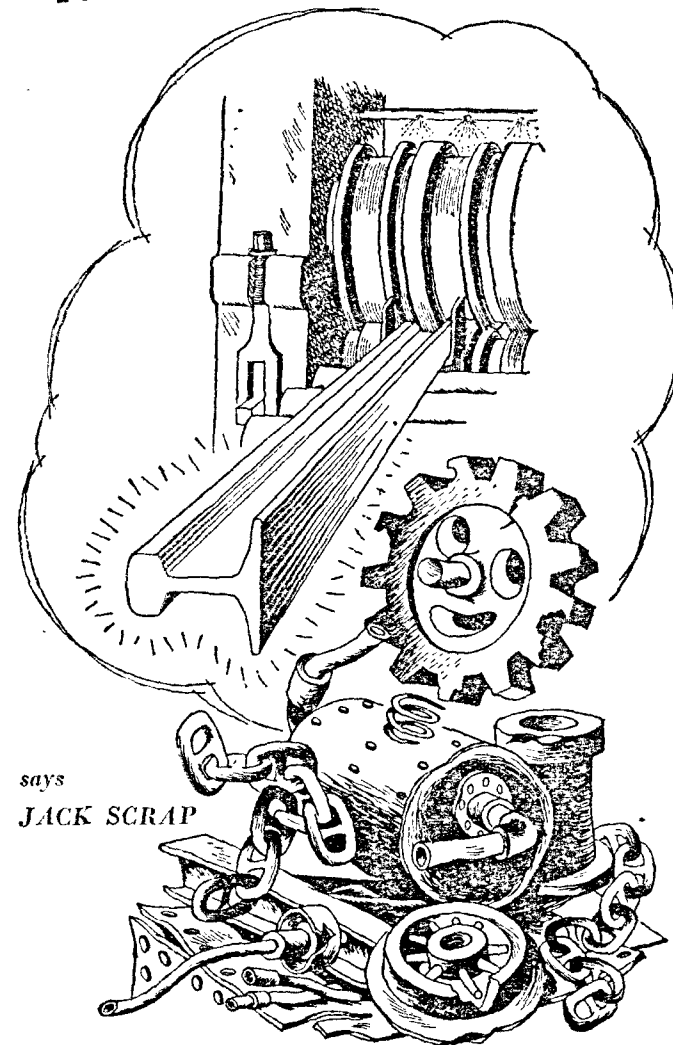
Success of the Exhibition

The Exhibition absorbs public attention. Other amusements and other means of passing the time agreeably are deserted for it. Politics are neglected. Business of some kinds—though not that of cabs, omnibuses, and coffee-house keepers—is slack and is given up for the Exhibition. Her Majesty and her guests have visited it frequently, and the court and the fashionable world follow her amiable example. The sale of season tickets continues, the influx of visitors is very great, and the receipts more than was anticipated. Considering the time of year, too early to ruralise or visit watering-places, and too late to remain at home, while the catching weather makes long walks or rides somewhat hazardous, a more delightful and appropriate promenade and lounge could not have been discovered. . . . The multifariousness and excellence of the show, the beauty of the scene, the genial temperature, the total absence of dust and flies, of scorching sunshine or cold gusts of wind, make it far superior to anything of the kind that has ever been seen in the world. Royalty, in its own gorgeous palaces or its gardens, can command nothing better. Accordingly Her Majesty and the court and the nobility visit the Exhibition, and are delighted with it. They can have no more refined enjoyment. But that enjoyment they now share with great multitudes of five-shilling, and soon will share with shilling, visitors. The five-shilling visitors, or the guinea visitors, or the holders of season tickets, may not choose to be present when the multitude are there, but all will drink in similar delight. . . . Her Majesty can view nothing more instructive and pleasing;—she may go oftener, may enjoy it far more from being better acquainted with it, but she will share the pleasure with the shilling visitors. Where she treads they will tread—what she beholds they will behold. . . . and the common enjoyment obviously tends to equalise the condition of all.

The Economist

May 17, 1851

New Steel from old



says
JACK SCRAP

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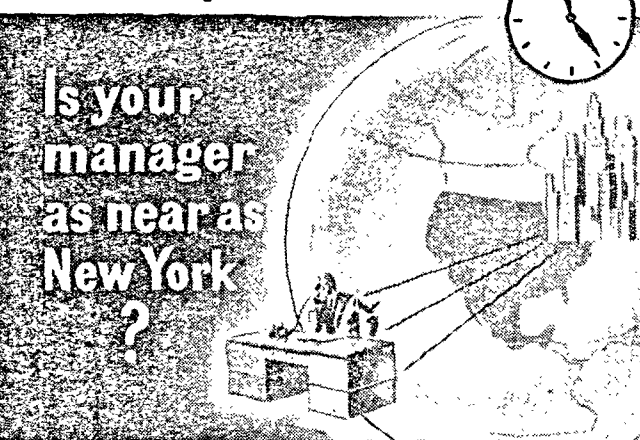
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Books and Publications

1851 And All That

Palace of Industry, 1851. By C. R. Fay. Cambridge University Press. 156 pages. 15s.
The Year is 1851. By Patrick Howarth. Collins. 256 pages. 18s.
The Story of Exhibitions. By Kenneth W. Luckhurst. Studio Limited. 224 pages. 30s.

There has been quite a crop of books about the 1851 Exhibition, and all are necessarily obliged to draw on much the same material—the official catalogue, the comments of *The Times*, the *Queen's Journal*, contemporary illustrations and reproductions of Punch cartoons. Dr Fay gives a pleasant selection of these, making good use also of the Royal Archives, and his account of how the Exhibition came into being is vivid and detailed. But the distinctive contribution of his book is in the final chapters, which put the Exhibition in its historical perspective and assess its results. There were the direct results—the site at South Kensington which was bought from its profits of £186,000 and which later became the home of four royal societies, four museums, the Imperial College of Science and the Royal College of Art. Among the indirect results, the movement of vast crowds up to London stimulated railway development; and it was the London Brighton and South Coast Railway that bought the Crystal Palace and moved it to Sydenham, afterwards building new lines to carry its visitors. A Mr Thomas Cook began his connection with travel by organising rail trips to Chatsworth to see Paxton's conservatory, the design of which, enlarged, he used for his Crystal Palace. From the Exhibition's long aisles of varied display a young draper's assistant called William Whiteley evolved the idea of the department store; and after that idea had become reality, the head of his provisions department, Richard Burbidge, left him to build up Harrods. Such are the threads from which Dr Fay weaves the cords binding 1851 to 1951.

As Mr Howarth calls his book "an experiment in the technique of the scrap book" it would be unfair to call it scrappy, but even within the limits of that technique a better form might have been achieved. He attempts "to make history stand still" in 1851, to show "stills," as it were, of the political, social and economic scene. In order to make it comprehensible Mr Howarth goes back to the beginning of the reign; and here his self-imposed limitations involve him in some difficulty. To those with a fair knowledge of the period this part of his study will seem insufficiently profound; and to those without such knowledge it will fail to give a clear exposition. The second part of his book, however, gives an interesting picture of the Britain of 1851—its awakening social conscience and its optimism, its entertainments and its religious movements; and in a succeeding chapter he glances briefly at what was happening in other countries. The story of the

Exhibition with which the book ends is now more familiar than the pleasant contemporary illustrations which fill its pages.

★

Mr Luckhurst's admirable treatise on exhibitions may conveniently be reviewed in three parts, of which the first, and perhaps the most interesting, deals with the origins of exhibitions. The growth of displays of works of art from the eighteenth century onwards — some organised by societies and others the one-man shows of dissidents and rebels — is a fascinating story. It was, and is, the privilege of the scorned and the scornful to belabour the "academicians," and the joke to the onlooker is the refusal of genius to take sides in the quarrel. Her favours are impartially bestowed, and Mr Luckhurst follows her example. He shows some signs of apprehension over the passing of patronage of the arts from mainly private to mainly public hands, and most readers will agree. Public bodies tend to be dreadfully conservative or self-consciously modern, whereas the arts truly flourish when every man has the courage of his convictions and buys accordingly. Nevertheless it is hard now to see the alternative to state patronage.

In dealing with industrial exhibitions Mr Luckhurst has a harder task than he had with the arts. His material is heavier. However the Royal Society of Arts, of which he is Secretary, has a fine record in this field, and the interest of the story is maintained in his description of the exhibitions at home and abroad which preceded the Great Exhibition of 1851.

Eighteen hundred and fifty-one itself forms the second section of the book, although it takes but two chapters. This story has been fully and recently told and Mr Luckhurst reasonably confines himself to an account which fits his general narrative. As an exhibition 1851 was epoch-making, and credit for its conception belongs to the Royal Society of Arts. Mr Luckhurst may overstress the part played in the actual execution of the project by the Society's versatile genius, Henry Cole, but historians must be allowed their favourites.

In the third section the book deals with the big post-1851 exhibitions which have followed each other in a monotonous and lavish procession up to the present day. It deals also with modern trade fairs, but throughout the book fairs are properly classed apart. Technically the modern exhibition is superb, but the pattern of the mammoth show is now set and lacks adventure, for the absence of which no amount of "trylons" (New York, 1939) nor "sky-

lons" (London, 1951) and no official rioting of the arts can truly compensate. Consequently the last part of Mr Luckhurst's book changes its character. It ceases to be a good story and becomes an interesting and well illustrated catalogue. This is no fault of the author's, and he is almost certainly right in hinting that the time has come for the monster project to give place to the small and specialised exhibition, of which there have been many successful examples in recent years.

A French View of America

Histoire Economique et Sociale des Etats Unis de 1919 à 1949. By Louis R. Franck. Aubier, Editions Montaigne. 304 pages. 480 francs.

This little history book ends with an exhortation to American "enlightened capitalism" to understand that world equilibrium depends not only on the Marshall Plan, but on equilibrium in America itself; and this, says the author, "implies continuous and profound reforms in all social domains." In the previous paragraph he describes this same "enlightened capitalism" as "living its most exultant dream" while it administers the Marshall Plan "as an agent of technical and even undefinable spiritual expansion, an agent for extending the American Way of Life on a world scale."

This is a common European vision of what the Americans are after, but it makes an odd ending to a book about the upheavals and transformation of America during the last three decades. In all but the final peroration, the author seems acutely aware that continuous and profound reforms are in fact going on all the time. It is hard to see why someone as well acquainted as he shows himself to be with the shattering and bewildering experiences of American "enlightened capitalism" should believe that in 1951 it dreams of imposing a particular stamp of its own on the rest of the world.

Movement, change and expansion are indeed the themes of this short survey, lavishly illustrated with facts and figures, showing the unsteady but giant growth of American wealth and power. In a brief excursion from economics to ethics, Professor Franck shows the mental disturbances which these changes have aroused, and the difficulties of adjustment of a Protestant society founded on the cult of individual initiative and personal effort, which was then faced with an excessive concentration of capital, the 1929 crisis, huge unemployment in the years 1930 to 1940, the growth of government controls and New Deal planning. These caused a tragic quandary. A few pages later Professor Franck shifts his ground and suggests that reformists in America do not require a universal creed, because in contrast to the European working class resistance movements modelled on humanitarian socialism or Marxism, American reformism "does not integrate into a universal perspective; it conserves a local or regional

character and a fondness for the soil which amazes foreigners."

Professor Franck lays emphasis on the shifts in power which have accompanied the economic transformation. He claims that industrial concentration has gone further than ever before and that the shareholders have become "poor relations" with the great companies dominated by the Management or the state. He devotes a considerable proportion of his space to the rise of the trade unions and claims that the governmental agricultural policy, which has kept up prices, collides with its social and international interests. He might usefully have extended his investigation into the current contradictions inside American economic planning to other sectors. Unfortunately his final analysis of present day problems is largely out of date, as the book was completed just before the North Koreans crossed the parallel.

Indian Balance-Sheet

Economic Consequences of Divided India. By C. N. Vakil. *Vora, Bombay.* 555 pages. Rs. 21.

Professor Vakil's book is not prophecy, as its title would suggest. The economic consequences of partition will take years to become clear, and Professor Vakil makes no guesses about the future. He has, perhaps more usefully, confined himself to drawing up an economic balance-sheet of the two new states, and of the assets and liabilities which each of them has inherited from the old, undivided, India. There is nothing very surprising about these balance-sheets; the temptation to be new and startling has been firmly resisted, and no statement is made which is not amply borne out by statistics. But in no other book is it possible to obtain so much recent and accurate information about every aspect of the economic life of the sub-continent. Every source has been drawn on, from the newspaper report to the official publication, and the result has a completeness made even more massive by the heaviness of the style, and marred only by the frequent misprints.

The expected points come out very clearly. India's major economic problem is the inadequacy of its agriculture. It can, on present techniques, produce neither enough food, nor enough cotton, or enough jute, for its needs. Pakistan's advantage is that its agriculture still produces a surplus, though there, too, the increase in population is gradually eating the surplus away. Before the war over 1,000,000 tons of wheat were available for export; now it is only half a million, and the production of jute has gone down from over 10 million bales (1940-41) to six. In the division, however, Pakistan got virtually none of the industrial resources of the old India. Coal, iron ore, business enterprise, skilled labour, factories, are all in India. Most of the new businesses which have sprung up in Pakistan since partition are run by Muslims who have come from Bombay or Calcutta, and the artisans for the new workshops are immigrants from the United Provinces. So far, moreover, Pakistan has been industrialising only very slowly. There is no

jute mill yet, though three have been begun, and the increase in cotton spindleage has been quite small. Meanwhile India has been entering on a higher stage of industrialisation and is beginning, for example, to make diesel engines and textile machinery. That India's average wellbeing is nevertheless, somewhat below Pakistan's is a reminder of how dominant agriculture still is in both economies.

All this is well enough known in general, though it is of great value to have it set down clearly, without bias, and in short compass. Not so widely known, and therefore particularly valuable, is the study of the refugee problem. Some 7,500,000 people have come to India, and nearly 7,000,000 have gone to Pakistan. It is a movement without precedent in modern times and Professor Vakil shows how superb an administrative feat has been the resettlement and rehabilitation of these millions, now almost complete. The achievement has been especially great in India because the Indian refugees left behind them in Pakistan property worth hundreds of millions more than that left behind by the Muslims in India, and the Indian Government has, therefore, both had to undertake very large expenditure, far greater than any involved in Kashmir, for example, and to try to allay the bitterness of those who found themselves paupers overnight through no fault of their own. But it has been done, and done so quietly that few realise how disastrous a failure might have been. In its administrative machine at least, India had an asset not even partition could destroy.

French Politics

Les Forces Politiques en France. By Jacques Fauvet. *Le Monde, Paris.* 346 pages. 350 francs.

With French elections on the horizon it is not surprising that M. Fauvet's able and intelligent book should have been much in demand in France. Certainly nobody in this country who hopes to follow the situation intelligently can afford to be without it. M. Fauvet has managed in a remarkably compact book to do several different things, and all of them well. In surveying the spectrum of the French parties and of their minor groupings, he begins in each case with a personal appreciation of their spirit and orientation in the manner of a latter-day Thibaudet. He goes on to indulge in electoral geography of the dynamic kind that M. Francois Goguel has based upon the pioneer work of André Siegfried; and he throws in for good measure purely factual information about party organisation, the names of the leading personalities, and of the related journals. For good measure there is not only a general essay on the present condition of French politics, but an appendix on the whole question of electoral reform and the significance of the various systems that have been opposed to one another in the recent debates.

A study of this work will not, however, support any of the facile generalisations that are made either about the parties or about the milieu within which

they work, and least of all the belief that the multiplicity of French parties is the product of the electoral system. Indeed, by an ingenious diagram in which the main parties are set off against the three possible solutions of each of the main questions of internal politics, M. Fauvet provides a convincing demonstration that a sixfold division is the minimum that allows for quite genuine differences of opinion and attitude. Certainly neither the fissiparous tendencies of the parties, nor the menace of Communism can be exorcised by altering the rules of the game. France's problems lie deeper than that; and M. Fauvet's conclusions, if not quite as pessimistic as those of M. Hubert Beuve-Méry in his preface, are certainly worth pondering, and are in many respects relevant to other countries besides the France he knows so well.

Trade Union Anachronism

Trade Union Law. By Norman A. Citrine. *Stevens and Sons, Limited.* 700 pages. £2 5s.

Four years ago Mr Citrine set himself to produce a fresh edition of the standard legal text book, "Slessor and Baker on Trade Unions." The actual performance is an immense improvement upon the design. This is not merely a work of reference although, of course, the statutes and orders are conveniently set out. It is also the most complete appreciation that anyone has yet attempted of the present legal position of trade unions and trade associations. In other words the author has accomplished a feat which is extremely rare: he has written a work which is of almost equal interest to the lawyer and the instructed layman.

Trade union law today presents a strange contradiction. Those unions which insist upon the closed shop exercise an extreme form of arbitrary power. By refusing to work with a particular individual—or by refusing to admit him to membership—they can, and sometimes do, deprive him of all opportunity to follow his own trade. Yet this power arises not from any legislative enactment but from the fact that the Courts have consistently upheld what might be called the doctrine of judicial non-interference. So long as a man does not actually commit, or threaten to commit, or induce someone else to commit, a crime or a civil wrong he may do what he pleases, no matter what harm he inflicts on someone else. He must not, it is true, combine with others wilfully to injure a man in his trade. But if the real purpose of the combination is not to injure another but to forward or defend the trade of those who enter into it, then no wrong is committed and no action will lie, although damage to another ensue.

This, as Mr Citrine clearly explains, is the present state of the law. In other words, provided that those concerned keep within the strict letter of the law they may take what individual or collective action they please, regardless of economic and social consequences and even of considerations of elementary justice. It is a glaring anomaly. Other branches of the law regulating personal

relations have entirely changed during the last thirty years. The legal relationships between husband and wife, master and servant and landlord and tenant have been altered almost out of recognition. It is only in the sphere of trade unions and trade associations that nineteenth century conceptions are maintained almost without alteration.

Germany and Spain

Documents on German Foreign Policy, 1918-45. Series D. Vol. III. Germany and Spain. State Department, Washington. *H.M. Stationery Office.* 951 pages. 25s.

A melancholy interest attaches to the record supplied by Volume III of the captured German documents (from the archives of the German Foreign Ministry) relating to the Spanish civil war; not so much that they reveal any facts not already known but as registering, in the guise of "collective non-intervention," the nadir of diplomacy in modern times.

This account of the various phases of German aid and intervention shows that there was no deep-laid plot. The documents do not disclose any evidence of German assistance to the rebel cause prior to the outbreak of hostilities, though there were indubitably unofficial contacts. What emerges clearly also is that there was at no time the intention on Germany's part to become embroiled in Spanish affairs any more than was necessary for the higher diplomatic strategy. Von Hassell wrote from Italy on December 18, 1936:

The entire Spanish operation has undoubtedly developed somewhat differently and more dangerously than was at first expected; above all the Spaniards themselves have proved to be very unsatisfactory political and military material.

General Franco, while committed up to the hilt to the Axis, was as early as the autumn of 1936 showing himself a difficult customer on whose gratitude the Germans could by no means count: they were, for example, distinctly piqued by his spontaneous declaration of neutrality at the time of the Czech crisis in September, 1938.

The first move was made on or about July 22, 1936, and five days after the outbreak of the revolt, when Franco arranged for the transport by air to Germany of Johannes Bernhardt, a German businessman in Morocco, with the local Nazi *Ortsgruppenführer* to request aircraft and economic facilities. The early German assistance was, however, on a commercial basis. Italy was from the beginning more deeply involved, and in the next phase the German Government agreed to step up its aid mainly in order to keep Mussolini sweet or, as Neurath put it, to ensure that Fascist Italy was brought more effectually into the German camp. Even so, the number of German ground troops never exceeded 6,000. There was a third phase of strengthening German-Spanish ties, particularly economic, marked by the Protocols of March and July, 1937. The final phase saw the somewhat tardy conclusion, in the very last days of the

Shorter Notices

And So It Goes On. By R. F. Harrod.

Rupert Hart-Davis. 192 pages. 6s.

Mr Harrod does not regard it as any part of an economist's duty to suffer fools gladly; and his views on the folly of British economic policy have not changed since he launched, in 1947, that splendid though vulnerable super-pamphlet, "Are These Hardships Necessary?" This collection of essays, published in a similar format, carries through the intervening years the themes which then engaged his especial indignation, and adds to them others; there is the folly of over-ambitious capital programmes, the folly of sterling-balance policy, the folly of unconvertibility, the folly of pseudo-planning, the folly of the Special Contribution, and plenty more. Written for periodical publication and reproduced unaltered (except for a very few footnotes, an addition to whose number would have been helpful to the reader) the essays stand the test of resurrection, on the whole, extremely well, and Mr Harrod's final postscript, cautiously evaluating the solidity of the 1950 recovery, shows him confident in the soundness of his original diagnosis.

Socialism. An Economic and Sociological Analysis. By Ludwig von Mises.

Jonathan Cape. 599 pages. 21s.

Professor Ludwig von Mises's "Socialism" is one of those books—like "Das Kapital" itself—on which numbers of people hold decided opinions without ever having read the actual text; a common fate of classics. Here is at once the purest, intellectually most powerful and most uncompromising statement of the extreme anti-collectivist case, supplemented in this its second English edition (the original German publication was in 1922) by an Epilogue relating the argument of the book to latter-day collectivist tyrannies and creeds. Up-to-date, however, is not an epithet to be applied to it. Its defence of the most complete *laissez-faire* ignores, where it does not beg, the whole question of any possible inherent instability in the dynamic price economy; no whiff of the welfare controversy penetrates its pages; an unbelievable complacency concerning the cash nexus and the social sufficiency of the acquisitive instinct betrays total ignorance of the findings, over the last thirty years, of sociological research. Professor von Mises punctures fallacies, deflates claims, confronts contradictions, attacks sheer intellectual muddle with the ruthlessness of a fire consuming rubbish; but he proves so much too much as to spoil his case.

Goering. By Willi Frischauer. *Odham's Press, Limited.* 303 pages. 12s. 6d.

Mr Frischauer's book is too sketchy and imprecise to offer much that is new to anyone seriously interested in the history of the Third Reich; at the same time it lacks the brilliance and irony to make it good journalism. Certainly, Mr Frischauer does not fall into the trap of writing up Goering as a hero, and he has taken the trouble to search out and talk to the people who knew him best—his wife, his valet, and two of his chief assistants, Generals Bodenschatz and Koller. The value of their testimony is reduced, however, by Mr Frischauer's habit of combining evidence, gossip and conjecture. As a result, his portrait of the onetime Nazi boss of Prussia and the creator of the Luftwaffe lacks authority as well as vitality.

civil war, of a Treaty of Friendship and Franco Spain's accession to the anti-Comintern Pact. The Caudillo was by then effectively grappled.

Hitler's considered opinion on the value of Axis aid to the Spanish Nationalists emerges from a discussion with Ciano on September 28, 1940, on Spain's role in the European war (which is recorded in an editorial note at the end of the volume under review): "Italy and Germany had done a great deal for Spain in 1936 . . . without the help of the two countries there would be no Franco today." That is the truth which no whitewashing, no amount of hindsight, can alter.

Cycles in New Zealand

The Instability of a Dependent Economy. Economic Fluctuations in New Zealand, 1840-1914. By C. G. F. Simkin. *Clarendon Press, Oxford.* 208 pages. 18s.

The main title of this book is seemingly an afterthought, and the author gives only one sentence to defining a dependent economy. Its principal features, he writes on page 5, "are that the external transactions account for a relatively large part of the social income, and that it is too small a consumer of the world's exports to have much influence upon the countries which provide its principal markets." This definition, though good enough so far as it goes, leaves some questions unanswered. Dependent on whom? New Zealand, like Tasmania, depended in the early days far more upon New South Wales than upon Great Britain. Dependent in what degree? An occupational table for 1858, which Professor Simkin prints on page 123, shows a precocious development of secondary and tertiary industry and suggests that New Zealanders were highly dependent upon each other, as well as upon outside suppliers and customers. An economic historian concentrating his attention on trends rather than cycles might write an equally stimulating book under the title, "The growth of economic independence in New Zealand."

Professor Simkin, however, is mainly concerned with cycles, and he handles them elegantly. The statistics do not permit him to employ income measurements; but by the judicious use of "substitute criteria" he identifies and measures the main fluctuations. He identifies some periods (for example 1884-1904) when the New Zealand economy did not conform to cycles in the United Kingdom; on the other hand, he is unable from New Zealand's experience to support Sir William Beveridge's suggestion that British cycles may have an "agricultural root" overseas. He concludes that banking policy is the main determinant of short-term instability in New Zealand, and from this point of view discusses the possibilities of counter-cycle policy.

Professor Simkin proposes to continue his studies into the period after 1914. Would he consider instead a larger task—a full dress history of the developing New Zealand economy from the beginning to the present time?

Letters to the Editor

The Terms of Trade

Sir,—Mr. Harrod in his letter in *The Economist* of April 28th suggests that sterling might be revalued in order to make our terms of trade more favourable. This is a timely suggestion and with import prices rising against us on all sides, and a return of the sellers' market for exports abroad, it is rather surprising that, as yet, few voices have been raised in favour of revaluation.

The devaluation of sterling in September, 1949, was made in order to restore a balance of payments which, at that time, was made passive by our inability to sell to the dollar area—the result of high production costs, over-employment in Britain and the end of the sellers' market for exports. But surely the most important cause of the decline in our exports prior to devaluation was the mild recession in the United States, which caused American imports in the second quarter of 1949 to decline by 15 per cent in value as compared with the last quarter of 1948. A decline of 15 per cent in import value in response to only a 5 per cent decline in United States income surely indicates that it is the income-elasticity of the United States for British exports which is important rather than the price-elasticity. If the American recession of 1949 had been prolonged and intensified the efficacy of devaluation as an adjuster of the balance of payments would have been tried to the full.

It is the essence of modern economic teaching that exchange rates should be stable but capable of variation to meet basic changes in international economic conditions. That changes of a major character have taken place since 1949 is fairly evident. We are being hustled forward on a wave of inflation driven largely by soaring import prices. We are faced with the prospect of a decline in export volume. But the goods which we send abroad might now sell in markets where high levels of income would prevent a dearer pound from causing a shrinkage of sales. Surely a pound of higher value would make a major contribution to our economic stability by reducing the inflationary effects of import prices, preventing the value of British

exports from falling proportionately to their volume, and giving relief to a balance of payments which promises to be strongly adverse by the end of 1951.

No doubt it is these fairly obvious advantages which Mr. Harrod has in mind. Unfortunately there are a number of non-economic impediments in the way of a change of parity at present. These are as follows:

(a) The International Monetary Fund would almost certainly not approve a revision now, on the ground that it is not required to correct a "fundamental disequilibrium"—whatever that may be.

(b) The change would come close upon the devaluation of 1949. Too frequent changes of parity are unwise unless they are taken for weighty reasons. It must be remembered that sterling is a focal currency and a change in its value would be followed by changes in the values of others.

(c) Our American friends would probably oppose revaluation. Their views on the current level of Sterling Area reserves are well known, and it is probable that they would insist that all capital should be spent before relief can be obtained.

Yours faithfully,

W. M. SCAMMELL
University College of North Wales,
Bangor

Penny on the Pint

Sir,—Your note on the increase in the price of beer in your issue of May 5th rightly points out that it may be only a short-term expedient for the brewing industry's difficulties.

Even if a falling market were not an odd time for an increase in price, it does not touch the really fundamental reasons for the hard times being experienced by the licensees and for the industry's falling profits. Many licensees may have good grounds for complaint, but not all licensees are efficient; nor do all brewers seem aware of the social changes which affect their business. In the words of the Chief Constable of Rochdale to his recent Brewster Sessions:

... social habits are changing. Whether it is the high price of beer... or the attraction of cinemas, television, dog racing or other "new sports," the public-house is hard put to it to retain and

attract customers. . . . The pleasure of drinking beer is not, *per se*, sufficient attraction to public-houses.

The rise in the price of beer will increase brewers' and licensees' profits, at least for some time. If it blinds the industry to its fundamental problem of adaptation to new market conditions it will be a bad thing; if it gives the industry a breathing space in which to think furiously it may be a good thing.

—Yours faithfully, E. B. SMITH

The Pakistan Budget

Sir,—Your comment on Pakistan's Budget, appearing in your issue of April 21st, was incorrect and less than just in implying that the Pakistan Government is taking advantage of the present boom in raw materials to pass the burden of taxation on to the shoulders of the foreign consumer. It is incorrect to state that the export duty on raw cotton has been increased by "over 1,000 per cent in the last few months": the duty has been raised from Rs. 40 per bale of "desi" cotton and Rs. 60 per bale of the American varieties to a flat Rs. 300 per bale for all varieties. The Government's principal intention in imposing increases in export duties was not to benefit revenue but to bring down prices in the local markets, so as to combat the inflationary effect of the high prices prevailing.

To state that "Karachi has appreciably reduced income tax and super tax" is an exaggeration. Working out the actual tax liabilities on the following earned incomes, we get the following percentage rates of taxation:—

Earned Income	Tax at 1950-51 Rates (Percentage on Total Income)	Tax at 1951-52 Rates (Percentage on Total Income)
Rs.12,000 per annum	6.62	5.55
Rs.36,000	25.30	23.98
Rs.2,50,000	68.68	60.57

In addition, assesses in Pakistan continue to pay the supplementary taxes, imposed in October, 1950, for refugee rehabilitation. The rate of taxation in Pakistan, both on personal incomes and on companies, is still higher in some cases than that applicable in India.

Yours faithfully, J. S. LOBO
Karachi

THE AGE OF RETIREMENT

THE concessions announced by the Government last night on old age pensions are handsome. Everyone sympathises with those who have to live on small fixed incomes, but anyone who thinks that the Government could have gone even further while they were at it should not overlook the objections.

It must be remembered that giving more money to old age pensioners means taking it from the rest of the community, either directly or indirectly. To a certain extent that is what should be done.

But it is time to face the important question of what should be the retiring age. People nowadays can expect ten years' longer life than was the case even in 1931 and many at sixty and sixty-five are and want to be useful workers.

Before we say that the sixty to sixty-five retiring age is still right, we should understand that there is one person of the present retiring age to every six people, including the fifteen-year-olds, who are of working age. And the proportion of old people will become greater.

The problem is going to grow. More will be heard about it and there will have to be more thinking about it. We believe that any government must encourage older people who are well to work a little longer to prevent the burden becoming too heavy on the rest of the community. Compulsory retirement at sixty-five is something that should be stopped.

Reprinted from the editorial column of the *Daily Mirror* of May 10. The *Daily Mirror's* net sale—over four and a half million—exceeds that of any other daily newspaper in the world.



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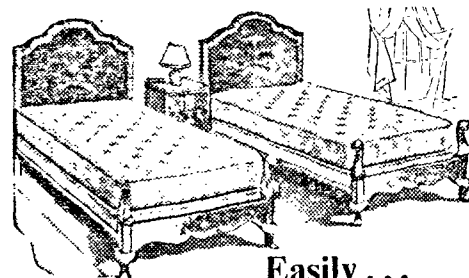
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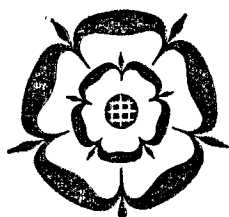
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not dispirited, not weak, but well remembering that she has seen dark days before; indeed with a kind of instinct that she sees a little better on a cloudy day, and that in storm of battle and calamity she has a secret vigour and a pulse like a cannon. I see her in old age not decrepit but young and still daring to believe in her power of endurance and expansion, with strength still equal to the time, still wise to entertain and swift to execute the policy which the heart and mind of mankind require at the present time.

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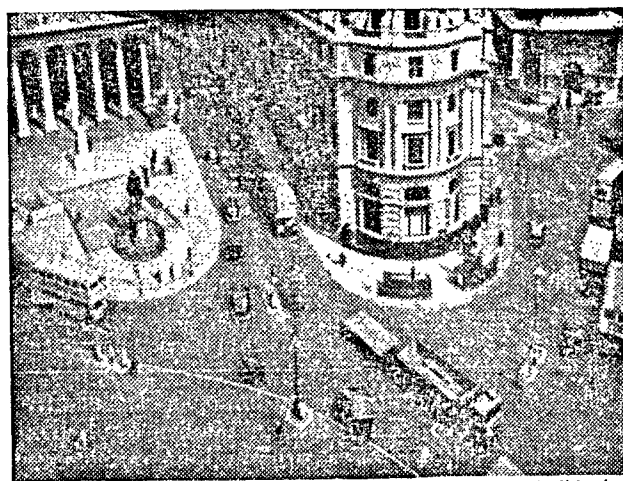
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AMERICAN SURVEY

The Administration's Case

Washington, D.C.

EACH morning last week General George Catlett Marshall, the Secretary of Defence, was driven up Capitol Hill to the Senate Office Building to answer the next round of questions from the members of the Senate Joint Committee investigating General MacArthur's dismissal. The clerks, assistants and typists who work in the building did not stand in crowds waiting to see him and to applaud as he walked past, as they had the week before when General MacArthur was testifying. General MacArthur had worn his uniform with his gold-braided cap—his "scrambled eggs cap," as the newspapers fondly called it. But General Marshall was in an unglamorous civilian suit, being a member of the civilian Cabinet; and in any case there are plenty of opportunities to see him in Washington. So he walked into the caucus room with no gallery to speak of and with only thirty-three Senators present compared with the sixty-four who crowded in to hear General MacArthur begin his testimony.

General MacArthur had been oratorical, self-confident, brisk. For the most part, the questions addressed to him by the Senators had been put with deference and humility, and he had answered them with many a well-chosen word. General Marshall was methodical, careful, patient. Some of the Senators prefaced their questions to him with admonitory speeches. It was plain from what they said and from the manner in which they said it that the inquiry had lost its early pageantry.

This was not alone because General MacArthur, the fighting hero from the Far East, had been succeeded by General Marshall, the painstaking administrator. It was also because the story General Marshall had to tell and the case he had to argue were so much less attractive: so much duller, so much harder to follow, filled with so many more details, and above all demanding qualities so much more difficult for a red-blooded American to summon up and maintain.

General MacArthur had cried: Fight! Use energy and daring, take a chance, rely on yourselves, get it over quickly and finish with a victory that will ring around the world! But General Marshall argued: Think! Be careful and patient, consider your allies, discipline yourselves and aim at the gradual attainment of a favourable result through attrition and perhaps by compromise.

★

So congenial was the MacArthur programme for action that few of the Senators on the committee found it remarkable that its author offered opinions on the proper world strategy to defeat "Communism everywhere" (which he said was the real enemy) but, the next moment, declined to answer questions on global matters, on the ground that he was only an area commander and therefore not adequately informed on these points. So uncongenial was the Marshall programme for endurance that the same Senators felt no hesitation in challenging and often contradicting the opinions of a man who was an outstandingly successful Chief of Staff

throughout the most exacting and far-flung war the nation ever fought and who had served with distinction as Secretary of State before he had assumed his present responsibilities.

General Marshall and President Truman between them made the Administration's case pretty clear last week. It began with a reminder that this was not a political dogfight which could be used to introduce and influence an election campaign; it was an issue which might determine whether or not the United States and the rest of the world were to be scourged by atomic warfare. The first objective the Administration had set itself was to avoid this catastrophe. Because Russia was facing the possibility of a critical loss in the Far East—in effect the loss of its Chinese ally—there was a greater risk there than in Europe of events which might lead up to the catastrophe.

The Administration was not willing, as General MacArthur was, to assume that the Soviet Union either could not or would not intervene if the United States carried the Korean war to China. It did not believe that, even if the Soviet Union should refrain from attacks on Japan, the Philippines and Okinawa which would make world war inevitable, the conflict would be shortened by the air and naval hostilities General MacArthur would have the United States direct against Communist China (in conjunction with a ground war which General Chiang Kai-shek's "logistically supported" forces would open). The Administration believed that if such actions against China were taken the Chinese people, now increasingly restless and dissatisfied, would be united behind their Communist leaders. It feared that the United States would be sucked further and further in as the area of the fighting widened, so that before long the jubilant Russians would know that American resources were so deeply committed to Asia that the major hazards of an assault on Europe and the Middle East had been removed.

General MacArthur had treated the allies of the United States with disdain or scorn. He was for "going it alone" if these confused and misguided countries abroad did not respond to American "leadership." But, in the speech that unexpectedly came on the evening of the day when General Marshall opened his testimony, President Truman said: "I do not propose to strip this country of its allies in the face of the Soviet danger." And this difference is at the very centre of the controversy.

General MacArthur, the man who has not been home for fourteen years, has shown that, in spite of anything he may have to say about global considerations, he is wedded still to most of the basic American beliefs prevalent at the time when he left home. The self-sufficiency of the United States, the backwardness and moral inferiority of European

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

countries, the advantages of avoiding entangling alliances and encumbrances—glimpses of these and congruent ideas can be caught through the MacArthur testimony. His training, his exile and his kingly environment in the Far East must all have helped to insulate him against the newer ideology on which the United Nations is being so painfully built. The impression he leaves is that the prospect of a first successful experiment in collective security—a prospect that has kindled enthusiasm in other minds, and not the least in the minds of many of his own countrymen—has struck no spark in him.

All sorts of other considerations and issues are embraced by the Joint Committee's hearings. For instance, there is the important question of whether this unprecedented revelation and public discussion of war plans, estimates of enemy strength and other matters which are normally kept in the top-secret files may not yet have some quite appalling results. For emotion and politics are producing numerous manifestations of wrong-headedness, and it is now possible for a syndicated columnist to write such arrant nonsense as this:

Secrecy and suppression are the refuge of the incompetent and the blunderers in government. Publicity, with everything put on the table, is the enemy of scandal and abuse of power. These principles apply equally to military and civilian affairs. The Kefauver hearings proved the point conclusively.

But when all the interlocking issues have been described, it remains true that the biggest issue of all is the survival or failure of the new effort, led by the United States, to organise the free world into an effective brotherhood. The strains inherent in this effort are awful to bear: nations cry out against the sacrifices and disciplines to which they must submit. Yet in this alone their salvation lies. What in essence we now hear is the groaning and complaint of those Americans, millions of them, who find the sacrifices and disciplines harder as they go on and who now are being told by a confident hero and a frustrated political party that there is an easier way.

The Administration can conceivably win the contest in the end by perseverance; but it would win sooner and more promisingly if there were someone who could lift the controversy from the plane on which it has come to rest. The questioning in the Joint Committee proceeds as though there never had been any bigger ideas than those General MacArthur has propounded. There is a bigger idea, and Americans have responded to it before when they have been sufficiently reminded of it.

Drugs and Dollars

[FROM A CORRESPONDENT IN NEW YORK]

THAT fondness for dosing and being dosed which English travellers to the United States noted a century ago persists as one of the country's most profitable foibles. The drug business in 1950 is estimated to have sold \$1.5 billion worth of pills, injectable substances and nasty tasting fluids. This is four times as much as in 1937, when total sales were valued at \$344 million. Part of the increase must be credited to the current inflation, but most of it is due to the higher real cost of producing the vitamins, sulphanamides and antibiotics which have revolutionised the drug trade in the last two decades. In dollar terms, half this trade went to the makers of "ethicals," that is to say, drugs advertised only to the medical profession and intended for sale solely on prescription. The other half went to the firms manufacturing "proprietary" medicines—a polite term for the great range of headache pills, cough medicines and other nostrums sold by direct appeal to the sufferers themselves.

This division is the more notable in that the makers of "ethicals" constitute only about 10 per cent of the 1,300-odd companies in the drug business, an industry that is far from simple either in its structure or its processes. Therapeutic drugs and industrial chemicals may be made by the same company, so may "ethicals" and "proprietarys." Most of the "ethicals" are made by the bigger companies, a situation that arises out of the need for large amounts of capital to finance the research which has brought about the recent revolution in drugs. The industry is said to have spent \$20 million in the last six years on studying the antibiotics alone. The list of "ethical" houses is headed by a handful of well-known firms, running their own extensive laboratories, making grants to university research, co-operating with and helping support private foundations, walking the narrow line which will both make for scientific progress in general and at the same time improve their own competitive position in the industry.

That competitive position depends on research, on productive skill in large-scale manufacture, and on patents. Unlike the British system, which allows only the process of making drugs to be patented, the American system permits patents to be taken out on both process and product. Whether this double protection gives a benefit twice as valuable as that obtainable by the British method is a question that patent lawyers argue over, but it is responsible for certain misunderstandings between the two countries which American drug makers regret and are trying to erase.

★

The drug trade's customers are only in part the patients who take their remedies. These are the particular concern of the makers of proprietary medicines, who beg their favour with every device known to advertising. The makers of "ethicals," on the other hand, seek the goodwill of the doctors, whose word may make or break a new product. Meanwhile the position of the retail shop has changed. Few chemists now do much compounding of drugs in their back rooms. In the main they have become salesmen of goods prepared and packaged in factories under conditions of sterility they could never hope to attain. What mixing the chemist does is at the lunch counter, in the form of bacon sandwiches and MacArthur-Truman (formerly banana) splits.

This puts the responsibility for quality on the shoulders of the drug manufacturers who make such things as penicillin by machine processes in enormous vats and package it in vials two inches high. The government exerts a watchful eye. The first federal Pure Food and Drugs Act, passed in 1909, was intended to do away with misrepresentation, dubious quality, and such romantic remedies as Indian snake oil. It was followed in 1938 by a Pure Food, Drug and Cosmetic Act, framed to take account of the changes wrought by three decades of rapid development in chemical knowledge and manufacturing methods. The Act might have been delayed longer by a busy Congress had not a hundred people been killed by a widely advertised "Elixir" exploiting the then new interest in sulpha drugs. The 1938 Act stiffened the standards of purity set by the old law, and made possible the questioning of certain claims supported by generations of advertising. It also gave the Food and Drug Administration power to insist that a new drug must prove its case before being allowed to put on a label and enter the medical market.

It is commonly said that 60 per cent of today's drug sales are of products not more than ten years old, and that fifteen

years ago 90 per cent of the prescriptions which doctors now write could not have been filled. This may be the industry's exaggeration but, in view of the importance of vitamins, sulpha drugs, antibiotics and hormones, it seems not impossible. It was only in 1936 that sulpha drugs first reached the United States, and in 1941 that the first penicillin was put into that London policeman. The war, of course, stimulated both research and trade in drugs, and the Korean affair has done the same. Captured German discoveries were also a help, although not to as great an extent as after the first world war.

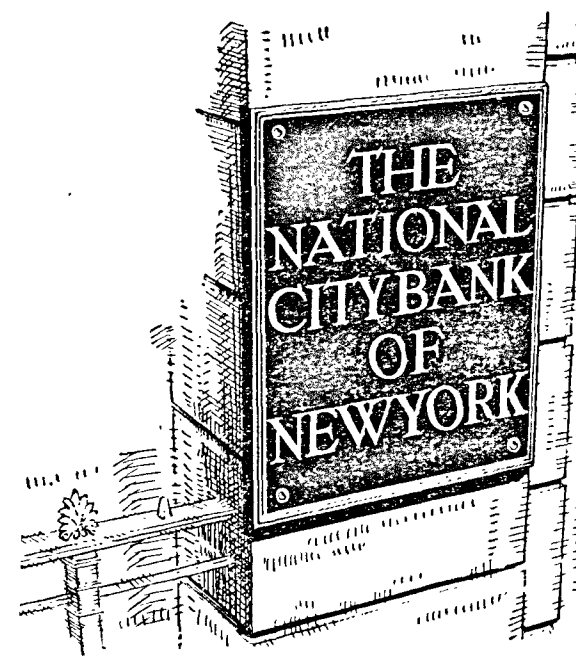
Sir Alexander Fleming's discovery is now so familiar to Americans that it has made its way into a penicillin chewing gum prescribed for certain mouth infections. More important, it has stimulated a search for earth-mould drugs which has brought fortunes to the winners and made it possible to combat a wide range of stubborn diseases. So magical are these antibiotics in their effect that enthusiasts believe them capable of treating half the ailments which enter doctors' surgeries. The effect on the drug trade has been to intensify competition to such a point that speed in production becomes as important as luck in research. Streptomycin, the first American wide-spectrum antibiotic, sprang to fame as the first drug to have any success in the treatment of tuberculous meningitis, which until then had been invariably fatal. Chloromycetin, whose first success was in the treatment of typhoid fever, followed in 1947; made from a mould picked up in Venezuela, it is now being refined in Britain. Aureomycin, sprung from a clod of Missouri earth, was introduced in 1948. Since it has been found effective in a wide range of virus diseases, especially virus pneumonia, it is not surprising that by 1949 its sales almost equalled those of all the other products of its lucky maker.

These last two antibiotics, like the newest on the list, the Pfizer Company's terramycin, appear to be interchangeable in treating a wide range of diseases; the differences between them are more a question of their effects on individual patients than on individual diseases. Terramycin holds a record in speed of production. Two and a half years of work, 55 scientists, \$4,000,000 and 100,000 soil samples went into its discovery. Nine months later production problems had been solved, complete tests made, the Food and Drug Administration satisfied, and terramycin was on the market. It is in use or in test all over the world, including some 85 British clinics.

The latest hope is the prospect of synthesizing the hormone cortisone, announced in Washington the day before its difficulties were modestly described in London. It is backed by Merck and Company, which recently took a full newspaper page to tell the world that they had not enough cortisone to go around.

Meanwhile the results of this new research are felt by the makers of proprietary medicines which can be sold over the counter. Anti-histamines made quick fortunes for companies able to turn them out fast, but are now declared to be of little value, and possibly hazardous. "Hadacol," with an alcoholic content of some 18 per cent (which perhaps explains its tonic effect), delights salesmen trained in the old medicine show techniques and has thus far managed to fend off the Food and Drug Administration. A green pill containing chlorophyll is said to inhibit bodily odours so successfully that one may go unreproved from an onion sandwich and a stiff game of tennis to the most polite of tea tables without stopping for a bath. These products on the lunatic fringe testify to the persistence of human optimism untainted by scientific caution. They make money, too.

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American Notes

Leading Congress to Controls

The spotlight on the MacArthur hearings has thrown into shadow the struggle the Administration is having to induce other committees to take seriously the threat of inflation during the next twelve months. It is now clear that even the first instalment of higher taxes which the President requested will not be forthcoming in full. The House Ways and Means Committee has nearly completed its tentative proposals; they will bring in about \$6.5 billion in a full year, compared with the \$10 billion requested. This itself was scaled down by the President from his original \$16 billion. Congressmen excuse their tax shortcomings on the ground that their experts believe the Treasury has underestimated tax revenues for next year by \$2.4 billion. This may be, but no one can even guess what increases in spending may be required by the international situation. The new levies, at all events, will probably not go into effect until October and the Senate may well be even less austere than the House.

It is unlikely that the Administration will secure as much—nearly three quarters of what it asked—from the committees now considering the extension of the Defence Production Act. This is the source of most mobilisation controls and incentives. Senator Maybank, the chairman of the Banking Committee, has announced that his group will not even consider the proposal to regulate commercial rents; his own opposition to any attempt, however modest, to bring more farm prices under control is well known. Mr Wilson, the defence mobiliser and first witness, has had a hard time trying to justify the need for new powers—such as that to build defence plants which have no attraction for private industry—as well as the exercise of old ones, such as the tax incentive programme for expansion. Controls have never been any more popular with conservative Democrats than with Republicans, and much of the Administration's prestige has seeped away in the crime hearings and the MacArthur crisis.

The real threat to the whole framework of controls comes, however, from the Price Administrator's courageous attempt to take beef by the horns and roll back prices to their January levels. Cattle, like cotton, are selling far above parity—roughly a “just price”—and hence are subject to control, but a horde of cattlemen has descended on Washington, breathing fire and threatening a meat famine if the controls are not rescinded. Deliberate withholding of meat animals produced such a famine in 1946 and undermined price control. Withholding on such a scale may not be possible this summer, but Mr DiSalle and the President, who supports him, will be hard put to it to prevent a stampede of Congressmen at the mere threat. Their main hope lies, not so much in the support of business, which has been assiduously sought and reluctantly given to temporary controls, but in the risk that Congress, if it throws over food price controls, may be blamed at the next election for the high cost of living.

Trading in Tariffs

In theory, the tariff reductions which the United States negotiated with 17 countries at Torquay do not require ratification in Washington, but in practice Congress will have an opportunity of expressing its views on them, since the Reciprocal Trade Agreements Act, under which they were negotiated, is now up for renewal. The 1,325 items affected by the concessions came to about 16 per cent of American purchases abroad in 1949 and include many things—clocks, for example—also made by those manufacturers at home who are notably allergic to foreign competition.

But Congress is not likely to feel any irresistible pressure to oppose the concessions at a time when domestic businessmen foresee no serious difficulty in selling all they can produce. However, those who like to argue that the United States is not getting as good as it gives under the trade agreements programme have been given a cue by the State Department's regret that Britain refused to modify the imperial preference system.

While Britain clings to protectionism, the House of Representatives has also been reaching back for the helping hand of trade restrictions. The Senate Finance Committee has, however, rejected the most objectionable of the House's amendments to the Reciprocal Trade Agreements Act, one that was supposed to benefit the country's farmers, but which would probably have hurt their exports more than it protected them from imports. The Senate Committee has also made some changes in the confusing escape clause which the House inserted in the Act, and the famous “peril point” provision, while undesirable in principle, will not be a serious handicap for the moment, since it is not at present proposed to negotiate any more tariff reductions. Under this provision, the President is required to notify Congress if he proposes to reduce any duty below the point which the Tariff Commission considers to be safe.

The House's fourth major amendment to the Act would withdraw the advantages of trade agreements, which now go to everyone under the most-favoured-nation policy, from countries under Communist domination. The Senate Committee amended the clause so that concessions could be continued to countries such as Yugoslavia, and in this form the amendment seems to be acceptable to the Administration. In actual fact trade with Russia and its satellites is now almost negligible, as the result of export controls. These are also in the process of being renewed, but it is as a rider to an appropriation Bill that the attempt is being made to cut off economic aid to any country sending war materials behind the iron curtain. This move is avowedly directed against Britain, but since that country is now receiving little economic aid, it will hardly be affected unless the prohibition is extended to cover military aid as well. There is, however, talk of doing this in the House where, as in the Senate, the prohibition has bipartisan support.

Chicago in 1952

The Republican National Committee, meeting for the first time, symbolically, it hoped, in Democratic territory below the Mason-Dixon line, has chosen Chicago and the week of July 7, 1952, for the convention at which the party will choose its candidates. This means a late start in the campaign for the Republicans, and a later one still for the Democrats, who traditionally hold their convention afterwards—and in recent years in the same city. (The cost of setting the stage for a convention is now so high that the parties try to share it.) But the Republicans remember the confusion caused in 1948 when the log-jam of appropriation Bills at the end of the fiscal year was broken only a few hours before the convention met. Chicago is almost home ground for Senator Taft, but it was chosen for its wealth of hotel accommodation and the size of its hall—and the \$250,000 offered toward expenses. In 1944, when Chicago also edged out its competitors, the prize cost only \$175,000.

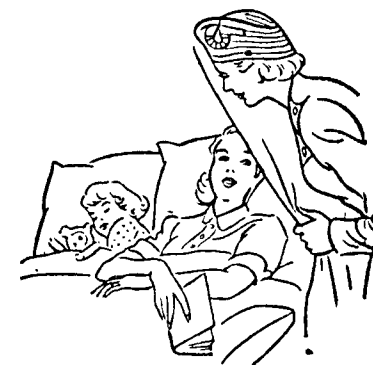
The Republicans now have the time and the place; they are convinced, too, and with reason, that with scandals at home in the past year, and all the doubts which have been created about the Administration's foreign policy, they have the best chance in twenty years of winning the election. All they lack is the man, but it is significant that no member of the committee took issue with General MacArthur's determination not to seek public office. Already, a public opinion poll shows that, given the choice between General MacArthur and General Eisenhower, the vote would run two to one in



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the latter's favour. By next year the party strategists suspect that the MacArthur boom will not only be deflated and forgotten, but also that if the Administration brings the Korean war to an honourable end, it may be a great disadvantage to a party to have tied itself too closely to General MacArthur's coat-tails. His self-denial, on the rather ironic line that a civilian should wield the supreme authority, might, however, be exploited to make it embarrassing for General Eisenhower to accept a Democratic draft if one were offered.

The Republicans' difficulty is that most of the horses in their own stable have worn themselves out in fruitless attempts to nose out President Roosevelt and Mr Truman; there was little enthusiasm at the three-day meeting for Governor Dewey, Governor Warren or Mr Stassen. Senator Taft, to whom most of the committee are loyal, arouses no certainty of victory in the hearts of his supporters, and he cannot fail to suffer from having been out in front too soon. General Eisenhower could win, but will he run? And for which side? In fact, the Republicans are united only on the Democratic candidate; they are convinced, though they have counted their chickens too early before, that if Mr Truman is renominated, he can be soundly beaten. Whether Mr Truman will choose to run again is doubtful, but the way in which the Democrats in Congress have closed their ranks under the MacArthur challenge is a warning that the Republicans cannot count on Democratic disintegration, as they did to their cost in 1948.

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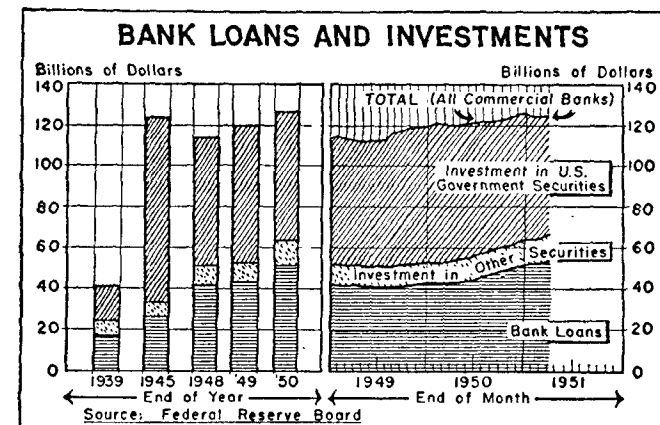
Bankers Tighten Their Belts

The Treasury's decision not to redeem some \$8 billion of 2 per cent bonds callable in September, the first such decision since 1933, is a reflection of the tighter money and higher rates prevailing in the market since the Federal Reserve System won the right to relax its support of government bond prices. Direct controls on consumer credit are also showing results, too many for the liking of television and automobile salesmen and their friends in Congress; instalment credit outstanding in March was \$500 million below the peak reached in December. New housing also is beginning to shrink, though less rapidly than was expected. Bank loans, however, as the chart shows, have risen without interruption since January, 1950, though more recent weekly statistics, for a smaller number of banks, suggest that with the liquidation of inventories the peak may have been reached, for the moment at least.

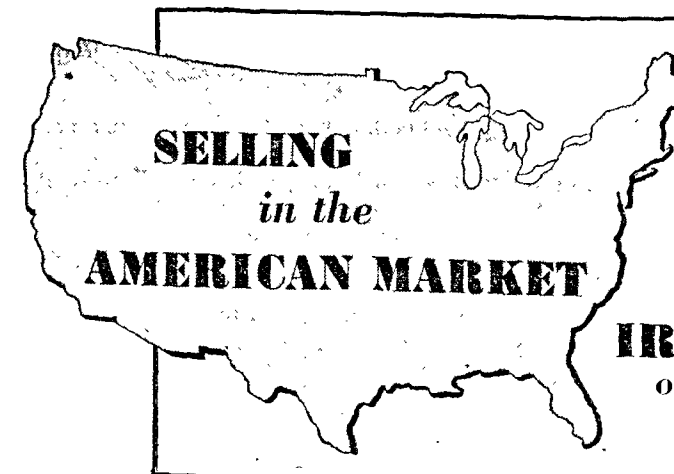
Federal Reserve officials would like bankers not to expand their loans beyond the figure reached in January and, where restriction is necessary, to tighten their belts at the expense of unnecessary and inflationary projects, not at the expense of the defence programme. To help lenders draw the line, and to prevent shopping around for loans, a Voluntary Credit

Restraint Committee has been created, on which life insurance and home loan companies are represented as well as commercial and investment banks. The committee, which began with a drive against inventory loans and credits for unnecessary capital expansion, has now appealed to the states and cities to exercise self-denial; their indebtedness is now nearly \$22 billion. Last year they raised more than \$3 billion in new funds. Some projects, such as building war memorials or granting bonuses to ex-servicemen, plainly should be postponed until deflation, rather than inflation, is the enemy. West Virginia has already had the shock of having one underwriting group refuse to bid on its \$67 million bonus issue, in the name of self-restraint. But most of the money is wanted for new schools, hospitals, roads and sewers, and some of these projects are directly attributable to the defence programme. Not many will be abandoned unless the government backs up the reserve authorities by refusing permits for the steel required.

Bankers hope, if they tighten their own belts, that they may escape more drastic compulsory measures. One of



these, under consideration by a committee headed by Mr Wilson, the defence mobiliser, and said to be favoured by the Federal Reserve Board, would require banks expanding their loans above a base figure to post heavy additional reserves. Such a formula would have to guard against penalising conservative bankers, and to be effective should apply to all banks; banks which are members of the reserve system would resent being singled out for new restraints, although they make nearly three-quarters of all loans. But non-member banks exercise great influence in the Senate Banking Committee. Congress will be reluctant to give the Reserve Board such controversial new powers if there are any signs that loans are dropping or that voluntary restraint is doing the job. The real test of the whole anti-inflation programme will not come, however, until the autumn, when defence spending gets into its stride.



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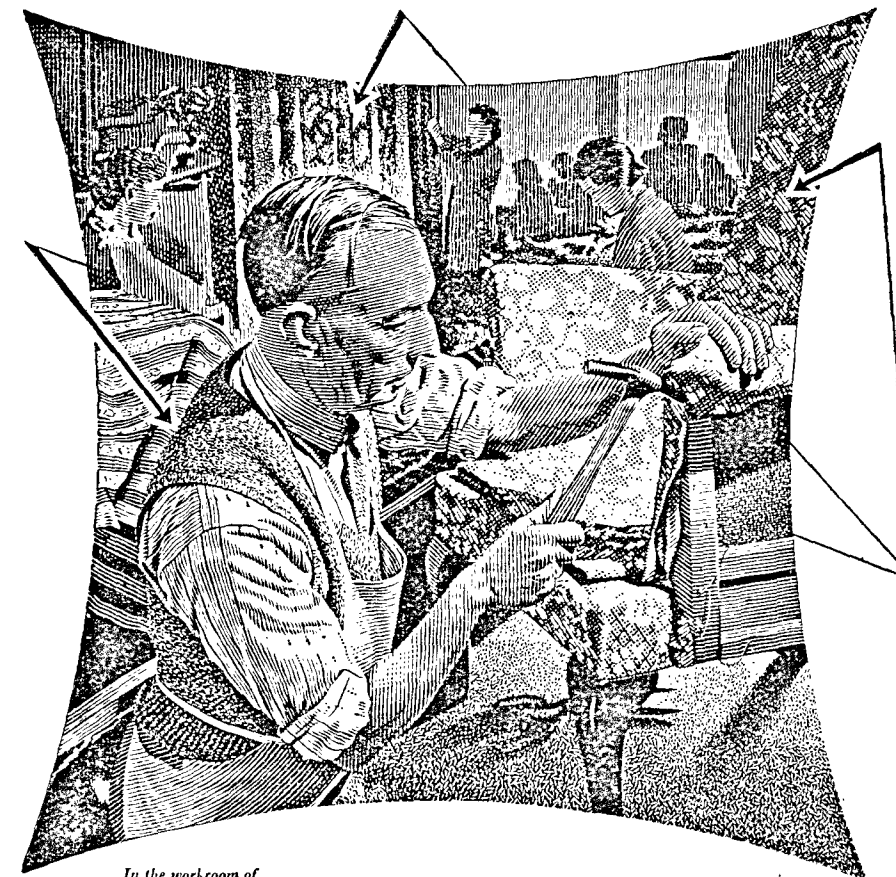
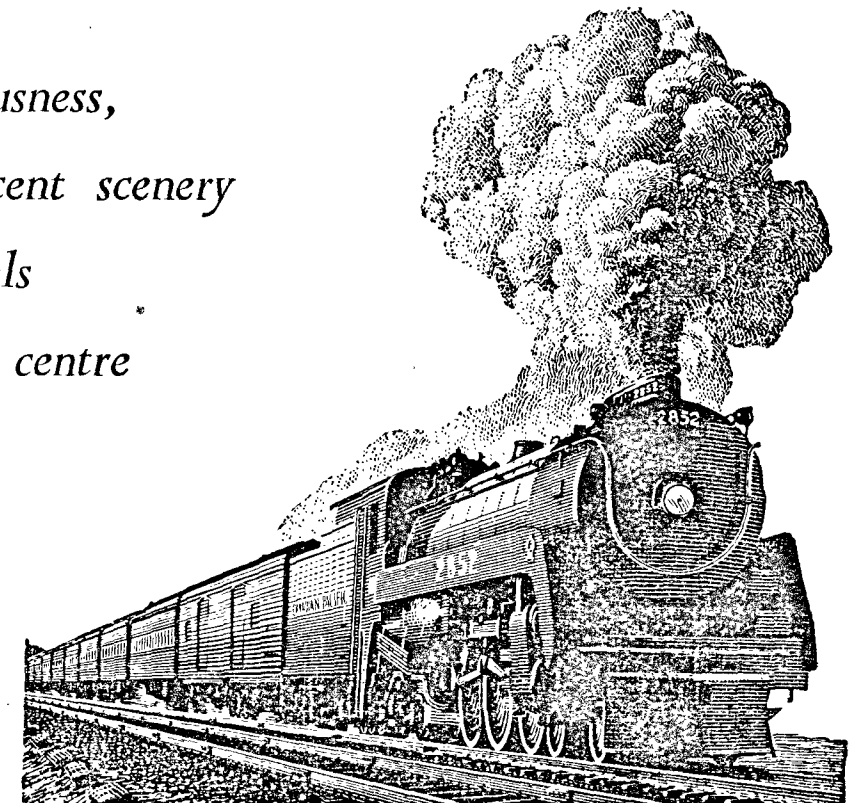
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THE WORLD OVERSEAS

Egypt's Uncertain Future

A GRAVE situation is fast developing in Egypt, where a virtual though undeclared deadlock has been reached between the British and Egyptian Governments in their negotiations for a new Treaty to replace that of 1936. Failure on the part of the two Governments to reach an agreement would not be dangerous were it not for the rapidly growing instability inside Egypt where corruption has increased with the ever-growing unpopularity of the Wafdist Government and the Palace. In January, 1950, when the Wafd were returned to power with a strong majority, it was hoped both in London and Cairo that, having the overwhelming support of the country, the new Government would pursue a realist policy, ignore the small opposition and sign a new Treaty with Britain (see *The Economist* of May 13, 1950). Within a few months it was apparent that Wafdist policy was not marching that way and that the Government of Nahas Pasha was determined to obtain better terms from the British than its predecessors. Mr Bevin had promised Sidky Pasha in 1946 that British troops would evacuate Egyptian soil by

1949, so, without making any allowances for the changed international situation since 1946, the Wafdist Government demanded the "immediate and complete evacuation and the unity of Egypt and the Sudan under the Egyptian Crown."

Fouad Serag el Din Pasha, who is both Minister of Finance and the Interior and the most influential member of the Cabinet, is not stupid. He doubtless believed that weakened postwar Britain would eventually give in to Egyptian demands because Britain had received neither moral support nor sympathy from the United States. The Egyptian Cabinet appeared to be sure that it would achieve its oft repeated "national aspirations," and the man in the café would then throw his tarboosh into the air and forget his troubles in his joy that the British were, at last, leaving the country. Today, despite events in Persia, the Egyptian Cabinet is not so certain that Britain will give way either over the immediate "evacuation" of troops or the Sudan. Fouad Pasha is deeply worried, for although he has given new life to the police state established by his predecessors of the Saadist Party, the Wafd no longer, as in the past, have control of the Egyptian mob, to use when the occasion demands riots. By corruption on a scale that is shocking even to the Egyptians themselves, the Government has managed so far to buy off opposition, but this becomes more difficult as the number of people to be bribed increases week by week.

The able and the rich Wafdist do little to help those two men in the Cabinet—the Ministers for Education and Social Affairs—who realise that the only way of maintaining internal stability is by the immediate introduction of social reforms coupled with an attempt to improve the standard of

living. Egyptian millionaires are fantastically shortsighted and it is truly amazing that they have managed for so long to pay so little and provide so few amenities for their diseased and unhappy workers and tenants. It is apparent to the *effendi*, or white collar class of the towns, that the recent cotton boom has increased the number of large cars; but the *fellah* who grows the cotton has not received an extra millime and he still subsists on from 1s. 9d. to 2s. 6d. per day.

The Moslem Brotherhood

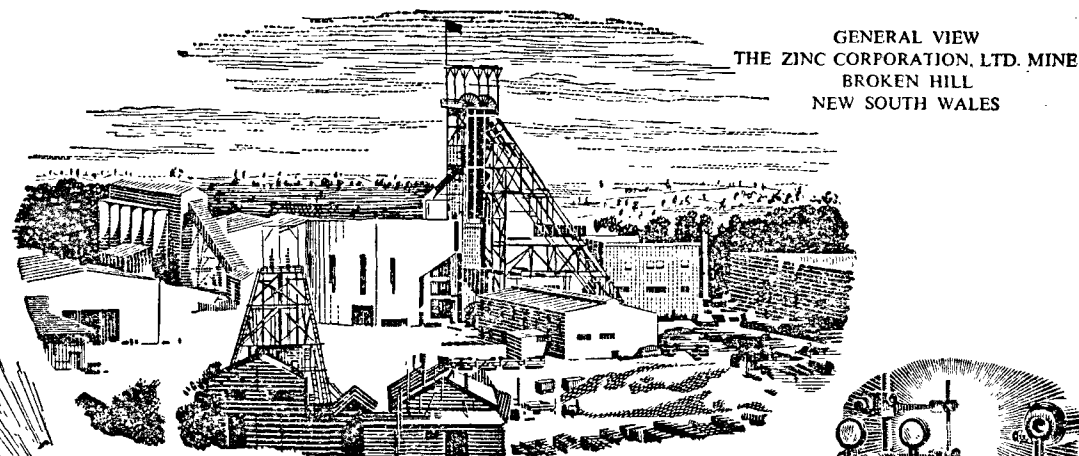
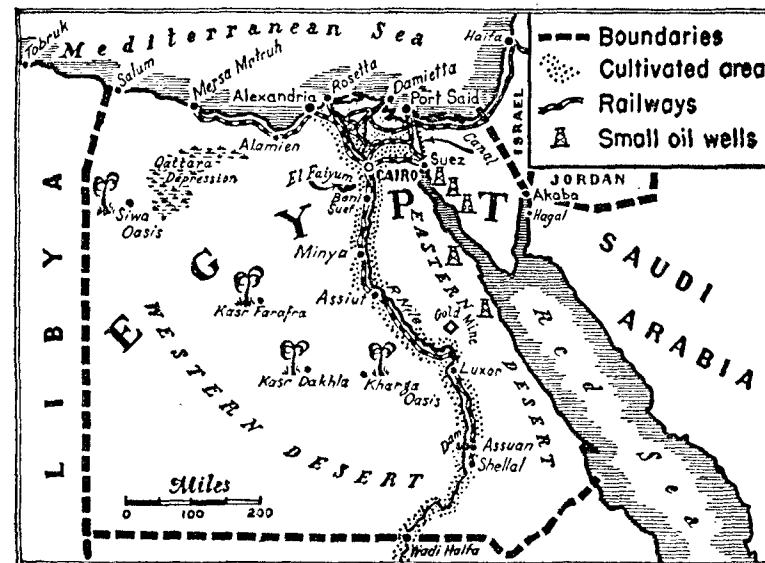
Nahas Pasha has made his peace with the King because he is old and often ill and he wishes to ensure that the monarch will not again use his rights under the constitution to dismiss his Prime Minister. Co-operation with its traditional enemies in the Palace has, however, lost the Government much support in the country, largely because the King is generally unpopular. The publication of reports of the

recent arms trial has caused keen dissatisfaction in the army, which was previously loyal to the Crown.

A new and serious menace which has re-emerged on the Egyptian political scene is the Moslem Brotherhood, *Ikwan Musulmeen*. At present this powerful political and religious movement is uneasily controlled by the Government, but at any moment, should the Brothers disagree with the Wafd, they may pursue a policy of their own and attempt to achieve their ends

by acts of violence.

This important movement began in the early 'thirties as a religious organisation which later developed xenophobic and strongly anti-Jewish tendencies. Doubtless inspired by the uniform-loving Nazis, the younger members formed themselves into para-military units and gave some assistance to the Palestine Arab terrorists just before the war. But it was not until around 1944 that the Brotherhood became a serious political force and there is no doubt that funds were contributed by the Palace in the hope that this right-wing organisation might succeed in becoming more powerful than the Wafd, or at least a serious rival to it. Branches were formed in all the larger towns, club houses established and a really active membership of over half a million was built up. There is no doubt that during this period the terrorist groups were infiltrated by Moslem Communists, some of whom had been trained in Beirut. The Palace was alarmed because the movement had grown too strong and it was no longer willing to take orders, so subsidies were cut off, with the result that threats and acts of violence began. The bands



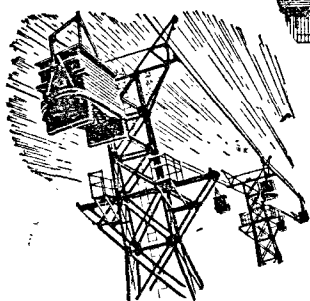
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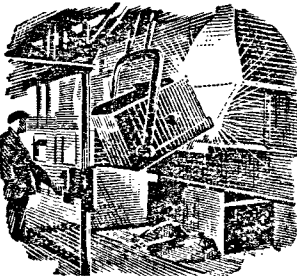
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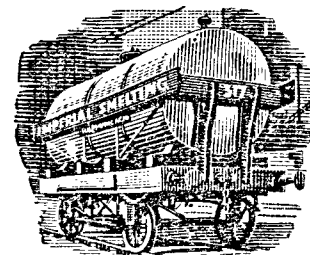
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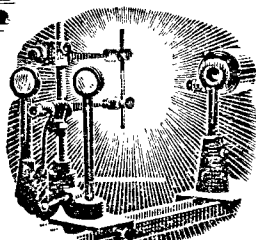
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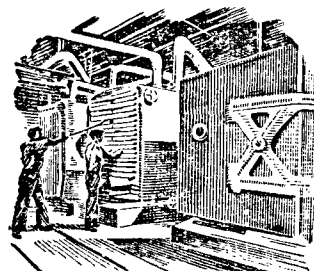
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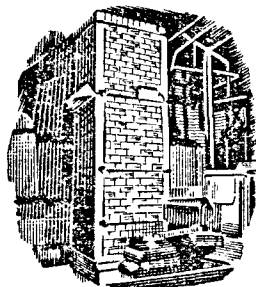
SULPHURIC ACID
PRODUCTION,
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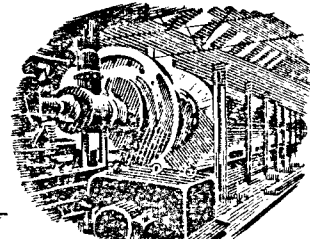
MAZAK PRODUCTION BLOXWICH
(Spectrographic Control)



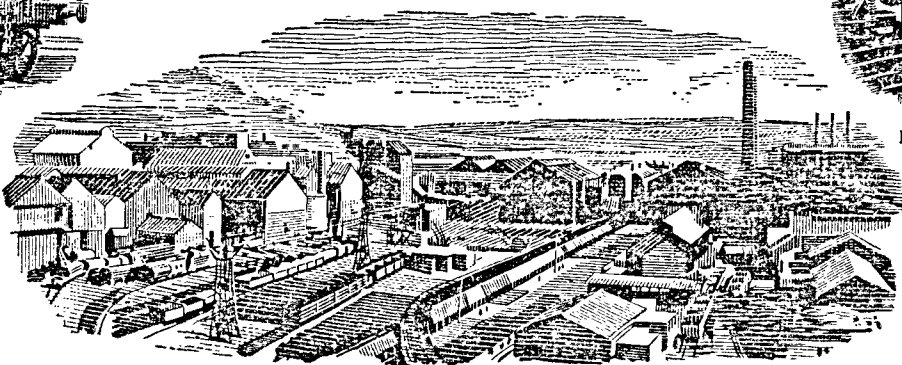
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GENERAL VIEW OF IMPERIAL SMELTING CORPORATION WORKS, AVONMOUTH

were well armed with weapons and ammunition stolen from the Allied forces.

The Saadist Government then in power was relieved when it could send units of the Brotherhood off to Palestine to fight against the Jews. Apparently they fought well, but the Brothers who stayed behind were a real menace in the country. Nokrashi Pasha, the Prime Minister, declared the Moslem Brotherhood illegal and although he was assassinated by a member of the Brotherhood a month later, the force of the movement was broken. Hundreds of local leaders were arrested, funds and property were confiscated and the founder and leader, Hassan el Banna, was shot by an unknown (or at least unpunished) assassin in the spring of 1948. For the next few months the Saadist Government of Abdul Hady Pasha devoted itself to rounding up Brotherhood cells and caches of weapons whilst other departments of the administration were neglected. Then the Brotherhood remained underground, first waiting for an election, and then, after January, 1950, waiting to see what the Wafd would do.

By last autumn the poor *effendi* classes of the towns had accepted the fact that the Wafd were working with the Palace and that there was now no hope for the implementation of electoral promises for social reform and the abolition of the inksome restrictions of martial law. The Brotherhood then began seriously to reorganise their movement underground. About five thousand former members who had maintained contact with one another were willing and anxious to begin illegal work. The Brothers were joined by many disillusioned Wafdist of the left, whilst para-military bands reformed and restocked their secret dumps. Soon the illegal movement grew strong enough to organise public demonstrations. However, before the Brotherhood was formally legalised on May 1st, Fouad Pasha passed a Bill through the Chamber which restricted its activities to religious and social affairs and attempted to prevent it from playing a political role. While the Deputies were discussing this Bill the Brothers organised a lightning demonstration outside the Parliament building. Fouad Pasha, instead of ordering the organisers to be thrown into prison as everyone expected, received the new leader, Saleh Ashmawy.

Bitterness Towards Britain

The revival of the Brotherhood decreases the possibility of a new Treaty with Britain as it is strongly encouraging the Government to abrogate the 1936 Treaty and to "throw out" the British. It is a little difficult to see what difference this would make to the position of the British Army in the Canal Zone. Certainly the Egyptian Army would not attempt to drive the British out by force and any measures taken to deprive the residents of the Suez Canal area of labour, food or water would cause far more discomfort to the million odd Egyptians resident in the area than to the British.

The Egyptian Government has cause for alarm. Nahas Pasha believes he has a charmed life because he has escaped three attempted assassinations. But other members of the Cabinet are not so confident; they remember that two Egyptian Prime Ministers have been assassinated since the war. The intelligent observer must wonder why, in view of the delicate internal position, the Egyptian Government does all in its power to deepen the gulf with the British Government. The Egyptians are bitter because the British refused to supply them with arms whilst they were fighting in Palestine and even now will not sell to the Egyptian Army outmoded armoured cars which are advertised in English magazines. The Egyptian insists that the British are breaking their Treaty pledges and in addition have shown no sympathy to them in their dispute with Israel. These real or imaginary grievances must be discussed and, if possible, remedied. They do not, however, excuse the Egyptian Cabinet for their unrealistic attitude. While they play, the few Communists in their midst are working hard.

The Franco-German Saar

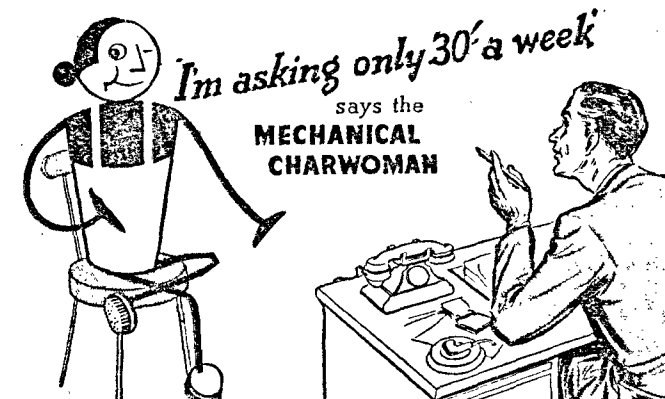
[FROM OUR SPECIAL CORRESPONDENT]

"Auf die Bäume, die Pfälzer kommen!" ("Get up into the trees, the men from the Palatinate are coming!"). This old Saarland saying is being revived half ironically in Saarbrücken today as the waves of German nationalism lap against the eastern frontier of the autonomous provisional state. It was Hitler who brought in the *Pfälzer* and put them in all the good jobs from *gauleiter* downwards. (The Kaiser on the whole had preferred Prussians, who made an excellent thing out of it too). The Palatinate is poor and the Saar is rich. Hence the former's desire to do a little *péréquation* with the latter. For the moment the Saar is governed by Saarlanders, of whom all opposed the Nazis and almost all left the Saar after the plebiscite of 1935. How long this regime will last depends upon the firmness of France, which, in virtue of several agreements, is responsible for the fate of the Saar; upon the good faith of the United States and Great Britain, which have explicitly supported the present regime until the peace treaty with Germany is signed; and upon the virulence of German feeling and the degree of pressure which German politicians can bring to bear on the Allies.

All that is now certain is that the German Social-Democrat party under Dr Schumacher and the neo-Nazi rally of ex-General Remer are giving their energetic backing to the recently-formed Saarlander party of Herr Richard Becker (DPS) which under the omnibus slogan "*Christlich-Sozial-Deutsch*" is trying to build up a kind of German front within the country. The Saar government banned one of the meetings of the DPS at the beginning of this month in defence of the Saar constitution of 1947, which proclaims the political separation of the Saar territory from the German Reich. This rally was to have been supported by prominent Bundestag deputies belonging to Dr Adenauer's Christian Democratic Union. In April a European Socialist Congress held in the Saar at Sulzbach was attended by a delegation of German Socialists led by Herr Eichler (also German delegate at Strasbourg). When in his opening speech Herr Eichler greeted his colleagues, the Saar Socialists, with commiserations upon their separation from the Federal Republic, he was soundly booed and had to change his tune. Eichler's performance drew reproaches from French delegates at Strasbourg last week.

It is probable that these German attacks on the detachment of the Saar will come to nothing and that the Germans stand no chance of getting the Saar back except as a *quid pro quo* in some high political deal. The attitude of M. Schuman (most conciliatory of French Foreign Ministers towards Germany) seems to be stiffening. When the Saar government was not allowed to participate in the signature of the Schuman Plan, Colonel Gilbert Grandval, French High Commissioner, offered his resignation as a gesture of personal solidarity with the Saarlanders. It was not accepted. The fact, therefore, that M. Grandval remains at Saarbrücken is evidence of the determination of the French Government to maintain the interests both of France in the Saar and of the Saar *vis-à-vis* Germany. M. Grandval's great personal prestige in the Saar is in itself a guarantee that the continued relationship between the Saar and France will be firm and friendly. The French High Commission is shortly to be changed into a body of a more diplomatic type, and in return the Saarlanders will appoint a minister to Paris.

What is the economic situation of the Saar within the framework of the customs union with France? The original benefit which the Saarlanders gained from the political detachment from Germany and the economic attachment to France was, of course, exemption from dismantling and from occupation costs on the German scale. At the same time essential consumption goods could be imported into the



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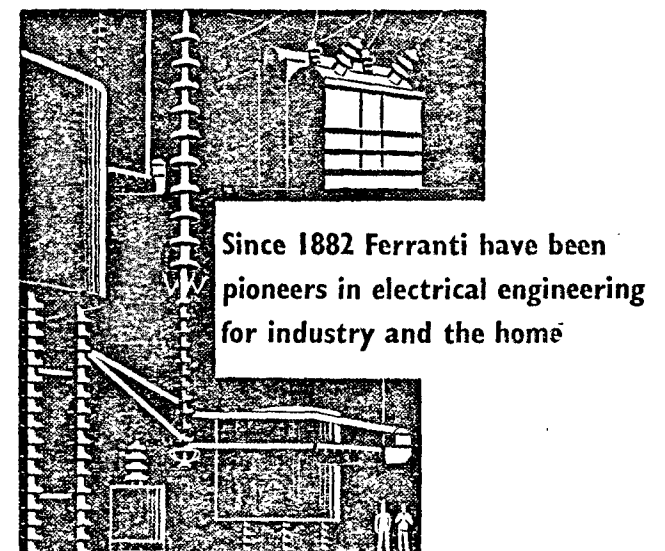
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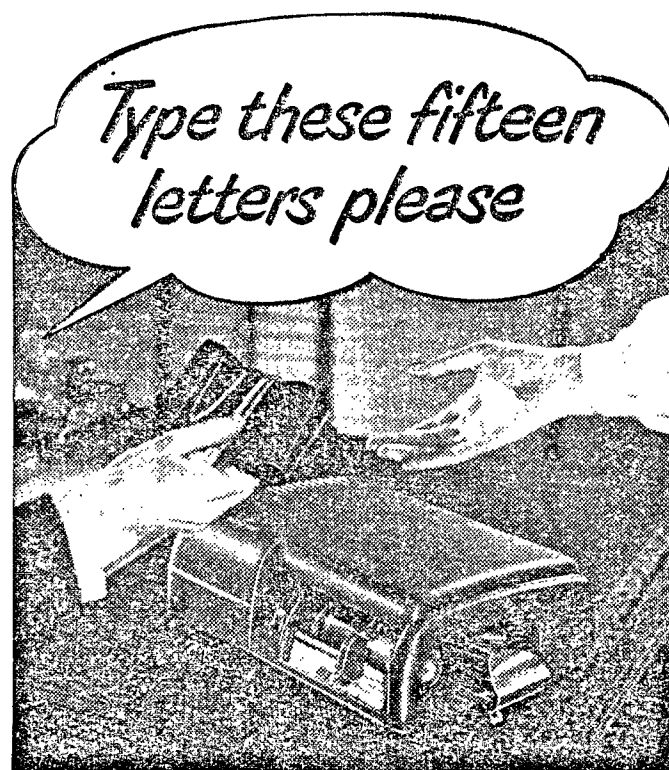
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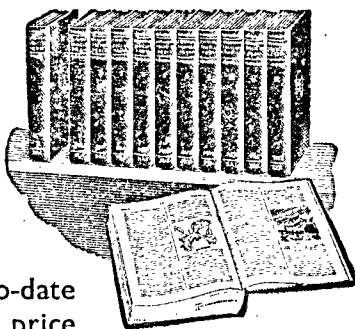
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territory. Since out of a population of 935,500 the severely wounded, the widows and the orphans amounted to 77,000, one of the main tasks of the Saar government was to establish an insurance system (Hitler had pillaged the old social insurance reserves to build up the war industry). This the present authorities have succeeded in doing, so that at the present time Saar pensions are more than double those obtained by Federal Germans. The Saar towns were seriously damaged (nearly half Saarbrücken was destroyed one afternoon in the autumn of 1944), but now, in 1951, a great many new houses have been built—more quickly than in Germany or France. Above all, there is almost no unemployment. The Saarlanders will know that reunification with Germany would entail three evils: the loss of the markets in the franc zone which have been secured not without great effort during the last four years; an influx of East German refugees settled by the Bonn government; and subjection to the Federal German levy for the equalisation of war damages (*Lastenausgleich*). None of these prospects is attractive. There is also the historical fact that, after the return to the Reich in 1935, Hitler had to levy a special tax on German industry (*Saarpfennig*) with which to subsidise the heavy industry of the Saar. One natural market for Saar coal and steel is, it is true, South Germany. But better business can be done elsewhere. Since the Korean war French heavy industrialists, who were reluctant to facilitate the business connections of Saar producers, find that there are markets enough for all. The *Comptoir des Produits Sidérurgiques* in Paris is happy to sell Saar steel at the same astronomical price as French.

Fiscal Unity with France

The integration of the Saar into the French economy has necessitated harmonising its fiscal system with that of France. This is confirmed by certain measures in the Convention of March, 1950. The Saarlanders are required to impose the French indirect taxes—production tax (14½ per cent), the transactions tax and consumption tax (on petrol, alcohol, *apéritifs*). This revenue is sent to Paris, and in return Paris grants the Saar 1/46th of the total revenue of France under this head. (The Saar contains 1/46th of the population of France-Saar.) The Saarlanders gain considerably on this deal for the reason that the production tax on coal and electricity—two of the principal products of the territory—is not 14½ per cent but 5.5 per cent. Neither do they care for *apéritifs*. Direct taxation, in order to compensate the increase in the indirect taxes, is much reduced in the Saar in comparison with the prewar level.

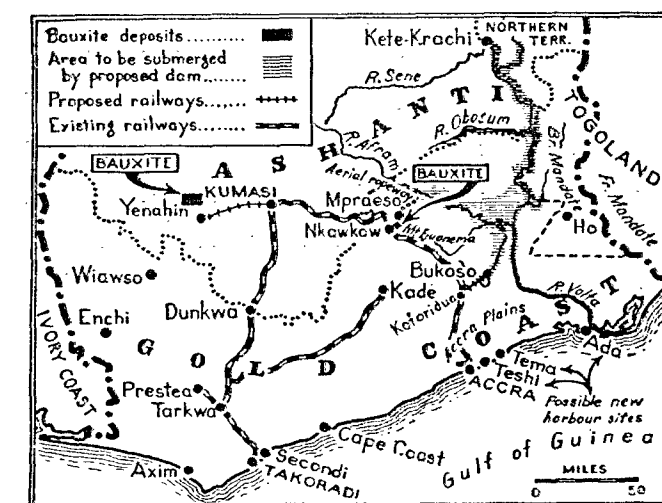
The Saar is well on its way to becoming the link between Federal Germany and Western Europe—the kind of *trait-d'union* on which pre-1914 Germany used to thrive in Eastern Europe and which was obliterated by National Socialism with its policy of turning German economic settlers outside the Reich into agents of Nazi domination. When Dr Schumacher storms against the alliance of heavy industry and the Vatican, of which he imagines the Saar (betrayed by Dr Adenauer) to be the victim, he seems to overlook the fact that his internal allies are not the Saar Socialists, who in coalition with the Christian-Democratic Party have reconstructed the country, but elements deriving from the reactionary wing of the old *Zentrum* of imperial Germany. The party of Herr Becker is really the party which objects to the present social security system of the Saar and wishes a renewal of the freer economy of pre-1914 Germany. This return, not indeed to Nazism, but to the heyday of German industrialism, would be symbolised by the Mercedes for the businessman and the braid uniform for the railway porter. (In France-Saar only the stationmaster has a smart hat.)

The Saarlanders are Germans who have no intention of becoming French. They may visit Germany showing simply their identity card at the frontier and any federal German who has a passport may visit them. If left with administrative autonomy the Saar will certainly be the nucleus of the European activity which France and Germany both acclaim.

The Gold Coast Since the Elections

THE honeymoon period in the Gold Coast is not yet over, and no one dares to predict with confidence how the country will settle down to its new status. At the moment, British officialdom is assisting the new African Ministers with exemplary correctness and decorum, and the Africans are responding with a pleasing sense of public responsibility. Mr Nkrumah's Convention People's Party is not tied by any sharply-defined domestic programme which it feels called upon to rush into legislation, and until this week no big controversial issue had blurred the CPP's election triumph of last February.

But the first serious clouds are now on the horizon. The Cocoa Control Board has built up a reserve of £53 million and many covetous eyes are cast on this fund. A Bill has



been introduced into the Assembly giving the Government power over the expenditure of these funds, the intention being that they should be used to carry out Mr Nkrumah's political programme. This has evoked furious protests from the cocoa-farmers, who have cabled the Secretary of State pleading that the Ordinance be disallowed by the King and complaining that Mr Nkrumah and the Governor have completely ignored their representations. The Governor is flying immediately to London to consult the Colonial Office, and the CPP is swallowing the first dose of unpopularity which is inseparable from the exercise of power.

A slight skirmish with danger occurred earlier over the highly-emotional issue of cutting out diseased cocoa-trees. This has always been a matter for hatred among the farmers, and was used by the CPP in its election campaign as a good example of the cold-blooded British indifference to the destruction of the livelihood of African peasants. The Government has consistently claimed that it knows no alternative to cutting out the trees, if the industry is to be saved. When Mr Nkrumah took office as Leader of Government Business, he and the new Minister of Agriculture visited the research stations and consulted the scientists. As a result, the cutting-out campaign was suspended for a month while a special committee studied the methods by which it was organised. This was a reasonable thing to do, as the methods were by no means perfect and had inspired such deep hostility. But Nkrumah has shown a readiness to accept necessary, if unpleasant facts, which bodes well for the future. There is no longer any talk of abolishing cutting-out altogether, unless new methods of pest control, now being tried, should prove successful.

Thus trouble signs are emerging not from irresponsibility on the part of African Ministers or from differences between them and the Europeans, but from a difficult peasantry. This is leading to uneasiness on the CPP back benches and also giving a lever to the Opposition in the form of Dr Danquah. Danquah, at one time the leading politician on the Gold Coast, was the spirit behind the Gold Coast Convention, which first gave Mr Nkrumah his chance as its Secretary. Danquah now sits in relative isolation in the House of Assembly; his only feasible method of recapturing popular support is by proving to be more revolutionary, more daring, more a man of the people, than is Mr Nkrumah himself. To this end, when the new Assembly was formally opened and an address of thanks to the King for the new constitution was loyally moved by the CPP leaders, it was Danquah who refused to support the motion. He spoke bitterly against the inadequacies of the constitution, called for "immediate self-government," and taunted Mr Nkrumah for working a constitution which he had publicly dubbed as "bogus." On April 24th Danquah moved a resolution calling for the appointment of a commission to draft yet a further new constitution giving the Gold Coast full Dominion status. Thousands of people gathered round the Assembly building to hear the debate, and to think their own thoughts when a CPP minister, replying for the Government, condemned the motion as a political stunt. "What would the world think of us, if, without giving the new constitution a trial, we embarked on another one?" he asked.

Nevertheless, the back-benchers, with their erstwhile thunder stolen, and confronted with a turbulent array of cocoa-farmers, feel a little disturbed. Everything now depends on what practical results the Government can show in terms of domestic betterment. What *proof* can be given the people that now, under their own freely-chosen Government, they will enjoy more of the good things of the earth? It is extraordinarily unfortunate that this testing period coincides with the new austerities inherent in world rearmament. There are bound to be supply shortages which will retard the many development projects which are being planned, and it will bear hardly on the Colonial Office to ensure, for the sake of the success of this particular political experiment, that the Gold Coast is given what will amount to a privileged position, in future allocations of equipment and materials.

The Volta Scheme

But to balance the misfortune of the new tightness in the supplies position, there is the good fortune that the plans for the Volta scheme, heartily supported by Gold Coast politicians, is reaching maturity just at this time. This is a scheme which is expected to cost at least £100 million. Its fulcrum is an impressively large hydro-electric project, the main outlet for the electric power being the manufacture of aluminium from the nearby bauxite deposits. Subsidiary to this would be a new railway line and a new seaport—the coast has been surveyed for a site for the port, and dam sites for the power project have been proposed. Furthermore, it is intended to irrigate an area of 500,000 acres in the Accra plains by means of a canal from the proposed reservoir.

Every sort of expert advice has been brought in to the preparation of this scheme. A London firm of consulting engineers has carried out the main survey, and has worked in conjunction with Government geologists, soil scientists, topographical surveyors and medical experts. Aerial photography is being done by the RAF; drilling operations are in the hands of Aluminium, Ltd. of Canada, which is working the bauxite deposits. The great problem is, of course, finance. Some capital will have to be raised in London, and special legislation may be required. There has been talk of using some of the Cocoa Fund, but, apart from the farmers' opposition, this will not be easy. This money cannot be lightheartedly tied up in long-term investment; £35 million are, for instance, allocated to a special price

stabilisation reserve, to provide security for the cocoa-growers if prices should fall.

It is reckoned that a scheme of this sort would take six to seven years to carry through; it would provide handsomely for new employment, and the improved electricity supply would encourage new industries. The better road and rail facilities would open up new areas, as would the inland waterway. Understandably enough, there will be powerful political pressure in the Gold Coast to proceed with this ambitious project; if it is successful Mr Nkrumah and his friends will be firmly established in public esteem and the new constitution will be considered to have justified itself.

For there is this tricky feature in the Gold Coast situation—the present political experiment will stand or fall, not on its own merits, but on what is done on the economic front. The less impressive the economic achievement, the louder will be the cry not for less but for more self-government. All setbacks will be attributed—at least, by the politicians—to the simple fact that the Gold Coast is not yet a full Dominion. Give it Dominion status, so it will be argued, and all problems will be solved overnight. But whichever way the tide of fortune turns, many observers doubt whether the present constitution—which gives so much but not quite everything—will satisfy African nationalism for even as long as a decade.

Singapore and the Rubber Embargo

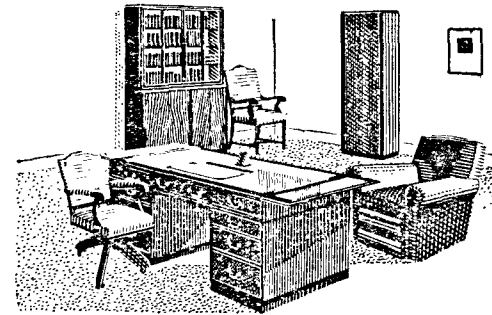
[FROM OUR CORRESPONDENT IN MALAYA]

THE banning of rubber exports to China hardly took Malaya by surprise. It had been felt that destination control, announced in Singapore on April 9th was only the prelude to embargo, for if the intention was to reduce Chinese purchases of rubber to a level approximating to normal civilian consumption then there could be no more sales for the rest of the year. Direct shipments to China in the first quarter of the year totalled 22,672 tons, roughly the 1947-49 average. Another 31,819 tons had been shipped to Hongkong, and it was to be assumed that all of this also would find its way eventually to China. Hongkong retains next to nothing of its rubber imports. In the first quarter, therefore, China acquired over 46,000 tons of rubber, making 123,000 tons since the Korean war began. In the preceding six months sales to China and Hongkong together came to less than 6,000 tons.

There was some hard thinking between the enforcement of destination control and the announcement in London of the British ban and the request to Malaya to act. It would be untrue to say that Malayan opinion was ahead of British, but there was certainly an uneasy feeling that it was morally indefensible to continue sending rubber to the Communists while America, shouldering the main burden in Korea, was having to restrict the use of natural rubber and while Malaya itself was fighting its own war against Communist Chinese. At any rate, the embargo on exports has been accepted without criticism, whereas destination control on the whole was opposed. In both Legislative Councils, Singapore and the Federation, European unofficials were among those who questioned Whitehall's directive to Malaya to restrict exports to China. But no one yet, either in the rubber trade or out of it, has publicly objected to the ban.

The swing in opinion is explained by several factors, including the great American debate which has been given wide publicity in Malaya, and which has found the Chinese press leaning towards MacArthur. Destination control also had a poor reception because it was presented not as a strategic necessity in the sense of depriving China of war supplies, but as a measure that would assist the United States

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to build up its stockpile. In Singapore the Colonial Secretary injudiciously coupled the problem of stockpiling with the inflationary results of prices stimulated by competitive buying, an unsympathetic comment at a moment when the General Services Administration (GSA), the sole American buyer, was preparing to hammer the price. Between April 9th and May 10th, when the ban was announced, rubber fell by 70 cents (approx. 1s. 7d.) a pound, or nearly 80 per cent more than rubber was worth before sterling was devalued.

There was also the comfortable feeling that if there were any objection to sales to China on strategic grounds, it would be for Britain to say so. As recently as February, the Secretary of State for the Colonies, Mr James Griffiths, told Parliament he thought that heavy Chinese purchases could be explained by the wish to buy quickly before the price rose still further. There has been British control of strategic materials for some months, and if Britain was satisfied there seemed no reason for doubts in Malaya. The rubber industry could hardly be expected to take the Singapore Government's view of the dangers of price stimulation.

It is too early yet to judge what will be the final effect of the ban on the price of rubber. It really depends on the Americans, and whether the GSA seizes the chance for a little more hammering. The industry has not approved the Administration's recent activities, and fears that now that there is no Chinese competition in the Singapore market the Americans will let the extra 17,000 tons a month drag down the price. But it must be expected that China will now turn to Indonesia and possibly Ceylon, and Singapore's immediate anxiety is the threat this represents to the entrepot trade in Indonesian rubber. Last year 361,357 tons of Indonesian rubber came to Malaya for marketing in Singapore. A great deal of it is processed by Chinese mills in Singapore, and it is a profitable business both for Malaya and Britain. Although Indonesia gets American dollars for any rubber sold to the United States, the processing adds to the Commonwealth's dollar pool.

It will be difficult for China to buy what it wants in Indonesia, but it will not be impossible, and the chances are that some Chinese millers will consider transferring operations to Indonesia. This possibility has been suggested whenever restrictions on trade with Communist China have appeared likely, and if Indonesia's first reactions to news of the British ban are also its last, then invitations to Singapore Chinese millers to operate in Indonesia must be expected. The flow of Indonesian rubber has recently been greater than ever. Malayan imports for the first quarter of this year totalled 130,000 tons.

The question of unfulfilled contracts to China is not regarded as a serious problem. It has been the practice for sellers to wait for the cash before concluding contracts, a circumstance which finds market opinion in general opposed to any idea that the British Government should feel itself obliged to take up any rubber allegedly sold, but now banned from export. About 20,000 tons was bought in April and 9,000 tons was shipped.

New Zealand's Waterfront

[FROM OUR WELLINGTON CORRESPONDENT]

It is easy to exaggerate the extent of violence and intimidation in the New Zealand waterfront dispute. New Zealanders who are unused to these demonstrations—the last of them occurred during the depression riots in the 'thirties—are apt to exaggerate the importance of what has occurred. New Zealand politicians, who have less reason to be surprised, cannot be blamed for giving the demonstrations their full value in anti-strike publicity; and Australian newspapermen, who have bustled across the Tasman Sea with raised blood pressures after their own elections, have found New Zealand's difficulties headline-provoking.

The extent of the violence and intimidation can be briefly summarised. It began with an unsuccessful attempt to dynamite a bridge giving access to opencast coal workings in the Waikato. The attempt was only discovered after an early morning workmen's train had safely negotiated the bridge. Repairs were quickly made and the bridge, like all others of importance, is now under guard. There were three vicious attacks upon two officials of the newly registered Auckland Waterside Workers' Union. Two of them were against the then president of the union, Mr R. S. Belsham, who was beaten up in his own home and on his own doorstep. The third concerned a member of his executive who was lashed across the face with a length of bicycle chain. Both officials have since resigned and been replaced. Then there were three street demonstrations by strikers, one in Auckland and two in Wellington. In these, several hundred men took part, but in all three the police had full command of the situation. There was also a reported attempt to intimidate a member of the emergency volunteer corps in Wellington by beating him up just after he had enlisted, and in the South Island two amateurish attempts were made at sabotage.

Civil Emergency Corps

In addition to these overt acts, there has been an intensification of the flow of anonymous leaflets and pamphlets issued in support of the strikers. Some of these vilify individuals; some purport to give the strikers' side of the dispute. The majority are highly inflammatory. There has been a number of instances in which the word "scab"—much in use in this dispute—has been painted or chalked on the houses of men who have taken leading parts in forming new unions. In at least two cases, the epithets were placed on the wrong houses. There has also been a good deal of finger-pointing, whispering and anonymous scandalmongering. In the sum total, all these incidents, though they are disturbing, do not justify some of the language used to describe them. There is a reckless and lawless element among the strikers which will stop at nothing; but there is no indication that this element has control and no indication that the New Zealand police, backed by the services, are not well able to control it.

The Government's move in calling for the recruitment of a volunteer civil emergency corps is largely precautionary and admonitory. The response has been immediate and is an indication that the public only needs to be told what to do to back the forces of law and order and it will do it. It is unlikely, however, that more than a small number of the volunteers will be used. Some are already being employed in Auckland to guard the homes of new unionists. But the chief effect of the volunteer guard is as a moral deterrent. The Government by acting promptly has now a force of over 12,000 men available for use if required.

Apart from this move, which is in no way an indication that it has lost control of the situation, the Government has done little more than ensure that adequate numbers of police are available where they are likely to be needed and make an impressive display of force in protecting the operations of the new waterside union in Auckland. Strikers who tried to march on the Auckland wharves last week, when the new union began work, were confronted by several hundred police backed by servicemen in war kit and unlimbered fire hoses. After the strikers' scouts had reported this reception committee, the march dispersed.

The Government's use of the emergency regulations has been strongly attacked by the leader of the Labour opposition, Mr Walter Nash. He maintains that the refusal of the Auckland City Council to allow him to address a public meeting on May 22nd in the Auckland Town Hall was really dictated by the police; and that the Government is using the regulations and the present situation to upset the British traditions of freedom and free speech. In fact the council's decision was made entirely by itself. Mr Nash also complained that the Government has refused to allow members of the Opposition to use the State owned radio service to discuss



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the strike, and that Cabinet Ministers have used the radio to give the public a one-sided picture.

It would be misleading to pretend that there are not misgivings in New Zealand about the employment of arbitrary regulations which, if they were fully applied, would have all the effect of martial law. Nevertheless these criticisms are mainly on the score of principle rather than that of practice, for the regulations have so far been very moderately interpreted and sparingly enforced. The strikers are still, for instance, quite openly receiving and distributing supplies from relief depots and are well known to be receiving monetary help from sympathisers both inside and outside the country. The Prime Minister has said that he has no intention of employing OGPU or Gestapo methods to stop this, and so far he has been as good as his word.

“Hoggenheimer” Rides Again

[FROM OUR JOHANNESBURG CORRESPONDENT]

THE South African Nationalists play a complicated game of politics with only three well-thumbed cards. These are the black bogey, the British connection, and “Hoggenheimer.” This three-card trick has, however, had surprising successes. It put the late General Hertzog into power in 1924 and kept a Nationalist Government going from that date until 1933; and it put the Nationalists under Dr Malan back in power three years ago, just as if there had been no fusion, no war, and no General Smuts.

The black bogey and the British connection are never in discard, but it is sometimes advisable to hold them in reserve for a time. Then it becomes the turn of “Hoggenheimer.” The name is the creation of a brilliant political cartoonist called Boonzaier, who in the mid-twenties attached it to a paunchy, cigar-smoking capitalist obviously purloined from the Labour Press. “Hoggenheimer” represented “money power,” which in South Africa has traditionally meant the gold and diamond mines. It is no accident that “Hoggenheimer” rhymes with Oppenheimer.

The first hint that “Hoggenheimer” was about to reappear on the political stage came some months ago in the form of some ambiguous phrases from the Nationalist Minister of Economic Affairs, Mr Eric Louw, an indefatigable smeller out of United Party plots and stratagems. Mr Louw, in the midst of a discourse on import control, rambled into a tirade against business men who bit the Ministerial hand that fed them. Well used to Mr Louw's grumbles about his constantly nibbled hands, the general public, and even most business men, detected no cause for undue alarm, even though Mr Louw warned that those who deliberately tried to harm the Government could expect no great favours from it. The real eruption came in Parliament, when Dr J. H. Looock, a former Smuts supporter who has joined the Nationalists, darkly described a mysterious dinner (held either in Johannesburg or in Cape Town: Nationalist versions vary) at which sinister mining magnates decided to contribute £1,000,000 (“what is a million to them?” asked Dr Looock scornfully) towards the overthrow of the Nationalist Government. Dr Looock explained that one part of the plot was to buy over “outstanding Afrikaner intellectuals,” and added modestly that he himself had been offered a good slice of the £1,000,000, but had rejected it with contempt.

The Nationalist campaign then began in earnest. Dr Malan's paper, the *Burger*, protested in the sacred name of democracy against the United Party becoming the “chosen instrument of the money-power.” The *Volksblad* (Bloemfontein) spoke, in the same breath, of “sinister money-power” and “£1,000,000 for spreading the doctrine of

liberalism.” The *Transvaler* went better than either, disclosing to its presumably horror-stricken readers a “dastardly plot” whereby the mining and industrial magnates would dismiss workers, while simultaneously the rich merchants would “withhold scarce commodities and goods essential to the home,” the aim being chaos, misery and the climbing back into power of the United Party. “This plan,” said the *Transvaler*, “has been framed in close co-operation with the United South Africa Trust Fund.”

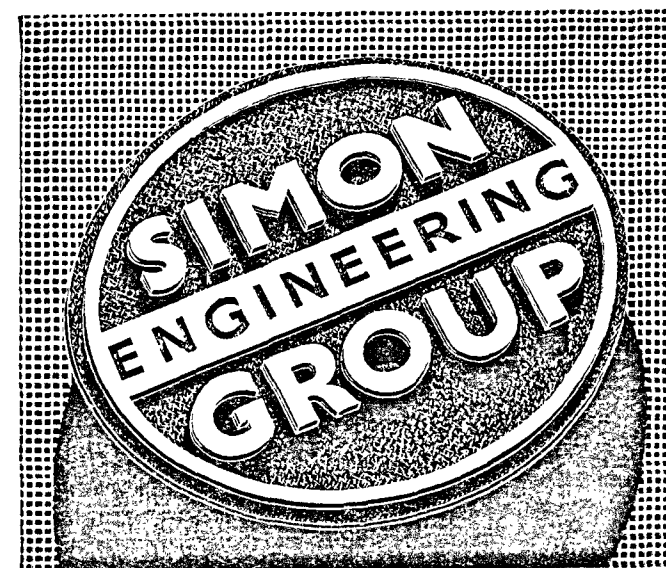
The villain of the piece then replied. Mr Harry Oppenheimer, MP for Kimberley and son of Sir Ernest Oppenheimer, explained in Parliament that he had indeed, some eighteen months ago and in consultation with General Smuts, formed a body called the United South Africa Trust Fund, the aims of which were to promote racial tolerance, uphold democracy and defend the Constitution. For these aims, Mr Oppenheimer at first refused to apologise. He did not deny that as the United Party's programme seemed to fit in with the Trust's aims, it would very likely be eligible for support from the Fund. He did not conceal his personal view that, judged by its present political programme, the Nationalist Party was unlikely to qualify for a share of the £1,000,000 (which incidentally is merely a target and one which is very far from having been achieved by the Fund).

Warning to Businessmen

It was not to be expected that Mr Oppenheimer's explanation would cut much ice with the Nationalists. The Minister of Native Affairs, Dr H. F. Verwoerd, warned businessmen that they had no right to “mix up their duties with politics.” That was what, in South America, produced bloody revolutions. Dr Albert van Rhyn said if this sort of thing went on, the Nationalists might seriously consider nationalising the gold mines. History was repeating itself with a vengeance. In 1929, the MR for Kimberley had faced an identical tumult. Kimberley at that time was represented by Sir Ernest Oppenheimer. He then declared: “We mining and industrial people are told that if we meddle in politics—which means if we support the Smuts party—we shall be punished. We are part of South Africa, and an important part. We have every right to be heard. We will not be underdogs.”

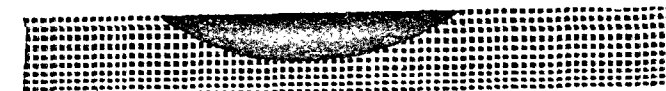
Last year, speaking at a banquet in honour of Sir Ernest's 70th birthday, the Nationalist Minister of the Interior, Dr T. E. Dinges, said: “He (Sir Ernest) has always shown an unwavering faith in and an unswerving loyalty to South Africa. That faith . . . attracted capital from overseas and helped us to develop this country.” Despite these tributes to capitalism and a great capitalist, the opportunity given by the creation of the United South Africa Trust Fund, to parade “Hoggenheimer” once more, has proved too good to miss. The Nationalists' campaign is not going badly. Mr Oppenheimer has already been forced on the defensive. In a speech to his constituents at Kimberley, he was obliged to deny either that his Trust Fund wished to destroy the colour bar in industry (as alleged by the Nationalists), or even that it upheld the United Nations Declaration of Human Rights. Mr Louw, himself a former South African delegate to the United Nations, quickly pointed out that “the Trust upholds ‘the fundamental rights of man as recognised by the member-States of the United Nations’; this concluding phrase in the Trust Fund's objectives is clearly intended to refer to the whole Declaration of Human Rights and Freedoms.”

Most outside observers will think this a not very damaging point for Mr Louw to score. It is symptomatic of the present state of affairs in South Africa that so apparently innocent an objective may prove very damaging indeed to its sponsors. This state of mind goes far to explain how the Nationalists can talk about “capitalism” and “liberalism” as synonymous terms, one as objectionable as the other, and proceed, not unsuccessfully, to force their opponents to half-deny that they support either of these obnoxious things.



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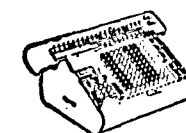


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THE BUSINESS WORLD

The Case for Monetary Policy—III

An All-round Rise in Rates

A TIGHTER monetary policy needs to be brought to the aid of the Chancellor's budgetary effort at disinflation if the degree of inflation in Britain is to be kept within reasonable bounds in the next few years. This does not mean that there must be a sudden swing from cheap to dear money; monetary weapons can be very sensitive and much could be achieved by quite moderate tactics. The full advantages of using monetary techniques to reduce the pressure of excessive demand would not be reaped, however, merely by operations designed to reinforce the rising tendency of rates in the gilt-edged market. The real need is for a more comprehensive and flexible policy than this; and for this purpose the first essential step is to drop the present abnormal system whereby bank "cash" is in effect created automatically to meet any demand that the commercial banks put upon the discount market. The Bank of England should reaffirm the traditional rule, invariably followed before 1939, that any releases of credit to the market or the banks at rates below Bank rate are made solely upon its own initiative. This termination of the unnatural system of "automatic" creation of cash would give a salutary warning to the banking system, and might have powerful effects even though the Bank remained quite liberal in its releases of credit. It was argued last week that these two lines of policy, acting in conjunction with budgetary disinflation, might exert a sufficient restraint (or at least as great a restraint as the Government was prepared to countenance) without provoking more than a moderate rise in short-term rates.

It is not certain, however, that this would be so; the policy has to feel its way, and much would depend upon the skill of the authorities. If the degree of inflation was still disturbing and if the authorities were determined to combat it, they might have to reconcile themselves to a temporary rise in transitional unemployment somewhat beyond the levels they are willing to contemplate now. But whether or not that were so, they would need a still tighter monetary policy—more particularly if they were not prepared to meet the second and third instalments of arms outlays by budgetary retrenchment, notably in social services.

At this point the policy of gradually tightening the rein upon the short loan market would inevitably provoke a more general advance in rates, and this would also become desirable in itself. Tradition might suggest that the right step then would be to raise Bank rate; on the other hand, it is commonly argued that Bank rate has long been deprived of all significance—because, except for the few weeks following the outbreak of war, it has not been changed since 1932, and especially because Dr Dalton moved the whole structure of short rates in 1945 without altering it. In fact, neither of these arguments is reasonable. Bank rate, even now, is still

the minimum rate at which the Bank of England, as the lender of last resort, is obliged to buy (or lend against) approved securities from those who have access to its facilities. The reason why Bank rate has exerted no effect for so many years is simply because the discount houses have always felt sure that they would never be obliged to go cap in hand to seek aid on these terms. Since this assurance rests upon their present virtually automatic right to sell bills to the "special buyer" at the market rate, the withdrawal of this right, unless very carefully staged and accompanied by liberal behaviour by the special buyer, would at once make the level of Bank rate a real contingent factor in their calculations. On the other hand, the margin between the present Treasury bill rate of a shade over $\frac{1}{2}$ per cent and Bank rate of 2 per cent is so wide that the authorities, if they operated skilfully, would find that a large measure of credit restraint could be exerted before it became necessary to raise Bank rate.

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Necessarily, these first steps towards restoring conventional relationships that have been distorted for so long could not follow any precedent; the nearest parallel would be the Daltonian move of 1945. On that occasion, the originating move was the Chancellor's decision to reduce by $\frac{1}{2}$ per cent (to $\frac{3}{8}$ per cent) the rate paid to the banks on Treasury deposit receipts. But in the circumstances now envisaged, the gradual advance in market discount rates, bank call money charges and Treasury bill tender rates in response to tighter short loan conditions would presumably have been accompanied by roughly parallel adjustments in the TDR rate. This advance in rates could not surpass $\frac{1}{2}$ per cent (and conceivably could not much exceed $\frac{1}{4}$ per cent) without logically requiring an increase in rates allowed by the banks on deposit accounts; in the unlikely event that the banks did not voluntarily raise these rates by $\frac{1}{2}$ per cent as soon as the Treasury bill tender rate reached 1 per cent, the authorities should use their powers to direct them to do so. This would ensure that the movement of rates began to extend to charges for ordinary bank advances, thereby providing a specific deterrent to marginal borrowings and preventing switching of borrowings from acceptance credits to bank advances.

It is not suggested that a rise in rates of the order of $\frac{1}{2}$ to $\frac{3}{4}$ per cent would of itself have decisive effects; within limits such as these, the policy would be likely to exert itself much more powerfully through the caution it induced among lenders than by its direct discouragement of borrowers. In any approach such as this, where the object is to get maximum results from the least increase in rates, the essential precept should be "gradualness"—which means that the emphasis should

be upon the quantity of credit rather than upon the rate. The advance in rates should be regarded as consequential upon the slow tightening of credit supplies rather than as the purpose in view (even though the two processes are in fact only different facets of the same object). This is in contra-distinction to the old technique of raising rates abruptly, and then of seeking to make the new level effective by deliberately reducing the volume of credit if public demand did not fall far enough automatically.

It would of course be idle to suppose that a cautious and gradual policy of this kind, even when pursued also through the gilt-edged market, would be strong enough perceptibly to damp down an inflation fed by reckless budgeting. What is proposed here is a supplementary policy, one that presupposes a budget that does not fall hopelessly short of its disinflationary target and also presupposes a continuance of other methods of restraint—such as present physical controls of investment and of scarce materials. It is suggested, however, that, given reasonable policies in these other directions, quite a moderate degree of monetary restraint would make all the difference. Needless to say, its efficacy would be powerfully and desirably enhanced if its implications were accepted throughout the Government sector of the economy—if the new level of rates were given due weight in the planning of Government-sponsored investment, and if it was followed by the Public Works Loan Board and translated thereby into the level of rents for local authority houses. Indeed, the logical accompaniment (though not a necessary consequence) of a tighter money policy would be a substantial revision of the system of rent restriction. The interest rate policy of Government lending agencies should be akin to that followed by the Agricultural Mortgage Corporation, which last week announced an increase from 4 to $4\frac{1}{4}$ per cent in its rates for new lendings—thus re-establishing its margins as it did with its previous increase in 1949, over the higher yield basis already established in the gilt-edged market.

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The more obstinately the Government clings to arbitrary interest rate policies, and to high levels of welfare and other non-defence expenditure despite the rise in arms outlays, the stronger would be the resistance needed from monetary policy. If that policy were required to take the main strain of resisting inflation, then, indeed, it would be necessary to envisage a rise in Bank rate to levels beyond the range associated with "cheap" money.

Even so, the cutting edge of the policy would not be the increase in Bank rate as such, but the measures of credit contraction required to make Bank rate effective—in the sense that rates in the market and banking system were appropriately related to it.

There remains to consider the familiar contention that the Chancellor dare not contemplate a rise in interest rates—especially short term rates—because of the dire repercussions that would have upon the budget. A major flaw in this reasoning is its implicit assumption that, by avoiding a rise in the interest charges he has to pay on re-borrowings and new finance, the Chancellor will to that extent avoid a rise in his budgetary expenditure. In fact, the very opposite is likely to be true. Given that a tighter money policy would have exercised a potent restraint upon inflation, a refusal to accept a rise in interest costs is tantamount to a deliberate choice to accept instead an avoidable rise in the money cost of at least the greater part of all other budget expenditures. A rise of $\frac{1}{2}$ to $\frac{3}{4}$ per cent in rates payable on the present floating debt would mean that Exchequer payments to holders other than Government agencies and the Bank of England would rise by roughly £20 to £30 million in rather more than twelve months—if domestic payments are estimated after deduction of tax at the standard rate and external payments are estimated gross. On the other hand, an increase of no more than 5 per cent in the prices paid by the Government for its expenditure on goods and services—not to mention its large social payments—would cost the Chancellor £100 million a year. In other words, short term rates would have to rise above 3 per cent before they would add to the Government's expenditures as large a sum as would be added by a 5 per cent rise in the average price of the goods and services it consumes. This calculation ignores the repercussions on other Government debt, because none of this is compulsorily redeemable before 1953; but if the cost of refinancing compulsory maturities were also raised by $\frac{1}{2}$ to $\frac{3}{4}$ per cent, and if this increase endured for the next five years or so, the net annual cost of the refinanced debt would thereafter be raised by about £5,000,000 to £8,000,000.

These pro forma calculations, rough though they are, are sufficient to show the emptiness of the contention that a tighter money policy of the kind that is needed now would have awkward repercussions upon the budget. The increase in Government expenditures that is threatened by the inflationary rise in prices is at present incomparably greater than the small rise in interest costs likely to be involved in the monetary measures necessary

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to supplement other counter-inflationary policies. In other words, a tighter money policy would actually be the means of keeping down Government expenditure. But, even if this were not so, the case for monetary policy would not be any less strong. The overriding consideration is the health and strength of the national economy as a whole, not the level of Government expenditure as

Textiles and Rearmament

IT is some months since the Government first warned the textile industries that they would have to expand their exports considerably during the next three years to compensate for the coming inroad of defence orders into the exports of the metal industries. More than half the country's total exports in 1950 came from the metal-using group of industries: during the coming year, defence contracts will absorb output from these industries of a value equivalent to about one-third of their exports last year. In rough and ready terms, exports of consumer goods would need to expand by £350 million this year to make good the fall in exports of metal manufactures. When the first draft of the re-armament programme was drawn up last autumn, it seemed reasonable to expect the textile industry to meet relatively small defence orders (£50 million during 1951) and at the same time to make a sizeable contribution to the necessary increase in exports of "soft goods." Since then, the conditions under which the textile industry is working have deteriorated in such a way that the task, although not impossible, is no longer straightforward.

Output of cotton, wool and rayon goods expanded during 1950; it has done so every year since the war; but this year a simultaneous scarcity of the raw materials used by each industry suggests that total output is certain to fall. Its effect is already being felt in rayon production, where the shortage of sulphuric acid will reduce output during the first half of the year by 10 per cent compared with the last quarter of 1950.

This fall in rayon production has serious implications for the cotton and wool industries, since both have been hoping to increase their consumption of rayon to offset shortages of their primary fibres. A 10 per cent cut in rayon deliveries to the cotton weavers might mean a drop of more than two per cent in the cotton industry's total output of cloth. It is not strictly correct to say that Lancashire is also experiencing a shortage of cotton; but deliveries of raw cotton have been dislocated in such a way that the effect is the same. Supplies of American cotton have fallen, and although the Raw Cotton Commission bought enough cotton in other countries to make up for the cut in American supplies, some of it is a poor substitute for American cotton and cannot be spun into the same type of yarn. The difference may mean adaptation of the production schedule of both spinners and weavers, but individual managements are unlikely to do this until forced to by continual failure of their suppliers to deliver the types of raw cotton or yarn ordered. Yarn deliveries will be made all the more problematic by increased competition for yarn from the hosiery and knitting industry; this was leading to something approaching shortage even before raw materials became scarce. There is a danger that lower activity in the industry might cause it to lose some

such; and that health is being progressively sapped by inflation. The more reluctant the Government is to curtail its expenditure by a general retrenchment, which is the one means by which the budgetary effort at disinflation might be made effective, the more imperative is it to reinforce that effort by the only other method that is likely to suffice—the method of monetary policy.

of the labour that with great efforts it has been able to attract in recent years. Cotton output since the war has been limited only by the supply of labour. By the end of 1950, the labour force had been built up to more than 312,000 and it is still growing, workers having been attracted not only by better conditions but by the prospect of steadier employment than neighbouring light industries could offer. Any lost in coming months may be lost for good to the rearmament industries; and redundancy could encourage resistance among the rest of the workers to redeployment in the mills, a process that has been gradually accepted only because it caused no visible displacement of labour.

Unemployment might also develop in the wool industry. Its supplies of rayon have been cut and cotton deliveries may also fall, but since the industry's monthly consumption of these two fibres is about 3,500,000

UNITED KINGDOM TEXTILE PRODUCTION AND EXPORTS

	Wool		Cotton		Rayon*	
	Production	Exports	Production	Exports	Production	Exports
	million sq. yds.		million linear yds.		million linear yds.	million sq. yds.
1946	345	77	1,626	529	348	113
1950	450	127	2,122	815	705	216
1st Qtr.	119	32	537	207	173	49
2nd Qtr.	106	27	535	182	176	53
3rd Qtr.	106	32	495	196	167	53
4th Qtr.	119	36	557	230	190	61
1951—1st Qtr..	78†	36	371†	209	151	53

* Including mixtures and other synthetic fibres. † Jan.-Feb. only.

pounds compared with from 43 to 50 million pounds of raw and reused wool, the effect on total output, as distinct from that of individual mills, should not be noticeable. The fall in wool consumption during the six months up to last March—from 44 to 37 million lb—shows how purchases of raw wool have declined; output has been prevented from falling to the same extent only by substituting reused for virgin wool. Naturally there are exceptions to this state of affairs. Some of the bigger companies bought large quantities of wool in December and so have sufficient stocks for many months' consumption—stocks, moreover, that were bought at prices that are even now below current market levels. To some extent this offsets the effect of the recent reduction in purchases by many merchants.

During the three-year defence programme, the textile industries will be required to supply £200 million worth of goods. Orders to be met this year amount to about £50 million and are concentrated on one or two sections of the industries. Only a small proportion of defence

requirements are for wool cloth, mainly blankets and outer clothing for temperate climates. The majority are for cotton goods, a little more than half of them for clothing materials. The remainder consists of heavy cotton cloth for tents, gun covers and tarpaulins. These proportions will be reversed when clothing stocks have been built up; the larger part of the orders will then be for heavy cotton products. Defence orders, with the exception of Admiralty orders, are the responsibility of the Ministry of Supply: but it was the Board of Trade that decided what increases in textile exports will be necessary in this coming year. To the extent to which priority for an individual defence order may limit a company's ability to export, there will be a division of interests between the two ministries. Where defence orders for textiles fall upon the canvas-making sections, no conflict arises, because these do little export business. But these sections have not the capacity to meet the Ministry of Supply's requirements—they have been unable to meet normal peacetime industrial demand. Every effort is being made to place the orders abroad, but it is almost as difficult to find overseas suppliers. Of about 15 million yards of canvas that will be needed this year, less than 7,000,000 yards have yet been ordered.

Those sections of the cotton industry making clothing fabrics are fully booked until the end of the summer, and a large proportion of their orders are for export. The annual report of the Master Spinners' Federation shows that by December, when discussions took place between the industry and the Government about the priority to be given to defence, orders for 35 million yards of drill, canvas and cellular cloths had been accepted from the Ministry of Supply, but orders for a further 10 million yards to be delivered in June could not be placed. Mr Wilson then told the Federation that defence orders would as far as possible be placed abroad: of those already booked, about 20 per cent have gone to foreign suppliers in Europe and Japan. Negotiations still in progress, especially with German mills, may eventually involve the placing of a far higher proportion of the total defence orders outside this country.

Behind such a policy lies the fact that the cotton industry will have to bear almost all the responsibility for expanding textile exports. Rayon piece goods exports last year amounted to 122.5 million yards; but falling production will make it hard for this industry to reach the same figure this year. Last year's wool piece goods exports were 117 million yards and in January exports rose to 13.4 million yards, but in many ways this was an exceptional month, and its high export level has not been maintained in succeeding months. If wool exports can continue to be maintained at something like the present level of nearly 10 million yards, it will be a creditable achievement. There is no immediate lack of demand for British wool cloth abroad, but the world shortage of raw wool means that world wool cloth output can be expected to fall appreciably in the coming year. Even if the British industry's activity does not fall in the same proportion, Governments in importing countries may find it politically inadvisable to permit an increase of imports from Britain at a time when their national wool industries are partially unemployed. No reliance, therefore, is being placed upon any marked expansion in British wool exports.

Cotton exports, however, promise to be buoyant. During 1950, admittedly, cotton piece goods exports had totalled only 822 million yards compared with 904 million in the previous year. A slump in cotton export orders preceded devaluation, and in 1950, when foreign buyers were again willing to take goods from Lancashire, British weavers became more interested in supplying the home market, where restrictions had been lifted for the first time since the war. There are no indications yet of opposition abroad to the recently-increased British cotton exports, particularly since there is a tendency to answer high wool prices by increasing consumption of cotton goods. There is also likely to be less competition from Japan, since many Japanese mills will be working on defence orders for the American forces. British exports in January reached 92 million square yards and were 23 per cent higher than in December, a month in which exports were already nearly 7,000,000 yards higher than the monthly average for 1950. These high shipments were largely the result of heavy orders that were placed in Lancashire at the start of fighting in Korea. These orders alone are big enough to maintain export deliveries at approximately the same rate for some months even though the February and March shipments were well below those for January. If the rate could be maintained throughout the year—and it is more than 30 per cent higher than the average for 1949—it would represent at January prices an increase of about £50 million in cotton piece goods exports.

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If these industries are to increase exports to such an extent out of a reduced total output, and at the same time to meet the defence orders that are placed in this country, it is clear that deliveries to the home market will have to be cut, though so far increased cotton exports have been achieved without doing this. The President of the Board of Trade assured Parliament and the industry that there would be no return to clothes rationing, but many people in the industry, particularly those using wool, think rising prices will be a sufficient restraint—a belief that does not appear to be borne out by trends so far. These suggest that consumers will go on buying so long as they think prices will go on rising, the more so when the supply of other consumer goods becomes scarce. When rising prices finally begin to affect consumer choice they are likely to direct it from wool cloth to rayon and cotton goods, thus increasing home demand for just those products that can more easily be sold abroad. Alternatively, the Board of Trade may be relying, as it has relied in the past, on keeping the domestic utility price ceilings below average export prices in order to make the home market less attractive to manufacturers. This makes the big and questionable assumption that home sales will fall automatically with each reduction in utility deliveries.

It is hard to believe, after weighing these many conflicting factors, that cotton exports can be increased this year by more than, say, £50 million and wool exports by about £10 million. Textile exports might, on this assumption, close between one-third and two-fifths of the gap that defence requirements may open; but only if steps are taken to check the flow to the home market. It is surely high time that the Board of Trade gave the industry a clear lead to what is expected of it.

Business Notes

World Bank Comes to London

The negotiations for the launching of a loan for the International Bank, discussed in these columns last week after the visit of the Bank's President, Mr Eugene Black, to London, were concluded shortly after the holiday. As expected, the operation is taking place under the highest auspices. A consortium of the six leading London merchant banks has acquired £5,000,000 of World Bank stock and is offering it for sale on the market on Wednesday next. The stock, which bears interest at $3\frac{1}{2}$ per cent and is redeemable between 1966 and 1971, will be offered at a price of 97. The gross redemption yield to latest date would thus work out at £3.14s. 4d. per cent; the nearest comparable British Government security, 3 per cent Savings Bonds 1960-70, showed a gross redemption yield of £3 8s. 5d. per cent at the close of business on Tuesday. World Bank bonds carry the joint and several guarantee of all member governments up to the amount of the uncalled portion of each country's capital subscription; the total of these uncalled subscriptions amounts to \$6,671 million, of which the United States share is \$2,540 million and the British share \$1,040 million. At the moment there are only \$311 million of World Bank bonds outstanding, in the United States and Switzerland. The security behind the new bonds is therefore impressively massive—and it would remain so even if the Bank were not currently running at a profit (Mr Eugene Black estimated last week that the net profit for 1950-51 should come out at about \$15 million). Although the issue will not be a trustee security, transfers of the stock will be freed from United Kingdom stamp duty by a clause in the current Finance Bill. Moreover, it has the distinctive attraction that interest will be paid without reduction of United Kingdom income-tax. The excess of about 0.3 per cent over existing gilt-edged yields therefore seems distinctly generous, and unless there is a sharp down-turn in the market between now and next Wednesday the issue seems likely to be oversubscribed. On strict investment principles, indeed, there is no reason why World Bank securities should not rank equally in status with those of the British or US Governments in their several markets. In New York, however, that has not so far been true—though the gap between the yield on World Bank bonds and American Government securities (recently about 0.4 per cent) seems to be narrowing appreciably now that the Federal Reserve has removed its peg on Government stock.

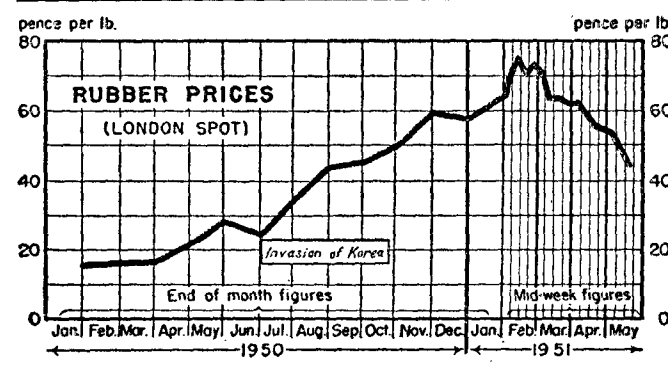
Mr Black stated at a Press conference on Wednesday that this issue should provide the World Bank with sufficient sterling resources to meet its immediate prospective sterling lending needs. There is therefore not likely to be any need to ask for the early release of any more of Britain's £82 million paid-up sterling subscription to the Bank—beyond the very small (less than £1,000,000) call already made. In the rather longer run, however, the Bank hopes to extend its lending of non-dollar currencies considerably. Mr Black indicated that the Bank is not considering issuing bonds in other capital markets yet awhile (except possibly in those of Canada and Switzerland); it has apparently been deterred from floating issues in some other European centres by the high interest rates there obtaining.

No Rubber for China

The ban on the shipment of rubber to China announced by the President of the Board of Trade ten days ago was inevitable once it was known that China had secured nearly 50,000 tons of rubber from Malaya in the first four months of this year, compared with its normal requirements of per-

haps 30,000 tons a year. For that reason, the ban has had less effect on the London market than might perhaps have been expected. The market had anticipated the announcement, and the price had fallen by $4\frac{1}{2}$ d. to 3s. 7 $\frac{1}{2}$ d. a lb. before it was made. Subsequently, indeed, the market recovered, though towards the end of the week it weakened to 3s. 7d. The British Government's decision, announced at the same time as the ban, to buy any rubber sold to China under firm contracts concluded before export licensing was imposed on April 9th, clearly had a steadying effect.

The present price is by no means unprofitable for producers. It is still substantially above their present costs of production, and seven months ago it was generally thought that the price would settle at this level in 1951. In February rubber was selling at a peak price of 6s. 2d. a lb., despite the severe restrictions on American civilian consumption of natural rubber and the expansion in American production of synthetic rubber. But since then the price has fallen very



sharply and a fortnight ago it was around 4s. 5d. a lb. The most notable feature of this decline has been the underlying firmness of the market in spite of the shocks it has had to absorb. At the beginning of the year American competition was curtailed when the United States Government became the sole importer for natural rubber, and in March American buying for the stockpile was considerably reduced. At the beginning of April both Britain and Malaya introduced licensing control on exports of rubber to China, and in that month they were limited to 2,500 tons. Now they have been stopped altogether.

Finally, this week, the United States reduced its maximum buying price from 148 Malay cents (3s. 5 $\frac{1}{2}$ d.) a lb. to 145 Malay cents (3s. 5d.), and the spot price in London fell by a corresponding amount. If speculation had been as rife as many American observers have imagined, the movements in price since the beginning of the year would have been much sharper. Admittedly the price has almost halved in a period of three months, but the decline, with a few exceptions, has been orderly.

Surplus This Year?

The recent high price of rubber has certainly encouraged an expansion in world output. The total for the first three months of the year was 480,000 tons compared with 374,000 tons in the first quarter of 1950—when, however, output was abnormally low, as Indonesian producers were holding back supplies. The Rubber Study Group at its meeting in Rome last month estimated world production of natural rubber this year at 1,870,000 tons, or only 20,000 tons more than in 1950, but the annual rate for the first quarter was 1,920,000 tons, 50,000 tons higher than this estimate. This

high output, however, has been achieved only by drastic tapping by smallholders, particularly in Indonesia. The present decline in price may stop this practice, and it will also remove the recent deterrent to replanting.

In contrast to the trend of rubber output, consumption has declined sharply. The world total for the first three months of this year amounted to 362,500 tons, against 387,500 tons in the first quarter of last year. This figure represents an annual rate of 1,450,000 tons, compared with the Study Group's estimate for 1951 of 1,530,000 tons. The main reduction has occurred in the United States, where consumption is restricted by governmental control; in the first quarter it totalled only 114,500 tons, against 177,500 tons twelve months earlier. In other countries, however, consumption has either been maintained or has increased.

From these figures it would seem that production of natural rubber this year might exceed actual consumption by anything between 340,000 tons and 470,000 tons. The Study Group considered that defence requirements and purchases for stock this year might absorb 340,000 tons. But such outlets are hardly likely to absorb nearly 500,000 tons, particularly as shipments to Russia will be regulated, unless Britain and other countries of Western Europe decide to accumulate large stockpiles within a short time. Perhaps, before the end of the year, the United States will have reconsidered its drastic cut in civilian consumption.

Policy for Fuel?

Power cuts in May have once again reminded both sides of industry that the country's fuel output capacity is still inadequate to cope with cold weather. The immediate reasons for the cuts are familiar and unavoidable. More electricity generating plant than usual is taken out of commission for overhaul during the summer months (of which, in fuel terms at least, May is one) to ensure that as much plant as possible is available throughout the winter. Apart from this, the British Electricity Authority is suffering both from the excessive age of its older plant and from teething troubles with its younger. Demand for electricity in the past eighteen months has been increasing at the rate of some 12-14 per cent a year, running ahead not only of BEA's limited rate of installing generating plant but even of the installation programmes it would until recently have considered desirable.

The latest load-shedding added point to the renewed requests from industry, at recent meetings of the National Production Advisory Council, for closer co-ordination of national fuel supplies. This issue was raised at the beginning of the year by the TUC, with the support of the FBI; it suggested that a committee should be set up to report upon "the fuel situation"—and by implication to act as a continuing central source of national fuel policy. The re-constitution by the Minister of Fuel and Power of his expert fuel efficiency committee does not fill the need argued by the industrial members of the production council, who are concerned more with the co-ordination of the nationalised fuel and power industries' separate—and not necessarily complementary—policies than with the necessary but narrower details of fuel efficiency.

Devising "a national fuel policy" is a favourite spare-time preoccupation of some executives and senior civil servants in the nationalised industries and the Ministry; but many who have surveyed the extent of the problem tend to feel that it would demand such a concentration of expertise and intelligence from those top ranks as would seriously hamper the day-to-day operating efficiency of their industries. This is a strong argument, and may for the present be conclusive: the shortage of high-grade trained ability in the fuel and power industries will continue for a long time to be one of their most damaging weaknesses. Adequate study of the need for such a policy, its practicability, and its poten-

tial framework—and of the conceivable authority with which it might have to be formulated—would certainly need expert advice and judgment of the first rank: as a subject for desultory discussion by yet another committee or "working party" drawn from the fuel industries on a "representative" basis, it would probably receive neither. The nationalised industries, in any case, would probably display great caution in approaching a subject that might involve stricter supervision of their policies than the Minister now exercises. The question will no doubt continue to be raised as fuel stringency presses upon the economy in coming years; but, for the present, the Government seems likely to continue in the comfortable conviction that the most realistic long-term national fuel policy is not to have one.

Capital for Merchant Banks

A good deal of interest has been aroused in the City by the decision of Hambros Bank to expand its capital resources—and by the fact that the Capital Issues Committee has proved sympathetic to this project. The bank is raising £2,250,000 by a "rights" issue of £1 fully paid shares offered at 45s., and thereby will increase its paid-up capital to £3,000,000 and its published reserve to over £2,000,000. This news was conveyed in the advertised version of the chairman's speech attached to the report and accounts for 1950-51. In the circumstances it is regrettable that the report itself is not yet available, but it appears that the accounts will show an increase of no less than 45 per cent in deposits (which rose from £30.7 to £34.0 million in the previous year) and one of 19 per cent in acceptances (which then rose from £11.9 to £16.1 million).

This large expansion, and the decision to meet it by enlarging the capital, is an interesting demonstration of a trend that has long been discussed in the City—the big demands that are now being put upon the merchant banks and their need for additional resources if the London market is to seize the opportunities now opening up. The expansion of business arising from the finance of external trade reflects not only the effects of the steep rise in commodity prices and the growth of British exports in volume as well as value, but also a revival of purely international demand. It is reasonable to assume that the private merchant banking houses have particularly been feeling the need for more capital, because the impact of taxation upon internal accumulation of capital falls with especial severity upon them. In the circumstances it does not seem fanciful to envisage tendencies in the merchant banking world analogous to those that occurred in the discount market a few years ago—when the need to bring capital into line with postwar demands led to the conversion of old-established private houses into public companies with securities quoted on the Stock Exchange.

The Floating Penny

Shortly before the Budget the film industry was proposing to put up cinema prices—and to take the extra proceeds, largely free of tax, for itself. When Mr Gaitskell agreed that seat prices could go up by £10 million a year—but decided to take three-quarters of this in Entertainment Tax—the industry recoiled in dismay, declared that audiences should not and would not pay higher admission prices, and began a campaign on cinema screens pointing out the unfair tax burden that this form of entertainment has to bear. By last week, however, it had had second thoughts. Its representatives then convinced the Films Council, the tripartite group that advises the Board of Trade in its dealings with films, that cinema prices should go up even further than the Chancellor proposes—by an average of 3d. a seat, instead of 2d.—and that the third "floating" penny, as well as the

halfpenny a seat the Budget would allow, should go untaxed to the cinema industry.

There is something in this proposal besides the characteristic and engaging disregard of ordinary logic that alternately attracts and irritates outside observers of the film business. The burden of Entertainment Tax certainly has meant that the industry as a whole, out of box-office takings rather more than double prewar, is receiving a net income only about 40 per cent higher than before the war, though its costs have also probably more than doubled. The industry held in the proposals it put before the Films Council that "public demand may not sustain such increases." This might be too pessimistic, but the promoters of the recent campaign against higher tax may find it somewhat difficult to reverse tactics and persuade the customer in the one-and-tenpennies that 2s. 1d. is easier to pay than two shillings—whoever gets his extra pennies.

* * *

Steel for Cars

The motor industry produced 41,592 cars in March, 31,067 of which were exported. This, like production of tractors and commercial vehicles, was slightly higher than total output in February, but it was calculated over a five-week period; the average weekly output during March was down to 8,318 cars compared with the February average of 10,095. Car production is, therefore, beginning to show the effects of the steel cuts, although manufacturers' ingenuity will probably always prevent output from falling by the full extent of those cuts. This same ingenuity—and in some cases the expectation of defence orders—has also prevented the lower rate of output from leading to any noticeable degree of unemployment. Present steel allocations are between 15 and 20 per cent lower than individual companies were receiving in the last quarter of 1950, while actual deliveries of sheet are probably nearer 85 per cent of that figure. Similar allocations are expected for the third quarter of this year, even though some mills have expressed doubt about the possibility of meeting them. On this basis, the industry's output may not fall below the March level and might in the fourth quarter of the year improve upon it when supplies of sheet steel increase. By that time, however, sheet may no longer be the limiting factor on production. The scarcity of zinc, which shows no sign of alleviation, would have cut the industry's output this year by 10 to 15 per cent without any shortage of sheet steel, while both general steel and iron castings are now becoming increasingly difficult to obtain.

* * *

More Consequences of the Ring Fence

In his address to stockholders of the British-American Tobacco Company last week, Mr D. M. Oppenheim made

some pointed criticisms of Section 32 of the new Finance Bill which, in his words, "seeks to make it unlawful for a company to move its residence outside the United Kingdom or to form its overseas branches into subsidiary companies, and even seeks to control the capitalisation of overseas companies within the jurisdiction of colonial, dominion and foreign governments." Throughout the 49 years of its history the B.A.T. company has followed the wise policy of incorporating its subsidiaries abroad; subsidiaries of this sort are able to take over and carry on the business of the parent company under the management of local directors, in sympathy with local sentiment, in touch with local capital markets and unhampered by the discriminatory tax legislation that many developing countries now impose upon foreigners. Mr Oppenheim judged that "this has undoubtedly proved to be the right policy politically and economically"—and the growth of nationalist sentiment abroad is going to make it even more obviously the right policy for the future, especially if sterling continues its present course towards becoming a hard currency for underdeveloped countries. Unless British companies abroad are going to be allowed to run at their own discretion and at their own chosen pace with the tide of nationalist sentiment abroad, they may increasingly find themselves being forced into a position where local Governments, greedy for the sterling remitted to meet administrative expenses as well as dividends, will be reaching out for the blunderbuss of expropriation. To put the matter bluntly, a by-product of Section 32, unless the Treasury exercises its veto power under it with quite unusual care, may be either a diminution of the value of British investments abroad or a future crop of crises of the Anglo-Iranian kind. If Mr Gaitskill does not see the light economically before the Finance Bill is bludgeoned through, Mr Morrison would be well advised on political grounds to ask him to think again.

* * *

Trade in April

Provisional trade returns for April, issued at the end of last week, show that United Kingdom goods to the value of £230,100,000 were exported in that month and that re-exports were valued at £11 million—making a total of £241,100,000; while imports were valued at £311,500,000. Both of these were record figures; the highest previous export figure was £214,400,000 in January. The value of imports has been steadily increasing month after month and was in April about £100 million higher than a year before, but the figure for exports showed a decided increase over the low figures for February and March. The early date of Easter partly explains April's improvement over the previous month, which is not the normal seasonal trend; but an improvement in shipping is also reflected in the figures.

Since some of the April exports were delayed from March, the first quarter's figures perhaps did not justify as much

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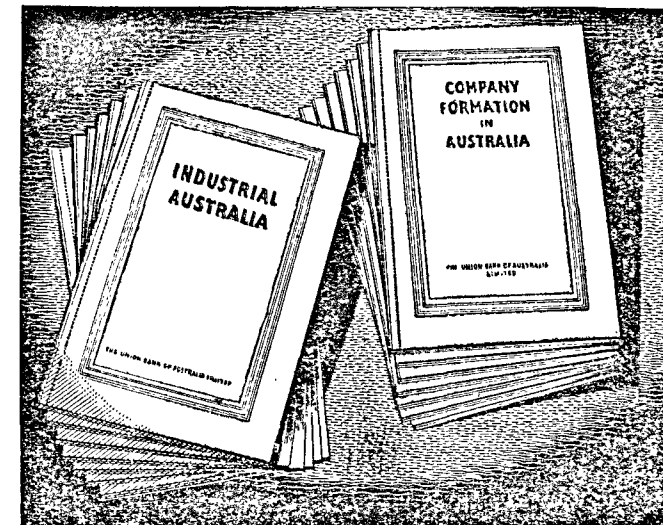
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dismal prognostication as they aroused; likewise the April figures themselves do not represent the sharp recovery that they superficially suggest—indeed the visible trade deficit is running much higher than a year ago. The size of the deficit at the end of the first six months of the year will depend largely upon two factors: whether world raw material prices continue the tendency to decline and the terms of trade improve (at present prices the total import bill for 1951 is not likely to be below the assessment of the Economic Survey); and whether textiles and other consumer goods industries can take over much of the burden from the backs of the machinery and motor industries. In the first quarter textile exports did show a small increase; but if the brave show of textiles and clothing at Earls Court were to be reflected in export returns, then the doubts of Britain's ability to avoid a serious trade deficit this year would be completely dispelled. During the first four months taken together, the annual rate of exports and re-exports was nearly £2,565 million, whereas the rate specified as necessary in the Economic Survey was £2,750 million. To fulfil the Survey's aim the April rate of exports would need to be maintained throughout the rest of the year.

Exports to North America

Exports to both the United States and Canada in April were greater in value than the rate for the first quarter of this year. To the United States total British exports were valued at £13.9 million, which was £2,700,000 above the monthly average for the first quarter and £1,100,000 above the average for the last quarter of 1950. To Canada exports were £14.2 million, £4,700,000 above the first quarter's average and £1,900,000 above the October to December average. These results are especially encouraging, since the big decline in the value of exports to Canada during the first three months has been more than made up.

BRITISH EXPORTS TO NORTH AMERICA
(Monthly Averages in £ thousand)

	To United States	To Canada	Total N. America
1950, 1st quarter.....	£'000 6,700	£'000 8,500	£'000 15,200
2nd ".....	7,300	10,200	17,500
3rd ".....	10,900	10,900	21,800
4th ".....	12,800	12,300	25,100
1951, 1st ".....	11,200	9,500	20,700
April.....	13,900	14,200	28,100

The increase in trade to Canada from 1948 to 1950 was principally in iron and steel products, non-ferrous metals and manufactures, machinery (particularly machine tools and electrical machinery) and vehicles (especially new cars). For textile yarns and manufactures 1950 was a better year than 1949, but not than 1948. The export switch from the metal-using-industries' products to textiles and consumer goods may, therefore, be considerably more difficult in Britain's trade with Canada than in trade with the United States, in which British exports include more winners.

Coal Price Structure.

It seems probable that by the beginning of June the National Coal Board will be ready to bring into force the next instalment of its "price structure" for coal in the home market. This will consist of a wide range of upward and downward adjustments of the prices of coal for domestic consumers, and may be brought in at the same time as a scheme for preferential summer prices to encourage the home fuel user to fill his cellar and swell the distributed stocks in hand for next winter. A similar series of adjustments in

industrial coal prices is still being discussed with industry's representatives, and may take rather longer to bring into force.

These changes in price—complementing similar changes affecting a smaller range of coals in 1948 and 1949—are designed to bring coal prices throughout the industry towards a more rational basis. In 1948 the Board decided upon a complete reclassification of the 8,000 differently-priced grades of coal then being sold, in terms of nature, size, mode of preparation, heat content, ash content, and other properties affecting commercial saleability; and it decided also to base its prices for different grades upon their "zone-delivered" cost. Each of these policy decisions set in train a lengthy and complex process of administrative work; the number of differently-priced grades of coal, for example, will probably have been reduced to some 2,000 by the time the scheme is in full operation, and the fixing of delivered prices that take into account the average transport costs of coals from different coalfields supplying the same markets has involved some considerable experiment and analysis. For the consumer the change will at least go some way towards relating the price he has to pay for coal to the quality he receives for it; a welcome progress that has unfortunately been interrupted once again this year by the flat rate increase that the NCB made in order to meet suddenly accentuated rises in costs.

Industry's Finances

The accompanying table provides the usual quarterly summary of balance sheets, published in the first quarter of this year, of which details were given in the issue of *Records and Statistics* dated May 5th. In many of its features, the analysis reveals the continued strain on industry's finances. Stocks have increased by 13 per cent from £375 million to £424 million—an increase that probably does little more than mark the rise in prices during the past twelve months. There has been further resort to bank borrowing, and a further

ANALYSIS OF COMPANY BALANCE SHEETS PUBLISHED
JANUARY-MARCH, 1951
(£'000)

	542 Companies			542 Companies	
	Previous	Latest		Previous	Latest
Capital (Parent Companies) :-			Fixed Assets :-		
Debtenture	157,404	195,205	Land, property and plant	550,970	612,335
Preference	188,957	175,089	Less depreciation ..	156,245	181,069
Ordinary	304,875	308,056			
Reserves and Surplus :-	651,236	675,330		374,725	431,275
Capital res. and EPT Refund ...	110,841	109,390	Trade Investments	55,491	55,972
Revenue res. and carry forward ...	281,996	315,931			
Total Capital, Reserves and Surplus	1,044,073	1,121,651	Intangible Assets.	39,722	39,852
Outside Interests in Subsidiaries	26,122	23,741			
Current Liabilities and Provisions :-			Current Assets :-		
Bank overdrafts and loans	51,804	61,672	Stocks	375,896	423,612
Creditors and accrued charges ...	280,083	313,104	Debtors	215,250	243,046
Reserve for future taxation	54,519	63,912	Gilt edged securities ..	50,814	33,685
Other provisions ..	28,781	28,685	Other marketable investments	181,001	187,703
			Cash	169,613	176,600
	415,187	467,373		995,534	1,064,645
	1,485,382	1,592,765		1,435,382	1,592,765

reduction of gilt-edged portfolios. The financing of a substantial increase in fixed and current assets owes something to the accumulation of revenue reserves through the ploughing back of profits. But there is another, and much less

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agreeable feature, in the expansion of debenture and other permanent debt capital from £157 million to no less than £195 million. The arbitrary effects of the Profits Tax in encouraging companies to resort to an increase in their fixed charges, rather than to expand their equity capital, could not be clearer. It is not a development that can be regarded as desirable in the long-term interests of British industry.

* * *

Engineering in Europe

Engineering output in all European countries (with the massive exception of Western Germany) has increased since the war, but in Western Europe at least, perhaps not fast enough. This expansion has considerably altered the pattern of output by countries—not only because of the sharp decline and slow recovery of German production, but perhaps more seriously because of the dispersion of output of certain engineering products more widely than may be justified in the interests of efficiency. Current rearmament programmes will accelerate the continuing expansion, but they are also masking potential weaknesses in demand that were already apparent for certain products early last year and would probably have been accentuated but for the emergence of new defence demands.

That, in sum, is the conclusion reached in a study of engineering in Europe published this week by the Economic Commission for Europe. Preparation of this paper began in 1949 when prospects of a buyers' market for certain engineering products were discernible; it was handicapped by lack of adequate data from most member countries about

EUROPEAN ENGINEERING PRODUCTION BY COUNTRIES
(Index Numbers)

Countries 1938=100	1948	1949	1950	Planned 1952-53
Austria*	88	137	178	168
Belgium-Luxemburg	135	132	122	164
Czechoslovakia*	149	162	193	285
Denmark	111	114	127	127
France	115	135	124	176
Western Germany†	34	57	84	86
Hungary	131	183	...	655
Italy	88	98	104	132
Netherlands	122	146	160	161
Poland*	174	216	268	341
Sweden	153	156	159	198
Switzerland	168	...	...	176
United Kingdom*	135	146	162	161
TOTAL of countries listed	97	117	135	149

* 1937=100 † 1936=100

the stock and age of installed equipment, costs, and productivity; and since its inception rearmament has restored a sellers' market for certain types of capital goods. The "European engineering industry," a concept that the study attempts not altogether convincingly to justify, is taken in this case to cover machinery and capital equipment (excluding aircraft and other armaments) and to exclude most consumer goods made by the engineering industries (though it includes passenger cars, motor and pedal cycles, radio and telephonic equipment). It does not examine in detail the production of all the types of equipment that its terms of reference encompass; its approach is deliberately confined to broad trends. These limitations, it may be said, do not noticeably modify the readiness of ECE to express uncompromising conclusions.

* * *

Over or Under-Production?

The Commission's prognosis, however, is less gloomy than that reached in an earlier study, on similar lines, of the steel industry in Europe. Certain developments, it considers, may prove unfortunate; among these are the excessive dispersion of machine tool production throughout Europe,

combined with an undue preoccupation of many producers upon general-purpose tools, and the potential over-production of tractors. These developments spring largely from economic nationalism and the division of Europe into two camps. ECE's hope that the present level of engineering output in Europe (and a much higher level in future) may be justified rests to some extent upon confidence in economic internationalism—that external aid may convert the immense unsatisfied needs for capital equipment in the under-developed countries into effective demand.

It is not easy to assess the Commission's fears and hopes in this matter from the descriptive data presented in the report. This varies in usefulness. Its statistics on trends in total engineering production and trade are informative: they show, for example, precisely how Britain's greatly increased share of European trade in such products immediately after the war has later been affected by the return of Germany

RELATIVE IMPORTANCE IN ENGINEERING PRODUCTION
(Percentages)

Countries	1938	1948	1949	1950	Planned 1952-53
Austria	1.0	0.8	1.2	1.4	1.1
Belgium-Luxemburg	2.6	3.7	3.1	2.6	2.8
Czechoslovakia	2.3	3.6	3.4	3.6	4.5
Denmark	1.5	1.7	1.6	1.6	1.3
France	15.2	18.1	18.5	15.3	18.0
Western Germany	32.4	11.3	16.9	22.4	19.0
Hungary	0.9	1.3	1.5	...	4.1
Italy	7.8	7.1	6.9	6.6	6.9
Netherlands	2.8	3.6	3.7	3.7	3.1
Poland	1.5	2.7	2.9	3.2	3.4
Sweden	3.9	6.2	5.5	5.1	5.2
Switzerland	1.6	2.8	...	...	1.9
United Kingdom	26.5	37.0	34.8	34.5	28.7
TOTAL	100.0	100.0	100.0	100.0	100.0

as an important exporter. Its survey of the possible course of demand in certain markets for Western European engineering products is also useful: and its conclusion that Eastern Europe, having turned to manufacturing much of its own engineering equipment, may be permanently lost to Western European engineering exporters seems valid enough. But its shorter sections describing some sectors of the engineering industry, and the engineering industries of particular countries, are of necessity too slight to rank as a final place of reference. The Commission's recommendation that more attention should be devoted to measuring, and thence increasing, productivity is certainly right but not new. Given the present fact of shortages of engineering capacity for rearmament, warnings concerning the erosion of permanent demand hardly offer manufacturers—or even national planners—much guidance about practical policy; they are worth keeping in mind, for fuller study, at a later date.

* * *

Ups and Downs in Wool

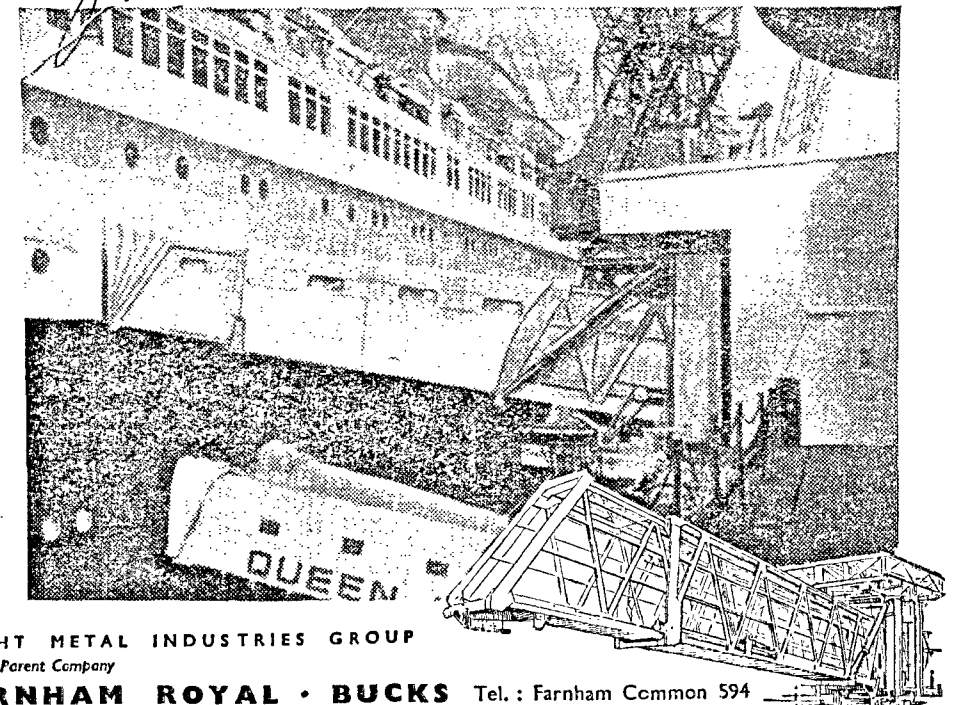
While discussions on international allocation of wool are making little headway in Washington, prices in the Australian wool market are fluctuating erratically. Last week they fell sharply, by about 15 per cent; this week they have almost made good that loss, rising by 12½ per cent. In general, prices are still a little above their level of December but some 25 per cent below the peak of last March. This week the United States raised its ceiling price for raw wool to the equivalent in London of about 250d. a lb. for merino 64's combing wool, which is slightly above current levels.

American manufacturers will thus again be able to buy wool in the London and dominion markets if they want to; their sudden cessation of buying at the beginning of April caused the initial slump in prices. They are known to hold fairly large stocks of raw wool, which could carry them over to the beginning of next season, provided that they consume no more than they did in the first three months of this year. World consumption of virgin wool has, how-

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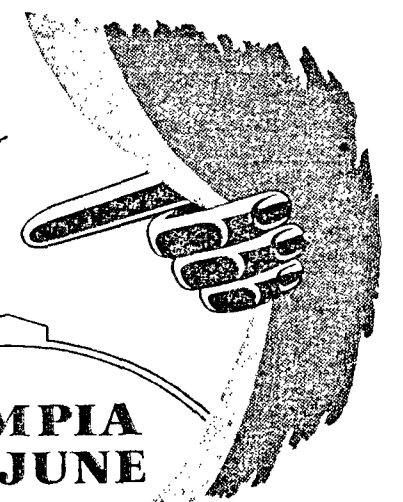


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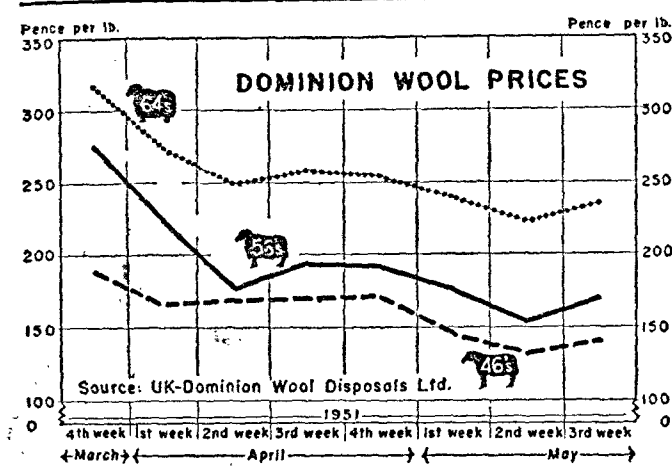
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ever, declined sharply; in the first quarter of this year it was some 10-12½ per cent smaller than in the last quarter of 1950 and some 15 per cent smaller than in the first quarter of 1950. According to the current issue of *Wool Intelligence* published by the Commonwealth Economic Committee, world consumption is now running at an annual rate of



2,400 million lb. (clean) compared with a revised total of 2,640 million lb. for 1950. The Joint Organisation has decided to market the remainder of its wartime stock this season, so that available supplies should total about 2,360 million lb. (clean). If governments intend to buy wool for stock, civilian consumption will clearly have to decline further during the coming months. But if no wool goes into government stocks, supplies should be almost sufficient to meet current consumption.

The trend in wool prices in the next few months will depend more on government decisions than on market considerations—even if international allocation is still-born. The United States is still the world's largest consumer of wool and its policy of fixing a ceiling price can play an important part in determining the level of wool prices. But at least its policy has so far enabled other countries to buy their much wanted raw wool more cheaply than would have been possible had they been forced to compete with American manufacturers.

Ten Years After

The aircraft industry celebrated this week the tenth anniversary of the first flight of a jet aircraft. In the subsequent decade the industry has concentrated its resources on developing the gas turbine to a point where appropriate power plants can be provided for all forms of military and civil aircraft. The change-over from piston engines on the military side is now almost complete; a similar transition in civil aviation should be completed by 1960. During these years production has been on a small scale and questions of the supply of materials and fuel and even of the methods of production for an appreciable number of gas turbine aero-engines have not arisen. Since details of the rearmament programme were worked out, these have become questions that need at least as earnest consideration as the industry has in the past given to development.

Turbine blades and some other components that operate under high temperatures and stresses must be made from nickel-chrome alloys containing 80 per cent of nickel or more. In time of crisis these might become the critical materials in an aircraft programme, but at present the tonnage of nickel going into the alloys is so small compared with the tonnage used for alloy steels that the requirements of the aircraft industry can easily be met. (Nevertheless, certain manufacturers starting engine production are having occasional

difficulty in placing orders for other materials, difficulties not experienced by engine producers with long-standing material contracts.)

Kerosene has so far been the standard jet fuel, but the oil companies expect that there will not be enough kerosene for both civilian and air force demands when deliveries of aircraft for the rearmament programme get under way some time next year. A new type of fuel is therefore being developed; this will demand modifications in refinery practice, but its supply presents no other problems. Only for the quantity production of the engines themselves is there no immediate solution in sight. The axial compressor engines that will probably be the standard military power unit contain upwards of 1,400 blades per engine, produced to fine dimensions in a complicated aerofoil shape. Many methods of mass-producing these blades have been put forward; each has its supporters but none has proved satisfactory enough to be adopted as a standard technique. Until such a technique can be found, the supply of blades may become at any time the limiting factor in jet engine production. These are the type of questions now facing aircraft engineers; but they cannot in any way compare in complexity with those that have been so successfully overcome in the first critical decade of the engines' development.

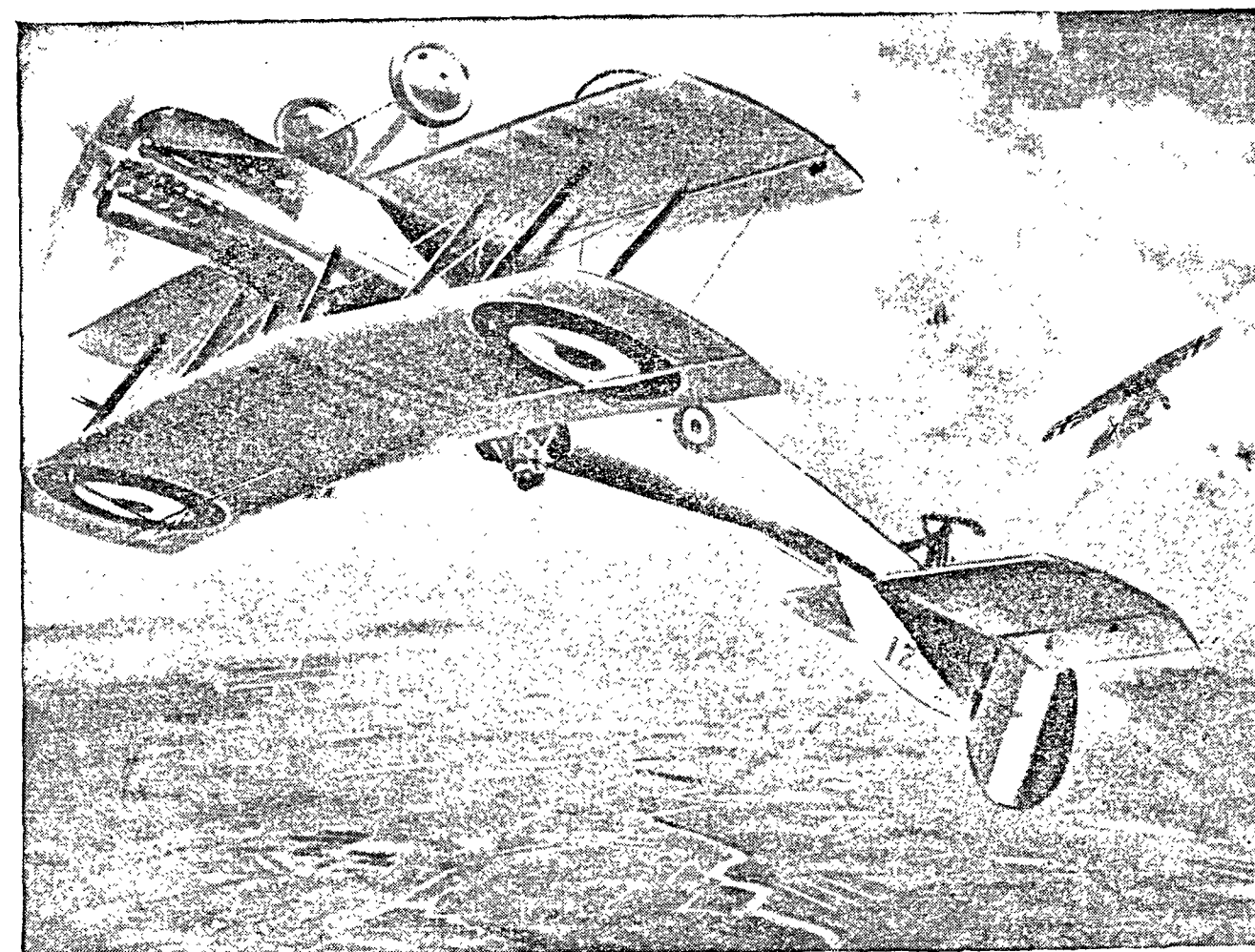
* * *

Flexibility in Utility

As a result of recommendations made by the committee that is still meeting at the Board of Trade, the utility schemes for cotton and rayon piece goods have become considerably more flexible. Specifications for utility rayon cloth were revised some months ago, permitting manufacturers to work within ceiling prices and minimum standards of quality rather than to detailed cloth specifications. The recent 10 per cent increase in maximum prices for utility cotton and linen cloth was taken as an opportunity to introduce a number of new and broader specifications into the range of utility cotton goods. Similar changes covering utility furnishing fabrics are expected within the next few weeks. Most household textiles, heavy drills and linings must still comply with the original detailed descriptions of cloth construction, but weavers may introduce almost any type of construction into such goods as dress fabrics and shirtings, where fashion plays an important part in sales.

The changes have a two-fold purpose; they make it possible for the same cloth to be woven for the home utility market as for export, thus giving the weavers an element of insurance against sudden changes in import regulations or demand abroad that have on occasion left them with quantities of unsaleable cloth. They also make it possible for the industry to use finer counts for utility cloth, and should relieve the pressure of demand for the coarser counts, from 24's downwards, that are urgently needed for industrial and service orders. The new prices allow for price increases in raw cotton but not for the recent wage awards; they appear to be designed to stimulate exports by maintaining the marked differential that now exists between home and export prices. Deliveries of utility cloth to the home market, which had risen from 51 per cent of all home deliveries of cotton materials in the first quarter of 1950 to 61 per cent in the third quarter, had fallen to about 58 per cent by the fourth quarter, and deliveries of utility rayon followed the same trend.

Discussions have also taken place on the possibility of including some nylon and silk fabrics in the utility ranges. There seems little prospect of utility nylon while supplies are so limited, but the silk industry should be able to make a stronger case. Consumption of raw silk, the only reliable index of activity, has risen from 130,000 pounds in January, 1950, to 183,000 pounds in January, 1951, while stocks rose in the same period from 289,000 pounds to 485,000 pounds and had reached 505,000 pounds by February. Only crepe-



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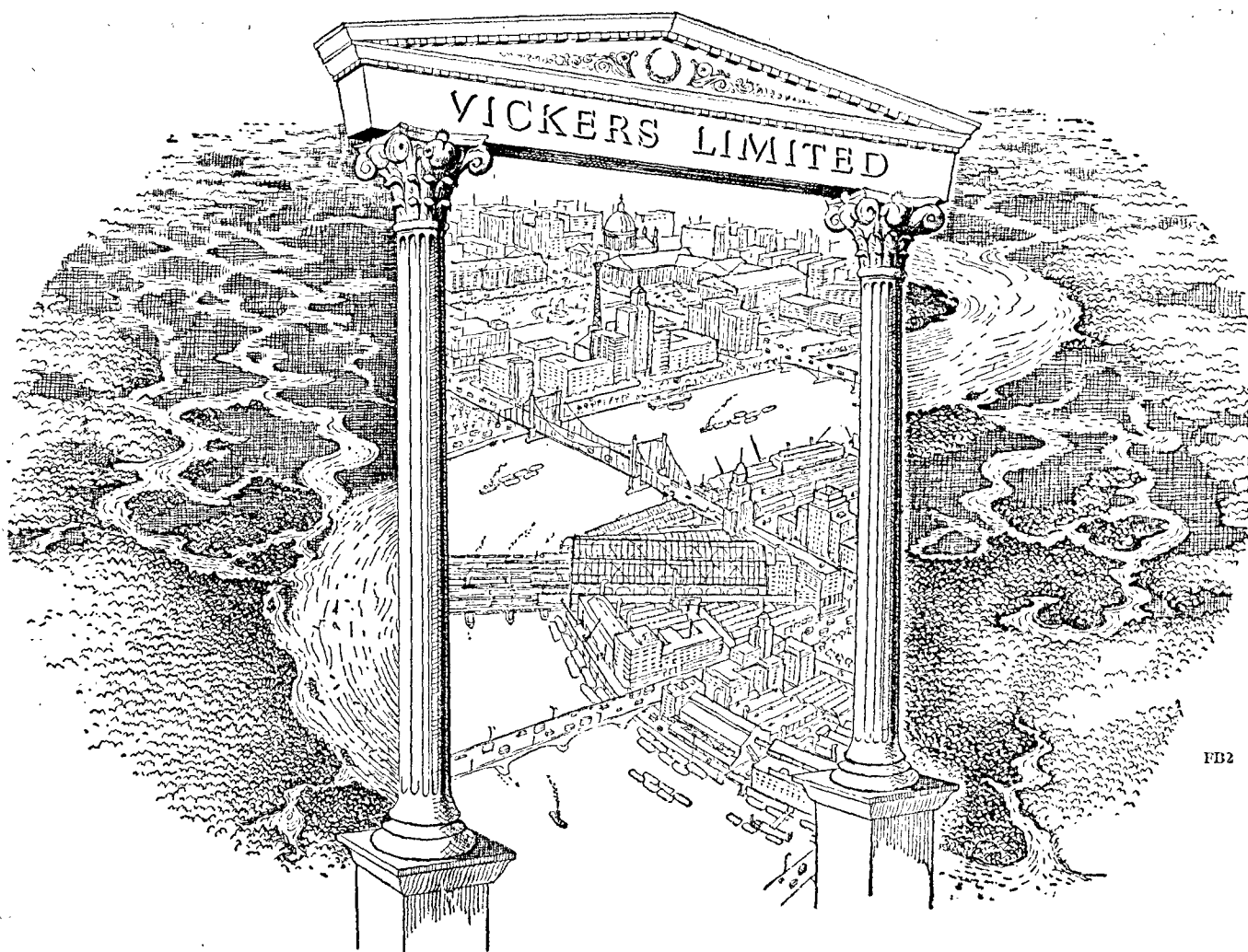
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de-Chine, georgette and satin are being considered; the bulk of silk dress fabrics are therefore excluded from the discussions.

Development in Plastics

The plastics industry is beginning to have some difficulty in obtaining raw materials. In several cases capacity to produce these has not been able to keep up with the growing output of plastics as well as meeting demand from other consumers. Phenol, to take one basic material, has been scarce for some years in spite of increased output; the scarcity of other important materials, including plasticisers, is of more recent date. These shortages are occurring at a time when industry has begun to use increasing quantities of plastics for highly specialised applications where satisfactory alternative materials do not always exist.

Deliveries of some raw materials should improve later in the year as the new coal and petroleum based chemical plants come into operation. Another new source of material for plastics is a plant that the British Oxygen Company, which has been expanding its chemicals division, will have in full production by the end of the year. This plant will produce melamine, with an annual output of between 2,000 and 3,000 tons, which makes it a development of some importance for the plastics industry. Melamine-formaldehyde resins, glues and moulding powders are plastics that have been used increasingly widely in the United States since the war, even though they are more expensive than older thermo-setting plastics based on phenol or urea. They have the great strength of the phenolic resins without the limitation of their dark colour; the wide colour range of the urea resins without their lack

of strength; excellent electrical properties; and, as a glue acid-free bonding properties hard to obtain with other thermo-setting plastics. In Britain melamine has been produced by two plastics manufacturers for some years; but the British Oxygen factory will be the first large-scale source of this material for the British plastics industry. The company will manufacture only the basic chemical, leaving it to the half dozen manufacturers of plastic resins to convert it into the various melamine-formaldehyde plastics, a process that can only be carried out in large-scale chemical plant. The method of melamine production developed by British Oxygen differs from that normally used in the plastics industry; it is based on dicyandiamide produced in the company's Norwegian calcium carbide factories. Without sources of cheap carbide, the cost of the process might well be prohibitive.

Shorter Notes

The United Kingdom's surplus at the April settlement in the European Payments Union amounted to £18.5 million, a recovery from the rather low surplus of £5,300,000 achieved in March. Half of the April surplus was met by a transfer of gold to Britain and the other half by an increase in Britain's net credit in the books of EPU; this credit now amounts to over £118 million.

The employment figures for March show an increase in the working population during that month of 11,000, all women, which brought the total to 23,225,000. The registered total of persons unemployed on April 16 was 253,000, a decline of 21,900 by comparison with the March count.

Company Notes

Bristol Aeroplane.—The latest report from Bristol Aeroplane suggests that the company will play an important part in meeting the considerable demands imposed on the aircraft industry by the rearmament programme. In a year when development work on the Brabazon II, the 175 airliner and on jet and piston engines proceeded apace, group trading profits rose from £1,225,663 to £1,488,073. Much of Bristol's productive capacity in 1950 was used in building Bristol Freighters, so that it appears that the cut in orders by Transport Command did not have any serious effect on the company's fortunes; in fact, no large-scale dismissals, as were once feared, took place. The decision to raise the ordinary dividend from 10 to 12½ per cent marks a break with the ultra-conservative policy of recent years. As the dividend was raised in the almost certain knowledge of the need to re-tool in the current year, the maintenance of the higher rate seems almost assured, and the more sanguine shareholders may expect more. Few will quarrel, however, with the further strengthening of the company's reserves, which now stand at £4,149,091, against £3,676,813.

	Years to December 31, 1949	1950
Consolidated earnings:—		
Trading profit	1,225,663	1,488,073
Total income	1,260,790	1,556,200
Depreciation	324,535	367,379
Taxation	491,000	694,571
Group earnings for ord. stock	407,008	410,265
Ordinary dividends	161,500	219,863
Ordinary dividends (per cent)	10	12½
Added to general reserves and carry forward	241,566	250,219
Cons. Balance sheet analysis:—		
Fixed assets, less depreciation	2,152,661	2,911,716
Net current assets	5,307,284	5,116,011
Stocks	5,251,384	4,287,249
Cash and T.R.C.'s	2,165,508	3,635,226
Reserves	3,676,813	4,149,091
Ordinary capital	3,300,000	3,300,000
10s. ordinary stock at 21s. 3d. yields 18s. per cent.		

The rise in net group fixed assets from £2,152,861 to £2,911,716 has imposed no

visible strain on the company's financial resources. Net current assets still total over £5,000,000, and cash has risen from £1,885,508 to £3,068,126. This strength is most welcome, for Bristol have production orders in hand for De Havilland Venoms and Rolls Royce Avon engines, which will almost certainly involve extensive retooling this year. The aircraft industry will undoubtedly receive priority for materials and machine tools, so that the extension and realignment of Bristol's productive capacity should not present impossible problems.

Brush ABOE.—Even before rearmament swelled the demand for its products, the Brush ABOE group was faced by a very full order book, and the expansion of manufacturing capacity to meet this has imposed some strain on financial resources. In addition to broadening the group's interests by the acquisition of new subsidiaries, Brush have embarked on a programme of capital expansion and development; in the year ended December 31, 1950, capital expenditure totalled £1,168,478 and outstanding capital commitments were estimated at £900,000. Despite the introduction of £800,000 of new ordinary capital and the retention of over £450,000 from net earnings, the calls on the company's finance have involved an increase in current liabilities; excluding amounts due to bankers, these total £6,509,440, against £4,914,496 last year. The amounts due to the banks at £2,103,584, against £2,195,082, are higher than the directors envisaged last July. At the same time, the directors had hoped to reduce the amounts tied up in stocks, but the rearmament drive made this impracticable; the actual rise in the book value of stocks from £4,968,369 to £5,610,392 is a reflection of both increased turnover and of substantial increases in the costs of certain important materials. With cash standing

at less than £650,000, and net current assets at under £2,000,000, the capital development programme, once bank indebtedness is taken into consideration, makes the need for new cash capital very clear indeed.

	Years to Dec. 31st, 1949	1950
Consolidated Earnings:—		
Total sales	15,570,803	19,995,431
Total income	2,057,252	2,544,762
Depreciation	420,704	653,562
Taxation	693,103	940,492
Group earnings for ord. stock	584,562	539,871
Ordinary dividends	88,000	132,000
Ordinary dividends (per cent) ..	11	10½
Retained by subsidiaries	33,635	15,829
General reserves	500,000	400,000
Added to carry forward	2,423	38,633
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation	3,508,538	4,714,978
Net current assets	1,186,086	1,891,853
Stocks	4,968,369	5,610,392
Cash	83,953	640,094
Reserves	1,310,002	1,721,436
Ordinary capital	1,600,000	2,400,000

(a) Includes £85,000 subsidiary's additional depreciation.
(b) On increased capital £2,400,000 (£1,600,000). (c) Bank loans (1950: £2,103,584; 1949: £2,195,082) have been added to current liabilities in calculating these totals.
5s. Ordinary stock at 7s. 6d. yields 13s. per cent.

The rise in sales turnover from £15,570,803 to £19,995,431 is some measure of the expansion of Brush's business in 1950, but rather more than half of this increase of nearly £4,500,000 was accounted for by the turnover of newly purchased subsidiaries. Group profits have expanded from £2,057,252 to £2,544,762, and the company has been able to maintain the ordinary dividend at 10 per cent on the enlarged capital. Demand for this group's output should be high this year, but it seems clear that the company will have to retain a good proportion of current earnings in reserves to support the expansion of its activities. The more distant prospect depends, of course, on the success of the capital development programme.

Vickers.—The dividend policy of Vickers and the question of how the company will deal with the compensation it received for its English Steel holdings were discussed in a note in *The Economist* of April 28th. The factual summary of the group's many activities incorporated in the full accounts now published suggests that the company's profits and dividend prospects have not been seriously dimmed by the vesting of English Steel. Rearmament, although it will entail some diversion of productive capacity, should ensure a full order book for some time ahead. Some of the more optimistic shareholders may therefore consider that the doubling of the ordinary dividend from 6½ to 12½ per cent and the rise in group trading profits from £7,052,838 to £7,224,220 are merely pleasant foretastes of greater benefits to come.

	Years to Dec. 31st, 1949	1950
Consolidated Earnings:—		
Trading profits	7,052,838	7,224,220
Total income	8,125,028	9,055,675
Depreciation	1,121,342	1,174,469
Taxation	3,354,711	3,575,537
Group earnings for ord. stock	2,040,682	1,450,864
Ordinary dividends (per cent.)	423,345	815,901
Added to group general reserves and carry forward	1,899,874	1,578,662
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation	13,293,919	13,806,050
Investments in English Steel	6,346,040	6,316,273
Net current assets	31,724,679	32,178,452
Stocks	42,447,779	46,588,901
"Quick" assets	14,229,023	15,903,962
Reserves	27,654,803	29,376,722
Ordinary capital	12,315,484	12,315,484
£1 ordinary stock at 53s. 6d. yields £4 13s. per cent.		

The group balance sheet does not include the figures of English Steel (except in so far as Vickers' investment in it is included at the written-down value of £6,316,273), and the comparative figures for 1949 have been correspondingly adjusted. The balance sheet total, however, shows an increase of over £6,000,000 to £97,109,074 in the year, £1,951,522 was spent on additions to fixed assets during the year and stocks rose from £42,447,779 to £46,588,901. Liquid resources at £15,903,962, against £14,229,023, appear to provide ample cover on immediate capital commitments of £2,140,441. The financial resources of the group have also been strengthened since the end of the financial year by the receipt of £15,267,081 of steel stock, issued at par, as compensation for Vickers' holdings in English Steel. The strength of liquid resources and reserves, at £29,376,722, against £27,654,803 last year, may suggest to some shareholders that it would be possible to disburse some of the compensation received. Although no hint of the directors' intentions is given in the latest accounts, the yield at the current price of 53s. 6d. is only £4 13s., which may suggest that some investors have already been counting their chickens in this respect.

P. and O.—The operating profits of the P. and O. group advanced by over £2,000,000 to £13,336,633 last year. This was due in some measure to the earnings of new ships brought into commission, such as the *Chusan*, and the return of reconditioned ships to normal commercial service following Government service. Both outward passenger and freight traffic showed considerable increases, but owing to dock delays in Australia it has been found impossible to cover the export demand fully. Profits are shown after setting aside sums for contingencies and the costs of reconditioning; it is hoped that full provision has now been made for this latter liability. The rise in the depreciation provision from £6,020,438 to £8,190,882 partly reflects the larger fleet now in operation, but it is also partly due to heavy capital expenditure during the year; the latter has brought correspondingly heavy tax reliefs on initial allowances, and these have been added to normal depreciation allowances. Indeed, higher operating profits have not brought any higher taxation pro-

visions with them, owing to this initial allowances relief. The appropriation to asset replacement reserves is £1,583,203, against £1,684,926 last year; large though these appropriations are, they still fall short of the difference between depreciation allowances based on original cost and actual replacement costs.

	Years to Sept. 30th, 1949	1950
Consolidated Earnings:—		
Operating profits	11,260,076	13,336,633
Total profits	12,445,418	14,408,480
Depreciation	6,020,438	8,190,882
Replacement reserves	1,684,926	1,583,203
Taxation	2,854,728	2,755,676
Ordinary dividends	551,102	734,802
Ordinary dividends (per cent.)	12	16
Retained by subsidiaries	474,814	707,870
Reserve account	275,000	
Added to carry forward	13,917	32,004

Cons. Balance Sheet Analysis:—
Fixed assets, less depreciation .. 84,280,827 86,271,642
Total current assets .. 64,660,278 63,758,537
Cash .. 8,793,841 8,830,496
Reserves .. 68,539,559 71,464,189
Deferred stock .. 4,592,518 4,592,518
(a) Includes the equivalent of taxation relief in respect of initial allowances.
£1 deferred stock at 64s. 6d. yield £4 19s. per cent.

The extension of P. and O.'s fleet is reflected in part in the rise in the net book value of ships in service or under construction from £78,433,270 to £80,102,919, together with the sum of £2,897,949 in outstanding commitments for capital expenditure. A new item shown in the group balance sheet is £3,892,000 of shipbuilding bills; certain subsidiaries of the P. and O. have found it convenient to finance construction of new ships by this means. The company's liquid resources, with cash at over £8,800,000 and quoted investments at £33,300,000, appear ample to cover immediate capital commitments. For the future the main problem would seem to be that presented by the Budget decision to suspend initial allowances. The Chancellor has already conceded the extension of this relief to ships "actually building" on April 10, 1951. The P. and O. have recently placed orders for two new ships of similar dimensions to the *Himalaya* to be laid down in June, 1951, and February, 1952; it is to be hoped that the Chancellor will make further concessions to cover such cases as these. The longer-term prospects must depend in part on the progress made in the modernisation and replacement of the present shipping fleet, and in this the P. and O. have at least made a good start.

Morris Motors.—Many investors had anticipated excellent trading results by Morris Motors in the year ended December 31, 1950, but the remarkable advance in net earnings from £2,631,426 to £7,136,038, and the raising of the tax-free ordinary dividend from 24½ to 27 per cent exceeded even the best expectations. British taxation took £4,216,466 against £1,480,147 last year, but the directors have still been able to add £1,906,960 to general reserves; no such appropriation was made in 1949. In addition, £27,927, against £260,917, has been added to the carry forward. These appropriations provide a very generous cover on the ordinary dividend, but it should be remembered that Lord Nuffield, in his statement accompanying the 1949 accounts, forecast heavy ploughing back of profits when he averred that the provision of finance for replacement will present a very real problem. In this year's preliminary profit statement, the directors cautiously point out that 1950 was a "year of uninterrupted and expanding production and can therefore scarcely be regarded as normal under present conditions." This is clearly a reference to the possibility of shortages of machine tools, sheet steel and other materials holding up production in 1951. Against this, however, demand will clearly absorb all that the company can produce, and despite raw material difficulties the gross yield of £6 1s. on the 5s. ordinary units at the current price of 42s. 6d. is still an attractive one.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, May 9, 1951	Price, May 16, 1951	Yield, May 16, 1951 (a)	Gross Yield, May 16, 1951
War Bonds 2½%	101	101	£ s. d.	£ s. d.
Mar. 1, 1951-53	101½	101½	0 12 1	1 18 5½
War Bonds 2½%	101½	101½	0 14 5	1 19 9½
Mar. 1, 1952-54	101½	101½	0 14 1	1 15 9
Exchequer Stk. 2½%	102½	102½	0 12 4	1 17 9½
Feb. 15, 1955	102½	102½	0 17 6	2 2 2½
War Bonds 2½%	101½	101½	0 17 6	2 2 2½
Aug. 15, 1954-56	101½	101½	0 17 6	2 2 2½
Funding 2½%	103½	103½	0 12 6	2 9 2½
June 15, 1952-57	103½	103½	0 12 6	2 9 2½
Nat. Defence 3%	103½	103½	1 2 10	2 12 4½
July 15, 1954-58	103½	103½	0 17 5	2 6 0
War Loan 3%	103½	103½	1 3 10	2 12 3½
Oct. 15, 1955-59	99½	99½	1 17 9	3 8 4
Savings Bonds 3%	99½	99½	1 13 6	3 2 10½
Aug. 15, 1955-65	97½	97½	1 17 2	3 1 9½
Funding 2½%	95½	95½	1 11 10	2 16 2½
Apr. 15, 1956-61	95½	95½	1 13 6	3 15 1½
Funding 3%	97½	97½	1 18 6	3 8 1½
Apr. 15, 1959-69	96½	96½	1 16 11	3 6 9½
Aug. 1, 1966-68	104½	104½	1 16 5	3 6 2½
Funding 4%	94½	94½	1 19 1	3 16 1½
May 1, 1960-90	91½	91½	2 5 6	3 15 9½
Savings Bonds 2½%	91½	91½	1 18 9	3 8 9½
Sept. 1, 1960-70	105½	105½	2 1 7	3 6 8½
Victory Bonds 4%	105½	105½	1 19 0	3 4 1½
Sept. 1, 1920-76	92½	92½	2 5 2	3 15 10½
Savings Bonds 3%	92½	92½	2 0 2	3 10 8½
Aug. 15, 1965-75	100½	100½	2 2 0	4 0 5½
Consols 4%	91½	90½	2 0 7	3 17 6½
Conversion 3½%	66½	65½	2 0 0	3 15 5½
(after Apr. 1, 1961)	78½	78½	2 0 5	3 17 2½
Treasury Stk. 3½%	98½	97½	1 18 11	3 12 6½
(after Apr. 5, 1966)	86½	86½	1 18 9	3 12 4½
Treasury Stk. 3½%	86½	86½	2 2 9	3 14 5½
June 15, 1977-80	89½	89½	2 1 0	3 12 9½
Redemp. Stk. 3%	89½	89½	2 1 2	3 18 4½
Oct. 1986-96	66½	66	1 19 2	3 15 1½
War Loan 3½%	92½	92½	2 2 6	3 16 1½
(after Dec. 1, 1952)	91½	91½	2 0 4	3 10 6½
Consols 2½%	91½	91½	2 1 2	3 11 7½
Brit. Elect. 3% Gtd.	98½	97½	2 0 3	3 10 8½
Apr. 1, 1968-73	87	86½	1 18 10	3 12 7½
Brit. Elect. 3½% Gtd.	87	86½	2 5 4	3 12 7½
Nov. 15, 1976-79	92½	92½	2 2 5	3 14 6½
Brit. Tpt. 3% Gtd.	92½	92½	2 0 6	3 13 0½
July 1, 1978-88	85½	85½	2 2 10	3 14 7½
Brit. 3% Gtd.	97½	97½	2 1 11	3 14 10½
Apr. 1, 1988-73			1 19 9	3 14 3½
Brit. Gas Gtd. 3%			1 19 8	3 14 1½
May 1, 1990-95				
Brit. Iron & Steel 3½%				
Feb. 15, 1979-81				

(a) To earliest date. (b) Flat yield. (c) Net yields are calculated after allowing for tax at 9s. 6d. in £. * Assumed average life 13 years 2 months.

Last Two Dividends	Ordinary Stocks	Price, May 9, 1951	Price, May 16, 1951	Yield, May 16, 1951
(a) (b) (c)				
20 a	40 b	Anglo-Am. 10/-	8½	£ s. d.
25 b	5 a	Anglo-Iran. £1	5½	5 17 1
5 a	15 b	Assoc. Elec. £1	97½	96 3 1
22½ c	27½ c	Assoc. P. Cem. £1	105½	5 2 10
40 c	35 c	Austin 5/-	32½	5 3 8
15 c	120 b	Bass £1	150½	6 7 6
40 c	10 a	Boots 5/-	54/-	53 6 14 9
8 c	10 c	Br. Celanese 10/-	33½	33 9 2 19 3
8 a	12 b	Br. Oxygen £1	96½	97 0 4 2 6
5 a	7½ b	Coats £1	65½	68 9 3 12 9
5 a	5 c	Courtaulds £1	47½	47 4 4 8
20 c	61 a	Distillers 4/-	24/-	23 6 3 8 1
15 c	17½ c	Dunlop £1	68½	66 3 5 8
10 c	12½ c	Ford £1	56½	56 10 4 7 11
17½ c	17½ c	Gen. Elect. £1	93½	93 9 3 14 8
11 a	21 b	Guinness £1	140½	141 10 4 10 2
15 a	17½ b	Hawker Sid. 5/-	42½	42 9 3 16 0
3 a	9 b	Imp. Chem. £1	50½	50 9 4 16 0
13½ a	18½ c	Imp. Tobacco £1	98½	98 9 6 9 8
5 a	7½ b	Lancs. Cotton £1	52½	52 6 15 3
10 c	10 c	Lever £1	51½	50 6 4 0 0
15 c	15 c	Lon. Brick £1	61½	61 3 4 17 11
15 a	60 b	Marks & Sp. A/5/-	98/-	98 3 16 6
8 a	8 b	P & O Def. £1	65½	64 6 5 19 3
17½ b	7½ a	P. Johnson 10/-	39½	40 6 6 3 5
15 b	15 a	"Shell" Stk. £1	95½	96 7 3 19 9
12½ b	12½ a	Tube Invest. £1	7½	7 3 10 7
34 a	16½ b	T. & Newall £1	102½	101 10 3 18 2
8 c	10 c	Union Castle £1	40½	40 7 5 0 0
17½ c	50 c	U. S. Betsong £1	63½	62 6 19 0 0
21 a	10 b	Vickers £1	53½	53 6 4 13 4
15 a	27½ b	Woolworth 5/-	49½	48 9 4 7 8

EXCHEQUER RETURNS

For the week ended May 12, 1951, total ordinary revenue was £66,763,000 against ordinary expenditure of £59,021,000 and issues to sinking funds £510,000. Thus, including sinking fund allocations of £1,350,000 the surplus accrued since April 1, 1951, is £44,286,000 compared with a surplus of £50,118,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	April 1, 1950 to May 12, 1951	April 1, 1951 to May 12, 1951	Week ended May 12, 1951	Week ended May 12, 1951
	£'000	1950	1951	1950	1951
ORD. REVENUE					
Income Tax	162,400	99,555	115,231	11,195	11,562
Sur-tax	128,000	13,550	14,200	1,800	1,300
Estate, etc., Duties	180,000	24,150	23,400	4,700	4,300
Stamps	65,000	6,100	7,500	1,200	900
Profits Tax	312,650	20,460	31,100	3,000	3,100
E.P.T.	500	20	30	...	10
Other Inland Rev.	1,500	850	370	200	60
Special Contributn.					
Total Inland Rev.	2,302,400	165,585	191,831	22,095	21,232
Customs	930,500	96,782	115,129	21,153	28,192
Excise	720,500	103,600	109,000	12,600	13,100
Total Customs and Excise	1,651,000	200,382	224,129	33,753	41,292
Motor Duties	62,000	4,621	5,439	307	506
Surplus War Stores	20,000	9,548	18	...	...
Surplus from Trade	50,000	974	...	...	...
P.O. (Net Receipts)	5,400	4,300	5,900	2,300	2,700
Wireless Licences	13,600	1,000	1,000	...	...
Sundry Loans	27,000	1,308	2,267	870	59
Miscell. Receipts	105,000	10,327	7,762	3,028	974
Total Ord. Rev.	4,236,400	398,042	438,345	62,354	66,763
SELF-BALANCING					
Post Office	179,431	15,900	17,500	2,200	2,300
Income Tax on E.P.T. Refunds	4,900	308	637	170	431
Total	4,420,731	414,250	456,482	64,724	69,494

Expenditure	Estimate, 1951-52	April 1, 1950 to May 12, 1951	April 1, 1951 to May 12, 1951	Week ended May 12, 1951	Week ended May 12, 1951
	£'000	1950	1951	1950	1951
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	65,213	73,383	916	1,711
Payments to N. Ireland	38,000	3,460	3,844	...	210
Other Cons. Funds	11,000	590	742	29	...
Total	584,000	69,263	77,969	945	1,921
Supply Services	361,292	277,427	314,740	55	57,100
Total Ord. Expend.	419,692	346,690	392,709	55,445	59,021
Sinking Funds	...	1,234	1,350	160	510
Total (excl. Self-Bal. Expend.)	419,692	347,924	394,059	55,605	59,531

After decreasing Exchequer balances by £11,119 to £3,255,928, the other operations for the week decreased the National Debt by £11,005,626 to £26,220 million.

NET RECEIPTS (£ thousand)	1950	1951	1952
Land Settlement (Facilities) Acts, 1919 and 1921 ..	12	...	...
Cotton (Centralized Buying) Act, 1947, s. 21(3) ...	8,500	...	...
Receipts under ECA	5,000	...	...
Total	13,512	...	...

NET ISSUES (£ thousand)	1950	1951	1952
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PHOENIX ASSURANCE COMPANY

RECORD FIRE AND ACCIDENT PREMIUM INCOME

MR WILLIAM SHEARER ON THE ALL-ROUND PROGRESS

The one hundred and sixty-ninth annual general meeting of Phoenix Assurance Company, Limited, will be held on June 6th at Phoenix House, King William Street, London, E.C.

The following is an extract from the statement to the shareholders by the chairman, Mr William Shearer, on the directors' report and statement of accounts for the year 1950:

I must record, with profound regret, the heavy losses we have suffered since our last annual meeting, three highly esteemed members of our board having died during the past year—namely, Lord Hutchison of Montrose, Lord Royden, and Sir John Greenly.

Lord Hutchison of Montrose became a director of the "London Guarantee" in 1933, and of the "Phoenix" four years later; for a long period he was also chairman of our Scottish board, and in all these offices his energy, wisdom, and experience were actively employed in the development and protection of our affairs.

When we acquired the "Union Marine," Lord Royden succeeded his father as its chairman, and our good fortune was further increased soon after when he agreed to join the "Phoenix" board. He thus served our group for some 40 years, and the "Phoenix" company itself, as director, deputy chairman, and latterly finance chairman, for over 34 years. By his unfailing interest in all our activities, by his many great qualities, and particularly by his ability to inspire loyalty and affection, he occupied a unique place amongst us and it is gratifying to record that his sound judgment and wise counsel remained undiminished and were freely available to us right up to the end. I am glad to tell you that our association with the family continues through his nephew, Mr T. J. Royden, who is one of our directors in the U.S.A.

Sir John Greenly's association with us lasted for only some 20 months; yet in that short period he had already established himself as a most able and agreeable colleague from whom we had hoped to receive many years of valuable assistance.

This serious reduction in the membership of your board has been partially restored by the recent appointments of Mr Dingwall Latham Bateson, C.B.E., M.C., and Sir Alexander Cadogan, P.C., O.M., G.C.M.G., K.C.B.

There were two further changes during the past year that I feel I should record. The retirement of Mr G. L. Wagstaff, secretary of the company since 1935, took place on the completion of over 40 years' service. Mr James M. Haines, our general attorney and manager for the United States, has also retired. Both Mr Wagstaff and Mr Haines carry with them our warm appreciation of their loyal and efficient services. On Mr Wagstaff's retirement, Mr John G. Hill was appointed our secretary, and to succeed Mr Haines your board appointed Mr Henry Lloyd Jones as United States manager, with Mr John R. Robinson as his deputy.

We have established records in fire and accident premium income, increased our resources in all departments, declared an excellent bonus to our life policy-holders, and transferred over £1,500,000 from the revenue accounts to profit and loss account. Moreover, our investments and other assets now total over £67,000,000, an increase of £4,700,000 in the year.

Gratifying as these achievements are, it would be wrong to assume that the year was an easy one or free from serious problems. An active international insurance programme such as ours can never be immune from the stresses and strains of abnormal events. We must hope that the efforts we are making to maintain our underwriting principles and provide that service of which we have every reason to be proud will enable us to continue to report satisfactory progress.

FIRE DEPARTMENT

Our fire premiums at £9,250,000 show an advance of £1,543,000 on those for 1949.

There has been real expansion in almost every field of operation, and this has meant that the spread and balance of our worldwide portfolio has been well maintained. That is of vital importance if reasonable uniformity of results is to be achieved. Yet this stability is always threatened by catastrophes, and 1950 brought its full quota.

In point of time our Canadian operations were the first to be exposed to a succession of heavy blows, of which the conflagrations caused during severe windstorms at Rimouski and Cabano and the Manitoba floods were of marked importance.

A little later the United States began to suffer from a series of great windstorms which visited most parts of the country, the culmination being the storm in the eastern States at the end of November; the resulting loss is estimated at \$150,000,000.

In the United Kingdom we enjoyed a favourable loss experience.

With the claims ratio at 46.2 per cent. (being higher than in 1949) the record profit of £302,000, representing a ratio of 8.7 per cent. on premiums and an increase of £210,000 over that for 1949, was produced.

The account carries the unusual transfer of £925,000 from profit and loss account to increase our provision for unexpired risks, which the board has decided should now be calculated at 50 per cent. of the year's premiums. Calculation of this provision at 40 per cent. has been hallowed by long tradition, and periodical checks had shown it to be adequate. It has always been recognised, however, that for a world-wide business, embracing United States and Canadian policies, a considerable proportion of which are issued for three and five years for single premiums payable in advance, any increase in the weight of such business in our world-wide accounts might necessitate a higher provision than 40 per cent. The devaluation that has taken place and the consequent higher proportion of North American long-term business included in our sterling premiums now require that this important change should be made.

ACCIDENT DEPARTMENT

In the accident department premiums amount to the substantial figure of £12,657,000, an increase of no less than £2,988,000 on that for 1949. As in the fire account, devaluation of sterling in terms of dollars is largely responsible for the advance.

The loss ratio is very little different from that of 1949—54.2 per cent. against 54.0 per cent.—but there is a compensating reduction in the ratio of commission, expenses and dominion and foreign taxes, from 40.0 per cent. to 39.8 per cent. Although claims, commission, taxes and expenses of management are up in the aggregate by £2,316,000,

the combined ratio to premiums remains almost the same as in 1949.

The considerable increase in premium income calls for an additional provision on this basis of £413,000, leaving a balance of £341,000, being 2.7 per cent., to be transferred to the profit and loss account. Bearing in mind the adverse experience that accident insurance generally is suffering throughout the world, this result is not unsatisfactory.

LIFE DEPARTMENT

In the life department the funds show a further substantial advance of £1,055,000 to £27,251,000. The net new sums assured for the year were £6,296,000, as compared with £5,843,000 in 1949, and are a record for the company. The premium income has increased from £1,765,000 to £1,869,000 and the consideration for annuities from £792,000 to £822,000.

The rate on mortality experienced by the funds continues to be favourable.

The gross rate of interest earned on the fund has risen from £4 1s. 7d. per cent. to £4 2s. 4d. per cent., but owing to heavier taxation charges the net interest figures show a slight reduction.

The quinquennial valuation of the company's life participation fund was made as at December 31st last, and out of the surplus disclosed the board decided to declare a reversionary bonus on with-profit policies at the rate of 38s. per annum per £100 assured in respect of the period. This is an increase of 5s. 6d. per £100 on that declared five years ago.

In the company's life non-participation fund the surplus belongs to the shareholders. After increasing our reserves, it has been decided to declare the sum of £250,000 as divisible, and of that amount £100,000 has been transferred to profit and loss in the year of account.

MARINE DEPARTMENT

Our trading shows a very satisfactory result with a transfer of £250,000 to the profit and loss account. The marine fund carried forward is larger by £291,000 at £3,590,000, representing 154 per cent. of the premiums. This compares favourably with the fund of 151 per cent. reported a year ago, since our premium income has increased from £2,185,000 to £2,327,000.

PROFIT AND LOSS ACCOUNT

The main sources of revenue are interest, dividends, and rents, and the profits from our underwriting operations. In respect of the former, you will observe that the gross amount, at £1,211,000, has increased by £273,000, and that, after providing for United Kingdom income tax, the net amount earned is £668,000. Part of the net increase of £152,000 is due to devaluation and the consequent higher sterling value of our investment income in North America. The aggregate transfer of £1,543,000 from the underwriting accounts is a very successful outcome of the year's operations and a record for our company.

On the other side of the account we have made all the usual provisions, and it will be noted that United Kingdom taxation calls for £950,000 to be set aside in respect of the profits for the year. This amount, together with the tax on our interest earnings, is our estimate of what the Inland Revenue require from us in respect of our operations for the year to December 31st last. It is earned for the Treasury through the success of our business in all parts of the world.

Having made our usual transfer to pensions account and provided for expenses and foreign taxes not charged to the underwriting accounts, there is a net profit for the year of £931,000 which is available for appropriation.

We propose to transfer £500,000 from

investment inner reserve to profit and loss account. Bearing in mind that that reserve contains surpluses arising in the normal process of selling investments, it is, in the board's opinion, appropriate that this part of that substantial free fund should be released.

There remains the question of the dividend, and the shareholders at our annual general meeting will be invited to deal with the board's recommendation that an additional 2s. per share (less income tax) should be distributed. Our dividend remained at 12s. from 1933 until 1945, and from 1946 1s. was added following the special distribution granted as compensation to shareholders for the loss of the benefit of Dominion income tax relief then discontinued. Apart from this, it is almost 20 years since our 12,000 shareholders have received any increased participation in the company's prosperity. Companies have been requested to observe "due moderation and restraint" in dividend policy. Your directors maintain that they have followed this injunction, but nevertheless they have unanimously reached the conclusion that a modest increase in dividend was due and that the shareholders had waited long enough for the consideration which so many other sections of the community have been receiving.

When all these important adjustments and provisions have been made the balance carried to the consolidated balance sheet has been increased to £1,242,000.

I am happy to reiterate the statement I made last year, that despite the unsettled state of home and overseas investment prices, the total of the middle market values of our Stock Exchange securities is substantially above the values appearing in the statements now submitted. No change has been made in the book values of our North American investments, and they remain on our books at the equivalent sterling cost at the time of purchase.

Your board continues to do everything in its power to improve gross interest earnings, whilst keeping carefully in mind the security of the company's capital and funds, and, following this policy, mortgages show some increase.

Much of our business is written abroad and we have to compete with offices of all nationalities and under many local regulations. We engage in insurance transactions expressed in no fewer than 78 overseas currencies.

TRIBUTE TO EXECUTIVES AND STAFF

We again gratefully acknowledge the fine leadership and expert guidance of our general manager, Mr E. B. Ferguson, and the splendid support he receives from the other members of the executive and from the branch managers, staffs, and agents at home and overseas. To all of them, to the directors of our associated companies, and to the members on our local boards, we tender our gratitude and congratulations on the success of their work.

EAGLE STAR INSURANCE

EXPANSION IN ALL DEPARTMENTS

The annual general meeting of Eagle Star Insurance Company Limited will be held on Tuesday, June 5th, in London.

The following is a summary of the statement by the chairman and managing director, Sir Brian Mountain, Bt.

In the life department net new sums assured exceeded £43 million, over £2,250,000 higher than 1949, again constituting a record. The expense ratio was 7.9 per cent. and the net rate of interest £3 11s. 9d. per cent. The mortality experience was particularly favourable.

The fire account shows a substantial increase with profitable results. The claims experience was good; the premium income

exceeded £2,250,000 and £239,000 is transferred to profit and loss.

The accident account (including personal accident and motor) discloses an increase in premium income, now nearly £5,000,000, and £153,000 is transferred to profit and loss.

The motor department have experienced rising claim costs and increasing accident frequency. Increased premiums in motor insurance will apply from June 1st. After transferring £100,000 to profit and loss the marine fund at £1,723,966 is 127 per cent. of the increased premium income.

Net interest at £400,925 shows a small increase. Profits from the English and Scottish closed fund are £49,319 and contributions from other trading departments total £492,000.

After allowing for increased taxation, both at home and overseas, contributions to the staff pension funds and other outgo, the profit is £444,523. Dividends require £309,075. The profit and loss carry forward is £1,550,908, an increase of £147,215.

Total assets now exceed £61,250,000 and reserves and undistributed profits over £5,000,000.

NORTH BRITISH AND MERCANTILE INSURANCE

LORD BRAND ON DIVIDENDS AND RISK CAPITAL

The one hundred and forty-first annual general meeting of the North British and Mercantile Insurance Company, Limited, was held on May 10th in Edinburgh.

The Rt. Hon. Lord Brand, C.M.G., D.C.L. (chairman of the general court of directors), who presided, said:

The declaration of the increased dividend which we ask you to ratify today was made before the Budget, and as the Chancellor of the Exchequer, in addition to increasing very largely the profits tax on distributed dividends, also stated in his Budget speech that "the country simply could not afford the substantial increases of dividends, which were being paid by companies in general in 1951," I should perhaps say a word or two as to the reasons which guided the directors in recommending the particular increase in the case of your company. As my statement explained, the North British shareholders have received during the last 15 years one increase in dividend, which amounted in fact to 3d. per share. During the same period our company's strength, resources and income have very greatly increased, though our shares stand actually lower in the market than they did 15 years ago. There was no reason whatever, from the point of view of the company's income and reserves, why the dividend should not be increased. Moreover, during that period the general price level has doubled and the consequent great increase in the cost of living has hit shareholders large and small, just as it has hit the salaried class and wage-earners, and indeed, everyone in the community. But, while the North British shareholders have received an increased dividend an addition of about 4 per cent. over this long period, wages and salaries have increased by nearly 150 per cent. In these circumstances I believe that the directors of your company in recommending this increased dividend to you, have acted with moderation and restraint. I do not myself believe you can overcome inflation by a freezing process whether of wages, salaries or dividends. You can indeed see the disastrous effects of freezing over a long series of years when you examine the consequences on the upkeep of houses of freezing rents. Nor do I think that you can for instance apply some universal percentage by which all companies may increase dividends.

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Immensely heavy taxation and inflation are rapidly decreasing the liquid resources of British industry as a whole, and therefore making the future need for risk savings greater. Exactly the same causes are, however, also rapidly diminishing these savings themselves, and this tendency is greatly accentuated by the 50 per cent. tax on distributed profits. How this slide-down into a serious shortage of risk capital is to be averted presents a problem for which Socialism and the Welfare State have not yet provided a solution. It is certainly not to be found by unduly penalising the shareholder. The report was adopted.

The circumstances of companies are infinitely varied.

THE WIDER VIEWPOINT

In the recent White Paper on the National Income, the total of dividends and interest paid by all companies in the country are given for 1950 at £827 million. The interest component of this figure includes all company debenture interest, co-operative society dividends, interest paid by building societies, taxes paid by British companies to foreign governments, and also film royalties paid to foreign companies. What all this amounts to I cannot tell with any accuracy, but I can state with some confidence that the total is not less than £150 million. If, therefore, I deduct £150 million from the above figure of £827 million, in respect of all the above, so as to make the figure for dividends paid to persons £677 million, I think I am well within the mark. It should also be borne in mind that this figure includes profits earned abroad by British shipping, oil and insurance companies, in so far as they are paid out in dividends. These dividends must amount to a large sum. I cannot imagine anyone regarding them as a burden on the British salaried or wage-earning classes. This figure of £677 million compares with a total of personal income for the whole country of £10,279 million, and with a total for wages and salaries of £7,163 million. Gross dividends before tax or sur-tax on this estimate are thus less than 1/10th of wages and salaries, and about 6.7 per cent. of the total personal income of the country. Returning again to the figure of £827 million for both dividends and interest for 1950, I must ask you to note that it is almost exactly the same as the figure for 1947 and only £31 million greater than the figure for 1948 when the wage and dividend freeze started. On the other hand, since 1948 wages and salaries have risen by £785 million, or proportionally very much more. In these circumstances I think the small shareholder is justified in getting an increase from his company, if it can afford to pay it. If anyone is still nervous about shareholders with larger incomes getting too much from dividends, he need only bear in mind that, if they are in the sur-tax paying class, progressive taxation in the form both of income tax and sur-tax will see to it that only a very small proportion of any gross dividend remains in their net income.

RISK CAPITAL ESSENTIAL

I have already quoted the Chancellor's words that "the country simply could not afford substantial increases in dividends." I take it he was thinking in the main of its effect on demands for increased wages and salaries, since any likely increase in dividends itself would have a very small inflationary influence.

We all of us understand the difficulties which faced Mr Gaitskell, and, whatever we may think of the effects of the taxes he has imposed, we recognise he showed courage in facing a most intractable problem. But I think it necessary to add this rider to what he said. What the country simply cannot afford to do without is an ample supply of risk capital, and of the savings by which alone it can be provided.

Immensely heavy taxation and inflation are rapidly decreasing the liquid resources of British industry as a whole, and therefore making the future need for risk savings greater. Exactly the same causes are, however, also rapidly diminishing these savings themselves, and this tendency is greatly accentuated by the 50 per cent. tax on distributed profits. How this slide-down into a serious shortage of risk capital is to be averted presents a problem for which Socialism and the Welfare State have not yet provided a solution. It is certainly not to be found by unduly penalising the shareholder. The report was adopted.

ATLAS ASSURANCE COMPANY, LIMITED

SATISFACTORY RESULTS IN ALL DEPARTMENTS

The annual general meeting of proprietors of the Atlas Assurance Company, Limited, will be held on June 1st, at the company's head office in London.

The following is an extract from the statement by the chairman, Mr Rudolph E. F. de Trafford, O.B.E., circulated with the report, accounts and balance sheets for the year ended December 31, 1950:

FIRE ACCOUNT

Our fire premium income has continued to expand and amounts to £5,101,072, an increase of £947,797 over the corresponding figure in 1949.

Our underwriting profit amounts to £524,691, or 10.3 per cent., as compared with £490,815, or 11.8 per cent., in 1949. In the United States severe windstorms cost something in the region of \$125 million. Naturally a share of these claims has come our way and these, though mostly small individually, represent in total a large figure. That, in spite of this, our operations in the United States resulted in a profit reflects great credit on Mr Gallagher, our United States manager, and all who serve the company there.

ACCIDENT ACCOUNT

Our premium income in 1950, at £1,775,874, exceeded that obtained in the previous year by £268,191. The underwriting profit amounts to £159,876, or 9 per cent., by comparison with £92,832, or 6.2 per cent., in 1949.

MARINE AVIATION AND TRANSIT ACCOUNT

On the marine side our premium income amounted to £680,195, as compared with £648,237 in 1949. Claims paid, at £392,105, exceeded the corresponding figure in 1949 by £26,356.

With regard to cargo business, the trend of rates, through force of competition, continues in a downward direction although in these days of high, and sometimes astronomical, values one might have expected the reverse to be the case.

Turning to hull business, it has been frequently pointed out that delayed claims are a cause of much concern to underwriters, and I am afraid that, with both the time and cost factors operating against us, the situation tends to worsen rather than to improve.

Having regard to what I have said, shareholders may possibly be surprised at the transfer of £100,000 from the marine account to the credit of the profit and loss account. It will be remembered, however, that, in order to conserve resources, nothing was drawn from the underwriting account in 1949. Today the marine fund, at £1,100,910, is sufficiently strong to withstand any eventualities that can humanly be foreseen and, therefore, it is felt that to carry, what I might call, the austerity programme further is not necessary.

CAPITAL REDEMPTION ACCOUNT

The capital redemption fund increased slightly during the year and amounted at December 31st last to £2,502,586. As in previous years, the surplus revealed by a valuation of the liabilities has been left in the fund.

LIFE DEPARTMENT

The life assurance and annuity fund continues to grow and amounted at the end of the year to £21,644,712, an increase of

nearly £620,000 over the previous year's figure.

The sums assured under new assurances issued in 1950 were £4,014,634 after deduction of re-assurances as compared with £4,642,012 in the previous year.

The gross rate of interest earned on the fund increased by 2s. 3d. to £4 0s. 9d. per cent. but the net rate declined by 4d. to £3 5s. 5d. per cent. on account of the further substantial increase in the liability for income tax.

Since January, 1950, there has been some recovery in Stock Exchange prices from the low level that obtained just after the devaluation of sterling. Consequently, the margin which existed at the end of 1949 between total market values of our Stock Exchange investments and the values at which they appeared in the balance sheet has been enhanced during the year.

The surplus revealed by the valuation as at December 31st last was £306,040, including £38,218 brought forward from 1949. Out of this sum £81,935 has been applied to strengthen reserves and £5,329 has been used to pay interim bonuses and to meet the cost of bonuses on re-assurances received from other companies. The balance of £218,776 has been carried forward.

In recent years the announcement of an increase in the price of some goods or services has unhappily become almost a daily event. It is, therefore, particularly pleasing to record that, during the year 1950, the directors were able to make a substantial reduction in the rates of premium for new life assurances in all the principal classes. Our new rates are very attractive and our policies contain many liberal privileges. It is our constant aim to provide, for all classes of the community, a wide range of life assurance and annuity contracts on generous terms and to maintain these high standards of service and security which, for so many years, have been associated in the minds of the public with free-enterprise insurance.

PROFIT AND LOSS ACCOUNT

On the income side of the profit and loss account there is an item of some magnitude which will not escape the notice of shareholders. I refer to the sum of £586,101, being profit on investments realised. This profit arises mainly out of our holdings of United States Government short-term bonds forming part of the dollar assets which, under United States laws, we need to maintain in that country so long as we carry on business there as, naturally, we have every intention of doing. The bonds were purchased at par when the dollar stood at 4.03 in relation to the £ sterling and were redeemed at par during the year, with the dollar standing at 2.80.

Shareholders will also observe that, by comparison with 1949, our gross interest earnings have increased by £98,462. Quite a large portion of this increase arises out of exchange, although as is to be expected, higher dividends on our investments—mainly overseas—and the investment of new money have played their part. Increased earnings naturally bring in their train an increase in United Kingdom taxation, with the result that our net earnings, including rent on our head office building—which is our own property—amount to £199,972, by comparison with £145,822 in 1949.

A dividend of 12s. 9d. per share has been declared. This compares with the 11s. 3d. per share which has prevailed since the last increase in the dividend, given effect to in relation to the year 1946.

HAMBROS BANK

PROPOSED CAPITAL INCREASE

MR R. OLAF HAMBRO'S STATEMENT

The thirty-ninth annual general meeting of Hambros Bank Limited, will be held on June 7th, at the offices of the bank, 41, Bishopsgate, London, E.C.

The following is an extract from the statement of the chairman, Mr R. Olaf Hambro, circulated with the report and accounts for the year to March 31, 1951:—

The year 1950-51 has been marked by increased activity and expansion in the business of the bank, which is clearly indicated by the total of the deposits and the acceptances which have risen during the year, in the case of deposits by 45.20 per cent., and acceptances by 19.40 per cent. On the other hand the liquidity is again very high, the cash, money at call, bills and Government stock amount to 76.38 per cent. of the deposits, and loans and advances represent 25.54 per cent. of the deposit figure.

DEMAND FOR CREDIT

The increased demand for finance by way of London credit from all over the world is partly due to the rise in commodities, but also it reflects the large increase in the world demand for British exports and services. This is a healthy sign, and indicates the still unequalled position of London as a financing centre and the renewed confidence in sterling as a sound currency. I would, however, venture to say it is becoming evident that the average cost at which such credit facilities are made available to bankers and traders abroad, in combination with the low discount rates which are still in operation here, is in the main too cheap, and as the demand intensifies it will of necessity give rise to greater discrimination in the matter of charges.

It is our policy, as in the past, to reserve a large proportion of our available facilities for our old customers in the Scandinavian countries, and in this respect Norway and Denmark have been particularly active in their demands for sterling facilities, and also to a less varied but by no means less active extent from Sweden, the demands of the last-mentioned being confined in the main to the timber trade and its ancillary products of pulp and paper, the rising cost of which in the postwar years having proportionately increased the shippers' demands upon us for seasonal accommodation. We also do what we can to help our good friends in Finland, within the limits imposed by the difficulties of their political situation. Our old-established connection with Italy has also been well maintained.

THE AMERICAN COMPANY

I referred in my last review to the increasing activities of our associated company, The Hambro Trading Company, of America, Inc., and this year the total of exports to the United States through the medium of the trading company has risen to nearly \$8,000,000 in the year. I would like to say a word of thanks and appreciation here to our good friends among the American banks.

An extraordinary general meeting has been called to follow the annual general meeting, for the purpose of giving effect to the recommendation of the board to increase the capital of the company by £1,000,000 by the issue of one million fully paid £1 shares in the form of an offer to the holders of the partly paid shares at the price of £2 5s. per share. This will have the effect of raising the capital paid up to £3,000,000, and the reserves to over £2,000,000.

I desire again to place on record my appreciation of the work of the officials and staff.

ANGLO-NEWFOUNDLAND DEVELOPMENT

SUSTAINED DEMAND FOR PRODUCTS

MR ELLIOTT M. LITTLE ON PROGRESS OF REHABILITATION

The ordinary general meeting of Anglo-Newfoundland Development Company, Limited, was held at the offices of the company, Grand Falls, Province of Newfoundland, on May 16th, Mr Elliott M. Little (the president) in the chair.

The following are extracts from the statement by the president which had been circulated with the report and accounts for the year ended December 31, 1950:—

The improvement in market conditions which began late in 1949 was sustained throughout 1950, the year now under review. The demand for newsprint paper, sulphite pulp and non-ferrous metals was strong and prices of all these products advanced during the year.

The forecasting of future prospects is unusually difficult at this time because there are so many abnormal factors to consider. The plans for defence spending will likely keep North American business operating in high gear for the predictable future, assuring good demand for the company's products. On the other hand, increased taxes to pay for defence preparation are a practical certainty. Also, labour and material shortages will develop and become more and more serious as the defence programme gains momentum.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY

The profit of the company, excluding inter-company dividends, of \$2,290,967 was an improvement of \$674,219 over 1949, in which year we received certain tax benefits consequent upon Confederation of Newfoundland with Canada. Profit before taxation was \$1,324,219 higher in 1950, an increase of 56 per cent. over 1949.

Substantial progress was made on our rehabilitation programme. Conversion of the mill furnaces to use of oil in place of coal was completed early in the year with favourable effect upon our costs. The programme of machine speed-up neared completion. A major project in hand now and to be carried over the next two or three years is the conversion of the groundwood mill at Bishop's Falls to an expanded power generating unit and the concentration of wood handling and grinding at Grand Falls. Other improvements are planned. Capital expenditures during the year amounted to \$2,161,773 and it is estimated that some \$5,500,000 will be spent over the next three or four years to complete the programme. Other projects may arise and increased costs may necessitate upward revision of that figure, but it is considered that any such further expenditures found to be necessary will be adequately covered by normal depreciation for some years to come.

GASPESIA SULPHITE COMPANY

Last year I indicated that there were prospects of a firming in demand and price of unbleached sulphite pulp. That prophecy was fulfilled and a sharp recovery was made early in 1950 so that the mill was able to operate at full production with satisfactory sales returns. The net profit after depreciation and taxes amounted to \$368,871, as compared with a 1949 deficit of \$195,274. It is expected that the 1951 profit will be substantially higher than the 1950 profit.

This company has for some years been experimenting with a by-product from its manufacturing process and has operated a small production unit. It has now reached the stage where commercial operations on a larger scale seem warranted and the related assets and rights will be sold to a newly formed company called Lignosol Chemicals,

Limited, in which Anglo-Newfoundland Development Company, Limited, will hold a 50 per cent. interest.

TERRA NOVA PROPERTIES

Buchans Mine operated continuously throughout the year without any major delays. Crude ore milled was 328,000 tons—6,000 tons less than in 1949. The grade also was slightly lower, but the net income was substantially increased by the higher metal prices obtained.

Exploration and mapping continued throughout the outside Crown Lands concession of approximately 6,000 square miles by aerial methods and by field parties on foot, without discovery of important mineralisation.

In the vicinity of Buchans, additional geophysical surveys were completed without conclusive results. Diamond drilling totalled 24,910 ft. and resulted in the discovery of additional ore showings north of Old Buchans and north-west of the Rothermere shaft. These recently discovered ore-bodies may be small. Their actual extent can be determined only by further exploration.

Mining development consisted principally in the deepening of the Rothermere shaft 823 ft.—a total depth of 1,796 ft. A final depth of 2,500 ft. for this shaft is now contemplated, the ore-bodies last discovered having been found at about that depth.

In drifts, raises and winzes 6,260 ft. were driven, mostly in connection with the Rothermere ore-body, in which mining should begin about the middle of 1951.

Ore reserves at the end of the year amounted to 3,555,000 tons of assured and probable ore, an increase of 231,000 tons during the year. In addition, low grade ore, normally unprofitable, but profitable in most part at recent metal prices, amounted to 220,000 tons. These figures do not include the prospective or possible ore to which I referred last year.

MONTMORENCY SHIPPING

Net profit after taxes amounted to \$98,063 which, added to the amount brought forward in the previous year, gives a sum of \$120,330, which has been carried forward in the books of this company.

CONSOLIDATED POSITION

The consolidated profits, after depreciation and taxes, of \$5,844,133 compares with \$2,868,585 for the previous year and is equivalent to \$1.06 per stock unit outstanding.

The parent company will be able from its own resources to complete the re-equipment of its plant. Failing all-out war, there are many signs, which, in my opinion, portend an era of prosperous expansion for Canada and Canadian industry. Our group of companies should share fully in this rising tide of Canadian business.

The results achieved are due in no small measure to the loyalty of our employees and to the enterprise of our officers, superintendents and senior staff. To all these, I here record my appreciation and thanks.

The report and accounts were adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

*The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1*

BRITISH-AMERICAN TOBACCO COMPANY

INCREASED TRADING PROFITS

The forty-eighth annual general meeting of The British-American Tobacco Company, Limited, was held on May 11th in London.

Mr D. M. Oppenheim (vice-chairman), who presided in the absence through indisposition of the chairman, Mr T. F. Winnill, in the course of his speech, said: The fact that devaluation operated throughout the year under review but for only a few weeks of the previous year makes it difficult to express in sterling a true comparison of trading results in the two years. Thus, the increase in trading profits of some £4,600,000 is due to quite a material extent to the expression in sterling of profits earned by subsidiaries in territories whose currencies were not devalued in September, 1949.

MONETARY DEPRECIATION

The monetary depreciation which continues to develop generally throughout the world occasions artificially inflated profits which are subjected to taxation, despite the fact that they largely reflect a correspondingly inflated inventory valuation, as is strikingly illustrated in the accounts before you. Companies are being prevented by taxation from accumulating funds out of their own resources for the purpose of maintaining the necessary volume of stocks and to replace fixed assets.

The problem is urgent and will have to be solved before very long. It is regrettable that the Chancellor of the Exchequer has not only failed to deal with a serious situation, but has aggravated it by withdrawing the temporary alleviation afforded by initial allowances and by increasing the rate of distributed profits tax. These are, in my view, retrograde steps which are likely to have serious effects on productive industry in the future.

PROFITS TAX

Profits tax, in its present form, bears unfairly on the ordinary shareholder. The increase in distributed profits tax, whilst not, in my view, being a logical way of curbing excessive increases in dividends, merely aggravates the unfairness, and, as it falls upon companies' reserves, it also aggravates the drain from industry of its essential capital. The increase penalises not only a company which increases its dividend substantially, but also a company like yours which increases its dividend very moderately (and moderate increases are admittedly unexceptionable) and even a company which makes no increase at all. Those who support this discriminatory form of taxation do not always appear to understand that the distributed profits tax is not an additional direct charge on the ordinary shareholder. It is a charge which normally must be met from companies' savings and, as such, seems to me to be unsound not only in principle but as an expedient in today's exceptional economic conditions.

I feel impelled to refer to Section 32 of the Finance Bill now before Parliament, which seeks to make it unlawful for a company to move its residence outside the United Kingdom or to form its overseas branches into subsidiary companies, and even seeks to control the capitalisation of overseas companies within the jurisdiction of colonial, dominion and foreign governments. These prohibitions apply, even although the avoidance of liability to income tax or profits tax is only indirect and incidental, which virtually means, if the Bill becomes law, that in future no overseas branch can be converted into a company formed under the local laws and managed by local directors, save with the permission of the Treasury.

VALUE OF OVERSEA COMPANIES

Your company has continuously expanded during its forty-nine years of existence. This

steady growth has been due to many factors, not the least of which has been the policy adopted early on (when taxation was not an important consideration) of incorporating subsidiaries abroad to take over and carry on the business of the parent company. This has undoubtedly proved to be the right policy politically and economically, and would be the right policy for young, growing companies developing businesses abroad in the future. If the provisions of the Finance Bill become law, this process will be subject to the uncontrolled veto of the Treasury. There is grave danger, particularly under present conditions of high taxation, that proper weight will not be given to the broad reasons of policy which determine such developments, as against the short term loss of revenue.

The conversion of a developing overseas branch into a company managed by local directors is the result that the business has added opportunity for expansion, in sympathy with local sentiment, as a national of the country where it operates, and, moreover, it can accumulate the capital required to finance its growth, subject to paying any taxes locally imposed. Furthermore, such a company is not at a disadvantage, as compared with its local competitors. It does not, therefore, need much imagination to realise what a serious long term effect these restrictive provisions are likely to have upon the continued growth and prosperity of this country's invisible and visible exports.

As to the future prospects of your company, I can say that the demand for its products and those of its subsidiary and associated companies continues to show a satisfactory upward trend. Against this, there is also an upward trend in taxation and costs, this condition being worldwide, and another limiting factor for the future may be the increasing shortage or unavailability of certain essential raw materials.

The report was adopted.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

FURTHER EXPANSION

The twenty-second annual general meeting of The Agricultural Mortgage Corporation, Limited, was held on May 16th in London.

Mr. E. J. Bunbury, M.C., the chairman, said: I am glad to be able to report that our business has again shown substantial expansion during the past financial year, and considerable progress has been made.

The 1950 farming year was one of trial and tribulation for all farmers; for many it was disastrous and for others costly and disappointing. The difficulties of harvesting through weeks of bad weather and widespread storms, taxed to the full the resources and ingenuity of farmers throughout the country.

The present position of the horticulturist is regarded with anxiety. No section of the industry escaped the collapse of prices in a year of abundant crops. The outlook for the 1951 farming year is not bright. Owing to bad weather conditions the whole rhythm of seasonal cultivations was thrown out of gear, and this must have an adverse effect on the production of crops.

During the past financial year new loans of £4,120,788 were completed, an increase of 17 per cent. over the comparable figures for the previous year and the highest figure for any one year since the Corporation commenced business.

The demand for agricultural properties remains strong, and good agricultural land continues to be a first-class investment. Owners of farms are becoming increasingly aware of the necessity of modernising the fixed equipment.

The report was adopted.

BANK OF ATHENS

CONTINUED EXPANSION OF BUSINESS

INCREASED NET PROFIT

MR. COSTI J. ELIASCO'S REVIEW

In the course of his speech at the fifty-seventh annual general meeting of the Bank of Athens, held at its Head Office, Athens, on March 24th, the chairman and general manager, Mr Costi J. Eliascos, stated that the year 1950 was marked at first by a certain improvement in world conditions, which, however, was not maintained, for with the outbreak of hostilities in Korea all countries established defence programmes with resultant serious repercussions on world economy.

Greece, which was just emerging from a successful but long war against Communism, was hard hit by this sudden change, and the simultaneous curtailment of her share of Marshall Aid seriously affected her reconstruction programme. This has rendered precarious the progress already realised, and, owing to the modest resources of the country, devastated by the enemy and by outrageous Communist activities, many years of patient toil and aid will be required to maintain and develop this progress. The task would be impossible without the generous aid of the United States, on which Greece must yet depend for a long while.

In order to prevent inflation the Bank of Greece continued to offer gold sovereigns, through the sale of which bank notes were withdrawn from circulation at a pace which was hastened by the anxiety resulting from the international tension.

The chairman stressed that hoarded gold could become beneficial to the country's economy, but emphasised that for this purpose time alone and the application of sound economic principles can restore the confidence, so seriously impaired, in the national currency. Salaries and profits cannot continuously mount, he said. It is necessary to work more and spend less, and the example for this should be set by the Government; an increase in taxation will be borne with more courage if justified and equitable.

Exports still lag far behind owing to high home prices, and the deficit of the commercial balance has further increased, but a considerable effort was successful in resuming tobacco exports to Germany, with which country commercial relationship was re-established.

During the year under review the privilege held by one bank for accepting deposits of public institutions came to an end, and the distribution of such deposits amongst all banks in the country will henceforth be entrusted to the Bank of Greece.

These funds will have to be used in accordance with regulations established by the Currency Committee, which has increased its restrictions on bank credits. However, it remains to be seen whether the inflationary pressure should not primarily be checked by a wholesale reduction of Government expenditure. Without such a measure all controls might prove ineffective, as, for example, the recent compulsory change of bearer shares to registered shares.

The Bank's affairs were very active during 1950, marking a new record of expansion. The balance sheet submitted totalled Drs. 1,096,132,000,000, equivalent at the official rate of Drs. 42,000 to £26,098,381, as against Drs. 640,264,000,000 or £15,244,381 for the preceding year. Deposits show an increase of 63 per cent., corresponding to more than one-third of the total increase of all bank deposits in the country.

Net profits for the year amount to Drs. 7,552,293,223, and it is proposed to distribute a dividend of Drs. 35,000 net for each new share of Drs. 1,000 issued in exchange for ten old shares of Drs. 100. The

dividend for the previous year was Drs. 2,400 per old share.

During 1950 the Bank acquired the building housing its branch at Port Said and also several sites in Greece for enlarging and erecting local branches.

The branches in Egypt have contributed to an even greater extent to the profits and the affiliates in New York and Johannesburg continue to make satisfactory progress.

After paying tribute to the devotion and abilities of the staff, the chairman in conclusion said:

In looking to the future, it is necessary, despite the grave difficulties through which we are now passing, that we should not be influenced by the darker phases, such as the war in the Far East and the efforts of the Communist bloc to terrorise the world by the menace of local or general attack. As long as the spirit to remain a free nation prevails as a principle it will have the support, whatever the effort it may demand, of all those countries which, even though small, are nevertheless tenacious and determined in the struggle for the defence of their liberties.

MOSS' EMPIRES, LIMITED

MR PRINCE LITTLER'S SPEECH

The fifty-second annual general meeting of Moss' Empires, Limited, was held on May 17th in London.

Mr Prince Littler, the chairman, in the course of his speech, said: The parent company's trading profit shows a drop of just under £40,000. This is in part offset by an increase in the subsidiary companies' trading profit so that the consolidated profit and loss account shows a trading profit with a drop of less than £30,000. The diminution is mostly accounted for by decreased admissions but increased costs have contributed to the net result. The spending power of the public undoubtedly fell during the year 1950. Money was tighter.

The parent company's net profit for the year is £148,439, against the previous year's net profit of £155,629. The corresponding group net profit is £158,331 for 1950 and £160,110 for 1949. It is now recommended that a final dividend of 15 per cent., making 20 per cent. for the year, be paid on the ordinary stock.

The capital was increased by resolution of the members passed at the extra-ordinary general meeting held on March 14th last. A resolution was also passed to issue bonus shares. The result is that the capital at the present day is as follows: Five per Cent. Cumulative Preference stock (all issued) £500,000; issued Ordinary stock £904,050; unissued Ordinary shares of £1 each £95,950; a total of £1,500,000.

It has been my custom in the past to refer to the prospects of the current year, but it is difficult to visualise what effect the Festival will have on theatre attendances. It may be that London theatres will suffer during the period of the Festival if the weather is favourable to outdoor entertainment. Should it be unfavourable, then I believe that theatres will benefit. If I had to rely for my prophecy only upon the attractions which have been booked for the company's circuit of theatres, I would say that the prospects are favourable. There are, however, other factors to take into account and not the least is the prospect of a General Election, if what one reads in the Press is accurate.

I wish to express on your behalf and on behalf of the board an appreciation of the work of the staff at the company's head offices and the managers and staffs at the theatres for their loyal services during the year, and particularly I would like to convey to Mr Val Parnell, our managing director, the board's high appreciation of his efforts on your behalf.

The report was adopted.

MANGANESE BRONZE AND BRASS COMPANY

GRATIFYING MARINE DEVELOPMENT

GROWING DEMAND FOR "SCIMITAR" PROPELLERS

MR J. C. COLQUHOUN ON EFFECT OF INCREASED METAL PRICES

The fifty-second ordinary annual general meeting of The Manganese Bronze and Brass Company Limited was held on May 10th at 63, Grosvenor Street, London, W.1, Mr J. C. Colquhoun, M.B.E. (chairman and managing director) presiding.

The secretary (Mr. W. K. Gibb, C.A.) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1950:

In comparing the year 1950 with the previous year, you will notice that the profit is almost identical, but it must be remembered that the 1949 figures included credits amounting to £24,906 in respect of previous periods. The main difference lies in the successive and substantial increases in metal prices. In the last nine months of the year the price of copper rose by 33 per cent. and the price of zinc by nearly 69 per cent. These metals are our principal raw materials and by the end of the year there was a large increase in the value of stocks and work in progress, with a corresponding diminution of cash resources. These rising prices were accompanied by growing material shortages which became acute in the case of zinc and also in the case of nickel—a raw material of growing importance to your business. Although the results shown for the year were not affected by these shortages, they did add considerably to the difficulties and complications of administration.

INCREASE OF CAPITAL

Turning to the accounts you will notice that the authorised capital of the company has been increased from £350,000 to £650,000. The issued preference capital remains the same but the issued ordinary capital has been increased threefold to £454,134. This is the result of capitalising free reserves and issuing two fully paid new ordinary shares of 5s. each in respect of each one ordinary share previously held. It brings the share capital into closer alignment with the capital employed in the business but still leaves £146,752 of uncapitalised free reserves. The effect of the issue on the share market was to reduce the price of the ordinary shares to approximately one-third their previous price.

The profit for the year before providing for taxation and dividends was £201,935 against £199,886 for the previous year. Depreciation charged before arriving at these figures was £69,598 and £65,917 respectively. Provision for taxation, including profits tax, amounted to £116,108. An interim dividend of 6d. per share has already been paid on the ordinary capital existing prior to the issue just mentioned. Your directors now recommend that a final dividend of 5d. per share be paid on the issued ordinary capital as it now stands. If approved the surplus for the year remaining after payment of preference and ordinary dividends, will amount to £54,598 against £62,231 for the previous year. Dividends are stated in pence per share and not as a percentage. The reason is that the nominal value of the equity shares is meaningless—as indeed must be the case with all old

businesses—and a percentage of this value is likewise meaningless and can be misleading.

EFFECT OF HIGHER METAL PRICES

The effect of higher metal prices will be noticed in the higher values shown for stocks (£545,541) and also for debtors (£313,238). Together these items show an increase of £250,655. Allowing for the offsetting increase in creditors of £28,373 to £181,136 an additional £222,282 of working capital had to be employed and was partly provided by bank overdraft. The overdraft at the close of the year amounted to £110,110. The value of "net current assets," representing working capital, now stands at £432,326.

Freehold land and buildings, plant and machinery, are stated gross at £732,466 against £614,095 a year ago. A great deal has been done in recent years to equip your works with the most efficient means of production and to improve the facilities for research. Outstanding commitments for new buildings, plant and replacements at the end of the year amounted to £89,132.

Before leaving the accounts I should perhaps mention that, in the past, we have always quoted our customers firm prices, on acceptance of their orders, and then eliminated any market risk by buying raw materials against the orders booked. With the limited amount of future buying which has been possible since the war the ratio of stocks in relation to output became high and a considerable amount of money was tied up in this way. The rise in metal prices, of course, accentuated this position but at the moment it is no longer possible to buy raw materials against the entire order book and we should therefore see a gradual reduction in the tonnage of stocks requiring finance. We continue to quote firm prices, however, to the extent that raw material is available.

MARINE DEPARTMENT

On the marine side of your business there are two developments which are particularly gratifying. The first is the increasing number of orders we are receiving for propellers of our own design known by the trade mark name of "Scimitar." The proportion of these to total output last year reached the figure of 77 per cent. Progress on our design side will now have the benefit of the cavitation tunnel at Durham University, to which I referred last year, where the period of calibration tests is now completed and testing of model propellers is beginning. The other development I refer to is the use of an alloy to which we have given the name "Nikalium" and which, I believe, I can now say is superior to manganese bronze for ship's propellers. In view of the continued success of the smaller size propellers which we have made in this alloy up to 4 tons in weight we are now accepting orders for progressively larger sizes. It is here that nickel as a raw material is becoming of great importance.

ELTON PARK WORKS

At Ipswich the great event of the year was the completion of the new Elton Park Works which is now in full production. This new factory is entirely devoted to the manufacture of "Oilite" self-lubricating bearings and an infinite variety of other parts all made from metal powders. It was designed and equipped solely for that purpose and for production under the best possible working conditions.

On the other side of your Ipswich business, which is largely extruding and rolling, continuous progress and much success is resulting from our investigations into the most suitable special alloys for modern requirements and the best means of producing these. A typical example is an alloy which is proving successful for compressor blades in jet engines. This side of your business has had another successful year but at the moment is the more likely to feel the effects of material shortages.

CURRENT YEAR'S PROSPECTS

As regards the prospects for the current year, there is every indication that the demand for all of your company's products will be no less than in the past year. The main consideration, therefore, is the extent to which raw material shortages will restrict output. As just mentioned, supplies may not be sufficient to meet the requirements of the extruding and rolling mills and some reduction in output must be anticipated. On the other sides of your business I am more optimistic. We are justified, at least, in hoping that the Government will allocate sufficient material for the manufacture of ships' propellers rather than have ships idle for want of a propeller. In the new Elton Park factory also, which takes its raw material in powdered form only and is economical in the use of metals, there is good reason for hoping that the supplies required will be obtainable.

In conclusion I am sure you would wish me once again to convey to all employees our thanks for their co-operation and our appreciation of their work.

The report and accounts were adopted and the final dividend of 5d. per share on the ordinary shares (making 7d. per share for the year if calculated on the increased ordinary share capital) was approved.

The retiring directors, Mr W. Mure and Mr A. T. Thorne, were re-elected and the proceedings then terminated.

CRYSTALATE LIMITED

SIR HERBERT MORGAN'S SPEECH

The annual general meeting of Crystalate Limited was held on May 10th in London.

Sir Herbert Morgan, K.B.E., the chairman, in the course of his speech, said: The results of the year show, before taxation, a considerably reduced loss of £3,055, as compared with £7,166 last year. This improvement has been achieved in spite of the reduced dividend received from The British Homophone Company Limited, it having fallen from £10,235 to £5,479.

The liquid position of the company remains strong; a part of our total assets of £415,310 is represented by an excess of current assets over liabilities amounting to £79,170.

The major portion of the loss shown in the consolidated balance sheet arises out of the operations of Mica Products Limited. The Mica business was transferred from Dalston to Tonbridge. After the removal, the benefits of the transfer became appreciable. The improvement has been maintained and the immediate future can be visualised with optimism.

Last year I told you that the figures given up to that time by Ebonestos Industries Limited showed a decrease. This year the reverse is the case. The available internal figures of that company in respect of the year to March 31, 1951, show a satisfactory improvement.

In regard to the parent company, Crystalate Limited, the internal figures for the period from October, 1950, to date show that the position is definitely brighter and the business appears to be on the up grade. Order books of all the companies in the group are now again really satisfactory.

The report was adopted.

KEMSLEY NEWSPAPERS LIMITED

VISCOUNT KEMSLEY'S ANNUAL REVIEW

The twenty-seventh ordinary general meeting of Kemsley Newspapers Limited, will be held on Tuesday, May 22, 1951, at Kemsley House, London. The following is an extract from the statement of the chairman, the Viscount Kemsley, circulated with the report and accounts for the year ended December 31, 1950:

PROFIT AND LOSS ACCOUNT

The trading profits and sundry income of Kemsley Newspapers Limited, and its subsidiaries for the year to December 31, 1950, were £1,992,421, an increase of £9,981 on the previous year. Wages, salaries and general costs again show substantial increases, to some extent offset by the benefit received during the year from writing down the stocks of newsprint at December 31, 1949, to the controlled price of £32 a ton.

After bringing in dividends and interest and profits on sales of assets and investments the profit amounts to £1,972,613 compared with £1,976,278 last year. Debenture interest £119,260 shows a saving of £1,953 as a result of the purchase of debenture stock for redemption. The provision for taxation based on the current year's profits, including profits tax at 30 per cent. on distributed profits and income tax at 9s. 6d. in the £ requires £1,069,942 compared with £1,004,450 provided last year, leaving the group profit for the year at £783,411, a decrease of £67,204 on 1949. The profits retained in subsidiaries are £27,950 compared with £52,769 for 1949. Adding the balance brought forward from the previous year of £305,416, the amount available for distribution is £1,051,189. The payment of the dividends on the two classes of preference stock and the interim dividend of 5 per cent. on the ordinary stock absorbs £349,250. We are now recommending a transfer of £300,000 to general reserve making that fund £4,300,000 in the parent company's balance sheet, and the payment of a final dividend on the ordinary stock of 7 per cent. less income tax at 9s. 6d. in the £, making 12 per cent. for the year, being the same as for 1949. Last year we provided £60,000 to write down the book value of investments to the then market value, and out of the profits of the subsidiaries £26,319 was transferred to contingency reserve. No such provisions are required this year so that there remains a balance to be carried forward in Kemsley Newspapers Limited, of £310,064, which together with the balance of undistributed profits in the subsidiaries of £278,386 makes the total of £588,450 to be carried forward in the consolidated balance sheet, being £32,598 more than was brought in.

CONSOLIDATED BALANCE SHEET

Turning to the consolidated balance sheet the interest of minority shareholders in subsidiaries has been reduced by the purchase of the outstanding ordinary shares of the Western Mail and Echo Limited. Current liabilities at £2,890,242 shows a decrease of £108,472 on 1949, mainly due to the payment during the year of the income tax on the considerably higher profits of 1948. The increase of £84,919 in fixed assets, after allowing for depreciation was in respect of replacement of plant and alterations to buildings. Current assets at £4,976,244 compare with £4,918,534 for 1949. Stock-in-trade is down owing to the smaller stock of newsprint held. The main contributory factor to the increase in debtors was the fact that the last day of the year fell on a Sunday, so

that the revenue arising from our large interest in Sunday newspapers had not been received at the year end. The appreciation of the market value of the investments over their book value shows an improvement compared with that at December 31, 1949.

The remarks I have made on the consolidated balance sheet cover any matters calling for comment in the parent company's balance sheet.

THE BUDGET

The further outlook is once more adversely affected by the recent Budget proposals. While, from the point of view of the individual taxpayers the Budget was more favourable than some had feared, the sharp increase in the profits tax, as a result of which tax payable in respect of distributed profits is now 50 per cent., imposes another severe burden on industry, and in particular, on those undertakings whose profits are not likely to be increased by the rearmament programme. In the case of your company, the additional profits tax on the dividends distributed on the two classes of our preference stock amounted at the old rate to £102,000 or £56,100 after allowing for income tax. At the new rates the corresponding amounts are £204,000 or £107,100 after allowing for income tax.

THE SUNDAY TIMES

It has been my practice to say a special word about the *Sunday Times*, a newspaper of which we are justly proud, and which takes its place in the very front rank of the press of the world. We had for long sought, without success, to establish a correspondent in Moscow. Late in the year a unique opportunity presented itself to make such an appointment and Mr Cyril Ray was entrusted with this important assignment. He is the only staff representative of a British newspaper in Moscow. His dispatches have, as might be expected, excited the keenest interest, not least among those with expert knowledge of the USSR.

The literary reputation of the *Sunday Times*, always so high, has gained new lustre by the conferment of a Knighthood on Mr Desmond MacCarthy, whose name has stood at the head of our literary pages for so long. This honour, bestowed upon the doyen of literary critics is a worthy recognition of Sir Desmond's great services to the world of letters, not least of course through our columns. The award of the *Sunday Times* Book Prize for 1950 to Mr T. S. Eliot, O.M., has been greeted as a judgment of distinction and merit. The contribution of this eminent poet and playwright to the revival of poetic drama is recognised and acclaimed both here and throughout the English-speaking world.

CONCLUSION

At the conclusion of my statement last year I used guarded words about the future, as I then saw it. I am glad that the results I have been able to present to you this year are, in the circumstances, so satisfactory. At the present time, uncertainties both in the supply and in the price of newsprint, and as to the selling prices of newspapers themselves, make me reluctant to commit myself to any prophecy. I can do no more, therefore, than assure you that the problems ahead will engage our continuous and earnest attention and that we shall meet such difficulties as confront us with that same determination and resolve as have enabled us to achieve success in the past.

H.P. SAUCE LIMITED

The twenty-sixth annual general meeting of H.P. Sauce Limited was held on May 16, 1951, at the Queen's Hotel, Birmingham.

Sir Patrick Hannon, the chairman, presided, and in the course of his speech said:

The results of our trading in 1950 present us with our highest level of profits. The trading profit of our group of companies as shown in the consolidated profit and loss statement amounts to £974,413, an increase of over £203,000. This achievement is mainly attributable to a substantially increased turnover on the part of the parent company, notwithstanding smaller profit margins occasioned by the continued rise in costs and the maintenance of selling prices of our goods at popular levels, and is in partial measure due to the higher sterling value of our proportion of the profits of our American company.

Our production has been maintained on the highest standard of quality, and our efficient management has minimised the effect of increasing costs, whilst our exceptional turnover is due to continually increasing public demand for our various products. This is a feature typical of the experience of manufacturers selling first-class proprietary goods at reasonable prices. This emphasises consumer preference for well-known, reliable, high-quality articles, after a period of shortage when little-known, sometimes less-dependable, products were often the only ones available.

The heavy burden of United Kingdom taxation must again be borne by stockholders with that patience and complacency which have become the test of loyal citizenship in a community subordinate to the expanding demands of the tax collector. The provision made by the group to satisfy these demands, shows large increases. After retaining earned profits of £56,404 in the subsidiary companies, and after the necessary tax deductions, the net profit of the parent company amounts to £313,532, an increase of over £73,000 on the results of the preceding year.

We propose that an amount of £100,000 be transferred to general reserve, and that a modest increase of 3d. per stock unit should be made in our final dividend.

I am confident that our stockholders will appreciate and approve the policy pursued by the directors in the provision of a large percentage of the profits of past years to strengthen and extend our working capital. Since the commencement of the war, over £1,000,000 has been ploughed back into our enterprise, but for which our business could not be carried on at its present scale.

Examination of the consolidated balance sheet and the parent company's balance sheet reveals a wholesome increase in current assets. The most important of these assets is our stock-in-trade. The foresight of the managing director in making long-distance provision in our stock has placed our company in a very favourable situation vis-a-vis increasing production and the constant enlargement of our sales.

The Canadian sales have again improved, and I would like to place on record our cordial relationship with Messrs E. D. Smith and Sons, Limited, Winona, Ontario, who manufacture our products under licence.

It is also satisfactory to report that notwithstanding the considerable reimposition of import licence regulations in many overseas countries, the export of a full range of our products is still expanding.

At home, without exception, our operating subsidiaries, Lea and Perrins, Limited, Macks (Walsall) Limited, Fletchers Sauce Company, Limited, and Albion Bottle Company, Limited, have extended their productive capacity, with consequent improved results.

The report and accounts were adopted.

MARIEVALE CONSOLIDATED MINES, LIMITED

MIR P. M. ANDERSON'S SPEECH

Mr P. M. Anderson, the chairman of the company, in addressing shareholders at the annual general meeting held at Johannesburg on May 9, 1951, said:

The improved supply of native labour during most of the year and a full year's operation of the rod mill in the primary grinding section of the reduction plant enabled the tonnage milled in 1950 to be increased by 50,500 tons to 725,500 tons, which is the highest figure yet recorded. The average yield was reduced by 0.61 dwt. to 5.03 dwt. per ton milled in conformity with the lower average grade of ore reserves brought about by the reduction in the pay limit following devaluation. As the increased price of gold of 248s. 3d. per ounce fine was received over the full year, the working revenue rose by £407,926 or 7s. 4d. per ton milled, to £2,307,142. Included in the working revenue is the sum of £34,069, being your company's share of additional revenue which accrued to the industry during the year from sales of gold at enhanced prices for industrial and artistic purposes. In spite of increases in the cost of labour and stores, working costs were reduced by 4d. per ton and absorbed £1,322,527, leaving a working profit of £984,615.

HIGHER GROSS PROFIT

He stated that the gross profit was £981,274, or £338,668 more than for the previous year. As provision for taxation increased to £432,101 and had absorbed nearly two-thirds of the increased profit, the net profit at £544,800 was only £124,040 more than for 1949. Two dividends totalling £412,500 or 1s. 10d. per share, being an increase of 7d. per share, were declared, and after making provision for the other items detailed in the appropriation account, including £37,697 for capital expenditure, the carry forward was increased by £87,999 to £473,158.

The development footage driven during the year totalled 34,366 feet. Of the 21,679 feet driven on the Main Reef Horizon, 12,690 feet were on reef and sampled, of which 43 per cent. was payable, averaging 12.2 dwt. over 17 inches. 12,687 feet were driven on the Kimberley Reef Horizon and 9,325 feet were sampled, disclosing 25 per cent. payable, averaging 11.5 dwt. over 22 inches. Three diamond drill holes were put down during the year on the portion of the adjoining farm Bloemendal No. 19 under option to the company, but disclosed no values. The drive on 6 level from No. 5 shaft was being continued eastwards to prospect this area further.

The ore reserve, recalculated as at December 31st last, increased by 200,000 tons to 3,000,000, averaging 5.6 dwt. over an estimated stoping width of 45 inches. The value was 0.2 dwt. lower and the estimated stoping width one inch more than in 1949. Included in the ore reserve tonnage was 179,000 tons from the Kimberley Reef Horizon, averaging 5.4 dwt. over an estimated stoping width of 44 inches.

The Minister of Finance had restored the formula tax to the 1948 level, the effect being to increase the rate of taxation by approximately 5 per cent. as from January 1, 1951.

The ore milled during the first quarter of 1951 amounted to 180,000 tons and the working profit was £226,679. In addition £34,528 accrued to the company from premium gold sales. During the period 5,403 feet were driven on Main Reef, of which 2,510 feet were on reef and sampled, disclosing 55 per cent. payable, averaging

13.6 dwt. over 19 inches. 2,938 feet were driven on the Kimberley Reef Horizon, of which 2,010 feet were on reef and sampled, disclosing 37 per cent. payable, averaging 11.2 dwt. over 21 inches.

The motion for the adoption of the report and accounts was carried unanimously, and the retiring directors, Messrs P. M. Anderson, C. B. Anderson and J. S. Walker, were re-elected.

VAN DYK CONSOLIDATED MINES, LIMITED

INCREASED WORKING PROFIT

Mr P. M. Anderson, the chairman of the company, in addressing shareholders at the annual general meeting held in Johannesburg on May 9, 1951, said:

The ore milled during 1950 was 1,197,000 tons, which is slightly lower than in 1949, and as the grade of ore mined from reserves was reduced to correspond with the lower pay limit made possible by the increased gold price, the yield fell by 0.46 dwt. to 3.0 dwt. per ton. Including the sum of £32,591 which your company received from sales of gold at a premium, the working revenue increased by £255,418, or 4s. 3d. per ton, but this was largely absorbed by higher working costs which rose by 3s. 9d. per ton, so that the working profit at £340,264 was only £30,395 more than in 1949.

He stated that the increase in working costs was largely due to increased labour costs and also to higher prices for stores.

The net profit was £331,322 and £29,000 had been transferred from renewals, development and other provisions. Capital expenditure, mostly on work in the No. 5 shaft area, absorbed £342,227, and after providing for other items specified in the appropriation account, the carry forward was £2,615.

The total development footage on Main Reef was 42,891 feet, which was 12,475 feet more than in 1949, and of the 28,650 feet on reef and sampled, 6,820 feet, or 24 per cent. were payable, averaging 8.9 dwt. over 20 inches.

ORE RESERVES

The ore reserve recalculated as at the year-end, was 1,800,000 tons, or 200,000 tons less than the previous year, the grade and estimated stoping width remaining unchanged at 3.6 dwt. and 40 inches respectively.

The work of equipping the new No. 5 vertical and sub-vertical shafts was proceeding satisfactorily, and a small amount of development footage on the 48th level had been completed by the year-end but without disclosing payable values. Of the 1,594 feet driven in this area during the first quarter of 1951, 775 feet were on reef and sampled, disclosing 255 feet or 33 per cent. payable with an average value of 15.6 dwt. over 10 inches. The chairman mentioned that it would be unwise to draw any deductions from the small amount of development done so far in this area.

The ore milled during the first quarter of 1951 amounted to 299,000 tons and the working profit was £54,144. In addition, £32,088 had accrued to the company from premium gold sales. Development footage on Main Reef, including that in the No. 5 shaft area, was 9,805 feet and of 7,105 feet on reef and sampled, 1,910 feet or 27 per cent. were payable, averaging 9.1 dwt. over 20 inches, equivalent to 182 inch-dwt.

The motion for the adoption of the reports and accounts was carried unanimously, and the retiring directors, Messrs P. M. Anderson and G. V. R. Richdale, were re-elected.

EAST GEDULD MINES, LIMITED

RECORD WORKING REVENUE

Mr P. M. Anderson, the chairman of the company, in addressing stockholders at the annual general meeting held at Johannesburg on May 8, 1951, said:

The ore milled at 1,738,000 tons was 16,000 tons less than in 1949, and the yield was unchanged at 5.99 dwt., so that the output of gold at 520,952 fine ounces was slightly lower than in the previous year. As a result of receiving the increased price of gold over the full year, however, the working revenue rose by £1,440,312 to the record figure of £6,601,982. Included in the working revenue is an amount of £97,578, being your company's proportion of the additional revenue which was secured by the industry during the year from sales of gold at enhanced prices for industrial and artistic purposes. Working costs at £2,096,967 increased by 3s. 8d. per ton milled, and the working profit at £4,505,015 rose by £1,146,124.

He stated that dividend income from the holding of 537,600 stock units in the Groot-vlei Proprietary Mines, Limited, which remained unchanged, and the balance of sundry revenue over sundry expenditure brought the total profit to £4,593,286, being £1,201,616 more than for 1949. Provision for taxation increased by £718,997 to £2,330,350. The net profit was £2,254,458, or £480,102 higher than the 1949 figure. Dividends totalling 4s. 7½d. per unit of stock were declared as compared with 3s. 3½d. the previous year, and absorbed £2,081,250. After providing £112,320 for capital expenditure and setting aside the other amounts detailed in the appropriation account, the carry forward was increased by £51,615 to £493,380.

Of the increase in working costs of 3s. 8d. per ton, only 11d. had been brought about by the revised accounting procedure for dealing with various silicosis charges, the balance being due to the higher cost of labour and to the rise in prices of commodities.

DEVELOPMENT WORK

A total of 17,496 feet of development was accomplished on main reef, of which 10,440 feet were on reef and sampled, disclosing 6,750 feet, or 65 per cent., payable with an average value of 11.8 dwt. over 24 inches. In addition, 2,842 feet of development on the Kimberley Reef Horizon completed the cross-cut from No. 1 shaft to the position of the new sub-vertical shaft, and a start had been made on shaft-sinking. No payable values had been disclosed in the course of this Kimberley reef development.

The ore reserve recalculated at the year-end was unchanged at 12,500,000 tons. The value increased by 0.3 dwt. to 5.7 dwt., and the estimated stoping width at 51 inches was 3 inches less.

The Minister of Finance had restored the formula tax to the 1948 level, the effect being to increase the rate of taxation by approximately 5 per cent. as from January 1, 1951.

During the first quarter of 1951 the ore milled was 424,000 tons and the working profit was £1,034,888. In addition, £92,213 accrued to the company from premium gold sales. Development work on main reef totalled 1,734 feet, and of this 895 feet were sampled disclosing 450 feet, or 50 per cent., payable with an average value of 9.2 dwt. over 24 inches; 528 feet of development were accomplished on Kimberley Reef, but no payable values were disclosed.

The motion for the adoption of the reports and accounts was carried unanimously, and the retiring directors, Messrs J. MacG. Love and T. P. Stratten, were re-elected.

ST HELENA GOLD MINES, LIMITED

YEAR OF DEVELOPMENT OPERATIONS

Mr P. M. Anderson, the chairman of the company, in addressing shareholders at the annual general meeting held at Johannesburg on May 8, 1951, said:

The work done on your company's property during the year under review of which full particulars appear in the reports of the directors and the consulting engineers, has consisted of the erection of the reduction plant and additional surface works and buildings, as well as the completion of sinking No. 4 Shaft and carrying on underground development.

He stated that early in 1950 No. 4 Vertical Shaft reached its final depth of 2,938 feet and the permanent shaft equipment had now been installed. Some work still remained to be done to complete station cutting, the ore pass system, and the main pump chamber and sumps.

From No. 3 Shaft 12,406 feet of development was accomplished during the year, of which 3,865 feet were on Basal Reef and sampled disclosing 2,595 feet or 67 per cent. payable, having an average value of 13.0 dwt. over a width of 25 inches. Development was again severely retarded by the intersection of water-bearing fissures necessitating repeated and some times prolonged stoppages for cementation.

As a result of these delays, development work had not progressed sufficiently to enable the reduction plant, capacity about 50,000 tons per month, to be supplied by the middle of this year with ore on the scale of approximately 50,000 tons per month as previously anticipated. Milling of ore from the surface dump and current development would start on a small scale within the next month or two to run in the plant. The scale of operations would be gradually increased and it was hoped to reach a rate of about 50,000 tons per month in October, by which time ore from stopes should begin to replace low-grade ore from dump, but much would depend on speeding up the development work. It was unlikely that there would be any output to publish before the end of October and it might take a considerable time before the mine reached full milling capacity.

NEED FOR FURTHER FINANCE

The delays to the development work and the delay in reaching a substantial scale of milling had increased the cost of bringing the mine to production. In addition St. Helena had felt the full impact of the steady rise in the cost of plant, equipment, stores and materials since devaluation. Expenditure to the year-end totalled £6,158,665 leaving a balance of cash and cash assets less liabilities of £1,383,835, of which a considerable sum was tied up in stores and materials. Capital expenditure during the first quarter of 1951 amounted to £627,132. It was clear that further finance would be required to cover the cost of bringing the mine to full production, of completing the necessary surface works and doing further development, and to tide the company over the period when, through absorption of gold and teething troubles, the plant could not be expected to show normal results.

The South African Mutual Life Assurance Society had agreed to make a second loan to the company amounting to £400,000 on the security of the additional houses built by the company since the former loan of £375,000 was granted in 1948. The new loan would bear interest at 5 per cent. per annum and would be repayable in equal annual instalments of £20,000.

In addition, however, the consulting

engineers estimated that further funds of the order of £1,000,000 were required and the chairman stated that he was pleased to announce that Union Corporation, Limited had offered to advance this sum as a temporary loan bearing interest at 5 per cent. per annum and subject to a raising fee of 1 per cent. The directors had accepted this offer as being the most appropriate way of financing the company at this stage.

During the first four months of 1951 the total footage driven was 6,878 feet. On the Basal Reef 3,285 feet were sampled and 1,380 feet or 42 per cent. proved payable, averaging 26.3 dwt. over 17 inches.

TOTAL DEVELOPMENT FOOTAGE

The chairman stated as a matter of interest to shareholders that from the commencement of operations to the end of April, 1951, the total development footage carried out by the company was 41,551 feet of which 15,330 feet were on Basal Reef and sampled disclosing 7,595 feet or 50 per cent. payable with an average value of 17.0 dwt. over 19 inches. He said that while the footage completed was not nearly as great as hoped for, the percentage payability and the value gave good grounds for encouragement.

The motion for the adoption of the reports and balance sheet was carried unanimously and the retiring directors, Messrs P. M. Anderson, J. Boyd, and S. R. Fleischer, C.B.E., D.S.O., M.C., were re-elected.

THE GROOTVLEI PROPRIETARY MINES, LIMITED

RECORD TONNAGE MILLED

Mr P. M. Anderson, the chairman of the company, in addressing stockholders at the annual general meeting held at Johannesburg on May 8, 1951, said:

As a result of the completion of the extensions to the reduction works and an improved native labour supply during most of the year, the tonnage milled increased by 206,000 tons to the record figure of 2,267,000 tons. The yield per ton milled at 4.57 dwt. was lower by 0.43 dwt. to conform with the lower average grade of ore reserves arising from the reduction in the pay limit following currency devaluation.

He stated that owing to an increase in output and to the fact that the increased price of gold of 248s. 3d. per oz. fine was received for the full year, the working revenue at £6,538,977 was 8s. 6d. per ton milled higher than in 1949. Included in the working revenue was the sum of £98,043, which accrued to the company from premium gold sales. Despite the greater tonnage milled working costs rose by 1s. 6d. per ton milled to 24s. 2d. owing to increased costs of labour and stores and to a revision in the method of accounting for silicosis charges. This increase was more than covered by increased revenue, so that the working profit increased by £1,063,386 to £3,800,115.

Provision for taxation amounted to £1,917,028, an increase of £688,587 compared with 1949, and the net profit was £1,883,373. Two dividends totalling 3s. per unit of stock, an increase of 1s. 0½d. over 1949, were declared and absorbed £1,715,822. The amount carried forward was increased by £132,543 to £653,069.

Development footage at 60,535 feet had increased by 8,689 feet over 1949; 42,555 feet were sampled and 23,535 feet, or 55 per cent., were payable, averaging 226 inch-dwt.

DIAMOND DRILLING PROGRAMME

The programme of diamond drilling from surface to explore the May Reef Horizon of the Kimberley Reefs had been completed

during 1950, but none of the six boreholes revealed any values at the May Reef Horizon.

The recalculated ore reserves increased by 1,000,000 tons to 15 million tons, averaging 4.6 dwt. over an estimated stopping width of 46 inches. The value was 0.1 dwt. lower than in 1949, but the width remained unchanged.

The Minister of Finance had restored the formula tax to the 1948 level, the effect being to increase the rate of taxation by approximately 5 per cent. as from January 1, 1951.

During the first quarter of 1951 the ore milled was 582,000 tons and the working profit £905,299. In addition, £102,148 had accrued to the company from premium gold sales. Development work totalled 15,621 feet and 12,375 feet were sampled, of which 5,950 feet, or 48 per cent., were payable, with an average value of 14.1 dwt. over 19 inches.

The motion for the adoption of the reports and accounts was carried unanimously, and the retiring directors, Messrs P. M. Anderson and M. W. Richards, were re-elected.

GEDULD PROPRIETARY MINES, LIMITED

INCREASED PROFIT AND DIVIDEND

Mr P. M. Anderson, the chairman of the company, in addressing shareholders at the annual general meeting held at Johannesburg on May 8, 1951, said:—

As a result of the higher price of gold over the full year, the company's net profit was higher and permitted an increase of 4s. 9d. per share in dividends distributed.

The ore milled amounted to 1,279,000 tons, or 21,500 tons more than in 1949, but the average yield at 3.05 dwt. was lower by 0.53 dwt. due to the grade of ore mined from reserves being reduced to correspond with the lower pay limit made possible by the increased gold price. Working revenue at £2,466,590 was £263,109 higher than in the previous year and included an amount of £36,722 which accrued to the company as additional revenue from sales of gold at enhanced prices for industrial and artistic purposes. Working costs increased by £160,485 or 2s. 2d. per ton to £1,724,404, leaving a working profit of £742,186 which is £102,624 more than the 1949 figure.

He stated that dividend income from the company's holding of 3,308,425 stock units in East Geduld Mines, Limited, and 358,400 stock units in The Grootvlei Proprietary Mines, Limited, which remained unchanged, increased by £237,850 to £818,833 and for the first time exceeded the working profit derived from mining the company's own area.

After providing £317,570 for taxation and taking into account other items specified in the profit and loss account there was available for appropriation the sum of £1,251,489, or £282,754 more than in 1949. Two dividends totalling 16s. 6d. per share were declared, absorbing £1,205,207, so that after making provision for the various other items detailed in the appropriation account, including £32,488 for capital expenditure, the carry-forward rose by £22,904 to £366,570.

DEVELOPMENT WORK

Development work on Black Reef totalled 16,168 feet and of the 11,445 feet on reef and sampled, 1,865 feet or 16 per cent. was payable, averaging 4.8 dwt. over 47 inches. No development work was undertaken on the Kimberley or Main Reefs during the year.

The ore reserve recalculated at the year-end showed a decrease of 600,000 tons to 4,000,000 tons. The value at 3.40 dwt. and the estimated stopping width at 51 inches remained unchanged.

The Minister of Finance in the Budget proposals introduced in March of this year had increased the rate of taxation by approximately 5 per cent. from January 1, 1951.

During the first quarter of 1951 the ore milled amounted to 314,000 tons and the working profit was £147,492. In addition £34,538 accrued to the company from premium gold sales. Development work totalled 4,475 feet on Black Reef and 2,945 feet were on reef and sampled, of which 365 feet or 12 per cent. was payable, averaging 2.6 dwt. over 79 inches.

The motion for the adoption of the reports and accounts was carried unanimously and the retiring directors, Messrs P. M. Anderson and W. M. Frames, were re-elected.

FREDERICK LAWRENCE, LIMITED

SUBSTANTIAL INCREASE IN TRADE

The twenty-third ordinary annual general meeting of Frederick Lawrence, Ltd., was held in London on May 16th, Mr Frederick Lawrence, J.P., L.C.C. (chairman and managing director), presiding.

The chairman in the course of his speech said: It again gives me much pleasure to report that there was a substantial increase in trade during the year ended January 31, 1951. The profit on trading of the company and its subsidiaries amounted to £104,900.

Negotiations are in progress for the purchase of the freehold of shop premises in Bristol at present occupied on a long-term lease.

In my report last year I referred to a new subsidiary company which had been formed to take over the manufacturing and wholesale departments at Bristol. This company, known as Maggs Furniture Industries, Limited, is working very efficiently, and during the short time it has been in existence has brought about many improvements.

Now a word for the future. Last year the general increase in productivity would normally have indicated a cheapening of price and thus justified restriction of purchase. The international situation and the Government's decision to rearm has, however,

resulted in a trend in the opposite direction. There is every indication, moreover, that the increased demand will continue.

I am happy to record a further increase in trade during the first three months of the current year. It is difficult, nevertheless, to estimate the full impact of decreasing supplies of raw materials on future demands.

The report was adopted and the dividend of 30 per cent. was approved.

HIGHLANDS AND LOWLANDS PARA RUBBER

RECORD PROFIT

The forty-fifth annual general meeting of this company was held on May 10th at 49-51, Eastcheap, London. Mr T. B. Barlow, the chairman, presided, and in the course of his speech, said: The report and accounts for 1950 set out the largest profit the company has ever earned. It amounted to £332,571. The proposed final dividend of 20 per cent., added to the 7½ per cent. already paid, is a welcome return to a more equitable distribution on the capital involved.

The explanation for this improvement is that all commodities have risen in price and at last rubber has nearly come into line. For 1951 our palm oil continues to be delivered to the Ministry of Food and at £104 10s. a ton the price is £30 higher than for 1950. Of our rubber about 10 per cent. of the estimated crop has been sold forward at an average price of 2s. 3d. per lb.

A brief review of events since the last annual meeting brings out an astonishing sequence of events. But in order to appreciate them in their proper perspective it should be realised that from 1920 when rubber ceased to be a new luxury and became an essential commodity it assumed a fairly and constant ratio in price so that in 1939 1 lb. of rubber approximated the value of nearly 2 lb. of cotton or 12 lb. of rice.

Intrinsically the rubber position is good and Highlands Stockholders may congratulate themselves that they own a property which is prosperous and financially and agriculturally sound; it produces vegetable oil and rubber, two essential commodities with a world-wide

demand so that if essential work is fairly rewarded stockholders may in the current year hope to receive a reasonable return.

The report was adopted.

SAPONG RUBBER

The annual general meeting of The Sapong Rubber Estates, Limited, was held in London on May 16, 1951.

The chairman, in his statement, said:— A further deterioration in availability of labour resulted in production of 150,000 lb. less rubber in 1950 than in the previous year. We are not less than 350,000 lb. short of our possible crop, and our profits have suffered heavily, having regard to the price ruling for the last few months of the year. Shortage of labour is the predominant factor in North Borneo at present. It prevents us undertaking the planting of new land, of which Sapong has large reserves, and replanting some of our very old areas.

It is a pity that Government has not been able to bring the railway service up to date. It is now over five years since the Japanese were driven out of Borneo, but it becomes more difficult every day to get materials up to the estate and to get our rubber down, and the manager reports that he fears that a complete breakdown may occur at any moment.

1,650,000 lb. of rubber were collected, which realised an average price of 1s. 11d. per lb., London equivalent, giving us a profit of £70,145, to which sundry items relating to previous years add £807. Taxation will take £40,495, and your directors propose to put £4,000 to the reserve for future planting or replanting, to put £10,000 to general reserve, to pay a dividend of 25 per cent. (less tax at 9s. 6d. in the £), absorbing £15,750 and to carry forward £4,113 against £3,406 brought in from the previous year.

We hope to crop 1,700,000 lb. in 1951. In November last we sold forward 15 tons a month for delivery into godown Singapore throughout the year, 1951, at \$1.45 per lb., equivalent to about 3s. 6d. per lb. London, which should go a long way towards paying the cost of producing the whole crop.

The accounts were adopted unanimously.

NOTICES

SOUTH-EASTERN REGIONAL HOSPITAL BOARD, SCOTLAND

ASSISTANT TREASURER

Applications are invited for the post of Assistant Treasurer to the above Board.

Applicants should be qualified Accountants, and should have considerable experience of accountancy, budgetary control, auditing and committee procedure. Previous experience in the hospital service is not essential.

The salary for the post, which is superannuable, will be £800 per annum, rising by annual increments of £30 to £950.

Applications, stating age, qualifications, experience and salary scale in present post, together with the names and addresses of three referees, should be sent to the Secretary, South-Eastern Regional Hospital Board, Scotland, 11, Drumsheugh Gardens, Edinburgh, 3, not later than June 9, 1951.

THE Civil Service Commissioners invite applications for permanent appointments as *Senior Scientific Officer* and *Scientific Officer* to be filled by competitive interview during 1951. Interviews began in January and will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1951, may eventually be announced. Successful candidates may be appointed immediately. The posts are in various Government Departments and cover a wide range of Scientific research and development in most of the major fields of fundamental and applied science. Candidates must have obtained a university degree with first or second class honours in a scientific subject (including engineering) or in Mathematics, or an equivalent qualification, or possess high professional attainments. Candidates for *Senior Scientific Officer* posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for *Scientific Officer* posts taking the degrees in 1951 may be admitted to compete before the result of their degree examination is known.

Age Limits: For *Senior Scientific Officers*, at least 26 and under 31 on August 1, 1951; for *Scientific Officers*, at least 21 and under 28 (or under 31 for established civil servants of the Experimental Officer class) on August 1, 1951. *Salary Scales* for men in London, *Senior Scientific Officers*, £700 x £25—£900; *Scientific Officers*, £400 x £25—£650. Rates for women are somewhat lower.

Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. 3399.

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Applications are invited for two posts in the Department of Economics and Social Science.

(a) Assistant Lecturer in Economics at a starting salary of £450 per annum.

(b) Research Assistant in Economics for one year, with the possibility of renewal for a further one or two years. Salary £450 per annum.

Further particulars may be obtained from the Registrar, University College, Cathays Park, Cardiff, to whom six copies of application, together with the names and addresses of three referees, should be sent not later than June 23, 1951.

*This is additional to the post recently advertised.

(Signed) E. R. EVANS, Registrar.
Cathays Park, Cardiff. May, 1951.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

COLEG PRIFATHROFAOL DEHEUDIR CYMRU A MYNWY

The Council of the College invites applications for the MONTAGUE BURTON CHAIR OF INDUSTRIAL RELATIONS at a salary of £1,700 p.a.

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Candidates should submit the names of three referees, and send on or before June 30, 1951, 12 copies of their applications to the undersigned from whom further particulars may be obtained.

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Cathays Park, Cardiff. May, 1951.

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A. W. BAMPTON, Registrar,
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Labour's Self-Interest

SINCE the war, this country has enjoyed a comparative freedom from major industrial disputes that does credit to the solid qualities of the best trade union leadership and to the good sense of the employers' organisations. For a longer period than most observers thought conceivable, the unions gave effective support to the policy of wage stabilisation, and it was not until prices bounded upwards after devaluation and Korea that a general round of wage increases was demanded and secured. It would be easy to build up a misleading picture of union responsibility from these very broad facts. Damaging and grievous disputes have occurred, and some of them have been marked by extreme irritability and unreasonableness. It would be safer to assume that in coming months labour relations will be marked by a growing bad temper, if only because of the rapid and inevitable rise in prices of food and consumers' goods that is now in process.

These conditions will impose a test on the good sense of organised labour and its leaders. And it is about the quality of union leadership, perhaps, that the serious doubts arise. Without question, the influence of trade union leadership over the rank and file has lost much of its old effectiveness during recent years of full employment. The old giants and personalities have gone; the battles for recognition have long been fought and won; now the sense of struggle is in danger of being debased into ill-natured restiveness, and bitter inter-union fights are becoming more frequent. Many forces are playing a part in these changes, not least the efforts of Communists to provoke trouble by promoting unofficial strikes and by seizing control of particular unions. There is also the struggle between the general unions and the craft unions—the struggle between one side that believes in power through the mass and the other side that holds fast to the idea that a craft skill is worth its full price, and will fight to restrict the entry to the "mystery" and to maintain a differential over the wages of the unskilled.

These factors find their place in the recent report of the committee that has been inquiring into last year's unofficial stoppages at the London Docks. The report makes the valid point that the possibilities of trouble are multiplied by the character of dock work and its environment. But the perplexing thing to the general public is the motivating force that drives men who formerly suffered the degradation of casual employment but who now have a guaranteed wage, full employment in a prosperous port, and as much money to take home as any industrial workers, into the sheep-like stupidity of following false leaders. The older generation would never have forsaken Mr Bevin as so many of the younger generation seem ready to forsake Mr Deakin whenever an "unofficial portworkers' committee" starts to make trouble. A cynic might conclude that too high a level of prosperity attained too quickly has its dangers.

A real part of the blame for the restiveness that bursts out in the docks and in industry must be placed to the account of the quality of

trade union leadership. There are many types of union "boss," but in postwar years two have emerged of particular importance. The first is the statesman type, the leader whose simple ambitions of trade union strength have been overlaid by the influences of political power. This type of leader reckons himself not a mere agent of his members, but a force in debate at Transport House and in deputation to Whitehall. He forms part of a Fifth Estate ready to instruct the Government about what is palatable to organised labour in economic and social policy. These exercises in new statesmanship have diverted the attention of too many trade union leaders from their basic job—to strengthen the bargaining position of their members. Lacking any constitutional warrant, they go into committee on the Budget and argue about the course of prices; the slow-moving apparatus of Transport House labours to produce portentous edicts about the prices of rabbits and fish.

The second type is the demagogue, a contender for country-wide power rather than for the particular interests of his members. No doubt the pressure of Communist activity is something of a spur to men so dominated by political ambition; they can meet the Communist threat only by talking in an acceptable way to the left-wing elements in their union movement. Already this internecine struggle between opposed interests who claim an equal right to speak for "the workers" has promoted a series of utterly illogical "strikes"—not against employers but against the presence of a rival union within a given industry. The report on the strike of electricians in London, which has been going on for several months, clearly shows that some workers now think that they have a right to strike on this issue. No more disagreeable by-product of full employment could be imagined.

These two types of union leadership have their different dangers. The first, no doubt sincerely, believes that a Labour Government acting by and with the consent of its trade union masters promises eventually, if not now, the millennium for "the workers." The practical result is that the political independence of the Government is fettered and that the real job of leading and educating the trade union member about his true self-interest is forgotten. These preoccupations leave no time for new thinking about a Labour union policy that would produce maximum benefit for union members and for the country as a whole. The old philosophy of opposed

interests still prevails—what is good for "capital" must automatically be bad for labour. The notions that higher output, improved efficiency, a cheaper product, more effort and thought, a more receptive mind to innovation and change can together provide labour with a higher standard of living and improved real wages is not completely unfamiliar in trade union circles. Some trade unionists visit the United States in search of the clue to higher productivity and come home to spread the gospel that is to be found in a combination of these very things. But at the levels of economic statesmanship that prevail in Transport House, there seems to be little active support for the idea that labour's real interest lies in higher productivity and no apparent inclination to reshape union policy in such a way that industry is persuaded and kicked into securing greater efficiency. In a period of full employment and excessive demand, it is the unions who should be agitating for new methods in the plant, new tools to do more work, and new aids of every kind towards greater output.

To expect a movement that has concentrated for generations on the well-being of a particular section of the community to broaden its sweep and purpose in a short space of time would be quite unreasonable. They can remain a pressure group for a particular sector of the community, with most of their aims achieved, and encumbered by a stertorous bigness that will make them a prey to disruption from within. They can, if they wish, regard themselves as the Government's big brother and maintain the pretension of dominating economic policy. Or they can seek a positive philosophy of industrial progress and the role that the unions should play in it. To do this, they will have to move far beyond the partial prescriptions that they have imposed in the protection of "labour." There will be no place for restriction, no sense in swiping at "capital," no merit in formulas that seek to protect the wage-earner from the effects of rising prices at the expense of the rest of the community. There will be no room for the kind of neo-syndicalism that holds that industry should be run by and in the interests of "the workers." These conditions have only to be mentioned to prove how remote is the prospect of progress towards a society in which all classes are interested in producing and consuming, not in restricting, exploiting and wasting. But they lie at the centre of Labour's self-interest in the years to come, and they are the conditions of the country's economic survival.

Inquest on Agriculture

FOUR years after the passing of the Agriculture Act, the Government has at last produced a White Paper setting out the procedure followed at its annual review of farm prices and explaining the nature of the settlement reached at the 1951 review. This White Paper appears in accordance with a recommendation of the Public Accounts Committee, and no doubt it meets the committee's requirements. But those who had hoped for a full explanation of the Government's agricultural policy, in relation to the whole national economy, will get little satisfaction from it.

The point which must be kept in mind (and which the White Paper manages to obscure) is that Government fixing of agricultural prices is meant to serve both a social and an economic objective. The social objective is to

maintain British agriculture in reasonable prosperity and to prevent the sudden and violent fluctuations in price which caused such distress before the war. The economic objective is that of obtaining "such part of the nation's food . . . as in the national interest it is desirable to produce in the United Kingdom" at prices which the consumer (with or without the taxpayers' aid) can afford. The fact that, for most of the time since the war ended, the country has been short of foreign exchange with which to purchase food from overseas has led many people to assume that the social and economic objectives are more or less identical. By giving farmers high prices and assured markets (which is socially desirable), the nation will get an increasing quantity of food from home sources (which is economically necessary).

This line of argument has been buttressed, on its economic side, by two specific beliefs. One is that, in present economic circumstances, there is virtually no limit to the potential market for home-grown food. The other is that the only possible way of stepping up home food production is by offering strong price inducements to the farmers. Thus even those who think that some farmers at any rate are receiving rather more than their share of social justice believe that it is necessary to "featherbed" agriculture on economic grounds. The view has got around that there can be no possible antithesis between high prosperity for agriculture and the needs of the nation as a whole.

Government policy, at least since 1947, has been based on these beliefs. The result is that price fixing under the Agriculture Act has been highly successful in achieving its social objectives. Stability has been given to agriculture by the forward fixing of prices and by the determination of minimum prices for as long as four years in advance. Nobody can doubt that the schedule of guaranteed prices provides "proper remuneration for those engaged in the industry." Farmers' net income, as calculated by the Ministry, has risen from £59 million in 1937-38 to £184 million in 1946-47 and a forecast of £293½ million for the current year. Both the last figures relate to years of bad weather. Whether or not farming could be regarded as a depressed industry before the war, the significant point about these figures is the way in which farming profits have risen by something around 60 per cent during the four years of the expansion programme. Production has also risen during this period—but not by more than 25 per cent.

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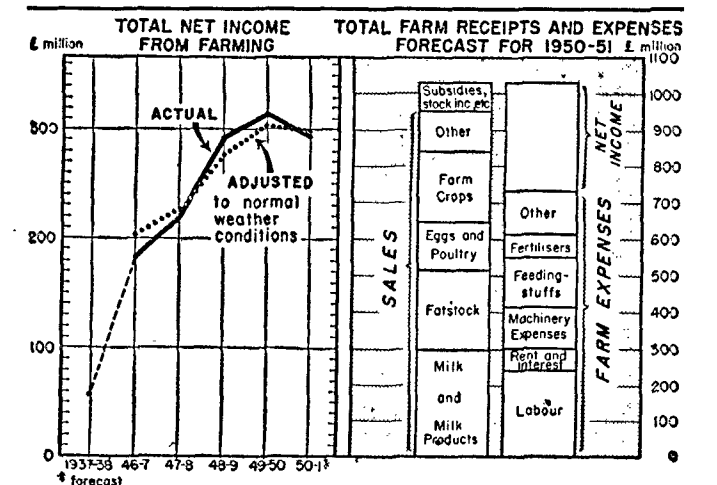
In terms of economic objectives, however, the Government's policy for agriculture is considerably less logical and consistent. The White Paper starts by explaining how economic factors enter into the price review. The first step is to decide (in consultation with the farmers' representatives) on the production objectives "for the next two or maybe three or four years." The next step is to arrive "at a provisional assessment of the total increase or decrease which should be made in farmers' gross receipts (treating the United Kingdom as one large farm) to enable the industry to achieve with the highest possible level of efficiency the production objectives set before it." The final step is to adjust commodity prices by reference to this hypothetical figure and in such a way as to encourage or discourage the production of particular commodities.

This procedure makes the very bald assumption that the quantities of food which it is desirable to secure from home sources can be settled independently of the prices which must be paid for them. This, in fact, was the Government's belief in 1947, when it established the maximisation of home food production as the sole economic criterion of its agricultural policy. In pursuit of this aim, it took the initial step of raising farm prices by a substantial amount. Thereafter, at the annual reviews, the farmers have been reimbursed by higher prices for the greater part of the increases in their costs and left to find only a minor part out of the additional profits that rising output has brought to them. The over-riding aim of getting more food has been quoted as sufficient justification for the high level of profits earned by efficient farmers.

This year, however, the Government has revised its production objectives. The phase of rapid expansion is certainly at an end. The White Paper points out that the output of certain products, notably milk, has surpassed the targets, and that further expansion needs to be concentrated on meat and feedingstuffs. On the basis of the Government's own logic, these alterations in production aims would seem to call for considerable changes in the price structure. For one thing, no good reason remains for continuing the special assistance of £40 million a year which was injected into the price schedule in 1947 to help finance capital expansion; and for another, there is little point in raising further the prices of products whose output is already adequate.

That in the issue neither of these things has been done illustrates the extent to which the present price review procedure has become insulated from economic realities. It is, of course, possible to raise farm prices for economic reasons (as was done, somewhat precipitately, in 1947); but to reduce prices, or even to prevent them from rising in line with costs, seems to be almost impossible under the present system. The result of this year's price review clearly shows that (contrary to the opening remarks of the White Paper) the established expectations of the farming community count for more in determining the result of the price review than do the economic objectives of the Government.

The farmers deny this conclusion. They claim that recent increases in their costs will reduce their profits



and may injuriously affect production. But the facts are against them. It is estimated that the aggregate of cost increases over the last year will raise the farmers' bill by £89½ million on an annual basis. But of this total, they have already absorbed £36½ million in 1950-51 without (in the Government's estimate) causing any reduction in net farm income beyond what may be attributed to the weather. Of the remaining £53½ million, £43½ million is to be made up to the farmers in higher prices (although it is true that £11½ million of this is secured by raiding the wool fund). The remaining £10 million represents a modest deduction from the special subsidy for capital expansion.

It is also interesting to note that this total of cost increases relates to all products, and not merely to those products (representing four-fifths of total output) whose prices are guaranteed. Evidently, then, the Government is interpreting its social obligation towards agriculture in a broad spirit, since the producers of fruit and vegetables (as present retail prices demonstrate) have other ways of

recouping their costs than Government subventions. Nor, finally, have the relative prices of different products been changed nearly so much as the changed production targets require.

That the annual price review has become, from an economic standpoint, so inflexible is largely the fault of the Minister of Agriculture. He deliberately primed the farming pump in the interest of securing quick returns. He has built up the convention of reaching agreement with the farmers' leaders over the main details of the price settlement. Too late he may now find that he is travelling up a one-way street. To fail now on any occasion in reaching a settlement with the farmers must cost him both his popularity and his position.

Personalities apart, it is becoming clear that the fixing of farm prices involves basic questions of economic policy which far transcend the competence of any Minister of Agriculture, placed as he is in a position where the contentment of the farming community must be his first and often his only concern. The belief that production must be the aim, irrespective of cost—and with it the assumption that there can be no clash between the material interests of agriculture and those of the community as a whole—cannot be seriously sustained today. (It never had any grounds in economic logic.) It is not the case (as the White Paper recognises) that there is a bottomless market for home-grown food at any cost. On the contrary the largest potential demand is for products like meat and butter, where the demand is sensitive to price and where a large part of the supply must be imported. Neither is it in the least proven that the method of price inducements is the best or the only way

of stimulating production—though there is ample evidence that it is the most costly way. In future, at any rate, production at the margin could be stimulated more cheaply and more effectively by a judicious application of direct subsidies. It is certain that a system which presents a large number of successful farmers with windfall profits in the interest of prodding the less fortunate or efficient ones into activity will not be tolerated indefinitely by the consuming public. It is odd that a government which so much dislikes the price mechanism should cling to it in one of its most wasteful manifestations.

The White Paper illustrates only too well (by its omissions) the economic vacuum within which British agriculture is being planned. Instead of agricultural policy being highly sensitive to the general needs of the economy, it has been driven straight forward towards a single objective. The result is that too often it is the rest of the economy which must be made to conform with the requirements (and the welfare) of agriculture, instead of the other way round. This point is illustrated by the way in which the Government has had to juggle with prices and subsidies so as to persuade the consumer to purchase what is available instead of what he really wants. It is reflected in the extent to which import programmes have to be adjusted in line with both the availability and the cost of home-grown food. Nobody need pretend that the basic economic factors which are relevant to the elaboration of a satisfactory agricultural policy are anything but complex. But it is time that they were thought out afresh in a much more comprehensive way than is possible for the Ministry of Agriculture.

The Schuman Community

THE Schuman Plan—which the world will have to begin to call by its official title, the plan for a European Coal and Steel Community—is now in its ultimate stage. The draft treaties and conventions that emerged from the long process of negotiation were put into final form and initialled at a conference of Ministers in April and they now await ratification. In France, ratification waits upon the results of next month's general election; in Germany, it is involved in the political struggle between Dr Adenauer and his Social Democratic opponents; the other four countries will wait to see what happens in the Big Two. There is, therefore, a useful pause while minds can be made up.

From its dramatic first announcement, it has been clear that the Schuman Plan was composed of two very different elements. On the one hand, it was an attempt to strike a blow for a political conception of the widest idealistic and emotional appeal—the unification of Western Europe. On the other hand, if it was to have real substance and avoid being a mere gesture, it needed the most careful working out amid the intricacies of European heavy industry, a region where emotion is seldom encountered and is capable of doing great harm. Is the Schuman Plan not only politically attuned to a popular mood, does it also make hard-headed industrial sense? How will it, in fact, work?

When the agreements (of which a summary appears on page 1236) are looked at from this angle, two things become clear. The first is that M. Jean Monnet, the

real father of the Plan, has achieved, on paper, far more than the pessimists thought possible when the negotiations began. This is not a vague agreement in principle, a promise to consult designed to cover a failure to agree in practice; there is a high degree of precision, even of complication, in the structure that is to be set up. There is to be a High Authority, and it is to have both powers and independence (though exactly how much of each remains to be seen). M. Monnet is to be quite specially congratulated on the success of his stubborn fight to prevent the advantages of the large supra-national market being snatched away by restrictionism within its borders. He has clearly seen, and has made others see, that what has made America rich and strong and united is not so much that it has a single large market for its heavy industry, but that the single large market has been kept free and competitive and supple.

But the second thing that is clear is that it is still quite impossible to say how the Community will work out when it begins to be translated from paper to action. The structure is most elaborate. There are to be nine members of the Authority to begin with, a Council of Ministers, an Assembly, a Court, a Consultative Committee. To every statement of general principle, there is a set of exceptions, intended to be temporary but which may turn out to be permanent. Many of the most important functions of the High Authority can be exercised only with the unanimous consent of the Council of Ministers—that is, of the governments. Everything depends upon the policies of the men who

will be appointed to the High Authority and the extent to which they succeed in carrying the governments and public opinions of all the participating countries with them.

There is something in the documents that can be quoted in justification by either of the two main schools of critics. There are some who think that the Community will turn out to be merely the old cartel writ large, armed with larger powers than the cartel ever had, and likely to use those powers for restriction more than for expansion. They say that the responsibility of the Authority to political organs does not mean that its policy will be more far-sighted but less; for the pressure of public opinion is always towards too much expansion at high cost in times of shortage and too much restriction and protection in times of slump. The provisions that enable the Community to be a monopoly buyer or a monopoly seller *vis-à-vis* the outside world, they say, are those that will be chiefly used, since they are those whose use will be most popular. All of which may be true; there is nothing to prevent it. And there has been a straw of evidence to support this view in the French suggestion to the Ruhr Authority last week that German coal should be reserved exclusively for Schuman Plan countries.

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The other main line of criticism—and it is probably the majority one—takes the exactly opposite view: the danger is not that the High Authority will be too strong and aggressive but that it will accomplish very little. These critics point to the many opportunities embodied in the checks and balances of the scheme for vested interests to resist their own elimination. How far will the transitional provisions, protecting these special interests, prove to be permanent obstructions to the single market? For many of its actions the High Authority has to get the approval of the Council of Ministers, who will act in a spirit of political bargaining. Even where its power to act is, on paper, perfectly clear, how far will it have to bow to the force of public opinion—and, it may be, of local resentment? As is often the case with schemes of planning, its powers of prevention of what it does not like are far stronger than its powers of positive stimulation. Can competition and efficiency be enforced unless public opinion believes in them? These criticisms, too, it is impossible from the wording of the documents either to justify or to disprove.

In these circumstances, judgment must be suspended. The Community may fail in either of these ways. Or it may, as its supporters believe, not only succeed in its assigned sphere of raising the efficiency of European heavy industry, but in the wider purpose, which was never far from its authors' minds, of providing a functioning nucleus round which the unification of Europe can gradually take shape. All that can yet be said is that the preliminary stage of getting a legal framework down on paper has been accomplished more successfully than it might have been, and that the forcefulness and single-mindedness of M. Monnet are good auguries for the performance that the High Authority will put up—if the universal belief that he will be chosen to preside over it can be assumed to be correct.

For the British Government, however, it is not possible simply to wait and see. Decisions will have to be taken,

and though the most important of these—whether or not Britain shall accept the offer of full membership of the Community—can perhaps be put off, others cannot. British consent is required, under two separate heads, before the Plan can come into force even for the six prospective members who have taken part in the negotiations. Before the Community can come into existence, modifications in the Allied occupation of Germany will be needed. Some of these emerge from the essential nature of the Plan—if the heavy industry of Western Europe is to develop freely in accordance with purely economic considerations, the present limits on German steel production will clearly be absurd. But, in addition to these, the Germans have made it clear that ratification of the Plan is not to be expected unless the occupying powers are prepared to disband the Allied coal and steel groups, which are at present charged with the "decartelisation and deconcentration" of German heavy industry, and the Ruhr Authority, which controls German coal exports. For these relaxations of control, British consent is necessary. It is true that the new Community hardly yet provides as effective a guarantee as the present controls against the possibility of German industrial strength being once again used for intransigent nationalism. But to this the answer is that the present controls could not in any case, Community or no Community, be kept in force very much longer. Some people also suspect that British policy is influenced by the desire to keep German competition in check. Whether or not the suspicion is well founded, it should be clear that for the British Government to use its authority as a trustee for Germany for these purposes would be wholly wrong. British consent to the necessary changes in Germany should be given; and there is no good reason why it should not be given straight away.

The second need for British assent arises out of the fact that the arrangements that the Schuman countries propose to make for free trade among themselves in coal, iron and steel violate the most-favoured-nation principle. Is it right that the six signatories should be allowed to create a customs union in iron and steel without according the same benefits to their neighbours? The answer must surely turn on the policy that the Community proposes to follow towards its neighbours. There is a certain volume of exports of British steel products to Western Europe; are they to be fairly treated? Sweden sells iron ore to Germany and buys coal in return; is this exchange to be interfered with—as has already been suggested so far as the coal side of it is concerned? Britain buys large quantities of iron ore from French North Africa; and though North Africa is not included in the Community, will there be a tendency for these supplies to be diverted to the Continent? No doubt assurances can be given on all these points; and if they are, it would be a mistake for British consent to be withheld, particularly since refusal would be attacked both in Europe and America as further evidence of a dog-in-the-manger attitude on the part of Britain. But there has been considerable talk on the Schuman side of keeping powers in hand for bargaining with the British, and it would be foolish for Britain's bargaining counters to be thrown away too soon.

There remains the much larger question whether the United Kingdom should actually accept participation in the Community as a full member. It can be foreseen, with some certainty, that the invitation will in fact be refused. The Government, with its horror of supra-

national bodies on which it would not have a complete veto over anything that was proposed to be done in this country; the Iron and Steel Corporation, with the love of power that it is already exhibiting; and the steel firms themselves, with their traditional dislike of revealing their costs or having their selling prices and practices determined for them—all will for once be in agreement against membership.

This does not, however, absolve the public from making up its own mind whether the Government and the industry should not be pressed to forget their prejudices. The political arguments for membership are too familiar to require repetition. On the industrial side also it is important that there should at least be no hostility between the British and the west European industries. Apart from the questions of mutual trade that have already been mentioned, it is important that there should be no dumping or cut-throat competition in third markets—not a matter of any immediacy at the moment, but one which can be all-important when demand drops below supply.

Clearly the surest way of ensuring that these matters were all amicably settled would be for Britain to be a full member of the Community. But it is not the only way; and it would create some problems. British membership would not be simply the addition of one

more signatory to six existing ones. The western European heavy industry is, technically, a single complex; it is already in a fair way to being an industrial unity. The British coal and steel industries have never formed part of this complex and they serve different markets, with many of which (notably the Dominions and Colonies) they have special marketing arrangements that would inevitably be disturbed if Britain joined the European coal and steel customs union.

The wise course would seem to be to postpone the question of British membership in the Community until there is some solid evidence of how in fact it will work—say, until the end of the transitional period of five years. But it should be made very clear that this is not a final rejection and that it reflects a wholly friendly and co-operative attitude. The Foreign Office should not content itself with a few words of cool and formal welcome—which have a very depreciated value on the Continent by now. There might well be a British initiative in suggesting the creation of special machinery—say a Standing Joint Council—for the closest consultation, especially on matters of mutual trade and price policy in export markets. Full union with the Community is hardly practical politics at present; but there should be the closest possible *entente*, and it is in the British interest that it should be an *entente cordiale*.

Japan Under Ridgway

JAPAN is entering a new period of its national history. The dismissal of General MacArthur, for nearly six years the supreme symbol of the Occupation as well as a virtual dictator, has probably not preceded the signature of a Japanese peace treaty by more than a matter of weeks. This means that Japan is now emerging from the first political stage after the war and will soon be on its own. What sort of a country will it be? How will it pay its way? These are political and economic questions of very great importance to the rest of the world as well as to the people of Japan, and it is likely that their pattern for many years to come may be determined by what happens during the next twelve to eighteen critically formative months.

General Ridgway, the New Supreme Commander, has already managed to do more travelling than his predecessor did in five years. He has also changed the atmosphere in Tokyo from one of aloof infallibility—which had its own merits—to one of contact and friendly discussion both among the members of the Occupation authorities themselves and between them and the Japanese. At a time when, as in Germany, the lid is being taken off the Occupation, this is an essential development, for in neither Germany nor Japan is it now feasible for the victors of the second world war simply to give orders. They must learn to accomplish their aims by persuasion and agreement, however uncertain they may be that they have had time, or even made the best use of the time they have had, to equip the Germans and Japanese themselves to resist a revival of despotism—whether of the Right or of the Left. In Japan—until only the other day under the spell of General MacArthur—the transition from Occupation to independent rule is taking place more abruptly than in Germany, but in both the tender shoots of democracy

have been carefully planted. The free world is watching anxiously to see whether they will grow.

The Occupation authorities have taken three principal measures to plant democracy in Japanese soil. The first was the adoption of the new constitution three years ago this month; this abolished the old prerogatives of the emperor and the restrictions on parliamentary power laid down by the Constitution of 1889. Secondly, a law for agrarian reform was passed, breaking up large landed properties and giving ownership of land to some millions of former tenant farmers. Thirdly, there is the legislation which has enabled Japanese industrial workers to organise trade unions for the first time.

In the long run the survival of democracy as a living force in Japan will depend most on the second and third of these changes. The new constitution, largely drafted by Americans, and un-Japanese even in its wording, is unlikely in itself to evoke strong feelings of loyalty and devotion in the masses of the Japanese people. On the other hand, the transfer of land to the peasants and the material advantages which the workers have found in free collective bargaining have created new vested interests, which will make it none too easy for reactionary political forces to restore the old pattern of society. If the formal constitutional structure devised for Japan by American ingenuity looks somewhat fragile for withstanding the seismic disturbances of the “Japanese spirit” to which it may be subjected, peasant proprietors and free trade unions are new factors which should not be estimated too lightly in speculating on Japan's future.

The effect of the agrarian reform and of the new trade union rights could, however, be offset by a serious decline in the Japanese economy. As history has shown in other countries, the division of land among peasant cultivators

does not in itself provide for long a solution of the agrarian problem in conditions of rural over-population and poverty. Unless the peasants have the benefit of low-interest credit facilities, provided as a result of national policy, they are apt to lose their land and to slide back into the hands of the moneylender. Equally in the towns trade unionism is no answer to widespread unemployment; indeed, a high degree of trade union organisation may offer ready scope for extending Communist control, particularly if unemployment has made the workers ripe for revolutionary propaganda.

It is in fact far from certain how sincerely the Japanese have imbibed the teachings of the Occupation about democracy. All that can be said at present is that they have been adept pupils at learning enough of the jargon to please their American masters. As regards the rural population—which is now a prime Communist target in Asia—it is probably essential, if the recent land reforms are to blossom into producing a politically stable and independent peasantry, that external aid should continue to reach the Japanese countryside. This might mean that specific sums should be allotted in any future grant of foreign aid for providing agricultural machinery, fertilisers and rural capital construction. Japan does not figure, for instance, in the Colombo Plan except as a possible provider of technical experts for other countries.

Yet its own needs are great and, since the pressure groups of industry are politically predominant, the government in Tokyo is unlikely in the immediate future to give enough priority to agriculture in its already overburdened budgets.

On the question of Japanese industry, the direct interests of the British and Americans are seriously divergent. It is, however, undeniable that the American approach is reinforced by the vital need to enable Japan, like Germany, to pay its way if democracy is to flourish and Communism be held at bay. Since the war the United States has poured over two billion dollars into Japan, and it is natural that one of Washington's prime hopes is that the peace treaty will usher in an era in which the rate of subsidy can be rapidly and appreciably reduced, if not stopped altogether. To the Americans Japan has long appeared more as an importer of raw materials, such as oil and scrap metal, than as an export competitor. They have therefore been in favour of any expansion in Japanese exports which would bring Japan nearer balancing its overseas trade—last year the visible deficit was to the value of \$142 million. For the British, on the other hand, Japan is remembered from the decade before the war as an alarmingly powerful competitor in world markets, and the same danger is seen as a new Frankenstein monster in Manchester—Japan is already exporting about 1,000 million square yards of cloth per year compared with 2,700 million in the 1930s.

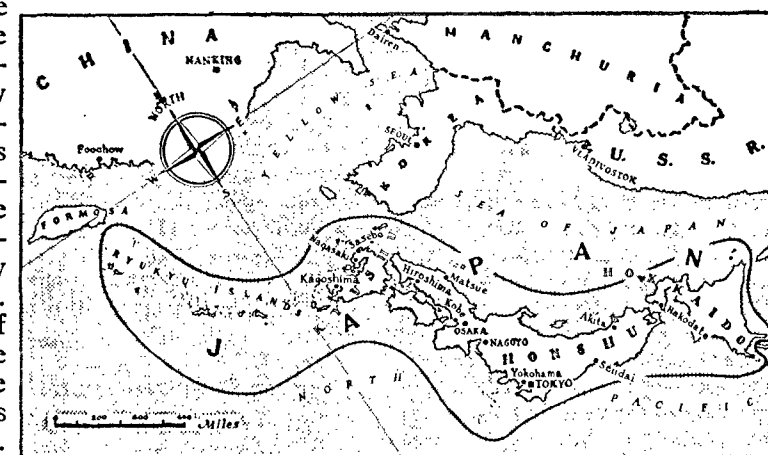
During the next few years Japan will be the key to eastern and southern Asia. If it is held against Com-

munist, there is great hope of containing the Sino-Soviet bloc on its present line and perhaps eventually of detaching China from Russia. But if Japan is lost, the effect will be catastrophic, militarily, industrially and psychologically, from the Western Pacific to the Indian Ocean. One essential requirement of victory is a healthy economy. To achieve it, Japan, the most industrialised country in Asia after the Soviet Union, must increase its non-Communist trade with South East Asia and indeed with any raw material producing countries which need the capital and consumer goods that its industries can supply—though these goods are not as relatively cheap as they were before the war. In particular, this must be done without Japan relying as heavily on Chinese raw materials as in the past, since this would give Peking too powerful a lever in the Japanese economy. There is some hope that the British and American Governments are moving closer together on the question of Japanese trade; last week, for instance, Major-General Marquat, in charge of economic affairs under SCAP, warned the Japanese that they must depend on their own efforts and that the United States would not “bail out” Japan if it receded from its post-war record of economic progress. But in this, as in other difficult questions of Far Eastern policy, a common front between London and Washington is necessary if the

allies are now to turn their Occupation into a successful partnership with the Japanese.

This indeed must be the aim. For provided that economic conditions do not deteriorate, there are certain favourable factors in the influence which Japan could bring to bear elsewhere in Asia. Homogeneous, hard-working, disciplined and stubbornly purposeful, the Japanese could yet be a strong

stabilising force. It is true that, as the recent local elections have shown, there has already been a political shift to the right, in reaction against the innovations of the Occupation period; and in many ways a reversion to traditional Japanese ways of life may be expected when General Ridgway hands over his powers. But even under the prewar regime in Japan the militarists did not have it all their own way; from 1918 to 1931 there was a marked swing away from military ascendancy. And while it would be quite wrong to expect history to repeat itself, in either its favourable or unfavourable aspects, the chances are that the Japanese will give their new-found system of democracy a fair trial. When authorising the progressive relaxation of many Occupation controls at the beginning of this month, General Ridgway spoke of Japan's “growing political maturity.” This process, however, will continue to require the most careful help even after the peace treaty is signed. And to provide this help will confront the great alliance between the western powers with its most perplexing, but also its most crucial and rewarding, task in the Far East during the next few years.



NOTES OF THE WEEK

Britain, America and Persia

The delays and hesitations over the terms of last week's British note to Persia now seem to have been worthwhile. Something was gained by yielding to American advice to tone down the draft, since the note, when it was finally delivered, was accompanied by an admirably firm and sensible American warning. Washington is resisting the temptation to pose as the neutral broker. This is wise—not merely because any such attitude would infuriate the British, but because it would be wholly ineffective in Persia. Since Korea, America is not regarded anywhere in Asia as a neutral, but rather as the head and front of the western alliance. Expressions of the solidarity of that alliance may annoy the Asian (as this one so clearly annoyed Dr Mossadegh) but they do not surprise him. And the American warning has served the valuable purposes of playing on the Persian's respect for strength, of giving notice that if one set of foreigners is driven out another set will not obligingly offer their services, and of baulking the Russian technique of driving a wedge between Britain and America.

Thus, though on the surface there is no sign of a break in the complete deadlock, underneath there is some slight improvement. For one thing, time is passing, and in time lies the great hope. For another, there are a few faint indications that the Persians are tiring of Dr Mossadegh and his extremism. For yet another week he has been all adjectives and no policy. He seems, even to the Persians, to be capable of nothing beyond denunciations. The United States has now been added to his list of criminals. The very vehemence of his language suggests that he is reduced to the devices of a man who is being noisy because he has so little to say. It is difficult to believe that he can last.

Unfortunately, it is still possible for him to be replaced by something even worse, in the shape of a government definitely subservient to Russia. But it is also still possible to hope that some of the basic facts are beginning to sink in. An engineer named Kazem Hassib, who is the only man in Dr Mossadegh's party who knows anything about the technical problems, is reported to have said that "we will close down anything we cannot manage"—but there are plenty of Persians who realise what shutting down would mean, and this admission that "nationalisation" is not simply the "taking over" of a going concern will have its effects. The news will also soon reach Persia that the western world is beginning to discuss seriously whether it could not do without Persian oil if it had to. The facts are set out in an article on page 1244, and they seem to show that though a stoppage of Persian oil would do incalculable damage in the short run, Persian oil could be replaced within a period far shorter than it would take Persia to recover from the loss of its earnings from the export of oil. If the Persians carry things to extremes, they can, for a time, inflict as much harm on the western world as on themselves. In the somewhat longer run they would be by far the biggest losers.

Mr Rusk on China

The sudden alarm provoked all over the world by the speech made in New York on May 18th by Mr Dean Rusk was very understandable. Mr Rusk is, after all, the Assistant Secretary of State, and when he suddenly attacks the Chinese Communists in much stronger language than the State Department has ever used before, praises Chiang Kai-shek and seems to promise him aid in re-invading the mainland of China, it sounds very much like a sharp change in the policy of the United States—just after Britain and America's allies had carried out the last day and night of the MacArthur—the transition from Occupation to Independent rule is taking place more abruptly than in Germany, but in both the tender shoots of democracy

Now it appears that it was all a private aberration of Mr Rusk's and that there is no change of policy. The reassurances have been sweeping, but they can hardly be completely effective, for there is no doubt that the Administration is under enormous pressure to shift its course towards MacArthurism, and there were already, before Mr Rusk's speech, indications that the wheel had been put over a point or two. The open pressure from Congress can no doubt be resisted, but there also seems to be pressure within the Administration from the Defence Department. The military strategists have all along emphasised the strategic importance of Formosa. The Defence Department nowadays has a very powerful voice in Washington, and it is over policy towards Chiang Kai-shek that the State Department appears to have accepted a shift in the American stand. There is certainly an elementary logic in the purely military argument that if Formosa must be defended indefinitely, its government will have to be supported—and it seems that the Defence Department is even now urging increased appropriations for assistance to Chiang Kai-shek in the next fiscal year.

There is, unfortunately, little doubt that London and Washington still hold significantly different views about long-term policy towards the Nationalists and the Communists—that is, about what should be done when the Korean War is over. But it is surely wrong to dwell on these differences and to ignore the essential point for the short run, which is that Mr Truman and Mr Acheson, General Marshall and General Bradley, are all of them doggedly defending, under very heavy pressure, the policy of avoiding an extension of the Korean war. Public opinion in Britain ought to be profoundly thankful for that basic fact and not to trouble itself unduly about differences that arise over the tactics of pursuing it. Those people in London—and there are far too many of them—who seize upon every opportunity of urging the pessimistic view of American policy should remember that the best way of avoiding MacArthurism is to help those who are in fact resisting it.

Hongkong versus Japan

It is becoming daily clearer that the United Nations' decision to ban the export of strategic materials to China has not really resolved any of the basic problems involved. Last week the British Ambassador in Washington, Sir Oliver Franks, was asked to explain British Far Eastern policy in a radio interview. After an admirably reasoned exposition by the Ambassador, the conversation suddenly touched on the heart of the matter with the following question: "Perhaps the basic suspicion, Mr Ambassador . . . of many Americans is—are you or are you not with us in the struggle against Communism?" To which the natural answer came: "That seems an odd question to put to an Englishman." This is the measure of the emotional misunderstanding which has been generated in the last few months by the fact that Hongkong has continued to trade with Communist China.

Yet the reasons for this continued trade are crude enough. It must first be repeated that, with the exception of rubber which has now been stopped, the export to China of oil, of arms and of other strategic goods has in fact been prohibited for the last ten months. For the rest, the British case is simply that Hongkong must trade with China, so long as China is prepared in return to provide what it needs to live. For Hongkong is not only traditionally dependent on the Chinese market for its food and many raw materials—imports from China were worth \$60 million during 1950 against exports to the value of \$91.5 million—it cannot physically get these commodities from anywhere else. The equation which therefore has to be balanced is this: is

Hongkong's trade with China, shorn of the strategic elements, likely to do more harm to the cause of the free world than the loss, or at least the internal disruption, of the "Berlin of Asia"—as Sir Oliver Franks agreed to call it.

The British case is that it will not. And, however unpalatable this may be for the relatives of the United States 8th Army in Korea, it is a case which is being maintained not only by Britain and not only about Hongkong. About a week ago, an official American spokesman explained that Japan must also continue to trade with China, because "the two nations have a historic trade pattern that would harm Japan's economy (and involve the United States in heavier expenditure) if trade were cut off." In 1950, Japan imported \$39 million worth of goods from China (about 4 per cent of its total imports) and—according to Washington—exported just over \$19½ million, of which \$17 million (85 per cent) represented iron and steel sheet, machinery, precision instruments and the like; the larger part of these strategic exports was shipped after the Chinese intervention in Korea. In the first quarter of 1951, Japan became subject to the general American embargo on the export of strategic goods to China, and its outgoing trade was in theory reduced to textiles, bicycles and sewing machines; these reached the surprising total of \$1,100,000 in March alone (\$2,400,000 for the quarter). In return Japan received approximately \$3,800,000 of essential materials from China in the first two months of this year (about half the 1950 rate). There are now signs that the Chinese may soon decide that sewing machines are not worth iron ore and coking coal, and a new problem will then arise. Is Japan to play its full part in the industrial potential of the West? And is it, as Mr Dulles hoped, to be able to stand on its own financial feet? A new equation will have to be worked out, and a solution will be no easier to find than that which the British have had on their hands in Hongkong.

The case of Japan has, perhaps naturally, only had a tithe of the publicity in America that General MacArthur gave to that of Hongkong. The British Government will be well within its rights in insisting that the two cases are on an equal footing.

Political Doldrums

When Parliament reassembles on Tuesday Members will come back from their constituencies with a better knowledge than they had before the Whitsun recess of how Mr Bevan's resignation has been accepted in the country. Yet even if Mr Bevan has more support for his championship of the social services in the constituencies than in the House of Commons, the Government is unlikely to have to face the same pressure from its own side that it faced before the adjournment. The charges for spectacles and false teeth are now actually in force, and the National Insurance Bill has passed its critical committee stage. Mr Bevan himself, though he may re-emphasise in *Tribune* his case for the inviolability of the social services, has not crystallised his opposition in the House. There may be general disgruntlement that the social services have had to give some ground to the needs of rearmament, but there is no focus on which this disgruntlement can settle and harden.

Mr Gaitskell can thus count on the full support of his party when the Conservatives launch their attack on the Finance Bill in committee. Once it is safely through, the Government can look forward to the haven of the long summer recess. In the meantime, with the date of the election still uncertain but with the chance of it coming at a moment's notice, the parties' leaders are trying to frame or freshen up their policy statements. The Conservatives, well aware that their opponents hold all the initiative in this matter, have their plans in a high state of readiness. Mr Butler's research department has a revised draft of an elec-

tion manifesto always in hand, and it would be the work of only a week or two to have this examined by the "Shadow Cabinet," Mr Churchill's final advisers on policy. Just before Whitsun Mr Butler assured the more impatient Tory backbenchers of the 1922 Committee that everything was in readiness for a new statement, but that none would be made public now because of the possibility of an autumn election.

Transport House, on the other hand, has nothing fresher in its pigeon-holes than last year's collection of platitudes, "Labour and the New Society." This document reflected the blunting rather than sharpening of ideas which followed last year's clashes in the Labour Party's Executive between the Bevanite Left and the Morrisonian Right. Now that the controversy has moved into the open, policymaking is all the more difficult. Even so, the Executive cannot shirk much longer the task of defining a new programme. Some sort of statement will have to be produced to put before the annual Labour Party conference in October.

Catering Unrealities

The annual report of the Catering Wages Commission (HMSO, 4d.) has nothing new to say about the largest matter within the Commission's purview, the general review of the working of the Catering Wages Act in the hotel industry which was asked for by the Minister of Labour "as a matter of urgency" in December, 1949, and is still "under active consideration" by the various organs of the industry. But though the present report is thus confined to minor matters, it still gives a strong reflection of the Wonderland atmosphere in which the Commission has operated from the start. For example, the report expresses concern "at the fact that the least organised section of the industry" (i.e. the unlicensed hotels and boarding houses) "is still unprotected by any form of wage regulation." Who would guess from this that there was any doubt about the feasibility, or indeed the desirability, of "organisation" for this "industry"? The fact is that the first two attempts to draw up a wage code for something so fundamentally unorganisable have been laughed out of court—not without some shudders of horror, too.

The same sublime disregard of reality is shown in the Commission's reference to the shortage of hotel accommodation, which "is already recognised as the biggest handicap to the country's dollar tourist drive" and which "every Government Department concerned" is pressed to "take urgent and effective action" to remove. Who could guess from this that by far the biggest obstruction to the expansion of the hotel industry—bigger by far than even the building regulations—is the complicated, rigid and almost unworkable code of wage regulations imposed under the auspices of the Catering Wages Commission itself? Except possibly for the luxury trade in the West End of London, where high prices can be charged all the year round, the annual cost per room of providing a new hotel is a long way above the probable annual profit per room from running it. The only "urgent and effective action" that Government Departments could take to provide any new hotel accommodation would be to close this gap—and that would involve treating "as a matter of urgency" the radical amendment of the Catering Wages Act itself.

Mr Morrison Meets the German Leaders

In speaking of a "new era in Anglo-German relations," the Germans are drawing much too far-reaching conclusions from the primarily informative visit of the British Foreign Secretary. That Anglo-German relations will benefit is certain, but for the simple reason which Mr Morrison himself gave, that "a Foreign Secretary who sits in his office and cuts

himself off from the ordinary life of the outside world is bound to be ineffective in the discharge of his duties."

In the same way, it will be helpful to mutual relations if Dr Adenauer pays a visit to London later in the summer in response to Mr Morrison's invitation. The Federal Chancellor has already been the guest of the French Government, but has not had an opportunity of seeing Britain since the war. He will be welcomed as an outstanding personality, who has combined German patriotism with genuine efforts towards western unity.

After meeting the Catholic, Conservative Chancellor, Mr Morrison had talks with the Protestant, Socialist leader of the main opposition party, Dr Schumacher. How successful he was in persuading this obstinate politician to place Western Europe above party tactics has still to be seen. It was probably somewhat tactless of Mr Morrison to make a public statement on the duty of Oppositions to be constructive. The German press took this implied rebuke to be directed to the Social-Democrats as well as the neo-Nazis. It would have been better said over the dinner table. Dr Schumacher is intent upon proving to the Germans that he does not truckle to foreigners, and that the present-day Social-Democratic Party, unlike its Weimar predecessor, champions German national interests. It remains one of the most important tasks of his colleagues to prove to him that he is mistaken.

* * *

Amending Italy's Peace Treaty

Count Sforza, the Italian Foreign Minister, has now made an outspoken appeal in a speech at Genoa last Sunday for revision of the Italian peace treaty. This has brought the question to a head. The subject was first raised at the Santa Margherita meeting between the Italian and French Prime Ministers last February. Then, just over a month ago, Count Sforza sent personal letters to the Foreign Office, the State Department and the Quai d'Orsay asking the three western powers to issue a statement acknowledging Italy's new status as an ally rather than an ex-enemy. Now, the Italian Foreign Minister seeks a full-scale review, cancelling the military clauses in the treaty, amending the economic clauses, and opening the way to Italy's admission to the United Nations. London's reaction has been cool, in the view that this is a most unsuitable moment to embark on something which Mr Gromyko would immediately want to exploit for the agenda of a Council of Foreign Ministers. Neither Washington nor Paris has so far shown any greater enthusiasm, although Count Sforza claims that, when the treaty was originally ratified, both President Truman and General Marshall, as Secretary of State, said that Italy could work towards a revision.

The present blank wall in the western capitals is not really good enough. It is true that, at law, any change in the Italian peace treaty must be made by agreement between Rome and the four ex-allied signatories—Britain, America, France and Russia. But there is no prospect whatever of that being achieved, either now or in the foreseeable future—and this is not just because Russia doubts western good faith. Hence the government in Rome is faced with the prospect of being saddled indefinitely with the millstone of the treaty. This is not what was intended when the treaty was drawn up; it is not even quite as good as the future that events may well hold in store for Western Germany or Japan. When the Italian peace treaty was being negotiated, the assumption was that Italy would soon become a member of the United Nations and, under Article 46 of the treaty, provision is made for adjustment of the vital rearmament clauses by agreement between Rome and the Security Council once Italy is a member of Uno. Now that Italy's entry into Uno has been banned by the Russians, there is no prospect of this either.

There are two arguments for meeting Count Sforza at least part way. As regards the Russians, Moscow has long ago allowed flagrant violation of the peace treaties with its East European satellites, in spite of protests from the western powers; it is therefore high time for the west to be realistic instead of legalistic about its ally. As regards Italy, a more positive attitude in this matter from Rome's Nato allies would greatly help Signor De Gasperi's government in its ceaseless struggle with the Italian Communist Party—lately making a special effort to secure an Italian withdrawal from the Atlantic Pact. This is a good moment to make some gesture—even just to say that Count Sforza's approach will be considered—in view of the critical municipal elections which begin this week-end and constitute the most important nation-wide poll to be held in Italy since the government was elected in April, 1948.

* * *

Delayed Aid to Yugoslavia

Western aid to Yugoslavia is being held up pending a decision in the talks still going on in London between representatives of the United States, Britain and France. The principle that aid shall be provided is not in dispute, but there are serious problems connected with the form in which it is to be given and the division of the burden between the three western powers. Indeed, a decision about the amount of money required to meet short-term economic needs is probably the least of the difficulties still facing the negotiators. Anglo-American experts—with valuable and increasing co-operation from the Yugoslavs—have made a thorough investigation into economic conditions in Yugoslavia in recent months, and figures for the country's trade deficit, as well as its anticipated requirements of raw materials and articles of common use, are known. A total figure for aid may have been difficult to arrive at since there are so many imponderables in the Yugoslav situation. But, once having reached it, the real stumbling-block has been to decide exactly where the money is to come from.

Since this is the first case of tripartite aid to any European country, the question of precedent has had to be watched very carefully. There are also the wider problems, both political and economic, created by the fact that America, Britain and France all have extensive commitments already; the Yugoslav case, though unique, cannot be considered in isolation. This is particularly true of military aid. Yugoslav needs compete with those of the Atlantic treaty powers as well as the world commitments of Britain, America and France. On the other hand, since the final details of military aid for the Yugoslavs may well take some while longer to settle, it would be wrong to hold up the whole economic programme on their account.

A further problem that has had to be considered is that Belgrade has simultaneously applied to the World Bank for a substantial long-term loan for industrial projects. As a business undertaking, the World Bank is not strictly concerned with political questions about the desirability of aid; any loan it is likely to make to Yugoslavia will therefore be calculated on capacity to repay. Accordingly, since it is certain that in its present economic condition Yugoslavia cannot simultaneously repay loans both from the western powers and from the World Bank, the London talks have had to give serious thought to the priorities of repayment. Yet, if Tito's Yugoslavia is to survive, it must have short-term aid and a long-term loan, and in many ways the two are interdependent. The sooner it gets both, the quicker can results—and repayment—be expected. The difficulties are great but not insuperable. Here, if anywhere, aid would be of double value if given quickly. The western powers will be cutting off their nose to spite their face, if they diminish the effect of their aid by delaying decision on the broad outlines because of the difficulties of settling the details between themselves.

Children in Care

The last report on the children's department of the Home Office was published in 1938. Ten years later the Children Act made big changes in the arrangements for the welfare of children brought up away from their homes, and the sixth report on the children's department, published* this week, is of especial importance because it tells how the provisions of the Act are working in practice.

The chief administrative changes were the concentration of central responsibility for the care of children, formerly divided between the Home Office, the Ministry of Education and the Ministry of Health, in the Home Office and the concentration of local responsibility in newly created children's committees of the local authorities. There was some criticism of both these changes when they were announced. It was thought that the Home Office would lack the insight and imagination needed for this particular social service, and that the appointment of yet another committee by the local authorities was unnecessary because the work could have been done by one of the existing committees. Neither criticism has been justified in the event. The report shows that the children's department of the Home Office is as well aware of the subjective needs of children deprived of a normal home life as of their objective needs for food, soap and sanitation. And the children's committees have a sense of direct responsibility for all the children in care which was so tragically lacking in the O'Neill case in 1945, when a boy, in the care of one local authority and boarded out in the area of another, was so cruelly treated by his foster-father that he eventually died.

Cases where boarding-out goes wrong are fortunately rare, and it is still the treatment of choice for children who have to be brought up away from their own parents. It is also fortunate that in this respect the treatment of choice for the child coincides with the need for economy. A child boarded out with foster-parents costs an average of £2 a week. In the "family group home," where about twelve children of all ages live in an ordinary house with a housemother, the cost may be twice as great.

Unfortunately, foster-parents, especially for boys, are hard to come by, and in the meantime the children's committees are faced with the difficult task of making their children's homes as uninstitutional as possible while at the same time they are faced with a shortage of suitable staff, a shortage of money and a growing number of children committed to their care. Progress consequently can only be slow; but the evidence suggests that it is on the right lines.

* * *

Money for Repairs

The Royal Institution of Chartered Surveyors has published, in the form of a memorandum, its remedy for the problem of rent restriction and repairs of privately-owned houses. The thesis is the familiar one that because of the Rent Restriction Acts, rents are inadequate to cover the cost of repairs, and that in consequence a valuable national asset is deteriorating rapidly. The institution's concern is to find an immediate solution to prevent further deterioration and to cover the time that will be required to work out a more elaborate scheme for the modification of the rent Acts.

The institution's proposal, which would require legislation, is that an increase in controlled rents should be related to the statutory deductions for rating purposes, and that the percentage increase should correspond to the increased cost of repairs between 1939 and the date of the enabling Act. For example, a house assessed at £25 gross value has at present a statutory deduction of £7 a year. With a 150 per cent rise in the cost of repairs it would thus be permissible to increase the rent by 150 per cent of £7, that is,

* His Majesty's Stationery Office, 4s.

by £10 10s a year, or 4s. a week. The institution claims that the advantages of this proposal over similar ones is that it by-passes the difficulties of the existing disparities in rents of similar houses and that the basis of the calculation on statutory deductions produces a much more constant figure than one based on rating assessments alone.

There is much to be said for these arguments which carry all the more weight because so expert a body has arrived at an agreed scheme for a very difficult problem. The technical difficulties are knotty enough. The political ones so far show every sign of immobilising the Government. As some counter to the political difficulties the memorandum gives diagrams, one of which is reproduced above, which show how much smaller a proportion of income is now spent on rent than in 1939 and how inadequate an amount is spent on repairs.

* * *

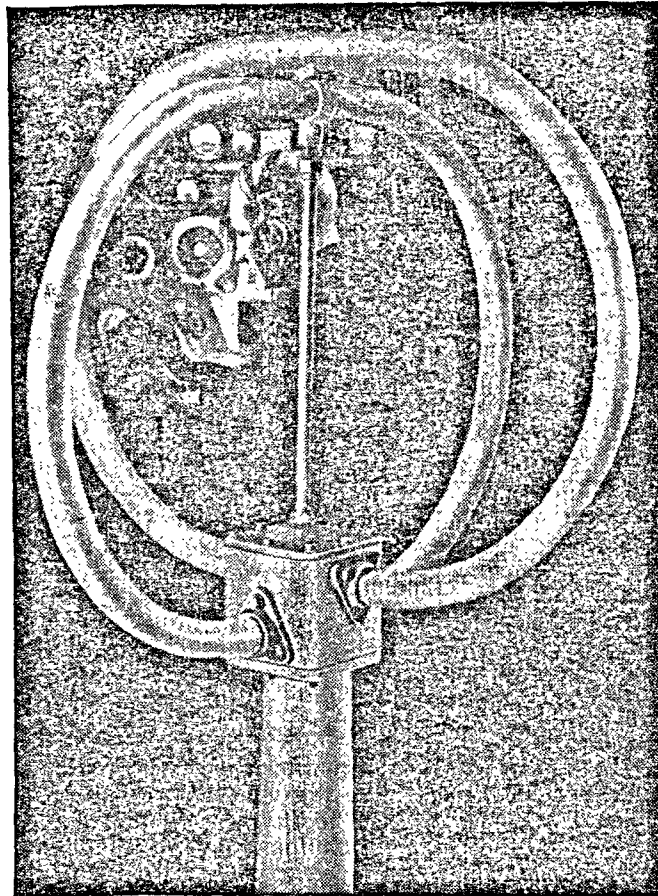
Hungary Revises Its Five-Year Plan

Last week it was the turn of the Hungarian Parliament to give its formal consent to the stepping-up of industrial production which seems to be under way in most East European countries. The upward revision of the Hungarian five-year plan (1950-54) was already foreshadowed at the congress of the Workers' Party last February. One reason given for this move is that the production of basic raw materials has not kept pace with the development of the various manufacturing industries. By 1954, therefore, mining production is to exceed the 1949 level by 142 per cent instead of by 55.2 per cent, as originally planned; foundry production is to go up by 162 per cent instead of by 95 per cent; and electric power by 175 per cent instead of by 94 per cent.

But this drastic upward revision of targets is not to be confined to the production of basic materials. It is to be extended throughout the Hungarian economy which is to receive investments amounting to 85 milliard forints instead of the 50.5 milliard originally planned. Heavy industrial production is to be increased by 280 instead of by 104 per cent, and light industrial production by 145 instead of by 73 per cent. It is said that the recent performance of the Hungarian workers has opened the eyes of the planners to Hungary's "immense latent reserves," and that the original five-year plan failed to make any adequate use of them. The planners have some excuse for their blindness, since it appears that these resources have only been laid bare by such means as constantly expanding socialist competitions and the Stakhanovite movement—in other words by applying as much stimulus as possible to the worker. His only reward at present is the promise that by 1954 living standards will be about twice as high as in 1938. But the unbalanced and over-hasty development of the heavy industries—which will be pressed ahead because of Soviet demands—will strain the country's resources, in both manpower and materials, to the utmost; there will be little left over for the consumer industries, however high their paper target may be. Mr Vas, the President of the Planning Commission, has, in fact, confessed that increased sacrifices will be required from the workers.

*

Agricultural, as well as industrial, targets are to be raised in the revised plan. The Communist leaders have not disguised the fact that the progress so far achieved on the



Progress in Electronics

IN THE world of the twentieth century, communications are of greater importance than ever before. That is why the development of communication systems for industry and for sea, air, and land transport is a major activity of Mullard research.

Many other subjects besides communications, however, are continually being investigated in the Mullard laboratories. Here the whole scope of electronics is under survey, from ultra-fast photography to television, from ultrasonics to nuclear physics. Here, too, research is undertaken for Government departments and for the Services, for professional establishments and individual companies.

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land is far from satisfactory and that food supplies are far from adequate. Last year's drought and the export of foodstuffs have contributed to the food shortages; but it is admitted that opposition to the collectivisation programme has aggravated the situation. According to Mr Vas, the kulaks are still "a considerable economic force and exert a significant and harmful political influence on the country-side." They have illegally slaughtered their own cattle and have encouraged the poorer peasants to do likewise. Early in March it seemed that the Government was bowing before the storm by ordering a temporary suspension of further collectivisation. But now Mr Vas states that the peasants must be urged into the collective economy on a large scale, "gradually, patiently and on an absolutely voluntary basis, but without respite." Whether this statement represents more than a conciliatory gesture to Moscow remains to be seen.

* * *

Burma Plans Elections

There have recently been reports that a central executive committee of the Communist-run Peoples' Liberation Armies in the various countries of South East Asia has established its headquarters at the village of Mon Len just on the Burmese side of the Burma-Siam border. If this is true, as it well may be, the Communist movements in South East Asia are being directed from a very effective and well chosen centre, virtually immune from attack by any anti-Communist security forces and centrally situated. For Burma has now suffered so long from a general state of local political warfare and banditry that, after three years of these conditions, it is becoming increasingly hard to see how they can ever be brought to an end, in spite of some progress by the government forces during the last eighteen months.

Immediate uncertainty has also been further increased recently by the fact that the Burmese government is now getting into an awkward political situation—quite apart from the civil war which it has on its hands up-country. By exaggerating its successes against the rebels, the government has undermined much of its justification for continuing the life of the existing parliament, which is merely the Constituent Assembly formed just before independence and which should have been dissolved two years ago. If, on the other hand, the present leaders were once more to say that the country is not yet in a state to permit elections, one of their main boasts would have been proved false and popular opinion—which has been building up an increasingly coherent constitutional opposition during the past three or four months—would certainly react sharply against them. As it is, the Socialists, who form the bulk of the government, are increasingly unpopular owing to their arrogance, intolerance, nepotism and corruption—not to mention their inefficiency. In Rangoon, only Thakin Nu himself, the Prime Minister, is commonly excluded from these strictures.

In these circumstances, the government has embarked on a serious attempt to hold a general election by stages, beginning with 85 constituencies next month out of a total of some 250 and the rest by January 4, 1952. The assumption is that, as individual regions are pacified, elections will be held in them. This is a weird and unrealistic scheme, and most unlikely to be successful. However, it has prompted the formation of several new parties, among them the Union of Burma League, which has been formed by a group of elder statesmen from prewar days, including Sir Paw Tun, U Chit Hlaing, U Pu, and U Ba Pe. One of the great misfortunes of independence has been that men of this type have hitherto found no place in the new Burma's public life. They are desperately needed. It may be that one of the few good signs in all the confusion of today is that they are again to be looked to for sober leadership.

Conference of the Unforgetting

A conference is now taking place in Brussels which has a great, though grim, significance for the whole of the free world. It is a gathering organised by the *Commission Internationale contre le Régime Concentrationnaire*, which represents the principal associations of survivors of Nazi concentration camps in France, Germany, Holland and Belgium, and of the Spanish Republican emigration. Although the current inquiry is quite independent of any government action and has no official character, it is of far-reaching political and moral importance because of the special category of individuals by whom it is being carried out. They are men and women who, because they have had personal experience of the horrors of what David Rousset has called in the title of his book "*L'Univers concentrationnaire*," are aware of it as a supreme moral issue confronting humanity. They are at the same time better qualified than those who have never shared their experience for assessing the value of evidence about such conditions.

There is perhaps no respect in which British insularity and detachment from continental European thinking is so marked as in the happy lack of the experience which has left its indelible mark on countries formerly occupied by the Nazis. Britain suffered enough from the war, but only a few individuals were caught in the Gestapo dragnets and those were not taken from the streets or homes of Britain. But on the Continent the survivors of the concentration camps and the families of those who perished in them are so numerous as to form substantial groups in the populations of various countries. A whole literature of the concentration camps arose in the years following the war and the ex-prisoners banded themselves together in associations which included both Communists and non-Communists, former comrades in suffering. The best spirits in these associations, however, were not content with commemorating the past; they made it their aim to work for the exposure and abolition of "concentrationary" systems wherever they might be found, denouncing the institution as in itself a crime against humanity.

In pursuit of this end they considered it their duty to investigate the charges made about conditions in the Soviet Union. However, proposals for an inquiry were bitterly opposed by the Communists, who made it increasingly clear that they objected to the system only as applied against themselves. The conflict was brought to a head by the open letter of David Rousset to the *Figaro Littéraire* in November, 1949, and the libel action which followed. Intense feelings were aroused by the controversy and the largest of the French ex-prisoner associations was split; the non-Communist groups of the French Resistance, together with corresponding groups in other countries, then set up the International Commission. The records of the personalities serving on the Commission guarantee that the results of their work will deserve serious attention from the world at large.

* * *

The Old Vic

Dissensions at the Old Vic, which have come to a head with the resignation of three of its directors, had been going on for some time. Last year, after five remarkable years at the New Theatre, the Old Vic Theatre Company (director Hugh Hunt) returned to the Waterloo Road and was amalgamated with the Old Vic Centre, where previously Mr Michel Saint Denis, Mr George Devine and Mr Glen Byam Shaw had had a free hand and an Arts Council grant to develop an experimental theatre (with a company of young actors known as the Young Vic) and a school of drama. The style of acting that they taught was akin to the continental style, rather more intense and with more emphasis on movement than is usually seen on the English stage; and it won little sympathy from the West End side, so to speak,

of the amalgamated board of directors. A conflict developed between those who thought that the Old Vic Theatre Company should take its artists and its style from the Young Vic Company and the school, and those who thought that the school and the Young Vic were mere appendages of the principal company. In their anxiety about the future of these organisations the directors of the school and the Young Vic asked for an assurance that their part of the Arts Council's grant would be maintained. This assurance could not be given since the Arts Council depends on an annual grant from the Exchequer. It has escaped the axe this year, but with the growing cost of rearmament it may be less fortunate next year.

A further source of friction has been the separation of artistic and administrative control. The former directors complain that there was increasing interference in artistic matters by Mr Llewellyn Rees, the administrator, and they finally presented the governors with an implied ultimatum that either he went or they did. The governors had no choice but to accept their resignations immediately.

Two points are clear. First, without some "interference" the various activities of the Old Vic could not be administered and co-ordinated; and no one has hitherto had the requisite overriding authority. Second, it will be a great pity if so much talent is irrevocably lost to the Old Vic; but if financial stringency should make necessary some curtailment of its activities, it must not be the main theatre company which

Wine and Song

A PRACTICAL TREATISE ON THE CULTURE OF THE VINE, AS WELL UNDER GLASS AS IN THE OPEN AIR.
By John Sandars.

THE IMPORTANCE AND PROPRIETY OF A BETTER SYSTEM OF MUSICAL EDUCATION AS A MEDIUM FOR MORAL TRAINING. By S. T. Shearman.

The connection between cultivating the voice and cultivating the vine is not very apparent, but the two pamphlets having fallen into our hands at the same time, we place them together. We see at once that every kind of cultivation, whether of the vine or the voice, has a common tendency to improvement. . . . When John Sandars tells farmers and cottagers how they may grow grapes against barns and dwellings, so as to give a very neat appearance to the building, and secure a crop in a warm and favourable situation almost equal in size and flavour to the grapes grown under glass, he plates before them the results of his own observations, and teaches them how to obtain by exertion a benefit from Nature. So when Mr Shearman, quoting Sir James Clark, tells young persons standing to throw their arms and shoulders back, and while in that position to inhale as much air as they can, and repeat this exercise at short intervals several times in succession—if in the open air so much the better—as the only means by which the power of attaining breath for the long phrases that are required in the high order of song, he informs the reader of something which has been observed, and of a mode by which exertion can win from Nature an increase of power in the lungs. The end of music is to give enjoyment, and that, too, is the end of cultivating the grape. Whether the fruit be eaten or it be made into wine, it is an excellent accompaniment of song, and the two help to strew rosy pleasure on the path of life. Wine without the voice, either in conversation or in song, leads to mere sottishness; and the voice without wine gets dry, husky, and quarrelsome. Mingled together—the voice mellowed by the juice of the grape, and the juice benignantly spread through the frame, and its soothing effects carried off by the exertions of the voice—they have in all ages been the staple of festivity. They naturally belong together.

The Economist

May 24, 1951

suffers. The Old Vic is the nearest approach to a British national theatre, and the public looks to it for first-rate performances of the English classics. And it is the public which pays the piper.

* * *

Betting in Britain

The report on betting prepared by the Social Survey of the Central Office of Information supports many of the findings of the Royal Commission on gambling. A random sample of nearly 3,000 people was taken, and the results show that more than three-quarters of the adult population bet in one form or another. Horse racing is the most popular sport for betting purposes, and at least half the population have a bet on the Derby and the Grand National. On major races such as these, the total amount per person betting staked during the whole of 1949 was no more than 20s., but regular betters on dogs or horses are said to stake as much as £40 a year gross. The average amount staked on football pools was 2s. 6d. a week, the total turnover being less than in dog and horse racing. Of the three major sports on which bets are placed, dog racing attracts the smallest number of punters.

	Men	Women	Men & Women
Percentage of sample:—	%	%	%
taking part in football pools	51.0	28.0	39.0
betting on major horse races	51.0	38.0	44.0
betting on dog races	7.0	1.5	4.1
Size of sample	1350.0	1662.0	2912.0

The absurdity of the existing law on betting is shown by the report that 49 per cent of all off-course betting is done (by 29 per cent of the population) through street book-makers. If the percentage of those betting through friends or tradesmen is added, it becomes clear that 75 per cent of all off-course betting is illegal.

It is a moot point whether this fact justifies the Royal Commission's recommendation that legal cash betting shops should be established—the existence of so much illegal betting does not in itself mean that the law is bad—but there is obviously a case for revising either the law or the method of enforcing the law. In the light of the other principal fact which emerges from the survey—that for the vast majority in Britain betting is not a vicious habit—the Royal Commission's case for controlled off-course cash betting becomes much stronger. In spite of the fact that it is clearly a simple matter to defy the law and place a cash bet off the course, the volume of betting is neither unreasonable nor alarming; why not therefore legalise—and thus control more effectively—the existing situation?

* * *

The Spread of Scholarships

The *Oxford Magazine* has published its annual analysis of the results of the entrance scholarships examinations held

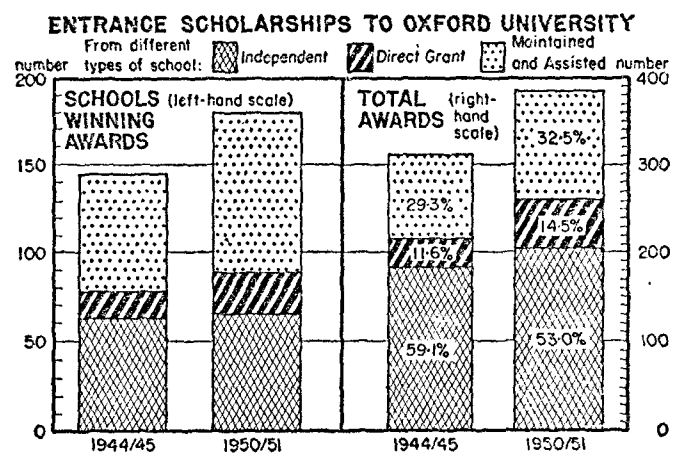
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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1.

in 1950-51 at Oxford and Cambridge universities. The figures (which refer only to the scholarships awarded in open competitive examinations by the Oxford and Cambridge colleges themselves, and do not cover the much larger number of scholarships awarded by the state, by local authorities and by other bodies) reveal two interesting signs of the changing pattern of higher education. At both universities the total number of awards has increased considerably—from 356 to 389 at Oxford and from 439 to 471 at Cambridge. It is clear that the willingness of the Ministry of Education to supplement open university and college scholarships up to a sum which will cover the full cost of maintenance has had its effect.



As the article in the *Oxford Magazine* says, it would be interesting to know how much was paid to the winners of awards in each university in the form of supplementary allowances from the Ministry. The figures would almost certainly reveal that, thanks largely to the taxpayer, the colleges now have actually more freedom to select the most brilliant students than they had in the past. The second sign of change, illustrated in the diagram, is the increase in number, and more modest increase in the proportion, of scholarship winners from direct grant and maintained schools, compared with the year in which the Butler Education Act was passed.

SCHOOLS WHICH WON TEN OR MORE SCHOLARSHIPS AT OXFORD AND CAMBRIDGE IN 1949-50

School	No. of Boys	Oxford	Cambridge	Total
Manchester Grammar (2)...	1,380	7	18	25
Winchester (1).....	500	15	10	25
Rugby (6).....	660	13	8	21
Marlborough (4).....	759	7	12	19
St. Paul's (6).....	665	9	10	19
Clifton (8).....	551	6	12	18
Ampleforth (4).....	424	12	5	17
Eton (3).....	1,150	4	12	16
Bristol Grammar (8).....	1,037	7	8	15
King Edward's, Birmingham	700	8	4	12
Charterhouse (8).....	612	5	7	12
Merchant Taylors' (8).....	540	9	3	12
Shrewsbury.....	500	7	5	12
Harrow (12).....	534	6	5	11
King Edward VII, Sheffield.	689	7	4	11
Oundle.....	640	2	8	10
Sedburgh.....	403	7	3	10

The effect on the public schools of the larger number of scholarships awarded is shown in the table. Last year, 14 schools won 10 or more scholarships. This year the number has risen to seventeen. The figures in brackets show the rating of the schools last year according to the number of scholarships won.

Letters to the Editor

Outlook Uncertain

Sir,—I am in entire agreement with the gravamen of your article in your issue of May 19th. However, in the first paragraph of the article there is a suggestion that Conservatives were dissatisfied with the results of the recent municipal elections.

I can, of course, only speak for the Conservatives I have encountered, but up to date I have met not one who was dissatisfied with the results. Certainly there is no cause for disappointment. In fact these elections, as will be seen from a careful analysis, show a proportionately more pronounced Conservative trend than any similar set of elections since the war. The total number of seats contested in the borough councils was 3,403, out of which 1,893 Conservative-supported candidates, as opposed to 883 Socialists, were returned. In the urban district councils 2,497 seats were contested and 1,107 Conservative-supported candidates, compared with 642 Socialists, were returned. Total net gains by Conservatives in the two sets of elections were 230, included in which is the very significant figure of 65 Conservative net gains from Socialists.

Considering that the Conservatives were defending three out of four seats, the increase achieved must be considered very satisfactory and, according to our records, is without precedent in the history of these elections.

From a national point of view, the most pregnant feature of the poll was that Conservatives made some of their most substantial gains in Socialist strongholds. On the other hand it was very noticeable that Socialists gained seats from Independents in predominantly strong Conservative districts. Apathy and confusion of thought had a good deal to do with this and this is a development which should act as a deterrent to any Conservative complacency.—Yours faithfully,

M. CHAPMAN-WALKER,
Chief Publicity Officer
Conservative & Unionist Central
Office, S.W.1

Anglo-Persian Oil Dispute

Sir,—As a regular reader of your journal, I could not fail to notice the proposal put forward in your issue of April 28th as a means of settling the Anglo-Persian oil dispute, that is, the establishment of a Persian company for the exploitation of the wells and of a British concern for marketing the produce. I feel sure that the overwhelming majority of my own countrymen share my belief that this ought to be an acceptable compromise.

The great difficulty, as you point out, is Persian nationalism. Without condoning its exuberances, may I, as a fellow oriental and a citizen of a country which more or less shared Persia's fate in the course of the nineteenth century, point out that the plant of Eastern and Asiatic nationalism springs from a western, more specially

British and French, seed. The nationalistic teachings of western political literature fell into ground that had been fertilised by western arrogance, an attitude kept up as long as possible, as long as the "Great Powers" thought that eastern sovereigns and states were the heavenly appointed shepherds of ever-obedient flocks, and that there was no danger that these flocks would, one day, rise in revolt and overthrow the relations between east and west.

You point out, moreover, that nothing seems more desirable than the closest co-operation between Britain and the USA all over the world, and more especially in the threatened regions. Indeed, both countries and all peoples of good will and good faith could only gain from such a policy. One understands, however, why American interests do not see quite eye to eye with Britain in these specific difficulties, and why they do not feel that, in the Near Eastern oil business, they are in the same boat. As a matter of fact they are not. In contrast to Persia and Iraq, Saudi-Arabia, in whose territory most American oil wells are situated, still lives in the pre-nationalistic stage when it is sufficient to square the ruler in order to enjoy the unlimited pliability of the subjects. The fact that, outside the Hedjaz proper, nearly all the other subjects of Ibn-Saud are nomads, unreceptive to imported ideas, would seem to make the situation more secure for foreign interests, so long as they coincide with those of the monarch.—Yours faithfully,

SEBASTIAN ZEKI ÖRS,
Deputy for Sivas in the Turkish
National Assembly
Ankara

Full Employment

Sir,—In your note last week on the Strasbourg full employment report, you ask me, as one of the co-authors, how many of its recommendations I can really see the Labour Government carrying out. In fairness, I must point out that the preface makes it clear that none of the outside economists who assisted the Secretariat of the Council of Europe to draft the report was called upon to endorse every recommendation in it; the report is issued under the sole responsibility of the Secretary-General.

However, I have no wish to hide behind an official disclaimer. I would say that the Labour Government would certainly accept, and has already largely carried out in practice, the recommendations relating to full employment and the maintenance of monetary stability so far as world price movements permit; that it would also accept those relating to the stabilisation of trading relations within the group, the international code of behaviour, and the European Investment Bank; but that it would probably boggle a little at some of the suggestions for a stricter wages policy, the reform and increased power of EPU, and the establishment of an influential European Advisory Board.

I should certainly feel quite free to criticise the Government's actions where they departed seriously from the stability objectives laid down in the report. But I am bound to say that the Labour Government (together with the Social-Democratic regimes of Scandinavia) can claim to have the best record in Europe, and on the whole a very impressive one, so far as internal economic stability is concerned.

Lastly, I should like to emphasise that the report was certainly not prepared, as you hint it was, by a body of Socialists. Taking account both of the outside economists concerned and of Dr Browaldh, the distinguished Director of Research at Strasbourg, a wide variety of political opinions was represented. The emphasis on a considerable degree of planning and control stems not from any political ideology, but from the conviction that only thus can the required stability be maintained.—Yours faithfully,

ANTHONY CROSLAND
House of Commons

[We did not say—and did not wish to imply—that the report was exclusively the work of "a body of Socialists," and now that Mr Crosland has broken the anonymity that covered Dr Browaldh's name we gladly join in paying tribute to the work of one who was formerly our Stockholm correspondent. But it still seems to us fair to say that the report is "definitely on the left in its presuppositions." For the rest, we feel that Mr Crosland is still too ready to take a generalised willing of the end to mean a specific willing of the means.—EDITOR.]

The Wandering Coin

Sir,—The review of Dr Hans's monograph on the Maria Theresa dollar appearing on page 979 of *The Economist* of April 28th, does not make it clear whether the "wandering coin" is in circulation in any country of the world today. It may, therefore, be of interest to notice that this dollar is the *de facto* currency of the Sultanate of Muscat and Oman, except in the towns of Muscat, Matrah and Gwadar where the official currency (the Indian rupee) is used.—Yours faithfully,

HUBERT EVANS
British Residency, Bahrain

Charity and the Hospitals

Sir,—Your correspondent's article in your issue of April 28th is timely and raises a number of points of interest. While however he is primarily concerned with the legal aspects, there runs throughout his article a psychological thread which is of at least equal importance. He is of course right in his view that the nationalised hospital is not in itself a charity. He is equally right in his belief that in the development and expansion of hospital services for the community at large, as well as for the individual patient, there is much to be done that does not fall within the scope of statute; and he emphasises the importance of maintaining "a source of charitable expression" and "the link

between the charitable impulse and all the yet unexplored opportunities around the hospital."

He and others of your readers may therefore be interested to learn that this has been proved by the work of the National League of Hospital Friends, set up by the voluntarily formed local Leagues of Hospital Friends up and down the country since the introduction of the national health service. The local leagues—working in complete independence from, but in cordial co-operation with, the statutory hospital authorities—have found innumerable needs which can either best, or indeed only, be provided by voluntary effort and the impulse of compassion and good neighbourliness. For example, one does not appreciate the value of outings for patients until one of them is overheard to remark—after a day at the sea—that it was the first time he had been outside the hospital for 20 years! Nor indeed does it stop with the provision of many other much needed amenities. There are aids for the patient, not provided by statute, before and after admission to hospital. There are even urgent necessities which could properly be provided from public funds were these available in adequate amount, but which in the present financial stringency are being provided by some of the "Friends" of hospitals. And finally there are the inexhaustible demands of medical research.

Every care is taken by the National League to see that its affiliated member leagues have a properly and legally drawn constitution, and in more than

one case these bodies have already been entrusted with the administration of charitable trusts. Those who are confused by the legal niceties or ambiguities of the present position, may well find in the National League—or one of its affiliated local leagues—the means whereby to express the spirit of voluntary service and their desire to benefit their fellow men.—Yours faithfully,

J. P. WETENHALL, Chairman,
National League of Hospital
Friends, S.W.1

Breach of Banking Secrecy

Sir,—Your readers may be interested to know that for twenty-seven years trustee savings banks have been required to make a return similar to that mentioned in the present Finance Bill (that is, of the names and addresses of the recipients of interest amounting to £15 or more) in order that they may claim exemption from tax on the income applied in the payment of such interest (Section 24, Finance Act of 1924).—Yours faithfully,

PETER R. DAISH

Arborfield, Berks

Development by Corporation

Sir,—The searching questions asked of the Colonial Development Corporation in your article of May 5th reveal how few projects there are for which remote control of this sort is appropriate. *Mutatis mutandis*, the same can be said about the

International Bank. Professor Lewis, who knows from hard experience, has pointed out that any really fertile plan for undeveloped countries involves a great multiplicity of extremely small projects, a well and pump here, a blacksmith's workshop there, a doctor's dispensary in some other place. This means that control must be completely decentralised, perhaps to local authorities or small investment trusts. But this requirement must be reconciled with the need for responsible handling of the vast international capital movements which are going to be necessary if any development is to take place—indeed even to prevent retrogression. (Burma, Indonesia and China have already shown us how rapid a backward movement can be, and India has to struggle hard to stay where she is.)

If I may return to a proposal which I made in "Fortune" in July last, only a *banking mechanism* can meet these requirements. The assembling of funds in a lending country, their transfer internationally, their distribution in a borrowing country, will be in the first instance the responsibility of the country's central bank, devolving its powers as appropriate. Every country is perfectly free to decide, in accordance with its own political convictions, whether its central bank should be a Government Department, a public corporation, or a free private agency; they can still work quite well together.—Yours faithfully,

COLIN CLARK,

Director,

The Bureau of Industry, Brisbane

(but unfelt) interest in the success of industry as a whole, and their lack of interest in that of industry's constituent firms.

The arguments against any merging of the functions of worker and shareholder are well known. The worker puts all his economic eggs in one basket; the shareholder's return on risk capital is arbitrarily reduced; thus discouraging venture; and an economy of closely integrated concerns—each as much a social as an economic entity—becomes even more inflexible than it is today. Mr Goyder does not worry about the first—he sees the workers' "bonus" as a net surplus over the equilibrium wage—an analytically dubious view; as to the second, he oddly conceives of risk as ceasing once an enterprise is fully established; the third never occurs to him at all. Against all theoretical arguments, however, he can point to the facts; the fifty years of success of the eminently dynamic Carl Zeiss Trust, the vigour and expansion of certain British and American companies following a comparable policy, the vitality through good and bad times of that very significant little French concern, the Boimondeau watchcase-making factory. The thing demonstrably works. With legal encouragement, even if not by compulsion, it might demonstrate its much-needed merits over a wider field.

Enigma of Moscow Trials

Invitation to Moscow. By Z. Stypulkowski. *Thames and Hudson*. 360 pages. 15s.

The Moscow trials are an enigma of modern history. M. Stypulkowski, a Polish right-wing politician, had the unenviable distinction of standing in the very dock where these sinister trials take place. He leapt into the news in 1945, when together with 15 Polish resistance leaders he was tricked by an invitation to visit Marshal Zhukov, and was flown to Moscow, thrown into the notorious Lubianka jail and nearly 3 months after brought into the Moscow dock, where he alone pleaded not guilty. This experience, which is described in the book, is the best searchlight into the mystery.

Yet one puts the book down with a feeling of disappointment. The crucial episode in Moscow is dealt with only in the second and shorter part. In the first we follow the author's wartime odyssey: taken prisoner by the Russians; handed over to the Germans and released, he became a leader of the extreme right in the Polish underground. A lawyer by profession, M. Stypulkowski intersperses the heroic episodes of resistance with pleadings *pro domo sua*. Poland must be shown as the outpost of Western liberalism. Pleading sometimes leads to over-simplification: Russians are always deceitful; Communists are always criminals; nationalist Poles are always guided by moral principles.

Expectations are not, however, fulfilled even in the second half of the book. The trial of Polish leaders, though held in Moscow, was not a real Moscow trial. It had none of the frightening surrealist and Kafka-like atmosphere with confessions of incredible sins, which characterised the trials of the thirties or, say, Rajk's after the war. The author did not admit culpability; others pleaded guilty with reservations to acts which if not true remained at least plausible. Admissions of organising resistance against the Russians need not necessarily have been fantastic. M. Stypulkowski's own group, for example, had disapproved all along of General Sikorski's efforts, prompted by the Western Allies, to come to an understanding with the Soviet Union.

What means were used to sap the accused? M. Stypulkowski mentions: undernourishment, cold, too much light, too little sleep, endless interrogations—140 in less than 3 months—an adroit mixture of threats and promises. No physical violence was used. Despite the nightmare of quasi-permanent cross-examinations could this have been sufficient to break the seasoned Bolshevik fighters and force them to admit the impossible? The author's explanation of his own resistance and survival is strange: "he got the upper hand in dialectics" over his examiners and was helped by his experience as a barrister. Yet this dock had seen many a master-dialectician; while M. Vyshinsky would welcome as a compliment the assertion that legal competence wins in Russian courts.

There are other surprising passages. For example: the facility with which Russians revealed their criticisms of the regime to M. Stypulkowski during his short stay in Moscow after his release does not square with the usual picture of Russian freedom of speech. But this is a detail. The main point is that the trial of the Polish leaders differed intrinsically from its Moscow predecessors. It was staged in 1945. The wartime marriage between the USSR and the West was already breaking up, but not yet dissolved. The Soviet authorities wanted to show leniency. The book may be a testimony of the author's exploits and courage. It leaves the enigma of the Moscow trials untouched.

Renunciation of Success

War and Human Progress. By John U. Nef. *Routledge and Kegan Paul*. 464 pages. 35s.

It is impossible in a short review to do justice to this study of the interrelations of economic development and military history and the effect of war and peace on the genesis of industrialisation. The range of the inquiry stretches from mediaeval Europe which "at its best was an approach to unity in diversity" to modern civilisation which is "nearer disunity in standardization."

In examining the claims of scientific progress, Professor Nef distinguishes between the practical application of general knowledge and the attainment of knowledge itself. He believes that over-preoccupation with practical results retards insight into the nature of the physical universe, and questions whether advances in technology are evidence of the vitality of the creative mind.

The future of industrialism depends not upon states becoming more heavily industrialised than they already are. It depends upon the integration of industrialism—the fruits of which have been abundance, commodity and sanitation—with style, order and delight. The goals of ransacking the earth for its mineral treasures and harnessing new sources of physical energy will lead nowhere unless they are subordinated to the use of these resources for the benefit of a rich human existence, which our ancestors understood better than we do.

His profusely documented argument that the limitations imposed on warfare during the seventeenth century made possible the rise and triumph of industrialism, is followed by the corollary that the withdrawal of those limitations presages its downfall. Nevertheless, this is no jeremiad. While fully aware of the extreme danger of our situation, Professor Nef recalls that the discoveries and technical inventions which disrupted the pattern of the Middle Ages and early Renaissance later became the means of a new approach to the harmonious eighteenth century; and he maintains that a similar development is open to modern man if he will apply his mind and spirit to counter-balancing the universal concern for the special, the immediate and the material, which has helped to produce the weapons needed for total war and the will and means to use them. The remedy for the present dilemma lies with us, but it is no easy panacea. Revulsion from war, such as followed the

Wars of Religion and the Napoleonic struggle, is still within our power; but "the price of peace is the renunciation, in a large measure, of success as the guiding principle of thought, labour and even politics."

This is a valuable book, and if, at times, the encyclopaedic knowledge of the author seems to lead to discursiveness, his meanderings into the byways of history are, in reality, integrated into the framework of the study, and, at the end, one is reminded of Dr Johnson's dictum: "A man may turn over half a library to make one book!"

Entangled History

Clarendon. Politics, History and Religion, 1640-1660. By B. H. G. Wormald. *Cambridge University Press*. 331 pages. 25s.

Mr Wormald's book, the first of a series of volumes designed to reveal "the outstanding success and importance of Hyde's part in English affairs," is, despite its ambitious title, almost exclusively concerned with Hyde's constitutional views. It is a difficult and desiccated study of a man who had, as his own great "History" shows, an easy intellectual power and a vivid interest in men. In order to demonstrate the consistency and ultimate triumph of Hyde's constitutional views Mr Wormald has subjected the "History" to a minute scrutiny and criticism.

Gardiner attributed the formation of a royalist party and Hyde's own defec-

Books and Publications

A New Moral Order

The Future of Private Enterprise. By George Goyder. *Blackwell*. 179 pages. 9s. 6d.

With the decline of competition the Hidden Hand has grown decidedly arthritic; except over a comparatively narrow field, only the most naïve Socialist optimism can expect better results from state control. Mr Goyder sees salvation for the imperfectly competitive economy in a new moral order, imposing social responsibility on private enterprise from within each of its units. He proposes a reformed company law by which the memorandum of every public company, at least, should define its obligations not merely to its shareholders but also to workers, consumers and the community at large. The articles of association should, besides giving the workers "equivalent rights to those now held by shareholders," provide for their representation on the Board of Directors and for a ladder of advancement, should give representatives of consumers and of the community the right to attend annual meetings, and should impose on the directors the duty of reporting to these. The model for these proposals is the Carl Zeiss Trust, whose articles he reproduces *in extenso*; their compulsory legal imposition has much in common with the "co-owner-

ship" proposals of the Liberal Party, though going considerably beyond them.

There are some bees in Mr Goyder's bonnet. One is his conviction that the socially beneficent force of the profit motive vanishes, even given competitive conditions, once the profit ceases to be that of an identifiable owner-manager. Another is the widely held view that the workers in a concern are risk-bearers on the same footing as investors and therefore properly entitled to the same status. This view has some force in chronic depression, where the financial losses of shareholders in an unsuccessful company may be matched and outweighed by total loss of livelihood for discharged workers, but is wildly irrelevant to conditions where any but the most narrowly specialised worker can step off the sinking ship (which he may have helped to sink) into the comfortable certainty of a new job. The merits of Mr Goyder's proposals do not, however, rest on these arguments; indeed, the rebuttal of the second actually strengthens his case. To give the workers a *de lege* status as company "members" would diminish the contradiction between their overwhelming

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tion to the split in the Long Parliament on ecclesiastical policy; and he found warrant for this view in Hyde's own writings. Mr Wormald contends, correctly, that Hyde's primary preoccupations were secular; and it is not difficult to show that Hyde, writing in the Civil War when anglicanism had become the ideology of the Royalist cause, exaggerated his own early devotion to the church. But Mr Wormald, who in an earlier article had dismissed religion as an explanation of the problem of Hyde's royalism, now asserts that the problem does not exist at all. Hyde, far from becoming a Royalist, was "an enthusiast for the Revolution, both before and after it happened" and so never changed sides at all. In view of Mr Wormald's own statement that "Hyde, in the literal and local sense of the word, was to abandon Parliament for the King" his claim that Hyde remained a Parliamentarian and never became a Royalist is highly casuistical. Certainly neither Hyde nor Pym wanted war in 1641. But Pym, with good reason, could not put his trust in princes and, to preserve the achievements of 1641, sought support on the left; while Hyde, as Mr Wormald unkindly puts it, "because of what this was to mean for Hyde's personal safety" made terms with the King. It is not surprising that contemporaries and later historians have called this changing sides.

Mr Wormald's further claim that Hyde's conception of the constitution finally triumphed, that "the man who succeeded, and in his own life time, at the Restoration, was not Pym but Hyde," is unconvincing. Pym rightly saw that the compromise of 1641 could not work while the King refused the corollary that his ministers should be acceptable to Parliament. That the King returned without conditions in 1660 was not a victory for Hyde's prescience but a result of the anarchy after Cromwell's death. The issue of the relations between Crown and Parliament remained undecided. It was Clarendon's refusal to recognise political realities which caused his fall in 1667. Lord Arlington, of whom Clarendon spitefully wrote that "he knew no more of the constitution and laws of England than he did of China," had the political sense to see, as Pym had seen in 1641, that an executive divorced from Parliament was unworkable.

The arrangement of the book is extremely awkward. The detailed analysis of events precedes the discussion of Hyde's ideas which supposedly explain his part in those events. A further and major defect of Mr Wormald's book lies in the evasiveness of his statements and his style. The cobwebs of thought are so intricately spun that the reader is easily entangled in his sentences. One great merit of the "History" is that it is at least a pleasure to read. Mr Wormald's history is not.

Vital Statistics

Demography. By Peter R. Cox. Cambridge University Press. 315 pages. 20s.

This is the first textbook entirely devoted to demography to be published in this country. Its appearance reflects both the increased importance of the subject in the training of actuaries and statisticians, and the greater complexity of the analytical methods used. Mr Cox writes primarily for the actuarial student and his book is designed to fit in with the syllabus of the Institute of Actuaries' examinations. This is a little unfortunate, for mortality investigations and life contingencies which are important parts of the subject matter of demography are covered by other papers in the Institute's examinations and will be dealt with in other textbooks which are to be published in the future. Thus no mention is made in Mr Cox's book of methods of constructing life tables and associated techniques, which are important not only in the study of mortality but in other branches of demography as well. This omission, which is due to the artificial division of the subject in the Institute's syllabus, will greatly lessen the value of the book for the non-actuarial student.

The bulk of the book was finished before the reports of the Royal Commission on Population and its scientific committees were published, and Mr Cox has had to summarise the main contributions made by these documents in a special supplementary chapter. The central problem, that of measuring the reproductivity of a population, is, however, dealt with earlier, and recent criticism of the net reproduction rate as a measure of replacement is fully taken into account.

Apart from these two blemishes, for

which the author cannot be held responsible, the book is an adequate introduction to the more formal side of demography. The subjects dealt with include censuses and vital registration, the analysis of statistics of births, marriages and deaths and a study of population projections. The part dealing with the population history of England and Wales is less satisfactory and suffers from undue compression.

One general criticism is that Mr Cox is rather too concerned with the applicability of the methods he describes to British statistics. In the recent past fairly general methods of demographic analysis have been developed, but the official statistics that are published are not always detailed enough to enable them to be applied. A concentration on problems of one particular country necessarily makes for lack of generality, and it is a pity that there is no mention of the special problems involved in the analysis of statistics of colonial and undeveloped territories, and of recent American work designed to measure fecundity.

Shorter Notices

Justice and Administrative Law. By W. A. Robson. Stevens. 674 pages. 30s.

This is the third edition of Professor Robson's book and the fact that the previous edition appeared only four years ago is some indication of the importance of the subject and the central position that this book holds in any consideration of it. None the less, this edition should be the last. Professor Robson is still intent on providing both a textbook on administrative law and its attendant tribunals and a commentary on their place in the government of the country. That task is now too heavy for a single book, and this edition shows some signs of collapsing under the strain.

The National Health Service. By R. Ormrod and H. Walker. Butterworth. 215 pages. 27s. 6d.

This book provides a comprehensive and convenient summary of the administrative machinery of the national health service. It includes the text of the National Health Service Acts, 1946 and 1949, and of statutory instruments made under the Acts. The general analysis in the first part of the book takes account of statutory instruments issued up to May, 1950.

AMERICAN SURVEY

Republicans' Blind Alley

Washington, D.C.

IT is not healthy for a country with a two-party system to undergo twenty years of uninterrupted rule by one of them. The party in power becomes debilitated and that in opposition exasperated. In the United States, where spoils are an important adjunct of office, the dangers of such a situation are multiplied. The opposition, in its frustration, adopts increasingly dubious tactics and the Administration, clinging for dear life to office—and the patronage which goes with it—becomes too timorous to meet the issues squarely. In such a political climate men like Senator McCarthy and General MacArthur flourish, and insinuations become truth and facts are suspect.

A month ago, with the elections only eighteen months away, the Democratic Party seemed to be disintegrating fast. The revelations of organised crime in the big cities and petty corruption reaching into the White House had reduced public confidence in Mr Truman and the men around him to the lowest point it had ever reached. And, with his prestige gone in the country, the President lost all pretence of control of Congress, which has been dividing its time between insulting its allies, making belligerent noises at the Russians and Chinese, and adding to the dangers of both these exercises by delaying the passage of every measure designed to increase the country's military and economic strength. "Congress is not," the *New Republic* magazine said last week, "going to raise enough taxes to pay as we go, authorise enough controls to halt inflation, or draft enough soldiers to make the country safe."

It was into this situation, which was developing so inexorably in the direction which suited them, that the Republicans threw General MacArthur, who would, they hoped, be able to administer the final blow to the groggy Administration. For a few days the Democrats behaved as if they had been hit by a blunt instrument; but first one—and the honour of being first belongs to Senator Kerr of Oklahoma, a state where such courage was unlikely to pay any political dividends—and then another began to wonder whether the General was such an unalloyed godsend to the opposition. One of the Republicans, Senator Wayne Morse, of Oregon, confirmed their judgment and told his own party that they would live to regret their impetuous challenge to the Constitution.

By the time the investigating committee began its hearings the tails of the Democrats had certainly reached the horizontal. Moreover, the Republican firebrands on the committee were weakened by the presence on it, in addition to Senator Morse, of Mr Lodge and Mr Saltonstall, both of whom were pessimistic about the value of the issue to their party. General MacArthur, though he may not have been as obsequious as Senate committees like their witnesses to be, was certainly more patient than many people had expected. But, encouraged by the chairman, Mr Russell, probably the ablest parliamentarian in the Senate, and Mr Morse, he talked rather too much. By the time he had

finished he had said everything thrice and, like the Bellman, therefore presumed that his audience would take it that "what I tell you three times is true."

It must be assumed that the General was relying on the Administration's concern for security. Probably he was confident that, although he had made public the Joint Chiefs' "study" of January 12th on his own authority, the Defence Department would keep the directive of the same date and the President's letter of January 13th locked in a safe at the Pentagon. It must have surprised him when both were produced. General Bradley began his testimony by a painfully clear analysis of the relationship of the three, and their connection with General MacArthur's own hysterical messages from Tokyo a few days earlier in January, when the tide of battle was flowing strongly against the United Nations. At this point General MacArthur's Republican supporters on the committee hastily created a diversion which successfully wasted two days in legal argument and postponed the rest of General Bradley's story for a week. Senator Wiley cried "whitewash," as Senator Fulbright had predicted he would, when it was decided that General Bradley need not disclose confidential conversations with the President, and the MacArthurites' chief spokesman in the press, Mr David Lawrence, went into a tantrum and started to bite the rug which had been pulled out from under their feet.

*

Before General Marshall, the Secretary of Defence, had been testifying for long, many of those around the country who had wanted to impeach Mr Truman a couple of weeks earlier had retreated to prepared positions. "MacArthur had to go, of course," they were saying, "but it was disgraceful the way it was done." Senator Wiley and Senator Alexander Smith became the spokesmen for this group, who concentrated on the circumstances of the dismissal and ignored, as far as possible, the policies which the General had been advocating. They did not, however, miss the opportunity to resurrect the details of American policy in China at the end of the war, which in no way concerned General MacArthur but did concern General Marshall, who had to defend his mission in 1945 and 1946 all over again. They found nothing new.

While all this was going on Mr Donald Dawson, one of the President's staff, quietly went, after six weeks' urging, before the committee investigating the Reconstruction Finance Corporation, the great government lending agency. It had accused him of something less than prudence in his

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relationship with the RFC; as Senator Fulbright said, Mr Dawson admitted all the facts and denied all the conclusions from them. His appearance, which would have collected every television camera in the United States six weeks ago, hardly caused a ripple. There were more exciting things abroad than mink coats. And, to plead the Administration's foreign and military policies, there were General Marshall and General Bradley and others like them to come—men who were above reproach and who gradually began to seem more genuinely American than the imperial figure issuing peremptory communiques from the "Little Pentagon" high up in the Waldorf-Astoria Hotel.

*

There are many Democrats who, once they had recovered from the shock of victory in November, 1948, began to regret it. Much good might have been done, they felt, by a cleansing period in opposition for their own party, and a sobering period in power for the Republicans. They feared that their unexpected triumph would, in the end, prove as costly as Mr Hoover's victory in 1928. For the last ten years, they argued, Democratic Presidents had had responsibility without, except during the war years, any real power. The Congressional coalition of Republicans and conservative Southern Democrats had seen to that. And until the Democrats had been defeated and the country had had a chance to see what the Taft-Wherry wing of the Republicans could do to Mr Dewey—or any progressive Republican President—there was no chance of the Democrats winning a sufficient majority to be independent of the South. Even Mr Roosevelt enjoyed such independence for only six of his twelve years in office.

Watching the recent deterioration of party morale, these Democrats had accepted defeat next year without too much misgiving. But some strange demon is loose among the right wing of the opposition who are not content to leave foreign affairs alone and concentrate their attacks on the more squalid aspects of the Administration's record. It sometimes seems that they are more interested in defeating the influence of Mr Willkie, Mr Dewey and Senator Vandenberg within their own party than in winning the election. They cannot forgive the delegates at the last three conventions for nominating the kind of men they did or the country for accepting Mr Vandenberg as a statesman and forgetting their claims. So they must fight against the policy of putting Europe before Asia within the party and then carry the issue to the country next year. They have chosen one of the few issues on which, even now, the country seems overwhelmingly behind Mr Truman.

For men committed to such a policy, the beatification of General Douglas MacArthur was entirely natural; there was no other patron saint suitable for the "Formosa-Firsters." They chose him without thought for the future—and a few days after the Gallup Poll had shown that a majority of both parties wanted General Eisenhower as the next President. As they would probably rather lose with Senator Taft than win with General Eisenhower, this indication of popular sentiment no doubt worried them not at all. If things go on as they are now going, General MacArthur may well be, by July, 1952, when the Republican Convention is held, more of a memory than an asset. By then, too, General Eisenhower may be more of a Democrat than a Republican—if the Republicans go on as they are now going. They have a reputation for being able to snatch defeat from the jaws of victory. It will not be easy for them in 1952; but nobody can deny that they are doing their best.

Natural Gas Moves Out

[FROM A CORRESPONDENT IN TEXAS]

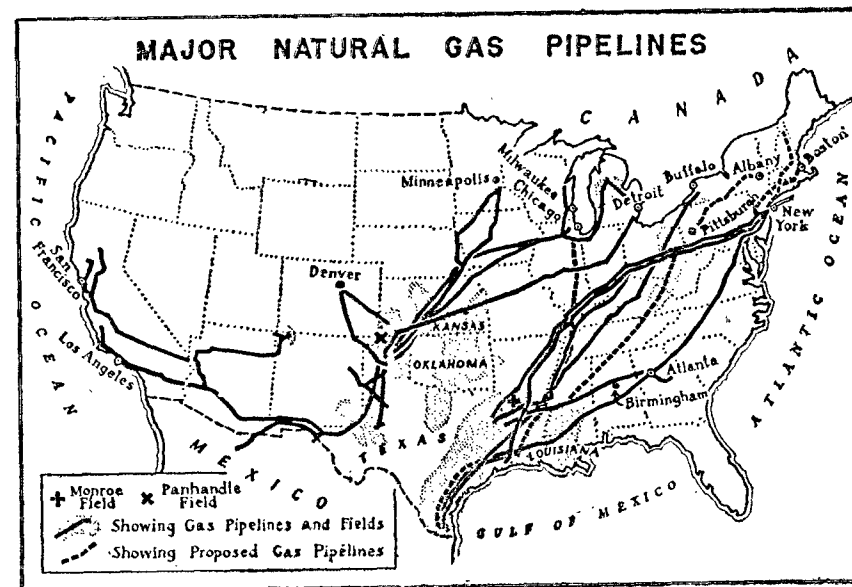
UNTIL a few years ago, Texas and several other south-western and midcontinental states had such a prodigious supply of natural gas that the people of the area refused to take seriously occasional warnings that this easily exploited, highly desirable fuel might soon be exhausted. But with the building of high-pressure pipelines and the increasing export of gas from the region, the question has become a lively political issue. Texas alone has 51 per cent of the known natural gas reserves of the United States, 102 million-million cubic feet out of approximately 200 million-million in the entire country. In Texas and three other south-western and midcontinental states—Louisiana, Oklahoma and Kansas—about three-fourths of the nation's known reserves are found.

Natural gas first came into general use in the Appalachian region, centring round Pittsburgh, in the latter part of the last century, but supplies there were insufficient for more than local use. Beginning with the early part of the present century, discoveries of large gas reserves in Texas and other south-western states, in connection with petroleum exploration, provided a great new supply of the fuel, but a long way from a market with any considerable consuming capacity. As a result, this finest of all fuels became "dirt cheap" in Texas and there was enormous waste of the gas which came out of the ground with the oil.

In 1925, however, a large interstate pipeline was constructed out of the Monroe field in Louisiana. Shortly afterwards several lines were built from the Panhandle field in Texas. This was made possible by the discovery of new processes in pipeline construction and high-pressure pumping, making long-distance transportation of gas feasible. In a few years natural gas from Texas, Louisiana and Oklahoma was going to such widely scattered places as Denver in Colorado, Minneapolis in Minnesota, Chicago in Illinois, Birmingham in Alabama, and some cities in Northern Mexico. The depression of the nineteen-thirties, and then the war, restricted what was still a new field for business venture. But once the war was over the boom in pipeline building was soon in full swing again.

The first big postwar development was a pipeline from the Texas coastal fields to the Pittsburgh area. Shortly afterwards the two transcontinental pipelines, constructed under government sponsorship during the war to take oil and petrol from Texas to the Atlantic seaboard, in order to free the coastwise tankers for other duties, were converted to carry natural gas. Other lines were laid to the northern states from Texas, and later the West Texas field was tapped by a big line across the Rockies to the Pacific coast.

In 1945 Texas was exporting 420 billion cubic feet of natural gas; when the figure for 1950 is available it will probably be close to 2 million million. Last year the interstate firms took about 52 per cent of all the Texas gas sold to pipeline companies, and the percentage will be much larger in 1951. The rest goes to firms serving consumers within the state, or is used for drilling, pumping and other purposes in the oilfields themselves. Natural gas is now going from Texas fields to more than thirty other states and to Mexico, and is available to over 34 million people, from San Francisco to New York. While there has been some increase in pipeline building from fields in Louisiana, Oklahoma and Kansas, by far the greatest part of this development has been out of Texas.



South-westerners have now woken up to the possibility that their supply of natural gas may be exhausted in the not-too-distant future. Texans are especially concerned because their State has relatively poor resources of industrial fuel apart from natural gas and, of course, the petroleum which is in such demand for both petrol and fuel oil that the possibilities of using it for industry in the future are limited. Texas has a positive as well as a negative reason for its concern. Between the two most recent censuses of manufacturing, in 1939 and 1947, the output of the State's industries, measured by actual physical volume, increased as much as in its entire preceding history. The principal reason for this phenomenal growth, which has changed the State's whole economic status, was the availability of natural gas. In particular, the great chemical industries along the Gulf coast are based on gas which is not only highly adaptable as a fuel, but also has been used increasingly as a raw material.

But domestic consumers of gas are willing to pay much more for it than industry can afford to pay. And there are enough domestic fuel consumers in the United States to take the entire Texas supply of natural gas—and possibly to use it all up in the space of a few decades. Just how long that supply will last is problematical. New discoveries have brought about an increase in calculated reserves since the war, but the rate of consumption is increasing much more rapidly. Even though the Texas fields may have a fairly long life still ahead of them, the period during which their output can be sold at a price low enough to be economic for industry will be short, unless something is done to discourage the present growth in exports to other States. Gas that was selling at the well at an average of 3½ cents a thousand cubic feet four years ago has advanced to an average of 6.5 cents and some contracts are already being made at 8 or 10 cents. Furthermore, some of the local Texas companies are even now having difficulty in finding reserves that have not been pre-empted by the interstate companies.

There is, however, another side to the argument. Gas at 3½ cents a thousand cubic feet at the well was selling at a B.t.u. equivalent of about 55 or 60 cents a ton for bituminous coal at the mine. For this reason, the owners of natural gas reserves do not look at the matter in the same way as do other Texans. Advocates of the interstate pipelines also call attention to the fact that, even though the waste of gas has been, and continues to be, cut down, 500 million cubic feet a day are being "flared" in Texas alone. This burning

of gas at the wells makes a deep impression upon those who see, or hear about, it without appreciating the technical and economic difficulties of conserving gas when it is produced in conjunction with oil.

The big pipeline builders (and the consumers of the north and east) contend that since the south-west has three-fourths of the reserves of this fine fuel, it should share it with the rest of the country for the sake of a sound national economy. In answer to this, south-westerners point out that most of the gas is going to a region that has enough coal in reserve for the next 2,000 years, while they have only twenty-five or fifty years' reserve of gas, and no other fuel to fall back on. Public opinion in general in the south-west is overwhelmingly in favour of some steps to stop, or lessen, this export of natural gas, but there is sufficient pressure from owners of gas reserves,

looking to a higher price, to deter the authorities from taking decisive action actually to discourage these exports. The Texas Legislature has a Bill before it at present which would approximately triple the severance tax of a little more than 5 per cent of the value of gas at the well. But such a Bill would have to apply to both resident and out-of-state consumers, in order to stand up in the courts, because of the provision in the Federal Constitution against obstructing interstate commerce.

So far, therefore, the pipeline companies have been winning hands down. Some of the south-western people console themselves with the hope that atomic energy for industrial use will come to their rescue before the natural gas is all gone. And others suggest, with a wry smile, that, after Texas gas is exhausted, the people at the other end of the pipelines might utilise their coal reserves to manufacture artificial gas and pump it in reverse direction to consumers in the south-west.

American Notes

Trading with Communists

Congress, remembering with pride how the United Nations took its advice and branded Communist China as an aggressor, returned to its role of governance to the world last week. Both Houses raced to urge the United Nations Assembly to approve the resolution, put before it by its Additional Measures Committee, calling for an embargo on the shipment to Communist China and North Korea of arms and war materials. The Assembly had in fact no intention of rejecting the resolution, having been gradually led up to it by the patient work of Mr Ernest Gross, the US delegate. It may not be long before Congress is urging the United Nations to follow America's good example a step further and to stop exports of all kinds to Communist China, a move which Mr Gross also seems to favour.

Meanwhile, however, on another part of Capitol Hill, a Senate Committee had discovered that the United States and those who have been selling "things to the enemy to kill American boys" are very alike under the skin. For it found that Japan had been trading with the mainland of China while being administered by General MacArthur, whose ill-informed condemnation of Britain for doing the same thing through Hongkong is largely responsible for the present American interest in the whole question of exports to China. Perhaps more embarrassing, the committee also found that Western Germany, which is not only receiving Marshall aid but has its foreign trade supervised by the occupying authorities, has been steadily, although illegally, increasing

its exports of goods of actual military importance to "the Soviet orbit."

Steps are now being taken to deny Marshall dollars to any German firm which breaks the law in this way. But in practice it is difficult, if not impossible, to control such trade, especially when it is carried on through third countries. Other governments who are more experienced in these matters than the German and have more easily watched frontiers may find it less hard to comply with the wishes of Congress. It has just made these clear by sending a supplemental appropriations Bill to the President with a rider that prohibits economic assistance to countries that knowingly permit the export of strategic materials to the Soviet Union or its satellites in Europe and the Far East. Exceptions can be made by the National Security Council, but under conditions very much stricter than those which governed last year's similar Cannon amendment. Not all members of Congress will wish this ban to be enforced literally; some of them appreciate that, even if this could be done effectively, it would mean the loss of reciprocal imports from behind the iron curtain that are important to the democratic defence effort. But that they did not object when Congress decided to act like a maiden aunt, cutting her allies out of her will, is evidence of how general is American dissatisfaction with the behaviour of those allies.

* * *

Beef by the Horns

Since he came to Washington a few months ago, Mr DiSalle, the Price Administrator, has been winning all the prizes in the Congressional round-ups. But now he has come to the championship rodeo and must ride and throw the herd of cattlemen who have thundered into Washington to gore both him and his whole price control programme to death. Congressmen know how sharp the meat lobby's horns can be and remember how it trampled price control underfoot—and helped the Republicans to victory—in 1946. Those



Herblock in the Washington Post

who come from farm districts are naturally cheering for the cattlemen, while even Mr DiSalle's urban supporters seem to have quailed before the fierceness of the stampede.

It was set off by the new scheme for "rolling back" the price of the beef which makes up nearly half of the average American's meat consumption of 145 pounds a year. Since he spends about one-seventh of his food budget on beef, and since beef prices have risen faster and farther than anything else since Korea, a check for beef prices seems to be the master key to control of the cost of living. The first turn, which came into effect this week, was a 10 per cent cut in the amounts which slaughterers may pay for beef cattle. Further cuts of 4½ per cent each time are to be made in August and October and these should bring a drop of about 10 cents a pound in the average retail price of beef.

The speculative nature of the cattle industry, coupled with the fact that cattle feeders have already bought for fattening the steers that will be going to market after the "roll-back," means that Mr DiSalle's policy will cause some losses—losses that most cattlemen can well afford. But to hold back the record number of steers that are ready for market, as they threaten, and indeed appear to have begun, to do, would cause greater losses. These the cattlemen may, however, be prepared to take in the hope that if the pressure of consumers unable to buy beef is added to their own, Congress may refuse to renew Mr DiSalle's authority. Over the longer term it is quite possible that the combination of price controls, rising incomes and scarcity of other consumer goods may bring about a genuine shortage of meat, especially if this year's feed crops are poor.

Mr DiSalle believes that he has forestalled black markets by his licences and quotas for slaughterers, which are to be enforced with vigour. Price evasions at the wholesale and retail levels will be made more difficult by the specific regulations which have replaced the original ceilings that differed for every establishment. Now definite prices have been fixed, although this hardly brings uniformity, since they vary according to region, kind of shop, grade of beef and type of cut. There are about 40 of the latter, but they are "Chicago cuts," which do not allow for the "steamship roasts" and "tenderloin steaks" that sophisticated New Yorkers expect.

* * *

Economy Kills Two Birds

The Administration is said to be concerned at the snail's pace at which Congress is setting to work, compared even with the "do-nothing" sessions of 1947 and 1948 when the Republicans were in control. Only four Bills of any national importance have been passed in five weeks, but hardly any Congress rolls up much of a score so early, and the Administration itself is not entirely without blame. Its foreign aid Bill, the most controversial of the year, is only starting on its way this week. From the Administration's point of view, however, such energy as Congress has shown has been misplaced. The House has taken up with enthusiasm Mr Truman's "dare" to cut \$6 to \$9 billion from his \$71.6 billion budget; last year, he reminded them tartly, a similar economy drive came to nothing more than an order to the President to pare \$500 million from expenditures.

But this year the Republicans have a new strength, and the defence emergency and the size of the defence budget to stiffen their determination. So far, the House has pared nearly \$1 billion from five of the eleven major appropriation Bills; it has covered about a quarter of the budget (Mr Taber, chairman of the Appropriations Committee, put the total at \$4.9 billion, but only by setting to the credit of Congress Mr Truman's decision to ask some \$3.5 billion less for a supplementary military appropriation than had been expected.)

For many conservatives, the cuts are doubly satisfactory, for the economies, in great part, have been made at the

expense of public housing (\$400 million) and public electricity projects, including the transmission lines to take the electricity from the federal dams to the consumer. The Republicans forget, perhaps, that similar power cuts in 1947 aroused such indignation in the West that, even when they had been rescinded, President Truman was able to carry all the reclamation states on this issue. Senator Douglas, whose enthusiasm for economy is the equal of any Republican's, although he is a Democrat and a progressive, has different prescriptions to offer: squeezing the water out of the notorious rivers and harbours appropriations, drying up the extravagant streams of federal money being spent on reclaiming semi-arid land, and forcing users of the mails to pay their way.

Civil domestic spending, at \$9.8 billion, is at a peak, but really substantial economies can only be made if legislators can put their fingers on waste in the defence budget—something even Senator Douglas concedes is hard to do. Moreover, the enthusiasm for economy—false or real—cannot overcome the fact that nearly half this year's spending is already provided for under earlier laws; it is untouchable unless Congress takes the Draconian advice of the Committee on Federal Tax Policy and suspends all such laws, starting with a clean slate. And then additional drastic measures would be needed, such as cutting off the farm price support programme and transferring all social services to the states—a most retrograde step. Unless deep cuts are made in foreign aid, the prospect, whatever the economists do, is still for a deficit of at least \$3 or \$4 billion next year.

* * *

Wage Escalators for All?

The reconstituted Wage Stabilisation Board, back at work after two months in limbo, has begun to relax the 10 per cent limit on wage increases which provoked the trade unions' walk-out in February. Most of the 1,200 cases which have accumulated involve requests by employers as well as workers, for permission to raise wages above the general ceiling. The first to be granted is that of the meat packers, who may now pay their workers 14 per cent more than they did in January, 1950. The public and labour members of the board, with the representatives of industry vigorously dissenting, argued that cost-of-living increases could not be denied simply because the parties had not provided for their formal inclusion in a contract. The old board had approved so-called escalator clauses, which relate wages to the rise or fall in the cost of living, even though they resulted in increases of more than 10 per cent.

Once the principle of "escalation" has been extended to unions whose contracts provide merely for reopening, and not for automatic wage adjustments, it is difficult to see where the line can be drawn. The new chairman of the board, Mr Taylor, believes that wage control must be flexible (in an upward direction) and he is expected to take a liberal view of other problems of wage stabilisation. For example, is it permissible for the automobile workers to receive the automatic increase due them next month for increased productivity? To obtain it they gave up their right to object to technological innovations. Fringe concessions—holidays, pensions, benefits—also may be exempted from the 10 per cent limit, as they were under the wartime wage limit formula. And there are other means of tempering the freeze. Labour members of the board are particularly anxious to establish these exemptions quickly, in case wage controls are tightened when the Defence Production Act is extended next month.

Industry suspects that the board is about to let down all the bars to a rush of wage increases and even in more disinterested quarters there are fears that the sixth round of wage rises since the war is imminent. Other members of the board, however, have hopes that in the short run, at

least, it can give the unions the inevitable inch without their taking an ell. The rise in the cost of living slowed down in February and March and the figure for April, about to be published, is likely to reassure those who feel that, with prices levelling off, prospects are good for maintaining a slightly higher ceiling on wage increases. In the long run, of course, the real responsibility lies with the Price Administrator—and Congress—for few believe that wages can be held down if prices are not.

Shorter Notes

Admiral Nimitz and the other members of the President's Commission on Internal Security, who were appointed in January, have resigned without ever starting work, because the Senate Judiciary Committee has refused to exempt them from the "conflict-of-interest" laws, which prevent federal employees from engaging in business with the government. Mr Truman, however, is giving the committee one more chance to exempt the members before he accepts their resignations, since it seems to him that Congress should be as anxious as he is to make sure that there are no Communists or other subversives in government employment.

*

Mr John Kee, who was chairman of the House Foreign Affairs Committee from the beginning of 1949 until his sudden death last week, will be succeeded by Mr James Richards of South Carolina. It is to be hoped that he will prove to be as able and effective a chairman as Mr Kee, who was also little known when he took office. Mr Richards led last year's attempt to cut military aid for Europe in half, but there is no reason to suppose that he will do the same this year, for he has usually been a reliable, although not blind, follower of the Administration's foreign policy.



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THE WORLD OVERSEAS

The Schuman Plan Treaty

AFTER nearly a year of ceaseless negotiation the Treaty which will provide the working basis for the Schuman Plan is completed and takes its place as one of the most remarkable documents yet produced in a world driven by anxiety to seek security in closer international association. The primary impetus for the Schuman Plan came, it is true, from the desire to anchor Germany firmly to the west; but an examination of the finished Treaty reveals also that it is potentially an economic and political experiment of very great scope. For all the taunts of the critics, who have greeted it as simply a greater cartel, nothing quite like the Plan has ever been seen or tried before.

Briefly, the aim of the six member nations (France, Germany, Belgium, Luxembourg, Holland and Italy) is to pool their coal and steel industries by eliminating among themselves all barriers to the free flow of coal and steel, and thus to establish a "single market." The purpose behind the creation of the single market—as expressed in Articles 1-5 of the Treaty—is to prevent restrictive practices, to give all consumers equal access to raw materials and goods produced within the area, to promote the rational development of resources and to stimulate expansion and modernisation of plant.

The remaining 90 Articles of the Treaty (there are also annexes and a special Convention) describe, often in bewildering detail, the machinery for translating these objectives into practice. Some observers claim that in the process idealistic principles have become buried in a mass of exceptions to them, others that the High Authority has acquired alarmingly wide powers—an indication that the final result is an ingenious three-cornered compromise between the governments, clinging jealously to their sovereign rights; cautious industrialists seeking refuge from competition in familiar and private devices for protecting themselves; and M. Monnet himself, the presiding genius of the Plan, determined throughout that the High Authority should retain enough powers to prevent the growth of special interests within the area.

Duration of Plan

The Treaty is to operate for fifty years. Approximately the first six months of its life is to be a "preparatory period" at the end of which a single market in coal, iron ore and scrap will come into being; two months later steel will follow. During this period the various institutions named in the Treaty will be set up and negotiations will be carried out first with Britain to explore the ways of associating it with the Schuman Plan and also with the signatories of the General Agreement or Tariffs and Trade (GATT) and OEEC to secure for the Plan the necessary exemption from the most-favoured-nations principle embodied in both these organisations.

After the single market is created, five years—known as the transition period—will elapse. At the end of this time, the intention is to wipe out most of the subsidies and special aids specifically agreed in the Treaty as measures needed to help the weaker members of the Community to adapt themselves to the rigours of the single market.

Institutions

The High Authority: This is the body chiefly responsible for carrying out the provisions of the Treaty. It will consist

of nine members, all nationals of the member countries. Eight will be nominated unanimously by the six governments, the ninth will be selected by the other eight. Voting within the High Authority will be by majority. The High Authority can procure funds by putting levies on the production of coal and steel (not to exceed one per cent) and by borrowing. It may also receive grants.

How far the High Authority possesses genuinely "supra-national" powers is hard to judge before the apparatus is set in motion. However, it appears to have virtually unlimited powers in three fields: (1) gathering information, for which it is to receive the same facilities as the tax officials of the six countries, (2) preventing the growth of private cartels, and (3) prohibiting and breaking up mergers which violate the non-discriminatory aims of the Treaty. Considerable powers are also granted to it for dealing with periods of shortage or of glut, for regulating prices and for supervising trade within the area. There is scarcely a field into which it cannot at least direct its inquiries.

Council of Ministers: This body is the link between governments and the High Authority and will consist of one representative from each of the six governments. A very complicated system of checks and balances governs relations between these two bodies. Measures taken by the High Authority often require the approval of the Council, and case by case the Treaty specifies when this approval shall be by two-thirds majority, when by unanimous vote and when by a "qualified majority" (one in which either France or Germany is among the majority voices). Generally speaking, the two domains in which governments, through the Council, have reserved the greatest powers for themselves are the development of industry and the regulation of foreign trade.

The Assembly: Individual governments may choose whether their representatives to the Assembly shall be elected by national vote or appointed by parliaments. It is to meet once a year and discuss a general report provided by the High Authority; it is empowered to force the resignation of the High Authority by a two-thirds vote. Germany, France and Italy are each to have 18 delegates to the Assembly, Belgium and Holland 10 each and Luxembourg 4.

Court: This is to be composed of seven judges appointed for six years by agreement among the governments. Appeals may be lodged with it by a member state, the Council, individual concerns or the High Authority. Its proceedings will be public and it will sit in continuous session.

The Court has responsibility for enforcing the Treaty both positively and negatively; if, for example, the High Authority has failed to take action which the Treaty permits or requires of it, any state or firm may appeal to the Court. One noteworthy feature of the constitution is that, in all matters which come under the jurisdiction of the Treaty, the Court is the final tribunal, even where the disputes are between nationals of the same country.

Consultative Committee: This will consist of from 30 to 51 members, with producers, workers and consumers represented in equal numbers. The members are to be appointed by the Council and are to be consulted chiefly on questions of production programmes and "readaptation"—the process of enabling industry to stand up to competition and creating new jobs for men thrown out of work.

Commercial Policy

One of the most significant provisions of the treaty—so far as the neighbours of the Schuman countries are concerned—is the section on trade relations with third countries. It is intended that, at latest by the end of the five-year transition period, all six will adopt a uniform tariff in coal and steel *vis-à-vis* non-member countries; the eventual level will be close to that of the low-tariff Benelux countries. The five-year leeway is given to higher tariff countries like France and Germany for the express purpose of strengthening their bargaining power with third countries, i.e., Britain. Their tariffs will be lowered before the transition period ends if similar concessions can be won from Britain; if not, in order to ensure that British steel does not slip into their markets through the low-tariff Benelux countries, the latter have agreed to charge higher duties on all imports over and above the amount usually consumed by themselves.

Negotiations will also have to be conducted with GATT and OEEC, since what amounts to a customs union in coal and steel runs counter to the most-favoured-nation clause of GATT and also to the non-discrimination agreement in the trade liberalisation programme of OEEC. Exemptions for the Schuman Plan will be sought on both scores.

All of these negotiations will be conducted by the High Authority, acting on instructions to be adopted unanimously by the Council.

Shortage and Surplus

Closely allied to commercial relations are the provisions which govern policy in times of threatened boom or bust. During a period of short supply the Council, acting unanimously and on the basis of proposals from the Authority, will allocate supplies of coal and steel between member states and also between the various sections of the coal and steel industries themselves, other consumers, and exports. Failing a unanimous Council agreement, the High Authority is given less sweeping powers in the same field. It will allocate as between states but must consult with individual governments over what proportions shall be assigned to exports and to internal consumers. The amounts of raw materials agreed on for the coal and steel industries themselves shall then be distributed among the separate concerns by the High Authority. With a "qualified majority" vote from the Council, the High Authority may also set up restrictions on exports to third countries. It can impose fines for any violations.

It is this article of the Treaty which the Schuman nations propose as a substitute for the Ruhr Authority, the six-Power group which now decides how much coal Germany shall export.

If, on the other hand, there is a decline in demand, a unanimous Council can order the High Authority to set up a system of quotas. After consulting with the industries concerned, the Authority "shall establish quotas on an equitable basis in accordance with" the non-discriminatory principles of the Plan. It may "regulate the rate of operation of the enterprises by appropriate levies on tonnages exceeding a reference level defined by a general decision. The sums thus obtained will be earmarked for the support of those enterprises whose production rate has dropped below the level envisaged, particularly to ensure . . . the maintenance of employment . . ." The High Authority will impose fines for violation.

If, in such a period of surplus, imports inflict serious damage on production within the Schuman area, quantitative restrictions may be used with the authorisation of the Authority backed by a qualified majority of the Council.

Cartels and Mergers

The restriction on private cartels and mergers are the provisions of the plan which led to prolonged negotiation

between the German Government and the Allied High Commission, since their object was much the same as that of Law 27—to decartelize and deconcentrate industry, especially that of the Ruhr. Article 60 forbids all private agreements within the industry where the object is (1) to fix prices, (2) to restrict production, or (3) to allocate markets or sources of supply. Heavy fines will be imposed for violation. Joint buying and selling agreements may be authorised by the High Authority—providing that they promote better marketing and production, and that the industries involved do not control "an appreciable part of the products in question." Only the Court has power to set aside a decision of the High Authority on the cartel issue.

Mergers of any kind will require the authorisation of the High Authority, which will grant permission only if the merged concern will not be so large as to violate any of the three principles noted above. In case of violations the High Authority may order the separation of such industries or assets or impose fines; it may also appoint a receiver-administrator for the assets in question and organise a forced sale. Appeals against such decisions can be made to the Court.

Prices and Transport Charges

The price scheme for coal and steel envisaged in the treaty appears to boil down to a modified "multiple basing point" system. This will allow producers to absorb freight charges and thus to compete in the markets of fellow members. However, a number of safeguards are ready to hand in case anyone gets badly hurt. No producer is permitted to cut prices simply in order to acquire a monopoly position, and it is also plain that the High Authority, in consultation with both the Consultative Committee and the Council, will exercise large regulatory powers. In periods of shortage, for example, it may fix maximum prices and where a "manifest crisis" exists it may establish minimum prices.

Price scales and conditions of sale are to be made public by all concerns. It will also be necessary to suppress all discrimination among the members in transport charges for coal and steel. The same rate scales must be applied to traffic with other member countries as prevail for internal transport.

Investment and Production

The High Authority will carry on a permanent study of markets and price tendencies, and all concerns and associations will provide it with information needed for this purpose. If, however, it divulges any data considered to be a professional secret (i.e., costs of production), the Authority may be sued for damages before the Court.

To "encourage co-ordinated development" the Authority may order all concerns to submit their investment programmes in advance and will publicly issue its opinion of the programmes. It can forbid any firm from using funds other than its own, if the investment requires subsidies or other discriminatory and protective measures.

The Authority may also grant loans or give its guarantee to loans raised elsewhere in order to aid in carrying out investment programmes. For these purposes the Authority may float loans on the markets of member states. When the introduction of new equipment, etc. throws men out of work it can create new jobs by financing investment programmes in the coal and steel industries or, with a "qualified majority" from the Council in any "new and economically sound activities."

During such periods of "readaptation," the High Authority will use the funds derived from its levy on production to pay unemployment indemnities and to finance retraining schemes for workers. These are non-reimbursable.

Special and Temporary Exceptions

During the transition period the High Authority can mitigate the effects of "sudden and harmful" threats to coal production in two ways—by using its regulatory powers over price and by authorising the creation of national compensation funds.

In addition, three very obvious uneconomic units in the area have been singled out for special treatment. Apart from the quantities used by the Belgian steel industry, Belgian coal will be left out of the single market for the five-year transition period; the Government will be allowed to maintain or establish, under the control of the High Authority, duties on coal imports from the rest of the area. A "peréquation levy" per ton of coal sold will be imposed on the more economic mines of the area (chiefly German) which will fall gradually at the rate of one-fifth a year. An equal sum will be furnished by the Belgian Government. The proceeds will be used to help modernise, shift and shut down production within Belgium; to lower the price of coal consumed by the Belgian steel industry to the average level paid throughout the single market; and to reduce the price of Belgian coal exports within the area. Belgian mines will not have to close down each year at a rate of more than three per cent of total annual production.

Similar provision is made for certain Italian and French coal mines; the uneconomic French mines will not be required to shut down at a rate of more than one million tons a year.

Numerous protective measures may also be sanctioned for the steel industry during the five-year transition period. They will be authorised in cases where, given more time, an industry is capable of adapting to competition or where the costs of unemployment would be greater than the funds allocated for the purpose. Under these conditions the High Authority can limit shipments from one region to another within the area; acting with a qualified majority from the Council it can also establish production quotas.

In particular the Italian steel industry can maintain customs duties on steel imports from the rest of the area, gradually reducing the duties throughout the five-year period.

Migration

There will be no restrictions on the movement between the six countries of coal and steel workers of "proven qualifications." A definition of these qualifications will be worked out by member nations.

Ireland in Search of an Issue

[FROM OUR DUBLIN CORRESPONDENT]

A PARLIAMENTARY dissolution usually succeeds in creating some issue on which the subsequent campaign may be fought. Nothing of the sort seems to have happened in the Irish General Election which, so far at least, must rank as the duller of modern times. There are still a few days to go before polling on May 30th, but it seems that the interest of the electorate in the proceedings will be of about the same degree, and of much the same kind, as its interest in that day's Derby.

The events preceding the dissolution are worthy of recall if only to illustrate the complicated character of Irish politics at present. Since the previous General Election of February, 1948, Mr Costello's government has held office with the support of its constituent parties—*Fine Gael* (of which Mr Costello is a member), Mr McBride's *Clann na Poblactha*, the Labour Party, and the Farmers' Party—and of the independent deputies in the *Dail*. Its survival for so long belied expectations, particularly the expectations of Mr de Valera's *Fianna Fail*, which after sixteen years of

office had come to regard an alternative administration as an impossibility. Nevertheless, the inter-party government showed no signs of instability until about six months ago. The rise in the cost of living and a number of minor disputes gave it an unhappy winter before the controversy over the mother and child welfare proposals gravely damaged its cohesion by destroying the unity of Mr McBride's party.

These proposals arose out of the implementation of the Health Act of 1947, which now appears as a kind of time-bomb left behind by the outgoing *Fianna Fail* government. The powers given to the state by this measure awakened alarm among a number of interests; among the doctors, who feared that their professional status would be destroyed, and among the Catholic hierarchy, who objected on the ground that state intervention would be pushed too far. When the new administration took office the Department of Health was given to Dr Browne, a member of Mr McBride's party. It is clear that his instructions were to prepare a scheme for mother and child welfare and to obtain the approval of the hierarchy to its principles and of the doctors to its practice. It also seems clear that, as regards the hierarchy, Dr Browne persuaded himself that he had obtained approval when in fact no approval had been given; while the doctors' fears were increased rather than allayed by what they heard of the draft scheme. It was probably felt in other sections of the government that a scheme on the scale contemplated by Dr Browne would be too costly for the community and would lead to too great an extension of administrative powers. These fears eventually came to a head. Dr Browne resigned and published the correspondence which had taken place between himself, Mr Costello and the hierarchy.

Objections to Welfare Plan

Although attention has been focused on the relationship of Church and State, Dr Browne's proposals would probably have been unacceptable on technical grounds had there been no episcopal intervention whatever. No one can be happy about the level of infantile mortality (though there has been a welcome decrease in recent years), but it seems that the main problem lies where the growth of population has outstripped the health services. A less ambitious scheme might well be as effective, and would not involve any extension of administrative power or the question of whether a means test should or should not be applied. A means test in Ireland has not the same connotation that it has had in Britain; and universal schemes that dispense with it are regarded with suspicion in many quarters here. In the circumstances, the intervention of the hierarchy powerfully reinforced objections which would have been decisive without it.

All this might have provided an electoral issue. But, on the contrary, very little has been said about it, principally because the hierarchy have in a way only voiced the general distrust, which appears to be shared by members of other churches here, of schemes which extend the functions of the state into family life. Dr Browne resigned from *Clann na Poblactha* after a blistering letter to Mr McBride, and now stands as an Independent candidate. The other parties have had remarkably little to talk about, and the campaign has been summarised by the opposing posters of "Put them in" and "Keep them out." In a sense, all parties are campaigning in an unfamiliar terrain. The landmark of the Republic which dominated so many electoral battles in the past has disappeared. Problems of defence have hardly been mentioned. Some drawbacks of Partition have now, it seems, been discussed by Unionist back-benchers in Belfast, and no candidate for the *Dail* wishes to intervene in their discussions. The issue boils down to whether the inter-party experiment is to be continued or whether a return should be made to single party government.

In a deeper sense, this absence of issues is symptomatic of the present state of Irish politics. Nothing in particular divides *Fianna Fail* and *Fine Gael*, the heirs of the *Sinn*

Fein movement—apart that is, from the personality of Mr de Valera. In a general way *Fine Gael* has been supported in the past by the professional classes and by the farmers. Equally generally, *Fianna Fail* has close connections with the new industrialists and it is popularly associated with the practice of government by ministerial orders which became necessary during the war. It has also espoused the cause of strict financing. There is a sense in which *Fianna Fail* has become the conservative, certainly the authoritarian, party while *Fine Gael* has sidestepped to the left and has regained a long-lost liberty of action. But "right" and "left" are only comparative terms in Irish politics. What is more important is that *Fianna Fail* depends on Mr de Valera's personality; and his rejection now would be a very heavy blow. The Labour party has benefited by the coalition; but it is handicapped by an undercurrent of distrust among the farmers and at least some city-dwellers who have suffered from disputes between rival trade unions. *Clann na Poblactha*, apart from Dr Browne's defection, is suffering the fate of all parties whose policy has been achieved. It came in to procure the Republic, and now that the Republic is there, it has some difficulty in explaining its own continued existence.

Mr de Valera must gain the initiative in order to return. So far it does not seem that he has created a sufficient reaction against the government. On the other hand, a number of inter-party seats appear to be vulnerable. A gain of eight seats would give Mr de Valera power; but such a gain would be a considerable achievement under proportional representation. A great deal may depend on the number and the personalities of the Independent candidates who may be elected. The dissolution was finally precipitated by a revolt of some Independents; and it seems probable that their power will be continued into the next *Dail*, whose expectation of life will not be improved thereby. If the inter-party government remains in office, the next couple of years may witness many changes in the Irish political parties.

Death in Bihar

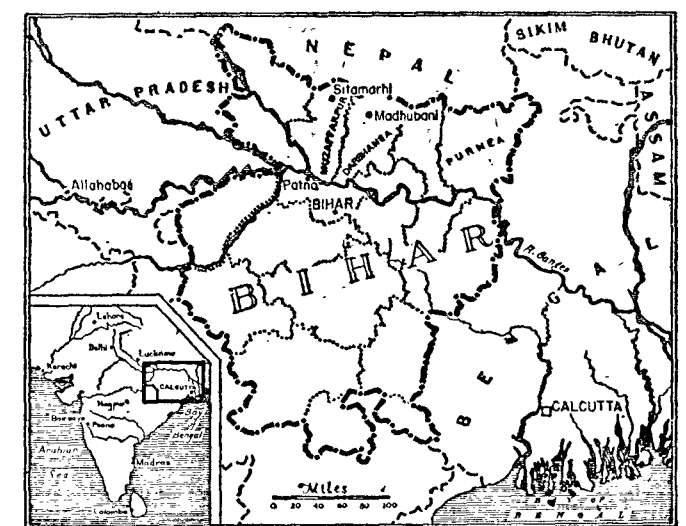
[FROM OUR CORRESPONDENT IN INDIA]

BIHAR is on the brink of famine. In a land where subsoil is just beneath the surface, where thousands of rivers and rivulets keep geography fluid, alluvial loam makes Bihar the richest province in India as far as soil fertility is concerned. Yet a flood and a drought are endangering the lives of some 20 million people—half of Bihar's population.

In the spring of 1950 a flood washed away the maize belt of the Kosi river in Purnea district and, as the previous crop had been indifferent, the landless labourers and small cultivators starved almost at once; the government had to admit one starvation death although many more occurred. (To declare that deaths are due to famine means the enforcement of the Famine Code according to which the Government must provide food and employment for all, which it has never been able to do.) Already last year rice was 40 rupees per maund as against the rationed 19 rupees in Bombay. After the floods the total failure of the October rains affected the whole of North Bihar and parts of South Bihar; the bountiful paddy crop withered, the grain never formed and the soil was so hard that the 1951 spring crop could not be sown. Population density in North Bihar is 1,200 to the square mile and about 20 million are landless or cultivating uneconomic holdings. The average holding was already under half an acre in 1941 and there are now 4,000,000 more people according to the 1951 census, while river vagaries have reduced acreage. Further Bihar always imported 300,000 tons of rice from Nepal but the Nepalese border is closed because of the political situation and only some 40,000 tons have been smuggled out so far. It is estimated by the Bihar Government that they have lost 2,500,000 tons of food grains.

To appreciate the magnitude of the problem facing Bihar it must be remembered that Bihar, like Bengal, is a permanent settlement area with immense zamindaris and a very loose governmental control in the rural areas. Bihar not only lacks village administration, it also lacks roads and bridges. Roads are so bad that jeeps can only with luck average 8 miles per hour. Bridges are rare and uncertain, rivers are so capricious that they never flow twice in the same bed—they silt themselves out—and river crossing becomes quite impossible as soon as the rains set in. Bihar then becomes an amphibious land where river boats and elephants are the only means of locomotion except for the railways which are hopelessly inadequate and versatile in gauge.

Food must, therefore, be stored in the villages before the rains start in mid-June; later, even an air lift may not be workable. What little food the Bihar Government has been able to get from the centre—perhaps 300,000 tons—has been stocked in a comprehensive network of some 4,000 "fair price shops" which serve about 8,000,000 ration card holders. But the Government of Bihar has been too modest in its demands and too slow to raise alarm. Assam, for instance, which has no food deficit has been getting food from the centre even when Bihar got none. The stocks in Bihar are not nearly sufficient to last until after the rains—not to mention until mid-November when the autumn crop will be ready. Transport arrangements are equally



inadequate and there seems no excuse for the Government's reluctance to hand over the transport of food to the Army which has repeatedly offered to handle it; it has only accepted the loan of a few tarpaulins and asked for a few amphibious jeeps.

Unless 600,000 tons at least are rushed into North Bihar within the next few weeks and a million tons follow before the end of the year, there may be a repetition of the Bengal tragedy. The famine will not be spectacularly concentrated in the towns; everybody will not die at once. But within the next year, over the whole area, as many or more people will die of epidemics, or complications; hunger, just as death itself, is not a disease. Already conditions are very bad indeed. One of the Government's chief worries is the almost total loss of the cultivator's purchasing power; he must not only be fed, he must be given work (there has been no cultivation for a year), and pay with which to buy food.

A visible pattern is spreading over Bihar from the North to the industrial South and from the East to the West. In Muzaffarpur district people are hungry and even school teachers eat only one meal a day. There is little money and many landless labourers eat perhaps every other day; only a little rehabilitation work is done. In Sitamari district people are somewhat hungrier and thinner, while in Madhubani sub-

division whole villages, near the Nepal border, look as if they had just come out of Belsen; villagers kiss your feet and moan for food and cloth—cloth is so short that the average amount available is 4½ inches per capita. The old are withered and parched like the mud at the bottom of their dried tanks; the young look incongruously out of proportion with their infantile limbs, while the children are ricket-stricken, pot bellied and hungry eyed. People eat every other day when they can get sweet potatoes or milo—a very small grain with a rough, thick outer core which cannot be polished off since nothing would be left. In Purnea district, where the scarcity began, things are one degree worse although more food has been given for longer and jute cultivation does provide a measure of employment. There, people eat cooked jute leaves; they are not as thin as in Madhubani but they die of starvation; they suffer from diarrhoea, various pains or weaknesses, and smallpox is raging in a severe and often fatal form.

Hunger Delayed But Not Cured

To restore purchasing power the Government is moving earth on to roads out of dried tanks, and digging emergency wells. It has £4 million to spend where it needs £40 million, so that it can only give temporary employment, and when the road has progressed beyond a village its inhabitants, who ate all they earned while working, are just as badly off as before; hunger has only been delayed, not cured. After the rains the Government will be faced with numbers of grave problems, to which it does not seem to have given adequate thought. Many cultivators have eaten their seeds; very few have any grain with which to pay their labourers who are always paid in kind; plough bullocks are severely affected by the lack of fodder; the landless labourer who had no land to sell or mortgage has sold his work for months to come for a handful of rice; villagers have sold their wife's ornaments and borrow money at 70 per cent. The whole structure of the village is shaken.

The food supplied by "fair price" shops, whether on payment or on dole, varies from place to place in quantity and price. Rations are from 2½ to 8 ounces and prices from Rs. 18 to 27.8 for rice. Milo is uniformly 13 rupees per maund. The stocks are built from local procurements of Indian wheat which is good, Pakistan rice which is two years old and full of stones, Chinese rice which is worse, and American milo which is 40 per cent broken and 5 per cent dust. The outer core of milo when eaten, even ground, has such an abrasive effect that people get diarrhoea. In the case of rice eaters, who all suffer from chronic amoebic dysentery and whose stomach lining is weakened by malnutrition, the diarrhoea, which is general, is sometimes fatal. Rice eaters are bulk eaters, so that even when they get good wheat they overeat by habit and get severe gastric troubles yet still feel hungry. In Darbhanga and Purnea districts people must not only be fed, they must be nursed back to health, while all precautions against epidemics must be taken from the bleaching of wells to forcible inoculations—in one village no one got inoculated because of the inoculator's caste.

So far deaths are few, but it must be remembered that during the first six months of the Bengal famine in which 5,000,000 must have died, the death rate increased only by an imperceptible 1 per cent.

Resentment in Hongkong

[FROM OUR HONGKONG CORRESPONDENT]

HONGKONG has recently experienced a political typhoon. The vicious onslaughts made on Hongkong from America have met with rather confused and feeble answers from Whitehall. If the accused (the trading interest in Hongkong) had been able to speak for himself, he could have introduced a more accurate and factual perspective. However, in a recent public

speech the Governor of Hongkong remarked on the amount of "plain rubbish" that has been talked about the Colony; and Sir Gladwyn Jebb has described Hongkong as a show-place of democracy and a centre of legitimate trade, which is going to be maintained as such.

The prestige and reputation of the United States have suffered a cataclysmic decline in Hongkong, and perhaps in Asian opinion generally. What—think the Far Eastern peoples, who are often illiterate but rarely dull-witted—is to be thought of a power which treats Chiang Kai-shek as a better ally than Britain? Or of strategists who cannot see that Hongkong is of more value to the free world than to the Communists? In the local view, the difference between General MacArthur and the US Administration is one of degree rather than of kind. The General's is considered the more certain way to disaster, as it would throw everything into the melting pot and lead directly to world war. But from recent experience there is no confidence that the Administration's leadership will ensure the opposite results. Its continued sustenance of a discredited regime is, in local eyes, a bipartisan fallacy which compromises American policy altogether and gives Communist propaganda its main "handle" against America.

The "American embargo on Hongkong," as applied since last December, has been muddled in procedure, but the adverse effects are now becoming obvious. There is considerable unemployment in the Colony; this is fairly widely

HONGKONG'S TRADE (IN MILLIONS OF HK\$)

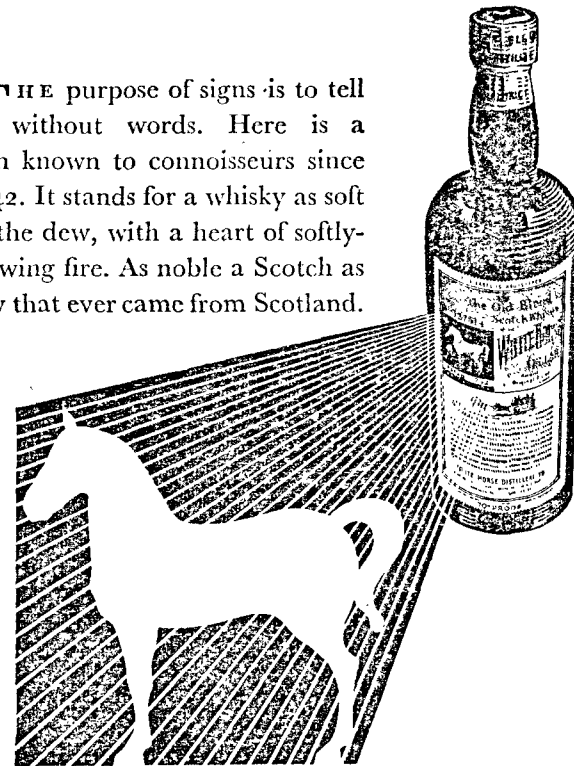
	1949	1950	Jan.- Mar., 1951
Exports to:—			
(i) China	585	1,461	695
(ii) Japan and Korea	193	152	88
(iii) S. Asia	662	1,052	487
(iv) Rest	879	1,051	279
	2,319	3,716	1,549
Imports from:—			
(i) China	592	858	234
(ii) Japan and Korea	173	272	154
(iii) S. Asia	450	903	419
(iv) Rest	1,535	1,755	526
	2,750	3,788	1,333

diffused, but one of its concentrations is in the knitting industry, where about 7,500 persons have been displaced. One immediate result is that Communist China obtains a welcome number of technicians and skilled workers.

Now a more general embargo is to be established. Local people are astonished at the failure of the West to realise that any discouragement of Hongkong does more damage to its own side than to the Communist. It is instructive to classify Hongkong's trade figures by the four main groups of countries involved. The first is China. The second is Japan and Korea; for the rehabilitation of this area, peace and development in South East Asia, of which Hongkong is a main pivot, are absolutely essential. The third group comprises the whole major "development" area of Southern and South-Eastern Asia (Borneo, Philippines, Indonesia, Malaya, Siam, Indo-China, Burma, India, Pakistan, Ceylon). Militarily, economically and politically, this is now the key area in Asia for the defence and supply of the West. Hongkong is one of the linchpins of this area and its weakening would be a severe blow to western prospects. The fourth heading covers Hongkong's dealing with all the rest of the world; and its role in world trade is very far from being a purely local one.

Hongkong's trade with China, since the Communist victory, has consisted mainly of peacetime consumer goods. China's appetite for these, after fourteen years of warfare, is enormous. Britain and America have been receiving in exchange valuable supplies of tungsten, wood oil, bristles, tin and other scarce and essential materials. Controls locally

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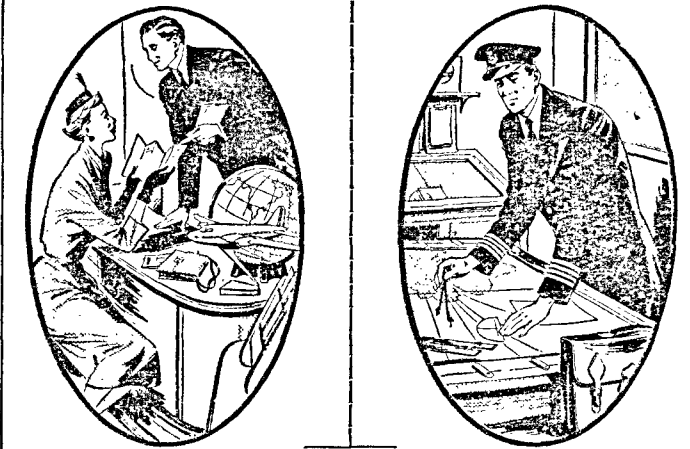
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and at source have been stringent; it is the extreme of ignorance or unscrupulousness for General MacArthur to read out Hongkong's export list and in the "China" column to omit against such significant items as "oil," the simple entry, "nil."

A general stoppage of Hongkong's functions would undermine the prospects of East Asia's trade and development, while doing comparatively little damage to China. It is not, however, a question of trade alone. Hongkong is the largest banking centre in the Far East. It is the best harbour and naval base in the region, with first-class equipment and skill in the repair and building of both cargo vessels and warships. It is one of the world centres of the insurance business. It is a great airport, ranking third (after New York and London) for traffic. In education, and civic standards of every kind, it is now a demonstration place where 400 million Chinese get their only sight of the free world. It is a living disproof of Communist propaganda—a far more effective one than the devastation of Korea or China.

For such reasons as these, the Hongkong community had expected to receive positive support from the western capitals, and there is some resentment that it has not done so. This resentment is quite unlikely to lead to an increase in the internal influence of Communism, which is slight. Hongkong workers well know the conditions of their fellows on the mainland, and the superiority of their own. The main support for Communism came previously from the middle-class Chinese (chiefly some traders doing well in dealings with the north, and some professionals who could find good posts in China), but these have now been thoroughly disillusioned by the terrorism and conscription in China.

Norwegian Prices and Wages

[BY A CORRESPONDENT]

THE rising spiral of prices and wages was the dominant theme of the budget debate in the Norwegian Parliament last month. The debate culminated on April 14th outside the precincts of Parliament when the Central Statistical Office published the cost of living figure for March 15th. The automatic effect of the publication of that figure was an immediate increase of wage rates by 2.6 øre* an hour for adult workers for each point rise in the cost of living index since September 15th last year. As the total rise in the index from September to March was 6.7 points, wage earners were compensated by altogether 17 øre an hour.

This automatic coupling of wages to the cost of living has aroused widespread concern, as a chain reaction appears to have been started which cannot easily be stopped. During the first five years after the war the cost of living index in Norway moved scarcely at all, rising by only 2.9 per cent from April, 1945, to September, 1949, when devaluation was introduced. The effect of devaluation was not at first very apparent, and from September, 1949, to March, 1950, the cost of living index rose by only another 0.6 per cent. From March to October, 1950, however, the index jumped by no less than 7.9 per cent.

The immediate cause of this spectacular rise in the index was the Norwegian Government's decision, in spite of the rising cost of imports following devaluation, to reduce the amount of subsidies (which in the 1949-50 financial year amounted to no less than £39 million) to £30 million in the next financial year. It was recognised that the effect of devaluation on prices could not be counteracted completely without an impossibly high level of subsidies, and moreover the consumption of a number of home-produced foodstuffs such as butter and meat had increased to such an extent that prices could have been kept stable only by a very large increase in subsidies.

In March, 1950, the cost of living index stood at 159.4

* (100 øre=1 krone=1 shilling.)

(1938:100). In April, 1950, it was agreed between the workers' and employers' representatives that if the index reached or passed 165.6 on September 15, 1950, they should negotiate on the possibility of adjusting wages. In fact, on September 15th the index stood at 179.5, and the negotiations which followed resulted in an increase in wages of 18 øre an hour for adult workers. It was also agreed that if the cost of living index rose or fell by five points or more from September, 1950, to March, 1951, wages should be increased or decreased automatically at the rate of 2.6 øre per point per hour. It is that provision which was implemented last month. However, the agreement of last October also provides that if from March to September this year there is a rise or fall of yet another five points or more in the cost of living index, the workers' representatives in the event of a rise, or the employers' representatives in the event of a fall, can demand fresh negotiations with a view to another adjustment of wages.

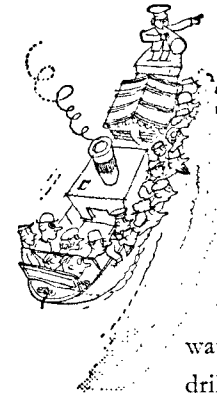
Nobody doubts that by September there will in fact be a rise of at least another five points in the index. Since devaluation and the cut in subsidies, the Korean war and the subsequent stockpiling and rearmament in most western countries have brought about a further sharp rise in world prices, the consequences of which have been felt in Norway. Moreover, Norway's own rearmament programme is inevitably contributing to the rise in the internal price level, first by increasing the pressure of demand on the country's very fully employed resources of labour and materials, and secondly by increasing taxation to pay for the rearmament programme. The effect of increased taxation on prices was illustrated last month when the general rate of purchase tax was increased from 6 to 10 per cent. That in itself is expected to add another point or two to the cost of living index.

Cuts in Investment Programme

BETWEEN now and September this year when the next vital index figure will be published, the Norwegian Government intends to examine the whole question of prices and wages very thoroughly and to try to institute measures to check the present spiral movement. In the budget debate Opposition members urged the necessity of more saving, both public and private. A savings campaign of some sort is likely to be launched, although the low rate of interest sanctioned in Norway does not encourage voluntary saving. The inflationary pressure may be reduced to some extent by the cuts in the investment programme. Since the war investments have been at an exceptionally high level, representing about 35 per cent of the national income, the highest investment rate in Western Europe. The defence programme is partly responsible for the cuts now being made, but the coming reductions in Marshall aid also make it necessary to establish a level of investments more consistent with the country's own resources.

It is, of course, recognised that the ideal solution to combat the price and wage spiral is increased production, and the government is seeking to set up a broadly based productivity council to encourage greater output. So far the establishment of this council has been delayed by the reluctance of the employers' organisation to join a body on which the government as well as the trade unions will be represented. A proportion—estimated at £10 million—of the export tax levied on certain goods such as pulp and paper which at present are securing very high prices abroad, will be used to subsidise prices. The tax has been fixed on a sliding scale varying according to the prices obtained abroad for particular export products. This method of keeping down domestic prices by an export levy instead of by budgetary taxation may well be extended. On the surface it has obvious advantages, for the boom in world prices is at present resulting in record Norwegian exports, and the terms of trade have at long last veered in Norway's favour, so that import and export price indices are now equalised.

Do We Know Our Shot Tower?



"On your right," cries the man with the megaphone in the Greenwich bound pleasure steamer, "On your right is the celebrated Shot Tower! On your left . . ." As if we needed to be told! For the Shot Tower is...the Shot Tower was *our* Shot Tower. Not so many months ago our molten lead was falling* from its dizzy upper heights into our tank of water at the bottom. Not so many years ago our lookouts were watching uneasily from its balcony for somebody else's flying bombs. Pneumatic drills stammer and stutter. The South Bank changes. Trumpets tootle. The Festival of Britain arises. Transformation triumphant . . . total turnabout . . . but no! For there stands the Shot Tower, as tall as ever—though it looks rather more like a lighthouse now, and we have heard murmurs of radar messages to the moon. Well, what of that? In the respectability of its age, in the adaptability of its outlook, our Shot Tower is a true representative of

* As it still is from our tower in Chester.

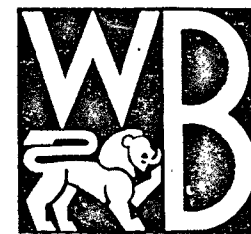


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THE BUSINESS WORLD

How Important is Persian Oil?

THE threat to the Anglo-Iranian Company's interests in Persia has loomed upon this country slowly like a thunderous cloud. The response to the latest despatch from the British Foreign Secretary is still awaited and it is uncertain what it will contain. There have been assurances that Britain would not be deprived of the use of Persian oil, and the Persian Government would be wise to think twice before it stopped the flow of its main source of income and threw into chaos the biggest employing unit in Persia; it knows that aid from American technicians will not be forthcoming, that Persians cannot staff the installations themselves, and it cannot count on sufficient European technicians to do so. All this is reasonable, but ardent nationalism does not trade in reason; to break free from Britain may seem more important than to conserve the country's real wealth. There is the Tudeh party in the background, gaining strength and ready to succeed Dr Moussadeq; and help from Russia or Roumania might be sought to replace the technical experience of the Anglo-Iranian Company. Even so, the exploitation of Persian oil would still depend on sea transport, in which Britain is dominant.

Issues of this kind of gravity cannot be decided by a mere counting of pips in the two opposing hands. But, in the end, each side will have to measure the damage to itself that inevitably follows damage to the other. If all ends in breakdowns and shambles, how much British nose must be cut off to spite Persian face? The economic importance of Persian oil to Britain, and to Western Europe and the world is twofold: first in supplying crude oil, and secondly in supplying products from the Abadan refinery. For Britain there would be the undeniably serious loss of trading and financial assets. Persia has 11 per cent of the proven and indicated petroleum reserves of the world and in 1950 produced 6 per cent of the world's crude oil. But it is now only one of the stars in the Middle East firmament. Before the war Persian output amounted to 10 million metric tons, or about two-thirds of the total crude oil production of the Middle East; output has since more than trebled, to 32 million tons, but it now represents little more than a third of the Middle East total.

As the chart shows, crude oil production in Saudi Arabia, negligible in 1938, now rivals that of Persia; and the output from Kuwait, which did not begin to pro-

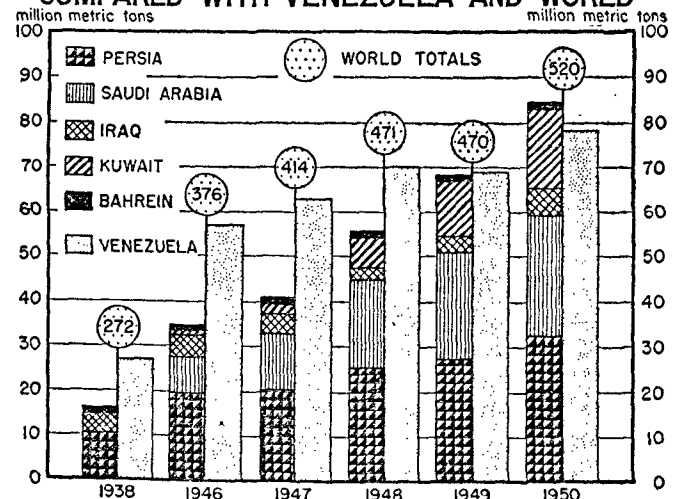
duce until after the war, is not far behind. In this relative sense, the loss of Persian oil now would be less of a blow to oil supplies than would have been the case twelve years ago.

But it would be serious enough. More than a quarter of the United Kingdom's imports of crude oil in 1950 came from Persia and about a fifth of the oil imports of other countries of Western Europe. On the assumption of a total stoppage of Persian crude oil, about 6 million metric tons of crude would have to be found elsewhere for Western Europe. The Anglo-Iranian Company has a half share in the Kuwait Oil Company and nearly a quarter in the Iraq Petroleum Company—although by agreement it can market nearly a third of Iraq oil. Kuwait has expanded rapidly since the war and has not yet

reached full development; and output at Kirkuk (though reduced by the Iraqi refusal to send oil to Haifa through the 12-inch Kirkuk-Haifa pipelines) has been rising and will rise further. Moreover, the output of the Arabian American Oil Company in Saudi Arabia is steadily expanding and in the first quarter of this year was running a tenth higher than in 1950.

Iraq oil depends on pipeline capacity to the Mediterranean seaboard, for the Kirkuk field is landlocked.* The two existing pipelines, 12-inch and 16-inch, to Tripoli have a throughput of over 7,000,000 tons. This flow cannot be increased (since the Haifa pipelines are unlikely to be in use again) until the 30-inch pipe from Banias on the Mediterranean reaches the point on the Euphrates at which it can be linked with the two idle land sections of the Haifa pipe. This will happen during 1952 when total throughput capacity will at once jump to 13½ million tons a year. In the following year, when the 30-inch pipe is extended the whole way to Kirkuk, Iraq will export nearly 20 million tons, which would be equivalent to two-thirds of Persia's total output last year. But, whatever may happen in the future, supplies of Iraq oil cannot be increased this year. On the other hand, the opening of the trans-Arabian pipeline last December has cut down the tanker route to Europe from Ras Tanura by 3,500 miles. Its present capacity is 15 million tons a year, but it could be increased to 25

MIDDLE EAST CRUDE OIL PRODUCTION COMPARED WITH VENEZUELA AND WORLD



* A map showing the existing and planned pipelines in the Middle East was printed on page 865 of *The Economist* of April 14th.

million tons by the installation of extra pumping equipment. Oil exports from Kuwait at present depend wholly on tankers; a pipeline to Tartus had been projected, but is unlikely to be tackled for some time. There is also the new field at Zubair, which is expected to produce at least 2,500,000 tons by the end of next year and which would also depend on tankers. The world's tanker fleet at the beginning of this year was 29 million d.w. tons (including the American reserve tonnage), having increased during 1950 by nearly 4 per cent. Construction of tankers accounted for well over half of the British tonnage building last year and is still being increased. Moreover, if Persian oil exports were stopped, the Anglo-Iranian tanker fleet could be concentrated elsewhere; the company's tanker fleet consists of 1,716,000 tons deadweight, of which a considerable part works to Persia, and it has nearly as much on charter. There should be no lack of tankers to carry crude oil to Western Europe from other sources of supply if Persian oil were stopped. But it is quite impossible to calculate the costs and complications of providing the countries around the Indian Ocean with refined products if it became necessary to replace those now drawn from Abadan.

Thus the Middle East could probably make up the loss of Persian crude oil to Western Europe and elsewhere reasonably quickly without, it would seem, any special campaign of new drilling. The darkening clouds have given due warning of the possible storm and the various oil concerns are doubtless taking precautions. In addition to the prospective increase in Middle East supplies there is a large programme of drilling under way in Venezuela which is expected to raise output from about 76 million metric tons in 1950 to about 100 million tons during the coming twelve months; hence there is likely to be some support from Venezuelan output to back Middle East supplies, and conceivably to supply the Haifa refinery. But more serious even than the loss of crude oil would be the deprivation of the use of the Abadan refinery, which in 1950 had a refined output of nearly 25 million metric tons and is the largest refinery in the world. World refinery capacity has been barely keeping up with an annual increase of consumption in recent years of nearly a tenth, and some measure of what a major loss of refined products would mean at a time of rapidly increasing demand has already been felt as a result of last month's strikes at Abadan. Additional refinery capacity in the United States, either already planned or called for by the Petroleum Administration for Defence, is intended to meet only internal demand.

On the other hand, Western Europe since 1948 has undertaken a programme of large-scale refinery expansion specifically in order to limit purchases of refined petroleum products from overseas. By 1953, the member countries of OEEC aim at a refining capacity of about 62 million metric tons, which would make Western Europe almost completely self-supporting. By the spring of this year, the refining capacity of these countries had already been raised to about 40 million metric tons. About 19 million tons of the projected 1953 capacity is for Britain, an increase of some 12 million tons compared with 1948 and this programme is ahead of schedule. The main extensions now proceeding in Britain are by Anglo-Iranian at Shoreport, by Shell at Stanlow and by Esso at Fawley. The new Fawley and Stanlow refineries are expected to be on stream in the

autumn with an additional throughput of some 7,000,000 metric tons; Shoreport should be ready next year with an additional 1,300,000 metric tons; the completion of Fawley and Shoreport is planned for 1954, and should result in an addition of nearly 2,000,000 tons to the main plants. Imports into Britain from Persia of kerosene, motor spirit and fuel and diesel oil during the first four months of this year were at the rate of 1,742,000 metric tons a year compared with some 2,430,000 metric tons last year; to replace these supplies would absorb only a small part of the new refinery capacity, which is capable of furnishing all types of product now obtained from Abadan.

The loss of refined products from Abadan would similarly not be serious for Western Europe because of the increase in refinery capacity since the war. The main products imported by Western European countries from Iran since the war are fuel and diesel oils; consumption of diesel oil and fuel oil in Western Europe have increased from about 37 per cent of total oil consumption in 1938 to 60 per cent today. Indeed, world consumption of fuel and diesel oils has vastly increased in recent years and if there were a shortage arising from the loss of Abadan it would be in these items. The main refinery expansion in Western Europe, apart from Britain, is in France, Belgium, Holland, Western Germany and Italy. Crude oil processed in 1950 in these countries reached about 26 million metric tons. The present year should see an increase in refining capacity of about 7,000,000 tons—at Berre and Dunkirk in France, Antwerp in Belgium, and Venice in Italy, all in association with British companies. By 1953 a further 4,500,000 tons of capacity should be working, at Antwerp (the new Esso plant), at Holthausen, at Bari, Leghorn, Milan and

IMPORTS OF PETROLEUM TO UNITED KINGDOM ('000 metric tons)

	1948	1949	1950	Jan.-Apr. 1951
Crude oil	946	1,277	2,330	817
From Iran	4,502	5,928	9,114	3,930
Total				
Refined products :				
Kerosene	495.6	489.8	475.9	189.7
From Iran	1,495.7	1,396.5	1,427.6	634.1
Total	717.4	764.4	820.4	74.3
Motor Spirit	3,968.7	4,497.1	4,094.4	1,184.5
From Iran	382.3	125.4	23.5	Nil
Total	1,835.2	1,762.1	1,422.2	608.7
Gas oil	1,732.1	1,561.7	1,110.2	316.6
From Iran	5,297.9	3,154.6	2,337.0	726.7
Fuel and diesel oils				
Total				

at Rotterdam. The increased refining capacity this year should, as in Britain, counterbalance the loss of Persian products. Nevertheless, since total Western European oil consumption, including bunkers, will be running at about 55 million tons in the current year, there would still be need of some imports of refined products during 1951.

It is beyond doubt east of Suez where the loss of Persian oil would be quickly felt, particularly in India and Pakistan. Apart from feeding the United Kingdom and Western Europe with important quantities of kerosene, motor spirit, fuel and diesel oils, the Abadan refinery supplies India and Pakistan, Egypt, South Africa, Australia and East Africa with their basic needs and also provides some 160 ports in Europe, Asia and Africa with tanker oil. Recent figures of exports from

Abadan are not available, but they would show that India is one of the biggest consumers. In 1950 total oil consumption in India was over 3,000,000 metric tons, of which some five-sixths came from Abadan. The main Indian imports from Abadan are fuel oil, diesel oil, motor spirit and kerosene. For India as for the other countries around the Indian Ocean there is no convenient alternative source of petroleum products, since present refining capacity in the Middle East is fully utilised, except at Haifa. The other main refineries in the Middle East are Ras Tanura with 7,000,000 metric tons throughput and Bahrain with 7,500,000 metric tons throughput. Haifa, with a potential 4,000,000 tons throughput, is working at only a quarter capacity, partly with Venezuelan oil; it could conceivably be set working at full capacity using Venezuelan crude, though at increased cost and not without political difficulties. There are refineries in Indonesia, especially in Sumatra, and in British Borneo and Japan. Two of the plants in Indonesia that were put out of action during the war are not yet in operation, and no expansion has been announced for British Borneo; in Japan an extra 500,000 tons capacity is planned to increase total refinery capacity to 2,500,000 tons. But the Far East can hardly have any spare capacity to meet new demands.

It is now possible to sum up the effects of a total breakdown in Persia. They would obviously be serious, but well short of fatal to the petroleum-based economies of the west. If total world refining capacity is considered (of which the United States has still about three-fifths) then the loss of 25 million tons of refined products from Persia might be made up by the diversion of perhaps 10 million tons from the United States (about 3 per cent of current consumption), by getting 3,000,000 tons more from Haifa and by running the European refineries

above their nominal capacities. This might not be impossible, but on the best estimate it would involve considerable disturbance in the steadily expanding world oil markets and would restrict supplies for many months at least. The loss of Persian crude oil could probably be met by Kuwait and Saudi Arabia this year and by Iraq also next year. The loss of Abadan might not be cruelly felt directly either in Britain or in Western Europe, but it would create most serious problems of supplying India, Pakistan, East Africa and South Africa. Except at Haifa, there is no spare refining capacity, and the provisioning of these countries from distant refineries would impose a desperate strain on tanker tonnage that is already stretched to the full. Moreover, world supplies of fuel oil barely meet demand, and since about half of the output at Abadan consists of fuel oil, a closure of the plant would have painful consequences.

In the long-term, the natural expansion of the oil industry at a time of rapidly increasing demand might take even such a loss as Persia in its stride. But other considerations remain to be mentioned. The loss to Britain would be something more than the disruption of oil supplies or the writing off of an investment in Persia that has cost well over £300 million; it would be a critical blow to Britain's trading and economic strength. The conflict of dollar and sterling interests in oil that was resolved early last year was capable of settlement without any surrender of Britain's bargaining power because of the increasing demand for oil products. The loss of Persia would mean the loss of the largest, and the only wholly British, investment in oil; and it would severely weaken this country. The dislocation in oil supplies might be completely overcome in the course of a year or so, but the loss of an investment of such prime strategic importance would be lasting.

ICI and Dunlop

FOR the many thousands of stockholders in leading British industrial concerns, this is (or should be) the busiest season of the year—a time when company reports drop heavily into letter boxes, when dividends appear on the credit side of the pass book, and the voice of the chairman is heard in the land. For the investor who takes his job seriously, there is no limit to the facts and figures that he should be studying; the average company report nowadays is an intelligence digest in itself. But the average stockholder finds it a formidable document and is often disinclined to forage too deeply so long as he finds a satisfactory story of rising profits and dividends. Judged by such a simple criterion, recent company reports give him full excuse for doing nothing; the profits boom has until the last week or so been the main prop of the continued advance in equity share prices, and with a few exceptions—J. and P. Coats is one of the outstanding disappointments—dividends have come well up to expectation.

The equity stockholder who pauses to reflect will wonder how it comes about that despite the publication of bumper "profits" and the general thawing of the dividend freeze, the *Financial Times* ordinary share index is still nearly five points below the January 1947 "high" of 140.6. A whole sermon could be written on

this text: the cheap money imbroglio which has resulted in a rise in yields both on fixed-interest and also equity securities; the deliberate choice of "profits" as a target of political and fiscal attack; the persistence of inflation at home and abroad which has added to paper "profits" what has been silently sheared off the substance of industrial capital through inadequate depreciation and pricing policies and excessive taxation. These lessons could be well filled out from examples culled from a random sample of recent industrial reports. Of this batch, there are two that virtually chose themselves—Imperial Chemical Industries and Dunlop. There are few concerns whose interests are more widely spread throughout industry, whose size is so impressive, and whose managements are more alert to problems of capital replenishment and industrial efficiency.

By the conventional standards of "accepted accounting principles" (in the words of the Tucker Report) stockholders in ICI and Dunlop should be well satisfied. In 1949, the trading profits of each company had shown a dip; there were difficulties in the export markets on which the solvent action of devaluation had barely a few months to work before the 1949 results were struck; and while the price of almost every commodity bounded further in 1950 to leave the 1949 levels completely in

the shade, there was evidently little of the price resistance that both companies experienced in 1949. ICI's total sales to customers jumped last year by more than 26 per cent from £174.6 million to £220.8 million; Dunlop's figures (including certain inter-group transactions) also reached a new record level at £197 million compared with £141 million in 1949. Part of these increases reflects higher prices, but the increase in the real volume of turnover has clearly been impressive; in the last quarter of 1950, the average increase in the prices of ICI products sold at home was only 8 per cent higher than for the corresponding quarter of 1949, and the increase in the group's export sales, by volume, is put at 19 per cent for the whole year. The detailed review of ICI's operating divisions reveals scarcely an instance in which output has failed to establish a new post-war record. Alkali output was 10 per cent up, and lime output 27 per cent up—in these cases and in others new plant is now making an important contribution to production. Billingham—that immense industrial nexus in its own right—achieved record outputs for ten major products, and many records were set up by the general chemicals division; both of these important branches of the ICI group have been affected by the shortage of sulphur and sulphuric acid—a shortage that the report labels as "serious" though it emphasises that it was "not altogether unforeseen" and describes the steps that are being taken to relieve it by the conversion of a large part of the acid plant to use materials other than elemental sulphur.

Shortages provide, indeed, a recurring theme in the ICI report, but the general impression remains that, in 1950 at any rate, these were not so dire that their effects could not be partially avoided by timely improvisation and ingenuity. Whether something of the same kind of success will be seen in the current year is perhaps more doubtful; many products could have been turned out in greater volume last year and there are frank warnings that outputs of dyestuffs, paints and metal products are likely to be lower this year than last. Nor is the problem merely confined to feeding the existing plants with an adequate flow of materials; there is hardly a branch of ICI's immense range of activities that will not this year have new plant to run in and supply with every conceivable kind of raw material—chemical, metal, textile—if supplies can be found. Last year's results showed the first major instalment of the benefits from new plant and extensions built since the war. They are part of the general story of increased national productivity in 1950. When it looks at the prospects for 1951, the ICI report lends support to the doubts that have been expressed in recent months whether a similar rate of advance can be achieved this year.

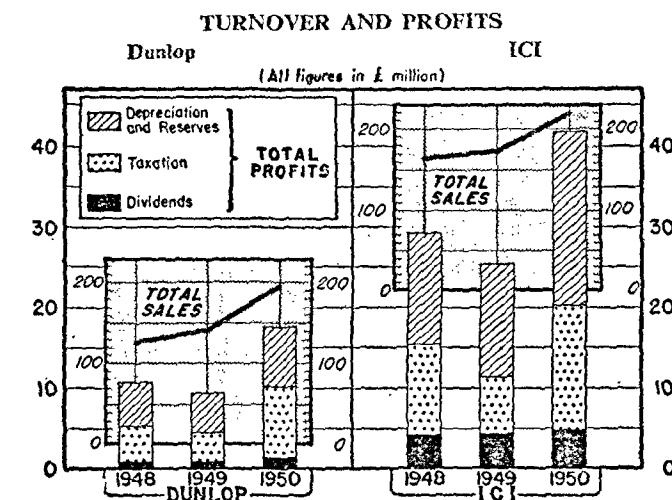
No doubt it would be a mistake to put the main emphasis on shortages, as though they presented an

abiding problem offering no hope of alleviation in the short-run or of more permanent solution later. Present difficulties, acute though they are, may seem less burdensome towards the end of this year. Some increases in output can be expected, and the economising force of higher prices will be salutary. But higher prices, increasing turnover and an ever-expanding range of technical operations invite attention to ICI's financial problems. Few major industrial concerns have taken a more unequivocal line in the controversy about historical versus replacement costs than has ICI. The present accounts show the effect of a major revaluation of the assets under the control of the manufacturing divisions of the group. These now appear at their value as at January 1, 1950, based on their present-day cost taking account of their remaining useful life. The figures thus shown do not, therefore, represent the full cost of replacing the assets, as they now stand, in new condition; to provide depreciation corresponding to the new book values will replace what now remains of the original assets when their working life expires, but it will not replace them in their pristine entirety.

This revision of asset values has produced striking changes in the balance sheet. For the parent company (the group figures are somewhat larger) a surplus of £96,120,273 has resulted from the revaluation, which represents the difference between the net values at which assets were entered in the 1949 balance sheet and the cost of replacing their unexpired substance at contemporary prices. As a result, a corresponding reserve has been set up on the other side of the balance sheet. This part of the operation, however, is primarily a matter of book-

keeping; its inner importance is that the revalued asset figures enable the directors more accurately to provide for depreciation of the physical assets in their partly-used condition, on a basis of current prices (though, to repeat, this change of practice will still not provide in full for their replacement in unused condition). Hence, the provision for the maintenance of manufacturing assets now falls into two parts—one part related directly to the current value of assets and another, less precise, part in the form of an additional reserve for obsolescence and replacement. In the consolidated accounts, depreciation (based on the new valuation) absorbs £8,694,823, against £6,660,622 in 1949—thus emphasising that the true character of revaluation is not a means of conjuring up large book reserves, but involves a new responsibility to make greater provision against assets from each year's revenue. The capital reserve for the obsolescence and replacement of assets receives an appropriation of a round £5,000,000 from the year's taxed profits.

The combination of these two elements of costing and judgment in the provision for replacement of fixed assets probably represents the best practical approach, given the state of the law and the rigid views of many



accountants. Similarly, the appropriation to revenue reserve for stock replacement of £4,000,000 recognises the need to maintain working capital intact, as far as may be, by setting aside sums for the replacement of stocks at higher price levels. It may be thought that these are large amounts, and so they are absolutely; but judged in relation to the group's financial needs they appear much more modest. To take one example, the value of the group's stocks of raw materials and finished goods increased from £55.1 million at the end of 1949 to £59.9 million at the end of last year; it would be surprising if this apparent increase did not mask, for many important materials, an actual fall in physical quantities. Almost certainly the rise in debtors from £27.7 million to £35.8 million states more vividly the effect of rising prices last year. Apart from the strain of current finance, there is the weight of capital expenditure on fixed assets which last year exceeded £25 million. The report acknowledges—what clearly emerges from the balance sheet—the need for further finance to complete the large capital programmes to which ICI is committed. But beyond admitting that the private placing of £20 million of loan stock last year does not constitute a precedent for any future issue, the report is silent about future intentions.

*

If the ICI report is a record of productive expansion, technical adventure, and financial awareness, the Dunlop report runs it a close second. To be responsible for group assets of £100 million is a burden shared by few, even though the ICI group total may be nearly three and a half times that of the Dunlop group. Evidently, the net book value of the Dunlop group assets of just over £24 million is a very long way short of the current values of the partly-used assets that the book figures represent. The gulf between the high cost of replacing fixed assets and the normal depreciation provisions that are available for that purpose is emphatically described in the Dunlop

report. But almost equal emphasis is laid upon the burden imposed on the group by violent fluctuations in the prices of rubber and cotton, its principal raw materials. It is an astonishing reflection of last year's upsurge of prices that although the group's inventories should have jumped in value from £28.3 million to £40.0 million, the physical quantities in stock were actually slightly lower. The increase in net working capital from £25 million to £40 million demanded by this prodigious rise in prices has been financed largely from the proceeds of last year's issue of ordinary capital at 100 per cent premium, together with total appropriations from profit and loss account of £1,915,000. Both Dunlop and ICI have followed the practice of specifically setting aside the equivalent of tax relief in respect of initial allowances—an example that other companies might with advantage have followed in the past, since the allowances are to be suspended from April next year.

*

What is the conclusion to be drawn by ordinary stockholders from the reports of these two industrial giants? Each is paying an increased ordinary dividend, though well within the bounds of moderation and restraint, as the accompanying chart clearly demonstrates. ICI's 12 per cent (against 10 per cent) and Dunlop's 17½ per cent (against 15 per cent paid since 1946) would seem modest indeed if they were calculated, not on issued ordinary capital, but on the effective equity resources of the undertakings. At 65s. Dunlop ordinary stock units yield 5.4 per cent, while ICI at 50s. give a return of 4.8 per cent. Both groups have their full share of problems, industrial and financial. Each would be pre-disposed to put financial strength above the demands of stockholders for increased dividends; consolidated progress rather than dynamism stands out from their record in the last decade. But among the "blue chips" there are few that rank higher or are likely to present holders with less cause for concern over the years.

ANALYSIS OF ACCOUNTS

IMPERIAL CHEMICAL INDUSTRIES

	1949	1950
Consolidated earnings :—		
Trading Profits	25,316,047	41,691,073
Total income	27,172,116	44,510,384
Depreciation	6,660,622	8,694,923
Obsolescence and asset replacement reserves	1,500,000 (a)	9,000,000 (b)
Taxation (c)	6,496,826	12,455,692
Group earnings for ordinary stock	5,201,188	4,963,768
Ordinary dividends	3,330,697	3,860,581
Ordinary dividends (per cent)	10	12
Retained by subsidiaries	554,977	1,006,843
Added to general reserves and carry forward	1,318,314	96,339
Consolidated balance sheet analysis :—		
Fixed assets, less depreciation	81,611,878	106,432,243
Net current assets	36,695,351	55,731,319
Stocks	55,067,431	59,935,802
Cash	6,559,387	8,797,660
Reserves	44,569,278	152,300,425
Ordinary capital	60,558,139	60,558,139

(a) "Central obsolescence and depreciation provision." (b) "Capital reserve-obsolescence and replacement of assets." £5,000,000; "Revenue Reserve—Stock replacement," £4,000,000; (c) Past years' over-provisions (1950: £2,892,450; 1949: £97,769) have been credited, but tax reserves arising from initial allowances (1950: £2,960,000; 1949: £2,215,000) have been excluded.

DUNLOP RUBBER

	1949	1950
Consolidated earnings :—		
Trading profits (parent co.)	4,035,126	5,049,795
Trading profits (sub. cos.)	5,369,686	12,489,487
Operating profit	9,480,850	17,620,116
Depreciation	3,059,373	3,754,917
Taxation	3,458,867	8,691,890
Group earnings for ordinary stock	2,092,710	4,155,712
Ordinary dividends	691,599	1,180,953
Ordinary dividends (per cent)	15	17½ (a)
Retained by subsidiaries (b)	296,069	1,235,298
Added to revenue reserves and carry forward	2,049,541	1,934,397
Consolidated balance sheet analysis :—*		
Fixed assets, less depreciation	20,617,779	25,522,414
Net current assets	25,341,591	40,025,778
Stocks	28,347,562	40,015,731
Cash	4,131,633	11,845,126
Reserves	19,276,563	28,617,789
Ordinary Capital	8,383,023	12,853,969

* 1949 and 1950 figures not strictly comparable as German and Japanese subsidiaries' assets and liabilities are included in latest year. (a) On increased capital. (b) Excludes capital reserve retentions (1950: £24,432; 1949: £5,345).

Business Notes

Gilts at 1949 Lows

The slide in gilt-edged has proceeded a notable stage further during the past week. By the standards of the market's behaviour in recent months, the falls in prices of the medium and longer stocks were not abnormally severe, but they sufficed to carry several of them below the nadir of the major slump of 1949—at least if prices are calculated net. Daltons have fallen to a net price of 64½ (after touching 64½) at which they yield £3 17s. 4d. per cent flat; 3 per cent Treasury stock (1966 or after) yields nearly 1/16 more than that; while 4 per cent Consols yield nearly 4 1/16 per cent flat and over 4½ per cent on the assumption of redemption at their optional date in 1957. This renewed weakness reflected not only the basic factors that had been depressing the market in previous weeks but also the caution induced by the Persian crisis—which has incidentally damped the exuberance of the industrial market, provoking some profit-taking by professionals and much more selectivity by investors in their search for inflation beneficiaries.

The gilt-edged market, especially the medium-dated stocks, has had to contend, too, with competition from the World Bank issue which, not surprisingly, has attracted an attention out of all proportion to its size. Given the bank's

GILT EDGED GROSS REDEMPTION YIELDS (per cent)

Stock and Redemption Dates	Nov. 10, 1949	End of Korea, June 23, 1950	Chinese Counter-Attack, Nov. 30, 1950	April 9, 1950	May 17, 1950	May 23, 1950
Shorts and Middles						
2½% Nat. W. Bds. 51/53	2 4 11/16	1 17 11/16	2 0 11/16	1 19 9/16	1 18 9/16	2 0 11/16
2½% Nat. W. Bds. 52/54	2 7 0/16	1 16 6/16	1 19 7/16	1 19 5/16	2 0 3/16	2 2 0/16
2½% Nat. W. Bds. 54/56	2 11 7/16	2 1 10/16	1 2 7/16	2 1 10/16	2 2 3/16	2 4 1/16
2½% Exch. Feb. '55	2 15 3/16	1 18 6/16	1 16 7/16	1 15 7/16	1 17 6/16	1 19 9/16
3½% Nat. Def. 54/58	2 15 3/16	2 1 8/16	2 11 8/16	2 12 6/16	2 12 3/16	2 13 6/16
3½% War Loan 55/59	2 16 2/16	2 6 0/16	2 10 10/16	2 12 0/16	2 12 3/16	2 13 0/16
Medium Longs						
3½% Sav. Bds. 55/65	3 8 7/16	2 19 5/16	3 1 1/16	3 8 11/16	3 3 7/16	3 11 9/16
4% Funding 60/90	3 14 6/16	3 1 8/16	3 4 6/16	3 8 9/16	3 10 8/16	3 11 9/16
Longs						
2½% Sav. Bds. 64/67	3 6 5/16	2 17 5/16	3 19 3/16	3 3 1/16	3 4 6/16	3 5 0/16
3½% Sav. Bds. 65/75	3 13 6/16	3 6 1/16	3 4 7/16	3 9 2/16	3 11 3/16	3 12 3/16
3½% Brit. Elec. 74/77	3 13 4/16	3 6 8/16	3 4 8/16	3 9 2/16	3 11 3/16	3 12 3/16
3½% Brit. Elec. 76/79	3 13 4/16	3 9 9/16	3 6 2/16	3 11 4/16	3 13 3/16	3 14 1/16
3½% Trans. Stk. 78/88	3 15 11/16	3 9 0/16	3 7 4/16	3 12 7/16	3 15 3/16	3 16 3/16
3½% Gas Stk. 90/95	3 15 7/16	3 9 8/16	3 7 6/16	3 11 10/16	3 14 3/16	3 15 3/16
Undated						
2½% War Loan '52	3 19 4/16	3 14 3/16	3 14 7/16	3 17 4/16	3 18 9/16	3 19 2/16
2½% Consols	3 16 4/16	3 10 8/16	3 10 10/16	3 13 10/16	3 16 8/16	3 17 2/16
2½% Treas. Stk. '75	3 17 3/16	3 11 3/16	3 11 0/16	3 14 8/16	3 17 0/16	3 17 4/16

(e) To earliest date. (f) To latest date. (g) Flat yield.

desire to ensure that this issue should go, with a bang, the sponsors were well advised to pitch the terms at a level that

left a good margin for contingencies. By the time the lists opened on Wednesday, the redemption yield of this 15-20 year stock (£3 14s. 4d. per cent at the issue price of 97) looked a good deal less liberal than it had done at the time of the offer of underwriting, for in the meantime the redemption yield on Savings Bonds, 1960-70, had widened from £3 8s. 5d. to £3 10s. 7d. per cent to the latest date. It was still, however, sufficient—in conjunction with the privilege of a tax-free coupon—to ensure a strong response, with immediate closure of the lists. The £5,000,000 offered was covered 5½ times, and the stock opened at a premium of ½, later narrowing to 5/16. Another gilt-edged issue will be launched next week—a further £2,000,000 for the City of Nairobi, by way of 3½ per cent stock, 1968-70, offered at 99.

*

Weakness in the Shorts

In addition to these sources of pressure on gilt-edged, the market has been troubled this week by reflections upon the case for a more positive monetary policy as argued in these and other columns in recent weeks. As a result, the gilt-edged scene has presented one quite unusual feature—a sharp weakness in short bonds, the yields on which have actually risen more than have those of the longs. This is quite contrary to experience during the earlier phase of market malaise, in which apprehensions about the risks run on the longer dated and irredeemable stocks served to emphasise the attractions of the shorts. At the time the last issue of *The Economist* went to press, the short bonds were standing only fractionally below their pre-budget levels, despite the considerable fall that had occurred in the mediums and longs; but on the Friday the short market weakened sharply, the 2½ per cent Exchequer Stock, 1955 (which now has a life of just under 3½ years), dropping by 9/32. It has since eased further, so that over the week its yield has risen from 1 27/32 per cent to nearly 2 per cent, compared with 1 25/32 per cent on Budget eve. The spread between the yield on this stock and that on 2½ per cent Consols, which had widened from under 1 11/16 to nearly 2 per cent in the previous five months or so (almost wholly because of the fall in Consols), has therefore narrowed to 1½ per cent in a few days.

The market has argued that the relative immunity enjoyed by the shorts during the long phase of decline in the medium and long stocks is primarily attributable to the maintenance of the official peg for short money rates and Treasury bills. It is felt that if this peg were removed or reinserted at a higher level, the yields on short bonds would come into closer alignment with those on the medium and longer stocks. Since the decisive voice in this market is generally

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that of the discount market, which runs its bond portfolios on short money borrowed from the banks, any substantial movement in short money rates would, no doubt, have this effect; but the argument in these columns has been that a tighter monetary policy could exert a considerable restraining force even though it did not provoke any large disturbance of the existing pattern of money market rates. Any change would obviously have strong psychological effects, and the initial repercussion on the shorts might be considerable; but if the increase in money rates were moderate (such, for example, as would approximately restore them to the levels ruling before Dr Dalton's arbitrary reduction in 1945), there would not necessarily be an equivalent change in the eventual yield basis for the short bonds—unless the discount market were apprehensive that the whole rate structure would be lifted still further. The margin between bond yields and money rates fluctuates within quite wide limits, and it is wider now than on many occasions in the past.

Stock Exchange Celebrations

The Stock Exchange is celebrating in festive mood the hundred and fiftieth anniversary of the laying of the foundation stone of the present House. Members gave a rousing welcome to the King and Queen when they graciously visited the building on Wednesday, and a commemoration banquet, which many City notables will attend, is being held on Monday next. On the all too rare occasions when the Stock Exchange basks in some share of the popular limelight—as has happened during the current festivities and, on a smaller scale, during its recent début on television—the House should take every opportunity to get to grips with the problem to which the King alluded in his speech when he told members that “the great majority of your fellow-citizens have only an extremely hazy idea of the complicated machinery revolving within these walls.”

It is worth pointing out, too, that Stock Exchange publicity should not be unduly on the defensive in its attitude towards the acquisitive instinct; there has perhaps been too much emphasis, in the television programme and in outside pronouncements in the House's support, on the fact that “the volume of speculation is unimportant in relation to the volume of genuine investment” and that “charities and pension and welfare funds are among the House's best customers.” The point that really needs to be got across to the public is, surely, almost precisely the opposite one. Britain now enjoys a higher standard of living than most of the rest of Western Europe largely because the machinery for linking ordinary people's acquisitive instincts with increases in production has worked better—or, perhaps one should say, used to work better—here than elsewhere. And in that machinery, which is the mainspring of a free economy, the expertise that the Stock Exchange has accumulated over more than two hundred and fifty years of its history in Change Alley and Capel Court plays a vital role. Unfortunately it also plays a mysterious role—and that mystery cannot easily be elucidated even by those whose job it is to analyse it without adequate statistics. It is singularly unfortunate, therefore, that at the anniversary meeting of the Proprietors of the

British Banking Survey

The annual survey of British Banking will appear next week. *The Economist* will contain a group of special articles on salient banking trends, and comprehensive statistical tables on banking in the United Kingdom, Eire and the British Commonwealth will be published in the *Records and Statistics Supplement*.

Stock Exchange last week the Council had to announce that it has withdrawn the form of questionnaire recently circulated to members about past turnover and other information that the Council hoped to publish; the chairman, Mr Braithwaite, hopes that it will be possible to work out a new basis for the publication of statistics and that the whole House will co-operate to that end. Some members had apparently felt that completion of the original questionnaire would have involved disclosure of trading secrets, while a good many others shrank from the volume of work involved. Members have still to learn how closely the need for better public understanding of the role of the Stock Exchange touches their own interests.

Mr Stokes and Mr Strauss

The demeanour of Mr Stokes—ebullient and confident—upon his return this week from discussions in the United States concerning his new responsibility of raw materials, was seemingly encouraging. His words, of necessity, were vague. Sulphur supplies in the second half of this year “would be better”—a statement could be expected in two weeks' time. Cotton prospects were much brighter. He was sure America appreciated Britain's shortage of shipping and would “come to our aid.” Molybdenum had taken up most of the time in his talks, but these had covered all the raw materials in short supply. He thought, in general, “we were going to be all right”: but he did not expect very early results from the work of the international commission on raw materials in Washington. Later in the week he reiterated his optimism, criticising “people who blare about shortages when they don't exist”—which would seem to be rather over-stating his case; and incidentally allied himself with the estimate of 16 million tons of steel output this year that some weeks ago the British Iron and Steel Federation upheld against the expressed doubts of the nationalised Iron and Steel Corporation and of the Minister of Supply.

Mr Strauss, at the same time, was equalling Mr Stokes in vagueness—if not necessarily in optimism. In two talks with the press during one day of a tour of arms factories in the North-West, he managed to skate around the subject of direction of labour in a way that gave some of the national newspapers the impression that he thought it was likely and others that he thought it was not. The same ambiguity of interpretation applied to his remarks concerning the possible diversion of cotton workers to munitions production. The official emphasis appears to be upon his statement that direction and diversion were not necessary or intended at the moment, and that possible reductions of activity in some industries through shortage of raw materials might be relied on to supply some of the labour for new or re-opened arms factories. The Minister of Supply's interest in manpower for defence production is natural. But in discussing the prickly subject of direction of labour—without, apparently, anything very new or useful to say about it—he was well advised to point out that such a decision would require the consent of Parliament. He might have been better advised to remember—and to point out—that it would not, in any case, be a decision taken by the Minister of Supply.

Europe and the Sulphur Shortage

How disproportionately the shortage of sulphur from America affects Britain, compared with other Western European countries, is illustrated in a survey of sulphuric acid production and raw materials issued by the Economic Co-operation Administration this week. Only six of the 14 OEEC countries manufacturing sulphuric acid make any from raw sulphur; and whereas Britain depends upon it for more than 50 per cent of the acid produced here, elemental

sulphur accounts for only about a third of Swiss acid and a fifth of that produced in Norway, France, and Belgium-Luxembourg.

The pattern of sulphuric acid production from different sulphur-bearing materials in the remainder of Western Europe, indeed, appears to be already not far removed from what Britain is striving to attain in two years' time. Pyrites, the main alternative raw material, accounts for about two-thirds of all sulphuric acid production in the OEEC countries: of the major producers, Italy, though a considerable sulphur producer, uses pyrites for 88 per cent of its acid production, France for 82 per cent, Western Germany for 80 per cent, and Belgium-Luxembourg for 52 per cent. The United Kingdom uses pyrites for only 17 per cent of its acid output. It is true that Britain makes more use than most other countries of other alternative raw materials, such as spent oxide from gasworks, anhydrite, and zinc blende. But its greater dependence upon a raw material of which it was able to discern limitations upon supplies some two years ago is somewhat striking.

The present comparison cannot entirely be taken as a measure of the foresight of Western Europe's different national planners and businessmen. It has a certain amount to do with wartime policy. In 1938 only 22 per cent of Britain's acid was made from crude sulphur, but during the war all new plant was based upon sulphur and some existing plant converted to burn it, partly because equipment for this process was cheaper, and partly because sulphur from the United States looked more secure than pyrites from Spain and Portugal. Across the Channel, of course, the reverse held good for materials, and major producers therefore naturally strengthened their dependence upon pyrites. That, however, is not the whole of the story. The ECA survey fairly points out that since 1949 use of pyrites for sulphuric acid has risen by 59 per cent in Germany, by 38 per cent in Belgium-Luxembourg, 22 per cent in France, and 12 per



Time for Eastern trade

Ten-fifteen in England and the London, Manchester and Liverpool offices of The Chartered Bank of India, Australia and China have already opened to the public. At New York the day's work has not yet begun. In the East at Colombo it is tea-time and in Hong Kong business is finished for another day. But wherever business men engaged in the Eastern trade may be, they will find at the nearest branch of The Chartered Bank up-to-the-minute information, skilled assistance and efficient banking services.

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cent in Italy (largely by bringing into use idle and war-damaged plant). War, in fact, left these countries better situated to withstand a sulphur shortage than was Britain; but they may have further improved their position. Last year, partly owing to abnormal breakdowns of overtaxed plant, Britain actually used less pyrites for sulphuric acid production than in 1949. No advantage can be gained by attempting to apportion blame for this inflexibility. In 1947 the Government began to encourage the use of pyrites in new acid plant—partly in view of the balance of payments—and since mid-1949 it has refused to approve licences for construction of sulphur-burning acid plant. Some acid producers, upon their own assessment of the materials prospect, had already begun construction of plant using pyrites. The difficulties of producers pressed to change—in some cases to change back, within a decade—to a process involving costlier equipment can be understood. But appreciation of this situation, and action to meet it, do appear to have been too slow: and British industry as a whole will be paying for this laggardliness in the next few years.

Steel Output and Scrap Prices

Current steel output presents an extremely patchy picture. Output in Scottish steelworks, which are particularly dependent upon supplies of scrap, has recently been cut sharply: Colvilles, for example, has reduced its output of all classes of steel product by 18 per cent. Steel Peech and Tozer at Sheffield has taken a fifth open-hearth furnace out of commission and is working its cogging and billet mill for only 12 shifts a week compared with the normal 17. Yet in other parts of the country steelmakers with satisfactory stocks of materials are producing at almost record levels: and taking the country as a whole, current output appears to be

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something approaching that in May last year—which might imply up to two per cent lower than last month. Imports of German scrap are low and dwindling: German pronouncements upon future exports appear to ignore the responsibilities assumed last year by Britain in the joint defence of Western Germany, which must eventually cost steel. British negotiators, from Government departments and the industry, are pressing for a larger share of the limited scrap exports (15 per cent of current German collections) than just under half, which Britain is receiving at present: but there is of course no prospects of scrap imports of an order approaching that of last year. Imports of iron ore are barely meeting current consumption, and nothing is being added to the industry's stocks: in this connection, the industry is looking with interest but with some reserve to Mr Stokes's remarks concerning shipping. Slightly improved collection of home scrap presents the one encouraging feature of the raw materials situation.

It is as yet impossible to judge the effect of the renewed home scrap drive, though the increases so far may well have arisen mainly from quicker "turn-round" within the steel industry itself. The question of price—concerning which the privately and publicly-owned central organisations of the industry alike preserve an impenetrable reticence—has this week been brought into the open by the National Federation of Scrap Iron, Steel and Metal Merchants, who deny that scrap merchants in general are satisfied with a level of scrap prices almost unchanged since prewar (slight adjustments for extra transport costs have been permitted). As regards the first owner of capital scrap, the price control does allow for a few grants in special cases such as the recovery of tramlines, and occasionally of agricultural scrap. But the scrap merchants, whose labour, power, oxy-acetylene and overhead costs have risen in accordance with the general price level, complain that the margin that the present price—roughly £4 10s. a ton—allows them makes collection, sorting and delivery to steel-works hardly worth while. They feel that the "tatters"—individual rag-and-bone merchants—who collect marginal supplies of small scrap will hardly bother about scrap iron when woollen rags, for example, fetch £950 a ton. Prices abroad vary from about £8 a ton in Holland to more than £20 a ton in Belgium and Italy; where these have not been allowed to rise, substantial amounts of scrap are traded through black markets. No black market in scrap exists here; but the feeling of the scrap merchants—and the lack of incentive for owners of odd items of scrap rusting in out of the way corners—may mean that in getting out that last million or half-million tons of scrap, the steel industry may need to consider price once again, despite its admitted successes in past years.

* * *

A Heavy Jet Bomber

The first flight of the first heavy jet bomber built in this country is an important event for the designers, Vickers-Armstrongs, Ltd., and an even more important one for Bomber Command, which can now look forward to deliveries of its first postwar long range bomber towards the end of next year. Even though orders for the Vickers bomber had been placed at the beginning of the year, the success of a design is never certain until the first flight. Large high-speed aircraft present greater difficulties than do fighters; this is the first proof that British designers can surmount them. Vickers now emerge as one of the leading airframe constructors in the rearmament programme. The company is busy on orders for naval fighters, trainers, troop transports and the Viscount airliner, and is tooling up for the new bomber and for the first swept-wing fighter to be ordered for the RAF. This second new aircraft also may be ready for delivery by the end of 1952.

However great may be the military advantages of standardisation, there is probably much wisdom in the decision

of the Ministry of Supply to encourage bomber design and production in this country as well as in the United States. The design of jet aircraft—and particularly of jet bombers—is still in a state of flux, and the adoption of the British-designed Canberra in preference to competing American designs suggests that builders have not yet accumulated sufficient experience of such aircraft for either country to specialise—as was once suggested—on certain classes of aircraft. Yet allowing for the importance of technical superiority, some concessions may have to be made to the needs of quantity production. The type of turbine in this bomber, and in nearly all new British and American aircraft, contains between 1,400 and 2,000 blades that are very difficult to make by modern production methods. Without downgrading the materials used for them, and thus shortening the engine's life, these blades cannot yet be mass-produced in the accepted meaning of that term; and their supply might, under certain conditions, impose a brake on engine production. Six years of work in both countries appears to have brought a solution no nearer; is it not time to ask engine designers to bear in mind the limitations of quantity production techniques?

* * *

Italian Labour

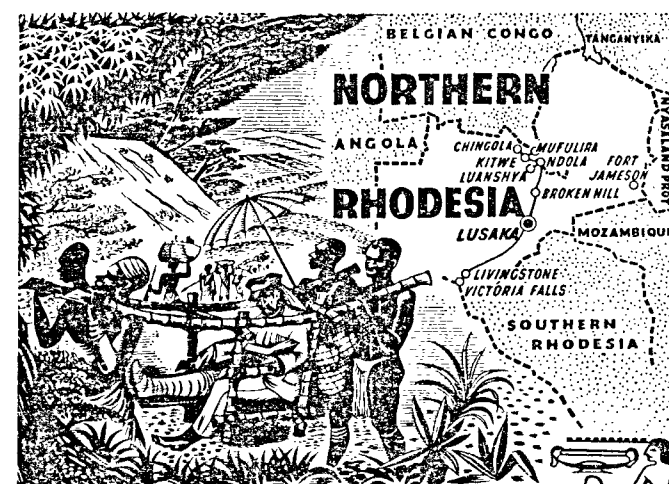
The National Coal Board has at length gained some practical results from its recruiting of Italian workers. Representatives of the board and of the Ministry of Labour have been examining applicants in Rome for some months and the first party of 24 has arrived this week. Medical examination and travel to Britain has been arranged by the Ministry; from the reception hostel the NCB is taking its Italian recruits to a centre at Maltby, near Rotherham, for about ten weeks' study of English. This first party, which is made up of untrained, "green" workers, then requires the statutory three weeks' training before going underground. The men will then be drafted to areas particularly needing manpower—provided that the local unions agree. The NCB divisions to which they are likely to be sent are the Scottish, North-Eastern, North-Western, South-Western, and West Midlands; most of the coalfields concerned have already had experience of Poles and European volunteers.

After the first arrivals, parties of about 30 are expected to arrive each week. The NCB's training centre could accommodate rather more than the 300 odd implied by this rate of arrival; but it is not by any means clear how many Italians will in fact be brought to Britain. The first figure, mentioned during negotiations with the union last year, was 6,000; later estimates of the numbers of recruits who might be available were as high as 14,000. These estimates, too, spoke of trained miners: but it seems clear that the number of trained men still to be had is very much smaller than seemed possible late last year. Belgium, during the winter, was also recruiting such men and it secured a large proportion of those available. It seems possible that by the end of the year some 2,000 to 3,000 Italians might actually be working in British mines (generally on haulage and other ancillary activities, allowing British miners to be upgraded to the coalface). By the end of the summer, when the pipeline is beginning to deliver recruits to the pits, the NCB should have a clearer idea of its home manpower prospects, and of the number of foreign miners it will need.

* * *

Trouble About Plasterboard

The Minister of Works has taken a most unusual step in issuing three orders imposing maximum prices for gypsum, plaster and plasterboard produced by companies belonging to the British Plaster Board group, and not upon other manufacturers of these three products. The action does not arise from any general considerations regarding the supply of these



COPPER:

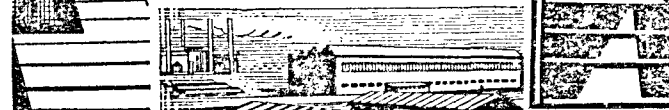
Although copper was probably the first metal to be worked by man, it was not until the beginning of the 20th century that its existence in Northern Rhodesia

was finally confirmed. The presence of copper had long been suspected by Europeans, and Livingstone in his Journals relates how he himself used a native preparation of powdered green malachite as a salve for his tropical ulcers.

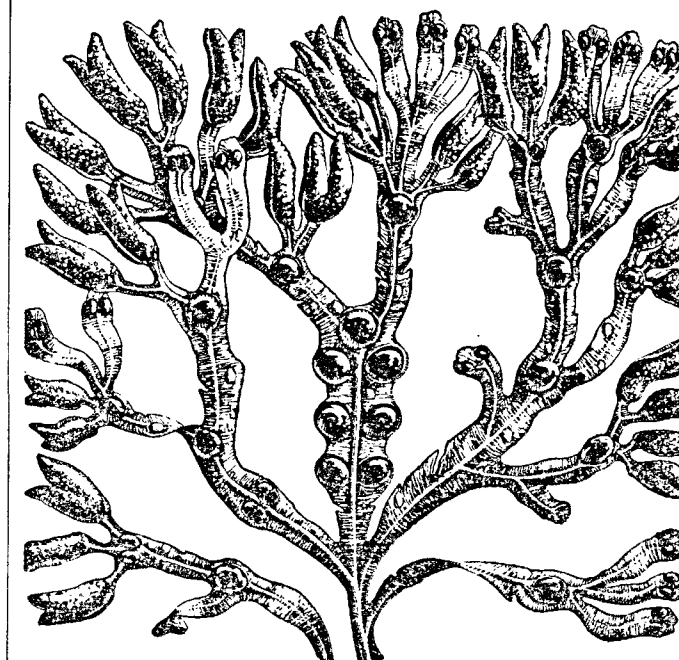
After intensive prospecting copper deposits were finally found on the borders of Rhodesia and the Congo in 1902. Although mining operations did not begin until 23 years later, such was the progress of the industry that in 1950 copper production in Northern Rhodesia was valued at £43,000,000.

Full and up-to-date information from our branches in Northern Rhodesia on market conditions and industrial trends in the territory is readily obtainable on request. Please write to our Intelligence Department at the address given below.

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IODINE



THE element iodine, best-known in the form of the antiseptic solution "tincture of iodine", is found only in combination with other substances. Discovered in 1811, it was later identified as one of the elements by Sir Humphry Davy and by the French scientist Gay-Lussac. Iodine is present in minute quantities in sea water, and is recovered from kelp, the ash of certain kinds of seaweed. Small but valuable quantities of the element are also obtained from brine wells in America and Java, but by far the greater part of the world's supply is extracted from caliche—a natural form of sodium nitrate found in the desert region of Northern Chile. Because iodine is essential to health, it is sometimes added, in the form of potassium iodide, to table salt and animal feeding-stuffs. It is widely used as an antiseptic, and in the treatment of thyroid deficiency. Other iodine compounds play an important part in the sensitising of photographic films and plates, and in chemical analysis.

I.C.I. makes 'Salodine' iodised table salt, and iodised salt licks for livestock. It also uses iodine compounds in the manufacture of certain aniline dyes for the textile industry.



products. Gypsum and plaster, indeed, are relatively plentiful, though shortage of suitable paper has curtailed the production of plasterboard at a time when builders are using it in increasing quantities. The British Plaster Board group produced a large proportion of last year's total output—nearly 45 million square yards—but there are several other large manufacturers including Imperial Chemical Industries which has plant at Billingham capable of producing 9,000,000 square yards a year. Since last October output has fallen, and in March production was down to 3,200,000 square yards; stocks of plasterboard, moreover, have been falling steadily for eighteen months and by March were down to 741,000 square yards, less than a week's production.

The Minister's action has arisen out of a voluntary agreement by which the producers have undertaken not to increase prices without his consent. In recent months discussions have been held about the raising of prices to cover the higher cost of coal, transport, and paper. Talks with the British Plaster Board group on this matter ended in deadlock, and the Ministry states that the group has now withdrawn from the voluntary agreement. Some other producers, by agreement with the Ministry, are able to increase their selling prices by a higher margin than that allowed in the maximum price orders now made to cover British Plaster Board's products. These permit an increase of $\frac{1}{4}$ d. a square yard on the price of plasterboard, so that wallboard made by the group now sells at 2s. 2 $\frac{1}{4}$ d. a square yard—while the increases allowed to the other producers range from 1d. to 1 $\frac{1}{4}$ d. a square yard. The Ministry's explanation is that the costs of the other companies are higher than the costs of British Plaster Board, but the group has yet to publish its own comments on the dispute. It is, however, possible at this stage to question the desirability of singling out an individual producer for administrative action of this kind, particularly action which appears to deal less favourably with that producer by comparison with others.

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Power at the Pithead

Coal mining is not only the primary source of nearly all the electricity generated in the United Kingdom: it is also one of the most important industrial users of electric power, consuming perhaps 4,000 million units a year, equivalent to about eight per cent of the electricity generated annually by the British Electricity Authority. That consumption is certain to rise: the Reid Report advocated all-electric power for new mines and complete electrification of existing mines wherever possible, and the National Coal Board, slightly more cautiously, expects a total consumption of 7,500 to 10,000 million units a year by the time its long-term plan matures in 1965. More power at the coalface, indeed, is a technical prerequisite of the coal plan and of the new mining methods that may supplement it. The National Coal Board and the British Electricity Authority are now considering whether extra electric power should not only be available, but generated, at the pithead.

The coal industry already, in fact, buys only about half its electricity from the electricity supply industry. It owns and operates on its own account 379 power stations, containing 895 small steam-generating sets, nearly all no larger than 3,000 kW capacity. With this equipment—mostly old, obsolete and inefficient—it generates some 2,000 million units a year, handling a maximum demand of just under 500,000 kW. Its remaining demand is met by purchases of power from the Area Electricity Boards. The provision of perhaps 1,500,000 kW of additional capacity, to meet the industry's estimated maximum demand in fourteen years' time, will be no small task in itself. But it is further complicated by the Board's desire—justified in the interests of general fuel economy—to link the provision of power with the low-grade fuel problem of the coal industry.

For years the proportion of inferior coal in the total raised to the surface has been increasing, and modern methods of

mining and dust suppression will continue to increase this proportion. At the same time the consumer's demand for more consistent quality requires heavy investment in cleaning plant—of the order of £1,500 for each ton of hourly capacity. Some of these inferior fuels are burnt in the large power stations of the BEA, when quantities available, consistency of quality, and low transport costs permit. But the Coal Board believes these should be supplemented by power stations at the pithead, run in conjunction with the colliery cleaning plant, to burn further unsaleable fines and middlings; and by centrally-sited power stations serving a group of collieries with low transport costs on fuel. They have been encouraged by practice on the Continent: in Holland, Germany, Belgium and France low-grade fuels are burnt in special furnaces at "mine-mouth" power stations.

★

The first approach to the project in Britain has been a joint study, by the Coal Board and the BEA, of a specific case at one of the Board's collieries. The question of special equipment to burn the lowest grades of coal—with a lower thermal efficiency than normal but possibly, owing to their cheapness, with a satisfactory economic efficiency—has been studied in conjunction with the boiler plant manufacturers. The principle that the price of electricity supplied by such a pithead power station to the collieries should bear a relation to the price of coal supplied by them would seem to follow. But no decision has yet been reached upon a question that—in general if not in the specific case—may well become the most important: who is to run these power stations? The Board, inclining towards treating pithead-generated electricity as a by-product of coal production, may feel it should become one of their diverse "ancillary activities": the BEA, following the traditional policy of the electricity supply industry, may no doubt consider that if any advantages in fuel economy are to be gained by operating power stations on colliery sites, its engineers are the right people to do it. Other factors affect the discussion, such as the suitability—and readiness—of colliery sites, the supply of equipment and personnel; and the balance of financial advantage. It would be too early to prejudge an argument upon the principle: but it may well be one that the Minister—with such advice as he can muster upon national fuel policy—will eventually have to decide.

★ ★ ★

Canada's Balance of Payments

In 1950, according to official figures just published, Canada ran a current account deficit of \$316 million, compared with a current account surplus of \$187 million in 1949. But its gold and U.S. dollar reserve rose by \$625 million, in contrast with its increase of only \$119 million in 1949. The reconciling factor between these two at first sight contradictory statements of fact was, of course, the net inflow of \$941 million of capital into the Dominion last year; in 1949 there had been a net capital outflow of \$68 million. All this vast net inflow of capital came from the United States, but only about \$167 million of it represented direct United States participation in the development of Canadian resources (chiefly for petroleum development in western Canada and mining development in Quebec). The rest of the inflow from the United States, amounting to over \$780 million, was mainly motivated by American investors' expectation that the foreign exchange value of the Canadian dollar would be increased—an expectation that was particularly rife in the third quarter of the year. After the Canadian dollar was set free and allowed to float upwards on October 1st, the net inflow of capital stopped altogether—although it did not apparently go sharply into reverse.

In "normal" conditions of international trade, it might seem peculiar that a country whose external accounts were

swinging over from moderate surplus to moderate deficit should have enjoyed (or had to bear) an inflow of speculative capital on the scale of the inflow into Canada last year. But as the regional analysis in the latest Canadian foreign exchange report showed, the change to an overall deficit coincided with a striking movement towards better regional balance. Canada's current account deficit with the United States shrank from \$589 million in 1949 to \$394 million in 1950, and its current account surplus with the United Kingdom fell from \$439 million to only \$33 million (thanks to a 33 per cent increase in British exports to Canada, and a similar percentage decrease in British imports from it). As Canada ran a deficit of \$26 million with overseas sterling area countries last year (against a surplus of \$135 million in 1949), its accounts with the sterling area as a whole came very near to exact balance in 1950, after having shown a surplus of no less than \$574 million in 1949. Canada, in short, has now reached a position where its overall external accounts show a current deficit that is not inappropriate to its present state of development, but where those accounts are not jacked up by excess sales to customers that always seemed liable to be cut off from it by the exigencies of dollar supplies.

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Export Volume still rising

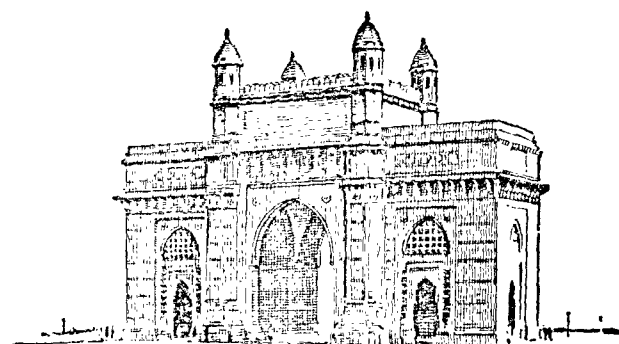
The detailed foreign trade figures for April confirm the importance of prices in Britain's present trading position. Since April last year the index of import prices has risen by over 41 per cent, whereas the export price index has risen by only a little over 17 per cent. Export prices have been rising steadily month by month, but far less than import prices. Thus the exporting industries of the country start at a disadvantage apart from physical difficulties such as shipping space, which improved in April, or raw material shortages and the switch to rearmament, which do not yet seem to have affected exports appreciably. The volume of exports for the first four months of 1951 compares well with last year. According to the Board of Trade index, the volume for January to April this year was about 3 per cent above the average of last year and over 8 per cent above the average of the first four months of 1950.

Compared with the corresponding period of 1950 the volume of exports of cotton woven piece goods was nearly 15 per cent higher in the first four months of this year; woollen and worsted manufactures increased by more, but rayon manufactures were less than last year. Exports of commercial vehicles, motor and pedal cycles were larger than last year; exports of new cars were about a tenth lower, but exports of chassis were a little higher. Exports of most types of machinery were about the same as last year, but exports of machine tools were slightly increased, as was the total for machinery and parts. Dollar exports would seem to compare well with those in the same period in 1950. Automobile exports were less to Canada, but in general greater to the United States; cotton and wool goods increased to both countries. Machine tool exports were greatly increased to Canada and the total exports of machinery and parts increased by over a quarter to Canada and also by over a third to the United States. Thus exports of manufactured goods have been running above their corresponding 1950 level, and at about the level of the last quarter of that year. It is still too early to gauge what the effect of steel and other shortages or of rearmament will be.

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Insurance on Show

A Festival exhibition, "Risks Round the World," is being staged by the British Insurance Association, which represents virtually all the British and Commonwealth insurers operating in this country except Lloyd's underwriters. It is being held in the Royal Exchange, which is now



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the headquarters of one of the oldest insurance companies and used to house Lloyd's. The age and ubiquity of British insurance is effectively illustrated by tableaux flanking a large crystal globe in the centre of which appear a number of different pictures depicting the insurance aspect of recent scientific developments. There is also a machine that issues a personal accident insurance covering the purchaser for £1,000 against death and serious injury (other than from war or aviation) during the succeeding 24 hours, for a premium of 6d. There would seem to be scope here for racing motorists, steeplejacks and others who are not normally eligible for this type of insurance to profit from a visit to the exhibition; the annual rate of premium is, however, comfortably in excess of that normally charged for personal accident insurance of this type, and the insurers are thus well protected against adverse selection. A machine of similar type is to be installed at Heath Row Airport in the near future.

Until it was galvanised into activity by the threat of nationalisation, British insurance advertising was uninspired and uninformative. An active anti-nationalisation press advertising campaign was then initiated by the life offices; it has since developed into the collective advertising of the merits of life assurance. The British Insurance Association, too, has begun running a series of advertisements focused upon the more unusual types of overseas insurance. These efforts are a welcome sign that a great industry is not frightened of speaking for itself and the public it serves.

* * *

Hastening Coal Compensation

It is to be hoped that the former Durham coal owners' scheme to hasten agreement on valuation of all collieries in the district—and hence the eventual share-out of the district's £13 million compensation for assets with "coal industry value"—will be accepted. The proposal of the Durham Coal Owners' Association is that two independent assessors should determine the valuation of the collieries by April next; members of the association who accept, and coal owners outside the association who also enter the scheme, will be bound to accept the findings of these assessors. The assessors' findings will then go forward to the District Valuation Board, whose responsibility it is to fix the valuation of these assets in accordance with the district's share of the "global compensation" of £164.6 million originally fixed by the Greene tribunal—and of other assets of the former colliery companies that are paid for apart from the "global sum."

There is no guarantee that the District Valuation Board will accept the valuations determined by these assessors and voluntarily accepted by the coal owners; it may well vary some or all of them, since it cannot devolve its formal respon-

sibility in the matter. When such voluntary agreements were first put forward, indeed, the question was raised whether they accorded with the provisions of the nationalisation statute; but the Ministry commented that the valuation boards could obviously take note of these agreed valuations, and if they so judged could accept them in whole or part. In practice the inability of owners to agree on relative valuations—and hence upon eventual division of the compensation—has been one of the more protracted of the chain of delays that make up the process of compensation. Such agreements have already hastened the process in four smaller coal districts—Somerset, Leicester, Cannock Chase, and Kent—and some payments have been made to owners in these areas. Durham, and also Northumberland, which in January accepted a similar voluntary scheme, are the first of the larger valuation districts to follow their example—one that must be acceptable to the vast majority of colliery shareholders, whose share of the £164.6 million total has steadily declined in value during the four years of official and private delays over this settlement.

Shorter Notes

Shell's final ordinary dividend of 7½ per cent, tax free, brings the total payment to 12½ per cent net, much as the market had expected. After the announcement selling of Shell ordinary units by the inevitable optimists who had hoped for 15 per cent was quickly absorbed by strong investment buying and the price showed little change on balance at £4½.

* *

The Treasury has consented to a reorganisation of the capital of three leading Rhodesian copper companies by the capitalisation of reserves. Roan Antelope are to issue four new 5s. ordinary shares for every five stock units now in issue; Rhodesian Selection Trust are to make a one for one bonus issue; and Mufulira, which is controlled by RST, are to issue two new £1 ordinary shares for every three.

* *

The announcement by Standard Motor of a scrip bonus of five new 5s. ordinary shares for every two existing 5s. stock units, which will raise the issued ordinary capital from £1,465,000 to £5,127,500, warmed the stock market. This step has been taken to indicate a greater distribution to equity shareholders this year.

* *

Japan imported 75 million lb. of raw wool in 1950 compared with 41 million lb. in 1949. Australia supplied 60 million lb., New Zealand and South Africa together 7 million lb. and Argentina and Uruguay 8 million lb. Its consumption of raw wool last year amounted to 51 million lb. (clear basis) against 16 million lb. in 1949.

Company Notes

Royal Mail.—The Ministry of Food's muddle and mismanagement during the long course of its negotiations for a bulk-buying meat agreement with Argentina has had a serious effect on the trading fortunes of Royal Mail and other shipping companies that operate specially constructed refrigerated liners for the River Plate trade. After the cessation of meat imports in July, 1950, Royal Mail could not find full alternative employment for its refrigerated liners. Despite relatively satisfactory results from its other operations, therefore, the company's operating profits fell from £2,946,863 to £2,373,551. The shipowners consider they have a justifiable claim on the Government for protection against these losses, which were incurred through circumstances quite outside their control. Representations to secure compensation have been made, but so far with no success. Another special risk

attached to trading with South America today is that arising from the delay in remitting accumulated balances of freight and passenger money from Brazil and Argentina; as a result of this delay, the amounts due to the Royal Mail from subsidiary companies have risen in the latest balance sheet from £135,101 to £508,957. Although some remittances have been received since the end of the year, others are still piling up; this is giving rise to some concern lest there should be a repetition of the exchange losses that the company suffered last August, when Argentina devalued the "free" peso rate.

In view of the decline in profits, ordinary shareholders cannot feel dissatisfied with the maintenance of the ordinary dividend at 7½ per cent, to which must be added the additional tax-free 2 per cent distribution from capital profits. The financial position of the group appears to be sound; there has

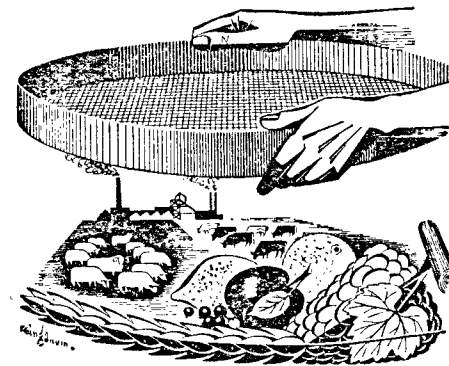
been a fall in cash holdings from £6,174,152 to £3,833,149, but this has been balanced

	Years to Dec. 31, 1949	1950
<i>Consolidated earnings:</i>		
Operating profit	2,946,863	2,373,551
Total income	3,231,907	2,684,877
Depreciation	1,402,037	1,317,394
Taxation	1,028,177	755,181
Ordinary dividends	165,000	157,500
Ordinary dividends (per cent)	7½	7½
General reserves	150,000	—
Added to group carry forward	62,693	6,802

<i>Cons. balance sheet analysis</i>		
Fixed assets, less depreciation	6,425,193	6,541,763
Total current assets	14,934,851	15,628,243
Gilt-edged investments	4,725,816	7,255,113
Cash	6,174,152	3,833,149
Reserves	9,580,579	9,715,853
Ordinary capital	4,000,000	4,000,000
(a) Excludes 2% tax free distribution from capital profits.		
£1 ordinary stock at 33s.6d yields £4 11s. per cent.		

by further investment in gilt-edged stocks, which are shown at a book value of £7,255,113, against £4,725,816. The group's

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£2,000,000	in 2,000,000 Ordinary Shares of £1 each	...	£1,333,750
£3,250,000			£2,333,750

ISSUE TO SHAREHOLDERS OF 1,000,000 4½% CUMULATIVE REDEEMABLE PREFERENCE SHARES OF £1 EACH AT PAR. (Dividend on the Preference Shares will be payable by equal half yearly instalments on the 30th June and 31st December in each year. The first payment will be payable on the 31st December, 1951, and will be 5.175d. per share less income tax.)

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The Directors have decided that it is desirable to raise further permanent capital and they have accordingly offered the Preference Shares referred to above to the Ordinary Shareholders by way of rights in proportion to their respective holdings.

The net assets of the Company as shown in the audited Balance Sheet at 31st December, 1950, together with estimated net proceeds of the present issue of Preference Shares, are sufficient to cover the capital of such Preference Shares more than 4 times.

The average of the profits for the three years ended on the 31st December, 1950, before charging Income Tax but after deducting Profits Tax thereon at the rate of 10 per cent. and an additional 40 per cent. on the dividend on the Preference Shares, is sufficient to cover the dividend on such Preference Shares more than eight times.

Directors:

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Brokers:

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Solicitors:

J. D. LANGTON & PASSMORE, 8, Bolton Street, London, W.1.

Auditors:

KENNEDY, FOX, OLDFIELD & CO., 238/243, Temple Chambers, Temple Avenue, London, E.C.4.

financial strength, however, must be considered in relation to what the chairman called "the high and increasing level of all shipping disbursements and the greatly increased cost of new tonnage."

The resumption of meat imports from Argentina will, of course, be of material benefit to the company this year, but increases in freight and passenger fares are lagging well behind the rise in operating costs; liner companies operating their ships in regular trades and at Shipping Conference rates benefit only indirectly and to a very limited extent from recent rises in the freight rates for bulk cargoes—rises that have been caused by increased demand for tramp tonnage. In view of the increase in general expenses and shipbuilding costs and of the need to maintain an adequate fleet under the heavy burden of taxation, it would seem to be wise to avoid excessive optimism about the prospects for much higher profits this year.

Monsanto Chemicals.—The two most important problems facing the chemical industry today are the acute shortages of such essential raw materials as sulphur and the prospect of having to switch productive capacity to meet the needs of the rearmament programme. Demand for the industry's products is likely to remain high for some years to come, and Monsanto Chemicals is well placed to meet it. Its extensive capital development programme has borne an early crop of fruit this year in a sharp rise in trading profits from £959,127 to £1,685,897. The bulk of the additional volume of business came from greater production at the newly constructed factory at Newport, although raw material shortages prevented the plant from working continuously at full capacity. Monsanto have not neglected to pass some of the benefits on to ordinary shareholders, as was noted in *The Economist* of March 24th; it has raised its dividend from 45 to 55 per cent.

Progress in the capital extension programme has been rapid in recent years; capital additions of £1,300,000 brought the total sum spent in the four years 1947-50 to over £5,250,000; in addition, capital works still in progress are shown at £841,044 and outstanding commitments at £740,000. A broadening of the basis of issued capital to support the expansion of the company's operations has therefore become advisable; permission has now been given by the Treasury for a further issue of £1,500,000

	1949	1950
Consolidated earnings:—		
Trading profit	959,127	1,685,897
Net current assets	963,765	1,686,478
Depreciation	233,664	364,712
Taxation	377,139	695,124
Group earnings for ordinary stock	264,715	502,692
Ordinary dividends	222,750	263,250
Ordinary dividends (per cent)	45	55
Added to group carry forward	42,636	252,107

	1949	1950
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	3,721,424	4,771,769
Net current assets	1,709,447	1,422,001
Stocks	1,588,791	1,879,011
Cash	567,370	224,775
Reserves	3,194,555	3,465,558
Ordinary capital	900,000	900,000
5s. ordinary stock at 20s. 6d. yields £3 9s. per cent, allowing for two for one share bonus and unchanged total distribution.		

preference shares and for the two for one bonus issue of 7,200,000 5s. ordinary shares credited as fully paid from the share premium account. That the capital programme has imposed some strain on financial resources is reflected in the fall in net current assets from £1,709,447 to £1,422,001 and in cash from £567,370 to £224,775. The company had to borrow £500,000 from the banks in 1950, but the strain will be eased in the current year by the proceeds of the preference share issue. The chairman argues in his address that while "the state will no doubt provide the capital equipment required for direct armament production, it is apt to

rely on industry for the indirect requirements. He suggested, therefore, that "for capital projects of that indirect nature found to be necessary in the interests of the national economy during the rearmament period, the state should revise present initial and wear and tear allowances so as to allow capital expenditure to be written off in equal instalments over five years." In view of the Budget decision to scrap initial allowances altogether, this seems likely to be a vain hope, and Monsanto will probably have to push ahead with its capital programme without the benefit of taxation reliefs.

An appreciable increase in turnover is anticipated this year, but budgeted output has been set considerably below maximum capacity owing to the difficulties in obtaining sufficient supplies of raw materials. The chairman expects the shortage of sulphur to be of long duration, and estimated that the conversion to the use of pyrites and anhydrites to overcome this difficulty will take up to five years. Despite these raw material problems, however, the outlook for the company and its shareholders looks bright, both in the current year and in the more distant future.

Marks and Spencer.—The bonus issue and dividend policy of Marks and Spencer was discussed in *The Economist* when the preliminary statement of profits was published. The impressive rise in trading profits from £5,989,951 to £7,486,863, which enabled the company to raise its ordinary dividend from 60 to 75 per cent, is partly a reflection of the shopping trends of the year, which seem to have generally favoured multiple chain stores at the expense of single-branch departmental stores. Some of the explanation for Marks and Spencer's especially good results, however, is perhaps to be found in the fact that a good part of the company's business is in foodstuffs and utility clothing, both of which have rapid rates of turnover; total turnover almost certainly increased substantially in the latest financial year, when the sale of utility clothing may have been stimulated by consumers' eagerness to buy before prices rose even further. The centralised purchase of cloth used by the company's garment manufacturers may also have afforded some protection against sharp increases in costs.

	1950	1951
Earnings:—		
Trading profit	5,989,951	7,486,863
Total income	6,101,491	7,593,442
Depreciation	687,822	753,044
Taxation	2,530,000	3,525,900
Earnings for ordinary stock	1,991,452	2,076,743
Ordinary dividends (per cent)	60	75
General reserve	—	505,321
Stock contingency reserve	—	350,000
Added to carry forward	1,377,527	691,932

	1950	1951
Balance sheet analysis:—		
Fixed assets, less depreciation	9,574,865	10,012,933
Net current assets	5,320,772	5,563,220
Stocks	2,894,258	4,372,048
Cash and T.R.C.'s	4,173,717	3,705,283
Reserves	7,810,932	9,332,217
Ordinary capital	2,165,409	2,212,571
5s. ordinary stock at 20s. 6d. yields £3 17s. per cent.		

The rise in the book value of stock-in-trade from £2,894,258 to £4,372,048 results from both increased turnover and higher prices. Although liquid resources have been drawn down from over £5,500,000 to just over £5,000,000, this sum still represents a high proportion of total assets. The already impressive revenue reserves have been further strengthened and now stand at £8,425,233, against £6,903,948. Additions to general reserves and the carry forward provide a generous cover on the ordinary dividend; and while the price of the 5s. "A" ordinary units has fallen slightly from the high level of £5 that was reached on the eve of the dividend announcement, the yield of some £3½ per cent at the current price of 97s. suggests that many investors believe that the prospects for further dividend increases and bonuses are far from being at an end.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, May 15, 1951	Price, May 23, 1951	Net Yield, May 23, 1951 (p)	Gross Yield, May 23, 1951
War Bonds 2½% ...	101	100½	£ s. d.	£ s. d.
Mar. 1, 1951-53			0 13 5	2 0 1½
War Bonds 2½% ...	101½	100½	1 15 2	1 5 4½
Mar. 1, 1952-54			0 17 4	2 2 1½
Exchequer Stk. 2½% ...	101½	100½	0 16 11	1 19 9
Feb. 15, 1955			0 16 4	2 1 1½
War Bonds 2½% ...	102½	101½	1 0 0	2 4 1½
Aug. 15, 1954-56			0 3 7	1 8 0½
Funding 2½% ...	101½xd	101½xd	1 4 4	2 10 0½
June 15, 1952-57			0 14 7	2 6 0½
Nat. Defence 3½% ...	103½	103½	1 3 10	2 13 6½
July 15, 1954-58			0 18 7	2 7 5½
War Loan 3½% ...	103½	102½	1 4 6	2 13 0½
Oct. 15, 1955-59			2 3 0	3 15 1½
Savings Bonds 3½% ...	99½	98½	1 15 2	3 4 0½
Aug. 15, 1955-65			1 18 8	3 3 5½
Funding 2½% ...	97½	97½	1 12 7	2 17 1½
April 15, 1956-61			2 9 6	3 19 7½
Funding 3½% ...	94½	93½	2 0 1	3 9 1½
April 15, 1959-69			1 18 7	3 8 7½
Funding 3½% ...	96½	95½	1 17 10	3 7 10½
Aug. 1, 1966-68			1 14 2	3 11 9½
Funding 4½% ...	104½	103½	1 19 7	3 16 1½
May 1, 1960-90			2 8 9	3 19 4½
Savings Bonds 3½% ...	94½	93½	2 0 5	3 10 8½
Sept. 1, 1960-70			2 2 7	3 7 10½
Savings Bonds 2½% ...	91½	90½	1 19 9	3 5 0½
May 1, 1964-67			1 15 2	3 12 10½
Victory Bonds 4½% ...	105½	104½	2 7 2	3 18 2½
Sept. 1, 1920-76			2 1 5	3 12 3½
Savings Bonds 3½% ...	92½	91½	2 2 4	4 1 1½
Aug. 15, 1965-75			2 0 11	3 18 3½
Consols 4½% ...	100½	99½	2 0 6	3 17 4½
Feb. 1, 1957			2 1 1	3 18 6½
Conversion 3½% ...	90½	90	2 0 1	3 14 0½
(after Apr. 1, 1961)			2 0 5	3 13 9½
Treasury Stk. 2½% ...	65½	65	2 4 7	3 16 10½
(after Apr. 1, 1975)			2 2 6	3 14 1½
Treasury Stk. 3½% ...	78½	76½	2 1 7	3 19 2½
(after Apr. 5, 1966)			2 0 5	3 17 2½
Treasury Stk. 3½% ...	97½xd	96½xd	2 1 9	3 12 3½
June 15, 1977-80			2 2 6	3 13 3½
Redemp. Stk. 3½% ...	86½	84½	2 4 7	3 16 10½
Oct. 1986-96			2 2 6	3 14 1½
War Loan 3½% ...	89½xd	88½xd	2 1 7	3 19 2½
(after Dec. 1, 1952)			2 0 5	3 17 2½
Consols 2½% ...	62½	61½	2 1 9	3 12 3½
Brit. Elect. 3½% Gtd. ...	92½	91½	2 2 6	3 13 3½
April 1, 1968-73			2 1 6	3 12 2½
Brit. Elect. 3½% Gtd. ...	91½	90½	2 0 4	3 14 5½
Mar. 15, 1974-77			2 0 0	3 14 1½
Brit. Elect. 3½% Gtd. ...	97½	96½	2 7 0	3 19 6½
Nov. 15, 1976-79			2 3 9	3 16 3½
Brit. Tpt. 3½% Gtd. ...	86½	85½	2 4 6	3 15 0½
July 1, 1978-88			2 1 1	3 12 5½
Brit. Tpt. 3½% Gtd. ...	92½	91½	2 3 11	3 15 2½
April 1, 1968-73			2 2 11	3 15 3½
Brit. Gas Gtd. 3½% ...	85½	83½	2 1 2	3 15 0½
May 1, 1990-95			2 0 11	3 15 9½
Brit. Iron & Steel ...	97½	95½		
Feb. 15, 1979-81				

(e) To earliest date. (f) Flat yield. (g) Net yields are calculated after allowing for tax at 9s. 6d. in £. * Assumed average life 13 years 0 months.

Last Two Dividends	Ordinary Stocks	Price, May 15, 1951	Price, May 23, 1951	Yield, May 23, 1951
(a) (b) (c)				
20 a	40 b	Anglo-Am. 10/-	81	8½
25 b	5 a	Anglo-Iran 1/-	51	6 0
5 a	15 a	Assoc. Elec. 1/-	96/3	4 3 2
22 c	27 c	Assoc. P. Cem. 1/-	106/3	5 2 10
40 c	35 c	Austin 5/-	35/9	5 0 0
15 c	20 c	Bass 1/-	149/4	6 7 5
40 c	40 c	Boots 5/-	53/6	50/6xd
10 c	6 a	Br. Celanese 10/-	33/9	34/3
8 a	12 a	Br. Oxygen 1/-	97/0	97/6
5 b	7 b	Coats 1/-	68/9	63/9xd
15 c	5 b	Courtauld 1/-	47/3	47/3
20 c	6 a	Distillers 4/-	23/6	23/6
15 c	17 a	Dunlop 1/-	66/3	64/9xd
10 c	12 c	Ford 1/-	56/10	55/3
17 c	17 c	Gen. Elect. 1/-	93/9	91/3
11 a	21 b	Guinness 1/-	141/10	141/10
15 a	17 b	Hawker Sid. 5/-	42/9	43/14
3 a	9 b	Imp. Chem. 1/-	50/-xd	50/-
13 a	18 b	Imp. Tobacco 1/-	98/9	97/6
5 a	7 b	Lanes. Cotton 1/-	52/6	53/11
10 c	10 c	Lever 1/-	50/-	48/9
15 c	15 c	Lon. Brick 1/-	61/3	59/4
8 a	60 b	Marks & Sp. A5/-	98/-	96/9xd
15 a	8 b	P. & O. Def. 1/-	64/6xd	63/6
27 b	7 a	P. Johnson 10/-	40/6	40/6
15 a	17 b	"Shell" Stk. 1/-	95/7	93/9xd
12 b	12 a	Tube Invest. 1/-	71	63xd
32 a	16 b	T. & Newall 1/-	101/10	100/-
8 c	10 c	Union Castle 1/-	40/-	38/-xd
17 c	5 c	U. S. Betsong 1/-	62/6	62/6
24 a	10 b	Vickers 1/-	53/6xd	53/6
15 a	27 b	Woolworth 5/-	48/9	48/9

EXCHEQUER RETURNS

For the week ended May 19, 1951, total ordinary revenue was £48,056,000 against ordinary expenditure of £59,831,000 and issues to sinking funds £200,000. Thus, including sinking fund allocations of £1,550,000 the surplus accrued since April 1, 1951, is £32,311,000 compared with a surplus of £40,329,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	April 1, 1950 to May 20, 1950	April 1, 1951 to May 19, 1951	Week ended May 19, 1951	Week ended May 20, 1951
ORD. REVENUE					
Income Tax	162,400	110,379	124,163	10,824	8,932
Sur-tax	128,000	15,250	15,500	1,700	1,300
Estate, etc., Duties	180,000	27,020	27,600	2,870	4,200
Stamps	55,000	7,220	8,600	1,120	1,100
Profits Tax	312,650	1,400	34,400	2,190	3,300
E.P.T.	500	30	30	10	—
Other Inland Rev.	1,500	950	440	100	70
Special Contributions	230,240	184,899	210,733	19,314	18,902
Customs	930,500	120,467	130,251	23,685	15,122
Excise	720,500	111,700	121,200	8,100	12,200
Total Customs and Excise	1,651,000	232,167	251,451	31,785	27,322
Motor Duties	62,000	4,621	5,439	—	—
Surplus War Stores	20,000	9,930	22	385	4
Surplus from Trade	50,000	974	—	—	—
P.O. (Net Receipts)	5,400	6,600	7,700	2,300	1,800
Wireless Licences	13,600	1,000	1,000	—	—
Sundry Loans	27,000	1,308	2,267	—	—
Miscell. Receipts	105,000	10,421	7,789	94	28
Total Ord. Rev.	4,236,400	451,920	486,401	53,878	48,056
SELF-BALANCING					
Post Office	179,431	18,100	19,700	2,200	2,200
Income Tax on E.P.T. Refunds	4,900	1,114	784	806	147
Total	4,420,731	471,134	506,885	56,884	50,403

Expenditure	Estimate, 1951-52	April 1, 1950 to May 20, 1950	April 1, 1951 to May 19, 1951	Week ended May 19, 1951	Week ended May 20, 1951
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	66,580	75,008	1,367	1,625
Payments to N. Ireland	38,000	3,460	3,844	—	—
Other Cons. Funds	11,000	600	748	—	—
Total	584,000	70,640	79,600	1,377	1,631
Supply Services	361,292	339,528	372,940	62,100	58,200
Total Ord. Expd.	419,692	410,168	452,540	63,476	59,831
Sinking Funds	—	1,424	1,550	190	200
Total (excl. Self-Bal. Expd.)	419,692	411,592	454,090	63,666	60,031

	Estimate, 1951-52	April 1, 1950 to May 20, 1950	April 1, 1951 to May 19, 1951	Week ended May 19, 1951	Week ended May 20, 1951
SELF-BALANCING					
Post Office	179,431	18,100	19,700	2,200	2,200
Income Tax on E.P.T. Refunds	4,900	1,114	784	806	147
Total	438,125	430,804	474,574	66,672	62,378

After decreasing Exchequer balances by £109,548 to £3,146,380, the other operations for the week increased the National Debt by £17,111,247 to £26,937 million.

NET RECEIPTS (£ thousand)	
Cinematograph Film Production (Special Loans) Act 1949, s. 8(1)	44
P.O. & Telegraph (Money) Act, 1950	260
E.P.T. Refunds	150
Export Guarantees Act, 1949, s. 3(2)	365
Local Authorities Loans Act, 1945, s. 3(2)	4,200
Finance Acts, 1946 and 1947: Post-war Credits	264
	5,269

NET ISSUES (£ thousand)	
P.O. & Telegraph (Money) Act, 1950	260
E.P.T. Refunds	150
Export Guarantees Act, 1949, s. 3(2)	365
Local Authorities Loans Act, 1945, s. 3(2)	4,200

THE UNION BANK OF SCOTLAND, LIMITED

SATISFACTORY RESULTS

LARGE INCREASE IN BALANCE SHEET FIGURES

LORD BILSLAND'S REVIEW

The annual meeting of shareholders of the Union Bank of Scotland, Limited, was held in Glasgow on May 23rd, The Right Honourable Lord Bilsland, M.C., D.L., LL.D., chairman of the board, in the chair. The chairman, in submitting the directors' report, said:—

"I have pleasure in submitting the report and accounts for the year ended April 2, 1951, which with your permission I propose to hold as read.

You will observe from the accounts that the balance sheet total is now £93,980,000, an increase of £9,822,000, compared with last year. This is accounted for chiefly by a substantial increase in our deposits, which at £77,884,000 are £7,496,000, or rather more than 10 per cent. higher than last year. Acceptances and guarantees on behalf of customers at £4,655,000 show an increase of £1,796,000. This is due to the expansion of foreign trade and represents facilities afforded to customers engaged in importing raw materials or exporting finished goods. Our note circulation continues to expand and at £7,743,000 shows an increase of £523,000.

BALANCE SHEET ITEMS

On the assets side of the balance sheet, cash and money at call and short notice amount to £24,506,000, an increase of £4,807,000. The Treasury policy of financing short-term borrowing by increasing the issue of Treasury bills and restricting the issue of Treasury deposit receipts to the joint stock banks, to which I referred last year, has been continued during the period under review. Our holding of Treasury deposit receipts now stands at £1,000,000, a reduction of £500,000. On the other hand our Treasury bills show an increase of £410,000. These liquid resources amount in all to £26,467,000, about 31 per cent. of our liability on deposits and notes in circulation. British Government securities, mostly short-dated, stand in the books at £38,659,000, an increase of £1,141,000 during the year. The market value of our investments is, in the aggregate, in excess of the amount at which they appear in the balance sheet.

QUESTION OF BANKING ADVANCES

The question of banking advances is one which in these days requires much consideration. The Chancellor of the Exchequer has the full co-operation of the banks in his efforts to ensure that facilities should not be granted for speculative or other purposes inconsistent with the national interest. It appears, however, that manufacturers and traders are in many cases unable to make regular purchases of stocks to meet their normal requirements, and temporary banking accommodation is required to assist them in acquiring goods at such irregular intervals as these may become available. On this account, and also because of the marked rise in prices the high level of taxation and the increase in the cost of overheads, it is becoming increasingly difficult for customers to meet their financial requirements out of their own resources. Our loans and advances at £20,873,000 show an increase of £1,819,000.

PROFIT AND DIVIDEND

The increased earnings arising from the employment of the larger funds at our dis-

posal during the year have been offset by the continued growth in all costs of administration, particularly those relating to salaries and other staff provisions. The profit for the year, after making full provision for taxation and for all bad and doubtful debts amounts to £245,000, about £750 less than last year. A sum of £80,000 has been set aside as a reserve for contingencies and the usual allocation of £40,000 has been made towards our liability for pensions and allowances. After giving effect to these allocations and providing for the dividend of 18 per cent. recommended by the board, the amount carried forward will be £184,600, an increase of £12,000.

INTERNATIONAL SITUATION

During the year under review there was a marked deterioration in international affairs, which increasingly dominate the economy of the world. The outbreak of war in Korea last summer, with its immediate effect on industrial activity and on stockpiling in the U.S.A., and, therefore, on the price of commodities, created many new problems and released fresh inflationary forces, the full effect of which has not yet been felt. The international situation must meanwhile continue to remain tense and not without anxiety.

Largely as the result of the changed situation in the United States there was a remarkable recovery in the latter part of last year in the position of our balance of payments, which led to the suspension of Marshall Aid and the termination of drawings on the 1946 Canadian Credit. The manner in which the U.S.A. has discharged the responsibilities of economic leadership, thrust upon her by the effect of the war, has not only earned our gratitude, but has indeed saved Europe from chaos. We acknowledge also the generous aid which Canada has given to us. While the recovery in our balance of payments and the revival of confidence in sterling was largely due to external factors, a very considerable contribution to our improved position was made by a gratifying increase in the volume of our dollar exports, and in our invisible earnings, and by a reduction in the volume of our dollar imports following devaluation.

EXTERNAL TRADE

In the early months of 1951, however, a disturbing deterioration in our external position occurred. The visible trade gap for the first quarter of 1951 was more than three times that of the first quarter of last year. This is due in large part to the fact that the prices we must pay for our imports have risen much faster and much further than the prices received for our exports and to some reduction in the volume of our export trade. For example, U.K. imports in March this year increased in value by £82 million compared with the same month last year, but exports increased by only £6,000,000. The April figures of overseas trade are more encouraging, showing a marked reduction in the adverse balance and a recovery in dollar exports, particularly to Canada. It is to be hoped that this trend may continue. A sound economy is the first line of defence, and it is imperative that every effort should be made to sustain our export trade at the highest possible level.

In the current year the official estimate

of the value of imports, assuming that supplies are available, is of the order of £3,200 million. It is hoped that our invisible earnings may amount to £450 million. This would leave a gap of £2,750 million to be filled by visible exports and re-exports in 1951—a figure about £500 million higher than the total of our export trade in 1950. That is the measure of the task before us. Part of the increase required in the value of exports will come from higher prices, but part must come from an increase in volume, particularly to the dollar markets. This task, in any circumstances, would present a serious problem. Today it is only one of the major problems that confront us.

REARMAMENT AND RAW MATERIALS

Our economy, already severely strained, must now shoulder the additional burden of a huge rearmament programme which, excluding stockpiling, is estimated to cost £4,700 million during the three years from April, 1951. This expenditure is essential, so that we may defend our freedom and play our part in the resistance of the free world to the aggression which threatens us. In the task to be laid upon it industry will rise to the occasion to the limit of its capacity as it has always done, but it is faced with serious difficulties beyond its control. The maintenance of a steady flow of production depends on the availability of the necessary raw materials. Unhappily there is cause for concern regarding the supply of certain raw materials, including those necessary to sustain the maximum production of steel in this country. The great manufacturing centres of the world today are suffering from the fact that, over the comparatively recent period of great development in manufacturing capacity, so much more thought has been given to the expansion of the means of production than to the provision on an adequate scale of the raw materials necessary to sustain an ever-increasing demand. Furthermore, the greatly increased demand for electric power has frequently been in excess of generating capacity and we are informed that peak demand is likely to remain in excess of maximum generating capacity for some years. Additional generating capacity will require additional coal, the supplies of which have proved insufficient to meet current demand. The need to import coal in large quantities at high cost during the past year, and the consequent diversion of shipping, had a most disturbing effect on supplies of raw materials for other industries, notably steel, and on the level of freights. In the present state of full employment there is an obvious danger, as the rearmament programme develops, of excessive competition for labour among industries essential to rearmament and to export trade, which, failing action to regulate the position, might well have the effect of inflating the cost of rearmament at the expense of the taxpayer, and of unduly raising the cost of our goods in the export market.

HIGHER STANDARD OF PRODUCTIVITY ESSENTIAL

It is obvious that we can only shoulder our additional burdens successfully, and maintain our export trade at, or near, the necessary level, by achieving a higher standard of productivity—to the utmost limit possible in the circumstances with which we have to deal. We must direct our attention more than ever before to competitive efficiency throughout our whole economy. This is a matter of organisation and equipment and the removal of restrictive practices, but it is mainly and essentially a question of attitude of mind. It is sincerely to be hoped that a strong influence towards a fresh attitude of mind on productivity will result from the series of reports by teams drawn from management and organised labour which have recently visited the U.S.A., under the auspices of the Anglo-American Council on

Productivity, to study American industry. These reports, recently published, which are worthy of the most careful study, are unanimous in declaring that what is basically required in this country is an attitude of mind towards productivity at least comparable with the attitude at all levels prevailing in the United States. The fact that the general standard of living depends entirely on the output of the individual is unhappily not yet widely realised or believed in this country.

CURBING INFLATION

The Budget opened by Mr Gaitskell on April 10th is interesting, chiefly in the measures proposed to curb inflation. It would appear doubtful whether they will in fact prove adequate to prevent the accelerating spiral tendencies which would be so dangerous to our economy. It is most regrettable that the Chancellor failed to use the safeguard against inflation of substantial retrenchment in Government expenditure. The difficulty in filling the gap by increased production, and the effect of the rearmament programme, together with the collapse of wage stabilisation policy, make our economy very vulnerable. The increased rates of income tax and of the tax on distributed profits have the very serious effect of still further reducing the formation of risk capital on which our progress and prosperity so greatly depend.

POSITION OF HEAVY INDUSTRIES IN SCOTLAND

A year ago most economic indicators in Scotland pointed to a slowing down in the heavy industries which are the mainstay of our economy, and in the rapid rate of post-war industrial development. Shipbuilding orders were being completed more quickly than new orders were being received. The effect of restriction on capital investment was also beginning to be felt, and the volume of new industrial proposals had slackened. Employment from new postwar developments was still rising at much the same rate as in previous years, but the fact that unemployment figures were not falling at the same rate as in the earlier postwar period showed that the employment created by fresh developments was doing little more than absorb workers who were being discharged in other directions. The engineering industry was less busy during the greater part of 1950 than in the previous year, except as regards the lighter sections, but an increase in output was recorded in all branches of the textile industry. Taking the overall position of Scottish industry there was evidence of a check in the postwar rate of advance.

By the end of 1950, however, a marked change had occurred. A substantial volume of new factory developments was initiated which was due only to a limited extent to the rearmament programme. But the most striking alteration in trend occurred in the shipbuilding industry. In the first quarter of 1951 Scottish shipbuilders booked orders representing 742,310 gross tonnage compared with 36,000 in the same period of 1949. In less than five months of 1951 Clyde Shipyards have booked two years' work.

UNEMPLOYMENT

Average unemployment in Scotland in the first four months of 1951 was just under 62,000 compared with over 72,000 in the same period in 1950. Unemployment in Scotland today, expressed as a percentage of the insured population, has fallen to the very low figure of 2.8 per cent., but for Great Britain as a whole it stands at the still lower figure of 1.3 per cent. The percentage unemployed in the development area of Scotland—which is the main industrial area—is 3.1 per cent., but in the Midlands of England it is .4 per cent. These figures illustrate the relative pressure on labour resources in industrial Scotland and the Midlands of England.

While much has been done to secure the additional sources of employment and the diversification of industry required in Scotland this movement is still at a stage of consolidation. Vigilance is, therefore, necessary to safeguard our interests in relation to the allocation of scarce materials and the distribution of orders in the rearmament programme to ensure the maintenance of the advance achieved.

TRIBUTE TO GENERAL MANAGER, BRANCH MANAGERS AND STAFF

I wish to express to the general manager, all our officials and the branch managers and staff in Scotland and London, our very sincere appreciation of the splendid service they have given to the bank during the past year. Our special thanks are due to Mr John A. Morrison, the general manager, who has borne the chief responsibility, for the manner in which he has conducted our affairs.

I now beg to move that the report and accounts of the bank for the year ended April 2, 1951, be approved, and that a dividend of 18 per cent. per annum be declared, payable, less income tax, in equal proportions on June 9th and December 10th next.

The Right Honourable the Earl of Selkirk, O.B.E., A.F.C., seconded the motion, which was approved.

Colonel Hugh B. Spens, C.B.E., D.S.O., T.D., D.L., Mr James T. Dowling, C.A., and Sir Samuel R. Beale, K.B.E., were re-elected ordinary directors of the bank.

The retiring auditors, Sir Ian F. C. Bolton, Bt., O.B.E., C.A., and Mr Francis G. More, C.A., were reappointed in terms of the Companies Act, 1948.

The thanks of the meeting were tendered to Lord Bilsland for his services in the chair.

YORKSHIRE INSURANCE COMPANY

PROGRESS IN ALL DEPARTMENTS

The annual general meeting of the Yorkshire Insurance Company, Limited, was held on May 22nd at York.

The Rt. Hon. Lord Middleton, M.C., the chairman, in the course of his speech, said: Once again I am happy to report on a year of marked progress in all departments.

Life Department: Our new life business in 1950 amounted to £10½ million, which far surpasses that for any previous year, and there is every sign that the flow will be fully maintained this year. The number of new policies issued rose from 3,711 in 1949 to 5,293 in 1950. Premium income has increased by over £300,000 to £1,655,950, while annuity considerations have increased by over £400,000 to £858,825. The fund at the end of the year was £19,270,452, representing an increase of over £1½ million.

Fire Account: Premium income rose by £720,137 to £3,076,090. After making provision for unexpired risks and augmenting the additional provision by £50,000, we are able to carry £309,707 to the profit and loss account, compared with £236,582 last year.

Accident and General Account: This account continues to expand satisfactorily, the overall premium income now totalling £4,358,600, an increase of £494,352 over 1949.

Marine account: The 1948 underwriting account showed a marked improvement. Premium income expanded by £104,904, and the fund at the end of the year amounts to £2,824,301, representing 161.8 per cent. of the 1950 premiums, compared with 155 per cent. of the 1949 premiums in the previous account.

The report was adopted.

THE LONDON ASSURANCE

EXPANSION IN ALL DEPARTMENTS

The annual general court of The London Assurance will be held at the office, No. 1, King William Street, E.C., on June 13th.

The following is an extract from the statement by the Governor, Mr R. Olaf Hambro, which has been circulated with the report and accounts for the year ended December 31, 1950:—

There has been a genuine expansion of business during the year in all departments. It is also very satisfactory to be able to record that the underwriting profits in the aggregate are greater than in 1949.

DEPARTMENTAL RESULTS

Of the individual accounts, the most important in volume is the fire account, of which the premium income amounts to £6,366,000, a figure slightly greater than the combined income of the marine and accident accounts. We have been able to transfer to the profit and loss account a profit of £400,000, which represents 6.3 per cent. of the premium income. In this department the successful outcome of the account was all the more satisfactory in that the year was notable for an extraordinary series of windstorms in the United States.

The accident department does not write business in the United States, and the year was comparatively uneventful and free from calamity, and left us with a profit of £275,000, representing 8.5 per cent. of our premium income.

In the marine department business continues to be hampered by the tendency of owners to delay putting in hand repairs to damaged vessels. Fortunately, the market has been spared serious casualties during the year, and we have in consequence been able to transfer to the profit and loss account the satisfactory sum of £300,000, which is approximately 10 per cent. of the premium income, while at the same time leaving the marine fund at £4,063,000, a figure which represents 138 per cent. of the premium income and is well up to the high standard of recent years.

In the life department it is, as you know, our custom to make a valuation of the fund, both liabilities and assets, every five years. Such a valuation was made by our actuary, Mr F. Stanley Brown, as at December 31, 1950, and I am happy to say that this resulted in our being able to declare a very satisfactory increase in the rate of bonus granted to policyholders. In all the circumstances I feel that Mr Brown is to be congratulated on the satisfactory results disclosed by this valuation, and on being able to pay to the policyholders a compound reversionary bonus at the rate of £1 10s. per cent. per annum.

CONSOLIDATED ACCOUNTS

We are left with a profit for the year of £609,970, as compared with £455,821 last year. For some time your directors have had under consideration the possibility of an increase in the dividend, but have refrained from taking action in deference to the views expressed by the then Chancellor of the Exchequer, Sir Stafford Cripps. Today, circumstances have changed. The directors no longer feel justified in withholding from shareholders their due share in the profits of the business, and have decided to recommend an increase in the final dividend from 6s. 3d. to 10s., making 16s. 3d. for the year against 12s. 6d. last year.

EQUITABLE LIFE ASSURANCE SOCIETY

STEADY PROGRESS

Sir William Elderton, the President, was in the chair at the one hundred and eighty ninth annual general meeting of this company held at 19, Coleman Street, London, E.C.2, on May 23rd. The following are extracts from his speech:—

Notwithstanding the payment of more than £1,000,000 from one of our pension schemes to a statutory scheme for a nationalised industry the funds increased by over £400,000 to £22 million. The total gross revenue from interest dividends and rents exceeded £1,000,000 for the first time in our history. On the other side of the account, claims by death appear at about £294,000, the lowest figure recorded during the last five years. Expenses are still less than 6 per cent. of our premium income.

There has been some improvement in the rate of interest earned on our funds, and for 1950 the net rate was £3 15s. 1d. per cent., compared with £3 12s. 3d. per cent. for 1949.

Our stock exchange securities represent about two-thirds of our total assets.

New sums assured amounted to £4,000,000, a figure which has not varied much over the last five years, but is about double the figure at the outbreak of the last war. The accounts portray a year of steady progress and justify my asking that members should continue to bring the benefits of the Society to the notice of their friends.

So far, matters have progressed well since the end of 1948, when our last valuation was made. If this state of affairs continues, it may be that we shall not have to wait as long as the end of 1953 before we consider a further distribution of profits.

The report was adopted.

KILLINGHALL TIN, LIMITED

INCREASED DIVIDEND

The twenty-first annual general meeting of Killinghall Tin, Limited, was held in London on May 17th.

Mr Jack Addinsell, the chairman, in his statement, said that he heartily endorsed the words of the general managers in admiration of the resolute manner in which the staff and their families had stood firm in the face of the bandit menace.

The year's profit of £85,440 was very satisfactory, though it was £27,800 below the previous year, when the dredge worked through a patch of rich ground. Taxation required £65,200. Before arriving at the profit the Malayan Government received £38,031 in royalty and tin duty. A second dividend of 17½ per cent. paid in April made 25 per cent. for the year—an increase of 5 per cent.—and £10,629 (against £9,415) was carried forward.

The Syndicate formed to investigate grab dredging had been re-formed and practical data of great value were expected.

Following maturity of an amortization policy a capital distribution of £32,500 had been made, property and buildings written down to £1, and £2,800 written off rehabilitation and reconstruction. Dredge account stood at £51,992 after writing off £6,000.

The Commissioners' assessment of war damage, £90,588, represented only a part of the company's losses. A first payment of £34,352 had been offset against Government advances of £81,543 for rehabilitation, on which £118,061 was expended up to September 30, 1950.

Prospects were favourable for the current year. The output was 259 tons of tin ore in the first six months, sold at a high price.

At the meeting the chairman announced an interim dividend of 15 per cent., less tax, on account of the year.

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

QUINQUENNIAL SURPLUS EXCEEDS £1,000,000

RECORD FIRE INCOME OFFSET BY HEAVY WINDSTORM CLAIMS

MR ARTHUR W. BLAIR'S STATEMENT

FIRE DEPARTMENT

The year 1950 was not a profitable one for the fire department. The premium income reached a new record total of £4,365,884 but the claims paid and outstanding rose from £1,685,182 in 1949 to £2,373,634 in 1950. Towards the end of November, a windstorm of unusual severity occurred in the north-eastern States of America where the company has extensive interests. Over 16,000 claims for damage falling within the extended coverage of fire policies were received. Most of these claims were for relatively small amounts, but, in total, they added up to more than the company had paid for the historic San Francisco fire of 1906. The directors gave deep thought to the question of meeting these particular claims out of reserves which have been built up, over the years, to meet exceptional occurrences. They decided, however, to meet this admittedly heavy loss in the current year's accounts and, by making a transfer of £189,142 from profit and loss account, the company was able to make its usual ample provision of fifty per cent. of the increased premiums for unexpired risks and to maintain the additional reserve of £1,600,000 in the fire account. Results elsewhere than in North America were very satisfactory.

It has been desired for some years to broaden the general spread of the American business and a Pacific Coast department was established in 1946 capable of giving service to a wide area of territory in the Western U.S.A. Similarly our interests in Western Canada are being expanded by the opening of a branch office in Edmonton.

ACCIDENT DEPARTMENT

Motor vehicle insurance in certain overseas areas was deliberately reduced a year ago. This resulted in a reduction in the motor premiums in 1949. Still more of these cases ran off in 1950 but, in spite of this further reduction in overseas motor premiums, the accident account as a whole has expanded and the premiums for the year 1950 amounted to £946,129 compared with £855,019 in 1949. Motor business still produced an unduly high loss ratio in most parts of the world, and it has been evident that premium rates would have to be substantially increased to meet the continually rising cost of repairs and the heavier liability claims. All other sections of the accident account have shown a satisfactory profit and, after putting aside over £45,000 to increase the reserve for unexpired risks by fifty per cent. of the increase in the premiums, the sum of £34,943 has been transferred to profit and loss account.

MARINE DEPARTMENT

The marine business is mainly handled by the "Maritime" of Liverpool. In spite of the increasingly keen rates which continue to operate in the marine market, and the very careful selection of business which is exercised, premiums have increased from £1,314,922 in 1949 to £1,388,725 in 1950. The frequent long delays which occur before damaged vessels are brought in for repairs combined with continued rising costs of repairs and replacements necessitate a constant watch on the adequacy of early estimates of damage. The marine fund of

The one hundred and twenty-sixth annual general meeting of the Scottish Union and National Insurance Company was held in Edinburgh on May 23, 1951, the chairman, Mr Arthur W. Blair, W.S., presided.

The following is an extract from his circulated statement:—

During the course of the year Mr J. J. Barrie, a former head office director, found it necessary to retire from the board for health reasons. Unfortunately his health did not respond to treatment and I very deeply regret to say that he has since died. It is my sad duty also to record the deaths of Mr Hugh W. Brown, F.I.A., F.F.A., the consulting actuary, Mr J. W. Hobbs, a Canadian director, and Mr Alexander Cormack of the Glasgow board, and the resignation of Sir Lionel Fletcher from the London board on his retirement to Tanganyika.

Mr J. A. Lumsden, M.B.E., has been appointed to the head office board and Colonel Vere E. Cotton, C.B.E., T.D., of the head office and "Maritime" boards, has been elected Lord Mayor of Liverpool.

SEGREGATION OF LIFE ASSETS

The segregation of the assets of the life assurance and annuity fund from the general funds has been effected. While of particular interest and value to the life policyholders the completion of this work should be greatly to the advantage of the company as a whole in the years to come.

QUINQUENNIAL VALUATION

The quinquennial valuation of the life assurance and annuity fund has been carried out and shows a surplus of £1,178,813 after payment of interim bonuses amounting to £61,005. The surplus includes the sum of £401,454 brought forward from the 1945 valuation. A reversionary bonus at the rate of 30s. per cent. calculated on the sum assured for each year's premium paid or assumed paid during the preceding five years has been declared in respect of the current series of participating policies in force on December 31, 1950. Appropriate rates of bonus have also been declared in respect of participating policies in funds now closed to new business. Furthermore, subject to reconsideration at any time by the directors, interim bonuses at the rates now declared will be paid in respect of participating policies becoming claims before December 31, 1955.

After applying £300,000 of the surplus to strengthen the valuation basis and transferring £120,608 to shareholders' account, the sum of £68,261 has been carried forward.

LIFE DEPARTMENT ACCOUNTS

In the life assurance and annuity account the premiums have increased from £985,476 in 1949 to £1,049,154 in 1950. Considerations for annuities increased from £420,288 to £475,537. At the end of the year the life assurance and annuity fund stood at £14,691,452 compared with £14,150,714 at the end of 1949.

The chairman expressed the hope that the increased life bonus, the segregation of the life funds and the efficiency and security provided by the life department would assist the company in contributing to the national need for thrift by attracting additional life business.

£1,791,063 is more than 128 per cent. of the annual premiums and is considered fully adequate to cover outstanding liabilities. The sum of £125,000 has been transferred to profit and loss account.

CAPITAL REDEMPTION ACCOUNT

The quinquennial valuation of the capital redemption fund enables the sum of £20,000 to be transferred to the profit and loss account and the fund has increased to the sum of £679,445.

INVESTMENTS

The gross rate of interest earned by the company for the year was £4 8s. 7d. per cent. compared with £4 5s. per cent. in the previous year, and the policy of achieving both security and liquidity from investments of the highest standing is being maintained.

DIVIDEND

In a year when so many companies are increasing their dividends the board naturally gave much thought to this subject. While the resources of the company are strong enough to enable a higher dividend to be paid (particularly in view of the increased interest earnings), it was felt that an increased dividend should not be declared in a year when a heavy loss had been sustained in the fire account. Prudence and caution have always been, and will continue to be, the underlying policy of the company. The matter of increasing the dividend will be kept under constant review.

OVERSEAS VISITS

Many territories abroad were visited by officials of the company and of the "Maritime." The deputy chairman, Mr Watson, in company with the general manager, made a tour of the United States and Canada. Mr Younger, who had occasion to be in Canada, joined them during the latter part of the visit.

OFFICIAL CHANGES

Mr J. E. Emmison, the accident manager, who had stayed with the company beyond the normal age of retirement, retired on pension, and Mr D. S. Macpherson, who has been with the company for 38 years, was appointed in his stead.

STAFF PENSION FUND

A trustee staff pension fund has been established and a similar fund is being arranged in connection with the associated company, the "Maritime." To maintain the "Scottish Union" fund it is necessary that the directors should be given powers to make such additional payments to the fund as may be necessary and the meeting was asked to grant this authority.

Mr Blair concluded by saying:—

"It is right that I should mention the greatly increased and increasing cost not only of salaries and wages but of these additional provisions by way of pension rights and staff widows' benefits which members of our staff enjoy. We are glad to be able to provide these benefits for them and are confident that their loyalty and effort will continue to be given in full measure in the future."

"To all of them and to our officials both at home and overseas, to the staffs of our associated companies and to our local directors and agents throughout the world I, on your behalf, express our appreciation of their services and their valuable support."

"I also wish to make particular mention of our employees in Harford who, in addition to their normal work, had to undertake the task of handling over 16,000 extra windstorm claims at a time of the year when pressure on the staff was already very heavy."

"Tribute is also due to the investment,

the accountancy and the life actuarial departments at head office for their extra work arising from the segregation of the life department assets and the quinquennial valuation.

"Finally, may I say, on the termination of my three years' office as chairman, how grate-

ful I am to my colleagues on the board, to the executive and to all those connected with the company with whom I have come in contact for their unfailing loyalty and co-operation."

The report and accounts were adopted.

ANGLO-PORTUGUESE TELEPHONE COMPANY

AN IMPORTANT AND ACTIVE YEAR

BENEFICIAL UTILISATION OF FRESH CAPITAL

ADVANTAGES OF THE NEW ARRANGEMENTS

SIR ALEXANDER ROGER'S STATEMENT

The sixty-fourth annual general meeting of the Anglo-Portuguese Telephone Company, Limited, will be held on June 12th at Strouger House, 8, Arundel Street, London, W.C.2.

The following is the statement by the chairman and managing director, Sir Alexander Roger, K.C.I.E., which has been circulated with the report and accounts for the year ended December 31, 1950:—

You will recall that in my statement accompanying the accounts for the year 1949 I gave information and details concerning the mutually satisfactory outcome of the negotiations with the Portuguese Government regarding an increase in tariffs and the clarification of the contract under which the company operates in Portugal. I also referred to our plans for the provision of the fresh capital required to repay loans and to expand the telephone systems in Lisbon and Oporto.

The new tariffs became effective as from May 1, 1950, so that the revenue for 1950 contains eight months' results of the readjusted tariffs. In addition, new telephones have been added at an accelerated pace, and these two factors, together with the favourable effect of the rate of exchange, account for the total gross revenue increasing to £1,303,733, compared with £939,664.

The rate of exchange, which moved to Escs.80.50 to the £ from Escs.100 to the £ in September, 1949, remained constant at the former figure throughout 1950. All currency figures in 1950 have been converted at this rate, as against the average rate for the year 1949 of Escs.94.60.

After providing for royalties to the Portuguese Government, which as from May, 1950, became fixed at the flat rate of 7½ per cent. per annum of gross earnings, and after providing for renewals and taxation, debenture loan interest, debenture sinking fund instalments and all new issue expenses, less premium received, total expenses for 1950 amount to £1,213,590, compared with £878,632.

The variation in conversion rates accounts for more than half of this increase and the remainder is due to settlement of the wage and salary conditions of the personnel in Portugal involving arrears of payments which have been necessarily delayed until the tariff negotiations were completed.

NET PROFIT AND DIVIDENDS

Net profit amounts to £90,143, compared with £61,032. An interim dividend of 3 per cent. was again paid in November, 1950, on the increased ordinary stock of the company of £1,600,000 and a final dividend of 5 per cent. is proposed, making 8 per cent. in total, together with a dividend of 8 per cent. on the "A" ordinary stock. These dividends

absorb £72,600, leaving £17,543 to be added to carry-forward, bringing it to £67,436.

In June, 1950, 400,625 unissued ordinary shares of the company were offered to existing stockholders at a price of 21s. per share. Over 98 per cent. of the stockholders took up their rights and applications for excess shares, which largely exceeded the small number available, had to be severely scaled down. In June, 1950, also the company placed £1,000,000 Five per Cent. First debenture stock, 1962-67, at a price of £97½ per cent.

These successful capital issues served to repay the company's loan from Telephone and General Trust, Limited, purchase new equipment, and left a balance at the end of the year of £82,519 deposited with the Trust towards future requirements. The changes arising directly from the issues are shown in the balance sheet by reference to the comparative figures for 1949.

PROVISION FOR RENEWALS

In accordance with customary procedure, the consulting engineers have carefully examined the condition and age of all classes of the telephone plant and have once again recommended that, over and above the normal allocation from revenue for depreciation, the additional allocation for excessive wear and tear which has been set aside annually since 1944 should be continued. Your directors have accepted these recommendations and they are incorporated in the provision for renewals figure of £1,417,151 in the balance sheet. This provision is equivalent to 30 per cent. approximately of the cost price of installed plant as shown in the balance sheet and, in the opinion of the consulting engineers, is adequate. The whole of this provision, along with the company's other reserves, is invested in the business to its economic advantage.

The installed cost of all telephone plant operated by the company now totals over £4,700,000, an increase of almost £700,000 over the 1949 total. All this plant is being well maintained and is operating satisfactorily. The replacement cost of the plant at today's prices is very substantially higher than shown in the books.

We purchase in Portugal as much locally manufactured material as possible, and during 1950 our expenditure in this connection was £109,600. Shipments of telephone plant, principally from this country, for capital development and maintenance cost £500,912 in 1950, increasing the total since 1945 to over £1,500,000.

GENERAL PROGRESS

The company must be among the pioneers of telephone operating undertakings in Europe, and 1950, the sixty-fourth year of

its long history during which it has served as an important link in Anglo-Portuguese friendship and commerce, was of great interest, importance and activity. The conclusion of the negotiations with the Portuguese Government released the full productive energies of the company to the advantage of the telephone communities of Lisbon and Oporto.

During the year, 7,463 new stations, which is a substantial increase, were added to the system, bringing the total to 100,897.

In June, 1950, a new automatic exchange in Povo do Bispo was put into service and between then and the year end extensions to the existing Norte and Trindade exchanges were completed. New exchanges at Olivais and Oeiras were opened. In Oporto the Bonfim exchange was extended, a new exchange opened at Espinho and a start made with the conversion from manual to automatic working of the Picaria exchange, the main exchange in that important city. It is hoped that this will be completed early in 1952.

Some years have elapsed since an automatic telephone conversion was planned for Oporto, but owing to the war and other adverse conditions our hopes have been deferred. It is particularly pleasing, therefore, to record that within a few months Oporto will have an automatic system of the most modern type.

DEVELOPMENT AND EXPANSION

The total waiting list of applicants for service at December 31, 1950, was 23,182, as compared with 26,563 at the end of 1949. This is the first time a reduction in the waiting list has been recorded since 1942 when expansion of the system was compulsorily restricted because of the shortage of material.

The company's long-term development and expansion plans provide for further substantial annual additions to the plant with the object of eliminating the waiting list in the shortest time possible.

Orders for new equipment are being regularly placed to achieve this, and we have to acknowledge the co-operation of our associated manufacturing companies, which is so valuable in the smooth running of our business and of so much advantage to the service in Portugal. The equipment which is sent to Portugal is of the latest type and design and the wide range of manufacturing, commercial, operating and technical experience, which is available to us, is ensuring to Portugal a telephone undertaking of the most efficient character.

Sooner or later the rearmament drive and the scarcity of raw materials is likely to have a growing effect on ordinary commercial and industrial businesses, not only in Great Britain and the United States of America, but throughout the world. Every effort will be made to avoid any slowing up in the rate of deliveries, and we are assured by our manufacturing friends that they will use every endeavour to this end.

The financial support and guidance which has been assured to your company from Telephone and General Trust, Limited, since 1927 continues, and both here and in Portugal this association with the Trust and its connections creates an atmosphere of solidarity and confidence which is much appreciated.

PORTUGAL

It is with the utmost regret that I must refer to the loss which has been suffered by the Portuguese nation by the recent death of the President, H.E. Marshall Carmona. He had been head of the state since November, 1926, during which period he guided the destinies of his country with wisdom and courage, and brought it stability. Marshal

Carmona did much to strengthen and extend Portugal's ties with Britain, her oldest ally, and in his passing Portugal has lost an honoured son and great patriot and Britain a trusted friend.

1950 for Portugal also has proved a year of accomplishment. Its returns of foreign trade show a diminishing unfavourable balance and previous serious drains on its reserve of gold and foreign exchanges disclose a good recovery when compared with 1949. This has allowed Portugal to free from quota restrictions many important products received from abroad, and Great Britain has in turn freed almost all its imports from Portugal.

New trade agreements were signed by the Portuguese authorities and others renewed with several countries, all designed to increase reciprocal trading. Both Portugal and her Colonies benefited during the year from the substantial increased prices paid for such basic products as wolfram, tin, sisal and resin.

Since the middle of 1949 Portugal, like many other countries, has been assisted by Marshall aid which, among other things, has been used for the purchase of raw materials, consumer goods and machinery for capital requirements.

During the year work continued steadily on the various hydro-electric, road and bridge-building schemes. The "Castelo do Bode" power scheme, one of the largest in Europe, will be a saving to the national economy in importation of foreign coal.

The building of new schools, hospitals and particularly housing estates for working class people continues to go ahead. Great progress has been made with the latter plans and thousands of homes have become available to the people at reasonable rents, the reserve funds of the various Government provident societies being utilised for this purpose.

DIRECTORS

Lord Ramsden, who had been a director since 1939, decided in October, 1950, that he must lighten his many duties and tendered his resignation as a member of the Board. Your directors regretfully accepted this and, on their behalf, I would like to place on record their appreciation of the service he has rendered the company and the personal support he has given me over these years. I am sure you would wish to be associated with this.

Lord Ritchie of Dundee accepted our invitation to fill the vacancy and his knowledge and experience are valued by all his colleagues.

It is again my pleasant duty to acknowledge the constant attention to the affairs of the company which is so admirably and unstintingly given by Eng. Branco Cabral, the chairman of the board in Portugal, Sr Pinto Basto, Sr Calem, Dr de Castro and Mr Frick, his colleagues in Lisbon and Oporto, and the ever-valued advice and active assistance of Dr Bustorff Silva, the company's lawyer.

Our policy of frequent interchange of visits of directors and personnel between Portugal and London and the factories from which we procure supplies continues and with the expansion of the company is increasingly valuable.

STAFF

On your behalf, too, I would like to thank our general manager, Mr R. S. Thorp, and his colleagues, staff and workpeople in Lisbon and Oporto. We have ample evidence of the ability, efficiency and loyalty of all ranks, and in 1950 they again maintained the high standard which is so creditable to them and to the good name of the company.

LONDON AND THAMES HAVEN OIL WHARVES

INCREASED TRADING PROFIT

SIR VERNON THOMSON'S STATEMENT

The fifty-second annual general meeting of London and Thames Haven Oil Wharves Limited was held on May 24 in London, Sir F. Vernon Thomson, Bt., G.B.E., the chairman, presiding. The following is an extract from his circulated statement:—

The three British subsidiary companies previously held were sold or wound up during the year. The principal British subsidiary—the London Oil Storage Company Limited—was sold on advantageous terms; the proceeds of the sale would be employed to advantage in the development of this company's installation at Thames Haven.

The trading profit of London and Thames Haven Oil Wharves Limited is £246,748, as against £229,980 for the previous year, an increase of £16,768. Dividends from subsidiary companies, income from investments and interest received amounted to £29,422. After charging depreciation, directors' emoluments, auditors' remuneration and interest on loan, and making full provision for taxation on the profit for the year, there remains a net profit of £95,760, as against £97,474 for the previous year.

Adding to the net profit for the year of £95,760 referred to above, a special distribution from the London Oil Storage Company Limited of reserves accumulated in past years, amounting to £11,476 net, and the balance brought forward of £412,833, there is a total sum available of £520,069. After providing £22,000 net for the dividend on the preference shares, the directors recommend a dividend for the year on the ordinary shares at the rate of 15 per cent., less income tax, absorbing £61,425, leaving a balance to be carried forward of £436,644.

NEW REFINERY IN OPERATION

The new refinery constructed at Thames Haven by "Shell" Refining and Marketing Company Limited came into operation in November, 1950, and we are now handling the imported crude oil and resulting refined products under the terms of our contracts with that company and its associated distributing company, Shell-Mex and B.P. Limited. This new phase of our operations is proceeding satisfactorily. Our services continue to be used by the majority of the petroleum companies importing into the Thames. Accordingly, subject to the uncertainties and difficulties of present conditions, the board expect that the benefits from the long-term contracts entered into with the "Shell" companies and the other term contracts with the remainder of the trade should become evident in future accounts.

FRENCH COMPANY'S RESULTS

It will be seen from the balance sheet and profit and loss account of Compagnie Industrielle Maritime that the substantially increased trading results of 1949 were largely maintained during the year 1950—the gross trading profit being Fr. 220,624,653, as against Fr. 249,138,094. This fall in the results for 1950 was due to a temporary drop in imports during the first part of the year. However, in the latter part of the year, and since, imports have shown a marked increase, and in these circumstances the French board felt justified in paying the same rate of dividend as for last year of 10 per cent., but on the recently increased capital of 600,000 shares of Fr. 1,000 each.

To meet the requirements of the expanding French oil refining industry, and the increasing use of tankers of up to 30,000 tons and over, the French company has undertaken the construction of a new oil dock, which it is hoped will be completed in 1953.

The report was adopted.

TELEPHONE AND GENERAL TRUST LIMITED

TWENTY-FIVE YEARS' SATISFACTORY PROGRESS

SIR ALEXANDER ROGER ON GOVERNMENT EXPENDITURE

The twenty-fifth annual general meeting of the Telephone and General Trust Limited, was held on May 22nd in London.

Sir Alexander Roger, K.C.I.E. (chairman and managing director), in the course of his speech said: You will notice that this is our twenty-fifth annual general meeting and I think you will agree that our balance sheet demonstrates we have cause for satisfaction at our progress over the years. We have maintained an 8 per cent. dividend on the ordinary capital since 1930—an unbroken record of 21 years—and in addition to a capital reserve of £325,000 plus an appreciation of £469,837 over the book value of quoted investments, we have built up revenue reserves totalling £273,752. All this despite the acute world-wide depression of the early 1930s and six years of war and its aftermath.

PROFIT AND ALLOCATIONS

Turning to the 1950 accounts, the profit at £85,837 after charging profits tax and income tax shows a slight reduction of £2,797. Dividends and interest at £245,134 were up slightly, while sundry receipts were down by £4,520.

Management expenses decreased by £761. The reduction of £3,828 in interest paid on loans and deposits reflects the repayment of the bank loan. Profits tax and income tax at £87,400 is our contribution towards the Government's spending departments and swallows up more than half our gross profits.

We have transferred £10,000 to revenue reserve and £25,000 to contingencies reserve, bringing these to £100,000 and £75,000 respectively. After these transfers and providing for the usual seven per cent. preference and 8 per cent. ordinary dividends, £98,752 is carried forward, against £100,094 brought in.

BALANCE SHEET

Investments in our general portfolio at £1,118,024 show little change.

Loans and debentures in subsidiary companies have increased by £222,234 all by way of temporary loans to aid the telephone operating companies in their expansion.

The loan by the Trust to associated company—the Anglo-Portuguese Telephone Company—which amounted to £768,137 at the end of 1949, was repaid during 1950 from part of the proceeds of highly successful issues of further capital by that company referred to later.

The bank balances at December 31, 1950, amounting to £664,258, will be used during 1951 by the various operating companies connected with the Trust.

VALUATION OF INVESTMENTS

The valuation of £1,432,535 for quoted investments represents an appreciation of 49.8 per cent. on the net book cost of £962,698. The directors consider the valuation of unquoted investments at their net book cost of £155,326 to be fair and reasonable.

Of the Trust's total investments including interests in subsidiary companies, 23.44 per cent. are in loans and debentures, 10.67 per cent. in preference stocks and 65.89 per cent. in ordinary stocks (which includes 31.49 per cent. in subsidiaries). Geographically 83.46 per cent. are in the British Commonwealth and 16.54 per cent. in foreign countries.

GROUP ACCOUNTS

The group reserves—capital and revenue—total £913,794, an increase of £76,804 over 1949. This is equal to 71.5 per cent. of the issued preference and ordinary capital totalling £1,277,000 or 1½ times the amount of the issued ordinary stock of £727,000.

TELEPHONE OPERATING COMPANIES

Portugal.—The Trust has been directly associated with the Anglo-Portuguese Telephone Company, Limited, since 1927.

With the conclusion of the negotiations between the company and the Portuguese Government on a mutually satisfactory basis, resulting in an increase of tariffs as from May 1, 1950, together with a clarification of the contract, the company during the year was able to replace existing loans from the Trust by permanent financing in the form of an issue of 400,625 ordinary shares and the placing of £1,000,000 of five per cent. first debenture stock. Both issues, which were sponsored by the Trust, were highly successful.

Since the settlement of these outstanding political matters, the development and expansion programme of the company has been proceeding with great energy and during 1950 over 7,400 stations were added, bringing the total number to over 100,800 at December 31st last.

VENEZUELA

The Trust's association with Venezuela dates back to 1928. It has a substantial investment interest in the telephone operating service there through the British company, Telephone Properties, Limited, and the Venezuela company, Compania Anonima Nacional Telefonos de Venezuela.

In March last I returned together with Mr Hollier, chairman of our servicing company, and our consulting engineers from a visit to Venezuela and the British West Indies.

It is hard for the public services, including telephones, to keep pace with the new demands in Venezuela, particularly as all public services have suffered some disruption and disturbance by removals of plant necessitated by the Government's expansion plans.

A record number of stations—namely, 7,377—were added during 1950, bringing the total to 64,853, but this has not diminished demand and there is still a heavy and growing waiting list.

The company has important expansion plans to meet the situation which I discussed at length with His Excellency the President, Dr German Suarez Flamerich, and the Ministers of Development and Communications, with whom I also discussed the extent of the financial requirements for carrying out these plans. These discussions are proceeding actively.

WEST INDIES

During my visit to our associated telephone operating companies in the British West Indies I saw much that gives reason for satisfaction, and can confirm that every effort is being made to expand and improve the telephone services in Jamaica, Trinidad and Tobago, and Barbados. The boards and managements of these companies realise full well that harmonious public relations can only be maintained by a ceaseless and unremitting determination to render first-class service.

In Jamaica development has been well maintained with a gain of 1,433 stations to a total of 13,437 in service at the end of 1950. In Trinidad, 1,248 stations were added, making a total of 14,794 in service at the end of December, 1950. In Barbados the Telephone Company, which provides service, like all the companies in which we are interested, by the most modern type of automatic equipment, added 378 new stations during the year, making a total of 4,330 at the end of 1950. The sterling value of the gross telephone buildings and plant assets of the overseas companies in which the Trust is interested amounts to some £13 million.

EFFECT OF DEFENCE PROGRAMME

We are living in a time when the problems of the world call for statesmanship, foresight, faith and courage of the highest degree.

The need for the expenditure of vast sums on defence cannot be denied, and we as individuals and as a nation realise that we must shoulder the added burdens thus thrust upon us by events. At the same time, we are entitled to expect that the leaders of the nation will take every step to mitigate and avoid permanent damage to the whole machinery of industry and international commerce by which we as an island people live and to which we owe our entire strength.

The continuation of lavish and wasteful government expenditure by experiments and expedients added to the essential needs of the defence programme inevitably leads to constantly rising costs and prices with all the harmful results which flow therefrom.

BURDEN OF TAXATION

The imposition of excessively heavy burdens of taxation, preventing as they do the adequate provisions to meet the greatly increased costs of maintaining machinery and of its replacement by more modern and efficient plant, must inevitably damage the prospect of this country maintaining the volume of exports sufficient to buy the raw materials and food which we require.

As I have said on former occasions the need is to give full scope to hard-won experience and to the merchant adventuring spirit, to provide real incentives for increased production and efficiency and to encourage and protect savings which alone can supply the capital needed to maintain, improve and expand our industries.

THANKS TO STAFF

I am sure you would wish to join with the board of directors in expressing their thanks to the 5,500 men and women of the Trust and its associated companies overseas for their loyal and efficient service throughout the year. The report and accounts were adopted.

AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

HIGH LEVEL OF OUTPUT

The annual general meeting of the Automatic Telephone and Electric Company Limited, will be held in Liverpool on June 13th.

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

The group consolidated profit amounts to £1,526,689 and after charging taxation of £812,421 there is left £714,268 for the many purposes to which this could most profitably be applied. For the past 12 years the dividend on the ordinary and deferred stocks has remained unchanged at 12½ per cent. (10 per cent. plus 2½ per cent. bonus). The directors now recommend a final dividend of 12 per cent. on the ordinary stock, making a total of 15 per cent. for the year and 45 per cent. on the deferred stocks.

Although a high level of output has been maintained, it was not sufficient to absorb the full productive capacity of our factories. This was mainly due to a temporary recession in exports and reduced British Post Office orders for telephone plant and equipment. During the latter half of the year production was threatened by the growing shortage of raw materials. We hope to pull through, but it remains a charge against the Government that they failed to maintain proper stocks whilst preventing industry from looking after themselves.

As to the future, our order book is fairly comparable with the position a year ago, and provided no major crisis besets us, we can look forward with some confidence to the results of the current year.

DAILY NEWS LIMITED

CONTINUED SALES PROGRESS

LAMENTABLE REDUCTIONS IN NEWSPRINT SUPPLY

MR L. J. CADBURY ON THE EVER-RISING COSTS

The annual general meeting of the Daily News Limited was held on May 23rd in London.

Mr L. J. Cadbury, the chairman, who presided, said:—The increase in price to a penny-halfpenny on May 7th of the national penny press and the London evening papers is an event of major importance in our industry. As, however, it did not occur during the year under review, I will not refer to it in any detail until later in my remarks.

During 1950 the sales of the *News Chronicle* made steady progress, reaching the peak figure of 1,573,057 copies a day in September. Although the normal seasonal decline in sales was experienced during the last quarter of the year, it is interesting to note that the average sale for this period in 1950 was 10,363 copies higher than for the same period in 1949.

Since my last report the *Star* has continued its remarkable progress in circulation and influence. In 1950 it recorded an average daily net sale of over 1,236,000 copies, an increase of 29,000 copies a day more than in 1949—the largest increase of any London evening paper over the preceding year, and its steady progress has been maintained.

The demand on our advertising columns throughout the year clearly shows the importance which advertisers attach to our papers. Such has been the pressure on advertising space that unfortunately, with restricted newsprint, it has been impossible to meet all their requirements, but great care has been taken to allocate space as fairly as possible.

INTENSIVE READERSHIP STUDIES

During the past 12 months, through its own organisation and with the help of the Gallup Poll, the *News Chronicle* has made some intensive studies of its readership. The results have been both rewarding and encouraging.

The analysis has shown that the paper is read by a remarkably wide cross-section of the population. It reveals that the *News Chronicle* appeals not only to Liberals but to Conservatives, Socialists, and Independents. There is no other national newspaper which has such a representative following. We could ask for no more striking testimony to the integrity and independence of the *News Chronicle's* editorial policy.

From an income standpoint as well, this paper's readership is shown to range very widely. In recent years it has received increasing support from the middle and professional classes, including a high proportion of the nation's school teachers. According to the Gallup Poll, 39 per cent. of the *News Chronicle* readership is drawn from the well-to-do and middle income groups. The national figure for these same groups, it should be noted, is only 26 per cent. of the population.

In addition to factual information of this kind, the *News Chronicle* has attempted to ascertain the personal responses of its readers to a number of important editorial enterprises which have appeared in the paper for the last 12 months. In reply to these inquiries, thousands of letters have been received from all over the country, and by this method we have been able to test the popular interest in special features.

A preliminary analysis of this correspondence confirms what we had always believed to be true: that there exists a growing

demand for a newspaper which presents the great political and social issues of the day in a direct and attractive manner. It is certainly not true that the modern British newspaper reader wishes only to be "entertained," many seek to be informed as well.

GALLUP POLL

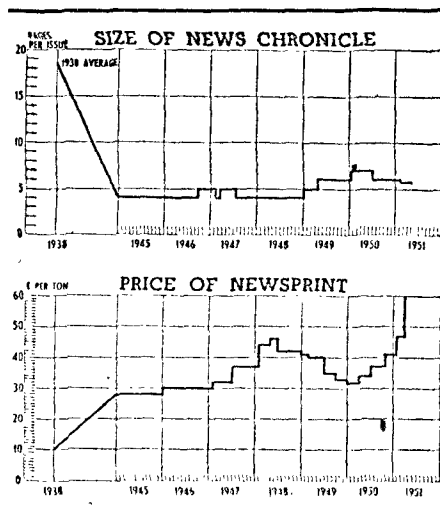
In this time of political uncertainty the "How would you vote?" questions of the *News Chronicle* Gallup Poll are followed with more intense interest than ever by members of all parties. The accuracy of its forecasting was vindicated by the results of the General Election of 1950, and it has now become a vital factor in political calculations. The *Economist* has remarked that the Gallup Poll is an index "which politicians watch the more closely the more they deride it." The poll does not only deal with the preference of the voters but with many other matters of topical concern and human interest.

NEWSPRINT SUPPLIES

May I now turn to the question of newsprint supplies? On previous occasions I have pointed out the regrettable effects that result from their restriction, especially in a parliamentary democracy such as our own.

Since 1939 there have been several methods of newsprint rationing and control, some by voluntary agreement and some by Government order. In January, 1949, the only control was that of the number of pages per issue. Otherwise circulations were free to move in response to public demand. This lasted until October last year. By that time stocks in this country had declined to a dangerous point and "tonnage" rationing was introduced—i.e., each paper was allowed a definite weight of newsprint based on its consumption between certain dates; but there were no restrictions on how this was to be used, the number of pages per issue could be sacrificed for sales and vice versa. With the rising demand for the *News Chronicle* and the *Star* this has meant during the last two months 4-page *News Chronicles* on Saturdays and for the *Star* small papers not only on Saturdays but on several Mondays as well.

I have here a diagram which illustrates clearly how pages of the *News Chronicle* have been restricted since the beginning of the war.



It is really lamentable that six years after the war the British Press should once again be reduced to printing papers of only four pages. How is it that we have reached this acute situation?

I mentioned at our last annual meeting that in January, 1950, the Government told us to cancel our imports from Canada in the second half of the year owing to the dollar situation. After strenuous representations to the Board of Trade this embargo was modified and we were told we could import 25,000 tons.

Unfortunately, the manufacturers had already sold the newsprint which should have been sent to Great Britain last year; for during the winter a famine had developed in newsprint which qualified it to rank as one of the world's "scarce materials." So, instead of the 300,000 tons which our contracts would have entitled us to receive in 1950 from Canada and Newfoundland, we actually received 12,000 tons! In that year the Government issued licences to British mills which increased their exports to figures substantially larger than before the war while British periodicals were released from control. These measures still further limited the supplies available for newspapers and, combined with the international situation, have put the British Press in one of the acutest crises it has experienced since the war. I am glad to say that Lord Layton is now in Canada negotiating for a renewal of our long-term agreement with the Canadian mills.

RIISING COSTS

Of recent months our paper supplies have presented us with another problem, that of the price of our newsprint. The second diagram (above) shows how the cost per ton has moved over the period since 1939. The last increase has been too much for us to swallow without a change in price.

There is very little the public can still get for a penny nowadays. Even the penny bus fare has gone with the wind, and we were proud of the penny paper. But economic facts have been too strong for us.

Paper used to be cheap and plentiful. Today it is scarce and dear, and is growing scarcer and dearer. At the beginning of 1950 it was £32 a ton; last month it was £47 a ton; now it is £60—six times the pre-war figure. Nor can we see the end of the movement. Newspapers cannot make ends meet at these prices. Not only is the cost of paper soaring to the skies; everything else that goes to the making of a newspaper has gone up—or is going up. Wages are one example, rail and road transport another.

Again, we get letters from readers appreciative of Robert Waithman's cables from America, of Stephen Barber's war dispatches from Korea, and such vivid examples of foreign correspondence as Norman Cliff's report on the famine in India. But since the devaluation of the £ these services cost far more than they used to.

In 1939 the *News Chronicle* was normally 20 pages daily. Today its maximum size is six pages. Yet we are paying a larger paper bill for six pages than we did for 20 before the war. Up to now part of the gap has been filled by increasing advertising rates. Advertising is part of the service a newspaper renders, and advertisers have been very understanding in these difficult times. But two points are clear: there is a limit to the advertising a six-page paper can carry, and there is a limit to what the advertisers can be asked to pay.

For the time being, we have reduced the amount of advertising, in both papers, to give more editorial matter, and our readers may be assured we shall strive in all ways to improve the service we give to our public.

The report and accounts were adopted.

BRITISH VACUUM CLEANER AND ENGINEERING COMPANY, LIMITED

GOLDEN JUBILEE OF MR H. CECIL BOOTH'S INVENTION OF THE VACUUM CLEANER

The forty-seventh ordinary general meeting of the British Vacuum Cleaner and Engineering Company, Limited, was held on May 22nd, at Goblin Works, Leatherhead, Surrey.

Mr H. Cecil Booth, F.C.G.I., M.Inst.C.E., the chairman of the company, presided, and in the course of his speech said:—

In presenting the accounts and balance sheet for the year ending 30th September, 1950, it is with pleasure that I am able to tell you that the trading results for that period have established a record in the history of the company as regards to both turnover and profits.

It is with added pleasure that I can make such an announcement this year for two reasons. First, this year marks the 50th anniversary of the granting of my patent for the first vacuum cleaner which resulted in the formation of our present company, and we can therefore claim without possibility of question that our company is the founder and pioneer of the vacuum cleaner industry throughout the world. And secondly, that the year under review is the 25th anniversary of the appointment of Mr J. J. Hambidge, our present senior managing director, as director and general manager of the company and it is with great pleasure I state on behalf of all his colleagues that it is through his able leadership, his initiative and selfless devotion to his work, with the loyal assistance of all those with and under him, that the great expansion and success of our company has been achieved.

FURTHER EXPANSION

During the year under review the sale of our well-known Goblin Electric Vacuum Cleaners shows a considerable increase, which testifies to their efficiency and popularity.

With regard to our Goblin Electric Washers, to which I referred in my speech last year, these have proved to be a great success. They are in great public demand and constitute a considerable item in our domestic turnover.

Our industrial clocks, time recorders, and public address equipment, handled by our subsidiary, The Magneta Time Company, also show a satisfactory increase. I am also pleased to report that orders for the installation of B.V.C. ash and dust handling plant for power stations have increased and continue to show a further expansion, both at home and abroad. This work is dealt with through our wholly owned subsidiary B.V.C. Industrial Constructors, Limited. Contracts at present in hand include B.V.C. ash and dust removal plant for the following power stations:—

BRITISH ELECTRICITY AUTHORITY

Deptford, Barking, West Ham, and Fulham in the London area, and at Kearsley, Bold and Roscote, Rye House at Hoddeston, Colne Valley at Rickmansworth, East Yelland, Devon.

Also in overseas power stations at:

AUSTRALIA
Fremantle, Pyrmont, Bunnerrong, and Yallourn.

SOUTH AFRICA
West Bank, East London.

SINGAPORE
Pasir Penjang.

I mentioned last year that we intended to expand our export endeavour, and I am pleased to tell you that a substantially increased turnover in this field was recorded. Our products have been on show at all the leading international exhibitions in the world, including Toronto, Chicago, Paris, Brussels, Utrecht, Sydney, Johannesburg, Istanbul, and, of course, the British Industries Fair.

Turning now to the group accounts, which I will with your permission take as read, seeing that they have been in your possession for the statutory period of 21 days, it will be seen that the general position of the company has been further improved during the year.

The group profit for the year after providing for bank interest, management remuneration, directors' fees, and depreciation, shows a balance of £129,427, which, after deducting provision for taxation £70,940 inclusive of liability for profits tax under the new Budget, leaves a balance of £58,487.

From this amount your directors have transferred to staff pensions reserve the sum of £10,000, bringing this reserve up to £62,500.

After bringing in the balance from 1949 amounting to £43,272 and deducting the dividend paid on the Preference capital during the year, there remains an undistributed profit of £87,221.

INCREASED DIVIDEND

In my speech to the shareholders last year I stated that, although we had fully subscribed to the principle of dividend limitation, it should not be overlooked that your company had for some years past been paying a substantially lower dividend than obtained in pre-war years, and my undertaking as to dividend limitation on your behalf had been qualified accordingly. I also said that if and when the profits of the company provided for an increased dividend your directors would not be unmindful of their duty to the shareholders in the matter, consideration first being given to the capital requirements of the company in the light of its current trading.

The profits for the year under review would have allowed your directors to revert to the pre-war dividend, but in view of the company's expanding trade and the need for the conservation of finance to meet this, and the heavy incidence of taxation, your directors have decided after careful consideration to propose a modest increase in dividend, and therefore recommend the payment of 25 per cent., less tax, as compared with 20 per cent. for the previous year. The figure thus absorbed, amounting to £19,688, will leave a balance of £67,533 to be carried forward as compared with £43,272 brought in.

CURRENT OUTLOOK

With regard to the current year, you will be pleased to learn that our turnover for the first six months again shows increase over that for the same period in the accounts under review, and we continue to have a very healthy home and overseas order-book in all sections of the business. You will, however, doubtless be aware that the rearmament programme has made the materials supplies position difficult, and I cannot at this stage forecast to what extent, if any, this will affect our results for the year. You may be assured that the management are exercising every diligence to ensure maintained pro-

duction, while at the same time placing major emphasis on essential production of national importance.

I cannot conclude without expressing appreciation of the work of the management and employees, and to express to them our thanks on your behalf.

The report and accounts were adopted.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS

MR A. STUART ALLEN ON THE ESSENTIALS OF A HEALTHY AND PROGRESSIVE ECONOMY

In the course of his address at the annual general meeting held on May 23rd, Mr A. Stuart Allen, the President of the Society, said that last year he had presented the position of an established company which was concerned to maintain the volume of its production in the face of rapidly rising price-levels and persistently heavy taxation. The importance of the issues involved had led to the appointment of a Royal Commission.

The Commission's task had been made more difficult by the Budget proposals, the first instalment of the three-year rearmament programme.

The Society was preparing evidence for submission to the Commission, and their contribution would comprise the valuable experience of members of the Society in every field of industrial and commercial activity.

Today he was inviting attention to the effect of these same factors upon the "Germination and Growth of Business," a process which began because an individual believed that his abilities could be applied more constructively than was possible within the limits of an employment, however congenial. From such small beginnings many undertakings had developed which were now making important contributions to the total national product. He submitted that renewal by the constant process of birth and growth was essential to a healthy and progressive economy.

Mr Allen then gave comparative figures to show what it was feasible for an enterprising person to achieve in 1910, the corresponding figures in 1930 and, finally, equivalent figures at the present time, taking into account at each stage the relevant price-levels and the appropriate taxation.

The combined effect of these factors was to exaggerate the earnings which were necessary today, in order to permit accumulations of real capital equivalent to those of the past. For a small business earning £200 per annum in 1910 the comparable figure today was £800 per annum—four times as much—and this ratio increased rapidly, so that today's equivalent of £1,000 per annum 40 years ago was more than £8,000 per annum.

Mr Allen added that statistics proved that the activities of small businesses were of major importance in national affairs, but it was clear that the process of creating such a business was becoming increasingly arduous. In other words, the opportunities for rejuvenating the national economy were diminishing with frightening rapidity at a time when the need for expansion was greater than ever before. If restrictive influences were allowed to persist they must distort the whole economy.

TAXATION AND OVERSEA UNDERTAKINGS

For some years now the burden of taxation involved by the control in England of under-

takings operating oversea had led to repeated warnings that such concerns would be impelled to transfer control abroad. Clause 32 of the Finance Bill now imposed heavy penalties on persons concerned in unauthorised transfers of corporate residence. It was the function of the official to suggest remedies for losses of revenue, but it should be the constructive task of the statesman to create conditions which would foster all forms of economic expansion.

Referring to estate duties, Mr Allen pointed out that here also national resources were suffering because British subjects who had worked and prospered abroad were discouraged from coming home to retire because taxation made living here an undue expense and dying an extravagance. The country was the poorer in consequence.

ASHANTI GOLDFIELDS CORPORATION LIMITED

OUTLOOK ENCOURAGING

The fifty-fourth annual general meeting of the Ashanti Goldfields Corporation, Limited, was held in London on May 23rd. The chairman, Major-General Sir Edward L. Spears, K.B.E., C.B., M.C., presiding, said that in the period under review, progress and results had been satisfactory.

Earnings had increased by £470,794 to £1,138,426. Gold had realised more since devaluation, but costs had risen also and were still rising. While they had received the benefits of devaluation for a full year, its effect on the price of stores and services had not yet been fully felt.

Dividend.—A final dividend of 1s. 6d. per unit of stock less tax at 9s. in the £ made their total distribution for the year 2s. 6d. per unit.

WEST AFRICAN FINANCE CORPORATION

They had formed a new wholly-owned private company, and transferred to it their holdings in other West African Mining Companies as it had been felt that administration would be easier if they were owned by a separate finance company.

Development.—The full extent of the pay-shoots on the new Level, No. 33, had not yet been proved. Two further crosscuts were possible at the south end and had exposed good values. To the north a distance of 450 feet had been driven and payable ore had been recorded over 350 feet. Since the close of the financial year the shoot had been shown to extend over more than 500 feet, but in view of the restricted capacity for development, further work was being postponed in favour of the opening up of No. 35 Level.

Good values were reported over 200 feet on No. 27 Level. New ore developed during the year, 187,664 tons, averaging 17.5 dwts. per ton, maintained reserves at a satisfactory level.

Surface Prospecting.—Arrangements were made with Selection Trust, Limited, in 1948, to examine part of the company's mineral concession outside a reserved area with the object of seeking and, if encouragement had been forthcoming, of developing new mines. This work had been carried on for two years without producing results of any interest. Further search was discontinued and by mutual consent their agreement with Selection Trust, Limited, was terminated. The chairman recorded their appreciation of the excellent manner in which the work was carried out and their regret that the effort was unsuccessful. The lack of result from this venture in no way whatever affects the future prospects of the existing Ashanti Mine.

THE FINANCIAL TIMES LIMITED

EARNING POWER MAINTAINED

NEWSPAPER OWNERS' PROBLEMS

MR BRENDAN BRACKEN'S SPEECH

The twenty-third ordinary general meeting of The Financial Times, Limited, was held on May 22nd at Winchester House, Old Broad Street, London, E.C., The Rt. Hon. Brendan Bracken, M.P., the chairman, presiding.

The secretary, Mr A. E. Knock, having read the notice convening the meeting and the report of the auditors,

The chairman said: Ladies and gentlemen, the balance sheet of the company differs little from that which we considered at our last annual general meeting. You will observe that we have strengthened our reserves and increased our bank balances. The excess of current assets over current liabilities amounts to £463,871, while in the consolidated balance sheet the comparable figure is £819,031. Our resources should, therefore, be adequate to cover our considerable commitments for new plant and machinery, although it is extremely difficult in today's conditions to chart the cost of new machinery.

During the past year, our revenues from the two large printing firms in which your company has a controlling interest were diminished by a prolonged dispute between master printers and the London Society of Compositors. The consequences of this dispute are apparent in the decision of a number of customers to obtain printing facilities outside the London area, or to try out, as they have in some cases successfully, other methods of reproducing printed matter.

Despite the losses caused by this dispute in the printing industry your company's earning power was reasonably well maintained. The consolidated profit before tax amounted to £400,151, and, if you approve our recommendation about the distribution of profits, the company and its subsidiaries will increase their carry forward by rather more than seventy-five thousand pounds.

THE NEWSPRINT FAMINE

If growth be the only evidence of life, newspapers in Britain would long since have passed beyond redemption. Though it is a commonplace that everyone knows how to edit a newspaper, few save professional journalists at home and abroad fully understand the achievement of British journalists in producing so much news in a few overcrowded pages. The most of us in our youth have been unable to avoid reading Milton's blast against the tyranny of licensing printers. If Milton could have lived until this hour his blast would now be directed against the licensers of paper. Printers we have in plenty; paper, save for the purpose of producing bank notes, steadily diminishes. Governmental muddles in paper licensing, tinctured by malice, have greatly increased the difficulties of newspaper production.

AN UNFULFILLED DEMAND

Our problems in trying to cope with a famine in newsprint are small by comparison with those that must be solved by the owners of newspapers with vast circulations. Their problems are far beyond our knowing. Alas, we in our small way know all that need to be known about the consequences of this newsprint famine. We receive an ever-tolling stream of complaints from people who cannot obtain copies of the *Financial Times*.

In a vain endeavour to meet their needs we have reduced the size of the paper. We have

also tried through reducing the size of types to save every inch of space so that we may partly provide for the clamant demand for the *Financial Times*. I regret to say that our efforts are no more effective than the use of Mrs. Partington's broom.

APOLOGY TO ADVERTISERS

Advertisers and their agents have shown great patience in their dealings with the *Financial Times*. Through the lack of newsprint we have been forced to refuse many orders and to delay the publication of a great number of advertisements. It is an understatement to say that we are grateful for their understanding of our newsprint problems, not to say their forbearance.

FRUSTRATION

If I, on your behalf, apologise to those who seek in vain to become readers of the *Financial Times* and to our long and sure-set customers who wish to maintain or extend advertisements, I feel that we as shareholders should say a word of encouragement and sympathy to all who serve us so faithfully in editorial and managerial affairs. Were they given an adequate supply of newsprint their lively and well-considered ideas of adding new services and more features would greatly advantage our readers and shareholders.

I should like, on your behalf, to thank our managing director, Lord Moore, and his editorial and managerial colleagues, as well as those concerned with the management of our printing companies, for the eminent services they have rendered during the past year which abounded in difficulties for all concerned with printing and with the production of newspapers.

The report and accounts were unanimously adopted; the proposed final dividend of 12½ per cent., less tax, making 20 per cent., less tax, for the year, and a bonus of 5 per cent., less tax, on the ordinary stock, were approved; the retiring director, Colonel O. E. Crosthwaite-Eyre, M.P., was re-elected and the remuneration of the auditors, Messrs Price, Waterhouse & Company, was fixed.

OLDS DISCOUNT

At the annual meeting held on May 24th, Mr W. A. Olds (chairman) said that 1950 proved a year of further progress. Assets are now nearly £4,750,000 and reserves £521,000.

The provision of essential plant and equipment brought a constant flow of applications for our services. There again appears to be ample evidence that our resources can be fully used under almost any circumstances.

New developments include handling of hire purchase business for goods produced by the group of Tube Investments Limited, through jointly owned associated company.

RECORD OF PROGRESS

	Profit before Taxation	20 per cent. Ordinary Dividend Paid (Net)	Profit Retained after Taxation
1946	£ 77,398	£ 19,095	£ 20,491
1947	121,169	20,832	37,562
1948	138,579	27,509	24,951
1949	161,030	30,938	27,192
1950	185,317	32,062	31,955

The 20 per cent ordinary dividend paid for 1950 represents 7.3 per cent. on the ordinary stock and reserves.

G. & J. WEIR, LIMITED

INCREASED TURNOVER

The fifty-seventh annual general meeting of G. & J. Weir, Limited, will be held, on June 19th, at Cathcart, Glasgow.

The following is an extract from the circulated statement by the chairman, the Rt. Hon. Viscount Weir of Eastwood:

Under all the circumstances attending the year 1950, the trading results of the consolidated group can be regarded with satisfaction. The balance brought into the consolidated profit and loss account, together with other credits, has risen by £104,823 to £1,273,194, and after making provision for depreciation, taxation and all other charges, the net surplus has risen by £106,902 to £491,991. Of this net surplus, £165,267 has been retained by the subsidiary companies, as compared with £106,411 in 1949, and after deducting the amount written off the investment in a subsidiary, the remaining balance, viz., £295,375, represents the net profit of the parent company, this being £16,697 more than last year.

PROFIT AND ALLOCATIONS

Out of the net profit of the parent company an allocation of £125,000 to general reserve is proposed, which allocation is the same as last year and will bring the total of general reserve to £1,025,000. After payment of dividends totalling 40 per cent. for the year, with a bonus dividend of 5 per cent., the carry forward will be increased by £3,865 to £268,128.

The satisfactory results are due mainly to the increased turnover of the group as a whole. At Cathcart, once again, the previous year's record in output was surpassed. Our increase in exports was 16 per cent. over that of 1949, and this does not include the substantial deliveries of our machinery for foreign ships built in British shipyards. As regards input, export orders were more than maintained. Installations for power stations, and other land work, have been well above the figures for the previous year, while marine orders, particularly in the latter part of the year, exceeded all our expectations. Thus, although we had a record output for 1950, we started off in 1951 with an order-book considerably greater than at the beginning of 1950.

Two outstanding events in 1950 were the announcement in the autumn of the rearmament programme and the flood of new orders for merchant tonnage, which began towards the end of the year. Some of the requirements on new naval construction for the rearmament programme have become known to us and will, of course, call for Cathcart and Yoker to fulfil their usual responsibilities as suppliers of naval auxiliary machinery. These requirements are not likely to be reflected very substantially in our output until 1952, but thereafter their incidence will become increasingly felt.

CONTRIBUTION TO HOUSING PROGRAMME

With regard to the Weir Housing Corporation, the past year has proved a notable one. The number of houses handed over to local authorities was 1,372. These were almost entirely of the two new types to which I referred last year. In spite of the gap in production to which reference was then made, the results both as regards earnings and turnover have been considerably better than anticipated. The houses themselves have proved an outstanding success.

So far as 1951 is concerned, we look forward to a year of increased output and reasonable results, always subject to obtaining the materials we require, and looking further ahead we see our exceptionally full order-book spreading over a long period.

BEYER, PEACOCK AND COMPANY

(Locomotive Builders and General Engineers)

CONSIDERABLY INCREASED SALES

The annual general meeting of Beyer Peacock and Company, Limited, was held on May 23rd in London, Mr Harold Wilmot, C.B.E. (chairman and managing director), presiding.

The following is an extract from his review which had been circulated with the report and accounts for the year ended December 31, 1950:—

The net profit has again advanced—the result of a considerable increase in total sales. Profit rates have not been raised.

The larger turnover is occasioned by an improvement in factory efficiency plus a not inconsiderable amount of sub-contracting to make good in part the deficiencies in our domestic production possibilities. Your directors feel that the policy they have followed in this matter is the only satisfactory answer to current shortages of manpower and supplies in our heavily taxed industry. The demand for locomotives—especially of our Beyer-Garratt type—showed no decline during the year and our total order book stands at a new record high level.

Our overseas manufacturing competitors turn their eyes to the full order books of British firms and it is to be expected that competition will become keener in certain markets. To retain our dominating position demands constant care. Growing shortages in the British supply position constitute a menace of increasing gravity. If, as we understand, our export trade is a national asset of extreme importance, it follows that Government controls must regard the manpower, machine tools and materials and supplies requirements of our industry as matters of high priority.

GROWING POPULARITY OF PRODUCTS

The popularity of our special type of locomotive continues to grow, and we have evidence from users in many parts of the world of the excellent designs and high-grade workmanship of the products of our Gorton factory.

Our subsidiary companies have made further progress during the year under review and are in good shape for the current programme. The continued improvement in their combined technical capacity and financial strength is of increasing importance to the parent company. Further modest expansion is contemplated for the present year. Your board are of the opinion that the value of these assets far exceeds the figures by which they are represented in our balance sheet.

Our associated company, "Metropolitan-Vickers-Beyer Peacock, Limited," has commenced production in its new factory and has secured orders for electric and diesel electric locomotives sufficient to ensure full activity for some years. No profit has been taken in the accounts now submitted, but your directors have every confidence that the prospects for the future are of a nature to confirm their original opinion of this joint venture.

The results I have the privilege of presenting are in part some measure of the success which has attended our efforts at team-building. I believe that, though facing the prospect of difficult times, the nature of our unity and the excellence of our equipment make it possible for us to confront the future with reasonable confidence.

The report and accounts were adopted and the dividend of 7½ per cent. and bonus of 2½ per cent. on the ordinary shares were approved.

LONDON BRICK COMPANY, LIMITED

RECORD POSTWAR PRODUCTION

The fifty-first annual general meeting of the London Brick Company, Limited, was held on May 24th in London.

Mr A. T. Worboys, the chairman, in the course of his speech, said: Trading profit and sundry income amount to £1,042,650 compared with £849,115 for the previous year. The net profit is £268,401. The net dividend on the preference stock and the interim dividends of 15 per cent., less tax, paid on the ordinary stock leave a balance of £36,301 as against £6,272 a year ago. The directors do not recommend any further dividend for 1950.

Both production and deliveries of all the company's products again achieved record postwar figures during the year. Seeing that we are still short of our full labour requirements, this further increase in production reflects the continued and successful progress of the programme of increased mechanisation.

The demand for all the company's products continues to be much greater than the production which we can, as yet, achieve. The past year has been one of expansion in every part of the company and the additional financial resources for which we asked last year have been utilised to good and permanent advantage.

Unless major disturbances occur I hope that I may be able to report no less favourable progress and results at our next meeting. With the overlong delayed release from winter conditions, which can seldom have been worse or more protracted in the company's history, we have during the past few weeks achieved new postwar production records. The demand and forward enquiries for all our products show no sign of diminishing.

The report was adopted.

BRITISH ROPES, LIMITED

ALL-TIME SALES RECORD

The twenty-ninth annual general meeting of British Ropes, Limited, was held on May 24th in London.

Mr Herbert Smith (chairman and managing director) in the course of his speech, said: During the earlier months of the year there was a steady decline in sales tonnage, and there was every appearance that the results for the year would fall well below those of the previous year. However, towards the end of the year production and sales bounded to a very high level, and both in tonnage and value our sales exceeded the record high level of 1949.

The total trading profit for the year was £1,613,000, as against £1,162,000 for the previous year. The net dividends paid and proposed to be paid account for £196,000—that is, 31.36 per cent. of the net profit available for the year. No less than £429,000—68.64 per cent. of the net profits earned—has been ploughed back into your company, £250,000 by way of transfer to general reserve and £179,000 by an increase in the balance on profit and loss account, which brings the capital and revenue reserves of the group to a figure slightly below £2,000,000.

Present indications are that shortages of steel will hamper our activities during this year. It is too early to forecast how the company will be affected, but our products are needed in any rearmament programme, in addition to normal peacetime requirements.

Our total exports showed considerable progress. They were 20 per cent. greater in volume as compared with the previous year, chiefly owing to the increase in shipments of wire.

The report was adopted.

BRISTOL AEROPLANE COMPANY

INCREASED TRADING PROFIT

The forty-first annual general meeting of this company was held on May 24th at Bristol, Sir William G. Verdon Smith, C.B.E., the chairman, presiding.

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

We have added substantially to buildings, plant and equipment, including the purchase of almost all buildings erected at Government expense within the works. Further capital commitments amounted to £378,681.

There are certain changes in our interests in subsidiary and associated companies. The entire capital of British Aeroplane Engines Limited is now held by the Bristol Aeroplane Company of Canada Limited, formed by this company to concentrate upon development of our interests in Canada. We have transferred our interest in British Messier Limited to Rotol Limited. We have made a further purchase of shares in S.E.C.A., the overhaul business at Le Bourget, Paris.

Despite additions to fixed assets, current assets at £5,116,011 are only £191,273 less than the 1949 figure.

Capital, reserves and surplus have increased from £7,576,813 to £8,049,091. The excess profits tax postwar refund shows an increase of £212,731 at £1,030,000.

The resources at our disposal will be fully employed in supporting the defence programme, in the growth of our activities and in meeting rise in prices.

PROFIT AND LOSS ACCOUNT

The trading profit for the year, after charging depreciation, was £1,120,094, an increase of £218,966 over 1949.

Provision for depreciation of fixed assets amounts to £367,979 (compared with £324,535 for 1949). We have made allowance for the continually increasing cost of providing replacements in the amount (£200,000) transferred to general reserve.

We recommend a final dividend on ordinary stock of 8½ per cent., less income tax (£147,263), leaving a balance to be carried forward in the parent company of £248,335 or in the consolidated account, £359,663.

The proposed final dividend will result in a dividend of 12½ per cent for the year, an increase of 2½ per cent in the rate for the past eleven years. The distribution represents a return of just over 5 per cent. gross on the capital employed of £8,049,091. We regret that the reward of adherence to the policy of dividend limitation should have been the imposition of an even higher tax on distributed profits.

REVIEW OF 1950

Manufacture and further development of our various products were continued in all divisions throughout the year with efficiency and success and the aircraft and engine Divisions completed the year much more satisfactorily than we had reason to anticipate a year ago. On the Brabazon development continues as planned, the Olympus engine has become the subject of a licence agreement with the Wright Aeronautical Corporation of the U.S.A. and the French concern, S.N.E.C.M.A., will manufacture the Hercules engine under licence.

We have added to our engine division's programme—its own engine—increased demands for our own engines—the Rolls-Royce Avon and our aircraft division has undertaken the De Havilland Venom fighter. These projects on top of our existing programmes of military and civil aircraft and guided missiles, and their power units, will employ our aircraft and engine divisions to the limit of their capacity.

The report was adopted.

BRITISH INSULATED CALLENDER'S CABLES

YEAR OF GREAT CONTRAST

CRIPPLING TAXATION BURDEN

The sixth annual general meeting of British Insulated Callender's Cables Limited will be held on June 14th at Liverpool.

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

1950 was a year of great contrast. Last June the immediate outlook was not so assured as it had been a year previously, mainly due to the cuts imposed by our Government on the capital expenditure of our principal customer groups in this country, and to the increasing, and in some cases fierce, international competition being experienced in certain overseas territories. These factors seriously affected certain of our activities during the first half of the year, but for the remainder of 1950 our production facilities in practically all divisions were stretched almost to the limit. The net result is that profit on trading fell by £255,250, although it still reached the satisfactory figure of £3,233,039.

The experience of several of the units in the group has been similar to that of the parent company, but in others operating in different fields a consistently high level of activity was maintained throughout the year and a further improvement was shown on the 1949 results.

TAXATION

In total, however, group profit on trading has fallen by £607,622 to £6,130,642. In spite of this, due to higher rates, taxation absorbs the wholly disproportionate and crippling figure of £2,945,201. It is clear beyond any doubt that the present crippling burden of taxation cannot be continued if industry in this country is to remain competitive in the world markets. There are able men in other countries planning and working all the time to improve their productivity and efficiency and they are not being penalised from doing so to anything like the extent we are by taxation or rules and regulations.

Since the amalgamation in the parent company we have had to pay or reserve out of profits no less than £9,000,000 for taxation.

The net assets of the group even on their balance sheet values now amount to over £26,000,000.

Turning now to the export market, whilst our volume of sales measured by weight or length shows some contraction from the records achieved in 1949, the higher prices for metals and the like have increased the monetary value, and the direct exports of the BICC group for 1950 amounted to over £18,000,000.

THE OUTLOOK

Sales for the early part of 1951 reached an exceptionally high level, but this involved drawing on the stocks of copper and certain other raw materials in our pipe-lines to execute orders accepted prior to any rationing. Subsequently, the full effect of the rationing of copper and the shortage of other materials has been increasingly felt, and our sales now, and as far as can at present be seen ahead, must of necessity be geared to the materials made available to us for production purposes. We do not believe, however, in accepting orders which we cannot fulfil, and we are endeavouring to be scrupulously fair to all our customers in the allocation of raw materials made available to us.

Any further deterioration in supplies will bring about a serious position. Any improvement would ensure us of a steady load factor for some time ahead.

EXPERT TOOL AND CASE HARDENING COMPANY

SATISFACTORY RESULTS

The thirtieth ordinary general meeting of the Expert Tool and Case Hardening Company Limited was held on May 23rd in London, Mr A. H. Redfern (the chairman) presiding.

The following is an extract from his circulated statement:—

The net profit for the year amounted to £110,527 as compared with £140,991 for the previous year. The net surplus, after providing for the heavy burden of taxation, amounted to £39,567, as against £56,691 for 1949. Due to the revaluation of fixed assets at December 31, 1949, additional depreciation of £11,000 was provided this year, which is not allowable for taxation purposes, and which, on a comparative basis with last year, would have been available as a free reserve.

In spite of full order books in all our subsidiary companies, and the growing demand for their goods, production did not reach the figure which could have been normally anticipated. This has been caused mainly through shortage and delays in deliveries of raw materials, which has naturally had an effect on the trading figures, but having regard to all the circumstances and the difficulties encountered I feel sure you will agree with me that the results are satisfactory.

A further issue of 400,000 ordinary shares by way of bonus was made during the year by capitalising reserves, the issued ordinary share capital now being £160,000. Your directors propose the payment of a final dividend of 15 per cent., less income tax, on the ordinary shares, making a total of 26½ per cent., for the year.

The report was adopted.

BRIXTON ESTATE

SATISFACTORY PROGRESS

The annual general meeting of Brixton Estate Limited was held on May 24th in London, Lieut-Col. Sir Francis Humphrys, G.C.M.G., G.C.V.O. (the chairman), presiding.

The following is an extract from his circulated statement:—

During the year the directors have decided to bring the properties into the balance sheet at cost to reduce the number of separate reserves and provisions and to introduce other minor changes in the account.

Properties, as a result of the above alterations, now stand at £573,917. Gross income shows an increase of £13,869 to £119,775. This figure includes a maiden dividend of 15 per cent. from our associated company. Net revenue, after taxation, has increased from £29,776 to £36,799.

During the year, a further bonus issue was made by capitalising the general reserve of £25,000 and by issuing 100,000 new 5s. ordinary shares in the proportion of one new share for every four shares held.

War damage repairs: A licence to re-instate a further portion of the Brixton property was received towards the end of the year, and it is hoped to complete the work during 1951.

With the maintained demand for space and full occupation of our properties, the periodical renewal of leases should secure continued expansion of income during the current year. Our associated company is also making satisfactory progress.

Two interim dividends amounting to 17½ per cent., less tax, on £100,000, and a third interim dividend of 11 per cent. on £125,000, have already been paid. It is not proposed to pay a final dividend. The total distribution is equivalent to 25 per cent. on the present capital of £125,000.

The report was adopted.

NEW BROKEN HILL CONSOLIDATED

YEAR OF STEADY PROGRESS

The fifteenth annual general meeting of New Broken Hill Consolidated Limited will be held on June 19, in London.

The following are extracts from the statement by the chairman, Mr John R. Govett, which has been circulated with the report and accounts:—

The net profit for the year 1950 after providing for taxation was £450,541, compared with £384,014.

In considering their recommendation as to the final dividend for the year, your board are strongly influenced by the substantial sum still required to be spent in order to complete the equipment and development of the mine. In the face of continuously rising costs, the board are of the opinion that cash resources should this year again be conserved to safeguard the completion of the programme initiated in 1945. They are therefore unable to propose any increase in dividend over and above that paid for the previous year, namely 30 per cent. I realise that this may prove a disappointment to some who may have anticipated a higher final dividend in view of the rise in metal prices, but equally I believe that they will endorse our determination to ensure full achievement of the success of their enterprise.

I have frequently had occasion in the past to stress the importance of an adequate supply of manpower to the successful achievement of our objectives. I am happy to be able to say that as a result of negotiations successfully concluded with the Workers' Industrial Union of Australia, arrangements have been made which provide a wider field for recruitment and, we hope, will ensure the manpower required for our expansion programmes and which at the same time safeguard the interests of those on whom the success of the industry has depended in the past.

The year has been one of steady progress towards our objective of developing and equipping our mine as a major and independent producer. Development work

carried out to date more than fulfils the earlier expectations on which our 10-year expansion programme was based and I have every confidence in the future of the property.

THE CONSOLIDATED ZINC CORPORATION

LARGER TRADING PROFIT

FUNDS CONSERVED TO MEET DEVELOPMENT EXPENDITURE

The annual general meeting of The Consolidated Zinc Corporation Limited will be held on June 19 in London.

The following are extracts from the statement by the Chairman, Mr John R. Govett, which has been circulated with the report and accounts:—

The market conditions are reflected in this year's financial results, in which the profits for the year, before taxation, amount to £4,570,800, compared with £3,453,429 for 1949, an increase of £1,117,371. The net profit for the year, after providing for taxation (£3,011,419) and deducting the interest of the minority shareholders in Subsidiary Companies (£129,701), amounts to £1,429,680, compared with £1,227,119 for the previous year, an increase of £202,561.

RIISING COSTS

I consider the results of the year to be satisfactory and that they are a fair indication both of the expanding nature of our activities and of the efforts of those who are in charge of our operations in this country and in Australia. It is nevertheless necessary to emphasise that these profits were earned during a period of high prices which are now subject to artificial support by emergency conditions which neither you nor I would willingly see prolonged. Costs have inevitably increased, due mainly to reasons outside the control of the company. In Australia, in particular, there has been a substantial advance in the basic wage (as well as in the lead bonus which fluctuates with

the price of lead) affecting the costs of development, mining, milling and smelting—in rail charges—in sea freights—in fact, under most headings of expenditure. Rising costs have also increased the amount of working capital required to finance stocks and constantly serve to reduce the margin of our resources available for the replacement of outworn plant and machinery at today's inflated prices, and to meet our development programme.

In view of this need to conserve funds to meet future requirements, I regret that we are unable to recommend an increase of dividend and are proposing to pay the same rate as that paid last year namely 2s. 6d. per share for the year.

In this connection I referred last year to the need of some relief from taxation to enable companies such as ours to make adequate provision for plant replacements. The report of the Millard Tucker Committee, which has been investigating this problem, has been a disappointment on this point and the problem with which industry is faced has been magnified by the measure proposed by the Chancellor of the Exchequer in his recent Budget to suspend from next year the initial allowances on capital expenditure on plant and buildings. Even on a basis where the present level of profits is maintained in the future, this measure, combined with the rise in income tax and the heavier taxation on profits distributed in dividend, must serve to reduce further the amount available for capital requirements.

MARKETS

Though the level of our prices must at all times depend on the fluctuations in the American economy, there are now superimposed on the normal civilian demand the requirements of rearmament. It is not in my power to judge the final effects of this additional influence on the world metal position. With this in mind, together with the financial problems I have briefly outlined above, I am compelled to emphasise the need of preserving, as far as it is possible to do so, adequate resources to meet the emergencies which must be anticipated in the critical time which lies ahead.

NOTICES

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Public Finance (tenable at the London School of Economics and Political Science) (salary £1,050—£1,250—£1,450 a year). Applications (10 copies) must be received not later than June 15, 1951, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

COLEG PRIFATHROPAOL DEHEUDIR CYMRU A MYNWY. Applications are invited for the post of Research Assistant in the Department of Industrial Relations. Applicants should have an Honours Degree in Economics, and previous research experience would be an advantage. Salary £150 p.a. The post is not permanent. Eight copies of application, with the names of three referees, should be sent to the Registrar, University College, Cathays Park, Cardiff, not later than June 30, 1951.

(Signed) E. R. EVANS, Registrar.

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PRODUCE OFFICER required by the Government of Nigeria for the Department of Marketing and Exports for one tour of 18 to 24 months with prospect of permanency. Commencing salary according to qualifications and experience in scale £711 rising to £1,290 a year, including allowances. Outfit allowance £60. Free passages for Officer and wife and assistance towards the cost of children's passages. Liberal leave on full salary. Candidates under 40 should have had a good education and preferably hold a University Degree in Commerce, Economics or Agriculture, or a Diploma of an approved Agricultural College. Experience in the inspection and grading of agricultural products an advantage. Apply at once by letter, stating age, full names in block letters and full particulars of qualifications and experience and mentioning this paper, to the Crown Agents for the Colonies, 4, Millbank, London, S.W.1, quoting M.25572.C, on both letter and envelope. The Crown Agents cannot undertake to acknowledge all applications and will communicate only with applicants selected for further consideration.

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THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 16, George Street, Mansion House, E.C.4.

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Applications are invited for the post of STAFF TUTOR in the DEPARTMENT of EXTRAMURAL STUDIES. Candidates should be graduates, with qualifications in Economic History, Economics or Industrial Relations. Experience of Adult Education work would be a desirable further qualification. Salary scale £450 x £25-£500 (Probationary) and £550 x £50-£800 (Staff), according to qualifications and experience, together with Superannuation provision under the F.S.S.U. and family allowance. Applications (eight copies), together with the names and addresses of at least two referees, and, if desired, copies of testimonials, should reach the undersigned (from whom further particulars may be obtained) by June 16, 1951. A. W. CHAPMAN, Registrar.

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British Electricity Authority invite applications for the appointment of a Principal Assistant in the Chief Accountant's Department at their Headquarters in London.

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Letters of application, stating age and giving details of experience, should be submitted to D. Moffat, Director of Establishments, British Electricity House, Great Portland Street, London, W.1, to arrive not later than June 8, 1951.

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Statistician-writer wanted for public relations department of North Western Gas Board. Young man under 30 with few years' professional experience handling statistics preferred.

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Commencing salary not less than £800 per annum. Applications, with names of two referees should reach the Secretary, North Western Gas Board, Bridgewater House, 60, Whitworth Street, Manchester, 1, within 14 days of the publication of this advertisement.

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A Higher Pound?

THE world-wide rumour of last autumn that the pound sterling was about to be raised in value in relation to the dollar, and the devaluation of the previous year therefore in part reversed, died of its own sheer lack of substance. But it has lately been revived—not so much in the form of a rumour that sterling is in fact to be revalued as in the form of arguments that it ought to be. This advocacy has been heard at home and this week it has received powerful support from abroad in the annual economic Survey issued by the United Nations Economic Commission for Europe.

Had it been foreseen, when the pound sterling was lowered in value from \$4.03 to \$2.80 in September, 1949, that the Communist invasion of South Korea nine months later would initiate a new rearmament boom and completely upset the world markets for raw materials, it is quite possible that the devaluation would have been less severe. There appears to have been a debate, up to the last minute, between the rates of \$2.80 and \$3.00, and if the future could have been foreseen the choice might have fallen on \$3.00. Moreover, although Sir Stafford Cripps was anxious to make it clear that no further depreciation could reasonably be expected—this was the deciding reason for choosing a low rate—he went out of his way to mention the possibility of a subsequent rise. There is no reason, therefore, to cling to \$2.80 for reasons of pride or obstinacy or consistency alone. There need be no moral overtones in the debate; it is a straight question of economic expediency.

There is no doubt that the strength of sterling since the devaluation has surprised everyone, and it is only reasonable to ask whether this unexpected strength should not now be recognised by an increase in its price relatively to other currencies. If the new strength of sterling looked like being permanent, the change in rate should certainly be made. But does it? The sterling area outside the United Kingdom itself is profiting greatly from the sharp rise in the prices of some of the commodities it sells to the dollar area. This wholly abnormal state of the commodity markets cannot last for ever, and when it comes to an end, one of the main sources of sterling's strength will disappear. As for the United Kingdom itself, the gigantic task of balancing income and outgo has not been so quickly or so easily solved as the figures for 1950 might suggest. On the contrary, it remains as true as ever it was that this island has a very heavy task ahead of it in paying its way. One of the avoidable risks that must not be taken is that of permitting the pound to become over-valued. Any present rise in its value should be contemplated only if it is clearly regarded as temporary, to be reversed as soon as any evidence appears that the current strength of sterling is itself a passing phase.

If the strength of sterling is only transitory, are there any better purposes to which it can be put than a rise in the exchange rate? The question has only to be put to be answered. The reserves of

gold and dollars are still low by the standards of any previous period and the future demands upon them, from the rest of the sterling area as well as from the United Kingdom, are likely to be heavy. It is no bad policy to let them go on rising. Restrictions upon imports are still, in some directions, very tight; there are still foodstuffs, and even some industrial raw materials, to be bought if Britain will buy more freely; and larger stocks of imported goods can be regarded as even more valuable reserves than stocks of gold. The British Government has frequently pledged itself to relax its restrictions upon exchange payments and to move towards making sterling freely convertible, when these relaxations become possible. Some of them are possible now; and the International Monetary Fund has made its view clear that some moves in this direction are to be preferred to changes in exchange rates. If the frequently expressed desire to see sterling restored to the position of an international currency is a sincere one, this view should carry great weight.

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There is another set of considerations which should give the revaluers pause. The foreign exchange market is still a free market in the sense that it is beyond the power of any one government, and conceivably of all governments combined, to control it. The standing of any currency in the market depends upon the view—in the best sense, the speculative view—held by the community of traders, and it is very greatly to the advantage of a country that its currency should attract, on balance, more bull sentiment than bear. One of the great disadvantages of a system in which exchange rates, though rigidly fixed for long periods, are known to be subject to alteration from time to time, is that all the speculation is one way. Before September, 1949, there was a chance that sterling would fall and none that it would rise; there were no bulls, and Britain's reserves and financial strength suffered accordingly. Since then the trend has been reversed, and all the world is a bull of sterling, since it may rise and is obviously not going to fall. A revaluation—a move to a higher fixed rate—would reverse the market again and put the reserves at the mercy of the bears—and the more it was declared to be temporary, the worse would be the consequences.

The report of the Economic Commission for Europe sees this point, and declares in favour not of a higher fixed rate but of flexible exchanges. Managed moving exchanges do not present the same golden opportunities to the speculator, since the managers, with their vastly greater resources, can keep him guessing and make him pay for guessing wrong. Many people (this journal among them) advocated flexible exchange rates in 1949, and everything that has happened since has served to strengthen the argument. If the Government and the Bank of England are now converted to that view (and there is no reason to suppose that they are), it would obviously be best to move to the flexible basis at a time, such as the present, when the change of system could be followed by a gently appreciating pound. This would be well worth doing, but even so the managers, if they were wise, would not permit a rise of more than a few points in the present rate.

What may be called the external currency arguments

thus seem on balance to be adverse to the revaluers' case. But the core of their argument lies on the other side of the fence, in the domestic economic field. The extent of the devaluation has had the effect of exaggerating the great rise in raw material prices that has occurred in the past year. This has not only given an unnecessary stimulus to the rise in the cost of living and an added push to inflation, it has turned the terms of trade sharply against this country and imposed on it the added burden of greatly increasing its exports in order simply to pay for the same volume of imports as before.

There is great force in this argument. These, undoubtedly, have been the consequences of devaluation and Korea combined, and if an appreciation of sterling would reverse them, without doing any further internal harm, there would be a strong case for overriding the currency arguments. But that is where the doubts enter in. Appreciation could be expected to have some effect in reversing the trend in the terms of trade. But the worst, in this respect, is perhaps already past: world commodity prices have shown signs of weakness while the price level of British exports is still steadily rising.

It is in its effect on domestic prices, however, that the revaluation argument reveals its weakness. Rise in prices is at present being deliberately used by the Government as a means of pursuing higher economic policy. The overriding need of the British economy in the current year is to set aside the resources of manpower and materials that are needed for rearmament. They can only come out of consumption or private capital expenditure, any retrenchment in government expenditure being ruled out by the politicians. Mr Gaitskell's Budget was based on the explicit assumption that the greater part of this necessary transfer of resources would be effected by means of rising prices reflecting the higher cost of imports, and on this assumption he imposed new taxation sufficient only to cover the smaller part of the total transfer. If now, by revaluation of sterling, the rise in prices is avoided, then the assumption falls to the ground. But the transfer of resources will still be necessary, and, to protect the rearmament programme, the Chancellor would either have to impose a sharp cut in the subsidies or else call for still higher taxes. If he did not take either course, then consumption would rise again above the level that can be afforded, and the only result would be to exchange one kind of inflation for another. It would in fact be worse than that; for the present rise in prices, which originates in the high cost of imports, though it is unpleasant, does at least serve the purposes of policy by directing resources out of consumption into rearmament, while a consumption inflation would have the opposite effect. It is, of course, deplorable that some form of inflation cannot be avoided; but if inflation there must be, let it at least be the kind that pushes the economy in the right direction.

One must beware of making the conclusion too dogmatic in a matter where differences of opinion are wholly reasonable. But this analysis gives a clear balance of argument on one side. From the currency point of view, the only appreciation of sterling that would be wise would be a very slight one undertaken as the lubricant of a change from fixed to flexible rates of exchange. And from the domestic point of view, an appreciation would do more harm than good except on the politically almost impossible condition that it was accompanied by sharp reductions in subsidies or further increases in taxation.

Three Forces in France

THE general election for which France is now preparing—the first in four and a half years—will be quite unlike anything that has happened, or could happen, in the United States or Britain. It is likely to be bitter, confused and indecisive. To try to fit the forces and parties that will come into play within the simpler categories of Congress and Parliament would be merely misleading; for the American Congressman, absorbed in strategic problems of tempting novelty, and the British Labour Minister, absorbed in election prospects of a quite different kind, are far removed in outlook and interests from the Popular Republican (MRP) whose election may depend entirely on his views about independent schools, or from the Socialist who will hold up a vital finance Bill rather than allow the state to help these same schools to survive. Nor is it easy for the outsider to understand that Gaullism—rooted in French history—is not identical with Fascism, or that the Communism of millions of Frenchmen—also rooted in French history—is something different from Bolshevism. He will be likewise baffled because the French political scene presents itself in colours that are not black and white but motley.

Some simplification of the aims of the French parties is, of course, possible, complex though the interests and motives of the French voter are. The Third Force combination—what has been the government group—of Socialists, Radicals and Popular Republicans is fighting extremists and enemies of the parliamentary system to the right and left of them. They are agreed on the defence of the Republic, on the need for their own return to power, and on very little else that is fundamental; that is why they will fight the election back to back rather than in line. The Communists also present a simple picture. They declare themselves for peace, bread, and houses; that is to say, they are against America, rearmament and inflation. For the moment they show the French and not the Stalinist profile, and talk more democratically than the Republican defenders of democracy. They fight on one front for they are against the rest. Indeed, they half expect to be banned and to take to an underground existence before the year is out.

The Rally of the French People, the followers of de Gaulle, are likewise simple in their public approach. First and foremost they are against the Communists, whom they regard as "separatists." They are against the parties that since 1947 have run France, with very fair success, on hand to mouth policies. They believe in men rather than measures, in the spirit rather than the programme; they want power and are contemptuous of parliamentary politics. Within the Third Force alliance, too, some simplification is possible. The Radicals, of several hues, are individualists, sceptics, liberals. The Socialists are more Marxist than British Labour but far less in tune with the working masses than with the mass of minor civil servants. They are planners, anti-clericals, and reluctant supporters of rearmament. Popular Republicans (MRP) put justice before liberty and religion before individualism and have provided a Foreign Minister with a fairly coherent policy. The Third Force is therefore united only in its belief in

moderation, in its opposition to both Thorez and de Gaulle, in the broad outlines of foreign policy, and in a general desire that France should respond as painlessly as possible to American pressure for rearmament and continue the remarkable convalescence which was begun by the venerable and Radical Prime Minister M. Queuille. But it has to be remembered that generalisations are dangerous about a country in which a village will vote for the left if it has an anti-clerical grievance and for the right if it has an economic grievance; and the floating vote of the "moderate mass" is both larger and more fickle than in this country.

If party lines were not so complex the issues of the election would be simple, perhaps reducible to two. First, if France is to play the role of great power and European leader, can it make up its mind to the sacrifices needed to rearm and restore national unity? Second, is that effort, or the decision against, to be made by a

ELECTION OF THE NATIONAL ASSEMBLY, November, 1946

Parties	Seats Received	Votes Received	Percentage of Votes
Communists	183	5,475,955	28.2
Popular Republicans MRP	164	5,033,430	26.0
Socialists	105	3,450,080	17.9
Radical Socialists	64	1,971,660	11.1
Right Wing: P.R.L. and Independent Republicans	72	3,136,630	11.8
Gaullist Union	10	...	...

government of the Right or one of the Centre? It is likely that these questions are in every Frenchman's mind in one form or another, but it is far from certain that they are everywhere the dominant ones. As things are there are numerous regional, sectional and traditional motives to be reckoned with, of the kind that make Liberalism survive in Wales and Cornwall. It is therefore most unlikely that the voting on June 17th will give to France's allies a clear answer to their questions about its power and will to be strong. For the political and moral leadership is still lacking that would express the essential vitality and health of a people whose will to live is shown in its birth rate and whose will to work is evident in its production figures. The election results may decide who is to govern France, or who is to make the attempt; but they will not show the will of the people about the future of the Fourth Republic.

A novel and misleading factor in this election is the new electoral law which provides for voting alliances (*apparentements*) of moderates to squeeze out the Communists and Gaullists. This arrangement is available to national groups or parties presenting candidates in at least 30 of the 90 departments. Where the alliance wins an absolute majority of votes in a department, it receives all the department's seats in the Assembly, whereas under the former system there would be a proportional distribution. No one pretends that this is anything but a barefaced piece of rigging, legislation so *ad hoc* that it provides for a special system of allocating

seats in the two departments which comprise Paris and its suburbs, where Gaullism and Communism are highly concentrated. The ruse—for such it is—is justified by the defenders of the Republic on the grounds that the old system of representation would have returned Third Force, Gaullists and Communists in equal numbers, and so made impossible a working majority in the Assembly. So little faith have the moderates either in their own capacity to put national interests first or in the electoral appeal of the Third Force idea. Now that public dislike of the measure has been fully renewed it is becoming doubtful whether it will achieve its purpose. It may even recoil on its authors.

LINES OF DIVISION	PROGRAMME	PARTIES				
		Communist	Socialist	Rally of the Left	Popular Republicans (MRP)	The Right Gaullist
Educational	State Monopoly					
	Neither Monopoly nor aid					
	"Free" Schools					
Economic	Collectivism					
	Planned Economy					
	Liberalism					
Political	"People's" Democracy					
	Parliamentary Democracy					
	Authoritarian Democracy					

Indicates Party Support of Measure.
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Rassemblement de la Gauche Républicaine (inc. Radicals)

Speculation, even in France, about the election results is tentative and imprecise. There are two factors which are especially difficult to assess. First is the strength of the appeal to the electors of the Third Force idea, unknown in 1946, when the RPF did not exist and Communists were in the government. Voters may remember gratefully such past blessings as M. Queuille's check to inflation, the building up of a new social recovery system, and their benefits from the Monnet and Marshall Plans. They may on the other hand be more conscious of present discontents: of the new taxes that rearmament imposes, of the unpopular policy towards Germany and the dependence on America, of the *immobilisme* of moderate cabinets compared with the "dynamism" and disciplines of Gaullism and Communism. Second is the difficulty of deciding how strong is General de Gaulle's following when it comes to voting for men who will form a government. Many who are stirred by the call and *mystique* of leadership distrust a leader who is quite uninterested in vital economic and social questions.

If it is hard to predict that the Third Force will win at the expense of the two extremes, it is easy to see what it has to do to win. It has to do better than its constituent parties did in 1946. If, in round figures, it can win 350 seats in a Chamber of 620, there could be a reasonably independent and effective government of moderates, provided the partners held together. Any smaller majority would make it dependent on the Gaullists, who are as much against "the parties" as against Communism. Third Force proposals depend, in fact, on Communist losses not all going to the Gaullists and on Socialists, Radicals and Popular Republicans winning as many seats to their left as they lose to their right. But some good judges say that the Communists will lose few, if any, of their 180 seats, in spite of the fact that membership of

the party has fallen from nearly a million in 1946 to 500,000 now. If so the decisive factor will be the gains that de Gaulle's RPF can make from the Third Force. That, indeed, is one of the two main reasons for the new electoral law.

The past offers even less guidance to the prospects of the General. Some say his supporters in the Chamber will increase from 20 to 140; this would still leave the possibility of moderate government if his gains were offset by Communist losses. But if the Communists held their ground and the Gaullists gained more heavily, then stable government would be impossible and there would probably have to be a second election very soon; that is the worst of which the General hopes the best. The prospect for the moderate Third Force is therefore uncertain and the chances of a decisive verdict remote.

So closely are the fortunes of France now linked with those of the United States and this country that the foreigner has perhaps some claim to express a preference before the election takes place. For when it is over he must loyally accept the result. Those who think of France as the partner that is to take an increasing share of the burden of defending Western Europe and of leading it into new forms of association and co-operation, must ponder carefully before they choose. They may take a short view and reflect that individualism and self-interest have so run riot in the politics of Paris that, if France is to be powerful again, the time has come for one of those authoritarian spells characteristic of its history. They know that the advent of de Gaulle to power would divide the nation even more deeply, possibly to the point of civil war. They know, too, that the Communists would expect to profit by such a tragedy. Yet the foreigner who understands what several millions of Frenchmen are feeling about the Fourth Republic inevitably has some sympathy for the ardent and impatient over whom the forceful and rebarbative General has cast the spell of "leadership."

But those who take the longer view will reject this course. They will reflect that France still needs above all convalescence and rest; it needs time to forget the occupation and heal its moral wounds, to complete its economic reconstruction, to prepare its future for a younger generation given security by the presence of American and British forces in Europe. If so, they can argue, why not continue with the Third Force? Considering the difficulties it faced, its record is not unimpressive, particularly in foreign policy. Let France quietly organise itself and Europe for the years ahead. That is what many sagacious Frenchmen—not all neutralists—would like to happen. But then the foreigner has to ask himself whether either the British or American people are prepared for France to play a secondary role for more than a year or two; and it would take more than a year or two for the Third Force to become a group of national unity instead of an emergency combination. The question may be resolved by the elections. If it is not, then it will pose itself again within a few weeks; and the answer that is given in London and Washington might well affect the result of a second election. The question should therefore be put in the simplest possible form—far more simply than it can be put before the French voter. Is it better to have France convalesce under "Papa Queuille" or France in fever under General de Gaulle? The answer of the Western allies must be for M. Queuille.

The Poor Countries

POINT FOUR is lagging. The idea that there should be an organised attempt by the rich countries to help the poor countries to raise their standards of living derived the name by which it is now generally known and its major impetus from President Truman's inaugural address in January, 1949. But it is not by any means a specifically American idea. Indeed, the great practitioners of the export of capital and skill for the development of other lands have, in times past, been the British, and that the desire and the vision still remain was amply demonstrated at the Labour Party's Conference at Margate in October last. There is no doubt that there is something in this general idea which has a wide appeal, to the minds of the Right in politics as well as to those of the Left. It is given immediate point by the desire to make some answer to Communist propaganda in the poor countries and to show their peoples that the West can perform as well as promise. There is also a new realisation of an old fact, that the industrial progress of the rich countries in Europe and North America will be hampered if effective steps are not taken to develop the other continents of the world both as sources of raw materials and as markets. And finally there is the conviction, born partly of apprehension but mainly of genuine sympathy, that the world cannot expect to live in peace so long as the contrasts in human welfare are as sharp as they are today. Point Four appears to combine humanitarianism with sound business and good politics.

Yet it is lagging. In the United States itself, as an article from our Washington correspondent on page 1294 describes, much of the original impetus has vanished. Elsewhere in the world, the Colombo Plan is the only one of many paper projects that is beginning to take shape and, meritorious though it is, not even its most ardent supporters would describe the Colombo Plan as more than a small beginning. Why is it that a movement which was given so forceful a send-off, and which commands, at least in principle, so much support, should be making so little progress? Part of the explanation is no doubt to be found in what has happened since January, 1949. The argument that Point Four would make the poor countries proof against Communism was never a very strong one, and such validity as it possessed related entirely to the long term. But the need for defences against Soviet imperialism has become very urgent, and such money as can be spared can clearly be more effectively spent in the short run on military defence. Moreover, there has been a great shift in the past year in the world-wide terms of trade against the industrial and in favour of the raw material producing countries. This is not very likely to help the poor countries to finance their own development—as is pointed out by the annual survey of the Economic Commission for Europe, which is summarised on page 1302, these riches are very unequally distributed as between the primary producing countries and are all too likely to be dissipated in inflation—but it does *pro tanto* make it more difficult for the rich countries to provide assistance.

But the lagging cannot be explained simply by temporary difficulties; for if it were there would be efforts to draw up plans for putting into effect when the

emergency has passed. Some of the more permanent difficulties are faced in the report published last month by a group of experts nominated by the Secretary-General of the United Nations.* The experts came from Chile, India, Lebanon, the United States and the United Kingdom (Professor Arthur Lewis of Manchester); they have produced a study that is not only thorough and lucid but is also, on the whole, realistic and frank. There are, broadly speaking, three elements necessary for any far-ranging plan for international development. First, the willingness to provide assistance, in technical skill or in capital, must exist in the rich countries; secondly, there must be receptivity in the poor countries—that is, the willingness and the ability not merely to accept the assistance proffered but to use it in such a way that the object of raising the standard of living is in fact attained; and thirdly there must be institutions through which the assistance can be given and received. In which category are the obstructions to be found?

At the moment, money in the rich countries for overseas investment is short. But money for such purposes is not wholly non-existent. Both the American and British Governments are finding money for projects that they think worthwhile. Nor is it true that there is a complete lack of private capital. On the contrary, since the war, very large sums of private capital have been invested in the oil industry in under-developed countries or have found their way to developing countries such as Australia and South Africa. The western world is pre-occupied and suffering from shortages; but it is doubtful whether the major obstruction to the progress of Point Four is to be found on the side of those who would have to find the money and provide the assistance.

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The experts make it clear that they share this view by devoting seven of their eleven chapters to the measures that they recommend to the receiving countries. The obstructions that they see to the fruitful reception of assistance by the under-developed countries amount to a long list; but they can usefully be summarised under two heads. The first of these consists of a number of doubts about the basic economic principle involved. Point Four is based on the assumption that the injection into an undeveloped country of capital and of the technical skill to use it will almost automatically raise the standards of production and therefore of welfare. It is true that the outstanding difference between the rich countries and the poor lies in their wealth and poverty of capital. It is further true that without capital, provided at home or from abroad, rapid economic progress is impossible. But it may turn out to be a quite naïvely erroneous deduction that therefore capital alone—or even capital plus technical skill—is needed. Quite remarkably little systematic inquiry has been made into the causes and conditions of economic progress, and nobody can claim to know what the factors are that must be present before the spiral can begin to revolve. Climate probably has something to do with it; human biology certainly does, as witness

* "Measures for the Economic Development of Under-Developed Countries." United Nations. 103 pages.

the way in which material progress may be eaten up by the growth of population. It is obviously easier to develop a country that has natural resources that the world wants, such as oil, than one that does not. Anyone who believes that capital and capital alone can always raise productivity might be invited to contemplate the position of, say, a small island in the West Indies and prescribe a diet of capital for it.

The other group of difficulties is made up of doubts whether, even in circumstances favourable to the investment of capital, capital provided from outside will be efficiently used or fairly treated. The most spectacular part of the problem is the case of the country that discriminates against foreign capital just because it is foreign. This can perhaps be cured by international agreement—though hardly so long as countries claim the sovereign right to repudiate their contracts. Much more difficult is the case of the country which does not provide the necessary assurances of security for any capital at all, its own or the foreigner's. In a sense, it is not nationalism, as the West has taught it to other parts of the world, so much as democracy, as the term is understood in the poor countries, that provides the greater obstacle to the useful investment and fair treatment of capital. The test is not so much "does this country believe in treating foreign capital fairly?" as "does it understand and believe in the investment of capital?" or, as Professor Hancock shrewdly remarked in his Marshall lectures last year, "what does it do with its own savings?" In the great majority of under-developed countries, those citizens who have savings hoard them, export them or put them into real estate. When those who should know best give this eloquent verdict, why should the foreigner, be he private citizen or international institution, feel any more confident that the capital he provides will be fruitfully invested and that he will get his fair share of the fruit?

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This seemingly economic problem, in fact, like so many others, is really a political one. Where the political conditions are favourable, then capital investment can usefully proceed; where not, not. Favourable political conditions exist in the police states—that is to say, conditions favourable to the rulers of those states who decide on the investment. (And it is worth making the point that the rulers of Soviet Russia are the world's most fanatical believers in the capital process and its most rigorous practitioners.) They also exist in dependent territories, where some outside power still exercises enough authority or influence. But in colonies, as Tanganyika and the Overseas Food Corporation know, the other conditions may not be present; and in any event who can be sure that the government of any colony will still be willing and able to treat capital fairly in twenty or fifty years' time?

Point Four, however, does not primarily relate to colonies, and it does not relate to the police states at all. Its concern is with sovereign and independent, but under-developed, countries—that is to say, with Latin America, with the Middle East and with Southern and South-Eastern Asia. Of how many of these can it be honestly said that the political conditions exist, and are likely to continue for a generation ahead, in which the investment of capital will be worth while—even on the

broadest definition of the phrase? Some of these countries have ruling classes who positively dislike progress because it would break up their lands and subject them to direct taxation. In nearly all of them, anti-foreign feeling rejects any assistance that carries with it even a shadow of foreign supervision of what is done with it. In many of them, governments are unstable and arrangements made with one government will not be observed by its successor. Few of them have strong administrations and many of them are corrupt. The United Nations cannot say these things. But can anyone deny that they are broadly true? Is there a country where none of them is true and which yet has difficulty in getting capital for development? The best service that anyone can perform to Point Four is to say quite frankly that it is these political conditions in the poor countries which are the greatest obstacle in the way of a grandiose flow of capital or technical advice from the rich countries to the poor. Whether or not the rich countries can do anything to remove the obstacle is a very wide question indeed. But clearly it would require political rather than economic action.

Suggestions for new institutions should be looked at in the light of this analysis. Several recent inquiries have proposed that new institutions of an international kind should be set up for the specific purpose of canalising assistance for Point Four purposes. The Gordon Gray report, the report prepared under Rockefeller auspices and now the report of the United Nations experts have all come to this conclusion (the experts want an International Development Authority and an Economic Commission for Africa). This unanimity deserves respect. And yet it is impossible not to feel a certain scepticism. Most of the countries where the conditions exist for development to proceed already stand in a special relationship to one or other of the rich countries and new institutions could do comparatively little for them. And where, for the political reasons given above, little can in fact be done, it would be pure waste motion to set up new institutions. Indeed, some people who know the under-developed countries maintain that there are already too many international bodies concerned with providing assistance of one kind or another, that at best they create confusion and at worst succeed only in providing opportunities for the reactionary procrastinators among the local ruling classes, who dare not fail to give the appearance of activity but who wish for nothing less than for progress that might disturb their privileges. It would seem the path of wisdom to defer the creation of new institutions until there is more evidence than exists today that it is only institutions that are lacking.

To write in the vein of this article will no doubt be condemned as defeatist or even reactionary. It is therefore perhaps necessary to repeat, and in all sincerity, that the principle of Point Four is one of obvious wisdom and of urgent importance. Wherever it can be shown that there is an obstruction in the western countries—and the attitude of the British Treasury is as suspect to some as that of the American Congress is to others—then it is the duty of public opinion in those countries to strive to remove it. But no good purpose is served by covering up the decisive fact—that most of the under-developed countries are not well enough governed for large-scale development to be possible in them.

The Graduate Teacher

WITHIN the last six months three far-reaching proposals have come from the Minister of Education or from Committees set up under his ægis, which will profoundly affect the quality and quantity of teachers in the schools. Chronologically the order of their appearance was first the Report of the Burnham Committee, which made recommendations for the revision of teachers' salaries. Secondly came the Minister's decision to terminate the four-year teacher training grants tenable at the universities by those pledged to enter the teaching profession. The third report on the "Training and Supply of Teachers" * was published last week and deals with the demand and supply of teachers between 1950 and 1960. While the public has learned of these recommendations and decisions in sequence, the discussions which led up to them were concurrent, the membership of the committees overlapped and the advice tendered by the two main committees necessitated certain compromises between them.

In spite of its muted tone and its efforts to paper over the cracks of divergent interests, the Advisory Council's conclusions on the probable supply of graduate teachers make uncomfortable reading for the grammar schools—the generic term that is now used to cover all those general secondary schools, as distinct from technical and "modern" schools, which provide the base for the universities and the professions. The council has based its estimates on minimum requirements—a very modest improvement in the ratio of staff to pupils, no improvement in the proportion (now 77 per cent) of graduate as against non-graduate teachers in the grammar schools and a fall in the ratio of grammar school pupils to the total school population. Even on these austerity standards the maintained grammar schools will need at least 28,000 graduate teachers by 1960 compared with 21,000 in 1950. This will require an increase of 1,000 a year in the flow of graduates entering the teaching profession—and the total flow is now only some 2,300 a year.

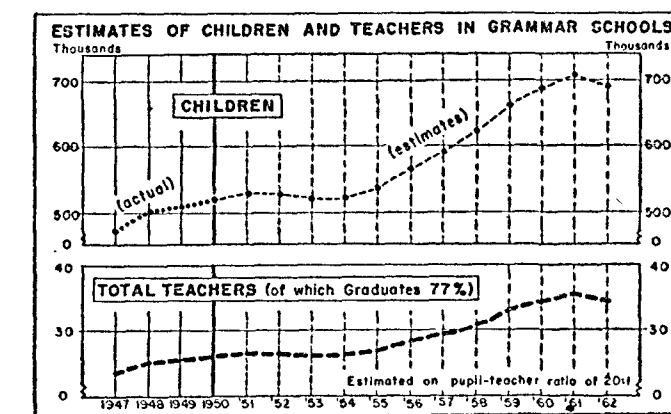
Moreover, total numbers are only one of the three staffing problems that face the grammar schools. There is also the question of quality: at present the proportion of graduates taking a teachers' training who have first- or second-class degrees is substantially lower than it was before the war, 55 per cent instead of 65 per cent. Thirdly, there is the peculiar difficulty of the shortage of teachers of science and mathematics. This is already critical; in some schools science departments have already had to be closed for lack of teachers, and in others teachers of so poor a quality have been accepted that the next generation of pupils must be severely handicapped.

What chance is there of inducing another 1,000 graduates a year to take up teaching as a career? It cannot be said that the prospects are very favourable, and the decision to abolish the teacher training grants at the universities has done nothing to improve them. The teachers' organisations have for years been urging that these grants should be abolished; that young men and women should not be obliged to sign a

"pledge" at the age of eighteen to take up a teaching career four years later in return for grants to cover the cost of their university education, and that a choice made freely at 21 was far to be preferred to a bribe at the age of 18. This is perfectly correct in principle; but the grants undoubtedly persuaded many to go into teaching because they would not otherwise have reached the universities; in future these same people may either not be able to reach the universities because they have not the ability to win the more competitive state scholarships, or having got there will prefer to choose some other career. No doubt those who in future elect at the end of their university courses to go into teaching will be the better for having come to their decision freely. Unfortunately they may be many fewer.

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Two further difficulties affect the girls at the stage of entry to the universities. The grammar schools are complaining that too many girls are leaving school at 15 or 16, instead of staying the course to the sixth form. This means that potential graduates drop out early and that those who could have gone straight into the non-graduate



training courses at 18 are lost to the profession. The causes of this loss are both social and economic—the high earning power of juveniles and the fact that many of the new generation of parents of grammar school children are unfamiliar with grammar school traditions and aims. The other difficulty is the very high degree of specialisation now required for entry to the science departments of universities, which the girls' schools are either unable or unwilling to give. As the result, relatively few girls enter university science departments and fewer still are available to teach science in the schools. This is a vicious circle which is difficult to break.

The next critical phase in the recruitment of teachers is the moment of departure from the universities, when graduates must make a decision about entering the teaching profession. At this point the student must weigh the relative attractions, financial and otherwise, of this and other callings. So far as women are concerned, alternative openings at equal or better rates of pay are less numerous than for men, and in the arts subjects there is a fair probability that the schools will secure an adequate supply of teachers. For a trained

* First Report of the National Advisory Council on the Training and Supply of Teachers. HMSO. 1s.

graduate woman assistant teacher, the basic scale is now £416 to £582. The difficulty of obtaining enough women mathematics and science teachers has already been mentioned. The advisory council considered that the probable annual recruitment of these teachers was not only insufficient for the programme, but insufficient even to offset wastage. Thus the prospects for mathematics and science teaching in girls' schools are very poor.

For men, the alternative openings for university graduates are much greater than before the war, and the competitive importance of salaries is proportionately increased. The basic salary for trained male graduate teachers rises to a maximum of £726 a year, and this is not attractive to men with ability. Industry is recruiting more graduates, mainly in the pure and applied sciences. The demand for arts graduates in other fields, however, is not unlimited, and it may soon be found that many arts graduates cannot find posts other than in teaching. In science and mathematics the demands from industry remain unsatisfied. But even in the arts it cannot be considered satisfactory that only the rejects of other professions should enter teaching. The grammar schools urgently need quality as well as quantity, and as the proportions of teachers with first-class or second-class degrees show, quality appears to be falling. With a demand for an extra 1,000 graduate teachers a year the quality is likely to drop still further.

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The political climate has made it difficult to discriminate directly in favour of the grammar schools. Since 1945 all teachers in maintained schools have been on the same scales; this holds good for teachers of infants under seven as for teachers of university scholar-

ship candidates, except that, up to April 1st of this year, first-class graduates in England and Wales had a special allowance, and that since April 1, 1951, this has been merged into a single graduate allowance of £60 a year (£48 for women). There is in addition an elaborate system of special allowances for special responsibilities and experience, but these allowances are given relatively late in life, differ from authority to authority, and will not perhaps exert much influence on recruitment. It remains true that the assured maximum for a male graduate in an English maintained school is £726, whereas in Scotland and Northern Ireland, where there are special allowances for teachers with first-class and second-class degrees, the graduate can look forward to an assured maximum of £875 and £850 respectively.

In England and Wales the great hope of the new Burnham proposals was that generous use would be made of the extended powers conferred on the local education authority to grant large allowances to teachers with special qualifications; this scheme was designed primarily to meet the needs of the grammar schools. It is too early to say how successful it will be, but it is already apparent that, while some of the smaller education authorities, with perhaps one or two grammar schools in which there is intense local pride, are making full use of the allowances, some of the larger county authorities with dispersed interests have evolved a centralised and inelastic scheme which gives very little relief to the large grammar schools. Welcome, therefore, though these special allowances are and generous though some may be, they can have only a very limited effect on recruitment and in very many areas will be insufficient to retain staff.

Broadly speaking, therefore, it may be said that for the girls' schools the crux of the problem is at the age of 18. Having once secured enough entrants to the universities, particularly for science and mathematics, the schools may find that recruitment into teaching at 21 is relatively easy. For men the problem is reversed. The flow of entrants to the universities is adequate; the problem is to catch the men at 21. Without the anchor of the teacher training grants men graduates will be able to sweep the whole horizon for jobs. A few of the gifted will choose to teach at any price; for the rest the financial reward must be made more attractive. If trade union influence and political feeling continue to prevent any overt discrimination in favour of the grammar schools, the remedy will have to be an extension of the principle of special allowances. Higher salaries will have to be given to all graduates with first-class and second-class degrees, and if primary schools or secondary modern schools also benefit thereby, so much the better. The class of degree is not a perfect method of classification for reward, but it is difficult to think of a better which will serve to attract men and women of the needed quality.

The Report on the Training and Supply of Teachers has served to bring into the open the threat to the grammar schools. It makes no suggestions for remedies, because of the conflict of interests of the various parties concerned. Even its smothered warnings should, however, be taken very seriously. It is the best brains of the country which go into the grammar schools. If the quality of the education they receive should suffer, the consequences for the nation as a whole would be disastrous.

NOTES OF THE WEEK

Persia's "Exhausted Patience"

The one rueful advantage to be derived from the Persian Government's inconsequent behaviour is that world sympathy, which was a month ago with Persia, has shifted on to the side of Britain. It is worth making an inventory of the causes of this change. The principal one is the inability of Dr Mossadegh's team to do more than ordain successive time limits within which the oil company's present management must stand and deliver, coupling the injunction with the assumption that all company servants in Iran—the 3,000 British as well as the 55,000 Iranians—will quietly go on working the machine while inexperienced Persian directors decide what to do with it. But the British have made some contribution to the shift.

First, the British Government has become specific about what it can and cannot do. It has admitted the principle of nationalisation; it is a pity it did not do this earlier, and that Mr Morrison hedged his statement with brackets and qualifications that should go without saying. But there is virtue in being categorical and official. Simultaneously, the company has "out of respect to the Persian Government" fallen in with a request to meet its representatives and to hear their plans without commenting on them. Thirdly, the British Government has drawn world attention to what it believes to be the strength of its case in law by laying it before the International Court of Justice. This is, at the present pace of events, an academic gesture since the Court takes months to get into gear; but it at least challenges the Persian Government to state a rival case before impartial judges, or else to put itself further into the free world's bad books by refusing to do so.

There is now a discrepancy between what Dr Mossadegh says he is ready to do and what his lieutenants are ordaining. He has talked with the British and American ambassadors; now his followers are attacking him for doing so and even labelling him a "tool of Britain." That is the measure of their fanaticism. He is said to be prepared to discuss the method of taking over operations. His Finance Minister has ordered a three-man delegation to proceed to Abadan and, whether or no the company has "any suggestions to make that are not contrary to the nationalisation law," at once to exercise "all authority with respect to the exploitation production and marketing of oil." The Prime Minister, by contrast, has said something about accepting a mission to negotiate implementation of nationalisation, if it were to consist of the two directors of the Company who were appointed by the British Government.

The virtue of Dr Mossadegh's maligned conversations is that they have thrown some light on the element of cross-purpose which has hitherto marred all prospect of discussion. They reveal that Persia will discuss only supplies to customers and compensation to be paid to the British company. They do not narrow the gap between this attitude and the British view that a unilateral act, entailing taking over first and discussing afterwards, is neither a lawful nor a workable arrangement. They afford little or no more cause for optimism than there has been for a month past. The same sad conclusion is reached, from quite another angle, in an article on Persian opinion on page 1301.

* * *

The Baghdad Negotiations

Will the Persian fever spread to other oil areas of the Middle East? Only if the Mossadegh technique produces results. At present it has not done so, and negotiations for revision of the terms on which Iraq derives its oil revenue are proceeding smoothly, though slowly, next door. Its

Premier, Nuri Pasha, has announced that his government has agreed in principle with the Iraq Petroleum Company on a new level of royalty payment; but he has a weakness for premature announcements, and this is one of them. The foundation for it is the fact that most of the major oil companies in the Middle East are now keen to fix an overall rate of payment per ton extracted that will be the same for all concession-owners. They see that they will have no peace until they do so. Therefore every oil-producing state is on its way to getting payments at least as large as those secured by Ibn Saud in December, which work out at an overall average of about 30s. per ton.

The figure now being discussed in Baghdad is said to be ranging as high as 34s. What is not agreed, and is still in great debate on all sides, is how this total shall be reached. Shall it be made up of increased royalties alone—a method that would be simple, because it would involve no alteration of existing agreements or laws, and no ratifications by parliaments? Or shall it be made up of royalty plus tax? The latter method is popular with some operators as it enables them to secure exemption from taxation at home and so, as it were, to transfer some of the burden of increased costs on to the home taxpayer. American tax law is in this respect generous; British law is much less so, French law less so still. At present, the gravest handicap to speed of negotiation in Baghdad is the mixed nationality of the oil firms participating in the Iraq Petroleum Company, and the necessity of reconciling the interests of British, American, French and Dutch participants, not to mention tackling four different treasuries, before conclusions can be reached.

It might be disastrous if technicalities of this type were to retard agreement and if Persia, by lawless methods, were to get spectacular results before law-abiding Iraq. Yet there are risks that they will do so, for the Iraqi parliament disperses within a matter of days for its long summer recess. To reach an agreement that does not require its ratification—a simple gentleman's agreement with Nuri Pasha—would be unwise, for he is not always Prime Minister. Therefore final agreement before autumn does not look likely; the more is the pity. Work at speed to proffer Iraq a new agreement covering both money and partnership (and containing a most-favoured-nation clause for use in the event of better terms being agreed with Persia by Anglo-Iranian) would have presented two immense advantages. It would have shown the Persians the virtues of negotiation; and it would have observed the simplest principle known to nursemaids and statesmen—reward the sober, not the violent charge.

* * *

Stalemate at Westminster

Sluggishness has pervaded the atmosphere at Westminster, where Parliament has reassembled for the final eight weeks' work before the summer recess. The tensions which have been so apparent since the general election have suddenly slackened, if only for the time being. The Conservatives have run out of ideas for bringing the Government down in the House by harrying or by shock tactics, and are no longer hopeful of forcing an election before the autumn, if then. Mr Attlee's reorganised Ministry, having survived the first impact of Mr Bevan's revolt, is settling down to make the most of a further period of office, with only the committee stage of the Finance Bill as an immediate parliamentary problem. The other two issues that might have caused real difficulties—the Bill to nationalise the sugar beet processing industry and the Bill to overhaul the emergency legislation—have both been shelved, and will not appear at Westminster before the summer recess.

Enlightened Order

NOTHING seems to have more interested the foreigners who have visited us on this occasion than the absence on the opening day [of the Exhibition] of all military pomp, and of long files of soldiers, horse and foot, guarding every avenue to the approach of the Queen, and the order which they had not expected to be observed by our often-calumniated people. They have vividly learnt from the display the difference between a Sovereign who is guarded by the affections of her subjects, from attending to their wishes, and one who must be guarded and protected against his subjects, from always persisting in his own arbitrary and selfish will. They have learned to distinguish, too, between that enlightened order which results from circumstances and from conviction, as contrasted with that automaton order, the produce of gendarmes and soldiers that every now and then breaks out into rebellion. . . . The moral effects and the moral manifestations the Exhibition is calculated to call forth, seem to have most agreeably disappointed expectations. We heard of anticipated apprehensions of thronging crowds, of angry altercation, of preparations even for suppressing riot and sedition, before the opening of the Exhibition; but good humour, patience, kindness, have everywhere predominated. . . . All classes meeting and sharing a common enjoyment—indeed all nations—will be the better for the Exhibition. Only those are to be pitied whom a foolish, wanton, and timid tyranny prohibits from coming, and who will be soured by being denied a share in this new and general pleasure.

The Economist

May 31, 1951

Mr Attlee also appears surprisingly unperturbed about the prospects of Bevanism making any real progress in the Labour movement outside Parliament. It is still impossible to give an accurate estimate of the support which the Bevan-Wilson wing have secured, because the formulation of opinion inside the constituency parties takes place slowly. The first reliable indication will be the nature of the resolutions put forward in the next six weeks for the party conference at Scarborough. Meanwhile the Government is adopting a wait-and-see policy, and will make no move unless a real storm begins to brew on the Left. If that does occur, Mr Attlee, Mr Morrison and the other more moderate leaders will probably react by making a series of speeches in the country just before the party conference.

This same caution marks the appointment of Lord Pakenham as a successor to Lord Hall, who has resigned because of health and age. Mr Attlee has once again opted for an able administrator rather than for a political leader. The effect of this, and of the other recent appointments, is to strengthen the Government as an executive body, but to weaken it as the leader and formulator of opinion inside the party. This may lead to difficulties at Scarborough in October, when Mr Morrison and Mr Shinwell will have to carry the main burden of rallying support for the unpopular policy of rearmament.

The Tories for their part are groping anxiously for issues on which to keep controversy alive, but they have wisely desisted from making Persian oil one of these areas of battle. On the Finance Bill their backbenchers will do their utmost to keep the Government up and to wear it down, and a splutter of anger can be expected from the Liberals and the Labour backbenches over the renewed exiling of Tshekedi Khama. But the present political outlook otherwise bears a strong resemblance to the cold greyness of Festival weather.

* * *

Planning Defence

The report of the Select Committee on Estimates on rearmament, which is discussed in more detail on page 1315, reveals yet again that paradoxical defect of the planned economy—apparent unwillingness to plan effectively in those very fields where, by general consent, planning from the centre is indispensable. The rearmament programme raises problems of finance, of administration, of the allocation of real resources both between different Service needs and between defence and civilian production, while each of these problems in turn raises questions of phasing and balance. Historical evidence makes it clear that their solution, singly or as a complex, cannot be left to market processes, that it is not enough for governments to place their orders and let nature do the rest. Here, if anywhere, it is essential to have a clearly thought-out, internally consistent and externally realistic plan.

The report makes it clear that such a plan is far to seek. It should surely not be necessary at this date for the Select Committee to recommend

ordering the more readily available stores this year so as to ensure that the moneys provided in the current Estimates may be spent to the best advantage in preparation for the higher Estimates which must be expected next year,

Nor should it have to point out that the construction of new television transmitters generates a new civilian competition for the scarce materials required for Service electronic apparatus, nor to put its finger on the steel scrap shortage and suggest a revision of prices "as a matter of urgency." These are matters which the planners themselves, rather than their Parliamentary watchdogs, should have looked to long ago.

Doubtless some of the incoherence of the arms programme results less from inadequate appreciation of the need for consistent planning than from political and psychological

impediments now at least partly removed. The idea of painless rearmament has died hard and left a legacy of confusion. Even the most complete single-mindedness might well fail to avoid wastes and false starts; the evidence of the departmental witnesses before the committee is enough to dispel any illusions about the difficulties confronting the programme. But those difficulties have been gratuitously multiplied by the Government's predilection for taking three bites at a cherry—or three nibbles at a distasteful pill.

* * *

Lorry Drivers' Strike

The unofficial strike of lorry drivers employed by the Road Haulage Executive is yet another example of the opposition of workers in the nationalised parts of the transport industry to any attempt to improve efficiency. There had been complaints on the one hand from drivers themselves about the lack of repair and other services on the roads, and on the other hand from customers of delays in deliveries and irregularities in the running of British Road Services. The Executive therefore decided, with the concurrence of the unions concerned, to introduce uniformed patrols on the model of those of the Automobile Association to assist drivers in need of help and to supervise the lorries on the roads. The men chose to regard the patrols as "snoopers" and some 12,000 drivers, chiefly in the Midlands and the south of England, went on strike, refusing to return to work until the patrols are withdrawn.

The Road Haulage Executive has very properly stuck to its guns. The patrols are a sensible and necessary innovation. The fact that they are uniformed and that their cars or vans are clearly marked removes any question of undercover "snooping"; the unions were consulted and agreed to the scheme as long ago as last March, so there is also no question of the scheme being forced through against the wishes of the drivers' representatives. Indeed, it is difficult to make out any case at all for the strikers.

It may be that the scheme was not explained clearly enough by the union officials and the depot managers; several garbled versions were given at one meeting of the strikers. Or it may be that the men fear that the free and easy way in which they have been allowed to work hitherto will be brought to an end by the patrols. But neither explanation is an excuse for striking. Once again one is left to wonder just what failure in industrial relations has occurred that can lead to a senseless strike which may cause dislocation out of all proportion to the ostensible cause of it.

* * *

Tibet Capitulates

Tibet has now concluded an agreement with China which, while providing for its nominal autonomy under the rule of the Dalai Lama, gives Peking military control of the country and the exclusive right to conduct foreign relations. The Lhasa authorities have, in fact, accepted a Chinese protectorate as the only alternative to the outright conquest which—as the events of last year demonstrated—they were unable to resist without the military assistance that India was unwilling to give. The Communist press and radio are now jubilant over "the peaceful return of Tibet to the Chinese motherland." China is really the motherland of the Tibetans rather less than England is the motherland of the Irish, for the Tibetans are quite different from the Chinese in language, religion and culture, and have been independent for the greater part of their history, including the last 38 years. In Communist eyes, however, there can be no objection to the armed conquest of a weak and inoffensive nation, if its rulers are not of the Communist faith; it is not "imperialism," but "liberation." It must be admitted that the political system of Tibet—a country hitherto secluded

from the world by its mountain ramparts—is of an extremely archaic feudal-ecclesiastical type, and anyone who might have wished to help Tibet preserve its independence could not have talked about defending democracy there. But influences of the modern world were already penetrating Tibet; if left to itself, it would doubtless have made its first steps in modernity about as well as Afghanistan or Abyssinia.

In view of the hold which the lama priesthood has on the Tibetans, it is only prudent for the Chinese Communists to begin with a system of indirect rule and work through existing institutions. They have already exploited an opportunity for driving a wedge into the old order by taking over the Kuomintang policy of supporting the claims of the Panchen Lama against the Dalai Lama in the old feud between the two principal offices of the Tibetan religious organisation.



The new agreement guarantees the rights of the Panchen Lama and he will be under special Chinese protection. The agreement further gives Peking wide scope for interfering in Tibetan administration to promote "reforms," for although it is laid down that these are to be such as are demanded by the Tibetan "people," there can be no doubt that they will in fact be whatever is proposed by local Communist groups with the backing of the Chinese military and civil authorities.

The decisive factor will be the incorporation of the Tibetan forces in the Chinese army, as provided in the agreement, and China's responsibility for the defence of Tibet. This will mean Chinese Communist outposts on the frontiers (partly disputed) of Tibet with India, Bhutan, Nepal and Kashmir. No spectacular developments on these fronts are to be expected in the immediate future, but the capitulation of Tibet is likely to increase the political *malaise* due to recent events in Nepal and Kashmir. It may not be very long before India has cause to regret the failure to preserve an independent and friendly buffer state on its northern border.

* * *

Auto da fé in China

The revolutionary terror in China is now in full flood. Its close connection in propaganda with the "Aid Korea and Resist America!" campaign indicates that the heavy strain of the Korean war and the lack of victories during the last few weeks have made it expedient for the regime to resort to wholesale proscriptions, which at once intimidate opposition and stimulate the ardour of the faithful. The massacres are carried out with all the horrible apparatus of modern publicity. Batches of the accused are "tried" before mass meetings of many thousands of people, who are harangued for hours on end by Communist orators and then unanimously vote for the required death sentences.

The proceedings are broadcast by radio and it was proudly declared that an "accusation rally" in Canton had been broadcast to 700,000 listeners over 229 public loudspeakers and 40,000 private sets. In Hangchow 30 "counter-

revolutionaries" were condemned to death after mass trials said to have been attended by 110,000 people. Cities are being combed by "street teams" for locating "counter-revolutionaries," and factories and schools are being required to set up "extermination committees" for rooting out subversive elements. People are now being tried and punished, not merely for current offences, but for crimes of the remote past, including participation in the Kuomintang suppression of the Communists in 1927. Denunciations are encouraged, and even demanded, as proof of loyalty to the regime; and Hangchow radio holds up as a model for emulation a 14-year-old schoolboy who denounced a member of his own family and was rewarded by the Youth League with the gift of a fountain pen.

There can be little doubt that the victims of the present wave of revolutionary terror in China include many individuals who, in consequence of their part in past misrule and oppression, had become objects of popular hatred. The "counter-revolutionaries" so far are identified as Kuomintang agents, "bandits," former "despots" and leaders of "reactionary religious sects" (that is to say, the various secret societies of religious origin which have always been a feature of Chinese life). All revolutionary precedents suggest that sooner or later "counter-revolution" will be discovered in the most unexpected places. The terror of the French Revolution began with aristocrats and tax-farmers of the *ancien régime*, but it did not stop until it had devoured the popular champions of 1789, then Danton and Desmoulins, and finally Robespierre himself. The terror of the Russian Revolution was first directed against the bourgeoisie and White Guards, but in the end it destroyed also Zinoviev, Bukharin and Yagoda. It would be a bold insurance company which would speculate on the life of anyone now prominently associated with the "new China" at any level but the highest.

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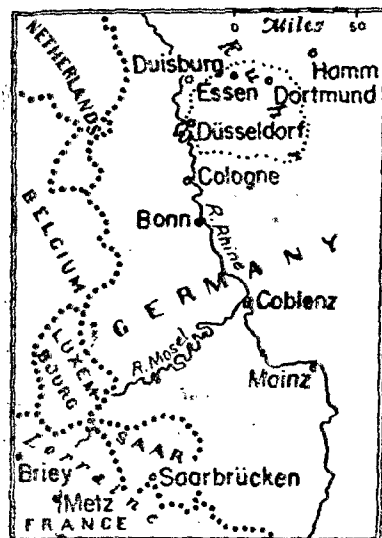
The Saar Menaces the Schuman Plan

M. Schuman and Dr Schumacher must share the blame for the fact that the Saar now threatens to prevent the Federal German Parliament from ratifying the Schuman Plan. The German Social-Democrat leader made the Saar the spearhead of his violent attacks on the Plan, but the French Foreign Minister appeared a few weeks ago to have successfully blunted Dr Schumacher's barbs. Now, however, he has placed the Federal German Chancellor in a position where it is very difficult for him to refute his bitter opponent, who has many adherents in the ranks of other parties.

M. Schuman has made the mistake of sending a letter to the Saar Premier, which led Herr Hoffmann to ban the Saar Democratic Party. Previously, a demonstration of this German nationalist opposition party had been banned, and Christian-Democrat representatives of the Bonn Parliament had been prevented from attending. Still earlier, feeling had been roused by Herr Hoffmann's action in expelling over two thousand Germans. All these undemocratic measures were recounted by Dr Adenauer in his speech to the Bundestag last Wednesday. No German Chancellor, with his strongest opponent challenging him to a contest in patriotism, could do less than denounce them. French policy has failed to live up to the principles of democracy, and will find it hard to recover the influence for good in Western Germany that it had at the time M. Schuman proposed his experiment in European unity.

Dr Adenauer dealt with the whole question of the status of the Saar. He sharply rejected the French idea of creating a second Luxemburg out of this territory and demanded that all restrictions must be removed which would prejudice a decision about its future when a peace treaty is negotiated. The weakness of this demand lies in the fact that a peace treaty is still a matter for the vague and distant

future, and the situation in the Saar cannot be expected to remain frozen in the meantime. The urgent need at the moment is to save the European Iron and Steel Community from being strangled at birth by the Saar contestants. One



outlet for tempers should be used: France's own creation, the Council of Europe. M. Spaak has visited Bonn and reminded the Germans that they now have a forum for their complaints. They should make full use of it. For the more remote future, it is evident that a satisfactory solution for the problem of the Saar can only come if the economic integration of France and Germany, envisaged in the Schuman Plan, not only comes to fruition, but leads on to some form of political union. Nothing will come of leaving a French policy confronted with a German policy. If history is not to repeat itself there will have to be a European policy for the Saar.

The Obsequies of Co-partnership

The debate in the House of Lords on Lord Cecil's motion regretting the end, under nationalisation, of the South Metropolitan Gas Company's co-partnership scheme raised questions far wider than that with which it was ostensibly concerned. The scheme in question comprised not only the profit-sharing arrangements common in the gas industry but an active participation, by the election of three directors out of nine on the Board, of workers in managerial responsibility. The question of its possible continuance was left open at nationalisation, two years being allowed for discussion between the area board and the unions concerned. The two years having elapsed, the scheme has been terminated; the present workers, but not newcomers, will receive for the next fifteen years a bonus on wages equivalent to receipts under the last year of profit sharing, and workers' representation on the Board is being replaced by the usual system of consultation committees at works level.

There is obviously no room for profit sharing in an industry whose governing directive is to break even, taking one year with another. The workers' claim to a share in increased prosperity becomes merely one among the data determining the break-even point. Economically, they may be no worse off as a result. Nor, on paper, is there any reason why less sense of participation, less individual responsibility and common solidarity with the concern, should be elicited by an ideal system of consultative committees than by the knowledge that workers' representatives are helping to shape policy at the top. Paper constitutions, however, are not the whole story. The sense of participation is a tender growth. Where a system of consultation, a co-partnership scheme, or any other means of fostering it, are the genuine expression of a will to co-operate and of an appreciation of the human needs and dignity of labour, it will flourish. Where either is a mere piece of decoration, a façade on the solid structure of private or official autocracy, it will certainly be lacking. There is plenty of evidence that the elaborate consultative apparatus of the other nationalised industries is generally regarded, justly or unjustly, as such a façade. The gas industry, with its better traditions, may well do better; but it remains paradoxical that nationalisation, so much of whose moral impetus has been derived from a

desire to raise the worker's status from that of a mechanical cog, should in this instance have destroyed an institution more successful in raising that status than any yet devised under public enterprise. This is sacrificing the substance for the shadow.

Italy Votes

The first batch of Italian local government elections has produced results which will probably not give any great satisfaction to either of the two big parties, the Christian Democrats or the Communists. On the other hand, they have registered a sufficient check to the Communists to encourage both Italy's friends abroad and the central government. The Christian Democrats have lost votes but, by means of electoral alliances with the newly united right-wing Socialists and with the Republicans, have won more power. The Communists, in alliance with the left-wing Socialists, have slightly increased their poll compared with the general election of 1948, but have lost control of several of their main strongholds. For the smaller parties, the features of the voting so far have been the relative success of the Republicans and the sharp increase in the neo-Fascist MSI vote in the area of Milan.

None of these results was entirely unexpected. A Communist collapse was more than anyone could have seriously hoped for, and the moderate increase in the left-wing poll can be largely attributed to the growth in the size of the electorate; Communist figures are a good deal lower than at the last municipal elections in 1946. A fall in the Christian Democrat poll was to be anticipated, after the party's three years in power in the central government and the five and a half years premiership of its leader, Signor De Gasperi. In terms of actual local government control the Communists have suffered several remarkable defeats. The outstanding one is the loss of their majority in the great strategic port of Genoa, one of the main Communist areas in Italy and hitherto barred to the landing of American arms supplied under the Atlantic Pact for that reason. They have also barely retained a majority in Bologna, the capital of "red" Emilia, and have lost their grip on Milan, Venice, Ancona, Ravenna, Cremona, Novara, Forlì and several other sizeable towns.

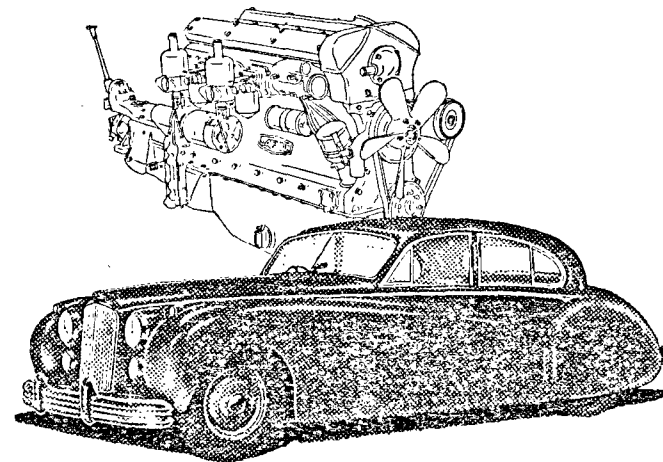
It is clear that the electoral alliance of the anti-Communist, pro-government parties, about which there was a good deal of doubt and wrangling in the weeks before the election, has paid good dividends. The efforts to secure a high attendance at the polls have also been successful. The Communists had been hoping for a low poll; instead it has been over 80 per cent in most areas and in some over 90 per cent. The next batch of elections takes place on June 10th, and includes Turin, Florence and several towns in southern Italy; after that there is to be another batch later in the summer. It would therefore be wrong to count too many chickens at this stage. There is still, for instance, a real danger that the moderate anti-Communist parties may be more heavily eroded from the extreme right. But the Communist grip on Italian local government has certainly been loosened enough already to provide a welcome stimulant to Rome and a moral reinforcement of its known policies both abroad and at home.

End of a Polish Corridor

Less than six years after the establishment of the new Soviet-Polish frontier the Soviet Foreign Secretary Mr Vyshinsky and the Polish Vice Premier, Mr Zawadzki have recently signed an agreement for a small territorial readjustment between the two countries. The area involved is only 480 square kilometres on each side; it is shown on the accompanying map as it was before alteration. The population is to be repatriated and will be allowed to take away all movable property; only real estate, industrial equipment

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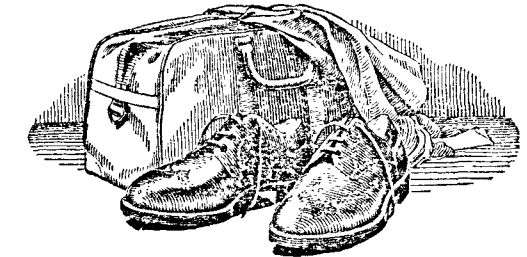
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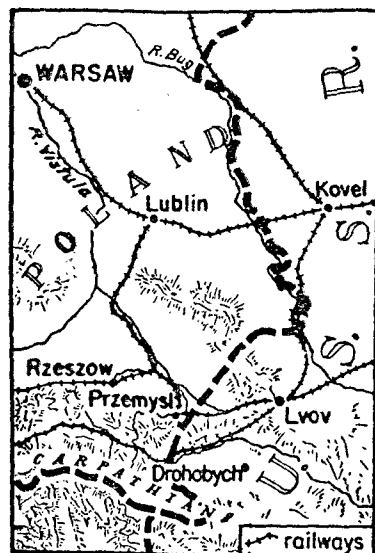
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and railway facilities are to be left on the spot. The agreement was disclosed last week and was immediately hailed by the Polish press as an example of co-operation as practised by the camp of "democracy and socialism" and contrasted with the "jungle law" of western diplomacy. It was Poland, the weaker brother, that asked for the transfer—Polish commentators assert—and Poland is also the main beneficiary, since it gets the oil-bearing strip from the Drohobych area



in exchange for the agricultural land to the south-east of Lublin. On closer scrutiny, however, the argument proves specious. True, Drohobych, ceded to the Soviet Union in 1945, was the main centre of oil production in prewar Poland. The total area now produces slightly more than 300,000 tons of crude oil per annum. The small strip now given back to Poland is unlikely to contain very large oil deposits and will certainly not reduce to any appreciable extent the shortage of petrol in present-day Poland, which produces only one-third of the oil it requires. On the other hand the railway linking the ex-Polish towns of Kovel and Lvov passes through the area now surrendered by Poland to the USSR. Thus, thanks to the present agreement, the whole of the railway line will lie in Soviet territory. Hence it appears that the Soviet rulers have asked the Polish Government to make the request so as to enable the Russians to show their generosity. Yet what seems even more interesting than this masquerade of magnanimity is Soviet suspiciousness. After several years of "close co-operation" it appears that Stalin is still so mistrustful of his postwar allies that he is willing to sign a special agreement so that Soviet trains do not have to pass through a few miles of Polish territory.

Malan versus Malan

Capetown was the scene of rioting and street fighting this week, when the spectacular demonstrations against the Cape Coloured Bill reached their climax in a torchlight procession to the Houses of Parliament of ten thousand marchers. The nation-wide protest of ex-Servicemen pledged to defend South Africa's constitution was started only a few weeks ago by Group Captain "Sailor" Malan, a Battle of Britain pilot, and rapidly gained thousands of adherents. Torchlight processions have paraded throughout the country, and from twelve towns "commandos," consisting of convoys of jeeps packed with uniformed ex-Servicemen and followed by scores of cars and lorries, converged on Capetown bearing their resolutions of protest. The Capetown demonstration ended in clashes with the police, causing some dozens of casualties. There were heated scenes in the South African Assembly when the Opposition called for, and was refused, a judicial inquiry into the riot.

In spite of this remarkable upsurge of feeling, there is little hope now that the Bill will not soon become law. It has passed to the Senate, where its validity was again challenged by the Opposition; but the President of the Senate ruled, in the same terms as the Speaker of the Assembly, that the Statute of Westminster had released the Union Parliament from the legal limitations of the South Africa Act, giving Parliament absolute sovereignty to ignore the entrenched clauses in the constitution. The agitation is now moving

beyond the particular issue of the Coloured Vote, in the fear that further threats to the constitution are bound to come.

At the Capetown demonstration Group Captain Malan accused the Nationalist Government of being composed of men "who had pinned their faith in a Nazi victory." This bitter expression of the deepening cleavage within the white population itself must be taken together with the recent statement of Dr Malan that he regarded the attainment of a South African Republic as the ultimate ideal of his party:

We shall never see the end of the divided loyalty among a section of our people until we have a form of government that is wholly ours and until we free ourselves from what is alien to us.

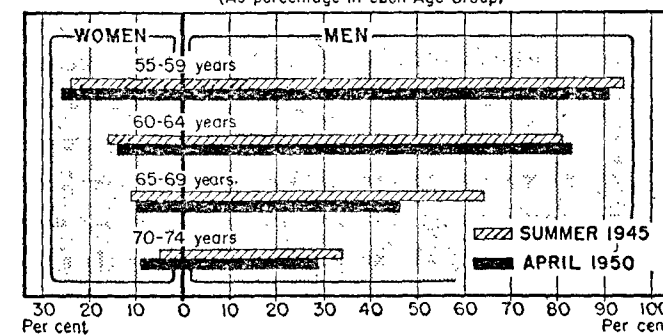
There is no suggestion that he intends an immediate intensification of the campaign for a republic, but this final struggle is only too likely to be brought closer in South Africa's present state of tumult and recrimination.

Old People in Work

A report of the Social Survey published last week gives some interesting information on the employment of people between the ages of 55 and 74. Fewer old people were at work than in 1945—a fact which reflects the end of wartime opportunities more than the higher pensions introduced in 1946. In 1950, older men formed a slightly higher proportion of the total employees in the textile industries, public utilities and miscellaneous services than they did of other industries, and the proportion of them in managerial posts and in unskilled work was also relatively high. Of the older women 40 per cent worked in miscellaneous and personal service industries—nearly twice the proportion of working women of all ages. This group will include part of the vast army of "chars," many of whom go on working until they are 60 or over.

More interesting still—if less reliable, for people are not good at analysing their own motives and feelings—is the account of the attitude of old people to their work. Sixty-two per cent of men in full-time employment said they did their work easily, whilst 36 per cent found it a strain; and approxi-

NUMBERS OF OLDER MEN AND WOMEN IN EMPLOYMENT
(As percentage in each Age Group)



mately the same proportion of women found their work a strain. Of those older people who actually were working, 49 per cent said that they were working because they must, although many said they preferred it, too; and of those who were entitled to a pension the proportion of those who said they must work was still as high as 32 per cent. "Must" does not, of course, mean "must work to live," since people's ideas of minimum standards vary. Of those who had given up work, 37 per cent of the men and 20 per cent of the women said they would like to have gone on working; and most of these, especially the women, would prefer part-time employment. Not all of them, however, had tried to get work.

Today's problem is to make the best use of those in our ageing population who are willing and able to work beyond retiring age. The report provides data for two relevant, if fairly obvious, conclusions. The first is that there should

be a more flexible approach to the fixed retiring age. About a third of the men between 55 and 74 said that their firms imposed a retiring age, and of these about half said that they would have liked or would like to stay on beyond it. The second conclusion is that while many people are willing to go on working because of financial necessity or because they like it, fewer would go on working solely for the sake of a bigger pension on retirement. Less than a third of those now below pensionable age said that they would do so for that reason. Even the raising of the addition to pension from 1s. to 1s. 6d. for every six months' extra work, now offered under the new National Insurance Bill, will be a very small incentive. To work and pay contributions will seem to many people a less attractive proposition than to draw a pension at the earliest possible moment and to earn up to £2 a week by part-time or casual work.

Management in Local Government

Much is heard about the decline of local government. It is important to remember, as Mr J. E. MacColl points out in a recent study,* that local government absorbs about 5 per cent of the national income and employs 6.3 per cent of the civilian population compared with 4.9 per cent in the central government service. Efficient management in local government is clearly important. Mr MacColl gives a shrewd analysis of the obstacles to efficiency, but he is less ready with suitable remedies.

A central problem is the relation between councillors and officers. Elected representatives are today drawn from all classes, and although the new pattern may be democratically more healthy than the old one of aristocratic leadership, friction is liable to arise through the blind assertiveness of councillors who are made to feel their intellectual inferiority. The very complexity of administrative issues today adds to the difficulty of securing a democratic control over local affairs which is other than prejudiced and sporadic. Mr MacColl's solution is to get local government regarded (presumably by the officials) "as an experiment in adult education." The danger of this is that it savours of that intellectual condescension which is part of the cause of the trouble.

Mr MacColl also puts in a strong plea for more effective co-ordination between the departments of a local authority than the present system makes possible. This, however, might involve drastic changes. It would be necessary for the chief officer to wield much stronger powers than are now exercised by most clerks to the council, and it might lead to the replacement of lawyers by a new cadre of general administrators in this crucial post. If, however, the work of policy-making continues to be transferred to Whitehall, there will be little cause for any big changes and the quality of both councillors and officers will certainly decline. To quote Mr MacColl,

There may still be interesting work for little men, but the days of the Joseph Chamberlains and Herbert Morrisons will be over.

The Tshekedi Affair

There is far more in the banishment of Tshekedi Khama than meets the eye. Two points arise. In the first place, an injustice is being meted out to a distinguished and honourable African ruler. Tshekedi was banished from his territory, the Bamangwato reserve of Bechuanaland, a year ago when he was alleged to have opposed the marriage of his nephew, Chief Seretse, to an English girl; the reason given was that his continued presence in the territory would cause disturbance. The report of the inquiry on which this decision was based has never been published, and Tshekedi has been given no opportunity to defend himself. He is now

* Some Management Problems in Local Government, by J. E. MacColl. British Institute of Management. 3s. 6d.

asking for a public inquiry, and states that there is no fundamental difference between him and Seretse. He has formally renounced all claims to the Chieftainship. The Commonwealth Relations Office shows no willingness to grant this inquiry, and six weeks of difficult negotiations have broken down.

Secondly, the whole question of the administration of Bechuanaland is at stake. There seems no doubt that this territory is being badly governed. After Tshekedi and Seretse were banished a vacuum was left; the policy of creating democratic tribal councils has not been pursued vigorously and has met with no success, the Government having failed to secure the co-operation of the tribesmen. There is no legislative body of any kind. Bechuanaland and the other two Protectorates of Basutoland and Swaziland are the only territories under the British Crown to be ruled by proclamation of a British High Commissioner. What makes matters worse is that the High Commissioner is resident in the Union, and has to combine his responsibility for the Protectorates with being the mouthpiece of Britain to the Union Government, a paradoxical combination of functions. Another admitted difficulty is the inadequate calibre of the officials in Bechuanaland; many are South Africans, who do not bring to the African's problem the sympathy which is characteristic of the British Colonial Service elsewhere in Africa.

Finally, there is the pressure from South Africa, which is never openly admitted, but which is generally believed to be the decisive factor. The Union has been claiming the incorporation of the three Protectorates; any overt disturbance or revelation of maladministration will be grist to its mill. It is owing to the Union's attitude that Seretse and his white wife have been excluded; and the argument is that if Seretse, the accepted chief, is out, Tshekedi, the potential rival, must be out too. Against this tricky background it is understandable that the Commonwealth Relations Office should fight shy of public inquiries, but Britain's reputation throughout Africa is bound to suffer.

Shorter Notes

The slackening of tension at Westminster was clearly reflected in this week's debate on the Colonial Development Corporation. One or two members of the Opposition were disposed to nose out scandal concerning the Gambia poultry scheme, which is being wound up. But the contrast between this debate and those on the Overseas Food Corporation could hardly be more marked. Members on both sides of the House showed themselves sympathetic to the Colonial Development Corporation and anxious to help it to be successful. On the other hand, in spite of the general good will, there were few concrete suggestions about the way the corporation should direct its activities in future. The criticisms were as much a collection of "bits and pieces" as are the schemes of the corporation itself.

The Government's reply to Lord Reading's motion in the House of Lords on Wednesday on the financing of hospitals was disappointing. Lord Reading asked for the appointment of a committee of inquiry into the present system, but the Government replied to the effect that hospital accounts are investigated by the Public Accounts Committee and by the Select Committee on Estimates. This, of course, is far from the point. The question is not whether the hospital boards and management committees make good or bad use of the money voted for them nor whether they have too much money voted for them. What one wants to know is whether they would give better service for the same or less money if they had more freedom in budgeting and were allowed to retain their unspent balances. It is widely held that the present method of Ministerial control is cumbersome and a direct incentive to overbudgeting. But of this the Government showed itself utterly unaware.

COLDER THAN CHARITY

KENT Health Committee deserves praise for wanting to rescue lonely old people from "living dead lives." That is something everybody should want to do, and the committee would do well for the whole community, old and young, if it simply provided a voluntary organisation to focus people's instincts to act like considerate neighbours.

But that is not how the committee is thinking. It wants a few score young women to go round and be friendly to old folk—and it talks of paying them for it. *The intention is good, but the mistake is colder than charity.* Since when has friendliness been something to buy?

What follows? Shall we get to the point when nothing is to be expected of the community except to pay for the doing of good by somebody else, like the collection of rubbish? Will private citizens be told that they mustn't blackleg?

A Duty and Privilege

There is too much of this tendency to regard society as something inert that officials do good works to. It isn't. It is a collection of living human beings who have each the duty and the privilege to preserve humaneness by active humanity. We do not believe that Kent or any other part of the British Isles has sunk into such heartlessness, with church communities so apathetic, and the spirit of voluntary service so dead that it cannot see for itself to needs of this sort.

Away with the payment principle and let the goodwill in the community be organised.

There is a footnote to this which all of us might ponder. Why are there so many isolated old people whom nobody seems to know about? Quite a few of them must have lived isolated from the community before they were old. Folk who have shared in sociable interests of any sort do not usually lack for friends.

We need to think of putting more than pound notes in the bank for old age. We shall need our bank of friends.

Reprinted from the editorial column of the *Daily Mirror* of May 18. The *Daily Mirror's* net sale—over four and a half million—exceeds that of any other daily newspaper in the world.



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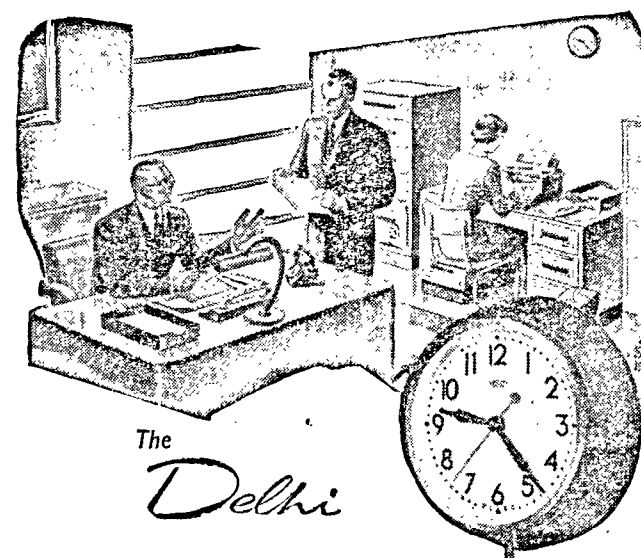
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Letters to the Editor

Revaluing Sterling

Sir,—Mr Scammell, while giving general support in your issue of May 19th to my proposal for revaluing sterling, brings three stated objections—the probable opposition of the International Monetary Fund, the recency of the devaluation and the probable opposition of the Americans. I do not agree that one can assume such oppositions to be probable.

These three objections would be valid if the devaluation had been undertaken to correct an ordinary kind of fundamental disequilibrium. But in 1949 the position of the United Kingdom was altogether peculiar; her foreign trade was in overall balance; even her direct dollar deficit was smaller in commodity terms than it had been before the war and probably hardly greater than it is destined to be when world trade shall have settled into some fairly stable pattern. Thus devaluation could by no means be justified by the condition of Britain's own economy, but was due to her responsibilities as banker for the sterling area and countries beyond it; she was bearing the brunt of a sizeable proportion of the worldwide "dollar shortage."

Since 1949 the world position has changed radically, while Britain, with sterling undervalued in relation to its domestic purchasing power, has been horribly hit by the worsening in her terms of foreign trade, which has been partly due to devaluation. Before devaluation her terms of trade had already depreciated by 18 per cent compared with 1938; this was probably a sufficient adjustment to meet the post-war situation. But between devaluation and the outbreak of the Korean war they deteriorated by another 9 per cent. Since then the position has become much worse—a total deterioration of some 27 per cent since devaluation. The burden on her factory capacity, due to this, is probably heavier than that of re-armament. She would have to devote some 10 per cent of her total manufacturing capacity merely to produce the extra

exports required to buy the same quantity of imports as before devaluation. She cannot both do this and execute her arms programme.

The staff of the International Monetary Fund, a highly intelligent body, is aware of all this. Of course as a general rule it would be most undesirable to have a large change of parity reversed within two years. The status of sterling, however, is unique, and the devaluation of 1949 took place in complex and peculiar circumstances; quickly moving events necessitated a remedy which may not have been the ideal one. For these reasons the fund is not at all likely to take a rigid attitude about a reversal.

And as for our American friends—they realise that Britain is making by far the most important contribution to defence outside the United States. If it is well explained that her arms programme cannot go forward without revaluation, they are not likely to cavil.—Yours faithfully,

Christ Church,
Oxford

The Case for Monetary Policy

Sir,—In the article "The Case for Monetary Policy" in your issue of May 19th you rightly argue that, in any estimate of the Budget implications of higher interest rates, the correct comparison is not with the price level accompanying such rates but with the (higher) price level which might obtain in their absence. But the subsequent conclusion that short rates could rise to 3 per cent or so before the Budget effects were as great as those of a 5 per cent increase in the prices of goods and services (other than social outpayments) bought by the Government is surely illegitimate. For the extra burden of interest payments is calculated net of the resulting increment of tax receipts whereas that of higher prices is not. The argument can either be confined to Budget expenditure effects or it can allow for effects on

receipts as well; but one cannot take the first standard for one policy and the second for another.—Yours faithfully,

Christ's College,
Cambridge

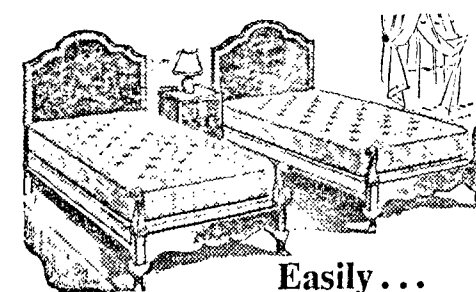
Sir,—It is argued on page 1185 of *The Economist* of May 19th that the extra cost to the Exchequer of a rise in interest rates would be more than offset by a saving in Government expenditure on goods and services. This argument would carry more weight if the effects of inflation on revenue had been analysed as well as the effects on Government expenditure. It would also have reached a different conclusion.—Yours faithfully,

Queen's College, Oxford

Full Employment at Strasbourg

Sir,—Your note in your issue of May 19th does less than justice not only to the record of the British Labour Government but also to the achievements of those countries like Belgium, Italy or Portugal, to mention only a few, who have successfully followed sound liberal economic principles. It is simply not true to say that it is only "the long continuance of the world-wide post-war inflation" which *has kept* (your italics) unemployment in Britain (or in Holland or the Scandinavian countries) at negligible levels. It would have been open to the Government at any time during the last five years to abolish controls, rationing or food subsidies, and, through a tight control of credit, to generate sufficient unemployment to get rid of the last vestige of "inflationary pressure."

World-wide inflation or not, Belgium certainly managed to achieve as much. Following the precepts so frequently enunciated in *The Economist*, she relied on a tight money policy, rather than on budgetary controls or rationing, for holding down purchasing power, and she managed to keep unemployment at the rate of 10 per cent or more. But, as the analysis in the last ECE Survey shows,



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she also managed (along with other liberal economies) to keep down the level of industrial production below the pre-war peak attained in 1929—whereas in Britain the pre-depression level was exceeded in 1950 by about 80 per cent, in Holland by 65 per cent, and in Sweden by as much as 140 per cent.

Again, when the American economy experienced a recession in production and employment in 1949, the liberal economies of Belgium, Luxembourg, France and Italy dutifully followed suit: in each of these countries there was a notable reduction in output and an increase in unemployment. In Britain, on the other hand, the incident was allowed to pass without a break in production or any noticeable increase in unemployment. Surely, in the light of this experience, it cannot be maintained that employment or unemployment are merely the outcome of world economic forces, and not of domestic economic policies.

Contrary to your note, the postwar experience of Britain, I submit, *does* provide evidence that unemployment can advantageously be "pushed as low as 2 or 3 per cent"; and that such a policy can be sustained not only without the danger of an economic collapse, but with a high degree of economic progress. I would admit that the policy involved the relaxation of some degree of inflationary pressure; and that the avoidance of a cost-inflation—secured partly through subsidies, partly through a voluntary

wage and dividend restraint—was an essential element in its success. I would also admit that whether one looks upon the postwar experience of Britain with pride or with horror ultimately depends on one's view as to aims of economic policy. Those who regard maximum production, full employment and a high rate of economic progress as the major ends of economic policy would have one view of the matter; those who regard "sound money" or "economic freedom" as the ultimate end, might have another.—Yours faithfully,

NICHOLAS KALDOR

King's College,
Cambridge

[Mr. Kaldor says the Government is entitled to the credit for keeping full employment because they have not deliberately destroyed it. Does he hold that it is his efforts that make his motor car go simply because he refrains from putting on the brake? The analogy is exact and the point is important. We were not concerned with imputing praise or blame to any government but with making the point that, if the experience of the past six years is taken as evidence that governments know how to make the level of employment what they choose, the world is being misled. If the road lies downhill, governments can control the speed of the car by putting on the brake or not doing so. But that proves nothing about their ability to determine the speed when the road lies uphill. Of that, it is necessary to go on repeating, there is as yet virtually no evidence at all.

And why must Mr Kaldor start imputing motives? Cannot he conceive that those

who disagree with him may do so because they believe that his ideas are not those that are best calculated, in the long run, to promote maximum production, full employment or a high rate of economic progress? Not that we see anything inherently wrong in economic freedom, or even in sound money.—EDITOR.]

Where are the Eggs?

Sir,—I am here on holiday from exporting eggs from Denmark to the United Kingdom and elsewhere. I was therefore surprised to read in your issue of May 19th that we in Denmark are receiving 2½d. an egg from Britain at the present time. I am afraid there is some mistake, as this is not so.

The contract price at which we are now shipping to the Ministry of Food is 19s. f.o.b. for 120 eggs of the middle weight. This price is a little under 2d. per egg and includes all the costs of collecting from the producer, grading and packing in new boxes and despatch to the port.

Consequently the producer only gets about 1½d. an egg compared with the British price of 3½d. which you mention, and this latter price, I presume, is for the unpacked eggs collected at his farm.—Yours faithfully,

Brighton POUL HALSTED

[The price of 2½d. to which Mr Halsted refers allows for the cost of shipping the eggs from Denmark and also for insurance and handling charges.—EDITOR.]

The typical citizen of Mr Oyler's happy future may be observed, ironically enough, in the Dordogne, farming a small, scattered holding with immemorial skill. Go thou, says Mr Oyler to the harassed and thinly nourished inhabitants of present-day Britain, and do likewise. Terrace the hillsides, plant fruit-trees by the high-ways, pasture geese on the verges, spin your own wool, fertilise the kitchen garden with your own night-soil, stop thinking about production per man and, learning from the Chinese, concentrate on production per acre; and better begin now, for Britain's international trade is doomed, and her urban civilisation with it, and a good thing too. Imports? Nonsense. Nettle fibre can replace cotton, horses and oxen can replace petrol, the whole fifty millions of us can live, and live well, off our own, and anyone who denies it is probably an agricultural scientist or an economist, and there is no health in him.

One would like to see a land utilisation survey of the British Isles, complete with waving fields of nettles, illustrating Mr Oyler's thesis. One would like to hear his views on the comparative health statistics (expectation of life, infant mortality, incidence of tuberculosis) of the peasantry of Central France and the degenerate suburbanites of modern Britain. One would like to refer him,

on his own chosen ground of nutrition, to such a record as Sir Jack Drummond's "The Englishman's Food." One would like to divest economics of its red-rag quality and induce him to look dispassionately at some of its elementary propositions. But one would also like to be quite sure that he has not, for all his absurdities, got hold of the right end of the stick; that mankind can with impunity relegate its relation with the good earth to the status of a minor piece of specialisation; that Fred Perley is really a happier and more desirable human figure, expectation of life and all, than his yeoman ancestor. Perhaps the last word had better rest with M. Fourastié: "Nothing is easier (for us men who live so briefly) and nothing more dangerous, than to take for a sense of history what is only the sense of certain years of history."

An American Prison

My Six Convicts. By Donald Powell Wilson. Hamish Hamilton. 334 pages. 15s.

This book contains the memories of an American psychologist who worked for three years in the Leavenworth Federal Penitentiary, Kansas. He was helped in his work by six convicts and he reports at length, and with obvious relish, the tricks they played on the authorities, their deplorable wisecracks and their views on ethics and penology. Their prison tricks are always successful and their talk always smart. The book, in fact, is Stalky and Co. translated from school to prison, Kipling at his worst, made far more vulgar and infinitely more difficult to swallow.

Whatever American readers may think of them, English readers will find the goings on at Leavenworth almost incredible. In the three years two murders were committed in the prison, in daylight, in the open, and under the eyes of the prison officials. Until one of them was killed in the prison prostitutes were smuggled in regularly on trucks, and (after they had plied their trade) were got out by the same route. For the drug addicts prisoners raised a fine crop of marihuana among the flowers and vegetables in the prison garden. A stolen refrigerator was brought in by stealth, fixed in secret, and used thereafter to keep the convicts' stolen beer at the right temperature. Mr Wilson needed a dictaphone, and his convict staff arranged for one to be stolen in a distant town, smuggled into the prison labelled catsup, and set up in his office as a delightful surprise for a popular psychologist. An Italian prisoner organised and controlled from his cell a race-course racket, working through touts and jockeys up and down the country. Girl students from the neighbouring University came in to do social science, and wrote letters imploring good-looking prisoners to get out and spend the night at their Sorority house.

Of these Federal Penitentiaries there are six in the United States, and in his latest report the Director of the Bureau of Prisons claims to have proved that

"open institutions can be widely substituted for the traditional prison." If Mr Wilson's memories are even approximately correct the difference in America between a prison closed and a prison open will not amount to much.

The Authentic Economist

Henry George, Citizen of the World. By Anna George de Mille. North Carolina University Press; London, Geoffrey Cumberlege. 276 pages. 28s.

There can be little dispute about Henry George's claim to be the most original American economist. Others may leave a deeper mark on economic theory—or even on economic practice—and so persist after Henry George has begun to bore or to amuse. But none is more authentic than he. He is the very Walt Whitman of economists. Not only does his thought, like Whitman's verse, owe nothing to European models—it was no use telling George that the Physiocrats had implied as much before him; he had never heard of them. It is also rooted entirely in American experiences and American needs. It grows out of the vanishing frontier of the 1870's as directly as Jefferson's grew out of the expanding frontier of the 1790's. All that has happened is that the optimism of the dawn has given way to the anxiety of a later hour.

This reliance [on the people] cannot deceive us as long as we remain virtuous; and I think we shall be so, as long as agriculture is our principal object, which will be the case while there remains vacant lands in any part of America. When we get piled upon one another in large cities, as in Europe, we shall become corrupt as in Europe, and go to eating one another as they do there.

The condition which seemed only a remote logical contingency to Jefferson in Virginia has become a pressing incubus to Henry George in California. The outmoded tyranny of primogeniture, which Jefferson had seen crumble before the onslaught of the Revolution, has returned mechanised and magnified, in the form of the railroad monopolies fattened on land grants equivalent to the whole state of Texas. To meet this challenge, free lands, the solution of Jeffersonian distributism, are no longer available. But to the author of "Progress and Poverty" a solution no more complex appears equally efficient: the taxation of land values. With this as his sword, and with a passion for civic virtue as his inspiration, Henry George gave battle to the Central Pacific Railroad, the Associated Press, Tammany Hall, the Catholic hierarchy, the Tariff and nearly every other ogre of the Gilded Age. Now, to a generation no longer bemused by the splendours or the terrors of the Single Tax, it is the struggles more than the theories of Henry George that seem of interest. That, and the passion for civic virtue.

This new biography does not, it must be admitted, tell us very much that is new about the struggles of its hero. Perhaps there is little more to tell; the heroic is not necessarily recondite, and the original biography by the son was

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reasonably full. Nor does it stand back, as we might be tempted to do, and view its subject entirely afresh as a rediscovered figure. It is, in fact, a posthumous biography by a devoted daughter and what it holds of novelty is contributed out of her own youthful reminiscences. But it has an engaging simplicity and directness not unworthy of its subject. It tells its story well and with care. If it is not a Morley for America's Cobden, neither is it a Lytton Strachey. It gives us George the public man, with a few affectionate touches that illuminate the family circle, the whole agreeably written and carefully documented. To Georgians and non-Georgians alike it can be confidently recommended.

Law from the Left

The Reform of the Law. Edited by Professor Glanville Williams. *Gollancz*. 224 pages. 18s.

Critical studies by Left-wing writers are a little outmoded. So many of the contributors to the volumes of the 'thirties are the politicians of today and, naturally, where they have failed to carry through the reforms they once advocated they prefer to remain silent. This, too, is a composite volume, by Left-wing lawyers, written mainly between 1947 and 1949. It is well edited. It has considerable unity in arrangement, but something of this former atmosphere seems to cling to it; it comes so late in the day. It provokes the retort: if all these reforms are so needed, what has your party been doing these last six years? This is unfortunate, for, as the editor says in his postscript, lawyers suffer from an awful complacency.

The book covers a wide range, the Courts, industrial law, the law of property and leaseholds, marriage, divorce, inheritance and legitimacy, the criminal law and the legal profession itself, but there are some notable omissions. The whole section on constitutional law, delegated legislation and administrative tribunals is no more than seventeen pages; there is little on monopolies and restrictive practices and on public corporations, nothing on planning and, apparently, the authors think there is no need at all to discuss the position of trade unions, their members and non-members. The resulting compression adds to the unreality of some of the suggestions made, because reform is discussed in isolation from the wide variety of forces that resist it and from the factors on which that resistance is based. For instance, the authors recommend that standard rents of all controlled premises should be made uniform and all their landlords placed under statutory liability to repair, yet they avoid any definite statement on whether they believe these standard rents should be raised, a most relevant point in considering whether the landlords' liability to repair should be extended. Again, they urge, as so many have, a revision of the laws affecting prostitution, but from where does the effective opposition to that kind of social reform come—not apparently from the party managers of the government in power?

The struggle inside the book between

the ideas of the two decades, the 'thirties and the 'forties, extends even to its central theme—its advocacy for the appointment of a Minister of Justice. "The reason why so much . . . law is out of date . . . is that nobody has ever been entrusted with the job of looking after it." Yet "recent Lord Chancellors . . . have been converting what was . . . little better than a private secretariat into a great Department of State." There is the conflict between the theory that unless a vast and centralised new Ministry is established no good can ever come and the practical fact that an individual Lord Chancellor (overworked as he admittedly is) can, and does, bring into effect a very considerable total of useful reform. The present Lord Chancellor has indeed won a lasting reputation in this field; it is very doubtful if he would have been able to do as much if, in 1946, the Labour Government had converted him into a Minister of Justice. The most practical suggestion in the book is that the office of Lord Chancellor should be placed in Commission, which would both strengthen the Department and give the House of Commons a spokesman, other than the Law Officers, for all the matters for which the Lord Chancellor is now responsible. And that, *pace* the authors of this book, is something which the Labour Government could have done at any time during these last six years without the need even for a one-clause Act of Parliament.

Common Sense in Political Economy

A Course in Applied Economics. By E. H. Phelps Brown. *Pitman*. 434 pages. 25s.

Few bridges are harder to build than that between the ivory tower of the pure economic theorist and the terra firma (if firm is really the right word) of the business world. "We are far removed now," says Professor Phelps Brown in his introductory chapter, "from the days when general economic principles were thought to show of themselves what was the right thing to do." For purposes of pure analysis, the economic aspect of any human activity, or a single facet of that aspect, can be usefully isolated and studied; for purposes of policy and action, it must be put back again into its personal, social, institutional and political context. This is an activity by no means congenial either to the practical man of affairs, who distrusts the theorist, or to the theorist himself, who is apt to find practical affairs horribly messy and intellectually unsatisfactory.

Professor Phelps Brown unites to other virtues an unusual willingness to be explicit about methodology; and he builds a bridge which, though it lacks the majestic symmetry and mass of Marshall's "Industry and Trade," would, one feels, have been approved by that *pontifex maximus* of political economy. Assuming in his readers a fair familiarity with the general shape and characteristics of the economic scene, and a slightly more than elementary acquaintance with the tools of economic analysis, he demonstrates the use of

those tools on a selected range of current problems, their limitations, and their relationship to value judgments, thereby both illuminating his chosen topics and qualifying the reader to tackle others by similar methods. Everywhere he shows an impressive ability to combine intellectual penetration with horse sense, to set the findings of current speculation in perspective, and to illuminate difficulties with apt example and analogy. (His success here is inevitably uneven; his chapter on stabilisation policy is a triumph, that on devaluation is very sticky going.) This is a book on which students and their tutors will undoubtedly pounce, and which should occupy an accessible place on the shelves of anyone whose work leads him, from time to time, to lament that he has not kept abreast of modern economics.

The British Linen Bank, 1746-1946. By Charles A. Malcolm. Privately printed by T. and A. Constable, Limited. 253 pages.

In 1746 George II granted a Royal Charter to a group of Edinburgh petitioners empowering them "to carry on the Linen Manufactory in all its branches." Although it was born at the inauspicious moment of what one of its early directors called "a plaguey rebellion" in Scotland, the British Linen Company soon prospered. Within five years the promissory notes with which it paid its outlying workers had become well-known media of circulation (much to the annoyance of the Bank of Scotland which fell into the habit of collecting the company's notes and making runs on their cash). Within twenty years the company had started to lend to manufacturers and merchants who were engaged in industries other than the linen industry. And thus, by 1845, when Peel's "Bill to regulate the issue of Bank notes in Scotland" was introduced in Parliament, the British Linen Bank became one of the three leading banks in Scotland. From that date on, up to and through the date of the bank's affiliation with the Barclays group in 1919, this official history is little more than a parochial chronicle of the bank's achievements and leading personalities. But it is a chronicle that carries with it the whiff of romance attached to the story of a great institution that became a great bank in a fit of absence of mind.

Don Iddon's America. Edited by Charles Sutton. *Falcon Press*. 270 pages. 12s. 6d.

This is a vulgar and brassy collection of snippets from Mr Iddon's despatches to his home paper, arranged under topics such as What Price Peace?, Russophobia, Girth of a Nation and Video. A good deal of America is vulgar and brassy and, as such, can hardly complain of the reflection of itself which appears in these pages, while those of Mr Iddon's "ten million readers in 17 countries" whose appetite remains unsated after their breakfast reading of his column can continue their diet of two-sentence paragraphs for 270 pages. There is a great deal here of what I suspect Mr Iddon would call pun and games, mostly played with motes and beams, with "no great aim or theme except possibly a natural endeavour to aid Anglo-American relations by reporting everything with complete candour and frankness." The aim is most commendable. Unfortunately, of course, candour and frankness are not, in journalism, mere states of mind; to be realised they require a discipline at least as severe as that which is dedicated to dissimulation and deceit. Mr Iddon is still in the stage of good intentions.

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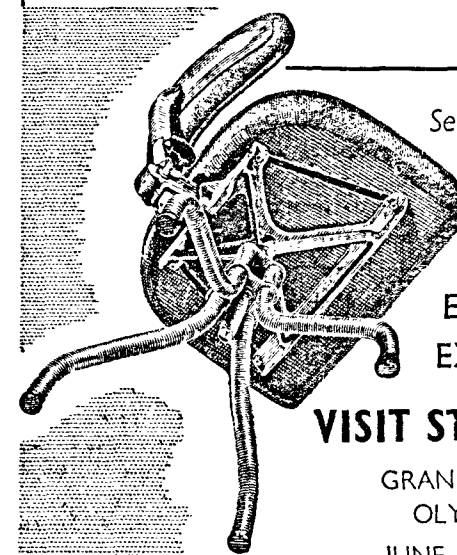
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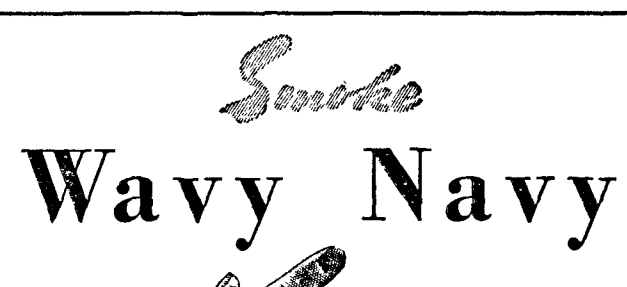
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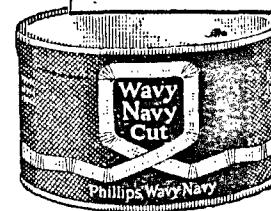
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AMERICAN SURVEY

Point Nought Four

Washington, D.C.

THE message which the President sent to Congress last week on the Mutual Security Programme had considerable style; it appeared to exude confidence and to suggest that this was the best of all possible programmes, carefully designed to provide the most that the United States could afford and the least that the rest of the world needed. As Mr Truman said,

the amounts, the geographical areas, and the purposes of the aid have all been chosen in order to bring about the greatest possible increase in the security of the United States and the whole free world.

There is no reason for the rest of the free world to be anything but thankful—\$8.5 billion is no small sum—but those who have watched the programme develop over the last few months can hardly be expected to accept such a tidy explanation of how the sums being requested or the places they should go to were decided. There have been too many changes in the amounts and their destination, all of them caused by domestic, rather than international, developments, for anyone to accept unconditionally the sanctity of the final version.

No details accompanied the President's message, partly because the details were still being adjusted to the last cuts by the Bureau of the Budget, cuts made to conform with the latest view of what would be acceptable to Congress. But there is neither reason, nor evidence, for criticising the sum of \$6.25 billion in military assistance. How it was reached is almost impossible to discover and it may well represent the most that the United States can produce, and the rest of the world digest, in terms of military expansion. It may even represent more than many countries can comfortably use. Mr Truman pointed out that

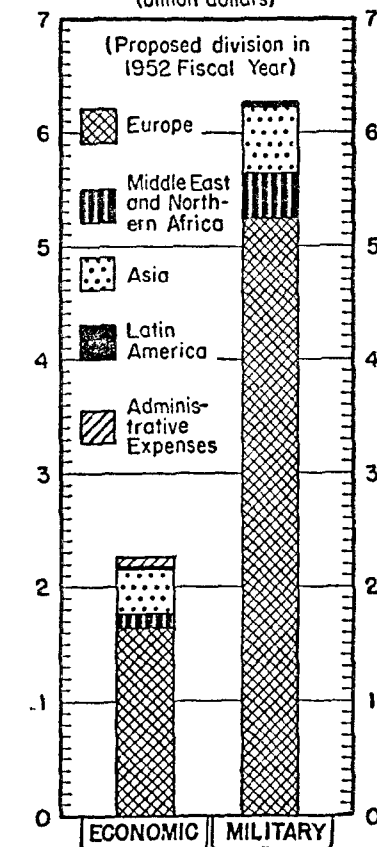
the task of the free world is not only to build defences urgently in the immediate future but also to prepare for the long pull. We of the free countries must make preparations now so that when our armed forces have been built up we will be able to maintain them for years, if necessary, and at the same time grow in underlying economic strength more soundly and more rapidly than the Soviet dictatorship.

This extension of Mr Charles Wilson's slogan of "guns and the whole cow" to America's allies as well as to the United States itself was a refreshing example of the basic optimism of a country which has never yet found any problem insurmountable and which answers complaints that the United States is taking too much of the cake by baking a bigger one.

But the very size of the military aid section of the pro-

gramme, in proportion to the rest of it, and the statement that the economic section is "primarily to support expanded defence efforts abroad" shows where the reductions, thought to be unavoidable in the face of Congressional disaffection and MacArthurian circuses, were made. The "bold, new programme," which Mr Truman announced twenty-eight months ago in his Inaugural Address, "for the improvement and growth of under-developed areas" is still being watered with little more than fine phrases and lavish promises. This, in the present atmosphere, is no doubt inevitable; those

MUTUAL SECURITY FUNDS
(billion dollars)



countries most immediately threatened must be helped first and be helped militarily. The risk must be taken of postponing for the present the longer-term task of developing those areas whose soil is so arid that only the Communist cactus can flourish in it. But the pity is that this necessity is not openly faced; in the President's message there is an implicit attempt to pretend that great schemes are under way and that big money is being provided for them.

Under the heading of economic aid, in Mr Truman's long and persuasive statement, there is a sum of \$2.25 billion, \$1.65 billion of which is earmarked for Europe. In the larger sense, some of this will develop countries which have under-developed areas—as, indeed, has the United States itself. But they are countries which were being taken care of by the Marshall Plan before Mr Truman thought of Point Four. It is in the other \$600 million that one must look for signs of the bold new programme. Administrative expenses will take \$78 million of it and \$112.5 million is going to the United Nations Korean Reconstruction Agency—an admirable objective but unrelated to Point Four. There is left, when these have been subtracted, \$409.5 million.

Mr Gordon Gray's report, published last November and intended to be the guide to future foreign economic policies, decided that "efforts should be intensified to effect a rapid expansion of scarce materials" at the present time and recommended that, for the next few years, \$500 million a year should be provided in grants for development and technical assistance "apart from emergency requirements arising from military action." As none of the rest of the \$400 million-odd in the present programme has yet been publicly divided up, it is not possible to say how much would come into Mr Gray's category of "emergency requirements." But everything going to Formosa—and precedent does not suggest that it will be a negligible amount—could be put into it; so could the greater part of Indo-China's share. What goes to the Philippines can more

properly be charged against the special Bell report on that area than against the Gray one, but the care of Arab refugees from Palestine is another emergency, even if for a few years a continuing one, rather than a development programme. Mr Gray's \$500 million can, therefore, be written down to \$200 million or less. This may not be surprising; but it is unfortunate that the figures in the President's message suggest that it has not been written down at all.

*

Mr Truman paid a tribute to the Colombo Plan, but at the moment it is impossible to say how much more than a tribute it will get. It will certainly be lucky if it gets two-thirds of what was expected, of what was indeed promised, in so far as American officials, even those of Cabinet rank, can promise. And all these reductions in the programme of the United States will tend to be aggravated by their effect on the possibility of loans. Mr Gordon Gray suggested that between \$600 and \$800 million a year ought to be invested, half by the Export-Import Bank and half by the International Bank. The Export-Import Bank, since it is a purely American agency, can presumably be induced to lend without looking too hard at the base of grants which is the necessary cushion for such loans, though the President only recommended an increase of \$1 billion in its lending authority against the \$1.5 billion suggested by Mr Gray. But the International Bank may well decide that the risks it was prepared to take last November cannot be justified after the publication of the Mutual Security Programme.

In his message Mr Truman said:

If peace could be made secure, the American people would be glad to invest a part of the resources we must now allocate to defence to a large-scale programme of world-wide economic development. . . . With such a programme, we could, in co-operation with other peoples, inaugurate the most hopeful and fruitful period of peaceful development the world has ever seen.

And there is no doubt that, had there been no Korean war, no need to rearm the free world and build armies into the North Atlantic Treaty Organisation, and no rebellious Congress, the President would have been ready by now, the Marshall Plan having proved its worth and finished its job, to launch Point Four on a substantial scale. But the report of Mr Gordon Gray's committee was not written in a peaceful world. It was started before the Korean invasion but everything it had done before that date was thrown away. It was not recommending an ideal development programme—but the minimum necessary under the present conditions.

The Bureau of the Budget presumably decided that Congress, in its present mood, would stomach no more than what is now contemplated. It may be right; indeed, Congress may not even accept this programme without cutting it still further. But, when the methods of Soviet propaganda are taken into account, if \$250 million were transferred from the military programme to bring the economic one up to Mr Gray's requirements, the immediate results might be impressive. And those who were promised a bold, new programme in January, 1949, might begin to feel that Point Four would one day become a reality.

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

Balance of Military Power

Washington, D.C.

In the June number of the *Atlantic* magazine there is an anonymous article which, like the famous article by Mr "X" two or three years ago in *Foreign Affairs*, derives authenticity from its very anonymity. Had it not been written by somebody within, or very close to, the Department of Defence, there would have been no need to hide the identity of the author. The article discusses the balance of military power between East and West, how it has changed since the end of the war and how it is changing now.

From 1945 until the summer of 1949, the anonymous author says, a rough balance existed between the United States and the Soviet Union; both had a monopoly and the two monopolies tended to cancel each other out. The American monopoly was in atomic weapons and in long-range bombers to deliver them; the Russians, on the other hand, had a ground army so large that, when compared to other armies, it was, in effect, the equivalent of a monopoly—and it could certainly overrun the whole Eurasian land mass. Neither side could, during that period, conquer the other, but each had the capacity to injure the other seriously. And neither could be sure who would be hurt the most.

But the news that the Russians had exploded an atomic bomb upset the equilibrium, though the fact was not immediately admitted. Soothing public statements were made, statements with which Mr Walter Lippmann took issue even then. But, at the least, the atomic explosion had given warning of a time when the American monopoly would be lost. And it gave it at a moment when the Soviet ground strength was being, if anything, increased. Opposition to the Chinese Communists on the mainland had ceased and, as a result, there was a disturbing addition to the forces which might be (and since have been) put at the disposal of the Soviet Union.

The Department of Defence, the State Department and the National Security Resources Board at once began to re-examine together the problem of Soviet strength and of the relations of the United States to Russia. They produced a secret document, which was presented to the National Security Council, containing a long-term plan for re-establishing the equilibrium. This document, known as NSC 68, became famous and was referred to regularly by every columnist worth his salt, though there is little evidence that any of them had actually seen it.

*

Nothing much was done about NSC 68—this was the period of economy in the Defence Department—until after the outbreak of the Korean War. Then, says the article,

under the impact of that attack the Congress did authorise many, although not all, the projects contemplated in NSC 68 [and] the United States and its allies began in many ways to attempt to check the deterioration in the military balance.

Those steps which concerned the reduction of the Russian advantage in ground forces have been taken publicly, with an eye to their propaganda value. They are the establishment of the unified command of the North Atlantic nations and the programme of military aid to countries outside as well as inside Nato.

But, even more important than building the ground forces of the West to a point where they become at least a deterrent factor, was making sure that, as far as possible, the relative position of the two sides in the area of atomic war-

fare did not deteriorate to a dangerous point. The number of atomic bombs in the American stockpile is one of the few secrets left in the United States since the Senate started trying to discover why General MacArthur was dismissed. But a judicious blend of deduction and optimism can provide an answer within pretty wide limits. It is known, for instance, that there were no bombs left in stock when the one had been dropped on Nagasaki and that the invasion of Japan planned for three months later called for nine. At that pace, there would today be something over 200; but there have been a number of official statements about the improvement in the technique and speed of production in the intervening years, which have been variously interpreted. According to the writer in the *Atlantic*, "there is no reason to doubt the accuracy" of a statement made, and never contradicted, that the stockpile is now between 700 and 1,000 atomic bombs.

The same kind of calculation leaves the Russians with a stock of about 200, and the United States with an advantage in numbers of probably five to one. The next problem discussed is the ability to deliver the bombs and to destroy the enemy's industrial power. Guided missiles, the article admits, could be used against the outer territories of Russia, and would be in return effective against Britain and France unless the Russian army could be held deep in Germany. But the main industrial centres of East and West could be attacked only by air.

*

The American B-36 is the only known bomber—it is feared that the Russians may be building its equivalent somewhere in secret but, if so, there is no indication of it—which can fly from the United States to the Soviet Union and back. And the B-36 will start to give way, at the end of this year, to the B-52 which will be able to reach targets anywhere in the Soviet empire from bases in the United States and return. As far as is known, the Russians have nothing later than their TU-4, which is an imitation of the B-29, now classed as a medium bomber. They are estimated to have between 400 and 500 of these aircraft, which have a range of about 4,000 miles. They could reach any point in the United States from airfields in Eastern Germany or Siberia, but they could not get back. There is an uncomfortable feeling that they would come anyway, because the loss of the bomber would be unimportant and the crews would not necessarily treat it as a suicide mission.

But the United States would much prefer not to have to rely on intercontinental bombers, which are expensive and extravagant. General Vandenberg estimated this week that the strategic air force would have to be five or six times as large as that now needed if the United States were deprived of its present overseas bases. So long as it has them—and for that it needs allies who own the bases and are capable of defending them—it need not rely on intercontinental aircraft. It has three bombers already—the old B-29, its modern version, the B-50, and the jet B-47—which could deliver the bomb from the bases now available.

Another factor which has been studied is the number of targets which it is necessary to hit; and it is estimated that, owing to the diversity of American industry, the Russians would have to do three times as much bombing in the United States as the West would have to do in Russia to obtain the same ratio of damage. On the other side, however, it is admitted that American targets are known to everybody, while many of the more important Soviet ones are not known at all.

However, at this point, there is general agreement that the United States has a comfortable advantage in numbers of atomic bombs and probably in their effectiveness; it has better bombers to deliver them and, as long as it can use overseas bases, more bombers; and it has fewer targets to hit to do the equivalent amount of damage. The Soviet air force would, nevertheless, be able to inflict a heavy attack. The conclusion is that

if it came to an atomic war at the present time the United States would be able theoretically to deliver a blow from which the Russian industrial, transportation, and communication system could not recover. On the other hand, the United States probably could pick itself up off the floor after receiving the Russian blow.

For the future, the author of the article sees the possibility of gaining consistently over the Russians in all areas of military power except atomic striking power. But to convert these possibilities into realities, the United States must balance out Russia's ground strength at least as fast as Russia balances out American atomic strength. And

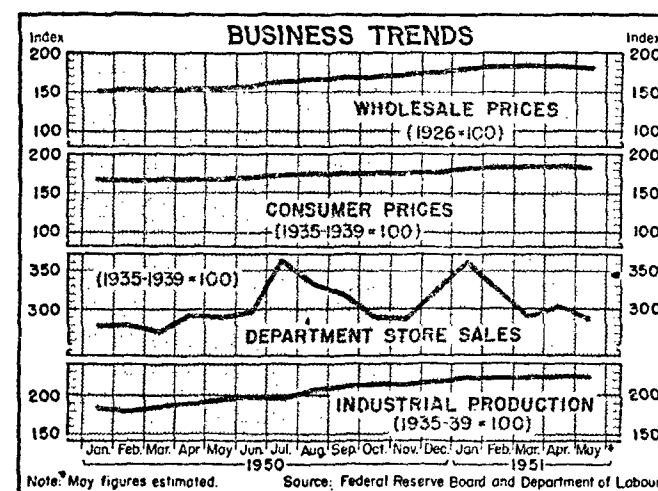
our diplomacy must hold all the allies we have today, and find us new ones.

The knowledge of this need perhaps explains the jaundiced eye with which the defence establishment views the long struggle between the State Department and the Congress, in which the Congress seems at present to be more successful in losing friends than the State Department is in influencing people.

American Notes

A Two-Faced Economy

The American economy at present offers the world a choice of two faces. The outstanding feature of one is the decline in retail sales of durable goods, while that of the other is the rise in manufacturers' unfilled orders for durable goods. They are not, of course, the same durable goods: television sets and refrigerators are piling up in retail showrooms, while in order books the accumulation is of machinery for new plants and defence requirements.



There are several factors behind the decline in retail sales. Last year's scare buying pulled this year's trade pattern out of shape; anticipatory purchases have now been discouraged by price controls and by the plentiful supplies of goods that still go on appearing in the shops. Credit restrictions have affected sales directly, by limiting instalment buying, and indirectly, by reducing the number of new houses that need to be furnished. Finally, the suspicion is growing that, for

the moment at least, the demand for such things as new vacuum cleaners and motor cars may at last be reaching saturation point.

The paradox of the present situation was illustrated last month when, within a few days, one automobile company announced that it was shutting down for three weeks because of lack of sales, and another began to turn off workers because of lack of materials. Restrictions on the use of steel and other metals for consumers' durable goods will become increasingly severe from now on, as the amounts needed for defence and "defence-supporting" industries increase. The rise in outstanding orders for durable goods in general is explained by the gathering momentum with which military contracts are now being let. By the beginning of next year, defence orders will be coming off the production lines at a rate of \$1 billion a week, twice as fast as at present. This increase in government spending inevitably means a rise in disposable personal income, already running at the record level of \$215 billion a year, and a fall in output of consumer goods, which makes nonsense of fears that today's pause for breadth will develop into tomorrow's recession.

But the pause has come just as the Defence Production Act must be renewed and Congressional ears are more attuned to business men's cries of "wolf" than to the Administration's pleas for the strengthening of the controls that are to some extent responsible for the cries. And unfortunately the check to the rise in the cost of living has silenced the housewives who egged Congress on last autumn. If to these and the many other pressures against effective controls is added a settlement in Korea, the forces of inflation may before long find themselves pushing against an open door.

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Israel's Billion

Trailing clouds of ticker tape, Israel's Prime Minister has been touring the United States to celebrate his country's third birthday and to launch a \$500 million bond issue. This "Independence Issue" needs a publicity campaign if it is to prosper, for it takes the form of twelve-year savings bonds and of fifteen-year coupon bonds at 3½ per cent, which are not particularly attractive terms. Sales are being promoted by door-to-door solicitation and it will be interesting to see how the mixture of charity, religion and politics succeeds this time. It has certainly succeeded in the past, for the United Jewish Appeal has raised nearly \$700 million for Israel in the last thirteen years. But now that there is an established and autonomous government in Palestine, more Jews are coming to agree with the American Council for Judaism that their allegiance to the United States comes before their duty to their co-religionists, and to regret the over-riding Zionist influence in American Jewry. There is some resentment also at the way in which Israel appears to take its fairy god-mother's help for granted, as a right it has earned by its services to democracy in general and to Jews in particular. Nor has the recent bombing of the Syrian frontier been particularly pleasing to Americans.

For these reasons and because political pressure will not be as heavy as usual, since there is no election in 1951, Congress may decide to overlook the request for a grant-in-aid to Israel of \$150 million which has been put before it by a group of influential sponsors from both parties. This latest grant has not so far been backed by the Administration, and Israel's good friend in the White House, Mr David Niles, has just left his post as one of the President's administrative assistants; but help for Israel, to an amount not yet specified, is included in the new foreign aid Bill. The grant-in-aid is one of the ways by which it is proposed to raise a further \$500 million in the United States, in addition to the bond issue, in order that Israel may be established on a sound economic basis during the next three years. (The reasons why Israel needs this help were discussed in *The Economist* of

May 12th.) Some of the money will come from the United Jewish Appeal, which is now trying to raise another \$200 million, and the rest, it is hoped, from additional private investment in Israel. The American firms that have pioneered there, of which the best known is the Kaiser-Frazer Corporation, report that it is easy to make money, since the country is avid for goods, but that government restrictions make it as difficult to do business as it is in Britain.

*

All's Fair in Price War

New York's huge department stores lost no time in following up the Supreme Court's "body blow" to the so-called fair trade laws which prevent price reductions on branded goods in all but three states. R. H. Macy and Company, long a guerilla fighter against price fixing, began by cutting 6 per cent off the prices of about 1,000,000 such articles on its counters, from vacuum cleaners to books. Gimbel Brothers' boast that it always meets its competitors' prices drove it into the fight, Macy's replied with another cut of 6 per cent and from then on it was a free-for-all. Such well-known brands as Bayer aspirin, Underwood typewriters and Huntley and Palmer's biscuits were used as ammunition and some prices were down by as much as 30 per cent. These shops were evidently more concerned at the excessive inventories that had accumulated on their shelves recently than at the prospect of shortages to come, which manufacturers had hoped would make them hesitate to take advantage of the Court's decision.

That decision came because a New Orleans retailer had the initiative to contest a law which the government's anti-trust officials had always disliked but had never challenged. The full implications of the Court's decision are not yet clear, but it appears that a manufacturer cannot now insist on retailers in other states observing a minimum price on his product, unless he has signed a separate agreement with each of them. Previously it was believed that the Miller-Tydings amendment to the anti-trust laws, which made it legal to apply state fair trade laws to inter-state commerce, could be invoked against all retailers in a state if only one had signed an agreement. Fair trade laws have been applied to such widely distributed products as cigars, flour and toothpaste, for which it would be almost impossible to conclude individual agreements.

Apart from the manufacturers themselves, it is the small tradesmen who have favoured the fair trade laws which protect them from the competition, fair or unfair, of their larger rivals. The shopkeeper benefits from the manufacturers' nation-wide advertising and the margin of profit allowed has not as a rule been large. But it has been larger than that expected by department and chain stores, and by supermarkets, which spread their overhead costs thinly. Fair trading agreements have also violated another of the basic principles on which such shops operate, for they have prevented price reductions for the sake of a quick turnover. New York's price war is therefore likely to break out elsewhere, since the need to stimulate retail trade is felt all over the country. But such wars are not likely to be sustained, for under present conditions it cannot be long before demand is once again outstripping supply.

*

Networks in a Tangle

Last week the Columbia Broadcasting System hit what it hopes will be a pair of jackpots on the television fruit machine. Not only did the Supreme Court overrule the protests of CBS's rivals and authorise the company to put its colour telecasting on a commercial basis; but CBS is also at last well on the way to acquiring a television station in Chicago. This deal, an off-shoot of the merger which the American Broadcasting Company has finally achieved



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with United Paramount Pictures, will cost CBS the record sum of \$6,000,000, but it is probably worth it. For until now the network has owned only two television stations—in New York and Los Angeles—and part of a third in Washington, instead of the five that it is allowed and that its competitors have. CBS has been prevented from building more by the freeze on new television licences, but even when the thaw comes, as it will before long, there would probably not have been room for CBS in Chicago, one of the country's wealthiest markets.

CBS wants more television stations of its own because profits are at last being made on them, while television networks are still operated at a loss, and because only on its own stations can the company guarantee potential audiences of the size that advertisers expect. Revenue from telecasting, \$105.8 million in 1950, was three times as much as in 1949, and half the 107 stations made money. The four big companies made \$1,500,000 on their stations, but lost \$10.5 million on their networks. This is explained in part by the cost of the coaxial cables and micro-wave relays which carry programmes from the originating stations to the affiliates. Under their contracts, in return for carrying a network programme, these affiliated stations receive a proportion of the fee paid to the network by the advertiser who sponsors the programme. But the freeze on new stations has made it impossible for each network to have its own exclusive television affiliate, as it has its own radio affiliate, in every important centre, and local stations are in practice able at any given time to choose between various network programmes. In order to deliver the audiences promised to advertisers, the networks are therefore obliged to film programmes for later transmission by local stations. This expensive and unsatisfactory filming process is another reason why networks are still losing money on their television operations. More than 40 per cent of CBS's television time is broadcasting of recorded programmes by network affiliates.

What attracts the advertiser is cost per viewer and this goes down as the number of television sets goes up. The improvement in the financial position of television stations is directly due to the increase in the number of sets in use, which more than doubled in 1950. New York stations now charge over \$3,000 an hour at the peak viewing times, twice as much as for radio, and in addition a television programme may cost \$50,000 to put on the air. It is estimated that altogether sponsors spend about \$4 an hour per 1,000 viewers. They believe that this is a sound proposition, but they insist on making advertising economies elsewhere, and have forced the networks to reduce their radio rates. As a result revolution threatens amongst radio affiliates, whose contracts require them to share the cuts in revenue even though they may not be in areas where television competition has reduced the value of radio time.

* * *

Crime and Punishment

Mr Joe Adonis, a less lovely character than his name suggests, has been sentenced to jail for three years on gambling charges. The experience will be as new for him as will the "legal employment" which the judge directed him to seek when he is released. The sentence was stiffer than Mr Adonis had expected after the bargaining with the prosecution which ended when he agreed not to contest the charges. He played the businessman to the last, as became one who has prided himself on making crime respectable. For, according to the Kefauver Investigating Committee, Mr Adonis was, with Mr Frank Costello, joint managing director of the nation-wide gambling syndicate whose ramifications, political and criminal, the committee was so successful in tracing.

Mr Adonis's conviction may be the beginning of the breakup of the syndicate, but the credit for it goes to a New Jersey grand jury which had been studying his activities

before the committee brought them to the television screen. The US Attorney General believes that regular investigations of this type will curb inter-state crime more effectively than would the suggested Federal Crime Commission, and he has now directed that a grand jury be convened once a year in each of the country's 84 federal judicial districts. In Brooklyn another grand jury has accused 77 New York policemen, some of high rank, of conspiring to violate the gambling laws with a bookmaker who was arrested last autumn. He is alleged to have bribed the policemen with television sets and "bushel basket loads" of cash.

The testimony offered at least *prima facie* evidence that the city official charged with preventing corruption had been lax. When Mr O'Dwyer was Mayor of New York, the official was Mr John Murtagh, whom Mr O'Dwyer, just before he resigned, appointed to the post of Chief City Magistrate at \$15,000 a year. Judge Murtagh told the Kefauver Committee that, when he was Commissioner of Investigation, he had found no evidence of police corruption and that the gambling tycoons had not come under his jurisdiction, since they operated from New Jersey. He has now been charged with neglect of duty at that time, for knowing, but failing to report, that policemen were being bribed. Another of Mr O'Dwyer's companions, Mr James Moran, who also was rewarded with a lifetime appointment before the Mayor retired, has already been convicted of perjuring himself before the Kefauver Committee. Other of the committee's witnesses may be appearing in the dock before long, including perhaps Mr O'Dwyer himself. When that time comes, even the President may have to admit that the ex-Mayor of New York is not an entirely suitable American Ambassador to Mexico.

Shorter Notes

Mrs Oksana Kasenkina, the Russian schoolteacher who leaped from the third storey window of the Soviet Consulate in New York in 1948, to escape return to Russia, has been granted permission to remain in the United States. President Truman has signed a Bill which legalises her unorthodox entry into the country for permanent residence, and now the way lies open for her to obtain American citizenship.

*

On May 26th more than 170,000 college students took the draft deferment test which may determine whether they will finish their education or be conscripted for military service later in the year. This was the first of four tests to be given to 400,000 students in all, and comprised 150 questions to be answered in three hours. Opinion on the standard of the test varied, but most students said it was harder than college entrance and all agreed that it was fair. Those who obtain over 70 will be able to go on with their studies next year, and another 100,000 students, who did not apply for the test, will be eligible for deferment if they stand sufficiently high in their class. The results will be sent to the local draft boards, where the final decisions are made.

*

American housewives have recently made their first quarterly payment to the Government under the social security scheme for domestic workers which came into force at the beginning of the year. As they wrestle with a system that seems nearly as complex as the British PAYE, those who have lived in England think nostalgically of the days when they had only to buy and lick a stamp.

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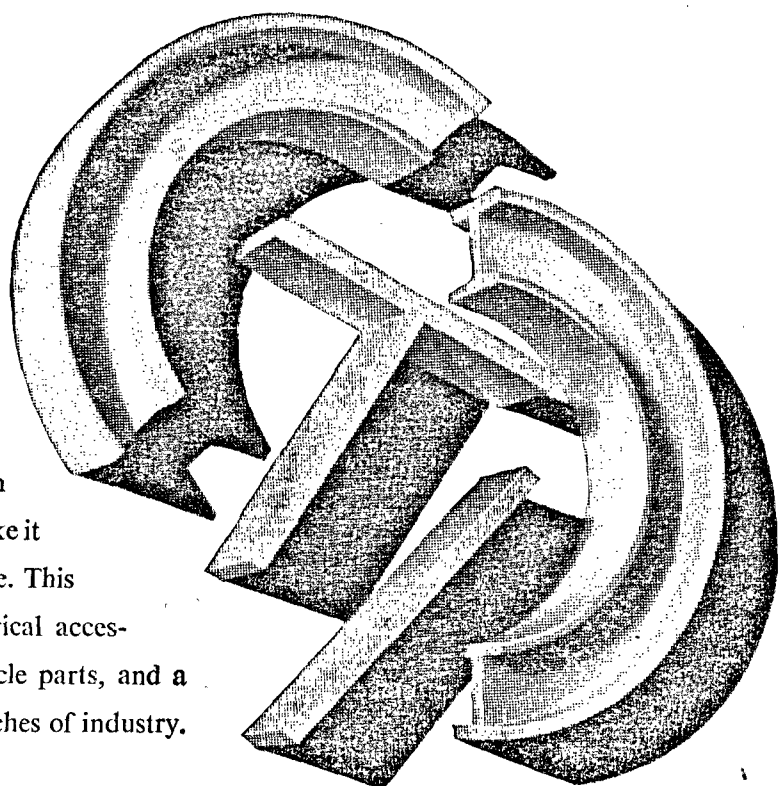
The Pittsburgh Consolidated Coal Company has reached the final stage in its experiments with the transportation of coal by pipeline. A full-scale demonstration system is now being built in Ohio, as a preliminary to commercial operation. The coal is crushed after mining, and then mixed with water to form "slurry"; special pumps push it through the pipe and on arrival it is dried.

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THE WORLD OVERSEAS

How Much Does Persian Opinion Matter?

(By Our Special Correspondent Recently in Persia)

THERE are signs that the cares of office are awakening some of Dr Mossadegh's supporters to the fact that a large country cannot be run just on a cry of "nationalise oil." His position seems to be weakening. Therefore some people in Britain are calling the news "better" and hoping that "the storm may blow over." To think such thoughts is over-optimism. It is wholly to underestimate the volume and nature of the wave of opinion that carried Dr Mossadegh to office. That opinion will not be silenced simply because he, personally, falls from power; it is firmly held, and must be met or countered if any agreement worth having is even to be made with a Persian Government.

There was a time when Persian public opinion was a negligible factor. The country consisted of a small ruling class and a large and ignorant peasantry. Provided that the former could be satisfied that they were going to get more money, the foreigner found agreement was not difficult to reach. They might hold back for a while; but they came round when they needed funds. This simple situation is still enjoyed by the American Oil Company in Saudi Arabia. But it no longer applies in Persia. Ten years of novel experiences—foreign occupation, easier foreign travel, more opportunities for higher education—have altered the picture. The kernel of effective opposition to the British oil company now lies in a small white collar class—consisting largely of the civil servant, the employee in the bank, and the school-master—a few of whose members are really competent and feel that their competence is not appreciated, and the bulk of whom think (with the self-confidence, amounting to conceit, that is a national characteristic) that any child of Persia's great forebears can accomplish with grace and ease any job to which he sets his mind.

The case which these people make against the oil company is not new. It is not a development of the present crisis; it is an expression of feeling that can be picked out from many speeches in parliament over the last eighteen months. Broadly speaking it runs as follows: "This company calls itself Anglo-Iranian, but the title is a piece of window-dressing. It is in fact a British company. Its seat is in London. It has even removed the British director who used to live here. Why does a half-Iranian company pay to the British treasury, in tax, far more than it pays the Iranian treasury in royalty and tax together? Why does it sell oil to the British Navy at a price it never reveals? How do we know that it has told us exactly how much of our oil it is removing? Why has it for years been paying us less per ton than similar companies pay other governments, notably those of Saudi Arabia and Venezuela? Now that we are well informed about the rest of the world, we see that we have been cheated, and have suffered great losses at the hands of people who think we are children. What we want is a share in the management, or at the least a partnership which will guarantee us against exploitation by people who, for all we know, will have bled away our whole wealth by 1993."

This brief paraphrase of a considerable number of speeches and private conversations errs on the side of moderation. What detailed analysis shows is that the deepest wound hurting the speakers is the stand-offishness of a company that has no Persian director and too few senior Persian employees, and whose staff has next to no social contacts with Persians outside its employment. Just as in India, so in Persia, that tragic British capacity for betraying a sense of superiority

has nullified a splendid record for causing advancement and prosperity. The defect is an old one. James Bryce, travelling in western Asia in 1876, put his finger on essentials when he wrote:

The sort of good nature and susceptibility to impressions which is so marked a feature in the Russian character makes them get on far better with strange races than we have ever been able to do. It is not occasional acts of cruelty . . . that makes foreigners hated nearly so much as coldness, hauteur, contempt, an incapacity to appreciate or sympathise with a different set of customs and ideas.

The problem before the Englishman who works with Persians in the future—whether in business or in diplomacy—is how to live down this damaging reputation for aloofness and condescension. If the British oil company is ever again to operate in security in Persia it must work to cure this flaw in its personal relations. Many of its employees would welcome its encouragement to do so. Until it acts, one partner in the business will remain "we" and the other "they," no matter which of them is talking. It must recognise that the strength of the National Front party will survive the collapse of its elderly leader. This strength lies not in his leadership, but in the fact that it expresses what most educated Persians think of British manners. Its present members of parliament are all elected for Teheran, a place that sees these manners at first hand.

Focus in Teheran

Obviously the capital city is not the whole country. But this small group of people is the less negligible because it has at its back a much greater volume of opinion—ignorant, this time—which knows that there is something wrong because its misery, though much discussed, is never alleviated. "Do you not think," asks a chance acquaintance in the country bus, "that Communism might be good for us? Might it not be quicker than capitalism at making us richer and happier?" Immense numbers of ignorant but questioning Persians are now ready to shout for any change, on the grounds that change cannot be for the worse, and has a chance of bringing advantages. They are told by such educated men as they know that the oil company is responsible for their ills; they learn this not only from the middle-class group already described, but from the rich landlord politician class, which says so in order to deflect attention from the social scandal of his own way of life. The case of both is helped by the Persian character, which is—as its folk tales amply show—a compendium of envy at the success of another and of confidence in ability to do his job if given his shoes.

This analysis reveals a situation that is immensely difficult for anyone, Persian or foreign, to handle. It will not be met by a simple change of government to another of the old style. Even if Dr Mossadegh falls, there will still be people shouting on the sidelines for social change. No agreement with a foreigner will be lasting unless this requirement is met. The weakness of the educated middle-class critic of Persia's ills is that he will not step forward and meet it. He will carp and grumble, but he does not offer to shoulder the burden of office.

Whether social change can be produced by anything short of a Tudeh government and a Persian Gottwald, only the Persian middle-class can say. If they cannot work out their

own salvation, no one, British or American, can help them to do so. In any case, no foreign help can be effective if they persist in the attitude which has so far caused them to rebuff would-be helpers such as the International Bank, the Export-Import Bank, and the many individual British and American advisers whom they have first hired and then rejected.

Europe's Prospects for 1951

IN 1949 European nations were obsessed by the dollar famine and by the fear of surplus production. In 1950 these two problems disappeared and in their place there emerged an entirely new set of difficulties; growing inflation, a scarcity of raw materials and the cost of a great rearmament programme. These three threats to the stability of Europe—and indeed the whole world—form the theme of this year's Survey of the Economic Commission of Europe.

As is customary with these reports, there is a wealth of illuminating statistics accompanied by a no less enlightening analysis of recent economic developments. On the production side the authors note that progress was particularly encouraging. In 1950 Europe's industrial production rose 13 per cent above the 1949 level. The same percentage increase was recorded in the United States, while the figure for eastern Europe and the Soviet Union as a whole was 22 per cent.

This expansion in production, coupled with devaluation, rising dollar prices and American recovery from recession, more or less solved the dollar problem. Europe's balance of payments deficit with the United States fell from \$3.2 billion in 1949 to half that amount. This was accomplished in part by a 75 per cent increase in European exports to North America and a 30 per cent cut in imports from that area. Simultaneously Europe's gold and dollar reserves rose by \$2 billion, an increase which was due to a reversal of the outflow of capital from Europe and to the fact that in trade with countries outside North America, Europe began to acquire dollars instead of paying them out.

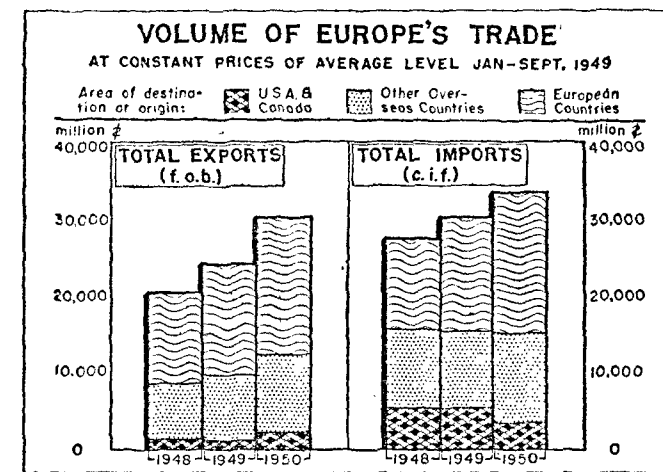
A great deal of the improvement in Europe's dollar position was accounted for by the United Kingdom and the overseas sterling countries. The latter, however, had to see many of their gains assume the form of mounting sterling balances. During 1950 these increased by \$1.1 billion to a point very near the limit which their holders will stand and the result has been a new unbalance in world trade.

Sterling balances, however, are but one part of the radically different troubles which began to pile up in 1950. The outbreak of war in Korea marked a new phase in the post-war economic scene. The United States embarked on a vast rearmament and stockpiling programme which led to an acute shortage of raw materials and a spectacular boom in their prices. Domestically there were startling increases in the prices of all commodities, and inflation appeared to be getting out of hand.

Inflation, in fact, is the central problem which the ECE foresees, not only for Europe but for the whole free world in the coming year. In the first place, there are bound to be further price rises in most commodities; the second half of 1950 had introduced only the first twist of the spiral. Even assuming that the prices of raw materials have reached their peak, reflected rises in the prices of manufactured goods and foodstuffs are inevitable.

At the same time, Europe will be subjected to further inflationary pressure through developments in the United States. On the calculations of ECE, the excess of total money demand over supply of goods in the United States—that is, the new inflationary gap—cannot be less than \$13 billion in 1951; even this assumes that Congress accepts speedily the proposed new taxation and that production increases by \$20 billion. One part of this gap, the report

forecasts, will be directly transmitted to the outside world; American imports may be expected to exceed the 1950 level by \$2 billion and at the same time its exports will decline still further. Another part of the gap will indirectly affect Europe through the rise in the cost of American exports, the sympathetic rise in world prices and the increased profits accruing to exporters to the United States both from Europe and the primary producing countries. Thus, quite apart from its own internal difficulties, Europe cannot, without taking special measures, escape from the consequences of

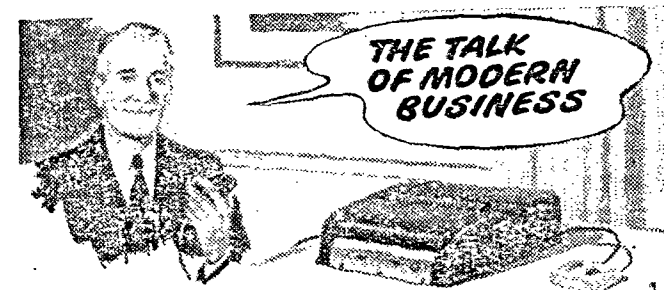


inflation in the primary producing countries and of increased American pressure on world markets.

Meanwhile, by the end of 1950, most European countries—with the exception of Norway, Sweden, Turkey, and possibly Spain whose exports are largely raw materials—had found that a given volume of their exports could buy 15 per cent less imports than was possible at the beginning of the year. For Europe as a whole the terms of trade with all other areas had deteriorated by 30 per cent. The greater part of this change took place after the outbreak of the Korean war, and only a comparatively small element represented the effects of devaluation. The report further estimates that, on the basis of raw material prices ruling at the end of last year, the primary producing countries may expect to earn an additional \$3.4 billion in 1951 for their 1950 volume of exports. In other words, there will be additional pressure on Europe and America to find \$3.4 billion of goods for export before they can begin to increase their imports.

This will mean not only a further drain on the already insufficient goods being chased by too much money, but a new and serious strain on Europe's convalescent balance of payments. Moreover, these burdens are being imposed on Europe at the moment when American grants must be expected to taper off and when Europe is undertaking a large rearmament programme. ECE estimates that an additional one or two per cent of Europe's national income will be required to make good the deterioration in terms of trade and that in many countries another three or four per cent of the national income will be spent on rearmament.

When it comes to consider the means of alleviating the inflationary situation, the ECE is no less pessimistic than in its analysis of the causes. The only painless way to stem inflation or to ease the balance of payments problems is to increase production. The report reckons that apart from the limit on raw material availabilities, production could rise by 7½ per cent in northern Europe (Scandinavia, UK and Netherlands), by 20 per cent in Germany, and 10 per cent in the rest of western Europe. While it acknowledges a considerable industrial recovery in the second half of 1950 in Germany, France and Belgium, it believes that there is still an unnecessarily large spare capacity in the heavy industries of these countries and also in Italy. Unfortunately the governments concerned have chosen or been forced by circum-



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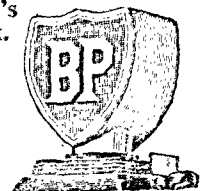


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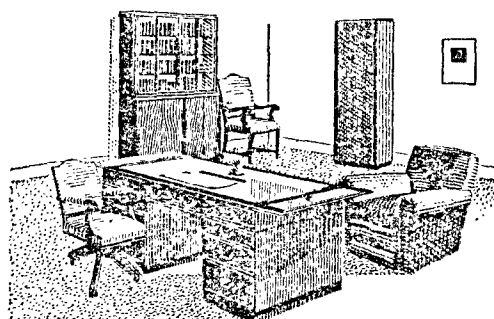
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stances to use only one of the possible weapons that can be employed to maintain monetary stability—the control of credit. This has meant that, in the inevitable absence of increased consumer goods, industrial expansion has usually led to inflationary pressures which have quickly been damped down again by credit restrictions; these in turn have discouraged increased production.

Turning to the question of supplies and availabilities, the report reaches the conclusion that the potential rise in industrial output will not, in fact, be realised. With the exception of rubber, there is little hope that world supplies of raw materials will increase by more than a slight margin. Crucial bottlenecks are foreseen in coal and steel and in all the secondary industries dependent on them. Of these, coal is the main commodity which is exclusively within Europe's own control. While the survey does not claim that a striking increase could be achieved in coal supplies, it does by its criticism suggest that British and German coal production could be raised.

For the most part, however, the solution of Europe's raw material difficulties lies outside its own immediate control. In general, the report takes the gloomy view that little can or will be done to expand the production of primary goods. Such development depends on heavy initial capital investment. At the moment the highly industrialised countries cannot provide the necessary capital goods, and furthermore the beneficiaries of high raw material prices seem to prefer to dissipate their gains in local inflation.

The conclusion of the report is that Europe, at least in the short run, cannot cope with its problems by purely domestic anti-inflationary measures but must resort to currency appreciation. The processes of September, 1949, should be reversed so that Europe's export prices rise in terms of dollars while import prices fall. The net effect of this operation should be to reduce American demand for other peoples' goods and thus lessen the pressure on the current limited supplies of raw materials. To be fully effective, however, appreciation must be directed by a flexible policy, prepared to adjust foreign exchange rates in both directions as world economic conditions fluctuate. It must also be accompanied in each country by a firm fiscal and investment policy, in turn supported by direct physical controls and a wage freeze until the new foreign exchange measures have had a chance to show what they can do toward stabilising world prices.

Poverty in Andalusia

[FROM A CORRESPONDENT RECENTLY IN SPAIN]

FOR almost the first time since General Franco seized power, murmurs of criticism have flared into open discontent. In March, workers in Barcelona and neighbouring towns came out on strike; in April, San Sebastian and Bilbao, and in May, Pamplona followed suit. 'So far it is only Catalonia and the Basque provinces which have been affected; both areas speak their own language, both are strongly conscious of a separatist tradition, and both march with France along a mountainous frontier which facilitates illegal traffic. This last gives a certain face-value to official Spanish explanations that the strikes are of Communist and foreign origin. To the foreign observer, however, as to the Frenchman looking detachedly over the Pyrenees, and even more to the Spaniard himself, such political explanations are a mockery. The fundamental cause is economic, and the question that now has to be asked is how widespread are the conditions which have given rise to these first outbreaks.

Paradoxically, the worst conditions are to be found in the fertile south. Here, among the orange and lemon orchards and the well-watered fields of bearded wheat, barley and vegetables, is the most marked poverty and hunger. The

British traveller, rich in his 110 pesetas to the pound sterling, can be deluded into oblivion of the economic ills of many parts of Spain, but in Andalusia the evidence of large-scale unemployment and near-starvation is overwhelmingly strong. The average daily wage of the agricultural worker is fifteen pesetas. During the harvest when labour is in demand this may rise to twenty, while workers harvesting sugar cane can earn twenty pesetas per ton despatched to the refinery; and it is possible to cut and strip about two tons a day. But



when work is scarce there is no guarantee of employment, and only very few are paid a fixed wage throughout the year. Fifteen pesetas will buy two kilos of black market bread (the ration is insignificant), or half a dozen eggs (when eggs are plentiful), or three-quarters of a litre of olive oil. Shoes and clothes—which seem so cheap to the tourist—are out of reach, and rags are an increasingly common sight. Small-holdings on the marginal land now left uncultivated could change the life of the agricultural labourer. But most of the land is divided into large estates whose owners do not need to cultivate every scrap of it; and countrymen complain with justice that if it were their own they would utilise much that is now left untouched.

But in the country a man can at least pocket a potato or two or take a few sticks of sugar cane home. In Malaga and other southern towns the situation is worse. Here the town centre is plagued with unemployed, some frankly begging, others showing a semblance of employment by selling American cigarettes, showering the tourist with the names and virtues of rival hotels, or waiting to offer guidance to any part of the town. Most of these are under thirty. In Malaga, the civil governor's method of dealing with the problem was to issue a decree forbidding these occupations to be carried on in the centre of the town because of the bad impression it would give to foreigners. Begging, which flourishes in both country and town, is similarly dealt with by notices prohibiting its practice.

Inevitably, one asks whether what happened in Barcelona and Bilbao will happen here also. The answer is usually that it would, were it not for the armed police whose weapons are the law and the secret police who make free conversation impossible. For here there is no second language in which to hide the expression of thought, and even the casual observer cannot miss the sub-machine guns and automatic rifles so clearly displayed, or fail to see the patrol of ten civil guards returning to a small village of a thousand inhabitants.

Official Spain does not pretend to be a democracy, or, as many foreign apologists maintain, to be "working towards democracy in its own way." The leaders of a regimented press compare the Spanish system of government favourably with those in western Europe, and frequently point to Greece as the primrose path, and to Britain as the bonfire, of the

democratic system. Newspapers, though providing a coverage of foreign news far wider than the bulk of the British press, relegate mention of the strikes to an inch on a back page. Whole columns, however, are devoted to official speeches making Korea and the world situation scapegoats for all the ills of Spain; and lack of capital and capital equipment can be demonstrated in roads maintained with earth, ancient rolling stock, and locomotives with the high funnel and lofty dome of the museum piece.

Marshal Tito's New Plans for Industry

[BY A CORRESPONDENT RECENTLY IN JUGOSLAVIA]

MR DJILAS, Yugoslav Minister without Portfolio, recently remarked that "what we are doing is not a cross between Russian Communism and western social democracy. It is something entirely new." In the economic field this claim that Yugoslavia has struck out on a line of its own is based on two things; first on the development of a new form of the control and management of factories and enterprises by the workers in them; and second, on the willingness to use, within a thoroughly "nationalised" framework, the machinery of capitalist free enterprise and the operation of the law of supply and demand in order to maintain incentives. This hybrid operation gives the impression of being evolved from day to day, and certainly from month to month.

Mr Kidric, the President of the Federal Economic Council, recently described at length the economic changes which are now taking place in Yugoslav industry and the lines along which it is proposed to extend them. He explained that the present economic developments had begun with the nationalisation programme, which set the basic form of property ownership as state ownership, and with the creation of a strict state planning organisation. This was beneficial during what Mr Kidric called the first phase, because it had made it possible to concentrate economic forces which had previously been scattered. But it was also true that the detailed planning had put a brake on initiative and "the state apparatus began to expand rather rapidly."

It had, therefore, been necessary to pass on to another phase as soon as circumstances made it possible. The prerequisite for this present phase was the establishment of the workers' councils and management boards in the factories. According to Mr Kidric, this was not just a demagogic measure, for the councils and boards were the foundation of a profound change. They were not advisory or subordinate, but were "the real managers of production." At the same time, they were not owners in the old capitalist sense. As yet they are still tied down by the remains of the old planning and financial systems. But in the next few months they are to be completely freed.

The essence of the new system is to leave under planning only those things "which, if they were not planned, would lead to anarchy and prevent the desired development of the country." The plan will stipulate how much of the capacity of the main industries is to be exploited during a given period. This will be governed by the availability of raw materials. For example the textile industry might be told to use 80 or 90 per cent of its total capacity; but the quantity and range of products to be made would be left to the industry itself to ascertain on the basis of demand.

The plan will no longer specify the number of people to be employed in individual factories. It will specify instead on the average wages and salaries in effect for the country as a whole and the average output per worker necessary to exploit the capacity of the industry. How the fund will be

distributed will depend on the workers' council for the industry, with the proviso that no increase over 500 dinars a month (approximately one-seventh of the average national wage) should be made in individual wages.

A large part, between 70 and 80 per cent, of the surpluses earned by factories or enterprises are in the near future to be left to the workers' councils to dispose of as they wish. Until now, the state had been taking all surpluses and redistributing them for capital construction, etc. In future only the prices of about 400 primary materials will be controlled. The old system of controlling about 10,000 prices had, according to Mr Kidric, "hindered the free operation of the law of supply and demand."

So far as capital construction is concerned, only basic factors, "forming the skeleton of the national economy," such as the iron and steel industry, will be controlled by central planning. All other capital construction will be left to free enterprise on the part of workers' councils. Industries unable to finance desired construction will be able to apply to the state for grants. The workers' councils will bargain with the Ministry of Finance, and if agreement cannot be reached the matter will be referred to arbitration. The net result will be that in future only about one-half of the capital construction in the country will be compulsory, whereas until now it has all been compulsory.

Powers of a Workers' Council

Among the enterprises now engaged in putting Mr Kidric's ideas into practice are two large factories in Zagreb, one making machine tools and the other electrical equipment. The system of control through workers' councils and management boards can perhaps, at this stage, be best summed up by saying that, in these two factories, it gives the impression of being simply a highly developed form of joint consultation. The director or manager is appointed from above and can only be removed from above. The works council is, however, free to complain to the authority responsible for his appointment and to ask for his removal. The director appoints his own departmental managers and technicians, subject to the approval of the works council. At the Rade Koncar electrical factory, the council actually reversed one of the director's decisions about two months ago. The director had wanted to dismiss some clerical staff in the accounts department as being redundant. The council disagreed with him and so a commission of three was appointed to look into the matter. It reported in favour of the council's view, which the director then accepted.

It was made clear by members of the management board that the director and departmental heads were regarded as their employees, but it was difficult to feel sure that this conception had yet been able to strike very deep roots. In the machine tool factory, where 1,300 are employed, the works council consisted of 64 elected members, and the management board, elected by the council, of 11 members. The latter were five workers from the factory floor, two foremen, two engineers, including the chief engineer, the head of the finance department and a director. Four of the members of the board and 300 in the whole factory, were members of the Communist Party.

Among the important industrial tasks allotted to the councils is the setting of "norms" and wage-rates for piece-work. These are now to be determined individually by each factory or unit. This system of workers' councils is arranged in pyramid fashion, with those of the individual factories or enterprises at the base, both territorially and by industries. As Mr Kidric pointed out, there has not yet been time for the new system to come fully into effect, but among much that is at present confusing in Yugoslavia it does at least seem clear that Marshal Tito and his associates are, for whatever reasons, making genuine efforts to move relatively towards greater freedom and away from the monolithic state.

Some Points from Poland's Census

[BY A CORRESPONDENT]

POLAND is being quickly transformed from a predominantly rural into a semi-agricultural, semi-industrial country. This is the most salient feature of the temporary report, published recently in Warsaw, on the one-day census carried out last December. According to this report, over 54 per cent of the total population lives now on "income derived from non-agricultural employment," while the corresponding prewar figure (in the 1931 census) was less than 39 per cent. True, both these figures are established in such a deceptive way as to give the impression of a rural population smaller than it in fact is. Still it can be estimated that urban population accounts now for roughly 40 per cent of the total, while in 1931 it was only 27 per cent, and even on the eve of the war accounted for substantially less than a third.

These structural changes are due to two main causes: the changed frontiers and the industrialisation drive. In the post-war settlement Poland lost its predominantly rural eastern areas in favour of the more industrialised former German territories in the West. Frontier changes, however, have been accompanied by wholesale shifts of population. The relative growth of urban population is even more remarkable, when it is remembered that the Jews, exterminated during the war, constituted an important part of Poland's prewar town population. Hence the growth must be explained mainly by the employment provided by the expanding industries. Between 1938 and 1950 the share of industrial workers in the total employment figure has approximately doubled, from 18 to nearly 36 per cent, and if the targets of the 6-Year Plan are fulfilled by 1956, an additional two million workers should be absorbed by industry and the population should then be almost evenly spread between town and country.

The postwar mass migrations of population render estimates of the natural rate of increase difficult. From 1945 to 1948 some 2,250,000 Germans and over 500,000 Ukrainians and Byelorussians left the present Polish territory, while approximately 1,500,000 were repatriated from the West and an equal number came back from the East. Total population rose from less than 24 million in the summary census of February, 1946, to nearly 25 million at the end of last year. The Polish authorities claim that during that period there was a net outflow of over 1,000,000 people and hence the real increase of population was substantially over 2,000,000, and not just over 1,000,000. This figure, however, seems exaggerated. It would mean an annual increase of over 2 per cent while other Polish statistics allow for a rise of only over 1 per cent. In

any case, with its 25 million inhabitants Poland has the largest population of all European countries within the Soviet orbit.

Ten-Acre Farms

The housing problem provides a headache for the authorities and undoubtedly hinders urban development. According even to official statistics there are now nearly two persons to every room including kitchens. In the countryside the worst problem is the small size of the holdings. The agrarian reform brought about a parcelling of the land and only recently has the number of farms been slightly reduced. Thus in 1950 there were still 3,250,000 private farms; allowing for State and collective land, they could not average much more than 10 acres each. The government considers that the obvious remedy for this land hunger is collectivisation with the absorption by industry of the surplus labour. Yet the great number of private farms is an indication that, hitherto at least, the Government has taken the mood of the peasants into account and proceeded cautiously with its collectivisation drive.

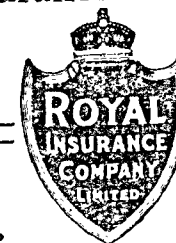
The report shows a substantial recovery in livestock, as can be seen in the following table:—

	LIVESTOCK (in Thousands)		
	1938*	1946†	1950‡
Horses.....	3,149	1,730	2,797
Horn cattle.....	9,924	3,910	7,164
Pigs.....	9,684	2,674	9,923
Sheep.....	1,940	727	2,194

* Present frontiers. † February census. ‡ December census.

The tremendous increase after 1946 may have been somewhat inflated by the inadequacy of the census taken that year. Besides, to get a clearer picture of the actual increase Unrra shipments—particularly of horses—and the cattle brought in by the immigrants from behind the Curzon Line should be discounted from the 1950 figure. For horses, the comparison with prewar is not as encouraging as it appears. In the formerly German territories agriculture was highly mechanised and there was not so much need for horses. Now, despite the considerable improvement, there is still an acute shortage of driving power and great need of mechanisation. The peasant, however, views the tractor with suspicion as the spearhead of collectivisation. For pigs, on the other hand, for which the rearing period is shorter, the recovery is nearly complete. In this sphere the government, keen on having large quantities of bacon available for export, has even abandoned its policy of "squeezing the kulak" and paid substantial premiums for pig-rearing.

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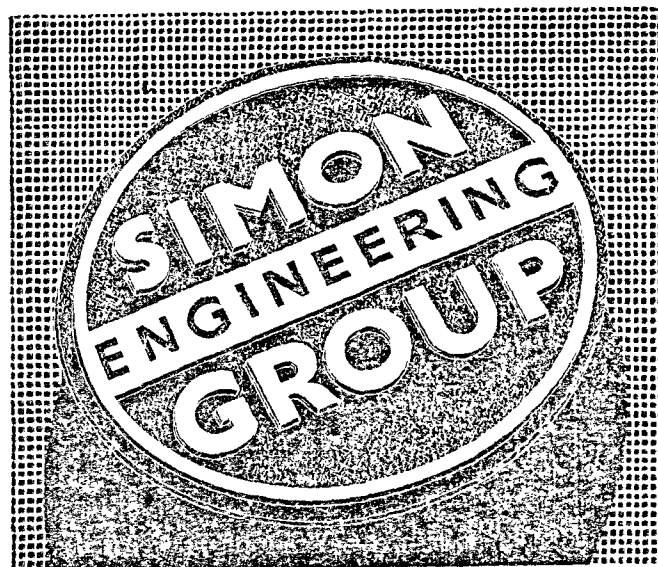
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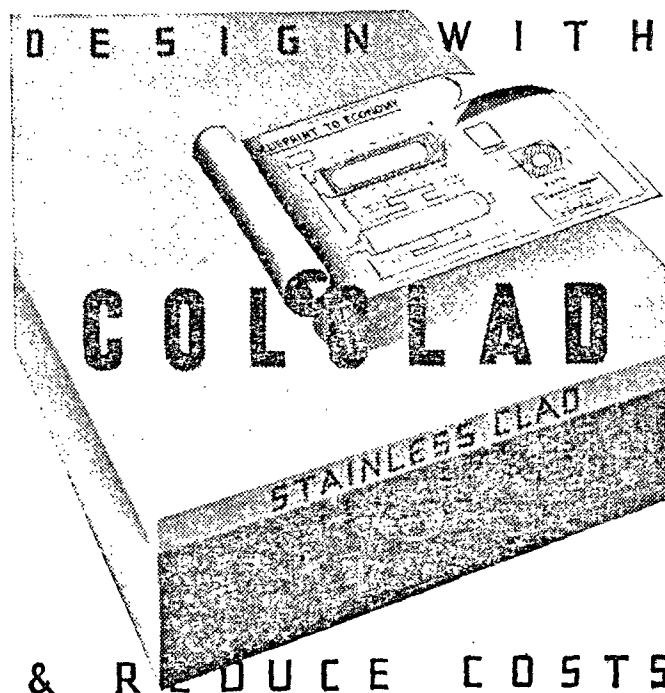
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Owing to the shortage of newsprint, *The Times* has been unable in recent years to give as much space to colonial affairs as formerly. During 1950, therefore, it published as separate supplements three special Surveys of the British Colonies. These were the pilot projects for *The Times Review of the British Colonies*, which has been established as a regular quarterly publication, issued on the first Tuesday in March, June, September and December.

The Times Review of the British Colonies draws its principal contributors from special correspondents of *The Times* and from recognized authorities on colonial subjects. It upholds the policy that the colonial territories should be advanced progressively to self-government within the Commonwealth, and advocates the economic development of these territories in the interests of the inhabitants themselves and of a general increase in the world's wealth.

The March issue was widely read at home and abroad and as widely welcomed. The next issue, which resumes the commentary on colonial affairs during the preceding quarter and discusses a similar diversity of themes, will appear on June 5.

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THE BUSINESS WORLD

Films and the Duty

IT takes a Chancellor of the Exchequer to provoke the British film industry into a measure of agreement—temporary and hedged with reservations though it is. Mr Gaitskell proposed in his Budget to increase the Entertainments Duty upon cinema receipts by £10 million, of which £2,500,000 would be passed on to the industry's various sections. For this, he is faced with opposition throughout the industry. The producers, who were intended to gain the larger part of this £2,500,000, have joined the distributors in support of the cinema owners' protest against the increase in duty. Mr O'Brien, MP, whose trade union is mainly composed of cinema employees, has made representations to the Treasury in support of the tripartite Films Council's suggestion that the industry should receive a sum larger than the Chancellor proposed. Mr Elvin, who speaks for those employed in film production, has deprecated the widening of the gap between the duty charged on cinemas admissions and the lower rate of tax on "live" entertainments, though he has still insisted that other sections of the industry should pass back into the production of films a larger share of net receipts. The industry's views command rather more consideration than is ordinarily given to the natural indignation of any group of taxpayers singled out for bloodletting. The method of tax remission, and the complex structure of the duty, make consultation between the authorities and the trade necessary; its representatives have recently been discussing the Chancellor's proposals and other suggestions with Sir Wilfrid Eady.

The cinema exhibitors' outbursts, and their contention that Mr Gaitskell is over-optimistic in his revenue estimate, are not based simply upon the argument that the proposed increases in price—an average of about twopence a seat—would be more than the traffic can bear. Receipts from Entertainments Duty have indeed fallen since the bountiful postwar years, but last year's drop was caused largely by the first "Eady" remissions; cinema audiences continued gradually to fall, but an increase in seat prices during the autumn brought total box-office receipts to just over the 1949 level. In the quarter following that increase, admissions did drop quite sharply, and cinema managers believe the decline has continued; but the effect of price changes upon cinema attendance is far from clear. Exhibitors suggest that the decline in attendances is more marked in large centres of "white-collar" population, such as London, than in industrial areas; this would be in line with past experience that cinema attendance closely reflects general economic conditions in the country—for example, the shortage of consumer goods in 1946-47, and the sharper effect of today's rising prices upon salary earners. Other influences are exerting an effect, particularly the spread of television; but few exhibitors would care to generalise about their result. The industry's apparent confidence that gross receipts have not reached the point of diminish-

ing returns was demonstrated in its first counter-proposals to the Chancellor: that cinema prices should be raised by an average of threepence, not of twopence, the "floating penny" to be wholly retained by the industry. They concede that such an increase may have some slight effect upon attendance, or may prompt patrons to switch to cheaper seats, which would have less effect upon takings; but they argue that their proposal would be more practicable than the Chancellor's.

This sounds paradoxical. How can it be argued that an increase of threepence in the average price of cinema seats, designed to bring in an extra £15 million a year, would be more likely to retain last year's level of audiences than an increase of twopence to bring in £10 million? Simply, say the exhibitors, because without more net revenue a substantial number of cinemas—up to a thousand—will have to close this year; some of those who would be willing to pay an extra twopence for a seat would not be able to find that seat to occupy. Throughout the country, admittedly, only 38 per cent of the 71 million "seat-performances" a week that make up the cinemas' total "capacity" are filled; but any wide-scale closing of cinemas, apart from the undesirability of driving the small man out of the business, would further limit the range of choice of a large proportion of patrons and would, therefore, further reduce the total receipts of the exhibitor, the distributor, and that now favoured pair who share in the proceeds—the Exchequer and the producer.

*

The validity of this argument is obviously not easy to assess. In negotiations of this kind, no party can be expected to understate his case: and the possibility that cinemas might have to close is conceded in some quarters only in terms of the marginal and inefficient few. The Cinema Exhibitors' Association has, however, produced at the request of the Treasury certain sample figures, the validity of which has not been seriously attacked—in fact they illustrate a trend in the cinema business that has been attested by independent scrutiny since the war. Last year's operating results for a sample of cinemas with gross takings of £7,500 are given as an average profit of £148; of cinemas with £7,500 to £10,000 gross takings, a loss of £75; of cinemas with £10,000 to £15,000 gross takings, a loss of £20; of cinemas with £15,000 to £20,000 gross takings, a profit of £620; and of cinemas taking over £20,000 a year, a profit of £2,269. In 1939, gross box-office receipts were roughly £45-50 million, from which Entertainments Duty took £5,500,000, leaving the industry about £42 million. Last year, from box-office receipts of £105 million, duty took nearly £37 million, leaving the industry as a whole £68 million. Net receipts at cinemas, therefore, have risen by perhaps 60 per cent compared with prewar years. The exhibitors claim that their costs

have risen disproportionately during the same period—film hire by 80 per cent, wages and salaries by more than 100 per cent, and consumable stocks such as carpets, seats, heating and ventilating equipment by 300 per cent or more. Such cost increases are inherently probable and it seems reasonable, therefore, to assume that the exhibitors' profits have suffered. The CEA's postwar figures suggest a sharp decline in profitability since the busy days of 1947. Whether the composition of the CEA's sample of cinemas from which profit figures are derived is entirely representative is hard to assess. But the lean margins of profit for some classes of hall and the losses reported by others suggest that film exhibition may be tending towards that state of constant unprofitability usually associated with film production.

On the production side of the industry, the state of business is in very low water. The employees' unions report that a large proportion of their members are unemployed; one-third of the industry's sound-stages are idle; and the spring of Government finance that has kept British film production going in the past three years, the National Film Finance Corporation, will dry up by the end of the summer, when nearly all of its allotted £6,000,000 will have been loaned to independent or "group" producers. It is proper to point out that comparisons of employment in the industry tend to be based on the highly inflated period of film production in 1948; there seems little doubt that the present level of employment and production is much closer to what the cinema industry, and the taxpayer, can support, given the present compressed revenue of the industry as a whole. British film production, indeed, is showing faint signs of recovery; of the first feature films backed by the NFFC that have been out long enough to offer a reasonable estimate of ultimate takings, nearly half seem likely to make profits, though the profits will be well short of the losses on the failures. Some of the proceeds of the "Eady levy" (the first tax remission, which took the form of a "voluntary" levy upon exhibitors for film production) are about to be distributed, and these will help to swell the takings of films shown since the scheme was introduced in the autumn. But it is far too early to suggest that British film production is about to become profitable and self-supporting.

In assessing the prospects for the several sections of the trade, it is fair to ask what measures each has taken towards setting its own house in order, and how far they have been ready to comply with the recommendations of the Plant and the Gater reports. In distribution, not much has been done. The trade welcomed the Plant

report with praise, seized upon and has quoted ever since its conclusion that the burden of Entertainments Duty was too great, and has presented plausible explanations why the measures suggested in the report could not, in any particular case, be carried out in practice. These explanations, however, seem to have carried a hint of bargaining terms; and there is some recent evidence that, given the state of business today, many exhibitors might look more favourably upon at least some of the report's recommendations for increasing profitability by restoring more competitive trading. In production, there has been a considerable elimination of waste, partly by more careful budgeting and costing, and partly by the old-fashioned method of penny-pinching; here, too, the NFFC has had considerable influence.

*

Whatever may be the results of the consultations between the Treasury and the trade—and it seems too soon to assume that no compromise will emerge—there is good reason to ask whether the whole purpose and incidence of Entertainments Duty should not be re-examined. Beyond its obvious purpose as a useful source of revenue, the duty as at present constituted has a number of effects, some designed, some perhaps complacently accepted. It serves certain rather ill-defined purposes of cultural discrimination between different entertainments; it has recently been adapted to redistribute the proceeds of film exhibition; and it acts as an indirect, and sometimes peculiarly irksome, method of price control. Discrimination between "live" entertainment such as the theatre, the music-hall, circuses and menageries, and various forms of sport, on the one hand, as deserving the encouragement of considerably reduced rates of duty (and sometimes of no duty at all), and cinemas and racing, on the other hand, which pay the full rate, is of long standing; but it would not be easy to demonstrate the relation that the duty bears to the present profitability of operation of different entertainments within the two classes. There is probably reason for such discrimination in certain cases; but it is hard to believe that the present pattern is nicely calculated to denote cultural virtue, financial standing, or public esteem. Remissions of duty on the cinema according to a dictated pattern, as against that which would follow naturally from the ordinary flow of revenue within the industry, raise major questions of film policy. But should it be for the Treasury to decide or administer that policy?

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the clauses in the Finance Bill on the new duties, the report of the National Film Finance Corporation, the question whether further public money should be adventured in British film production, and, possibly, a bill amending the Quota Act. Film policy, it seems, will proceed piecemeal as before, and confused by a division of authority that stems directly from the third function of the Entertainments Duty—its efficacy as a price control. By setting the duty upon each individual price, and graduating it in a series of most awkward steps, the Treasury operates a very effective price control over the industry. It has never had to justify such a control, and there is no price regulation committee to review

New Basis for Wool?

EVENTS in the wool market during the past two months have raised considerable doubts about its future stability. Since the war ended, wool prices have risen almost continuously; interruptions to the rise seldom lasted more than a month and were often reversed in a week or two. This time the fall has been sharp and recovery slow. The first setback occurred in South Africa in the closing days of March. Then in the first week of April, wool prices in Australia fell by as much as 30 per cent in a single day—the sharpest fall since 1921—and lower grade wools suffered more than better grades. This brought wool prices to a general level slightly above that of last December, when they were still some 40 per cent higher than in June, 1950. Since this big fall two months ago, prices have see-sawed about the lower level. Last week, wool was trying to recover in the dominion markets; then the London sales opened ten days ago and prices fell by 5 to 10 per cent, to be followed this week by further falls in the dominion and London markets. On the average, wool prices are still no lower than they were at the end of 1950, but they wear an uneasy look.

The immediate cause of the market's present weakness is the absence of buyers from the United States and the Continent; Bradford has been virtually the market's sole support. American manufacturers bought heavily between September and March and in the first three months of this year their purchases were mainly to meet defence contracts and prices soared to peak levels. The United States Government imposed ceiling prices on raw wool for civilian goods at the end of January, but the rise in the cost of living in the United States had already outpaced the rise in incomes, and a large section of the public was heavily committed to repayments of instalment credit. In consequence, sales of textiles declined sharply. The ceiling prices certainly prevented

its operation from time to time. These steps in duty, which tend to magnify changes in price very sharply, act as an effective deterrent upon the exhibitor's desire to pass on his increased costs, as many other industries that are subject to formal price control are able to do. Whether some simpler form of gradation would be preferable or whether some different form of collection, perhaps on an *ad valorem* basis, might bring in the required revenue and leave the exhibitor more able to exercise his commercial freedom are questions for examination. These matters and the better co-ordination of Government policy towards films deserve fuller study than the authorities have yet been disposed to give.

American manufacturers from buying wool for civilian purposes and where their commitments had been met at the end of March, they withdrew from the market. Recently the American Government raised the ceiling prices so that they are now above current market prices. But American manufacturers have preferred to use up their existing stocks rather than buy new supplies. In Europe, too, manufacturers are anxious about the reaction of consumers to the higher prices that will have to be paid for textiles in the coming months, and are unwilling to increase their stocks.

The influence that the United States exerts on the wool market follows from the simple fact that since the war the United States has displaced Britain as the world's largest consumer; last year it accounted for almost a quarter of the world's total consumption of wool whereas Britain used less than a fifth. Moreover, last year the United States displaced Britain as the world's largest importer of raw wool, taking 467 million lb (clean) against Britain's 357 million lb. World production of raw wool has expanded almost continuously since the end of the war, and output in the current season is estimated at about 10 per cent above the average for 1934-38, despite a 5 per cent fall in numbers of sheep compared with prewar years. An increase in the average weight of fleece and a higher yield of clean wool have made an important contribution to the rise in world production, and numbers of sheep are now increasing. But since the war, consumption of raw wool has regularly exceeded output and the gap has been bridged from stocks held by the Joint Organisation, the United States Commodity Credit Corporation and South American exporters. These stocks, accumulated during the war years, will be exhausted by the end of this season; from July onwards consumption will have to be matched to each year's production. Supplies of raw

wool during the current season are estimated at 2,360 million lb (clean); the clip is provisionally put at 2,270 million lb and the small balance comes from stocks. First estimates of world production for 1951-52 will not be known for two or three months. But if output again increases by $3\frac{1}{2}$ per cent, as it did last season, it will total 2,350 million lb. In that case, available supplies will barely match those in 1950-51, and this assumed output depends very much on the weather.

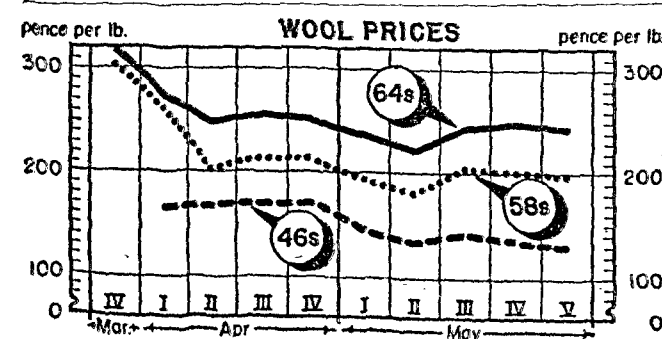
World consumption in 1950 reached a record level of 2,650 million lb (clean), 9 per cent larger than in 1949 and nearly 30 per cent larger than immediately before the war. Consumption of materials other than wool by the wool textile industry increased more sharply by about $17\frac{1}{2}$ per cent, though these mixing materials probably accounted for no more than a quarter of the total consumption of fibres by the industry. Production of tops last year rose by 14 per cent, production of yarn by 15 per cent and output of tissues by 10 per cent. Such increases in wool textile production are of no mean size; it would certainly seem that by the end of 1950 the restocking of wardrobes had been completed and some hoards had been built up against future shortages. A certain reduction in civilian demand this year would thus seem inevitable, apart from the fact of rising prices. In fact, world consumption of raw wool declined quite sharply in the first quarter of 1951 to an annual rate of between 2,375 and 2,400 million lb, representing a fall of 10 per cent from last year's record figure. Consumption declined in all the main countries, but the biggest fall was registered by the United States and the smallest by Belgium and the Netherlands. The steep rise in wool prices in the last quarter of 1950 apparently went a long way towards reducing consumption to the level of available supplies, and the further rise in the first quarter of this year has yet to show its full consequences.

These consumption figures, however, do not include purchases for government stocks. If the American and British authorities intend to put raw wool into stock, consumption will have to be cut still further. The American Government announced recently that it would not pursue its programme of buying raw wool for stock. In present circumstances, that is a reasonable decision, though no doubt there would be pressure to rescind it if the international situation were to take a turn for the worse. But the supply of textiles for civilian use will in any case be reduced as contracts for service cloth are placed. The scope for increasing the use of materials other than wool is limited. Output of rayon and synthetic fibres is unlikely to expand sufficiently to help the wool textile industry to any significant extent and even supplies of re-processed wool are unlikely to increase sharply. Military requirements for wool cloth have not been disclosed. A recent American estimate puts American army needs at 110 million lb. (clean) a year; the total of all countries for military needs might perhaps be 150-200 million lb or about 5 per cent of last year's total consumption of wool. But these are guesses, and other estimates have run much higher. Even the lower figure of 150 million lb, however, would reduce the supplies of raw wool available for civilian purposes next season from 2,350 million lb to 2,200 million lb, which would imply a fall of 8 per cent in the

current level of consumption and of 17 per cent compared with last year.

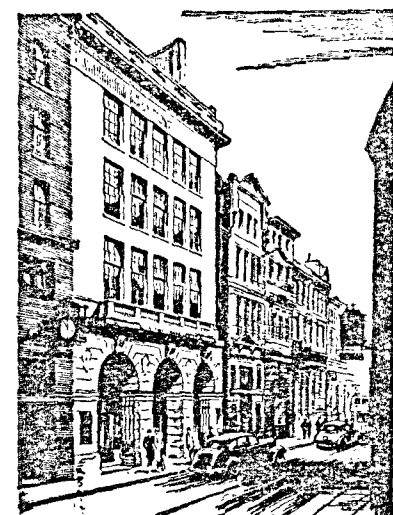
One problem for the wool market is to decide whether prices of finished textiles are already high enough to curtail civilian demand. World stocks of wool are known to be small, though stocks of tops, yarns and tissues have increased, and so have stocks of piece-goods and clothes both in shops and homes. The frantic buying of textiles which lasted from September to March has died down and consumers are showing reluctance to pay the higher prices. There may be little reason for fearing that wool prices will fall below the level of last December, at least more than temporarily, but the future course of wool prices depends ultimately upon the decisions of governments. Discussions about a possible scheme for the international allocation of wool continue in Washington. They have made little headway and it would be surprising if a definite plan were to emerge from the negotiations; the recent sag in wool prices has at least damped American interest in allocation. But whatever happens in Washington a scheme for a permanent Commonwealth marketing organisation to protect wool growers from a drastic fall in price seems to be taking shape. Details of the proposals, which were submitted to the International Wool Study Group last October, were published last week in London. The partners in the proposed scheme would be Australia, South Africa, New Zealand and Britain; Australia was particularly insistent on British participation. Under the provisional agreement reached between the four countries, Britain would contribute £12 million to a central stabilisation fund of £66 million. Reserve prices would be fixed each season and if the market fell below the reserve levels, the wool would be bought in by the organisation and re-sold at some later date. The mechanism of the scheme resembles that used by the Joint Organisation in the disposal of wartime stocks. The main difference is that whereas this country had a major voice in the policy of the Joint Organisation, it would have only a minor voice in the new organisation. Whether the new organisation will come into operation or not depends on the result of a referendum in Australia. The Australian Government has agreed to the proposals provided that the majority of the woolgrowers vote in their favour.

The proposed scheme is essentially a producer's marketing agreement with one consuming country which can be outvoted on all issues. It rejects all the principles of international commodity control laid down in Chapter VI of the Havana charter, even though certain of its features are more acceptable than those of prewar commodity restriction schemes. It is one thing to ensure that primary producers are not reduced to penury, as they were in the early 'twenties and again in the earlier 'thirties. But it has to be asked whether this country should take part in an organisation which is in conflict with the principles of international co-operation to which the present Government has subscribed or whether this country's financial contribution is compensated by a sufficient say in policy. It must be remembered that the three southern dominions have in recent years earned fabulous profits from selling raw wool. That they are still enjoying high prosperity makes their insistence on the proposed scheme, and on the generous support of the British Government, the more remarkable.



	1945-46	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52
World Clip	2,110	2,127	2,101	2,151	2,198	2,270	(2,350)
Plus offtake from supply stocks	897	252	398	196	368	89	—
Total supply	3,007	2,379	2,499	2,347	2,566	2,359	(2,350)
Less world consumption*	2,247	2,435	2,543	2,436	2,651	(2,375)	...
Changes in world trade stocks	+760	-56	-44	-89	-85	(-16)	...

* For calendar years commencing halfway through the season. () denotes forecast.
Sources: Commonwealth Economic Committee and International Wool Textile Organisation.



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Business Notes

Two Voices on Exchange Policy

By a wry coincidence the Economic Commission for Europe's unexpected plea for appreciation of Western European currencies was released in Geneva last Sunday night—just as the managing director of the International Monetary Fund was releasing in Washington his second annual report on exchange restrictions, which announced that the removal of "inappropriate exchange rates" since September, 1949, should make it possible for much greater progress to be made towards multilateral and unrestricted world trade. These two contradictory counsels are based on careful statistical studies of two very different backcloths—the ECE has its eye on the short term prospect that has been facing Europe since the Korean crisis started and the IMF has its eye on the long term prospect that has been facing world trade since the dollar crisis passed its peak.

For the ECE, as is explained in a summary of its report on a previous page, the salient fact of the present situation is that European countries are "faced with additional armaments expenditure in 1951 amounting, in several cases, to 3 or 4 per cent or more of national income. In some of them, too, the adverse effects of the changed price relationships in foreign trade may amount to another 1 or 2 per cent of national income." In most countries, the ECE believes, these increased claims on the national product could be offset by increased production if raw materials were forthcoming. Since raw materials are unlikely to be forthcoming in adequate quantities, however, demand is likely to increase faster than supply and prices of manufactured goods will thus, in the absence of positive disinflationary steps, move up to the level appropriate to their scarcity value—a level that raw material prices have already attained. The ECE believes that this process of "letting internal inflation run its course" would be "vastly more disturbing" than the alternative method of "cutting short" the process of adjustment between manufactured and raw material prices by currency appreciation in the manufacturing countries of Western Europe. It recognises that some countries—especially the United Kingdom—have based their plans for making way for rearmament on the assumption that consumption can be cut by allowing retail prices to rise and hoping that wages will lag behind them. Revaluation would lower the internal prices of imported goods, and thus run counter to this policy, but the ECE plainly does not think much of the policy of relying on price inflation in any case. It stigmatises the British Economic Survey's assumptions about likely rises in import prices and wages this year as "optimistic" and considers that there is "small doubt, even should import prices rise no further" that the British cost of living index will rise much further in 1951 than the authors of the Survey assumed.

The ECE's recommended line of policy, in short, is to counter the excess of demand over supply by fiscal policy, together with direct and indirect controls on investment; and to counter cost inflation by a flexible exchange rate policy and a wage moratorium. This is a call for sudden stopgap tactics in the middle of a storm. The IMF report, on the other hand, is a strategic assessment of world trade prospects now that the winter of acute dollar shortage has apparently passed. The IMF believes, admittedly, that removal of trade restrictions would have a short-run anti-inflationary effect by increasing the quantity of goods available for domestic consumption, but its main theme is clearly that a more economic use of the world's resources "would have benefits outlasting the present emergency." Under the IMF's articles of agreement, any member that still retains discriminatory exchange restrictions (including, of course, special restrictions on dollar imports) after the Fund's fifth anniversary in March, 1952,

must enter into consultations about their continued retention. Last week's report by the Fund's managing director really did little more than sum up the exchange restrictions existing in more than forty countries and give notice that the process of "consultation" was about to begin.

* * *

Report on Rearmament

Perhaps the only official body that is capable of forming a comprehensive view of the progress of the rearmament programme is the Select Committee on Estimates. Its first report, and the evidence that accompanies it, throw most valuable light on general rearmament policy (to which reference is made in a note on page 1282); but its detailed examination of certain special aspects of the programme, such as the provision of machine tools and electronic components, and the expansion of capacity for producing aero-engines, may be of equal importance. Certain of the sixteen recommendations made in the report would inevitably have ensued as the programme developed from planning to production; but the fact that the Committee directed timely attention to them when it was taking evidence may not have been without effect.

The Select Committee's investigation of machine tool requirements and the steps that are being taken to meet them revealed what had already become known—that the Ministry of Supply's decision to rely primarily upon imported tools was backed up by quick work in placing orders in America. But it also revealed the somewhat divided views of British machine tool manufacturers about the contribution that the home industry might be expected to make. Its adoption of a suggestion, first put forward by spokesmen for the machine tool industry, that a considerable reserve of under-used machine tools may exist within the engineering industries in general, and that a census should be taken of tools that could if necessary be requisitioned for defence production, might provide a useful remedy if delay in deliveries of particular machines began to affect the defence programme.

The Committee also pursued with some pertinacity a statement that the construction and installation of high-speed automatic machinery for producing special valves for electronic apparatus had been closed down in response to a campaign for economy in Government expenditure two or three years ago. Official evidence was given that these developments had been suspended in one case through slow progress and in another for security reasons; the Select Committee now recommends that steps should be taken to expedite the construction and installation of automatic plant of this kind.

* * *

Manpower for Defence

In due course manpower will probably become the most critical factor in the whole defence production programme; in certain industries that are now heavily engaged, the Select Committee was told, shortages already exist. Skilled manpower was scarce before the new scale of defence output was imposed upon the engineering industries; and in the aircraft industry, for example, leading industrialists are already convinced that direction of labour will soon be necessary. They do not believe that any significant transfer of manpower into rearmament work has yet occurred; nor do they expect one. Industries such as airframe manufacture and machine tool production are not especially highly-paid, in comparison, for example, with the motor industry (which,

according to official witnesses, will as far as possible not be burdened with defence orders that might seriously affect current civilian output). Last week, in a statement to Bristol Aeroplane shareholders, Sir William Verdon Smith repeated a view expressed before the Committee: that there was no incentive to transfer to armament production, with its tradition of fluctuating programmes, in conditions of full employment and rising prices.

Direction of labour, apart from being repugnant, would be an exceptionally clumsy instrument for achieving defence requirements of the dimensions at present envisaged. The last official estimate of the transfer of labour that might be necessary for the whole programme, given in the Economic Survey, was 500,000 workers, or just over 2 per cent of the working population, though admittedly a much higher proportion of certain specialised groups in it. Sir William complained that to rely on economic incentive might force "another dangerous round of inflation by the encouragement of competing earnings": it seems debatable whether the effect of higher wages in defence production—which may presently get some assistance from the delayed release of labour from certain light engineering firms deprived of materials or compelled to change their products—would be more dangerous in present circumstances than the reintroduction of powers of direction. It is probably too early even to judge the case fairly. Another point made before the Committee by representatives from nearly all the industries involved from the outset in rearmament may need swifter action. Their reserves of skilled labour are being adversely affected by the call-up. Deferment means that apprentices are lost to them just as they become fully skilled. The call-up may involve only 2½ to 5 per cent of the total manpower of such concerns, but, in aircraft production for example, such losses of skilled labour can have serious effects on output.

American Policy on Materials

A new American attitude towards the allocation of raw materials is to be discerned in the lengthy statement issued by the American Government last Tuesday. Like all government pronouncements on tender subjects, the new statement does not lack ambiguities and it leaves plenty of room for manoeuvre on principle and bargaining on detail. It is couched, too, in more than usually obscure "officialese." Its first guide to policy, for example, declares that "when there are competing requirements of similar high essentiality in terms of overall objective, allocations policy should attempt to satisfy such requirements according to the degree to which they will contribute" to six specified results.

Thus the statement is not in any sense a hard and fast programme; it amounts to nothing more than an administrative guide to the various government departments that may be concerned with sharing out scarce materials in their efforts to get the best return for the defence of the west. It marks the realisation by the United States that raw materials produced within its own territory must be made available to other countries engaged in the joint defence effort. Its broad purpose seems eminently sensible; its detailed fulfilment might involve each department in a major piece of research into the economies of friendly powers before making any allocation.

Scarce materials controlled by the United States will be allocated to other countries according to whether they are used for one or more of six specified purposes. The first is military production in the free world, including its expansion and improvement; the second is the increased supply of essential materials to help American and other countries' efforts in the defence of the free world—stockpiling is considered part of that defence; the third purpose is the maintenance and expansion of essential facilities and the maintenance of minimum civilian needs in the free world; the fourth is the reduction of the dependence of other countries upon

American military and economic assistance; fifth comes the reduction of their dependence on supplies from Iron Curtain countries; and last, the prevention of political deterioration in vital areas. These six purposes are not listed in order of relative importance. At any point of time one might be considered more important than the others.

The other directives state that, when all needs in the highest category have been met, any surplus of supplies should be allocated so as to achieve equal sacrifices among the countries of the free world. Foreign buyers must be given delivery before domestic buyers if their requirements are of "a higher essentiality"; but a recipient country must not export potential war material to the Soviet Union. There may be particular significance in a directive that calls attention to the need to encourage other countries to adopt similar policies for controlling supplies in their own areas. Does this mean that British requirements of American sulphur and molybdenum will get a lower priority rating on the ground that Britain is not allocating wool and rubber?

New Prices for House Coal

"Zone-delivered pricing" of house coals, which the National Coal Board has introduced this week, will cost it about 11½d. a ton in turnover on domestic coal (equivalent to about £1,500,000 a year) until the complementary "price structure" for industrial coals is introduced. The domestic coal scheme, which came into effect at the same time as a system of lower summer prices to induce householders to fill their cellars, is based upon a principle accepted by the Board in 1948: that within each of 60 zones covering the country, coals of similar grades will cost the same to the domestic consumer, and that he should not have to pay for better coal than he receives.

Transport costs are also to be "equalised" for each zone, if this were not done, a poor-quality coal carried a long way, and perhaps supplied to a consumer without option, might cost more than a better coal mined nearer. As a result, transport will be represented in the single zone price by the average of the freight costs of delivering coal in that area from all collieries that may send it there. Across the country as a whole, house coal prices will, as now, rise according to distance from the collieries: but within each zone there will be no distinction of price for the same quality coal irrespective of its source. At the same time, the many "qualities" of coal that a merchant may offer will be grouped into eight NCB quality grades, based partly upon scientific and partly upon commercial criteria; these grades will differ from each other by 3s. 4d. a ton (except those at the top and bottom of the range, where the difference will be 5s.). Retail prices for different grades will vary only by these margins, since the Ministry of Fuel is standardising merchants' retail margins.

There is no doubt that the average domestic consumer will agree with the NCB in accepting this system as a reasonable compromise between "one price for the whole country"—which might perhaps have cost consumers near the mines as much as 15s. more a ton—and the more strictly economic basis of pithead costs plus the actual cost of transport to market. The householder will almost certainly prefer a simple and manageable tariff, and the merchant may find the system less complex, though it may affect his own flexibility of operation. Both distributors and NCB ought to find that the scheme lessens complaints about quality. Since the zone prices will broadly reflect transport costs from the pit, the NCB should be able to supply coal from the source with the lowest costs. The improved system of grading coal—for a wider variety of uses—will no doubt provide the basic foundation of the industrial price structure on which the NCB is engaged in discussion with representatives of consumers. But the zone-delivered system may not be so welcome to industrial consumers, who can less afford to ignore or forego the advantages of economic location.

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Steel for Rearmament

The British Iron and Steel Federation, having taken time to reflect upon its apparent disagreement with the Minister of Supply about the prospects for this year's steel output, is now prepared to commit itself more firmly to its known views:

These developments in the raw materials position should enable steel production to be maintained at the rate of 16 million tons a year in 1951-52, as envisaged in the original Development Plan, and the rate of 18 million tons, agreed with the official Committee under the chairmanship of Sir Edwin Plowden for the middle 1950's, to be reached by about 1954-55.

The developments on which the Federation is counting include the benefits in the second half of this year from new capacity, based on home ore, that is now being built. This includes new ore treatment equipment at the Appleby-Frodingham works of the United Steel Companies, new blast furnaces at Lysaghts' and Richard Thomas's Scunthorpe works, and also at Sheepbridge. These additions, together with the blowing-in of furnaces now being relined, should raise pig iron production by some 10,000 tons a week, or 500,000 tons a year, during the second half of 1951; if so, they may mean that the crucial raw material problem will be shifted to the supply of coke, of which greater quantities are used in smelting home ores.

Allowing for lower imports of steel this year than last, but also for some draft on producers' stocks of ingots and semi-finished steel, the Federation estimates in its latest *Statistical Bulletin* that current supplies of steel will be slightly reduced this year compared with 1950. Since exports have already been cut, the Federation believes that deliveries

STEEL SUPPLIES AND DISPOSALS 1950; AND ESTIMATES FOR 1951

Million Ingot Tons	1950	1951 (est.)
Production of ingots and castings	16.29	16.00
Producers' stock reduction	0.10	0.25
Imports	0.60	0.45
Second-hand and re-usable material	0.46	0.45
Total supplies	17.45	17.15
Exports	3.25	2.72
Deliveries to Home Market	14.20	14.43

of steel to the home market may be slightly larger this year than last. But last year's actual consumption, allowing for the reduction of consumers' and merchants' stocks, was probably higher than the figures for deliveries suggested; so supplies for use at home may differ little, the Federation concludes, from those in 1950.

In a further useful study of possible changes in the pattern of steel consumption as rearmament absorbs more resources and workers, the bulletin notes the wide variation in annual consumption of steel per worker between, for example, the 12.5 tons in drop forgings and the 1.4 tons of certain light engineering work. Shifts in the distribution of labour, therefore, may considerably affect the steel needs of the industries involved in rearmament; since some of the remaining industries (such as collieries) cannot be restricted, steel consumption by other industries will have to be reduced more than proportionately. The same considerations apply to the demand for individual products, and in the coming months to the demands of the new Margam strip mill for materials; the question whether expansion in motor output, which consumes also about two-fifths of the country's alloy steel, can be expected to continue, must greatly affect the demand for flat products. The Federation feels that "some form of allocation scheme for steel generally may be necessary"; but it urges, pending the working out of further control machinery, that broad decisions should be taken about the permissible scale of steel consumption for the main consuming industries of the country.

Fuel for Jet Aircraft

The supply of fuel for a jet-powered air force is a matter demanding urgent consideration. Kerosene is still the standard gas turbine fuel in this country and appears as such in the aviation turbine fuel specifications published by the Ministry of Supply. But only seven to ten per cent of crude oil consists of kerosene and, even though the maximum quantities are not at present extracted, the oil companies will not be able to supply the civilian market and at the same time meet military requirements when the aircraft now being built under the rearmament programme are in service. A gas turbine aero engine will run on motor or aviation spirit, and all military engines built in this country and in the United States now have to be cleared for operation on both types of fuel. Yet at best, the use of aviation spirit is an unsatisfactory expedient that can be justified only by the greater difficulties of supplying two separate fuels for jet and piston-engined aircraft. These difficulties may occur in forward fighting areas, and American carrier-based jet and piston-engined aircraft both operate on a high grade of aviation spirit. British carriers will probably store both types of fuel.

Both motor and aviation spirit are lighter oil fractions than kerosene and they boil at lower temperatures and atmospheric pressures. The rapid rate of climb and the high operating ceiling of jet aircraft leads to boiling which has to be overcome, either by pressurising the fuel tanks of the aircraft (so that the spirit is insulated from rapid atmospheric pressure changes) or by providing wide air vents in the fuel tanks through which the gases can escape. But both devices seriously curb the range of the aircraft; pressurising increases the structure weight and so reduces the weight of fuel that can be carried and the air vents may lead to a loss of as much as 30 per cent or more of fuel in the tanks. The use of aviation spirit also reintroduces the fire risks associated with fuels of very low flash point, a risk that was greatly reduced by the introduction of kerosene.

The problem is to develop a new turbine fuel that will be more plentiful than kerosene and more suited to the jet engine than motor or aviation spirit. Gas turbines will operate on a much wider range of fuels than reciprocating engines and the United States authorities have already published a specification for a wide range distillate turbine fuel. It consists of all the kerosene fractions, a large proportion of the motor spirit fractions and a considerable proportion of the heavier diesel fractions. The aircraft industry has since objected to the specification because of the practical disadvantages of using a distillate with too high a vapour pressure in turbine engined aircraft. Furthermore, the effect of producing large amounts of such fuel on the supply of other petroleum products has to be considered and some compromise will have to be reached between getting the most suitable operational fuel and meeting the demand for other refined products. Such a new fuel, when its composition is finally decided, might perhaps use some 25 to 30 per cent of the crude, omitting the lighter part of the motor spirit fractions and possibly taking a smaller toll of the heavier distillates.

* * *

The Provision of New Fuels

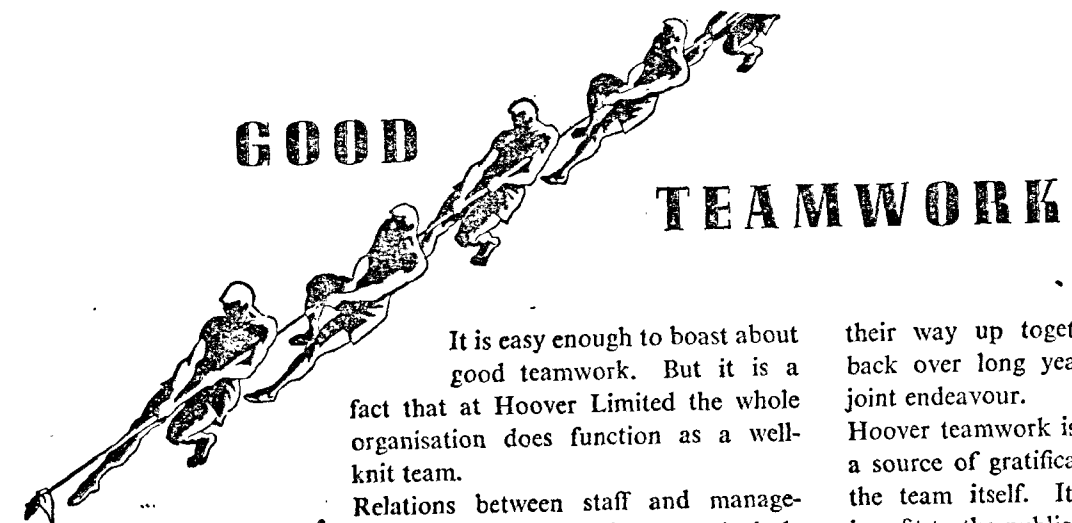
Whether this will represent an ideal solution will depend on the fuel requirements of a jet air force in wartime. In the last war aviation spirit represented ten to twelve per cent of the crude. It is reasonable to assume that, whereas the fuel consumption, measured in air miles a gallon, of the large-range jet bombers will be comparable with that of the same type of aircraft in the last war, the fuel consumption of the shorter-range bomber and of fighter aircraft will be substantially bigger. On the other hand, owing to the added cost and complicated production of the turbine-engined military aircraft, air forces are unlikely to be larger than those of the last war. Nevertheless, greater quantities of turbine

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fuel will be required than can be met by kerosene; and a new turbine fuel is necessary.

The production of the type of wide-range distillate fuel suggested in the American specification would not be technically difficult, since modern refineries are flexible and could manufacture such a fuel without additional equipment. If the wide-range distillate came into general use, present handling facilities on the airfields for military aviation fuel would probably be adequate, since some of the lower octane aviation fuels are ceasing to be used and the present facilities for handling kerosene could also be employed.

If eventually a very high output of aviation turbine fuel should become necessary, then manufacture of the wide-range distillate would take practically all of the distillate fractions from the crude, leaving only heavy residues. The work of the Anglo-Saxon Petroleum Company and others in the utilisation of heavy residual oils in marine diesel engines will increase the consumption of these products, thus offsetting a resultant shortage of distillate fuels. But much more investigation is required to determine the best balance between the large scale production of turbine fuel and consumption of the residual oils and distillates.

* * *

Higher Acceptance Commissions

Another sign of the growth of overseas demand for financial facilities in the London market appeared this week, when it became known that the clearing banks are about to revise their schedule of minimum charges for operations or services performed on behalf of foreign customers or banks abroad. This schedule resulted from an agreement reached, after many false starts, between the clearing banks in 1948; it established the principle of concerted minimum rates for foreign business, imposed charges for some services that previously had been performed free, and raised the charges for some others. The Scottish and Irish banks formally adhered to the agreement, but the merchant banks and London offices of the overseas banks apparently did no more than give it their blessing in principle. Partly for this reason, it was widely expected that these cartel arrangements would not long remain intact—more particularly in the matter of acceptance commissions, which had been the major stumbling block in the earlier attempts to reach agreement. In fact, however, the plan has worked with surprising smoothness—partly, no doubt, because many of the minima were fixed at levels below the rates ruling in foreign markets, and partly because the past three years have been marked by a steady increase in demand for the facilities in question.

*

The revised schedule, it is understood, still awaits formal confirmation by the Committee of Clearing Bankers. But, as it now stands, it is unlikely to make major changes—except in the matter of acceptance commissions. The minimum charge for acceptances, which was fixed in 1948 at 15s. per cent per annum (compared with the 10s. per cent that had been generally charged before that), is to be raised to 24s. per cent per annum—or 6s. per cent flat on a three months' bill. This will still leave the cost of bill finance at a very moderate level, for, despite its increase in recent years, the market discount rate for three months first-class bank acceptances is no more than 11/16ths per cent—to which has to be added the United Kingdom bill stamp of 1s. per cent flat. These scheduled rates, it should be emphasised, do not apply to home customers of the banks. Rates charged for acceptances for the domestic financing of stocks, for example, are a matter for negotiation; where this form of finance has to be regarded merely as an alternative to finance by way of bank advance, it is likely that the acceptance commission would be appreciably higher than the scheduled foreign minimum.

Imports From Canada

The continuing committee that examines financial and trade relations between Canada and the United Kingdom concluded its meeting in London last week. Since the committee met in June, 1950, a great improvement has occurred in the sterling area's holdings of dollars. The principal function of the committee has been to watch the sterling area's balance of payments with Canada and its consequences for Anglo-Canadian trade. Regained independence from dollar aid from North America has encouraged the British Government to increase British imports from Canada for the year from July, 1951, by about 50 per cent by value over the imports for the calendar year 1950, which totalled £179 million. Probably only a half of this increase by value will be reflected in an increase in the volume of imports, because of last year's rise in prices.

Nevertheless, the change is of significance, given the disheartening trend of Anglo-Canadian trade since 1947. Most of the additional imports are likely to be raw materials and food. Contracts for increased supplies of timber and aluminium have already been signed. Indeed, the contract for more than 300,000 standards of softwoods, announced this week, is the largest since the war; it is valued at \$50 million. Some extra newsprint, though probably little, may be available and there may be some increase in imports of woodpulp for paper-making compared with last year's low level.

It should be possible to increase imports of wheat, which in 1950 were decidedly lower than in the two previous years, and of eggs and bacon. Imports of cheese, however, were appreciably higher in 1950 than in 1949 or 1948. There is a wide field for increased imports of these basic materials and foods, which are purchased on Government account; hence, there would seem to be little prospect of any substantial increase in imports of other items by private traders.

* * *

Fall in Bank Deposits

The clearing banks' statement for mid-May fully confirms the conclusion, reached in these columns four weeks ago, that the unexpected movements disclosed by the April statement ought to be regarded as a temporary aberration from the underlying banking trends that began to be discernible early this year. For April, it will be recalled, the published statement disclosed an increase in net bank deposits by nearly £111 million, the biggest increase ever shown for the month of April. Equally unexpectedly, this movement appeared to be largely attributable to very heavy borrowings from the banking system by the central Government, despite the fact that the deterioration in the external balance of payments from last year's large surplus into deficit had removed a major source of strain upon the Treasury's cash position. On the other hand, despite the increasing pressure that is being put upon the working capital of industry by the need to finance higher-priced stocks, bank advances rose in April by only £12 million, in contrast with over £36 million in the corresponding month of 1950. Each of these three oddities in the April statement is corrected by an opposite movement disclosed by the statement for May. In the four weeks to May 16th, net bank deposits declined by just over £70 million, compared with a fall of only £14½ million in May, 1950. This decline has occurred, moreover, despite the fact that advances have risen much more sharply than is usual at this time of the year; their increase over the four weeks amounted to £27 million, a movement that is appreciably larger than last year's even if allowance is made for the fact that advances were then being repaid from the proceeds of the application moneys on the BEA loan.

If a further small increase in the banks' investment portfolios is regarded as also affording finance for the private sector, its total demands rose during the month by nearly

£29½ million. This increase, when related to the sharp decline in deposits, implies that Governmental demands upon the banking system were reduced by no less than £100 million, or actually by a little more than they seemed to have expanded in the previous month. In the past two months taken together, therefore, deposits have risen less rapidly than in the similar period in 1950, and the main cause of the expansion has been the growth of bank advances. Since January, indeed, these have risen by £152 million, or by £30 million more than they rose during the whole of 1950. Hence the ratio of advances to deposits has risen to 29.2 per cent, its highest level for a decade.

* * *

Molybdenum and Tungsten

When he returned from the United States last week, Mr Richard Stokes was reported to have said that he spent most of the time in discussions on molybdenum. It is not yet known how much molybdenum will be allocated to Britain for the current quarter, but a quota for total exports of 1,250,000 lbs. has been announced from Washington. This amount would represent more than the amount allocated for export in the first quarter, but less than the average quarterly exports of last year. It would also seem that only part of this quota is likely to be available for shipment before the end of June. Even if it were completely filled during the current quarter it would not meet the full demands of Western Europe; but the resumption of large-scale shipments is a recognition by the United States of European needs. The United Kingdom takes a large part of American exports of molybdenum, but France, Western Germany, Italy and Sweden are also big European importers. British imports of molybdenum have recently been drawn entirely from the United States and Chile, although at an earlier date small quantities had been obtainable from Norway and Canada. It is not known whether the United States allocation excludes exports from Chile; production in that country is American controlled. British imports of molybdenum were lower in the first four months of this year than in the corresponding periods of 1950 and 1949 and during this year about 40 per cent of imports have come from Chile.

Imports of wolfram, which fell in March because of the decline in shipments from Portugal, were correspondingly high in April. Shipments from Portugal may be held up again because of the difficulty of securing export licences—a difficulty also experienced by Western Germany and Sweden. The Portuguese Government sets quarterly export quotas which seem to have been used up, but the recent recovery in the price of wolfram may overcome this reluctance to export. The recovery was expected partly because the market strength of wolfram shows no diminution and partly because the ceiling price imposed in the United States would not seem to apply to all purchases—indeed American buyers are again active in Portugal. Portuguese output rises and falls with price because much of it is from small marginal mines which require a high price to produce at a profit; but this reserve of production in Portugal is probably more significant than recently reported finds of scheelite in various parts of the world. On the other hand, if supplies were forthcoming from the Mawchi mines in Burma the whole prospect for this critical alloy material would be transformed.

* * *

Copper Price Up

The long-awaited rise in the price of copper was announced at the end of last week. The American export price was raised 3 cents to 27½ cents a lb. (equivalent to £220 a ton), and the Ministry of Supply raised its selling price by a corresponding amount of £24 to £234 a ton. Even now it is doubtful whether the official price is sufficiently high to equate supply and demand. The "free" market price in

New York is still around 50 cents a lb. and in Europe the price is nearer £450 a ton. The rise in the official quotation had little effect on these prices, and supplies remain as tight as ever.

Copper is likely to remain scarce both this year and next. Consumption in the United States has been reduced by government order, and the American Government has now ordered metal fabricators to set aside 75 per cent of their copper supplies for defence contracts as from July 1st. German demand has declined because of import restrictions, but Japan, which twelve months ago was exporting copper, is now beginning to import sizeable quantities. If Rhodesia has adequate fuel and no labour trouble Britain can count on some 350,000 tons this year, and the increased Rhodesian electrolytic refining capacity will be coming into operation in a few months' time. But civilian consumption in this country may still have to be reduced more drastically as defence requirements expand. Supplies of scrap are disappointing and show no signs of expansion. The experience of other markets has revealed that the most effective way of reducing consumption and of preventing hoarding is to make both operations expensive, and in order of values copper has still quite a long way to go.

* * *

Reply about Plasterboard

Mr R. S. Jukes, joint managing director of British Plaster Board, Ltd., has now given the views of his group about the three Orders by which the Minister of Works imposes price control upon gypsum rock, building plasters and plasterboard made by British Plaster Board, but not on the prices of the same products made by its competitors. These Orders were referred to in last week's issue of *The Economist*. Mr Jukes's statement shows that prices for plaster and plasterboard had been set by a voluntary arrangement for the industry as a whole; British Plaster Board recently decided in the interests of its shareholders to withdraw from this arrangement, on the ground that the Ministry had abandoned the industry-wide pricing method and had attempted to discriminate against British Plaster Board, Ltd., alone. During protracted negotiations, Mr Jukes claims, officials of the Ministry consistently refused to have regard for the need for a fair return upon the real capital invested in the British Plaster Board group—in particular, to the desirability of an adequate return on £1,000,000 of capital raised from 13,000 shareholders to finance postwar expansion demanded by the Ministry, on which the shareholders have since received an annual return of only 4½ per cent gross. The Ministry was prepared to allow for replacement of plant and machinery built since the war at postwar values, but not for the replacement at postwar values of similar plant built before the war.

Mr Jukes argues that the prices for plaster and plasterboard now laid down for the group's products are not only unfair but are also below those at which existing competitors in the industry could make a fair return: through the strictness of voluntary price control, he argues, two of the small number of competitors in the gypsum industry have already been eliminated. The difference between the prices set by the company after withdrawing from the voluntary price control arrangements, and those now imposed, would represent, it is stated, approximately 13s. for a £1,400 traditional house using average quantities of these materials; in practice such economies might remain theoretical, owing to the difficulty of segregating the competing products in the hands of distributors.

The imposition of price control upon the products of one company alone in an industry is an unusual step that needs more justification than the Ministry of Works has yet been prepared to offer; and without entering into the merits of the case, official insistence upon historical cost in calculating

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the size of provisions for re-equipment is of doubtful merit. Mr Brown will no doubt find it advisable to explain his decision more fully; and perhaps to answer Mr Juke's assertion that in the case of gypsum a price control order was imposed although the group had not withdrawn from voluntary control of prices.

* * *

Jute Prices Up

The Jute Control has raised the selling prices of all grades of raw jute, other than cuttings, by an average of £50 10s. a ton with effect from May 30th; and the selling price of imported Calcutta hessian has been raised from 141s. 6d. to 175s. 3d. per standard length. These increases result from the Control's policy of adjusting the selling prices of raw jute and imported hessian in such a way that prices of home-produced and imported hessian of equivalent weight and quality to the British consumer are about the same. They are, therefore, affected only indirectly by the price of raw jute at Chittagong, which after rising to a peak of £240 a ton towards the end of April fell to £225 in the second week of May and has now recovered to £232. The earlier and steadier rise in the price of Pakistan raw jute and the conclusion of the Indo-Pakistan trade agreement in February made it essential for the Indian Government to remove the control on prices of raw jute and jute manufactures in March (the alternative was revaluation) if Indian mills were to use Pakistan jute economically; 3,500,000 bales were promised to India under the agreement although it has only been arriving slowly.

Since prices of raw jute and of manufactures began to rise sharply in Calcutta a substantial increase in prices in this country was inevitable. In January, prices had already been increased by about 28 per cent, largely as a reaction to the imposition of an export tax by the Indian Government on hessian. The present increase takes the price level to about 60 per cent above that at the end of last year. Nevertheless British prices are still well below those in most other countries; in India hessian cloth is about 25 per cent dearer than in this country. The averaging of prices by the Jute Control has to some extent shielded consumers. In consequence of the increased raw jute price, maximum prices chargeable by spinners for jute yarn have been increased by about a quarter; and the Dundee cloth manufacturers are about to issue a new price-list of home-made cloths. A fair increase in yield of raw jute is expected both in India, in spite of the need to grow as much food as possible, and in Pakistan. India still aims at independence in raw jute and may produce some 3,500,000 bales; Pakistan is likely to increase the jute acreage by a quarter. The new crop will not be reaped and marketed till much later in the year and its effect on prices cannot yet be foreseen.

Will Supplies Improve?

Supplies of raw jute are sufficient to maintain the present level of output in Dundee, which is basically limited by the seeming impossibility of adding to the labour force. On the other hand, supplies of the cloth and sacks normally imported from India remain insufficient. Essential users have had supplies cut by about a third; and Dundee has been forced to cut supplies to the linoleum and carpet industries in order to try to fill the gap. As a result of the Indo-Pakistan agreement, however, the allocation of Calcutta cloth and sacks has recently been increased for the first six months of the year by 12,000 tons, making a total from January to June of 34,000 tons. Shipments have often been held up in the past or directed to other makers and Dundee manufacturers prefer not to count on these supplies until they are in fact shipped. Stocks of cloth are now very low, so that an improvement of supplies would first replenish stocks and might not perceptibly relieve the shortage till next year.

Nevertheless the worst in the jute trade should now be over. The inadequate supply of new hessian bags has led to a brisk trade in used bags which are collected, reconditioned and then resold. The possibility of being able to sell used bags at prices that have risen twice this year has relieved consumers of part of the big outlay now needed for new bags. But, as the president of the United Kingdom Jute Goods Association suggested at its annual general meeting on Thursday, "only a similar shortage" (and he might have added similar high prices) "of other materials has prevented a wholesale desertion of jute." The expected increased harvests of jute in India and Pakistan should make hessians progressively less scarce, particularly since the Pakistan Government, in spite of the recent agreement with India, seems to be continuing its plans to manufacture jute goods; the setting up of four additional jute mills of 500 looms each has recently been recommended to the Pakistan Economic Council.

Shorter Notes

The price of nickel has been raised 6c a lb. (US currency) by the International Nickel Company of Canada and by £48 a ton in this country, making the price delivered works £454 a ton. The Falconbridge Company has raised its prices both in Canada and here by the same amounts.

*

At the forthcoming annual meeting on July 3rd of Anglo-Egyptian Oilfields a proposal to move the head office and management of the company to Cairo will be put to the shareholders.

Company Notes

Morris Motors.—The full impact of re-armament has not yet been felt by the motor industry, but the cut in sheet steel supplies early this year has already brought, in Lord Nuffield's words, a "depressing change" to the prospects facing Morris Motors this year. The past year was one of impressive records in output; income from sales jumped from £40,740,000 to £60,980,000 and gross earnings more than doubled, from £4,607,146 to £9,838,456. If sheet steel had been available in unrestricted quantity, even these impressive figures would have been surpassed. Exports also reached new peak levels, with sales amounting to nearly £39 million, and orders in hand would absorb a full output at last year's rate; but shortages of materials and limitations on shipping space are hindering the export effort.

	Years to Dec. 31	1949	1950
Consolidated earnings:—			
Gross earnings.....	£	4,607,146	9,838,456
Total profit.....		4,660,873	9,885,129
Depreciation.....		594,899	677,121
Taxation.....		1,587,926	4,108,270
Group earnings for ordinary stock...		874,817	2,784,322
Ordinary dividends.....		649,250	715,500
General reserves.....		5,236	2,112,733
Added to carry forward.....		250,917	27,927

Cons. balance sheet analysis:—			
Fixed assets, less depreciation...	£	6,332,258	7,423,044
Net current assets.....		7,653,436	11,183,755
Stocks.....		13,644,171	15,409,675
Cash.....		556,190	3,495,096
Reserves.....		8,265,681	12,752,897
Ordinary capital.....		2,650,090	2,650,090

* Tax free.

5s. ordinary stock at 40s. x1 yields 6s. 6s. per cent.

The decision to raise the tax free dividend from 24½ to 27 per cent, with the full knowledge of difficulties to come, suggests that the maintenance of the higher rate is a reasonable expectation. Lord Nuffield's statement emphasises the difficulties that may arise in the future. To the shortage of sheet steel must be added the prospects of a growing scarcity of other materials as re-armament gathers way. Moreover, the cost of tooling for new models has risen more than threefold compared with prewar costs, a factor that needs to be borne in mind when the motor industry comes to re-tool to fulfil defence orders.

The considerable appropriations to reserves from the latest year's excellent profits must, therefore, be considered in relation both to the costs of replacement and re-tooling and to the increasingly heavy burden

of providing working capital; the book value of stocks, for example, has risen from £13,644,171 to £16,400,675. In view of these responsibilities, the rise in net current assets from £7,663,436 to £11,183,755 and in cash from £556,190 to £3,495,096 is welcome. The modest level of cash resources at the end of 1949 led the company to obtain accommodation in the form of acceptance credits, which appear at £3,384,741; these new funds have been used primarily to finance "the vast volume of business" with Australia and Canada. In addition, Nuffield House in Piccadilly has been sold "at a satisfactory profit" and the proceeds devoted to strengthening the group's liquid resources.

Two separate references in Lord Nuffield's statement to increased costs and keener competition from Continental motor manufacturers reinforce the rather cautious tone of his remarks. The group has done much, so far as it is able, to meet the difficulties of finance and industrial organisation that have arisen in the past year or so. But the gross yield of £6 9s. on the 5s. ordinary units at the current price of 40s. is in itself a reflection of their formidable character.

*

Guest, Keen and Nettlefolds.—There have been suggestions that a greater proportion of the compensation received by Guest, Keen and Nettlefolds for its holdings in companies now vested in the Iron and Steel Corporation should have been passed on to shareholders. The tax free distribution actually made of 5s. per £1 ordinary share, absorbed some £3,400,000. The chairman answers this criticism by arguing that the company must keep adequate resources to take advantage of any opportunity to expand its business; taxation at crippling levels prevents the accumulation of sufficient profits for this purpose and it is not safe to count on being able to raise new risk capital at the exact moment when it is needed.

The justification for this case may be found in the fact that in the last five years over £14 million has been spent on capital development and that in recent years two issues of risk capital have been needed to finance these projects. Moreover, the company has already sanctioned the expenditure of £12 million on development schemes; inflation will inevitably swell this figure and the values of stocks and debtors, making additional finances necessary.

	Years to Dec. 31	1949	1950
Consolidated earnings:—			
Trading surplus.....	£	6,237,465	7,682,088
Dividends on investments.....		119,959	754,722
Total income.....		7,357,424	8,436,810
Depreciation.....		1,381,191	1,534,391
Taxation.....		2,931,963	3,567,384
Group earnings for ordinary stock.....		1,285,196	1,694,089
Ordinary dividends.....		775,716	844,775
Ordinary dividends (per cent).....		12½	14
Retained by subsidiaries (a).....		1,062,440	1,178,300
Added to general reserves and carry forward.....		855,151	984,695

Cons. balance sheet analysis:—			
Fixed assets, less depreciation...	£	12,621,954	14,171,844
Net current assets.....		21,998,322	24,105,178
Stocks.....		12,329,469	12,731,964
Cash.....		4,211,641	5,447,592
Reserves.....		20,252,151	22,693,737
Ordinary capital.....		11,283,150	11,301,337

(a) Excludes capital reserve retentions (1949: £64,108; 1950: £256,629).

£1 ordinary stock at 50s. 6d. x1 yields £4 14s. per cent.

Compensation was actually satisfied by the issue of £18,537,774 steel stock resulting in a capital surplus of £8,438,663 over the book value of investments in subsidiaries now publicly owned. At no time, however, has it been possible to realise steel stock at par, and to safeguard against any further capital depreciation the company has switched its holding of steel stock into shorter dated gilt edged stocks. To date, the company has

sold £15,500,000 steel stock at an average price of 98½ to produce £15,224,675 and has reinvested £13,752,508 in £14 million 2½ per cent Funding 1956-61 at the same average price.

Excluding exceptional items of income and dividends from subsidiaries now in public ownership, distributable earnings appear to give an ample cover on the higher ordinary dividend of 14 per cent, against 12½ per cent. The trading surplus of the group has risen from £6,237,465 to £7,682,098 while most of the company's manufacturing subsidiaries report higher output and profits; although raw material shortages may raise difficult problems, the immediate outlook appears promising. Ultimately, much will depend on the success of the ambitious capital development programme, for which, at this stage, the retention of a good part of the compensation moneys remains an essential foundation.

*

British Insulated.—The marked effect of the Korean war on the trading experience of a representative industrial concern is clearly illustrated in the latest accounts of British Insulated. In the opening months of 1950 conditions had become highly competitive, and trading was returning to something of its prewar aspect.

The Korean war, however, completely reversed the situation and for the second half of 1950 production facilities were stretched almost to the limit; but for this fact, the fall in trading profits might have been far sharper than the actual fall of £607,622 to £6,130,642. Re-armament, however, has intensified the problem of raw material shortages, especially as stocks of scarce materials as copper were used early in 1951 to complete orders accepted before these metals were rationed.

	Years to Dec. 31	1949	1950
Consolidated earnings:—			
Trading profits.....	£	6,738,264	6,130,642
Total income.....		6,978,518	6,307,027
Depreciation.....		771,131	781,699
Taxation.....		3,080,829	2,545,201
Group earnings for ordinary stock.....		2,424,488	1,652,826
Ordinary dividends.....		338,814	348,460
Ordinary dividends (per cent).....		6½	7½
Group revenue reserves.....		2,086,666	1,323,577
Added to group carry forward.....		176,500	307,887

Cons. balance sheet analysis:—			
Fixed assets, less depreciation...	£	7,429,655	7,557,632
Net current assets.....		17,303,161	18,668,265
Stocks.....		14,128,646	16,222,960
Cash.....		2,530,077	1,516,778
Reserves.....		10,586,377	12,225,028
Ordinary capital.....		9,240,366	9,240,366

£1 ordinary stock at 27s. yields £4 1s. 10d. cent.

The raising of British Insulated's ordinary dividend from 6½ to 7½ per cent may leak modest enough to some equity holders, but considerable appropriations to reserves have been required to provide working capital and to replace fixed assets. Higher prices have led to substantial increases in stocks from £14,128,646 to £16,222,960 and in debtors from £14,277,845 to £16,070,438 and despite last year's profit retentions bank balances have been reduced from £2,530,077 to £1,516,778. To replace the parent company's fixed assets, shown at a net book value of £4,235,384, would cost about £16,000,000. And, of course, additions to new plant and machinery, which totalled £909,036 in 1950, have to be made at inflated prices.

The promise of a full order book this year, which the chairman claims could easily be doubled, presents something of a contrast to the markedly cautious tone of the chairman's statement. This reveals that the company has already been forced by material shortages to lengthen its delivery dates; to keep the plant balanced on the present allocation of copper and other materials has become "more and more difficult" and any further deterioration in supplies will bring about "a serious position."

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, May 23, 1951	Price, May 20, 1951	Net Yield, May 30, 1951 (a)	Gross Yield, May 30, 1951
War Bonds 2½%...	100½	100½	£ s. d.	£ s. d.
Mar. 1, 1951-53			0 13 0	2 0 0
War Bonds 2½%...	100½	101½	0 16 2	2 1 11
Mar. 1, 1952-54			0 16 1	1 19 1
Exchequer Stk. 2½%	100½	101½	0 16 1	1 19 1
Feb. 15, 1955			0 14 6	2 0 2e
War Bonds 2½%...	101½	102½	0 18 11	2 3 10
Aug. 15, 1954-56			0 4 11	1 9 9e
Funding 2½%...	101½	101½	0 14 7	2 10 4
June 15, 1952-57			0 14 7	2 10 4
Nat. Defence 3½%...	103½	103½	1 3 9	2 13 5f
July 15, 1954-58			0 39 0	2 7 11e
War Loan 3½%...	102½	102½	1 4 9	2 13 4f
Oct. 15, 1955-59			2 3 10	3 14 11e
Savings Bonds 3½%	87½	88	1 15 5	3 5 11
Aug. 15, 1955-65			1 19 2	3 4 0e
Funding 2½%...	87½	87½	1 12 10	3 17 4f
Apr. 15, 1956-61	83½	83½	2 9 8	3 19 9e
Funding 3½%...	83½	83½	2 0 1	3 10 0f
Apr. 15, 1959-69			1 18 7	3 8 9e
Funding 3½%...	85½	85½	1 17 10	3 7 11f
Aug. 1, 1966-68			1 13 6	3 11 1e
Funding 4½%...	103½	103½	1 19 6	3 16 8f
May 1, 1960-80			2 8 4	3 19 0e
Savings Bonds 3½%	83½	83½	2 0 3	3 10 6f
Sept. 1, 1960-70			2 2 11	3 8 3e
Savings Bonds 2½%	90½	90½	2 0 0	3 5 7e
May 1, 1964-67			1 14 11	3 12 7f
Victory Bonds 4½%	104½	104½	2 6 10	3 17 8e
Sept. 1, 1960-76			2 1 3	3 12 0f
Savings Bonds 3½%	81	81½	2 2 2	4 0 10f
Aug. 15, 1965-75				
Consols 4½%...	89½	100½	2 0 11	3 18 1f
Feb. 1, 1957			2 0 2	3 16 8f
Conversion 3½%...	80	80½	2 1 0	3 18 9f
(after Apr. 1, 1961)				
Treasury Stk. 2½%	85	85½	2 0 5	3 14 4e
(after Apr. 1, 1955)			2 0 11	3 14 1f
Treasury Stk. 3½%	86½	86½	2 3 10	3 15 10e
(after Apr. 5, 1960)			2 1 7	3 19 2f
Treasury Stk. 2½%	86½	86½	1 19 11	3 16 3f
War Loan 3½%...	88½	88½	2 4 6	3 14 11e
(after Dec. 1, 1952)			2 1 10	3 12 4f
Consols 2½%...	85½	85½	2 2 7	3 13 4e
Brit. Elect. 3½% Gtd.	81½	81½	2 1 6	3 12 1f
Apr. 1, 1968-73			2 0 4	3 14 6f
Apr. 1, 1968-73			2 3 8	3 15 4f
Mar. 15, 1974-77			2 4 6	3 15 0e
Brit. Elect. 3½% Gtd.	80½	80½	2 1 11	3 12 5f
Nov. 15, 1976-79			2 3 9	3 15 11e
Brit. Tpt. 3½% Gtd.	85½	85½	2 2 9	3 15 0f
July 1, 1978-88				
Brit. Tpt. 3½% Gtd.	81½	81½	2 1 2	3 16 1e
Apr. 1, 1968-73			2 1 0	3 15 10f
Brit. Gas Gtd. 3½%	83½	84½		
May 1, 1980-85				
Brit. Iron & Steel	85½	85½		
Feb. 15, 1975-81				

(e) To earliest date. (f) Flat yield. (m) Net yields are calculated after allowing for tax at 6s. 6d. in £. * Assumed average life 12 years 11 months.

Last Two Dividends			Ordinary Stocks	Price, May 23, 1951	Price, May 20, 1951	Yield, May 20, 1951
(a)	(b)	(c)				
%	%			£	£	£ s. d.
20 a	40 b		Anglo-Am. 10/-	8	8	3 9 7
25 b	5 a		Anglo-Iran 1/-	5	5	6 14 3
5	15		Assoc. Elec. 1/-	56/3	57/6	4 2 1
22 c	27 e		Assce. P. Cem. 1/-	166/3	168/9	5 1 2
40 c	25 c		Austin 5/-	35/-	35/7½	4 18 3
15 a	40 b		Bess 1/-	149/4	149/4½	6 7 6
40 c	40 a		Boots 5/-	50/6½	50/6½	3 19 2
10 c	6 a		Br. Celanese 10/-	34/3	34/6	2 17 11
8 a	12 b		Br. Oxygen 1/-	57/6	57/6	4 0 10
6 a	7½ b		Coats 1/-	63/6	63/6	3 18 5
6 b	5 a		Courtaulds 1/-	47/3	48/6	4 2 6
10 c	6½ a		Distillers 4/-	22/-	23/6	3 8 1
15 c	17½ c		Dunlop 1/-	64/8½	64/8½	4 6 11
10 c	12½ c		Ford 1/-	56/3	57/6	4 6 11
17½ c	17½ c		Gen. Elect. 1/-	51/3	52/6	3 15 8
21 a	21 b		Guinness 1/-	141/10	141/10	4 10 2
15 a	17½ b		Hawker Sid. 5/-	43/11	44/7½	3 12 10
3 a	9 b		Imp. Chem. 1/-	50/-	51/10	4 12 6
13½ a	18½ b		Imp. Tobacco 1/-	67/6	67/6	6 1 11
5 a	7½ b		Lanes Cotton 1/-	53/11	55/7½	4 9 11
10 c	10 c		Lever 1/-	48/9	53/11	3 15 3
15 c	15 c		Lon. Brick 1/-	58/4	59/4½	5 0 30
15 a	60 b		Marks & Sp. A/S	56/8½	59/3½	3 15 6
8 a	6 b		P. & O. Dcf. 1/-	63/6	63/-	5 1 7
17½ b	7½ b		P. Johnson 10/-	40/6	41/6	6 16 11
45 a	7½ b		"Shell" Stk. 1/-	93/9½	96/3½	4 16 11
12½ b	24½ a		Tube Invt. 1/-	62/6	62/6	4 16 11
3½ a	16½ b		T. & Newall 1/-	100/-	101/10	3 18 6
8 c	10 c		Union Carbide 1/-	28/-	28/-	5 5 3
27½ c	10 c		U.S. Steel 1/-	62/6	62/6	16 0 0
24 a	10 b		Vickers 1/-	53/6	54/-	4 12 7
15 a	23½ b		Woolworth 1/-	48/9	49/-	4 9 9

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 26, 1951, total ordinary revenue was £54,310,000, against ordinary expenditure of £53,516,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £1,550,000 the surplus accrued since April 1, 1951, is £23,105,000 compared with a surplus of £48,356,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand)				
		April 1, 1950 to May 27, 1950	April 1, 1951 to May 27, 1951	Week ended May 27, 1950	Week ended May 27, 1951	
Ord. Revenue	£000					
Income Tax	153,400	126,656	140,171	15,277	15,093	
Sur-tax	123,000	16,750	16,300	1,500	1,300	
Estate, etc., Duties	130,000	31,050	32,700	4,030	5,100	
Stamps	55,000	8,220	9,900	1,000	1,300	
Profits Tax	312,650	27,340	37,600	4,500	3,200	
E.P.T.	500	30	30	1,100	...	
Other Inland Rev.	1,500	1,050	510	100	70	
Special Contribn.						
Total Inland Rev.	2,302,400	213,596	237,711	23,637	26,978	
Customs	930,500	134,036	139,537	15,569	9,285	
Excise	720,500	132,072	133,803	20,372	17,605	
Total Customs and Excise	1,651,000	266,108	273,340	35,941	26,891	
Motor Duties	62,000	4,621	5,430	...	...	
Surplus War Stores	20,000	9,930	22	1	...	
Surpl's from Tradg.	50,000	974	...	...	...	
P.O. (Net Receipts)	5,400	7,400	8,100	800	400	
Wireless Licences	13,600	1,000	1,000	...	...	
Sundry Loans	27,000	1,308	2,237	...	...	
Miscell. Receipts	105,000	11,058	7,830	617	41	
Total Ord. Rev.	4,235,400	516,006	540,711	64,036	54,310	
SELF-BALANCING						
Post Office	179,431	21,300	23,000	3,200	3,300	
Income Tax on E.P.T. Refunds	4,900	1,340	845	225	61	
Total	4,420,731	538,646	564,556	67,512	57,671	

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand)				
		April 1, 1950 to May 27, 1950	April 1, 1951 to May 27, 1951	Week ended May 27, 1950	Week ended May 27, 1951	
Ord. Expenditure	£000					
Int. & Man. of Nat. Debt	535,000	69,340	77,495	2,731	2,485	
Payments to N. Ireland	33,000	4,944	5,575	1,435	1,731	
Other Cons. Funds	11,000	607	748	8	...	
Total	584,000	74,891	83,816	4,252	4,216	
Supply Services	361,231	391,265	427,240	51,735	54,300	
Total Ord. Expd.	419,921	466,156	511,056	55,987	58,515	
Sinking Funds	...	1,494	1,550	70	...	
Total (excl. Self-Bal. Expd.)	419,921	467,650	512,606	56,057	58,515	
SELF-BALANCING						
Post Office	179,431	21,300	23,000	3,200	3,300	
Income Tax on E.P.T. Refunds	4,900	1,340	845	225	61	
Total	4,331,252	490,290	535,451	60,135	61,877	

After increasing Exchequer balances by £244,305 to £3,390,635, the other operations for the week increased the National Debt by £9,075,543 to £26,247 million.

NET RECEIPTS (£ thousand)

Housing (Scotland) Act, 1950, s. 94(4)..... 53

NET ISSUES (£ thousand)

P.O. & Telegraph (Money) Act, 1950..... 263

E.P.T. Refunds..... 74

Export Guarantees Act, 1949, s. 3(2)..... 335

Housing (Temporary Accommodation) Acts, 1944, and 1947..... 50

Local Authorities Loans Act, 1945, s. 3(2)..... 3,650

Finance Acts, 1945 and 1947: Post-war Credits... 253

4,642

CHANGES IN DEBT (£ thousand)	
Receipts	PAYMENTS
Treasury Bills ... 8,440	21% Def. Bonds... 550
Nat. Savings Certs 2,200	3% Tor. Annuities. 1,710
3% Def. Bonds... 545	Other Debt:—
Tax Reserve Certs. 1,845	Internal 115
	Ways & Means Advances 1,560
13,071	3,935

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways & Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	By Banks	
1950					
May 27	3050.0	1812.0	439.1	...	5705.1
Feb. 24	3180.0	1749.4	419.8	...	5689.2
Mar. 3	3170.0	1733.8	421.5	...	5664.3
" 10	3180.0	1737.3	443.7	...	5672.0
" 17	3180.0	1799.6	395.6	6.5	5676.7
" 24	3170.0	1811.6	428.9	...	5694.5
" 31	3009.9	...	445.8	...	5740.2
April 7	3190.0	1774.8	432.8	...	5735.1
" 14	3200.0	1749.3	435.5	...	5749.3
" 21	3220.0	1779.5	450.5	...	5794.0
" 28	3230.0	1789.8	434.3	...	5775.7
May 5	3220.0	2040.3	439.0	...	6018.8
" 12	3230.0	2015.2	413.6	...	6013.3
" 19	3230.0	2035.1	433.4	...	6021.0
" 26	3230.0	2043.5	434.8	...	6027.9

TREASURY BILLS (£ million)

Date of Tender	Amount		Average Rate of Allotment	Allotted at Min. Rate
	Offered	Applied for		
1950				
May 26	240.0	293.5	249.0	10 3.47
1951				
Feb. 23	250.0	331.4	250.0	10 3.04
Mar. 2	260.0	315.2	250.0	10 2.87
" 9	260.0	339.3	250.0	10 2.97
" 16	250.0	332.7	250.0	10 2.95
" 22	250.0	332.9	250.0	10 2.94
" 30	250.0	332.4	250.0	10 2.98
April 6	240.0	320.3	240.0	10 3.13
" 13	250.0	351.2	250.0	10 2.67
" 20	240.0	354.5	240.0	10 2.60
" 27	230.0	339.0	230.0	10 2.44
May 4	240.0	354.8	240.0	10 4.52
" 11	250.0	350.3	250.0	10 2.79
" 18	260.0	350.9	260.0	10 2.80
" 25	250.0	335.6	250.0	10 2.98

On May 25th applications for 91 day bills to be paid from May 28 to June 2, 1951, were accepted dated Monday to Saturday as to about 65 per cent at 99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for June 1st. For the week ending June 2nd the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Totals 7 Weeks ended		Week ended May 19, 1951
	May 20, 1950	May 19, 1951	
Savings Certificates:—			
Receipts.....	12,250	29,700	3,100
Repayments.....	17,700	21,500	3,500
Net Savings.....	Dr 5,450	8,200	Dr 400
Defence Bonds:—			
Receipts.....	2,515	6,844	800
Repayments.....	8,525	7,095	650
Net Savings.....	Dr 6,010	Dr 251	150
P.O. and Trustee Savings Banks:—			
Receipts.....	90,383	96,136	11,082
Repayments.....	85,411	111,586	16,392
Net Savings.....	3,972	Dr 15,450	Dr 5,310
Total Net Savings.....	Dr 7,478	Dr 7,501	Dr 5,560
Interest on certificates repaid	3,752	5,160	840
Interest accrued	15,777	17,025	2,409
Change in total invested...	11,527	4,355	3,971

BANK OF ENGLAND RETURNS

May 30, 1951

ISSUE DEPARTMENT

Notes Issued—	£	Govt. Debt...	11,015,100
In Circulation	1331,622,358	Other Govt. Securities...	1334,772,329
In Bank, Department	18,734,465	Other Secs....	698,725
		Coin (other than gold)...	3,513,845
		Am't. of Fid. Issue.....	1350,000,000
		Gold Coin and Bullion (at 248s. per oz. fine).....	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

Capital.....	14,553,000	Govt. Secs....	371,775,441
Reserves.....	3,426,583	Other Secs....	35,980,353
Public Depts.—	27,812,894	Discounts and Advances.....	2,791,543
Public Accts.	14,401,162	Securities.....	33,189,315
H.M. Treas. Special Acct.	13,411,732		
Other Depts.—	381,188,070	Notes.....	18,731,455
Bankers.....	296,351,481	Coin.....	493,778
Other Accts....	84,836,589		
	426,980,547		426,980,547

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

COMPARATIVE ANALYSIS (£ million)

Issue Dept.:	1950		1951	
	May 31	May 16	May 23	May 30
Notes in circulation.....	1286.6	1334.6	1332.3	1331.6
Notes in banking department.....	13.7	15.8	18.1	18.7
Government debt and securities*	1299.3	1345.8	1345.8	1345.4
Other securities.....	0.7	0.7	0.6	0.7
Gold and Coin.....	0.4	3.9	3.9	3.9
Value at s. per fine oz....	245/0	245/0	245/0	245/0
Banking Dept.:—				
Deposits:—				
Public Accounts.....	12.0	13.2	13.5	14.4
Treasury Special Account	188.4	9.1	9.1	13.4
Bankers' Special Account	281.3	304.7	306.3	296.4
Others.....	94.2	87.3	82.3	84.8
Total.....	575.9	414.3	411.2	409.9
Securities:—				
Government.....	524.7	378.6	380.0	371.8
Discounts, etc.....	19.1	12.8	7.5	2.8
Other.....	30.2	24.5	23.1	33.2
Total.....	574.0	415.9	410.6	407.8
Banking dept. res.....	19.9	16.2	18.6	19.2
"Proportion".....	3.4	3.9	4.5	4.7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,375 to £1,350 million on January 10, 1951.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	May 30, 1950	May 15, 1951	May 23, 1951
Cereals and meat.....	157.2	165.0	165.5
Other foods.....	154.3	178.9	184.1
Textiles.....	229.7	332.7	327.5
Minerals.....	277.3	337.9	341.2
Miscellaneous.....	167.2	192.1	193.0
Complete Index.....	188.8	228.8	228.0
1913=100.....	259.7	312.1	313.8

GOLD AND SILVER

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

	SILVER		GOLD	
	London	New York	Bombay	Bombay
per ounce per ounce per 100 tolas				
1951				
May 24..	d. 78.5	c. 90.16	Rs. a. 202 0	Rs. a. 115 15
" 25..	78.5	90.16	202 0	116 2
" 25..	Markets Closed	203 0	118 10	
" 25..	78.5	90.16	200 14	113 3
" 29..	78.5	90.16	202 10	116 4
" 30..	78.5	Close	203 5	118 8

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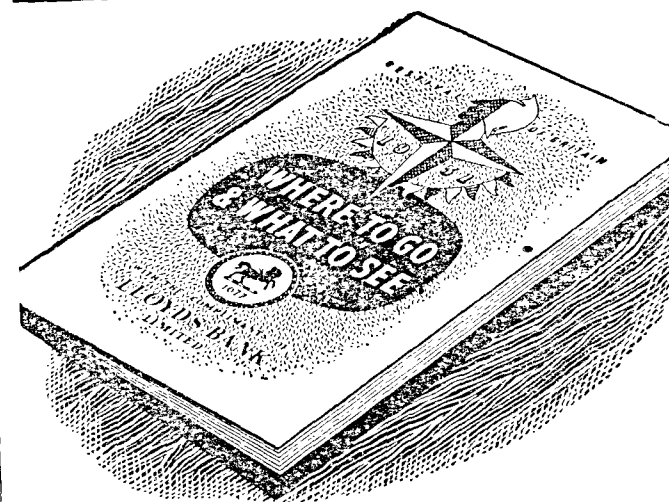
Capital Paid Up and Reserve: £8,812,744
Deposits, etc.: £303,157,703
Total Assets (at 31st December, 1950): £342,053,859

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BRITISH BANKING SURVEY

The following three articles, surveying current banking trends in Britain and the British Commonwealth, are intended to be read in conjunction with the special 16-page selection of British Banking Statistics that appears in this week's issue of the RECORDS AND STATISTICS supplement. A complementary editorial survey of Foreign and International Banking, with an associated statistical selection, will be published in the autumn. These half-yearly features together comprise the new form of THE ECONOMIST BANKING SUPPLEMENT, which has been published for many years.

Bank Deposits and Rearmament

THE western world's plunge into rearmament finance, and the inflationary influences to which this has given rise, have been very clearly reflected in the trends of British banking. Some of the effects upon banking in countries of the British Commonwealth that have experienced the full force of the boom in commodities are discussed in a later article in this Survey. This article and the immediately following one are concerned with the effects upon banking in Britain, considering first the broader trends from the standpoint of monetary policy and then the policies of the banks themselves, notably their lending policies, in face of the steep rise in prices.

Twelve months ago the banks could look back upon two years of virtual stability in the level of their deposits—two years, dating approximately from the first Crippsian "disinflationary" budget, that seemed to have decisively ended the long phase of credit expansion. In the first of these years "net" deposits of the London clearing banks rose slightly, by £47 million; in the second year they dropped by £40 million. Now in this past year (taking the figures to May) this stability has been abruptly interrupted: net deposits, as Table I shows, have risen by nearly £200 million—an annual movement comparable to that of 1947-48, though still, of course, much smaller than the extravagant credit expansion of the Daltonian phase. The whole of this deterioration occurred in the months after Korea: at end-June last the total of deposits was actually £47 million below the corresponding 1949 level, and even at end-July it still showed a small net decline. Over the eleven months to last May the volume of deposits expanded by £108 million, whereas in the corresponding period of 1949-50 it had contracted by £138 million; of this aggregate divergence of £246 million, nearly nine-tenths occurred in the five months to November last.

The origin of this renewed credit expansion is at first glance more surprising even than the abruptness of the change of trend. At this time last year it seemed that, if the stability of deposits was to be impaired, the threat would come from the rising demands of industry for advances to finance the rise in prices, especially of imported raw materials, that was resulting from the devaluation of sterling. In the six months to May, 1950, as last year's Survey pointed out, bank advances had been rising faster than at any previous period of British banking history. Yet in the ensuing six months, although world commodity prices responded violently to the wave of anticipatory buying that followed Korea, the advances

of the clearing banks actually dropped by £28 million (compared with a rise of £165 million in the previous six months and one of £46 million in the corresponding period of 1949). Hence the phase of most rapid credit expansion was marked by a decline in the demands for bank finance from the private sector of the economy (including in that sector, however, such public boards as borrow from the banks, e.g., the British Electricity Authority, whose bank indebtedness was sharply reduced last summer out of the proceeds of the £150 million loan floated in May, 1950). This conclusion still holds good even if bank purchases of gilt-edged securities are treated as non-Governmental finance, for in this period the additions to investment portfolios were appreciably smaller than the decline in advances.

In other words, last year's burst of credit expansion was wholly attributable to a spectacular increase in Governmental demands upon the banks. In the five months to last November, net bank deposits rose by no less than £290 million, or by £213 million more than they rose in the similar period of 1949; a rate of growth comparable to that of the Daltonian phase. Yet in these five months the banks' advances and investments, taken together, declined by £21 million (in contrast to an increase of £40 million in 1949). Hence the apparent requirements of the central Government rose by £311 million—a rate of borrowing averaging over £60 million a month, compared with a mere £7,500,000 a month in the corresponding period a year earlier.

This reversal of the distinctive trends of the earlier phase of stability, during which the public sector was

TABLE I
CHANGES IN BANK DEPOSITS AND ASSETS
(£ Million)

Years to May	1946	1947	1948	1949	1950	1951
Net deposits	+266	+638	+255	+47	-40	+199
Advances	+99	+243	+234	+102	+211	+155
Investments	+196	+148	+7	+25	+1	+53
Bills and call money ..	+454	+318	+88	+137	+421	+62
TDR's	-508	-24	-102	-211	-672	-95
Cash	+26	-48	+28	-1	-5	+22

reducing indebtedness at roughly the same rate as the private sector was borrowing, was not, however, characteristic of the year 1950-51 as a whole. In the past six months, the secular upward trend of deposits has con-

tinued—in the sense that the decline has been smaller than in the similar period a year earlier—but the deterioration has been small by comparison with the violent movement of last summer and autumn. Moreover, it has been wholly due to a strong revival of demands from the private sector. Bank advances have risen during the six months by £183 million, rather faster even than in the comparable period after devaluation, while, in addition, the banks have continued to expand their investment portfolios. Large though these demands have been, their effects on the total volume of credit would in any case have been more than offset by the Government's repayments of indebtedness out of its cash surplus in the final quarter of the fiscal year; but this year the net repayments in the four months to March were larger than in 1949-50, and even in the first two months of the new fiscal year the Government has reduced its indebtedness slightly.

Over the full twelve-month period, therefore, the central Government was not a net borrower from the banking system, though the change in its cash position was the direct cause of the change in the trend of deposits. Although bank advances rose less rapidly over the year as a whole than they had done in 1949-50, the difference was approximately offset by the renewed rise in investment portfolios: the increase in these two items together, at £208 million, was only £4,000,000 less than in the previous year, and was £9,000,000 more than the year's net growth in deposits. In other words, in 1950-51 the Government presumptively reduced its debt to the banking system by this small amount, whereas in 1949-50 it had reduced it by no less than £252 million—a difference that may appear, at first glance, hard to reconcile with the fact that in the fiscal year 1950-51 the Exchequer's "overall" surplus, at £247 million, was £185 million larger than in 1949-50.

The key to these seemingly paradoxical movements, and to the way in which the plunge into defence economics has affected the credit situation, may be found by scrutinising the contrasting experiences of the several

TABLE II
CHANGES IN ASSETS STRUCTURE, 1949-51*

	May, 1949		May, 1950		May, 1951	
	£ mn.	%	£ mn.	%	£ mn.	%
Net deposits.....	5,689.3	...	5,648.9	...	5,848.2	...
Liquid assets:—						
Cash.....	487.1	8.3	482.0	8.2	503.6	8.2
Call money.....	497.9	8.4	537.9	9.2	570.8	9.3
Bills.....	815.7	13.9	1,197.2	20.5	1,226.4	19.9
Total Liquid Assets	1,800.7	30.6	2,217.1	37.9	2,300.8	37.4
"Inflexible" Assets:—						
Treasury deposit receipts.....	1,036.5	17.7	364.0	6.2	269.0	4.4
Investments.....	1,501.9	25.6	1,502.9	25.7	1,555.7	25.3
Advances.....	1,426.8	24.3	1,637.7	28.0	1,792.8	29.2
Total "Inflexible" Assets	3,965.2	67.6	3,504.6	59.9	3,617.5	58.9

* Percentages of assets are related to gross deposits.

phases of the year—a contrast that also has its lessons for the future. Plainly, the rise in Governmental defence expenditure as such has not yet become the operative factor in credit expansion, for in recent months the Government has been leaning on the banks less heavily

than it was doing before Korea. The two major sources of credit expansion in Britain since Korea—the very heavy Governmental borrowing in the first five months and the heavy private borrowing in the past six months—reflect the external repercussions of world rearmament rather than the direct effects of Britain's own arms outlays. The rise and fall of Government demands for bank finance, superimposed on the normal seasonal fluctuation, reflect the violent changes that have been occurring in Britain's external balance of payments.

The first effect of the post-Korea rush of forestalling purchases in world markets was to speed up the rise in Britain's export surplus that had already been set in motion by devaluation and by restocking in the United

TABLE III
TRENDS IN BANK ADVANCES
(£ Million)

	1946-47	1947-48	1948-49	1949-50	1950-51
May to November.....	+107	+105	+17	+46	—28
November to May.....	+135	+129	+85	+165	+183

States. At this stage the expansion of export income—especially from "invisibles"—outdistanced the effects of rising import costs. The Government therefore had to find funds to finance this surplus—by way of credits through EPU, repayments of some sterling balances and purchases of gold. In addition, it was acquiring gold as a result of the mounting dollar earnings of the overseas sterling area; but most of these gold purchases will have been self-financing, since the overseas sterling balances created against them will have been automatically re-lent to the British Treasury. Indirectly, however, the pace of the gold inflow did tend to create a strain upon Governmental finance, since it led to the autumn's rumours about sterling revaluation and provoked a flow of funds to London; much of the sterling that foreigners acquired had to be provided by the British authorities, either against further purchases of gold or by way of further repayments of Treasury bills held by overseas monetary authorities. When the force of this movement is recalled, it is easy to see why the pace of credit expansion reached its peak in October last; in that month net deposits rose by £150 million, wholly on Governmental account. During this period of mounting external surplus and inflowing foreign funds the authorities did, however, make some effort to cushion the impact upon the credit situation. During the second half of 1950 they were undoubtedly net sellers of securities—though not on the scale implied by the £250 million issue of 3 per cent Funding Loan offered for cash in November, since the terms of this issue were pitched at a level that ensured that the "departments" had to take up a large proportion themselves, in the first instance.

In the second major phase, the six months since end-November, the dominant influence upon the credit situation appears to have been the rise in commodity prices, which has been affecting the cash needs of the public and private sectors in opposite directions. Since the increase in import costs has wiped out the heavy export surplus and, recently, has even turned the balance of payments into deficit, the special source of strain upon Exchequer finances has been removed. On the other hand, the strain upon industry's working capital has been intensi-

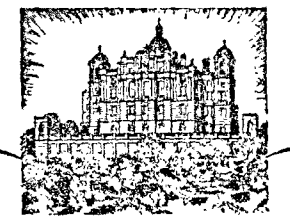


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fied, and repayments of bank advances from the proceeds of new issues have fallen far short of new demands.

For the future, it seems inevitable that the upward trend of deposits will continue, though there is perhaps some reason to hope that the pace of the advance will resemble the trend of the past six months rather than the feverish movement of last summer and autumn. The budget for 1951-52 envisages an overall deficit of £457 million, and although a substantial part of this is likely to be financed from extra-budgetary receipts and net sales of tax reserve certificates, it is most unlikely that the Government will be able to avoid appreciable net borrowings from the banking system—unless the external balance of payments runs into heavy deficit. At the same time, the pressure on industry's working capital is bound to become more acute. Although the current buoyancy of the equity share market, combined with

increasing caution on the part of the banks in their lending policies, will perhaps ensure that a substantial part of industry's needs is met through the new issue market, bank advances are likely to continue to rise. If, therefore, both the public sector and the private sector will be seeking additional bank finance, the only way of preventing a further credit expansion would be to pursue a tougher monetary policy—with the object of either curtailing demands for advances or of forcing the banks to meet part of the demands upon them by selling gilt-edged securities. There is no sign, however, that the authorities are contemplating any such return towards orthodox policy. Though they may be prepared to leave the gilt-edged market to cope with "natural" pressures, it seems unlikely that they will be prepared to aggravate them by deliberately creating stringency in the banking position.

The Finance of Stocks and Commodities

THERE is no doubt that the steep rise in commodity prices that has occurred since the devaluations of 1949 and especially since Korea has sharply intensified the already considerable strain upon the working capital of industry, particularly of those concerns, whether merchants or manufacturers, whose business requires them to carry substantial stocks of primary or processed materials. This strain upon stockholders, and the sharply increased cost of goods in transit, has naturally exerted a pressure upon demand for financing facilities, and many of the smaller businesses concerned have lately found their need for floating finance out of all normal proportion to their own resources, posing new problems for their financiers as well as for the businesses themselves.

Necessarily, a rise in primary commodity prices takes some time to work through the domestic economy, and it can hardly be questioned that the full financial effects of the rise that has already occurred have not yet been felt. At all events, the impact upon the joint stock banks, as distinct from the acceptance and discount markets, has so far been more moderate than might, perhaps, have been expected, though it has become much more marked in the past four months. Over the past twelve months as a whole, as the table on page 1329 shows, the growth of bank advances has been appreciably smaller than it was in the preceding year. The Chancellor, in his Budget speech, referred to the year's increase as "inevitable . . . in view of the rise in the cost of raw materials and the resultant increase in the cost of financing stocks." But in the twelve months to last April, the advances of the clearing banks rose by less than 8½ per cent, and even in the year to last May their rise was no more than 9½ per cent, whereas the rise in the index of wholesale prices was roughly three times as steep. Moreover, the moderate growth over the past year could be attributed to causes quite distinct from price movements: the expansion in industrial production to February, 1951, was itself at almost the same percentage rate as the rise in advances. Last year, however, was the first in the whole postwar period in which the pace of the rise in bank advances fell behind that of wholesale prices—and this was still true even if the figures are adjusted to allow for the distorting effects of

the large repayments of bank advances made last year by the British Electricity Authority out of the proceeds of its new issue.

The quarterly classifications of bank advances (regularly reproduced in the *Records and Statistics* supplement) confirm the impression that the rise over the past year is to be associated, to a large extent, with the upward movement in prices—but they also indicate that substantial additional finance must have been found from other sources. The latest available analysis, relating to February last, showed that total advances made in Great Britain by all banks that are members of the British Bankers' Association were higher by £161 million on the year, a rise of about ten per cent. Of this increase, a substantial proportion occurred in those classified groups that had been particularly exposed to the steep rise in commodity prices. Thus about one-quarter of the additional advances were made to borrowers in the following five industrial categories—cotton, wool, other textiles, leather and rubber, and non-ferrous metals; while over a third were for those in agriculture and fishing, food, drink and tobacco, and retail trade. Wool is an outstanding example; the total advances for wool and wool manufactures more than doubled during the year, reaching £38½ million; while stocks of raw wool declined by about a third, the wholesale price index for wool and wool manufactures stood at two-and-a-half times the level of a year before. The official analysis of advances is too broad to provide a basis for any precise conclusion; but it does seem reasonable to deduce from it that at least half the rise in advances over the year to last February was directly or indirectly attributable to the rise in prices of raw materials and stocks. This estimate does not take into account the £54 million of additional advances made in the category described as "other financial," of which a substantial part represents bank lending to industry at one remove, through funds provided by the banks for the Finance Corporation for Industry and the Industrial and Commercial Finance Corporation, whose operations in turn were no doubt expanding partly as a result of higher prices.

It is evident, however, that the additional finance required by the upward swing in prices has been much greater than could have been covered by this modest

application of bank credit. During 1950 the physical increase in stocks and work in progress was officially estimated at £115 million, compared with £215 million in the previous year; but as Government stocks were running down fast last year, the holdings of private industry must have risen by substantially more than the aggregate figure suggests. In addition, it was officially estimated that the appreciation in the value of stocks in 1950 amounted to £285 million, excluding stocks held by government trading departments, local authorities, some harbour boards and the United Kingdom Wool Disposal organisation. Although both estimates are described as "highly precarious," the total finance involved was plainly far in excess of additions to bank advances for this purpose—especially as the appreciation must have been substantially greater in the past twelve months than in the calendar year 1950. At an earlier stage in the chain of production, the enlarged demands for finance of goods in transit will have been met partly by acceptances and credits extended by the joint stock banks and merchant banks. In the collective figures for the clearing banks, acceptances and credits cannot be distinguished from engagements, and in any event these items merely reflect the position on the day the banks' accounts were struck. But, to judge from the rise over the calendar year in the aggregate figure, and from the results of those of the large banks that show acceptances and confirmed credits separately, credit from the joint stock banks in this form probably nearly doubled during the year.

*

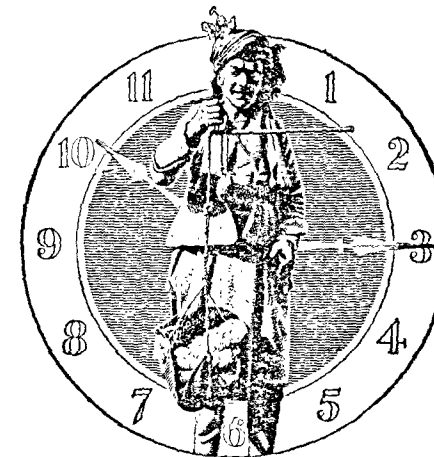
Among other methods of finance, the increase in the volume of commercial bills handled by the discount market indicates that this source of funds is being drawn upon more and more extensively. Last January the chairman of the National Discount Company referred to an increase of two-fifths in the volume of commercial bills bought by his company during 1950, and in the following month the chairman of Gillett Brothers mentioned that commercial bills discounted had reached nearly double the figures for the previous year. To judge from published balance sheets alone, the discount houses' total of bills under re-discount was running at around £100 million at the end of last year; but the total of commercial bills handled, comprising also those dealt with by the three houses that do not publish figures, must have been considerably larger, and it is probably still increasing. Discount rates for trade bills were lifted slightly last February, and, although no corresponding rise occurred for the much larger volume of bank bills, the hardening reflects the market's response to an enlargement in the demand for bill finance. Here again, however, other influences are at work besides rising prices. The reopening of commodity markets and restoration of trade from government to private hands, with the general growth in the use of sterling in international transactions and the relative cheapness of finance through London, have all contributed to the expansion in the volume of bills reaching the market. In the home trade, too, commercial undertakings, including some large enterprises, have been using bill finance, partly to assist in carrying stocks, as an addition to bank advances or in substitution for them.

The expanding turnover of the merchant banks—which to some extent is of course the counterpart of the activity in commercial paper in the discount market—is

also attributable in part to the high level of prices, especially for raw materials. But, as the recently published accounts of Hambros Bank have demonstrated, the rising demand for merchant banking facilities has by no means been confined to acceptance credits. This case is of particular interest, since Hambros Bank's decision to bring its capital into line with the increasing demands sets an example that may be followed by other houses. More generally it may be noted that arrangements for commodity credits have involved substantial sums; the amounts of some of the revolving credits, particularly for wool, arranged by merchant banks and joint stock banks on account of various continental countries, were increased last year.

Other types of financial facilities have also been in demand. Despite the official discouragement of the extension of hire purchase facilities, this form of trading seems to be increasing, not only in retail trade, but also to meet industrial needs. New finance companies have been formed and in a variety of ways hire purchase arrangements have been adapted to furnish additional working capital, partly in response to the need to carry stocks at higher prices. Last December a jointly-owned undertaking was established by Tube Investments and Olds Discount Company to deal with the hire purchase business of companies controlled by the manufacturing business. A rather different type of finance was made available last March, when the Ship Mortgage Finance Company was formed to assist in the financing of new ships, for which costs of construction are running at high levels. Then, too, substantial amounts have been raised outside the Stock Exchange by unsecured notes or loan stock. This method of obtaining additional resources has advantages in savings in costs and in respect of taxation, but in many of these instances the funds were required to supplement working capital, partly for financing stocks.

These diverse methods of seeking additional floating finance all reflect the way in which higher prices are contributing to the strain on the liquid resources of industry, but it is hardly possible to isolate this particular influence from the many others that are at work. One tentative conclusion can perhaps be drawn from the rather incomplete evidence that is available. There is no *prima facie* reason to suppose that credit-granting by the banks has been a primary cause of the rise in prices. On the one hand, borrowing for speculative holding of commodities, has long been proscribed by directives to the Capital Issues Committee, a prohibition reiterated in the latest revision of directives; on the other hand, banks and lenders can generally be depended upon to act with caution—from motives of ordinary business prudence—while prices are running at unusually high levels. But, if these considerations relieve the commercial banks from blame for the steepness of the rise in prices, they still beg the fundamental question, which is whether financial policy in the wider sense could not exercise a valuable restraint. The Chancellor has observed: "I cannot see that if we were to tighten credit further we should have any perceptible effect on the price of wool, on the price of rubber, on the price of tin." Yet in recent weeks a change in civilian buying activities in the United States, with the application of stricter regulations to borrowing and higher interest rates, has been followed by a tendency for prices of some commodities to fall on world markets.



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Inflation in the Sterling Commonwealth

ALMOST all the countries of the sterling Commonwealth, except the United Kingdom, are now enjoying a sizeable external surplus on current account. In most of them, indeed, the addition to money incomes from higher export prices in 1951 seems likely to lead to a substantial increase in their national incomes as a whole. This is happening at a time when supplies of capital equipment and of some consumer goods from the United States and Britain are being increasingly restricted by rearmament's pre-emption. In other words, most of these countries are now faced by the prospect of a yawning internal inflationary gap.

An estimate of the possible extent of additions to money incomes in primary producing countries this year was given in the recent *Economic Survey of Europe* for 1950, published by the Economic Commission for Europe. This suggested that the value of exports from the primary producing countries to Europe and North America would rise by between 20 and 25 per cent in 1951 if prices remained at their end-1950 level throughout the whole year. On this assumption, Malaya, where exports generate by far the larger part of gross money incomes, would experience a rise of between 80 and 100 per cent in export values in 1951; Australia (where even in 1949 exports generated nearly 30 per cent of gross national income), South Africa (where non-gold exports generate about 15 per cent of national income), Pakistan and Ceylon would all enjoy an appreciation in export values of between 20 and 40 per cent above 1950 levels; and India, which is being left somewhat behind in the race towards more favourable terms of trade, would enjoy an appreciation in export incomes of rather less than 10 per cent. The additions to money incomes would, of course, be greater still if the volume of exports increased.

The main financial problem before all these countries is therefore that of preventing the (probably temporary) good fortune of their exporters from souring the long-term prospects of their economies as a whole. This is not an easy problem to tackle. If internal inflation is left to work itself out uncontrolled, it will cause grave hardship among non-exporting interests, an undesirable shift of resources away from uses that are essential for long-term development (though not immediately lucrative in the short-term of the export boom), a mushroom growth of luxury industries and services that might founder under the weight of their high capital charges once exporters' internal demands were reduced, speculative bidding up of the prices of real estate and of scarce material stocks, and a long list of other economic distortions. If attempts are made to check inflation by orthodox "non-discriminatory" measures—higher taxation all round, revaluation or tighter control over credit—those who do not draw advantages from the current export boom are hit as hard as those who do; while if discriminatory taxes are imposed on those who are enjoying boom-time prosperity at the moment, they always meet with great political resistance (especially as the prosperous exporters of today are often those who were most badly hit in the depression of the 1930s). In addition, discriminatory tax imposts sometimes lessen the incentive to long-term increases in production of

export goods—long-term increases of which the world stands in dire need in many commodities.

The Commonwealth countries have therefore been left with an economic problem to which it would be extraordinarily difficult to find an adequate answer—even if they had adequate statistical material on which to draw up their plans and adequate administrative and financial machinery through which to put those plans into effect. And in most overseas sterling area countries, statistics, administrative resources and financial machinery are all sadly lacking. It is not surprising, therefore, that in many of them inflation seems dangerously near to running away out of hand.

★

The obvious starting point for a regional survey of the problem of Commonwealth inflation is in the dependent territories, where there is no central banking machinery for damping down inflation at all. The sterling balances of the Colonial Empire ran up by £106 million in the second half of 1950; they are probably rising even more swiftly now. The inflationary effects of the current export surplus differ widely between those countries, such as West Africa, where the main exporters are peasants whose marginal propensity to consume is necessarily high, and those countries, such as Malaya, where the exporters are largely plantation interests, and where some at least of the booming proceeds of export sales tend to stick in profits (which, even if they are distributed, add to personal incomes in Britain rather than in the Colonies). In West Africa, Produce Marketing Boards have been interposed between the peasants and world markets, with the wise object of storing up foreign exchange derived from exports in a boom for use in time of slump. Unfortunately, these Boards have been looking forward continuously to a slump ever since the war ended, with the result that the vast funds that they have accumulated have deteriorated in real value each year as prices have obstinately continued to rise. The new Nkrumah Government in the Gold Coast has now demanded that the £53 million accumulated in the Cocoa Marketing Board's hands should be handed over to local control and devoted to local development; whether this means that this money will be spent just when saving should really start remains to be seen. In plantation countries such as Malaya recourse has been had to export taxes—though only to that level of export taxes that can be forced through against bitter local political opposition.

In Ceylon, which emerged from colonial status only a short time ago, recourse has also been had to export taxes. But Ceylon now has also a Central Bank, operating under American Governorship and on deliberately anti-inflationary lines. In 1950, according to the recent Central Bank report, Ceylon's foreign assets rose by Rs. 141 million (approximately £11 million), commercial bank credit to the private sector of the economy rose by Rs. 60 million, and commercial bank credit to the Government rose by Rs. 17 million; after making certain marginal adjustments for other banking operations, total money supply in the hands of the public rose by Rs. 261 million—or by no less than 40 per cent in one year. In order to damp down internal inflation the Central

Bank has asked the commercial banks not to repatriate their external reserves and not to extend loans for speculative purposes (there is apparently surprisingly little of this at the moment). The Central Bank has also increased reserve requirements from 10 to 14 per cent of demand deposits, and has started open market sales of securities (to the very limited extent that Ceylon's capital market conditions allow). Since the Government's budget is in overall deficit, however, it seems optimistic to suppose that these measures can really damp down the inflation deriving from the external surplus.

In Ceylon's two great northern neighbours, inflation is also continuing at a great rate. Foreign assets held by the Reserve Bank of India expanded by only Rs. 80 million net in 1950, but they rose by no less than Rs. 540 million (£40 million) in the first quarter of 1951. Credits extended by the scheduled banks to the Government sector rose by Rs. 170 million, and to the non-Government sector by Rs. 340 million last year. Total money supply in India (i.e. private current deposits at all banks plus cash holdings) rose by Rs. 810 million—or only about 4 per cent—in the year, but it increased by Rs. 1,370 million in the first quarter of 1951. The recent Indian budget was drawn up with the express object of providing the internal financial resources necessary to meet the increased rate of public investment envisaged under the Colombo programme laid down last November. Last November's estimates, however, were drawn up on the assumption that nearly two-thirds of the Colombo investment programme would be financed from abroad. There seems to be a dangerous tendency in the Colombo Plan countries at the moment to assume that their unexpected conversion to balance of payments surpluses means that they can carry out their planned investment programmes even if the hoped-for finance is not forthcoming from abroad. In fact, of course, the conversion to a balance of payments surplus, especially in so far as it is due to the non-availability of goods abroad, means that each country is trying to finance out of its pitifully small domestic savings not only its whole internal investment programme but an unwanted quantum of foreign investment as well.

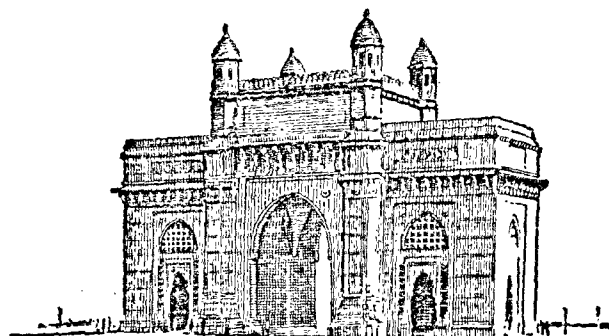
The situation in Pakistan is somewhat similar to that in India, except that the conversion to balance of payments equilibrium has been more recent (dating from Korea and the payments accord with India)—and that the current tendency for the surplus to rise is more marked. Foreign assets held by the State Bank of Pakistan, which fell by Pakistan Rs. 452 million (about £45 million) in the first nine months of 1950, rose by Pakistan Rs. 560 million in the next six months; in these six months (from end-September, 1950, to end-March, 1951) the total of privately-held currency and current deposits rose by Pakistan Rs. 523 million, or nearly 19 per cent. The recent Pakistan budget, drawn up in the boom mentality that exporters' prosperity has intensified, brought tax rates down.

It is not surprising that in the Asian dominions, with their vast agglomerations of population and limited administrative resources, anti-inflationary planning is not carried to such a high pitch of attempted statistical nicety as it is in Britain. But in the older dominions, too, budget and investment policy is not tied to any deliberate pattern of plans for bridging inflationary gaps. A recent analysis by the National Bank of Australasia, however, estimated that the "inflationary gap" in Australia in the current

fiscal year (that to June 30, 1951) might amount to as much as £A280 million. The bank estimated the year's external surplus at £100 million, net private investment at £470 million and the deficits of public authorities at £30 million; these three items together total £600 million, against which voluntary private savings were expected to amount to £320 million. In the first eight months of this fiscal year, foreign assets held by the Commonwealth Bank of Australia rose by £88 million, commercial bank loans to the private sector of the Australian economy rose by £82 million, and bank credit to the Government (including purchases of Government securities) expanded by £97 million; the total increase in currency and deposits was thus £267 million against £284 million in the whole of the previous fiscal year. Australia's total national income in 1949 was £1,915 million. The Government's anti-inflationary measures include directives to the commercial banks that they should follow a "selective credit policy," a pruning of the public works programme, fairly tight restrictions over new capital issues and the resort to export taxes (after much political wrangling); in addition, £80 million of potential commercial bank investible funds were sterilised in the Special Account at the Central Bank in the first eight months of the fiscal year 1950-51. But inflation in Australia is clearly proceeding apace.

In New Zealand the seasonal pattern of exports usually means that foreign exchange reserves run up at the beginning of the calendar year and run down at the end of it. The foreign assets held by the Reserve Bank and the main commercial banks rose by £26 million, to £90 million, in the first half of 1950; they fell to £82 million in the next six months but had risen to £103 million by the end of February. It would be unwise to read too much into these figures, however, for New Zealand's export and import trade is still paralysed by the water-front disturbances. South Africa's special position as a gold-producing country also makes it impossible to generalise about sterling area banking trends from observation of conditions in that country, but there again the foreign exchange reserve is mounting. Foreign assets held by the Reserve Bank, which amounted to only £54 million at the time of devaluation and to £105 million at the end of 1949, had risen to £153 million by the time of the Korean outbreak, since then they have gone on rising, to £166 million at the end of 1950 and to £172 million at the end of March, 1951.

To sum up therefore: Across the whole overseas sterling area, private liquid balances, especially those of exporters, are increasing at an unprecedented rate while goods are not coming forward in adequate supply to mop up the demand that is generated from them. Government efforts to damp down inflationary pressure so far seem to have met with singularly little success (and singularly effective political opposition). In consequence internal prices are mounting rapidly. If and when the exporting bubble is pricked, some of those whose business is keyed to present high levels of prices and demand may have some very rough weather to ride through. There is an evident danger that in such circumstances the sterling area Governments concerned would try to jack up their economies through ambitious public works programmes—financed by drafts on the sterling balances now mounting in all Commonwealth banks. This is a contingency that the British Government would do well to foresee and, as far as possible, forestall.



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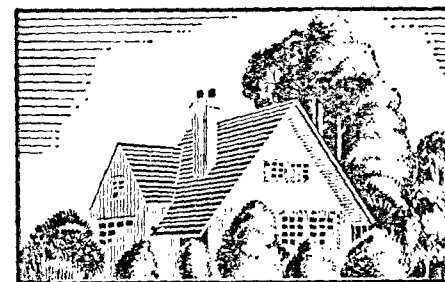
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ROYAL EXCHANGE ASSURANCE

231st ANNUAL REPORT

EXCELLENT RESULTS FROM ALL DEPARTMENTS

GROUP PREMIUM INCOME REACHES £21,000,000

LORD BICESTER'S SURVEY

The Two Hundred and Thirty-first Annual General Court of the Royal Exchange Assurance was held on May 30th in London.

The Governor, the Right Hon. Lord Bicester, who presided, said: Gentlemen,—As the report and accounts of the Corporation and consolidated accounts of the Royal Exchange group of companies have already been sent to you, I have no doubt that it will be your wish that they should be taken as read. (Agreed.)

DIRECTORIAL CHANGES

In reporting the changes in the Court of Directors since I last addressed you, it is with infinite regret that I have to record the loss we sustained by the recent death of the Rt. Hon. Oliver Stanley, whose great qualities we appreciated so much, and whose unfailing kindness endeared him to us all.

I think we all agree that the death of Oliver Stanley was not only a great loss to the Royal Exchange but also a great loss to the country. He was a remarkable man. (Hear, hear.)

Next I want to mention the resignation of Sir Spencer Portal owing to his desire to reduce his business activities. Sir Spencer first joined our Court in 1902 and was therefore with us for close on fifty years. In addition, he was for over forty years Chairman of our associated company, the "National Provincial," and I am sure it would be your wish to place on record our great appreciation of his long and valuable services. I am happy to say that we have recently appointed his son, Mr Francis Portal, to our Court.

On your behalf I would also like to welcome the Rt. Hon. the Viscount Bruce of Melbourne as a member of our Court. Lord Bruce's long and distinguished career, both as Premier of one of our great Commonwealth nations and later as its High Commissioner, is well known and needs no commendation from me. Bearing in mind our ever-increasing interests in Australia, we are fortunate in having the benefit of his intimate knowledge of that great country's problems as well as his widespread business experience.

THE EXECUTIVE

I have also some changes to report in our principal executives. Mr J. S. Stear, our deputy general manager, retired on April 30th after 36 years' service. Prior to becoming one of our principal executives Mr Stear was for a number of years the manager of our accident department, to the success of which he made a notable contribution. His work has been very valuable to us and he will be greatly missed. We wish him much happiness in his retirement.

Mr R. R. Hilton, our home fire manager, has also retired after nearly 41 years of devoted and successful service with the Corporation, and to him also we extend our thanks and best wishes. We have appointed Mr W. A. Jackson to fill his place.

I would also like to mention a change in our marine department. As you know, we have for a number of years had a very close and happy relationship with the Sun Insurance Office, Limited, as regards our marine business, during which time Mr C. C.

Turner has been our joint underwriter. Mr Turner retired on December 31st last, and we wish him much happiness in his well-earned leisure. I feel it was largely through his sound underwriting and wide knowledge of the business that our marine account has been so satisfactory in recent times.

On January 1st last we, together with the Sun Insurance Office, Limited, concluded a similar arrangement for joint marine underwriting with the North British and Mercantile Insurance Company, Limited, as a result of which that company's underwriter, Mr A. W. Theobald, is now acting in a similar capacity for the "Sun" and ourselves. We are very happy to have the services of one of the outstanding underwriters in the market and are quite sure these arrangements will be mutually beneficial.

LIFE DEPARTMENT

I will now proceed with a review of the results of our individual departments. The life department issued 5,458 policies for net sums assured totalling £4,868,043, an appreciable increase over the figures attained last year. The total premium income has again risen and now stands at £1,912,288, which is approximately £106,000 above that for 1949. Claims were again on the normal scale, amounting in all to £1,340,989.

The overall rate of interest has shown an increase, being £4 4s. 9d. per cent., against £4 2s. 10d. per cent. for 1949. There has been, as you know, a very severe decline from the rate of interest prevailing 20 years ago: the steepest fall coinciding with the conversion of the old 5 per cent. War Loan to a 3½ per cent. basis. Some ten years later our average rate steadied at about 4½ per cent., around which it has since fluctuated.

In these days of high taxation it is obvious that net interest can very quickly become an inadequate compensation for a severe loss in capital values, so that your directors have held fast to the principle that capital security takes precedence over all other considerations.

It will be noted that the cash balances on our life fund have been reduced very considerably since the end of 1949. During the year increased opportunities were found to make further first-class long-term investments at satisfactory rates of interest so that the adoption of a delayed investment policy has brought this fund substantial advantage.

The necessity for the provision of considerable further capital faces industry today. This should give institutional investors like ourselves the opportunity of providing essential assistance to the country, as well as fulfilling our investment requirements on satisfactory terms. Our annuity business proceeds satisfactorily and needs no particular comment.

TRUSTEE AND EXECUTOR DEPARTMENT

The report from our trustee and executor department tells much the same story as last year. The profit of £5,279 is some £3,000 less than 1949, due to the unavoidable increase in the cost of conducting the business. To meet this increase a higher scale of fees was introduced in 1948, but some time must obviously elapse before these

revised charges have any appreciable effect on the departmental revenue.

The funds in hand and under the administration of the department at the end of the year exceeded £186,000,000.

FIRE DEPARTMENT

In our fire department, both at home and overseas, we have had a very excellent year, and at the new record figure of £4,018,868 our premium income is over £500,000 in excess of 1949.

The fact that this good experience has extended to our overseas business, which again shows a considerable increase, represents a highly desirable benefit to this country's economy. The underwriting profit of £505,783 from the fire department has been transferred to the profit and loss account.

MARINE DEPARTMENT

The results of our marine department were favourable, and we are again transferring £75,000 to our profit and loss account. In the early part of the year there was a tendency for hull values to fall, but this has now certainly been reversed.

While this means higher premiums, the market is faced with increased wage rates, and rising prices for raw materials, both of which will raise the cost of repairs to much higher levels. For this reason I feel that hull underwriting, at least in the near future, must remain very difficult. The steep rise in the values of raw materials naturally means more valuable cargoes, but fortunately the great international market that London provides enables the assured to obtain the increased coverage necessary.

ACCIDENT DEPARTMENT

Our accident department has again experienced a most successful year, the premium income having reached a new high level at £2,699,380, and I am glad to say that both the home and overseas sections of the business have made their contribution to this result.

The large amounts which are being awarded in settlement of common law claims are making the conduct of employers' liability insurance very difficult, and if this state of affairs continues the time cannot be far distant when there will have to be an upward revision of rates.

As regards our home motor business, the end of petrol rationing in June of last year has, of course, led to an increase in motoring and also an increased number of accidents. Coupled with this, the very small proportion of new vehicles available for the home market has meant that old cars are still in use, and the cumulative effect has been that claims costs have continued to rise.

In conducting our overseas motor business we have met with similar difficulties and the results have been unsatisfactory. This year the total transfer from the combined sections of the accident department to the profit and loss account is £243,778.

PROFIT AND LOSS ACCOUNT

I come now to the profit and loss account of the "Royal Exchange," and on this there is one preliminary remark I should like to make. You will, of course, remember that, with our world-wide commitments, the devaluation of sterling in September, 1949, presented us with a considerable problem, and I had to refer to this at some length in my report last year. However, I am happy to say that the provisions which we set up in 1949 in respect of our increased sterling liabilities, particularly in regard to America, have enabled us to present our 1950 accounts unaffected by any exchange fluctuations, with the exception of immaterial differences which have been absorbed in the underwriting results.

The total "Royal Exchange" departmental transfers to the profit and loss account add up to the record figure of £829,840, which, together with net interest received and the proprietors' one-third share of the life valuation surplus, makes a total of £1,133,803.

CONSOLIDATED FIGURES

I come now to the consolidated accounts of our group, and I am glad to report that our associated companies have also done very well.

The consolidated profit and loss account, as you will see, shows a total figure of £2,128,360, of which £1,631,852 represents departmental profits and £60,508 the proprietors' share of the life valuation surplus. With such excellent results from all departments it is difficult to single out any one feature to which special reference should be made.

It is, however, a matter for great satisfaction to see that the combined accident premium income of the Royal Exchange group of companies has, for the first time, exceeded the sum of £10,000,000.

TAXATION

On the other side of the consolidated account you will notice that United Kingdom taxation, including provision for income tax for 1951-52, amounts to £987,173. If in addition you take into account the sum of £316,667 which is the amount of tax that has been suffered by our income from investments, you will realise that altogether the Inland Revenue has shared in the results of our business endeavours to the extent of over one and a quarter million pounds. We finally carry to the profit and loss appropriation account £839,679.

Since I addressed you last we have been notified by the authorities that the group is not liable to excess profits tax and we are, therefore, in a position to release the reserves set up in the war years. This figure accounts for the bulk of the item of £754,500 credited to the profit and loss appropriation account.

In common with all other industrial and commercial undertakings, we have been faced with a considerable increase in salaries, and with a correspondingly heavy increase in liabilities in respect of pensions throughout the group. The directors have therefore felt it prudent to use these reserves to help to make the substantial contribution of £1,254,500 to the respective pension funds.

MODES' INCREASE IN DIVIDEND

Finally, you will see that the balance of last year's account is increased to £1,947,429 and this figure is carried to our consolidated balance sheet. Despite the above heavy transfer to pension funds at the end of this year's trading, the group has increased its carry forward to the extent of approximately £137,000.

From these figures you will realise that 1950 was one of the favourable years for insurance generally, although with the international situation so clouded it would be rash to prophesy a continuation of such prosperity. However, your Court of Directors feel that circumstances warrant their recommending to you a modest increase in the final dividend, and I shall ask you shortly to approve a final payment of 25 per cent., which, with the interim dividend of 15 per cent., will make 40 per cent. for the year.

The consolidated accounts show that the total premium income at home and overseas of the Royal Exchange group of companies, including our life business, amounts to £21,000,000, and I think you will agree that even in these days of big figures that is a very substantial sum.

TRIBUTE TO MANAGEMENT AND STAFF

It is in effect the tangible result of the good work done by everyone at our head

office and branches both at home and overseas. I am sure, therefore, you will wish me once again to convey on your behalf, as I do most wholeheartedly on behalf of the Court of Directors, my congratulations and thanks to our general manager, Mr A. E. Phelps, and his able assistants, to every member of our staff, and to our local directors and agents both here and abroad. As can be seen from our consolidated figures, our success arises from the combined efforts of the "Royal Exchange" and its many associated companies, and it is to the directors, management, staffs and agents of these companies also that this message of congratulation is sent. I trust that through this address I shall also reach all those who safeguard and work for our interests overseas and who have contributed in such full measure to the result placed before you.

This concludes my remarks on the report and accounts of the "Royal Exchange" and associated companies for the year 1950. My business career goes back over a long time and I have lived to see many and drastic changes.

I have learnt that in business, after a series of good years and rising profits, there is a temptation to take this continuance for granted. But we can never afford to relax in that respect, and I am confident that neither British insurance in general, nor our own group in particular, will be found wanting.

"RISKS ROUND THE WORLD"

The usefulness of the services given by British insurance throughout the world has never been more in evidence than now in this period of rising prices and increasing values. That it is playing its part worthily was very clearly indicated by the President of the Board of Trade when he recently opened the exhibition in connection with the Festival of Britain, entitled "Risks Round the World," arranged by the British Insurance Association, which is being held in the building of the Royal Exchange.

I am sure that the exhibition will afford the public remarkable insight into the great work British insurance is doing overseas and that it will be regarded in its true light as a monument to free enterprise.

I do not think it would be possible to find a better example of the advantage this country is reaping from private endeavour than the contribution British insurance is making towards our national economic survival in these difficult times.

The report and accounts were unanimously adopted.

THE MILFORD DOCKS COMPANY

CHAIRMAN'S STATEMENT

The annual general meeting of this Company was held in London on May 9th.

The following is an extract from the statement of the chairman, Sir Felix J. C. Pole.

At our last annual meeting I said that the year under review was one of the worst trading years we had experienced. The year 1950 did not show much change, as indicated by the fact that the quantity of fish landed during the year was 33,906 tons compared with 41,536 tons in 1949, and 49,361 for the year 1948. In recent months conditions have improved and I hope will continue to do so.

Our wages and working costs have continued to increase and we are, once again, faced with the problem of the level of rates and charges. The nationalised industries have continued their "Rake's Progress" and the cost of coal, electricity, gas, transport, etc., continue to mount upward. The voracity of the Coal Board is truly amazing.

Coal prices are now about £2 10s. higher per ton than in the year 1938. Applying that increase to a production of 200 million tons per annum, we have the staggering total of £500 million, which is now being poured into the coal industry every year over and above that of 1938. The docks company is not a large consumer, but the trawling industry is, and the docks company is dependent on the successful operations of that industry.

The report and accounts were adopted and a dividend of 2 per cent., less income tax, on the ordinary stock was approved.

STEWARTS AND LLOYDS, LIMITED

REPORT BY THE CHAIRMAN

The following is the report by the chairman, Mr A. G. Stewart, for the year ended December 31, 1950:—

It is with great pleasure that we are sending to those who were on the Company's registers on February 14, 1951, complimentary copies of the balance-sheets as at December 31, 1950, and the consolidated profit and loss account for the year 1950.

All former stockholders will be aware that as from February 15, 1951, the issued stocks of the Company were vested in the Iron and Steel Corporation of Great Britain. A letter was sent to all stockholders on January 30, 1951, explaining the position and pointing out the action which the stockholders should take. This letter also drew attention to the payment of a 6 per cent. interim dividend on the deferred stock on that date and pointed out that further dividends for the year and for the 45 days from January 1st to February 14, 1951, would be paid to stockholders who were on the registers at February 14, 1951.

At the annual general meeting on May 10th the following dividends were approved:—

For the half-year ended December 31, 1950, at the rate of: 6 per cent. per annum on the 6 per cent. cumulative first preference stock, 10 per cent. per annum on the 10 per cent. cumulative second preference stock, 5 per cent. per annum on the 5 per cent. cumulative third preference stock, all less income tax at 9s. 6d. in the £.

For the year ended December 31, 1950, at the rate of: 6½ per cent. per annum, making with the interim dividend of 6 per cent. paid in January, 1951, a total of 12½ per cent. for the year, on £8,172,720 deferred stock, and at the appropriate rate on 625 liaison deferred shares each of which carries the rights attaching to £1,000 deferred stock, less income tax at 9s. 6d. in the £.

These dividends will be paid on or about May 29th, together with the dividend for the 45 days from January 1st to February 14, 1951.

The allocations to reserves from the 1950 profits are set out in the statement below. In addition the specific reserves for "stock" and "maintenance and development of Export Trade" have been transferred to general reserve. A substantial amount was withdrawn during the year from the provision for obsolescence and applied in writing down further the older plants and also writing off recent capital expenditure to the extent that the directors considered the original cost had been increased due to installing new plant whilst existing and adjacent plant continued in production. It should be mentioned that the net balance-sheet values of fixed assets in the United Kingdom are, after deducting the provision for obsolescence, less than income-tax value after allowing for initial allowances.

The accounts would not appear to call for further comment. The strong position of the Company is apparent.

At the annual general meeting Mr I. A. R. Stedeford, Mr F. Le Neve-Foster, Mr J. C. Lloyd and Sir Walter Benton Jones were re-elected directors of the Company.

During 1950 the Company's development plans made further progress to the extent that general conditions permitted. Expenditure during the year on projects in the United Kingdom amounted to approximately £3,000,000, making a total of approximately £15,000,000 so spent since 1945.

A high rate of production was maintained in all departments. The production of steel tubes and of Stanton's spun iron pipes showed an improvement over 1949 and were consequently record figures. Steel production at 1,127,300 tons passed the million-ton mark for the first time.

Deliveries of steel tubes, also a record, amounted to 443,000 tons sold in the home trade and 306,000 tons in the export trade. Stanton exports remained steady, and it is satisfactory to record that the proportion of the group's exports supplied to dollar markets continued to increase. Earnings in terms of United States and Canadian dollars amounted to over £4,000,000.

In spite of increases in costs, prices of steel tubes in the home trade remained stable during the year, with the exception of galvanised tubes, which fluctuated in accordance with the price of spelter.

The work undertaken by the Company's training and education department continues to expand and to show good results. The examination successes of our young employees form an impressive illustration of the progress of this work.

We take pride in the splendid relations which exist, and have always existed, between our staff and workpeople and between the Company and the Trades Unions.

This joint trust between employees at all levels in the Company has played a great part in bringing our business to the position of eminence which it now holds in Great Britain and throughout the world.

I would like to pay tribute to all who have done so much—not only in the past year—but throughout the years, to bring about our success.

Financial results for 1950 and 1949, based on the consolidated profit and loss statement:—

	1950 £	1949 £
Consolidated Profit for year ...	8,648,662	7,803,994
U.K. Taxation ...	4,266,841	3,426,150
Consolidated Net Profit	4,381,821	4,377,844
Proportion due to Outside Shareholders of Subsidiaries ...	119,382	102,936
	4,262,439	4,274,908
Tax Reserves no longer required ...	500,000	—
Profit available ...	4,762,439	4,274,908
Deferred and preference Dividends—net	718,702	735,979
Obsolescence ...	1,000,000	1,500,000
General Reserve ...	1,500,000	1,000,000
Profit Unappropriated	1,150,793	688,106
	4,369,495	3,924,085
Company's proportion of profits retained in Subsidiaries ...	392,944	350,823
	4,762,439	4,274,908

JOHN SUMMERS AND SONS LIMITED

CENTENARY OF THE BUSINESS

MR R. F. SUMMERS'S STATEMENT

The annual general meeting of John Summers and Sons Limited was held on May 31st at Shotton, Chester, Mr R. F. Summers (chairman of the company) presiding.

The following is the chairman's statement circulated with the report and accounts:—

Before giving an account of our activities during the year 1950 I should like to mention the fact that we are this year celebrating the centenary of our business, which was founded in 1851 by my grandfather, the late John Summers. We are naturally very proud of the great progress that has been made since the very humble beginnings, when clog irons, manufactured in a small room in Stalybridge, were our only product. To mark this centenary we sent out a brochure to our employees and customers, which contained the following message from me:—

"One hundred years have now passed since the firm of John Summers and Sons came into being at Stalybridge. During this long period the firm's history has been one of steady progress, of happy relationships amongst those who work for it, and of honest trading and fair dealing with its customers—a record indeed of which we may well be proud.

"It fell to the lot of my grandfather and my father to lay the foundations, and it was they—especially my father—who by their unflagging energy and enterprise brought the firm through the first phase of its existence, the hand rolling of our sheet products. It has fallen to the lot of the younger generation to develop and make use of the great strides made in modern machinery, to install the hot and cold continuous strip mills with which you are all so familiar, and to plan the fully integrated steel plant which is now in course of erection at the Hawarden Bridge Steelworks."

PRODUCTION

It is very gratifying to me to be able to report that last year we again broke all our production records. The combined ingot production at Shotton and Shelton amounted to no less than 760,000 tons, which is 40,000 tons higher than the tonnage produced in 1949. On the hot mill we rolled 564,000 tons—almost 100,000 tons more than last year; 425,000 tons was cold reduced as against 350,000 tons in 1949, and deliveries of finished products to our customers attained the record figure of 564,000—an increase of 100,000 tons over the 1949 figure.

Turning now to the accounts—I do not think there is very much on which I need comment, as they have been drawn up on similar lines to last year. The gross profit is very much the same as last year, in spite of the record production to which I have just referred, but 1950 was a year of rising costs in almost every direction, with no corresponding increase in the selling price of our products, and I feel in the circumstances that it is very satisfactory that our greater production and increased efficiency enabled us to maintain approximately the same figure of gross profit.

INITIAL ALLOWANCES

In the directors' report for 1949 it was explained that it was proposed to transfer the initial allowances on the capital expenditure in connection with our large development scheme, comprising the installation of coke ovens, blast furnaces, and a new melting

shop, to a special reserve for deferred taxation, in order that the taxation charged in the profit and loss account each year would be more truly representative of the liability applicable to the trading profit that year. It will be noticed from the current accounts that the amount transferred to this special reserve amounts to no less than £600,000 with the result that the total amount charged against gross profit for taxation is very similar to the figure for 1949. We are satisfied that this is the most practical way of dealing with initial allowances, especially when they amount to such large sums. The announcement by the Chancellor of the Exchequer that these initial allowances are to be discontinued after April, 1952, will of course affect the company's cash position, but it is hoped that by that date approximately two-thirds of the cost will have been met.

The full dividend for the year 1950 was paid on the preference shares, together with the amount due from January 1 to February 15, 1951, and the maximum dividend allowed under the Iron and Steel Act was paid on the ordinary stock for the same period.

INCOME AND EXPENDITURE

Once again there is set out a table showing the distribution of the Group's income and expenditure, but on this occasion the 1949 figures have also been given for easier comparison. It will be noticed that "Gross proceeds of sales and income from investments, etc." is up by £4,500,000, demonstrating very clearly the larger volume of trading which I mentioned earlier:—

	1950 £	%	1949 £	%
Gross proceeds of sales and income from investments, etc.	24,070,139	100.0	19,533,194	100.0
Raw materials,	9,648,611	37.6	5,875,217	30.1
Wages, salaries, fees, pensions, State and workmen's compensation insurance ...	5,542,665	23.0	4,995,239	25.6
Maintenance materials, spares, miscellaneous supplies & expenses	2,477,029	10.3	2,320,901	11.9
Coal, fuel oil and electricity,	3,152,127	13.1	2,848,761	14.6
Carriage,	773,513	3.2	569,592	2.9
Taxation, incl. special reserve for deferred taxation,	1,556,431	6.5	1,424,151	7.3
Provision for depreciation,	581,858	2.4	510,970	2.6
Transfer to reserves, ..	560,717	2.3	611,175	3.1
Dividends, net,	377,188	1.6	377,188	1.9
	24,070,139	100.0	19,533,194	100.0

DEVELOPMENT SCHEME

Last year in referring to the development scheme I mentioned that expenditure to date on the scheme was £1,127,095; during 1950 a further £2,774,706 was expended. Whilst very considerable progress has been made, the rate at which such schemes as this can be carried out today is very much slower than before the war, and deliveries of all types of machinery and equipment are still very protracted. We are, however, pressing on with the scheme as energetically as we can, with a view to bringing the new plant into operation at the earliest moment. Every effort is being made to keep the cost as low as possible, but this is not easy in view of the continually rising prices with which we are at present faced.

The report and accounts were unanimously adopted.

PRESSED STEEL COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR

MARKED PROGRESS OF ACTIVITIES

MAJOR ALBERT PAM'S SPEECH

The twenty-fourth annual general meeting of the Pressed Steel Company, Limited, was held on May 30 at Winchester House, Old Broad Street, London, E.C., Major Albert Pam, O.B.E. (the chairman), presiding.

The secretary (Mr F. E. Cairns, C.A.) read the notice convening the meeting and the report of the auditors.

The following is the speech by the chairman which had been circulated with the report and accounts:

Ladies and gentlemen.—The directors' report and the accounts for the year ended December 31, 1950, are being circulated herewith, and I am glad to be able to tell you that your company has again had a successful year.

£1,000,000 IN RESERVE

The accounts which are before you are in very simple form and hardly need any explanations from me. In the directors' report you will have seen a reference to a new reserve, which has been created for the replacement of plant, machinery and equipment. This has become necessary as, in the past, the reserves for depreciation and obsolescence have been based on the historical cost of the plant and machinery, whereas the replacement values have now risen to many times the original cost. Unfortunately the Inland Revenue has not made provision for higher allowances out of untaxed profits; it is therefore necessary to build up reserves out of taxed profits for this purpose. You will see in the accounts that we now have over £1,000,000 in this reserve account.

The general reserve has been increased by £350,000 and provision is made for higher income-tax due 1951-52.

The heading "deferred repairs and contingencies" will now disappear from the balance sheet, as these repairs have been made good.

INCREASED DISTRIBUTION

The other items on the liability side are higher and for the first time our balance sheet reflects the payments of dividends on the higher capital brought about by the issues of new shares in 1949. The dividend recommended on the Ordinary share capital is raised to 20 per cent. and the directors are pleased to have been able this year to recommend an increase in this distribution.

On the asset side, you will see that freehold buildings are considerably higher, reflecting the purchase of a new factory, to which I shall refer later, and the item plant, machinery and equipment is up by over £300,000. The other items need no comment from me.

HIGHER BALANCE OF PROFIT

In the profit and loss account the balance of profit is higher at £1,023,809, after increasing various provisions; the balance from trading account is up by about £1,000,000, but the taxation item is nearly £600,000 higher than last year. The balance carried to the balance sheet for 1950 is £1,307,752, against £753,199 in 1949.

Last year I gave you some interesting figures about the distribution of your company's profit; for the year now under review the allocation is very similar. After paying a sum of £5,152,471 in wages, salaries, pensions and National Insurance

Fund contributions, the profit, before taxation, amounted to £2,669,349, and was absorbed as to:

61.65 per cent. by taxation,
30.14 per cent. retained in the business,
8.21 per cent. by dividends.

It will be seen from these figures what a small percentage was distributed to you as dividends. However, you know that it has been the policy of your Board to plough back as much of the profit as possible in order to build up the strength of your company. This policy has proved successful in the past and will, I hope, continue to prove so in the future, as it has enabled us greatly to increase our assets without having to call on you to provide fresh capital. In the past year, for example, we have bought a large and splendidly equipped factory in Theale, near Reading, which will be most useful to us for the further development of our refrigerator business, and thus leave more room at Cowley for extensions of our motor-car body business.

INCREASED PRODUCTION

The progress made by your company in the three fields of its activities has been very marked. Thus it is interesting to mention that the value in 1950 of our sales of refrigerators and of the production of our Linwood factory (including railway wagons) was greater by £1,000,000 than the total value of our motor-car business in 1938, and this in spite of the fact that these motor-car body sales are still by far the most important part of our activities.

As to Cowley, we sold in 1950 goods manufactured there to a value of nearly six times the corresponding value in 1938—that alone will show you how busy the plant has been and how efficiently it is worked. Although I am unable to give you the figure of our products exported, it is well known that 75 per cent. of the motor-car production of the country has been exported and well over 50 per cent. of our domestic refrigerators have also been sent abroad. We have therefore contributed substantially to the export drive.

DOMESTIC AND COMMERCIAL REFRIGERATORS

During 1950 the popular models of domestic refrigerators remained unchanged apart from minor refinements, but a new 7 cu. ft. refrigerator was brought into the range; this will be known as Model S.772 and is very moderately priced at £94 plus purchase tax. This, as well as our other popular models, is on view in our London showroom, 169, Regent Street, and at our distributors throughout the country.

Additions to our commercial refrigeration products included two new ice cream conservators, a frozen food cabinet, the new milk cooler designed to meet the needs of the smaller dairy farms, and an engine-driven version of the churn immersion milk cooler for areas where electricity is not available.

THE LINWOOD FACTORY

I am glad to be able to tell you that the Linwood factory has been producing very satisfactorily and efficiently. The railway wagon diversification is not progressing as rapidly as we had hoped, owing to the shortage of steel and other materials, but we have been complimented on the speed with which we have got under way and on the quality of the output. We are now using the capacity of Linwood almost to the full—we

may even have to consider extensions of factory space there in the near future.

The shortage of steel and of other materials is naturally affecting the output of the various products made by us; but it is also affecting, in other ways, the motor-car manufacturers to whom we supply bodies and parts, and industry throughout the country. Unless raw and other materials can be made more generally available to industry, it will be difficult to avoid a further slowing down which will greatly reduce production and will affect the whole country and its export trade.

VALUATION OF ASSETS

You will have heard that some companies, among them a few of the largest, are considering a revaluation of their fixed assets, in order that their shareholders may know the present value of their buildings, plant and machinery. In my opinion, it is too early yet for us to contemplate undertaking such a step. Neither costs nor financial conditions are yet sufficiently stable; we do not know how far the inflation of currency is going, nor the effects of rearmament. It would be inexpedient to go to the trouble and expense of a revaluation while so many fluctuations are still taking place—it might be necessary to undertake it again in a year or two's time because conditions had again changed. We are therefore retaining the historical cost of our buildings, plant and machinery, less depreciation, while we tell you that these assets, which have been maintained in an excellent state of repair, are today worth two or three times their book cost and that their replacement cost would be three times or more, if we were lucky enough to get delivery at all. It would probably take many years before we could replace these assets, but fortunately we really only need at present to undertake minor building operations and to order individual items of machinery to increase special production from time to time. We are moving machines and equipment from Cowley to our new factory at Theale, but we shall also require some extra plant, which is on order—this will take some time to obtain as the delivery dates are uncertain.

DEPRECIATION OF THE £

Last year in my speech I mentioned the effects of the depreciation of the purchasing value of the £ sterling. This is such a vital matter for the whole nation that I need make no excuse for mentioning it again, as the position has considerably deteriorated in the past year. In dealing with the accounts I have told you of the need for a large reserve fund for the replacement of machinery and equipment at a cost many times its original price. However, there is an advantage for your company in this state of affairs, for we are very favourably placed with our factories complete with very valuable plant and equipment. The funds necessary and the time required to duplicate these fixed assets would be very great—the capital expense would have to be so high that the charges on it, which would have to be met by profits, would cause such a rise in production costs as would make these too high and quite uncompetitive. By comparison your company's low capitalisation is a great help in this respect and incidentally of considerable benefit to our customers.

Finally, I should be glad if you would authorise me to express to our management, staff and all our employees your gratitude and appreciation for the good work they have done in the past year. It is due to their ability and efforts that we have been able to show such satisfactory results.

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

The retiring directors, Mr Henry F. Marks and the Rt. Hon. Lord Ashburton, were re-elected and the proceedings then terminated.

CAMMELL LAIRD AND COMPANY LIMITED

ANOTHER SUCCESSFUL YEAR

INCREASED DIVIDEND

A VERY BUSY AND PROFITABLE YEAR IN THE SHIPYARD

SIR ROBERT S. JOHNSON'S REVIEW

PROFIT AND LOSS ACCOUNT

The eighty-seventh annual meeting of Cammell Laird and Company Limited, was held on May 25th, at the registered office of the company, New Chester Road, Birkenhead, Sir Robert S. Johnson, chairman and managing director, presiding.

The chairman, in moving the adoption of the report and accounts, said:

Ladies and Gentlemen.—This is the eighty-seventh annual meeting of our company, and before dealing with the business of the meeting, I would like to take the opportunity of welcoming our new director, Mr J. C. Mather, who was elected to the board during the year. Mr Mather has great experience in everything to do with ships, and in addition to a number of other activities, he is vice-chairman of the firm of Messrs. John Holt and Company, Liverpool. Later in the meeting we will ask you to re-elect him for a further term.

We have had a very busy and profitable year in our shipyard, and the results have been very much in line with those of last year, and I would like once again to congratulate the management, staff and workmen on the very fine effort they have made. I want to thank them for the success of their achievements.

I will now comment on the accounts of the company for the past year, a copy of which you will all have received.

BALANCE SHEET

Revenue Reserves.—You will notice that we propose adding £250,000 to our general reserve, bringing the total at the end of the year to £1,625,000.

Current Liabilities and Provisions.—Under this heading you will see an item "Installments received on account of work-in-progress." These instalments received are in excess of cost to the extent of £17,972.

Fixed Assets.—During the year we spent £84,196 on additions to our properties, but this was more than covered by the depreciation written off, with the result that the total book value of our properties at the end of 1950 was actually nearly £11,000 less than at the end of the previous year.

As is customary, all our buildings, machinery and plant have been maintained in first class condition, the whole of the cost being, as usual, charged to revenue.

CURRENT ASSETS

Sundry Debtors—show an increase of nearly £200,000 and at the same time the creditors show a reduction of £100,000.

Quoted Securities.—During the year we have purchased a further £407,800 of Government stocks. The other quoted securities at £115,967 show an increase of over £103,000 which is accounted for by purchase of certain industrial preference shares, stocks and debentures.

Bills Receivable—show a reduction of £169,000 consequent upon final retirement of certain instalments in accordance with our agreements.

The total of our current assets exceeds our current liabilities by nearly £4,500,000, which indicates the very healthy state of our finances. This is a very valuable feature in these difficult times.

Turning to the profit and loss account, you will see that our trading profit is £100,000 lower than last year, but when it is pointed out that nearly 20 per cent. of our output during the year was on the aircraft carrier "Ark Royal," which still appears in work-in-progress, the reduction in trading profit for the year is readily understandable.

Income from Investments—shows an increase of just over £40,000 on last year, making a total of £399,191, being due to an increased dividend by the Metropolitan-Cammell Carriage and Wagon Company, Limited.

The net balance carried to the appropriation account is £465,299, an increase of £28,323 on the 1949 figure, but I think it is important to point out here that in 1949 we reduced the net profit by transferring £60,000 as provision for depreciation in value of trading stocks whereas it is now considered that the total reserve for this purpose is sufficiently adequate to make a further addition from this year's profits unnecessary. When to the net profit of £465,299 is added £194,162 brought forward from 1949, and the interim dividend of £58,575 (net) paid in October last is deducted, a net balance of £600,886 is available for disposal, which your board recommend should be dealt with as follows:

In payment of a final dividend of 9 per cent., less tax at 9s. 6d. in the £ on ordinary stock ...	£167,738
Transferred to general reserve	£250,000
Carried forward to 1951 ...	£183,148
	£600,886

BOARD'S DIVIDEND POLICY

In regard to the proposed increase in dividend, your board have given long and earnest consideration to this matter before finally arriving at their recommendation, their chief concern being to restrict the dividend to one which they might hope to maintain without weakening the company's financial structure, and I hope that our final decision is one that will meet with the approval of our stockholders. In suggesting this increased distribution to the stockholders the board have not been unmindful of the Government's appeal for restraint in dividend payments, and our considered opinion is that, bearing in mind that for many years the company has ploughed back into the business more than one-half of their profits, the stockholders are entitled to some small return on the additional resources employed.

ENGLISH STEEL CORPORATION LIMITED

You will notice that this year we have omitted the accounts of the English Steel Corporation, and I have no doubt the stockholders are aware of the fact that the corporation was nationalised on February 15th last, and has been taken over by the Iron and Steel Corporation of Great Britain. This has been a source of great disappointment to us, as the corporation was doing extremely well and was spending large sums of money on development not only at Sheffield, but at Taylor Bros., Manchester, and at the Darlington

Forge, Darlington. Great progress was being made, and with the help of Vickers and ourselves the business was developing in every direction in a very satisfactory way.

The English Steel Corporation was a very important contributor to the dividends we have declared in past years, but as a result of nationalisation, we shall no longer have this contribution, and in place of holding English Steel Corporation shares as heretofore, we have received payment of compensation amounting to £6,827,396 15s. in 3½ per cent. steel stock. What we are going to do with this money is a problem we are at present unable to solve. Whether there will be an opportunity afforded the old shareholders to buy back their holdings in the corporation is difficult to foresee. This would be the solution we would most earnestly desire. It may be a considerable time before any finality is reached in this connection, but in the meantime the interest on the money will be used to assist in providing dividends which we hope will be more or less the same as they were in the year 1950.

METROPOLITAN-CAMMELL CARRIAGE AND WAGON COMPANY, LIMITED

With regard to the Metropolitan-Cammell Carriage and Wagon Company, Limited, their small steel works at Wednesbury has been nationalised, and the company has received the sum of 35s. per share in 3½ per cent. steel stock for the 510,000 shares which belonged to them. The money received has been absorbed by the company as owners. They very much regret this change as the steel works of the Patent Shaft and Axletree Company, Limited, supplied the company with a large portion of its raw material.

In June, 1950, the Metropolitan-Cammell Company increased its issued share capital from £1,000,308 to £2,000,000 by a bonus issue. We hold half of these shares and the Metropolitan-Cammell Company recently declared a dividend of 8 per cent., free of tax, for the year 1950 on the total increased capital instead of 10 per cent. on the old capital as before.

A copy of the Metropolitan-Cammell Carriage and Wagon Company, Limited, balance sheet is attached to the accounts.

The company has had another very successful year, the deliveries being the highest in its history, and you will be interested to note that exports accounted for nearly 60 per cent. of the total. This was in spite of a number of export orders being held up by lack of shipping space, which has become a very serious problem. The company has obtained a further number of export orders against keen Continental competition, and the orders have very nearly kept pace with deliveries, so that they will be fully occupied for some considerable time. The programme planned for this year includes passenger coaches for India, Rhodesia, Egypt, Ceylon, Australia, Colonial and other overseas railways, in addition to light alloy coaches for the London Transport Executive and new standard steel coaches for British Railways, for which undertaking also a considerable number of wagons will be built.

The company is developing a very important business in the manufacture of buses, and the output is increasing. They hope that this part of their business will become a very profitable one.

Respecting both the English Steel Corporation and the Metropolitan-Cammell Carriage and Wagon Company, Limited, I would like to place on record, our appreciation of the efforts of the managements and staffs of these companies. The managing director of the English Steel Corporation is Mr F. Pickworth, and in the case of the Metropolitan-Cammell Carriage and Wagon Company, Limited, Sir A. J. Boyd. These two gentlemen have taken the greatest pains to organise their respective concerns to the highest degree of efficiency. They have very fine support from their young co-directors and from the

managers and executives under them. I have the opportunity of seeing them in action once a month only, but I have noticed with the greatest pleasure the excellent organisation both companies have developed. This is undoubtedly the chief reason that such fine results are being produced.

BIRKENHEAD

At our shipyard at Birkenhead we had another extremely busy year. We completed and delivered six ships including one of the largest tankers ever to be built in the British Isles, namely the 28,000 tons "Volsella" for the Anglo-Saxon Petroleum Company Limited. Nine ships were launched during the year.

The highlight of 1950 was undoubtedly the launching of the aircraft carrier "Ark Royal" for the British Navy, at which Her Majesty the Queen so kindly performed the christening ceremony. She remained with us for over five hours, and during that time there was not a dull moment. When speaking at the luncheon Her Majesty expressed herself in the most delightful terms, as being deeply touched at everything she had seen.

Our repair department has had another very successful year, and it has had the distinction of not only converting the former aircraft carrier "Campania" into a travelling exhibition ship for the Festival of Britain, but has also secured the order for the fitting up of the Shaw Savill liner "Gothic" for the forthcoming tour of Their Majesties to Australia and New Zealand.

NEW VESSELS BUILDING OR ON ORDER

We have at present building or on order, new vessels which will keep our yard fully occupied for the next three or four years, and our anticipations in regard to repair work are also very promising. These prospects indicate continuous activity for a long period, but the outlook is not without its anxieties, as it is becoming increasingly difficult to obtain the materials with which to construct our ships. Steel and non-ferrous metals are particularly difficult to obtain in sufficient quantities at the present time. In view of these inevitable difficulties it is particularly unfortunate that we should have had to contend with the unofficial banning of overtime and night-shifts on Merseyside. This has been a great hardship to a large number of our employees.

If we, and the country in general, are to keep faith with our commitments, and contribute an all-out effort to the defence programme, it will be absolutely necessary for everyone of us to exert the utmost effort and give of our best. Our interests are common interests and there should be mutual understanding and sympathy. We must not forget that our efforts benefit not only ourselves, but the community we live amongst and our country as a whole.

The report was adopted.

ILLUSTRATED NEWSPAPERS LIMITED

MAJOR H. DAVENPORT PRICE'S SPEECH

The twenty-fifth annual general meeting of Illustrated Newspapers Limited was held on May 29th in London.

Major H. Davenport Price, M.C., J.P. (the chairman), in the course of his speech, said: The profit on trading of the company and its subsidiaries amounts to £590,580, compared with £640,699. After adding dividends and interest on securities, bank deposits, etc., the profit is increased to £598,003. The net profit attributable to Illustrated Newspapers Limited of £290,842 compared with £265,841.

There has been retained in the accounts of the subsidiary companies the sum of £133,796, leaving the net profit for the year dealt with in the company's accounts of £157,046. To this has to be added the balance brought forward from last year of £82,342, making the amount available for appropriation £239,388.

During the year we had to contend with a dispute in the printing trade, and this has had its effect on the year's results.

Apart from that labour problem, which I hope is a thing of the past, we have other problems which I am afraid are more lasting. Amongst these are the extremely high cost of paper and other printing materials, and general increases of costs and expenses. I am afraid that these will tell their tale in the next accounts.

Our revenue from sales and advertisements has been well maintained and our standard of production remains as high as ever.

The report was adopted, and a dividend of 3 per cent. and 1 per cent. bonus was approved.

THE EVER READY COMPANY (GREAT BRITAIN) LIMITED

MANUFACTURERS OF DRY BATTERIES
PORTABLE ELECTRIC LAMPS
ALLDRY RADIO

The annual general meeting of The Ever Ready Company (Great Britain) Limited was held on May 31, 1951, in London. The following are the comments of the chairman, Mr E. N. Rowbotham, on the report and accounts for the year ended February 28, 1951.

JUBILEE YEAR—RECORD SALES AND NET PROFIT

This is the Jubilee Year of the business and I am therefore more than pleased to be able to tell you that the sales and net profit before taxation constitute a record in the company's history.

The result is due to the spread of the company's activities and in particular to the rapid development of its export trade through its wholly owned subsidiary, The Berek Battery Export Company Limited. In consequence the accounts are now drawn up in the form of consolidated accounts and the figures shown for last year have been adjusted to enable stockholders to make an easy comparison.

Apart from the main business of the company which, as you know, is the manufacture and supply of dry batteries and all forms of portable electric light and Alldry Radio, we are interested either directly or through our subsidiaries and associated companies in the manufacture of chemicals for batteries and other important industrial uses, carbon rod, miniature motors and toys. All these products are sold on the export market as well as on the home market.

THE "SAUCEPAN SPECIAL"

Sales of radio receivers using the company's Alldry Radio Batteries have increased, and a considerable success has been achieved by the "Saucepan Special"—a short-wave receiver specially designed for use in Central Africa. Sales of miniature electric motors and toys using dry batteries which were introduced last year have progressed satisfactorily.

The consolidated balance sheet shows that fixed assets have increased by £175,000. This figure includes the purchase of the freehold of our factory at Walthamstow referred to in the directors' report, and stockholders will be

glad to learn that for all practical purposes the manufacturing premises of the company are now all freehold property.

The value of trade investments (the book value of which shown in the balance sheet is £194,043) has increased during the year from £599,277 to £714,171, due almost entirely to an increase of £107,945 in the market value of the quoted investments.

Reserves and carry forward have increased from £1,718,117 to £1,866,825. The balance of current assets over liabilities and provisions is lower than last year, due to the special expenditure on the purchase of the freehold of our Walthamstow factory.

Stock at £1,452,583 is only £28,000 higher than last year, mainly due to the control of material supplies.

The consolidated profit and loss account shows depreciation the same as last year, namely £80,000, and your directors recommend the allocation of £108,705 to reserve account; £50,000 of this sum to be added to contingencies (including taxation equalisation) reserve, which is expected to be sufficient to deal with inequalities in taxation from year to year arising out of the effect of initial allowances, etc.

On the acquisition of the entire shareholding of a company which deals with battery and other chemicals a payment of £38,705 was involved for the goodwill of the business and, in accordance with the long-established policy of the company, this sum has been written off, as shown in the reserve account. This company was acquired so late in the financial year that its results are not included in the present consolidated accounts.

TAXATION AGREED

I am happy to be able to report to you that since the end of our financial year we have agreed with the Inland Revenue the whole of liability for wartime taxation.

Your directors have appointed three joint general managers of our business. They have each of them served the company for over fourteen years, and I am sure they will assist in maintaining for the company the tradition upon which the success of the business has been built up.

During the year a comprehensive non-contributory pension scheme benefiting the whole of the staff has been introduced. Your directors have frequently placed on record their appreciation of the service given by the staff to the company, and they feel sure that stockholders will concur in giving this practical encouragement to those men and women who have taken up the company's service as their career and on whose continuance in our service depends, to a large degree, the future of the company.

FUTURE PROSPECTS

In October last the company was compelled to increase a number of selling prices to offset partly the rise in the cost of raw materials. Increased costs and shortages of raw materials are probably the greatest difficulties facing the company in the coming year. Your directors are actively pursuing their long-standing policy of securing greater efficiency in manufacture, but any further substantial increase in basic raw materials or wages must inevitably cause further increase in selling prices.

I would like again to record the board's high valuation of the efficient service given to the company by both staff and workpeople.

The report and accounts were adopted and final dividends of 5 per cent. on 200,000 preference stock units of £1 each, making 10 per cent. for the year, and 20 per cent. on 4,041,609 ordinary stock units of 5s. each, making 35 per cent. for the year, were approved.

H. LEDGARD (SILMYRA FABRICS) LIMITED

INCREASED TURNOVER AND PROFITS

MR HERBERT LEDGARD'S REVIEW

The third annual general meeting of H. Ledgard (Silmyra Fabrics), Limited, was held on May 31st at Park Suite, Grosvenor House, Park Lane, London, W.1, Mr Herbert Ledgard, chairman and managing director, presiding.

The following is the chairman's statement circulated with the report and accounts for the year to December 31, 1950:

You will be glad to know that your company has again experienced a satisfactory year's trading and will see from the directors' report that the profits, after charging all expenses including directors' remuneration and depreciation but before taxation, were £231,077, compared with £188,612 in 1949 and £124,028 in 1948. The higher profits are again attributable to increased output and sales and in no small measure to the good work put in by the management, staff and operatives.

PROFITS AND TAXATION

The 1950 profits, before taxation, show an increase of £42,465 on 1949 but unfortunately the higher taxation charge shown in the accounts has absorbed the whole of this increase, leaving a net profit of approximately the same amount as last year. It was inevitable that over half of the increased profit would be swallowed up in taxation but, in addition, in view of the recent Budget, we have made provision for the higher rate of income tax payable in 1952 on the whole of the group profits. We have also thought it desirable to add to the taxation charge and include in the amount set aside for future taxation £12,000, the approximate amount by which the tax liability on the profits of the year has been reduced by initial allowances on capital expenditure.

A further element in the apparently disproportionate tax charge is the fact that in arriving at the trading profits a deduction of £12,500, which is not deductible in computing taxable profits, has been made to eliminate unrealised inter-company profits, bringing the amount set aside in this connection up to £37,500, as shown in the balance-sheet.

BALANCE-SHEET FIGURES

The amount of £85,546 has been written off the cost of "Shares in wholly-owned subsidiary companies," which, together with an adjustment of £5,591 in the tax liabilities of the pre-acquisition period, has had the effect of reducing the item "Excess of cost of shares in subsidiaries over book value of net assets at date of acquisition," shown in the consolidated balance-sheet, to £115,500, a sum equal to the balance of the share premium account. The present-day value of the group's net assets is, in fact, considerably in excess of their book value and the fixed assets are valued for insurance purposes at approximately £600,000 in excess of their book value.

NEW MILL

The building of the new mill to which I referred last year has been completed. A large part of the new plant, including a number of automatic looms, is already in production and it is hoped that the whole of the additional plant will be installed by the end of the present year. The capital expenditure on this project is reflected, in the consolidated balance-sheet, in the increase in fixed assets from £88,475 to £173,054 and in the capital commitments of £82,000.

INCREASED POPULARITY

The popularity of Silmyra Fabrics is greater than ever and, even with our increased production, we are still unable to satisfy all the home and export demands made on us. Nevertheless, I am happy to be able to state that our sales so far this year are considerably higher than those for the corresponding period of 1950 and, although I hesitate to predict the future, which will not be without its difficulties, I feel that we have a reasonably good prospect of again having a satisfactory year in 1951.

The directors recommend to the shareholders that a final dividend of 15 per cent., less tax at 9s. 6d. in the £, should be paid on the Ordinary share capital making, with the interim dividend of 10 per cent. (less tax) already paid, a total of 25 per cent. (less tax) for the year to December 31, 1950. This is the same rate as for 1949 and absorbs about a quarter of the net profits of the year available for ordinary dividend, leaving the sum of £61,456 to be carried forward to next year. The report and accounts were adopted.

UNITED SUA BETONG RUBBER ESTATES

"FREEZE" SCHEME EXAMINED

SUPPLIES TO CHINA

SIR JOHN HAY ON THE PRICE OF RUBBER

The forty-second annual general meeting of The United Sua Betong Rubber Estates, Limited, was held on May 30th in the Council Room of the Rubber Growers' Association, 19, Fenchurch Street, London, E.C.3.

The following is the statement circulated by the chairman, Sir John Hay:—

In contrast to the meagre rewards which are the more normal lot of the rubber plantation industry, producers have for nearly a year enjoyed an exceptional prosperity which in our case is reflected in the accounts now presented to you. Before deduction of tax, profits amounting to £1,637,726 were disposed of as follows:—

	% of profits
(a) Malayan income tax and export duty	
United Kingdom income tax and profits tax	£976,476=60%
(b) Dividends to stockholders	236,250=14%
(c) Ploughed back into the business	425,000=26%

As is customary, our dividend is expressed in terms of a percentage of the nominal capital. If, however, it were calculated on the real capital employed in the business, the gross rate would be less than 17 per cent. and the net rate less than 9 per cent. The average dividend paid over the last two decades—that is, 1930-49 inclusive—was 7.50 per cent. on the nominal capital. Calculated on the real capital it would probably be less than half that—a return so modest as to surely satisfy even the most grudging critic, and hardly an adequate reward for an enterprise which involves in the initial stages a wait of some years before the first harvest is gathered and in its continuing life accepts all the risks inseparable from the conduct of tropical agriculture, carried out in a country peculiarly vulnerable to attack from within and without.

From the figures I have quoted it is very evident that the main beneficiaries of our prosperity are the Governments of Malaya and the United Kingdom, who receive more than four times as much as stockholders. The new rate of export duty levied by the Malayan Government only operated for a part of the year under review and amounted on our crop to £143,000. This year it may be as much as £600,000 or more. The sum left for distribution to stockholders and for the necessary provision for reserves will be correspondingly reduced.

THREATS OF FURTHER IMPOSTS

One would have imagined that the rate of duty combined with the United Kingdom and Eastern taxes now levied would be sufficient to satisfy the most rapacious of governments, and that there would be some recognition of the fact that taxation has reached such a level

that it is no longer profitable to engage fresh capital from this country in long-term enterprises in Malaya. But the Malayan Government, apparently indifferent to such considerations, and with a seeming disregard for the future development of their country, have recently put forward proposals for adding to the rubber industry's existing burdens. They propose to "freeze" part of the proceeds of rubber and for that purpose they invite the industry to commit itself to a scheme which has been tried out in other territories in respect of other products and, after examination, has quite recently been roundly condemned by two economists appointed by the Colonial Office. At the very best, this out-moded scheme could only be made applicable to a primitive community which has not direct access to world markets and which is content to sell its product through one single agency. In no respects is it applicable to the rubber industry as a whole in Malaya and, if attempted, will prove administratively impracticable and seriously damaging to an industry upon which the economy of Malaya rests so heavily. It is fair to say that the proposal is put forward under the guise of being helpful to the industry as a means of stabilising its income, but since it is proposed that the proceeds should be placed in a fund to be applied by Government to a wide variety of vaguely specified purposes, without any guarantee that it will be returned to the producers from whom it has been taken, it becomes fairly evident that the one certain purpose it will achieve will be to reduce further the already heavily taxed income of the rubber producer.

The scheme starts from the premise that the high price of rubber is a contributing cause to inflation in Malaya. That premise, of course, in its application to a company such as this, is unsound, as would be evident from an examination of our accounts. Our total proceeds from rubber and tea in 1950 amounted to £2,600,000. Of that, only about one-third was spent in Malaya, mainly on wages. The rest goes in taxation, dividends to stockholders, mostly registered in this country, and to reserves which for the time being will be held in England or invested in gilt-edged securities. No substantial reduction of expenditure in Malaya could be made except by means of a reduction in wages or in the taxes paid to the Malayan Government. Which of these two items is to be reduced? Surely not the latter, which has always been represented as disinflationary. Are we left to suppose that Government wish wages to be reduced and are seeking this indirect method of achieving a purpose which they are afraid to avow openly?

In Malaya there are two distinct classes of producers—namely, the estates owners

and the smallholders. Their marketing methods are quite dissimilar. They operate under quite distinct and contrasting financial systems. Treatment for the one cannot be suited to the other. This company is typical of the former; it pays heavy taxes to the United Kingdom and Malayan Governments, it puts money to reserve for replanting and equipment, etc., and in good years distributes only a modest proportion of its profits. The smallholders consist of simple and primitive people who pay no taxes, spend their income as it is received and make no provision against adversity or for the betterment of their holdings. They stand in need of instruction, guidance and protection from their own happy improvidence. They are the special responsibility of the Malayan Government, a responsibility which has been too long neglected and which is not discharged by the advancement of ill-contrived proposals which can be of no benefit to either class of producer. There are other and well-tried means by which Government can check inflation: they are less disruptive, more practical, and more equitable in their application to the community as a whole.

RUBBER TO CHINA

That abnormal shipments of rubber went to China from June, 1950, to March, 1951, was never a secret and the figures were never difficult of exact ascertainment. The delay that occurred in checking this undesirable trade must be ascribed to a strange lack of single-mindedness on the part of the governments concerned. Reasons of security would have carried conviction and ready co-operation. To explain control by reference to the need for checking inflation and reducing the price of rubber, as was done by the Colonial Secretary at Singapore, was an unnecessary introduction of irrelevant and disputable matter. Despite recent drama on the high seas involving the "Nancy Moller" and the "Cossack," we deceive ourselves if we imagine that, in consequence of stopping shipments from Malaya and adjacent Colonial territories, China cannot now get rubber. From other countries, processed rubber ready for market is exported at a rate of over 500,000 tons per annum and is available by purchase for shipment to any destination.

PRICE OF RUBBER

Within the space of a month or two the rubber market has undergone bewildering changes in sentiment and price which in their violence and rapidity surpass almost all former extremes of the many fluctuations which feature in the history of our notoriously variable commodity. In the early part of this year the London price of rubber rose to 6s. 2d. per lb. It has since fallen to 3s. 7d. And yet in that interval there has been no significant change in the statistical outlook in so far as it relates to production and consumption. The London Conference which met in February, with its imposing array of national representatives, its secrecy, its whispers of an acute shortage of rubber and the consequent need for international allocation, ministered to an excited and expectant market. Nevertheless, the sober fact was that the rate of rubber production then and in prospect was in excess of probable trade requirements. The excess was of an order sufficient to implement trade stocks and to add not inconsiderably to the U.S.A. strategic stockpile. Whether supply and demand for all purposes were to be brought into equilibrium depended primarily on the rate at which the U.S.A. was content to add to its stockpile and to what further extent she could increase her production of synthetic and so reduce her dependence on natural. The decision made early in April to impose destination control on all shipments of rubber from Malaya and adjacent Colonial territories, with its avowed purpose of reducing supplies to China, and the later deci-

sion to stop all shipments to that country, with its consequent promise of more for others, gave encouragement to the U.S.A., in particular, to follow a more cautious buying policy, and so a price that went up quickly has fallen more rapidly. In circumstances where the trend of prices is influenced not by supply and trade demand but by political strategic considerations overlaid by emotion, it would be imprudent to hazard an opinion regarding future prices, but what I can assert with confidence is that recent experiences confirm producers in their desire for a stable price at a moderately profitable level. That unhappily, is a choice that they are not given. To consent to a ceiling price in times of apparent shortage without any reciprocal undertakings in respect of price in times of surplus would be a foolish bargain. Without such rare spells of prosperity as the industry at present enjoys it would rapidly become obsolete through lack of funds for replanting and re-equipment. In previous addresses I have made the point that the price of rubber is not out of line with the prices of other commodities. In terms of American cotton values, the present price of rubber is substantially below the 1939 level. In that year we were able to barter 90,000 tons of rubber for 600,000 bales of cotton. The same quantity of rubber today is the equivalent of only 370,000 bales of cotton.

COSTS

Increased and increasing wages and the high rate of export duty are having a profound effect on costs which in the current period are likely to be double those of last year. Owing to competing demands for labour, which is in short supply, and to a continuance of conditions that make supervision difficult, endeavours to offset higher wages by the application of methods aimed at higher output per man have had only very partial success.

REPLANTING

In the postwar period we have replanted over 7,000 acres, bringing the area under high-yielding stock to over 60 per cent. of our total acreage. Your board have decided that in present circumstances we should go more slowly for a period, allowing our managers time for consolidating what has already been done. Our programme for this year is, therefore, limited to 560 acres and will probably be equally modest in the following year.

RE-EQUIPMENT

Plans for the replacement of the central factory on our main division have been passed and construction has commenced. We have been considering for some time the processing of some part of our crop in the form of latex suitable for shipment in bulk to overseas markets, and in conjunction with associated companies we have entered into a contract for the erection of the necessary processing installation.

CONDITION OF PROPERTIES

Despite the many difficulties that continue to be encountered reports on the condition of our rubber and tea properties are satisfactory.

SALES FOR CURRENT YEAR

Including all forward contracts outstanding at May 21st, out of this year's crop 6,458,024 lb. have been sold at an average price of 48.27d. per pound.

STAFF

The murder of two members of our staff, as recorded in the directors' report, is a grim reminder of the conditions under which our staff serve and the dangers which beset them in the course of their work. To their enduring courage we again pay tribute. For their services we are deeply grateful.

The report and accounts were adopted.

SCHWEPPES LIMITED

A YEAR OF PROGRESS

The 54th annual general meeting of Schweppes Limited was held on May 31st in London, the Hon. R. Hanning Philipps, M.B.E. (the chairman), presiding.

The following are extracts from the statement by the chairman circulated with the report and accounts:—

Your company has reason to look at the progress made last year with solid satisfaction. The developments undertaken in the principal aspects of management, namely, production, sales and personnel, have combined together to strengthen the efficiency of the company and to place its earning power upon a more stable basis than it has generally been considered possible to expect in our industry.

This success has only been possible as a result of a sales policy directly aimed at levelling up demand over the various seasons of the year. A consistent and resolute effort has been made by the sales forces of both Schweppes and Kia-Ora to increase the demand in what have hitherto been regarded as slack or off-peak periods.

So successful have the results been that in a year so cold and wet that the volume of business done by the industry as a whole has declined as against the previous year, the sterling sales for all our company's products have gone up by 25.12 per cent., although prices remained the same. Moreover, the whole of that increase has been put on in the off-peak periods.

Our modernisation programme at home has included the purchase of suitable premises at Fareham intended eventually to replace the present Southampton factory. We are also in process of building a modern factory at Fazakerley on the outskirts of Liverpool. This factory will, with its increased productive capacity, be a valuable aid to the development of our export trade, particularly to the dollar countries.

OVERSEAS BRANCHES

With the exception of France, where trading conditions have remained difficult, our overseas branches have had another good year.

In November I made a short visit to Australia, and was much impressed by the progress of our organisation and the improved productive facilities of our Sydney and Melbourne factories.

Looking at our business as a whole, the financial position is one of great strength. However, in common with all British industry in an inflationary period, the amount of capital required in the business is continually rising, and it is common prudence to provide for this situation by retaining a substantial part of the year's profits to meet the cost of future development. In the difficult times through which our country is passing, it has been our practice as leaders in our industry to conform in the matter of dividends to the spirit of the national needs as indicated by the Chancellor.

The proposed distribution to our ordinary stockholders represents the modest reward, after tax is deducted, of 2.34 per cent. on the real capital they have provided for our enterprise.

As regards the future, I can only say that so far our trading has remained satisfactory, though our margin of profit will inevitably decrease because of steeply rising costs; moreover, it would be idle to deny the risk of shortage of some of our raw materials. I feel, however, that, provided there is no national catastrophe, this Festival Year should be a reasonably good one for our company.

The report and accounts were adopted.

GALLAHER, LIMITED

(Incorporated in Northern Ireland)
Tobacco, Cigarette and Snuff Manufacturers)

INCREASED PROFITS DESPITE ADVERSE FACTORS

STRONG DEMAND FOR COMPANY'S BRANDS

CAPITAL INCREASED

SIR EDWARD DE STEIN'S STATEMENT

The fifty-fifth annual ordinary general meeting of Gallaher, Limited, was held on May 31st at Winchester House, Old Broad Street, London, E.C., Sir Edward De Stein (chairman of the company) presiding.

The following is the statement by the chairman, which had been circulated with the report and accounts for the year ended December 31, 1950, and was taken as read:—

The year 1950 has not been an easy one as, among other adverse factors, we have had to deal with rising costs including the effects of devaluation, which, however, will not be fully reflected in our accounts until the year 1951. Having regard to the circumstances existing throughout the year 1950 I think it is satisfactory to be able to report in our consolidated profit and loss account an increase of £300,000 in profit for the year before providing for taxation. This figure is arrived at after charging depreciation on buildings, plant and machinery, etc., of £210,000 compared with £180,000 in the year 1949. The corresponding figure in the year 1948 was £129,000, so that in the two years we have borne an increase under this heading of £81,000—more than 60 per cent. of the 1948 figure. This is a measure of the thorough reconstruction and reorganisation of buildings and modernisation of plant which I reported last year as being then practically completed. Until the present restrictions are removed, which would enable us to increase our purchases of suitable types of cigarette tobaccos, we will be unable to reap the full benefits of this expenditure.

PROVISION FOR TAXATION

Regarding the provision for taxation, you will see that the amount set aside for income tax in the consolidated profit and loss account is less at £517,000 than the corresponding figure in the profit and loss account of Gallaher, Limited, only, which amounts to £530,000, although the consolidated profit exceeds the profit of Gallaher, Limited. The explanation of this is that in 1949 the income tax profits of one of our subsidiaries were not sufficient to absorb fully the deferred repairs and the initial allowances on plant and buildings; the surplus allowances were carried forward and set off against the 1950 profit, so reducing the provision for income tax in the 1950 accounts. Out of the profits for the year the sum of £172,554 has been set aside to general reserve account, rounding off the amount standing to the credit of this reserve at £750,000. We feel justified in appropriating this amount to general reserve as we already have a substantial amount standing to the credit of the company's reserve for contingencies—£1,047,000.

Turning to the consolidated balance sheet, the only figure which calls for special comment is stock in trade, which in 1950 amounts to £10,800,000 as compared with £9,200,000 in 1949. This increase is in part due to an increase in quantity, but mainly to the higher prices we have had to pay for suitable types of tobaccos including dollar tobaccos. This increase in value of stocks has been financed as to £1,200,000 by additional borrowings and the balance provided by profits retained in the business.

FINANCIAL ARRANGEMENTS

Since the date of the balance sheet we have reduced our short-term borrowings by issuing 160,000 ordinary shares at £5 each and £2,000,000 Four per Cent. Unsecured Loan stock 1960-65 at £99 per cent. We have at the same time converted the £2,000,000 Three and a-Half per Cent. Ten-Year Registered Notes 1953-57 shown in the balance sheet at December 31, 1950, into a corresponding amount of Four per Cent. Unsecured Loan stock 1960-65. In this way we have introduced into the business approximately £2,700,000 of new money after allowing for the expenses of the issues, and we have also deferred the latest redemption date of £2,000,000 of our Loan capital from 1957 to 1965. As a result of receiving this new money we shall be able to reduce our liability on acceptance credits and we shall also be in a better position to borrow from our bankers on a short-term basis to finance the purchase of additional leaf tobacco if the opportunity of doing so should arise. The company has now issued all of its authorised share capital and we will at the extraordinary general meeting to be held at the conclusion of the annual general meeting be asking you to pass a resolution increasing the authorised ordinary share capital from £2,250,000 to £3,500,000. It is not, however, intended that any of these new shares should be issued in the immediate future.

A particularly satisfactory feature of the company's operations during the year under review is an increase in our sales of roll and bar tobacco. All the company's brands of cigarettes continue to be in strong demand, in particular "Senior Service." At present we are unable to meet this demand because the restrictions now in force make it impossible for us to buy cigarette tobaccos in sufficient quantity—especially from dollar sources.

PROGRESS OF ENGINEERING BUSINESS

Our engineering business has shown satisfactory progress, has a full order book, and is making good profits. In previous years the profits which it earned were retained by the subsidiary, but we have in the year 1950 received our first dividend on the ordinary shares.

Notwithstanding the benefits we have received from economies which have been introduced, we are faced with still further and substantial rises in the cost of manufacture. Moreover, as I have indicated, the full effects of devaluation have not yet been felt as the stocks of tobacco bought before devaluation only became exhausted during the latter half of 1950. In addition the crop outlook in Rhodesia for the current season is very poor, so we shall have plenty of problems to face during the year 1951. Finally, we shall have the effect of the increased rate of profits tax on distributed profits which does not affect the accounts under review. Your directors, however, will continue to do the best they can within the limits imposed upon them by the strict allocation of the most important growths of cigarette tobacco and the enormous proportion which duty bears to the sale price of our products.

ALTERATION OF BORROWING POWERS

I have already referred to one item of special business to be dealt with at the extraordinary general meeting—namely, increasing the authorised ordinary share capital. We shall also then be asking you to authorise alterations in the provisions of the articles of association of the company relating to the borrowing powers of the directors, and to the appointment of proxies. An explanatory note on the proposed resolutions was circulated with the annual accounts. The alteration of the borrowing powers of the directors is designed to bring them into line with the arrangements made with the loan stockholders. The actual difference in amount is at present negligible. The new definition is,

however, more flexible as, on the one hand, it is based on a figure which includes profits ploughed back into the business and, on the other, acceptance credits are to be included as borrowings. The purpose of the resolution regarding proxies is to give members the right to appoint as proxies persons who are not members of the company. If the company were registered in Great Britain, this right would have been automatically extended to members by the Companies Act, 1948.

THE DIRECTORATE

During the year the Hon. J. M. W. North resigned from the board, much to the regret of his colleagues. He was appointed a director for special work in re-equipping and re-organising the company's factories as a result of the war. This special work was very well carried out and is now completed, and I am pleased to say that we still have the benefit of Mr North's services as a director of our engineering subsidiary.

In due course we shall be proposing the re-election of Mr Arthur Robinson, Mr A. V. Maunder and Mr E. J. Foord—the directors who retire under the articles of association. Mr Robinson has attained the age of 70, but as the company is registered in Northern Ireland the conditions of the 1948 Companies Act do not apply. Mr Robinson, who was so largely responsible for the creation of the well-known brand, "Senior Service," which the company acquired in 1936, has performed and continues to perform duties of incalculable value to the company. All his colleagues are thankful and gratified that he has agreed to offer himself for re-election. Mr Maunder, our leaf expert, is, of course, well known to you all. Mr Foord was appointed a director since the last annual general meeting. He has 16 years' service with the company, and has held a number of appointments which have given him a wide experience of all branches of the business.

CONTROLS REMOVE COMPETITIVE SPIRIT

One of the great difficulties and dangers which result from the present period of controls and restrictions is that the competitive spirit and a great deal of the zest of business has been removed. For this reason we particularly appreciate and value the keen and efficient co-operation of our management, staff and employees. We hope that one day it may be possible to restore to industry a greater measure of freedom, to individuals a greater opportunity to benefit from their own efforts, and to the public the opportunity of buying the goods they desire.

The report and accounts were adopted. At a subsequent extraordinary general meeting of the company resolutions were passed for the increase of the authorised capital of the company and for the alteration of the provisions of the articles of association relating to the borrowing powers of the directors and to the appointment of proxies.

HARTLEY FABRICS, LIMITED

INCREASED TURNOVER

The fifth annual general meeting of Hartley Fabrics, Limited, was held on May 25th, at Preston.

Mr. Edwin Leach Hartley, the chairman, presided.

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

The trading profit of the group was £234,605 against £191,888 last year. After deduction of depreciation, management salaries, and commissions, and directors' and registrars' fees, there is left £210,589, compared with £171,270 last year. Income-tax

and profits tax amounting to £11,355 (£86,716 last year) must then be deducted, leaving £99,234 for disposal, as compared with £84,554 last year.

During the year a bonus issue was made to shareholders of one ordinary share for every seven ordinary shares held, thus increasing the capital of the company by £25,000. The directors recommend a final dividend of 10 per cent. on the ordinary shares, making 15 per cent. for the year. The total turnover of the group has increased by 17 per cent. over last year's figure.

The policy of modernisation is continuing in the producing companies. Machinery is on order which will increase the blowroom capacity by 50 per cent., and the necessary building extension to house it is in course of erection. The weaving section at Darwen is also being extended and we anticipate a substantial increase in our production both of yarn and cloth during the coming years. We have a very good order book and unless unforeseen circumstances arise another successful year may be confidently anticipated. The report was adopted.

UNITED CANNERS

THE GOVERNMENT AND THE CANNING INDUSTRY

MR J. B. DRING'S SPEECH

The nineteenth annual general meeting of United Canners, Limited, was held on May 24 at Boston.

In the course of his remarks the chairman, Mr J. B. Dring, said:

It is proposed that there should be a final dividend of 20 per cent., less income tax at 9s. 6d. in the £, which, together with the interim dividend of 10 per cent., which has been paid, makes a total of 30 per cent. for the year.

In the combined accounts there was a net profit before taxation of £213,106, which, together with the balance brought forward from last year, made a total of £252,941. After reserve for taxation, directors' fees and dividend, and a transfer to general reserve of £30,000, there is a balance to be carried forward of £70,071.

We have for a period of three years, restricted our dividend to 25 per cent., but now that it has been indicated that some slight increase might be justified, it is proposed to pay a dividend of 30 per cent.

COMPANY'S ASSETS

It may be of interest to compare the position of your company to-day with its position the first year in which we paid a dividend of 25 per cent. That was for the year ended December 31, 1947. That year we had a disposable balance of £57,835. This year our disposable balance is £105,194. That year we placed £17,500 to reserve, making a total reserve of £30,000. This year we are placing £30,000 to reserve, making a total of £180,000. That year we carried forward, in our combined accounts, £11,517. This year we carry forward £70,000.

In the combined balance sheet current assets are £719,507, against current liabilities £483,425, a surplus of £234,000.

In reference to the fixed assets, which include a fruit-growing farm now worth very much more than we paid for it, it may be said that if our fixed assets were stated at current values rather than book values, there would be a surplus of assets over liabilities in excess of three-quarters of a million pounds. In regard to goodwill, if we take the actual cost of our goodwill, based on the

amount we have spent in advertising, in which we have made "Benedict" peas a household word, then the surplus of assets over liabilities would be well over a million pounds.

One might point out that the amount spent on advertising forms an invisible reserve which will be of great value when cans are freely available and there is again free competition.

GOVERNMENT POLICY

At present the canning industry is handicapped by an insufficient supply of cans, and this being a common experience in the trade, there is consequently an artificially created shortage of canned English fruits and vegetables.

Ever since the war, the Government has been opposed to the full development of the British canning industry. One would expect that in view of the extreme shortage of canned fruits, encouragement would be given to the production of a maximum pack of canned English fruits, but so far from that being the case, there is no prospect at the present time of there being an adequate supply of cans this summer, even for a small pack of canned English fruits.

Further, in view of the small ration of meat one would think that every facility would be given for the production of other foods which add protein to the diet. On the contrary, there is a further cut in the supply of cans for processed peas and beans in tomato sauce, both of which are not only extremely popular packs with the British public, but by their high protein content form a most valuable supplement to the meat ration.

So far as we are concerned, this has resulted in suspending operations in three of our canneries, one of them in a distressed area, but it is not a matter which affects us only. This policy of austerity is a burden imposed on those who can only afford to buy the food products which the canning industry can offer. It is not a consistent policy, as there are open general licences for the import of expensive out-of-season fresh fruits and vegetables and for the import of frozen fruits and vegetables, for the benefit of those who can afford to pay the high prices asked for them.

MISPLACED EXPORTS

In the first three months of this year 6,700 tons of tinsplate were sent to Europe, sufficient for 73½ million 1-lb. cans.

This policy is described as the liberalisation of trade. The effect of it is that Europe does not have to spend dollars in importing American tinsplate and sends us little in exchange for our tinsplate, but expensive luxuries. Such small supplies of canned meats as we receive from Europe are at prices which can only appeal to the higher income group.

No doubt tinsplate must be exported, but I respectfully suggest that the position requires re-examination.

It could be suggested that Europe should be left to spend the dollars it receives from Marshall Aid for the purchase of American tinsplate, and that tinsplate sent to Europe should be reserved for the British canning industry. If that is too much to ask, the British canning industry certainly needs half of it, and the other half could well be sent as an additional export allocation to South Africa, whose supplies of British tinsplate are so much less than its requirements that dollars have to be sent out of the sterling area to buy American tinsplate. South Africa already sends us a large range of canned foods and could send us good supplies of choice canned apricots and peaches, if permitted by the British Government to do so.

The report and accounts were adopted.

RANSOMES, SIMS AND JEFFERIES, LIMITED

IMPROVED RESULTS

The sixty-seventh annual ordinary general meeting of Ransomes, Sims and Jefferies Limited, was held on May 30th at Ipswich Mr J. H. W. Pawlyn (the chairman) presiding.

The following are extracts from the chairman's circulated comments on the report and accounts for 1950:—

I would like to give you some indication of the progress the company has achieved since the close of 1939-45 hostilities. In 1945, allowing for difference in price levels, the total volume of our normal trading products despatched was not appreciably greater than pre-war, but every year since has shown an increase, and now in terms of volume 1950 despatches are more than double pre-war.

For over a hundred and fifty years Ransomes has existed to serve the interests of home agriculture, and during 1939-45 hostilities this function was of such prime importance that although a large volume of war work was handled, this did not prevent the progressive increase in production of agricultural implements and machinery for the British farmer.

Our export trade is now three and a-half times as great as 1937-38, and perhaps what is even more gratifying, twice as great as in 1948.

The trading results of the parent company and its subsidiaries for 1950 show a considerable improvement over the 1949 figures. The net trading balance of Ransomes, Sims and Jefferies, Limited, and its subsidiaries amounts to £497,970 and the net available profit to £159,675. Your directors recommend a dividend on the company's ordinary stock at the same rate as last year (namely, 7½ per cent., less income tax).

NEW CAPITAL ISSUE

The chairman, addressing the meeting, said: You will see in my comment on the report and accounts which appeared with them when they were distributed that there is reference to the proposed construction of a new implement works at Nacton Heath and to the need for more working capital to finance the replacement of plant and to meet the rise in the price of raw materials and in other costs. It is proposed to raise some of the capital required to meet these expenses by issuing some of the new ordinary shares of £1 each which you are to be asked to create today.

The consent of the Treasury to the issue of 250,000 ordinary shares of £1 each has been obtained, and provided the resolution to increase the authorised capital is passed ordinary stockholders will shortly receive letters of rights entitling them to subscribe for these shares, which will be offered at par in the proportion of one new share for every £4 ordinary stock held. Ordinary stockholders will also be given the opportunity to apply for any of the shares to be offered which may be in excess of the requirements to meet acceptances.

In order to give stockholders who may find it inconvenient to provide at one time all the cash required to enable them to accept all the shares offered to them, arrangements have been made for payment to be made by instalments of 10s. on acceptance and the balance of 10s. on October 31, 1951. It is hoped by this means to enable stockholders to exercise in full their rights to accept the new shares.

The report was adopted and resolutions were passed increasing the company's authorised capital to £2,250,000 by the creation of 1,000,000 new ordinary shares of £1 each.

DAVIS AND TIMMINS

IMPROVED RESULTS

The annual general meeting of Davis and Timmins, Limited, was held on May 29th in London, Mr F. Le Neve Foster (chairman and joint managing director) presiding.

In the course of his speech the chairman said:

The results show a marked improvement over the figures for the previous year. The group gross trading profit is £153,944, as against £110,346 last year, while the net profit, after making provision for depreciation, taxation and directors' emoluments, amounts to the sum of £63,540, comparing with £45,047 for last year. I am sure you will agree that this is a satisfactory achievement. The results can be ascribed to increased production and to a marked improvement of efficiency.

Our total turnover for the year has increased by over 40 per cent. in value, compared with 1949. The weight of metal cut up and the output per man hour constitute records for the company since the war.

The directors recommend a final dividend of 15 per cent., making with the interim dividend of 10 per cent. already paid on the smaller capital, a total distribution equivalent to 20 per cent. for the year on the present issued ordinary share capital, as increased by the recent one for one share bonus. This is the same total dividend as for the previous year.

The appropriation for the dividends and other items leaves a sum of £122,196 to be carried forward to next year—an increase over last year of £22,140.

METAL SUPPLIES

At our last meeting, I told you that we were receiving all the raw material supplies of metal we required, with quick delivery dates. Under the impact of the rearmament programme on world economy this favourable situation has been completely changed and in the latter part of the year the industry was confronted, without warning, with the possibility of serious shortages in raw material supplies and in particular of brass. In the meantime, the price of brass rod has continued to rise during the year, reaching, in December, a price nearly double that which ruled in the previous January.

Active steps have been taken within our organisation to ensure that our machines and the limited supplies of metal at our disposal are used in the best and most economical way. I am glad to be able to inform you that during the first five months of the current year production has not been seriously curtailed.

The year 1950 has been one of great international tension with its inevitable repercussions on trade and industry. A rearmament programme has once more become a dominant factor in our national economy, as well as, indeed, in the economy of the whole western world.

With the resulting restrictions, rising prices and shortages, there is a tendency for traders and manufacturers to place orders in excess of current requirements. These conditions have led to a substantially increased demand for our products to an extent which has led us to introduce some degree of limitation on orders now being received. Despite this, we still have a very heavy order book, which commits our full capacity for a period ahead longer than we like.

Providing the restraint imposed by restrictions, metal shortages and other conditions does not become more acute, I should be able next year to place before you, once again, a satisfactory report.

The report was adopted.

E.N.V. ENGINEERING COMPANY

IMPROVED RESULTS

The annual general meeting of the E.N.V. Engineering Company Limited was held on May 25th in London.

Mr C. G. Twallin, C.B.E. (the chairman), in the course of his speech, said: The figures show an improvement on those submitted at this time last year. The turnover for the year is in excess of that for the previous year, in spite of the handicap occasioned by short supplies both of materials and component parts. We have endeavoured to keep prices down on a rising market compatible with maintenance of quality, advancing only in relation to increased costs.

We have a full order book and in order to deal with the pressure of work it was essential to increase the factory accommodation. We obtained permission for, and are erecting, an additional shop on our own land at Willesden, but this was not adequate to deal with our immediate and pressing needs. We therefore had to seek elsewhere and were fortunate in locating a building on the Aycliffe Trading Estate, which was equipped with all the essential services. A number of machines are already installed and working and the production of component parts is proceeding satisfactorily.

EXPORT SALES

We continue to produce a considerable amount of work for the export market, both by way of direct sales and also by way of component parts supplied to automobile manufacturers. In addition to this, we are contributing our share for the national defence programme.

We are happy to report good progress and continued increased demand for the Eaton two-speed axle which we produce in conjunction with the Rubery Owen Organisation and market through an associated company, Eaton Axles Limited. We are confident of the success of this venture and our plans to increase production are well advanced. The output of two-speed differential units is, however, handicapped to some extent by the very considerable delays and difficulties in obtaining regular and increasing supplies of raw materials.

The net profit is £80,764. The amount brought forward is £55,955, making a total of £136,719. We propose to pay a final dividend of 20 per cent., less tax. This will bring the amount of dividend for the year up to 27½ per cent.; comparing this with last year, a total distribution, including bonus, was made of 26½ per cent., less income tax; this will leave a carry forward of £60,157, against £55,955 last year.

I regret very much that the government has not seen its way to continue the allowance for initial depreciation at the figure which has prevailed for several years. The high cost of replacing equipment is indeed a very severe handicap to industry in general.

At the extraordinary general meeting proposals will be laid before you to capitalise £50,000 from reserves in the form of 200,000 5s. shares fully paid, bringing the total issued capital up to £300,000. These will be issued to the shareholders on the register today on the basis of one fully paid share for each five shares held.

The report and accounts were adopted.

At a subsequent extraordinary general meeting resolutions were passed approving the amendment to the Company's Articles regarding directors' pensions and authorising the issue of bonus shares.

CENTRAL MINING AND INVESTMENT

DEPLORABLE TREND OF U.K. TAXATION

The forty-sixth annual general meeting of The Central Mining and Investment Corporation Limited was held on May 29th in London. Sir Clive Baillieu, K.B.E., C.M.G. (the chairman), presiding.

The following is an extract from his statement:

Within our own group the results for 1950 have, as you know, been satisfactory. I should like again to draw your attention to the influences of the six great companies on the Central Rand all under our administration, which produce 23 per cent. of the total tonnage of the industry. These companies are not only contributing largely to present gold production but they are also affording valuable experience of deep level mining. The maximum depth of mining at the end of March last was 9,250 feet below surface at Crown Mines, 8,900 feet at City Deep, 8,400 feet at E.R.P.M., 8,000 feet at Consolidated Main Reef, and 7,900 feet at Durban Deep. These five mines, together with Rose Deep, paid out £4,230,000 in dividends last year, and it may reasonably be estimated that there remains to be recovered from them a total of some 250 million tons of ore for a yield of 45 million ounces of gold.

The operations of the group mines as a whole were substantially influenced by the results at the Blyvooruitzicht mine and, indeed, the increasing influence of the mines of the West Wits line on the results of the whole industry was again apparent in that the three producing mines in this area—namely, Blyvooruitzicht, Venterspost and Libanon—accounted for nearly 17 per cent. of the total working profit of the 43 major gold mines of the Transvaal.

In the Orange Free States operations on our Harmony mine are progressing satisfactorily.

Our principal interest in oil is our investments in Trinidad Leaseholds Limited, which made satisfactory progress for the year ended June 30, 1950.

I am glad to say, with regard to the distribution business in the United Kingdom, that the Regent Oil Company, Limited, is more than holding its own.

UNITED KINGDOM TAXATION

In common with, I imagine, all other British companies with overseas interests, we deplore the trend of United Kingdom taxation legislation as evinced by the Finance Bill recently laid before the House of Commons by the Chancellor of the Exchequer. The necessity for continued restraint in the payment of dividends which has been so widely observed as a voluntary measure is made the pretext for a substantial increase in the rate of profits tax on all distributed profits, not merely on such portion of them as represents an increase in the distribution.

The Finance Bill also makes provision to prevent British companies transferring their "residence" to places abroad or to raise capital for overseas subsidiaries without Treasury permission. Surely the proper way to deal with this problem, if problem there be, is to create the conditions which will remove the desire of some companies to change their residence. Even if we were unaffected by this legislation we could never approve it since it must clearly drive from this country potential enterprises to which, in other conditions, we might have given domicile.

The provisions are repugnant to those British traditions upon which our position as a world centre of trade and commerce has been built. I trust they will never be written into the statute law of this country.

The report and accounts were adopted.

THE ALEXANDRIA WATER COMPANY, LIMITED

PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN that a Dividend of Fifteen Shillings per £5 Share on Coupon No. 121 will be paid without deduction of British Income Tax, but less Egyptian Government and Alexandria Municipal Taxes amounting to 2s. 4.29d., making 12s. 7.71d. net, on and after May 31, 1951, at the National Bank of Egypt in Alexandria at Rue Toussoun, or in London at 6, King William Street, E.C.4.

Net profits for the year ended December 31, 1950, £168,000 (last year £151,200).

Dated, Alexandria, Egypt, May 24, 1951.

By Order of the Board,

ROBERT WALTON,
Managing Director.

MINISTRY OF LABOUR AND NATIONAL SERVICE

Applications are invited for appointment as Personnel Management Adviser (Male) in Scotland. Candidates must have had extensive experience as Personnel Officers (whole time) in industrial undertakings. They should be able to advise firms on matters of personnel policy, on the organisation of personnel departments and the technique of personnel management. In particular, knowledge of modern employment and training methods, joint consultative procedure and industrial welfare is essential. A degree in sociology, economics or some cognate subject, or a social science diploma is desirable. Salary range: £855 x £25—£1,024. Starting salary according to qualifications and experience. This post does not carry any pension claim.

Written applications, giving date of birth, full particulars of education, qualifications and experience (including a chronological list of posts held), together with present salary, should be addressed to K.R.352, London Appointments Office, Ministry of Labour and National Service, 1-6, Tavistock Square, London, W.C.1, to be received not later than seven days after appearance of advertisement. In no circumstances should original testimonials be forwarded. Only candidates selected for interview will be advised.

UNIVERSITY OF BIRMINGHAM

DEPARTMENT OF PHILOSOPHY

Applications are invited for the post of Assistant Lecturer (Grade III) in Philosophy, vacant from October 1st. Salary within the range £100—£500 per annum. Knowledge of a natural science or of psychology would be a recommendation, but is not indispensable. The post is equally open to men and women.

Applications (6 copies), with names of not more than three referees, should be sent to the undersigned not later than June 11, 1951, from whom further particulars may be obtained. If applicants so desire, testimonials may be sent.

G. L. BARNES, Deputy Secretary.

The University, Birmingham, 3, May, 1951.

UNIVERSITY OF BRISTOL

DEPARTMENT OF ECONOMICS (AGRICULTURAL ECONOMICS)

Applications are invited for five appointments in the Grade of Assistant Agricultural Economist, three at Bristol and two at Newton Abbot. Candidates must be graduates in Economics and/or Agriculture. Salary in accordance with the Ministry's scales. Further particulars and conditions of appointment may be obtained from the Registrar, University of Bristol. The date for receipt of applications is June 30, 1951.

UNIVERSITY OF NOTTINGHAM

SCHOOL OF AGRICULTURE

ASSISTANT AGRICULTURAL ECONOMIST

The Council invites applications for the above appointment in the Department of Agricultural Economics.

Salary scale for candidates with 1st or 2nd Class Honours and at least two years postgraduate experience: Men £295 to £470, Women £235 to £400; scale for other candidates: Men £230 to £470, Women £230 to £400—plus cost of living bonus, Men £90, Women £72, per annum. Candidates should be graduates in Economics and/or Agriculture.

Form of application and conditions of appointment may be obtained from the undersigned.

H. PICKBOURNE, Registrar.

UNIVERSITY OF ABERDEEN

APPOINTMENT OF SECRETARY TO THE UNIVERSITY

The University Court will, in the Autumn, 1951, proceed to the appointment of a Secretary to the University which office will become vacant on September 30, 1952. It is intended that the person appointed should take up duty some months before the present Secretary departs office.

Salary at least £2,000 per annum with F.S.S.U. and Children's Allowance. The University pays a proportion of removal expenses. Further particulars and form of application may be obtained from the Secretary, with whom applications should be lodged not later than September 30, 1951.

H. J. BUTCHART, Secretary.

The University, Aberdeen.

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OTTOMAN BANK

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NOTICE IS HEREBY GIVEN that in accordance with Article 29 of the Statutes, the Annual General Meeting of Shareholders will be held on Wednesday, the 29th June, 1951, at Winchester House, Old Broad Street, London, E.C.2, at 12.30 p.m., to receive a Report from the Committee with the Accounts for the year ending December 31st, 1950; to propose a Dividend; to receive a statement regarding the renewal of the Convention between the Turkish Government and the Bank; and, in case of need, to authorise the General Committee to exercise all or any of the powers conferred on the General Meeting by the Statutes for the purpose of prolonging the existence of the Company and modifying the Statutes accordingly; and to replace the retiring Members of the General Committee.

By the 27th Article of the Statutes the General Meeting is composed of Shareholders possessing at least thirty shares, who, to be entitled to form part of the Meeting, must deposit their shares at the chief office of the Company, Istanbul, or at either of the several branches or agencies abroad (in London at 20/22, Abchurch Lane, E.C.4, and in Paris at 7, rue Meyerbeer, 9me), ten days at least before the day fixed for the Meeting.

J. VASSALL ADAMS, Secretary to the Committee.
London, 29th May, 1951.

THE CUNARD STEAM-SHIP COMPANY, LIMITED

FIVE PER CENT CUMULATIVE PREFERENCE STOCK

SIX PER CENT SECOND CUMULATIVE PREFERENCE STOCK

NOTICE IS HEREBY GIVEN that the Transfer Registers in respect of the above Stocks will be closed from June 6 to June 12, 1951, both dates inclusive, for the purpose of preparing Warrants in respect of Dividends for the half-year ending June 30, 1951, to be paid on and after July 2, 1951.

By Order of the Board,

H. EAVES, Secretary.

Offices: Curard Building, Liverpool. May 31, 1951.

DO YOU NEED REPRESENTATION IN BRAZIL?

Consult J. D. Magalhães—Caixa Postal, 1352—Rio de Janeiro; Member of the: American Chamber of Commerce for Brazil—Associação Comercial do Rio de Janeiro, British Chamber of Commerce in Brazil Inc., Liga do Comercio do Rio de Janeiro, etc. Purchasing Agent for: Minerals, raw material, sugar, wood, etc. Selling Agent for: Iron, steel, metals, tools, abrasives, machinery, implements, chemicals, wheat, etc. Agent for: Investments of capital in local enterprises, etc., outright importer.

WANTED—GENERAL SALES MANAGER

A well-known public company, with several large metal-ware factories, manufacturing nationally-advertised lines, needs an outstanding executive with experience in sales management, merchandising and advertising. General financial and administrative experience also desirable but not essential. Headquarters London. The position carries a substantial salary now and unlimited opportunities for the future. We are looking for a man who is at present successfully employed, but who seeks greater opportunities now and in the future than his present position offers.

Reply should cover such details concerning experience, education, present salary and scope of work as you yourself would require if engaging a man for so important a position.

Box No. 4239, Charles Barker & Sons, Ltd., 31, Budge Row, London, E.C.4.

MULTIPLE Departmental Store Organisation of National Repute wishes to select a number of senior personnel, not exceeding 35 years of age, for accelerated development with a view to subsequent appointment to executive positions in its Retail Branches and with the future possibility, in certain instances, of appointment to its central organisation. Commencing salaries in the region of £750 per annum will be paid to men of proved ability and status. Successful candidates will be expected to accept assignments anywhere in the United Kingdom.—Full details, including age, education, experience, present occupation and salary, which will be treated in strict confidence, should be forwarded to Box No. M.D. 511, 10, Hertford Street, W.1.

SALES DIRECTOR requires personal Assistant for management internal sales organisation, including sales office, publicity, transport, of well-known manufacturers of arc welding equipment in Midlands. Age 30/45.—Apply, stating age, training and experience, to No. 41, Box 656.



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it is clear that Soviet expansion has been stopped without a major war. In such a programme there cannot be decisive and positive results—certainly not in a short time.

Thirdly, the policy sometimes seems to be in danger of forgetting what its objectives are. Its very indecisiveness breeds impatience. The immense effort of argument and exhortation that has been needed to convince the democratic peoples of the need to be strong in peacetime is having effects that could have been foreseen. The more war-weary, bruised and sceptical Europeans have taken time to jump to the call. The Americans, shocked into indignation and alarm by Korea, leapt, as it were, from their beds into a cold bath, and now stand dressed wanting to do something. They perhaps feel—and who can blame them—something of that moral superiority which glows in the man who bathes before breakfast before May is out. There has been for some months now, on the other side of the Atlantic, a tendency to exaggerate risks, to rattle the sabre, to coin such phrases as “waging peace.” For this the fighting men and the commentators specialising in grand strategy must take some of the blame. When talking of the war the West is trying to avert they now tend to drop the cautious “would” for the resolute “will.” And the result is that General Marshall and Mr Acheson have to meet the charge of “appeasement” simply because they remember that the object of the policy is to contain Communism without war, not to defeat it in war.

A fourth qualification is that there is one large area of the world where conditions are definitely less favourable than they were four years ago. The fact that the whole of China has fallen to the Communists cannot be regarded as anything other than a defeat. But this could be counted as a black mark for Mr Truman and his lieutenants only if it could be shown that their policy had contributed to that result, or that some other policy could have prevented it. There is still a group of Republicans who believe that Chiang Kai-shek could have been propped up by more vigorous American aid; but each time the story is gone over again in public, the thesis sounds more wildly improbable.

These are the qualifications. But when they have been given their full weight, it is still true that the balance is strongly favourable. The world is, by several perceptible degrees, a safer place than it was in 1947. The fact that very few people think so shows only that they are less blind to the dangers than they were then, and that they have forgotten how shaky the structure then was. It is beyond doubt that the great majority of people in the free world are living better, earning more and producing more efficiently than they were four years ago. For anyone who remembers the moral and physical condition of the European continent and of war-damaged Asia in 1947 the improvement is astounding. To that result, many human efforts have contributed, as well as the *vis medicatrix naturae*. But the largest share of the credit belongs to the Marshall Plan, which the Russians determined, and failed, to break.

From these economic achievements, the emphasis is now shifting to the political and the military; and some of those critics who attack the Truman-Marshall-Acheson policy for being flabby and indecisive also contrive to

believe—or at least to say—that it is rash and reckless. It is true that any effort of rearmament by the weaker side runs the risk of provoking the strong. It is true that the risk of a Soviet preventive war cannot be written off—not yet, at least. But the risk has been clearly seen by the leaders of American policy and taken with open eyes. There is a long list since 1947 of risks taken and out-faced: the building up of Western Germany; the provocation of Tito's split with Moscow; the resistance to the Berlin blockade; Norway's adhesion to the Atlantic Pact in the face of Russian threats; the defeat of the Greek guerrillas by American intervention; the successful resistance of French and Italian governments to strikes and disorders fomented by the Communists against the Marshall Plan and rearmament; and finally the decision to take up the challenge offered in Korea. Can anybody reasonably doubt that, if similar courage had been shown in the years between 1933 and 1939, Hitler's war would never have happened? As an achievement in policy, the extent of the present rearmament is itself not the least remarkable; no one else in history has been able to persuade a group of peace-loving democracies to arm themselves betimes. The test of the policy, of course, will be whether it works, whether it succeeds in averting the war. For that the event must be awaited. But at least war no longer seems inevitable and, as we move through the critical period, every day gone is a day gained. Other governments, most notably the British, have played their parts in the policy; but the ideas, the money and the resolution have come from the Americans, and if the chances of avoiding war are greater today than they were in, say, 1938, it is to the American Administration that the major credit belongs.

For those who are not blinded by partisan spirit, whether they be European leftists who hate everything American or American rightists who hate everything Democratic, the record is plain and the comparison with 1947 is convincing. There have been spasms of weakness; but there have also been moments of high courage such as elected politicians rarely show. There have been waverings and hesitations; but a far more consistent line can be traced through the past four years than is usual with democratic governments. There have been moments of near-hysteria; but the testimony of the last few weeks has shown with what sober caution the policy has in general been pursued. There have been traces of arrogance; but there has also been a conspicuous loyalty to America's allies and a firm adherence to the strategic policy of defending Europe entrusted to General Eisenhower. There has been some self-seeking; but there has also been the vision and the generosity of the Marshall Plan.

The critics, both in America and in Europe, have been given too much of the stage. It is time that the central mass of sober opinion throughout the world took the trouble to say out loud to Mr Truman, to General Marshall and to Mr Acheson what we believe they are thinking. The policy is hardly yet in mid-course; the dangers are still pressing and enormous; mistakes have been made and will doubtless be made again. It may even be that, for mysterious reasons of domestic American politics, Mr Acheson may have to go. But for what has so far been achieved, we are truly thankful.

Burma off Balance

IT would be idle to pretend that the continued chaos in Burma does not evoke both disappointment and worry in the western world. Although the Burmese are now in the fourth year of their independence, there are few signs of their being able to bring peace or order or individual freedom to their country within the foreseeable future. In an age of communist imperialism, exploited for purposes of national aggrandisement by Russia, the instability of a strategically placed country like Burma represents a constant and indeed increasing threat to the security of its neighbours and the rest of the free world. Yet perhaps the most difficult thing for many Asians to grasp is that no responsible section of western public opinion wishes to reoccupy former colonial territories that have attained independence. Least of all do the British want to return to Burma. Most people in Britain desire only to be able to take pride in the thought that they have given tens of millions of Asians their national freedom since the war. Where there is objection it comes only from a very narrow section of public opinion and usually with special interests. For the rest, the view is well understood that history may record the granting of independence to India as the greatest single act of the Attlee government. In Britain, therefore, Burma can in effect count on the fundamental good will of all but those whom Rangoon's own policies and attitudes may alienate.

It is, however, one of the inevitable responsibilities of growing up, whether as a child into an adult or a people into a sovereign nation, that one's own words and actions come to need weighing with increasing care for their effect on others. And to the outsider, the Burmese seem to have given singularly little thought to anyone's point of view except their own, since the handing over of independence in January, 1948. They can therefore hardly blame the outside world if, at the same time as showing good will, it resents constant suspicion of its motives and is sometimes given to criticism and despair when calculating Burma's immediate prospects and their influence on neighbouring countries. For the Burmese, independence means the power to shut themselves up in a great rice plain, ringed by mountains and the sea, and to let the apparatus of a modern state run down—if they so desire. For the leaders of the great powers, on the other hand, locked in a desperate struggle across the face of the globe for peace, life and liberty, it is obvious that no individual country is free in practice to make a choice of this kind. Whatever the Burmese may desire, they are in reality only too likely to form the special target of communist ambition when the moment is ripe. Their rice plain is no Shangri-la. Instead, it stands, a particularly tempting prize, on the very frontiers of the Russo-Chinese empire; and if it falls, then the whole economic, political and strategic structure of southern Asia looks like changing radically with it. In these circumstances, Burma today represents a dangerous point of weakness for the free world and a matter of serious concern for its statesmen.

How far has the disintegration of Burma now gone? Will it go further? And what should or can be done about it? On the answers to these questions may depend a great deal more than the fate of Burma itself. To judge

by the Burmese Government's proclaimed intention of beginning a staggered general election this month—to be held in stages between now and next January wherever the local guerrilla war subsides enough to make polling possible—there might seem some hope that Burma was reaching calmer waters. But in reality this is hardly so.

It is true that the government, with its 30,000 troops and the outlay of a third of the Budget on internal security, achieved considerable successes last year. It broke up the bigger rebel groups and re-occupied many of the key communication centres. On the other hand, this has increased the number of small hit-and-run raids carried out by the 10,000 insurgents of varying political colours and racial groups still in the field; and the problem of security is made worse by the mere passage of time, since the Burmese countryside was last at peace as long ago as 1941.

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Nor has last year's economic improvement been maintained. The figures for the whole year now show that, in spite of the tremendous prices obtainable for such raw materials as rubber, tin and wolfram, and the virtually unlimited market for rice, Burma's adverse balance of trade in 1950 was greater than in 1949. Inside the country communications are still only fair, and, although the Irrawaddy is open, convoys of vessels between the two primary centres of Rangoon and Mandalay are now only fortnightly instead of weekly—as they were at one time when the river was first reopened—owing to the lack of necessary escorts. The vital north-south rail link between these two cities of south and central Burma is not yet through, although the government had predicted its restoration by the end of last year; this is because the army cannot supply the protection required through the last 20-mile stretch round Pyinmana, which is the nucleus of the Moscow Communists' rebel activity. Most towns are in government hands, but many connecting roads are safe only in armed convoy. District administration, even where it exists at all, is very weak and lacks support from the centre, with the result that theft, murder, dacoity and smuggling are coming more and more to be accepted as perfectly normal. There is much corruption, and the few good officials have no means of combating it or of enforcing the law.

From a long-term point of view, many rubber estates are being systematically destroyed by slaughter tapping, much of it undoubtedly carried out with the knowledge and active encouragement of local government officials. The mining industry is in similar plight. Some mines still work after a fashion, but much of the ore is stolen, and damage is being done by completely haphazard exploitation of underground workings. The problem in oil is now reduced to the relatively trivial task of completing another small local refinery at Chauk, so that, with luck and better transport, Burma may be self-supporting by mid-1952. All hope of rebuilding the pipelines to Rangoon and of exporting oil in pre-war quantities within the next few years has had to be abandoned. Timber alone is undergoing an apparent improvement owing to the opening up of river communications and the conse-

quent dispatch of logs from up-country. However, most of this is the result of previous workings, and no work is being done in most of the forests except in the far north round Myitkyina and Bhamo; the outlook for the next year or two is therefore extremely black.

Politically, the fragmentation of Burmese life is still proceeding and the proposed elections hardly look like improving matters; they have already crystallised further latent divisions and produced a crop of new parties. Broadly speaking, Burma is divided into the government party, the Anti-Fascist People's Freedom League, whose policy is basically Socialist, the various rebels, and, midway between them, the government's vocal but not actively rebellious critics. The rebels include the orthodox White Flag and the independent Red Flag Communists, the heterogeneous, self-seeking People's Volunteer Organisation, the Karens—a tribal people numbering over two million in a total population of 17 million—the Mons and the Arakanese. The constitutional, non-violent opposition, which has grown enormously in the last nine months, ranges from Thakin Ba Sein's Burma Democratic party on the right to the Burma Workers' and Peasants' party (BWPP), formed by extreme Socialist discontents last December, on the left. It includes the Maha Bama party of Dr Ba Maw, who was Premier under the Japanese, and a clearly Communist-inspired electoral alliance, the People's Democratic Front, sponsored by the BWPP—which looks like being a force to be reckoned with, since it is led by the trade union boss, Thakin Lwin, and is whipping up emotion with rabid anti-western appeals.

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What are the prospects? Although the long drawn out disorders are at last tending to bring back into public life some of Burma's elder statesmen, who gained their experience under prewar British rule—and have been suspect for that reason—there is almost no chance that they will achieve power. If the proposed elections are held, or even only part of them, the Socialists—that is, the AFPFL—will probably be returned to power, since they still have money, a reasonably effective party machine and control of the armed forces. They are, however, unpopular and divided among themselves, and there seems little reason to suppose that re-election will itself make any fundamental changes in their attitude to life. On the other hand, compared with the BWPP, which is widely suspected of being in part league with the insurgents and is certainly subject to Communist pressure—something that, for all their sins, the present Burmese leaders creditably resist—the men now in power are moderates. Moreover, they are beginning to learn from experience. And whereas Burma's problem

on the threshold of independence was the almost complete dearth of experienced politicians and administrators, this limitation is slowly being overcome.

The danger, therefore, is not so much what the Burmese under their present leadership may willingly do but what they may be pushed into doing by forces beyond their control. Thakin Nu, the Prime Minister, has so far resisted the anti-western bias of some of his own followers such as the formidable General Ne Win, and Rangoon's policy is one of neutrality in the cold war. Indeed, accompanying this policy is a courageous and growing willingness to turn for economic help wherever such help is offered. Even since independence, Burma has always been ready to look to Britain in an emergency—however little its words and actions have suggested that it would, or indeed have given it any cause to expect that Britain would respond. Now, not only are British technicians being welcomed back, but Burma is receiving American aid as well, under the auspices of last September's ECA grant of \$11 million.

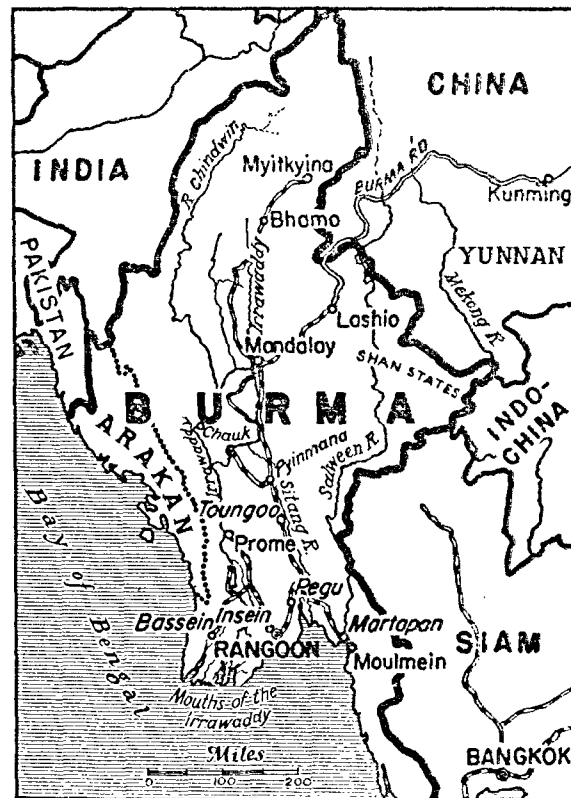
The crucial factor for the western powers is Burma's relations with China. Whatever the government in Rangoon, it must be encouraged and supported in any move it may make—such as the recent ban on the export of petroleum to China—in standing up to pressure from Peking. This is exercised and can be increased in several ways. The Burmese Communists now look to China instead of to the Indian Communist Party for sustenance and guidance; Peking has laid claims to northern Burma; the Kachin rebel, Naw Seng, is being equipped with a trained force in Yunnan; and active Chinese Nationalist refugees in the Shan States provide Peking with a perpetual excuse for intervening. The British have rendered Burma great service in equipping its army and providing a military mission—however much the latter has been side-tracked by extremists inside the government. The vital need is not to lose heart now. In the last resort the Burmese would bitterly resent Chinese domination. If progress can be maintained in overcoming the inhibitions of relationship between a young, self-conscious and disorganised Asian state and the powerful chancelleries of the west, the reality of Burmese independence and internal stability may yet be secured by closer association with the rest of the free world.

FACTS, FIGURES, AND OPINIONS

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The Author's Reward

THE economic man has always been more prone to keep books, or perhaps to make them, than to write them. But the economic incentives to authorship are now less than ever. Not only is the burden of taxation on royalties peculiarly heavy, but also the chances of getting a first book published are now worse than they have been for many years. The prewar years were the heyday of new authors, for in those days too many publishers produced too many books in the effort to spread their risks and in the eternal quest for a best-seller. Recent years, on the other hand, have been the heyday of publishers, for paper rationing prevented the overproduction to which they were collectively prone, and the public, deprived during the war of other ways of spending its money and house-bound by the black-out, became voracious readers. But this year seems likely to be more difficult for both authors and publishers. The accompanying charts show that the slump in the book trade which has been thought to be round the corner ever since the end of the war is still round the corner. But the trade is catching up with it.

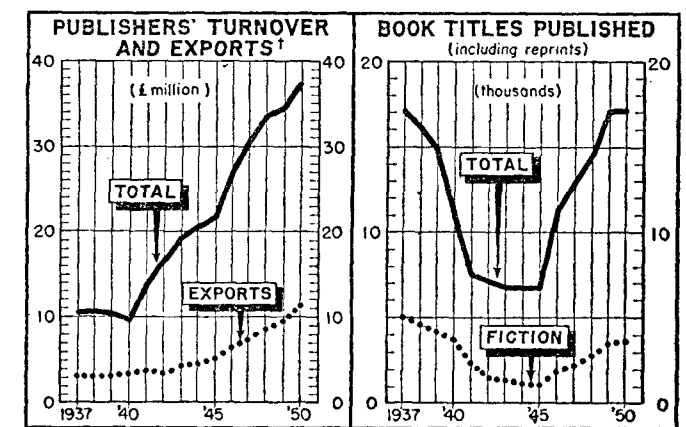
The situation that faces the author, the publisher and the bookseller is that of sharply rising costs against a background of stationary, if not falling, demand. Hitherto publishers have been able to absorb the greater part of the rise in costs because it was possible to extend the "run" of the average book and so to reduce unit cost. Hence the increase in retail prices of books is much less than the percentage rise in the constituents of cost. But there is little possibility of absorbing the continuing increase. Book paper which cost 3½d. per lb. in 1939 now costs 1s. 5½d., and a further increase of about 25 per cent is expected in July. Printing costs are about 110 per cent above the prewar level, and in three or four weeks' time will rise another 12 to 15 per cent. Cloth boards for binding are four times the prewar price. Meanwhile, the public no longer comes to the rescue by demanding more books, for there is not the wartime lack of other ways of spending money. There may be a long-term trend towards more book buying, as a result of the spread of education, but it is not a strong force in the short run.

In this situation the publishers must either find means of cutting other production costs to balance those which must rise, or they must raise their prices. But neither course will solve all the problems. The possibility of economies in production is very limited; paper covers instead of cloth boards, for example, would save about 1s. 6d. per copy. The public is prepared to accept an inferior presentation—poorer paper, narrower margins and so on—only if the difference in price is considerable; or if, as in wartime, there is no choice in the matter. In normal times it relates the price of a book to its appearance and, indeed, to its weight. It may ungrudgingly pay the price of a full-length novel for a short book printed on thick paper with wide margins, although the same work produced as a "slender volume" would be thought too dear. There is a danger that any practicable savings along these lines would defeat their own object.

Would it then be possible to make inroads into margins? The usual arrangement for novels is that the author gets between 10 and 20 per cent of the retail

price in royalties; the bookseller's discount is 33½ per cent; and the publisher gets what remains after paying for printing and overheads. On a book selling at 15s. the author will make between 1s. 6d. and 3s. compared with 5s. gross earned by the bookseller. Yet few booksellers make fortunes; like everyone else in the trade, they now bemoan their difficulties, as wages, carriage costs and other overheads rise. Like the publishers, they need more capital for the same volume of business and expect a return on that capital. More and more they turn to stationery and fancy goods to supplement their earnings. Some publishers are critical of their lack of enterprise and describe them as "book middlemen" rather than booksellers; but they play an indispensable part in the trade and cannot be made to accept a lower discount.

The suggestion that authors' royalties should be cut recently caused a great furore. A confidential circular from the Publishers' Association to its members, describing some recent successful attempts to reduce royalties, fell into the hands of an evening paper. This gave the impression that the publishers were grinding



† Returns of The Publishers' Association.

down the faces of the only unorganised section of the book trade. It was pointed out for the publishers that no one had suggested that the author should be paid less in pence per copy—merely that he might accept a lower proportion of a higher price, without any fall in his total income. But why, it was asked, should everyone else have his income adjusted to rising prices while the author's remains unchanged? The publishers' answer to that was that it might actually pay the author better to accept a lower royalty; to insist on its remaining unchanged might mean having to raise the retail price so high that sales would drop and the author lose by it in the end. But the author's royalty is still the smallest element in cost. A reduction from 20 to 17½ per cent on a novel priced at 10s. 6d. would save only just over 3d., while the increased cost of paper alone since the beginning of 1950 represents about 7½d. The author has not caused the rise in price; nor can any reasonable sacrifice on his part do much to moderate it. The publishers also argue that the best-selling novelist is not as valuable to them as he used to be. Now that paper—the cost of which, unlike that of printing, is exactly the same for the

last copy as for the first—represents such a large element in costs, the profits to be derived from long runs are much reduced; and it is on the profits from long runs that the whole business of publishing depends—the best-seller “carries” the new author whose publication may involve a loss. But if on these grounds there is a case for reducing the royalties paid to the best-selling author (he is already paid a lower rate than before the war—perhaps 17 or 20 per cent compared with 25 per cent then) it is he who is best able to resist the cut, for he can take his book to the firm across the street. The highly competitive nature of publishing is the author's best protection.

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If economies are not worth making in the production processes, if the bookseller will not accept a cut in his discount nor the author a cut in his royalty, then there is no way of avoiding the sharp increase in the price of fiction that the publishers fear so much. Need they fear it? They have not been afraid to raise prices of books other than fiction, believing that the demand for such books is fairly inelastic. If one wishes to be informed about a particular subject one is unlikely to be deterred by a rise in price from, say, 15s. to 18s. But the demand for novels is thought to be much more vulnerable. Whereas an important biography is a permanent asset to a bookshelf, nothing is so dead as a dead novel. People are thought to be unwilling to spend more than fairly trifling sums on fiction.

So far as individuals are concerned, this may under-rate the desire to buy fiction, especially novels that are being talked about. After all, people do not set aside so much a year for the purchase of books and so buy fewer if prices rise. That, however, is precisely what libraries do, for the sum that they can spend is determined by the amount of their subscriptions, or, in the case of public libraries, by the subsidy from the rates. The libraries of all kinds, more than the private purchaser, are the important market for books; the four big subscription libraries—Boots, Harrods, W. H. Smith and the Times Book Club—underwrite the issues of any reputable publisher, simply on the strength of his imprint. A rise in book prices will not only cause all libraries, free and otherwise, to buy fewer books; it will make them less willing to spend their money on unknown authors. Pub-

lishers generally think that the subscription libraries should enlarge their purchasing funds by raising their rates. But the subscription libraries claim that, competing as they do with increasingly well-stocked free libraries, they would lose members if they raised their rates, as in fact happened when they were last raised in 1947.

In face of this attitude, the publishers' reluctance to raise fiction prices is understandable. But sooner or later they are bound to take the plunge. This will mean an uncomfortable time for some people. A few publishers—probably small firms which have sprung up since the war and which lack the capital to meet the new situation—may go out of business; and the new author will find it harder to get his book published, for publishers will be playing safe. They will be playing safe not only with their money, but with their paper. There is a severe shortage of esparto paper, and although books have theoretical priority over periodicals in a voluntary scheme operated by the paper trade, they have not been getting that priority in fact. The publisher is therefore reluctant to print, say, 3,000 copies of a first novel when only 500 may be sold and the wasted paper could have been used for a longer run of a best-seller.

This does not mean that mute inglorious Miltons will plod their weary way from agent to agent. The good author will still get into print. The sufferer will be the run-of-the-mill author. Unfortunately, the books which will not be published are not those which, in the best interests of English literature and contemporary culture, most require suppression. Those of the lurid jacket tribe are in great demand from the smaller and cheaper circulating libraries; they pay so well that one publisher is considering founding “the Toadstool Press” to subsidise the more serious side of his business without robbing it of its prestige. Financial difficulties may make publishers the more ready to accept this kind of book in preference to that which at any rate aspires to literary merit. It is a pity that the least worthy books should still enjoy prosperity while those which are merely undistinguished have a difficult time. But this is probably better for the health of the trade than that all types of output should continue in full spate, bringing a return of the over-production which was the chronic sickness of publishing before the war.

Marking Time in Eire

(By Our Dublin Correspondent)

EVEN when it was in progress, it was difficult to discern any true issue in the Irish General Election. Now that it is over it is still more difficult to find what, if anything, has been settled. Mr de Valera's appeal for a return to single-party government provided the nearest approach to an issue. It was decided against him. In a house of 147 members, his *Fianna Fail* required 74 seats for an over-all majority; in the event it gained only one seat to bring its numbers to 69. Nevertheless, the position of Mr Costello's Government has not been strengthened by this rebuff to Mr de Valera. Of its component parties, Labour lost three seats and now has 16 deputies; the Farmers' party lost one seat and now has six deputies. Mr MacBride's *Clann na Poblachta* was all but wiped out and now holds only

two seats one of which, Mr MacBride's own, was barely retained. Only *Fine Gael*, Mr Costello's own party, can look back on the election with satisfaction. Its vote increased by a third and its representation has grown from 31 deputies to 40.

Thus the balance of power rests with the independent deputies whose numbers have increased from 12 to 14. There is nothing new in this; in the last *Dail* the inter-party Government's majority rested on independent support. But things promise to be more difficult in the new house. It is unlikely that Dr Browne, the ex-Minister for Health, and his two followers will support the Government; while other independent deputies have been restive in the past on points of agricultural policy. It will be seen that Mr de Valera has only to secure the

aid of five independents to bring down the Government. Mr Costello's margin of safety looks all too narrow.

Nevertheless it is thought in Dublin that the Government will be confirmed in office when the new *Dail* meets on June 13th. The Irish practice is to begin proceedings, after the choice of a Speaker, by electing a *Taoiseach* (Premier). An immediate opportunity for a trial of voting strength is thus afforded. It is quite conceivable that some of the independents will not vote for Mr Costello's nomination; but it is thought unlikely that they will support Mr de Valera's. Three times in his period of office, Mr de Valera dissolved a newly elected *Dail* in order to obtain an over-all majority. Any independent deputy who votes him into office now must reckon with the probability of an early dissolution. No doubt the niceties of voting for, voting against and abstention will be carefully studied in a house so evenly divided; and the principles governing the granting or refusal of a dissolution may also come in for attention.

It seems that the Irish Government will need to sit very still in order to avoid upsetting the boat. This is probably the result that the electors desired to achieve. For the moment at least they have had enough of strong government. Mr de Valera is authoritarian by nature and, in the sixteen years of his administration, his ministers tended increasingly to extend the scope of their activities and to govern by ministerial orders. It is true that in Ireland a great number of things must be done by the state if they are to be done at all; but the growth of bureaucratic power was deeply resented. In the election campaign, *Fianna Fail* was gravely embarrassed by the memory of compulsory tillage orders and of threats to send inspectors on to the farms. These orders may have been justified by wartime conditions, but they were not acceptable as a permanent means of government. There is a traditional hostility to the extension of state power which is reinforced, perhaps too fully, by the political and social power of the professions and farmers in Ireland. It is noticeable that the inter-party Government has been most successful where, as in agriculture, it has worked through or in co-operation with the individual while it has been least convincing where, as in the case of price controls, it has been forced to govern by ministerial order. For the moment, the Irish elector wants to be let alone; he has had enough of being governed.

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This attitude fits in very well with the present state of Irish politics. They have practically come to a full stop. The more that *Fianna Fail* and *Fine Gael* protest their differences, the more obvious it is that there is very little between them. It is no wonder that there have been many suggestions that these two parties should compose their differences, which date from the Civil War of 1922, and form a solid conservative bloc. If that

happened indeed, the combined parties would have two-thirds of the seats in the *Dail*; and Labour would be reduced to an insignificant minority. That is often the reason for these suggestions. A large proportion of the Irish electorate has never taken kindly to the spectacle of Labour in the government, and it is all the more ready to speculate on the prospects of an endless series of conservative administrations.

In the short run, it does not seem probable that anything of the sort will happen. There are still some personal antagonisms that are not likely to be reconciled. Nor is it easy to imagine any kind of reunion so long as Mr de Valera is in active politics. His character does not lend itself easily to co-operation with colleagues on equal terms. He might reasonably argue also that there is no reason why he should descend to equality. After all, he is still the leader of the party that has by far the greatest number of seats in the *Dail* and that secured the largest number of votes. That position, moreover, is due almost entirely to his own personality; *Fianna Fail* without Mr de Valera would be a very dubious electoral bet. Next year, as it happens, the term of office of the President expires; and there has been considerable talk in all parties, wishful thinking some of it, about the possibility of Mr de Valera's succession. But this view of his future may not commend itself at all to a man who is still young for his years. Whatever his opponents, perhaps even some of his supporters, may think, Mr de Valera is still in the ring.

In a longer run, it is difficult to think that *Fianna Fail* and *Fine Gael* can fit together so easily as is sometimes assumed. The first has become identified with the new protected industries; and though in the postwar years *Fine Gael* has acquired a certain record in that line also, it is now essentially the party of the farmers; the cleavage of interest between the rural producer and the urban consumer is growing too obvious to be papered over.

Moreover, a straight division into Right and Left would not commend itself to some sections that are far removed from the Labour Party. It is true that the Left would, to begin with at least, be extraordinarily conservative by British or continental standards. The Labour Party, for example, does not call itself a socialist party. But it is feared by some that the divisions would grow greater as time went on; and this prospect is the more unwelcome since the political division for the last thirty years has been vertical, not horizontal. In politics, as in economics, Ireland wants to stop in the nineteenth century as long as possible. It may not be up to date; but it is a comfortable century to live in.

The election gave little indication of issues that might serve as future lines of division. *Fianna Fail* made some play with the lack of defensive preparations; but it is doubtful if this did them much good with an electorate that feels itself to be comfortably down the list of

IRISH ELECTION 1948 AND 1951				
Political Party	Seats		First Preference Votes	
	1948	1951	1948	1951
Fianna Fail (de Valera)	68	69	553,917	616,722
Fine Gael (Costello) ...	31	40	262,202	343,823
Labour	19	16	149,089	151,831
Farmers' Party.....	7	6	71,686	38,872
Clann na Poblachta (MacBride)	10	2	173,166	54,260
Independents	12	14	112,816	127,529
	147	147	1,322,876	1,333,037

Russian priorities. Moreover, defence has rightly or wrongly got tangled up with partition; and on that subject everybody has the same ideas, or lack of them. One point that emerged was that the small farmers, once the backbone of *Fianna Fail*, have swung over to *Fine Gael*. There was a minor landslide from one party to the other in the west, which is generally attributed to the impression that Mr Dillon has made on the farmers. There is a sense in which Mr Dillon is the true victor of the election, a fact that may grow still more important in a period when personalities fill the political vacuum left by the disappearance of dividing principles. A further sign may have been furnished by the greatly increased vote of Dr Browne and the election of two of his supporters. It is difficult to know how much of this was due to public sympathy which will die away; and in any case it seems clear that Dr Browne is not the kind of man to give the co-operation with others that will be necessary if he is to increase his political standing. The issues that were raised by the episcopal intervention are present to most minds in Ireland, but the ex-Minister is not likely to be useful in their composition. For the rest, the election showed a revival of *Fianna Fail* strength

in the cities, at the expense of *Clann na Poblachta* and Labour. Nothing is more striking in Irish politics than the steady refusal of the workers to vote the Labour ticket. While that refusal lasts, it is difficult to think in terms of Right and Left.

It seems therefore that Irish politics will mark time for the moment. The old issues are gone; no new ones have yet come to take their place. It is probable that the historical justification of the inter-party Government will be that it was best fitted to tide over a period of readjustment while, by making it possible for Labour ministers to attain to office, it has corrected a dangerous lack of balance in the political structure. At present, the Irish elector feels that the country is reasonably prosperous, whatever the economist may say about the balance of payments. It is a time for getting on with the job, and leaving politics alone. The lull provides an opportunity for whatever Government will be elected on June 13th to turn to clearing up the arrears of administrative reform and revision of the statute book. Matters such as these were ignored in the past in favour of political issues; and they might well receive attention now that these issues are in temporary eclipse.

basis of their national independence. For 150 years the heavy paw of the Russian bear, pressing on their exposed northern frontier, has been warded off only thanks to the interests of the British in the Indian Ocean, including, in the last forty years, the oil interest. That the Persians are completely confident of their ability to keep on balancing in this position, come what may in the south, is no proof that there is no Russian danger.

Dr Mossadegh and his National Front have received no overt encouragement from Moscow because Russian dealings with Persia are in adept hands. Mr Sadchikov, the present Russian ambassador, has the advantage of having held his post for over five years. He signed the original Russo-Persian agreement in 1946; he pressed hard for its ratification. When this effort failed he knew how to fold his hands and wait. In 1950 he superintended the change of target for Tudeh's main propaganda which shifted from the "broad masses" to the schoolteacher and student class. He next organised the resumption of Russo-Persian trade relations. He also superintended the mysterious escape of the Tudeh leaders from Teheran's central prison in December, 1950. His dealings with the National Front have been circumspect and decorous. He called on Dr Mossadegh when the latter took office. (He had not called on his predecessor, Hussein Ala.) Otherwise he has given him no mark of favour. He holds a good hand, which he is playing excellently.

this would be a far more serious matter than a failure to stage it this summer.

It has to be remembered that the Russians originally wanted to discuss only Germany, and that it was the western governments that asked quite properly for wider-ranging talks as a test of Soviet goodwill. As that goodwill has not been manifested—at least not in any form that is easily recognisable—it might be better to suspend the deputies' talks and to restate the proposals for unity and free elections in Germany that were put forward in May last year and have remained unanswered by the Russians.

* * *

From Magna Carta to Erskine May

The Conservatives have had difficulty in rousing the Commons from their sudden summer torpor even in the debates on the committee stage of the Finance Bill, the last piece of controversial legislation in sight. The truth is that the greater part of the Finance Bill provides little to which they really take exception. Moreover they have to be wary even over the clauses they most dislike, those increasing the profits tax and imposing more stringent measures to check tax evasion. The Conservatives are well aware that any clumsy move on their part will lay them open to the charge of being the tools of big business and of tax evaders.

The Opposition also had a nasty knock at the outset of the committee stage of the Bill. Major Milner, the Chairman of Ways and Means, ruled out of order the main amendment, which called for the deletion from Clause 1 of the subsection increasing the petrol duty. This decision caused a whole sheaf of subsequent amendments to fall, and forced the issue to be debated on the motion that the clause stand part of the Bill. Major Milner's ruling was based on the principle laid down in Erskine May—if a subsection is a material part of a clause it cannot be debated separately because without it the clause would not make sense. Both the Tories and the Liberals made such protest against this decision as the rules of order would permit, but Major Milner remained adamant and the debate had to get under way on the general principle of the clause.

* * *

The first voting test of the debate came on Tuesday. The Government carried a closure motion by a majority of 10 and then Clause 1 itself by a majority of 18. The difference in its majority was due to the swing in the Liberal vote; it went against the Government on the closure but it came down for the Government on the oil and petrol tax. This trial of strength made it clear that the Government had a safe majority of 5 over the other parties put together. Thus, the Tory Whips, working no doubt on Mr Churchill's dictum after another recent division that "you can't beat arithmetic," allowed the next clause, on entertainments duty, to go through without a division, though they deployed some heavy arguments against it. It is still possible that trouble will suddenly break out during the rest of the committee and report stages, but at the time of going to press it looks as if the Government will escape further challenges just as they have escaped so many others in the past.

Meanwhile Mr Henry Strauss has enlivened the proceedings somewhat by his amendment to Clause 32 of the Finance Bill. This clause aims at restricting companies' overseas transactions which are made to avoid tax, and the amendment would add the words "The Statute of Magna Carta, anno 9, Hen III, cap xxx (which confirms Chapter 41 of Magna Carta) is hereby repealed." This gave the House of Commons Librarian a busy afternoon explaining to

NOTES OF THE WEEK

Mission to Teheran

The Anglo-Iranian Oil Company is still in great difficulty, since it has to deal with Persians who want to nationalise it but have made no practical proposals for performing such a complicated process. It has done its level best to meet Dr Mossadegh and his advisers halfway. It has agreed to send a mission of four of its directors to Teheran to discuss how to carry out the nationalisation law, and it has appointed to head that mission two of the best minds at its disposal. Its deputy-chairman, Mr Basil Jackson, has the great advantage of wide experience of oil practices in the Americas; he represented the AIOC in New York for many years. Sir Thomas Gardiner, one of the two directors appointed by the British Government, was a civil servant of distinction and has been chairman of the National Dock Labour Board.

Whether the mission will find at the other end any one group of men with whom it can deal is still in doubt. Dr Mossadegh's cabinet is talking with far too many voices. For example, the Minister of National Economy, Mr Amir Alaii—the first to leave Teheran for the oil province of Khuzistan—said on arrival there: "Is it not possible to keep the Anglo-Iranian Company organisation here in the *status quo ante* but with Persian management?" Looking round at the samples of Persian management available in the country, and notably at the management of the nation's finances, the obvious reply is: "Not at the present standard of efficiency, nor at the present rate of profit to Persia." Mixed management would be another matter; but, in Teheran other ministers, and the Majlis, will clearly consider themselves "duped" if the talks lead to any arrangement that includes even a measure of British control.

Three members of the temporary board of directors of the new National Iranian Oil Company, to be followed by three members of the Persian Parliamentary Liquidation Commission, are all due to leave for Khuzistan within a few days. None of them has any experience of the oil industry. All are nevertheless confident of their ability to run it. Being Persians, they will probably not be daunted even by their first sight of its immense machinery—not only of the huge technical apparatus but of the vast mixed bag of employees

of several nationalities. Among these thousands of workers as is described in an article on page 1380, contentment must be maintained at standards hitherto unknown in enterprises under Persian management. If there has been a welcome movement away from the deadlock of recent weeks, there must be no illusion about the many difficulties that will obstruct the mission in its work.

* * *

Moscow and the Oil Dispute

By all the propaganda channels to Persia that are open and above board, Moscow has maintained an aloof and guarded attitude to the Anglo-Persian dispute. Of course underground channels have been hard at work fomenting it; there is all the usual evidence of highly organised encouragement to strikers in the oilfields, and copies of Tudeh's instructions for taking over the refinery have been impounded by the police at Abadan. These, however, are messages to known sympathisers. To Persia at large the line has been cautious and unusual. Normally, any trouble between the west and the "broad masses" of Asia is played upon with every stop out. Over China, Indo-China, Hong-kong or Korea, the whole network of propaganda has been devoted to "European imperialism," "American war-mongering" and "ill feeling" between Britain and America. Over the oil dispute, only a few muted references to competition between American and British oil concerns have been broadcast, all of them before the American Notes to Persia began to flow in. Since then Persian resistance to foreign "interference" is the only theme that has been developed on any scale.

Reticence is explicable, for Russia's own attempts to get an oil concession with a majority foreign shareholding are only four years old. Reticence is also shrewd. Persian minds, once worked into their present fever of emotion, become obsessed and forgetful. Public encouragement from Moscow or offers to help oust the British would have given pause to many National Front supporters. For it would have brought home to them the great home truth that is the

Round to the Russians

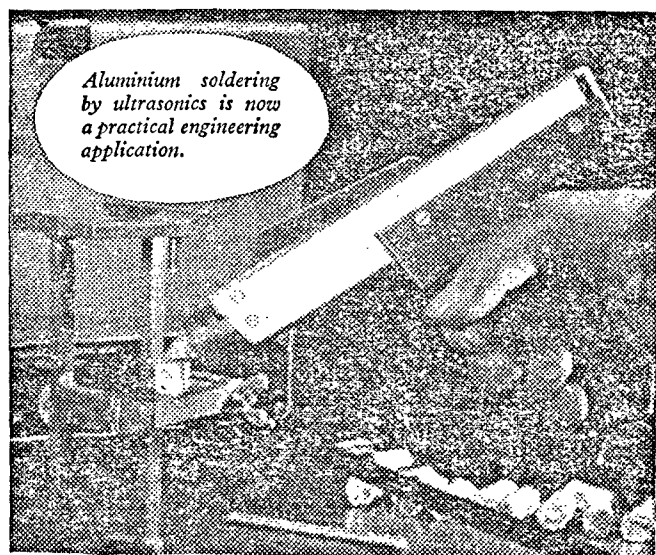
It is a pity that the western deputies in Paris, after a display of patience and meticulous draughtsmanship that must have impressed even Mr Gromyko, find themselves out-maneuvred. Having put up for thirteen weeks a good technical performance, the professional diplomats in the three delegations must have been distressed to see their political masters—some reports say it was Mr Morrison who betrayed impatience—presenting Moscow with the opportunity to express its confidence in Mr Gromyko and to put his fellow deputies on the spot. For that is what the Soviet reply of last Monday to the western Notes of May 31st has done. These Notes proposed an end to the argument about whether or not the Atlantic Pact and American bases should appear on the agenda, and an agreement to bring the Foreign Ministers together in Washington on the basis of the "split agenda"; for this represents such a wide area of agreement about what should be discussed that almost no subject of importance is excluded. Moscow's reply insisted politely that the deputies should go on with their talks with the purpose of including the Atlantic Pact and American bases abroad on the agreed agenda. This put on the western deputies the onus of refusal and breakdown. The reply also described "American military bases and the Atlantic Pact" as "the main cause of the worsening" of relations—a complete change of front from the Soviet attitude of last March, which concentrated attention on the "remilitarisation of Germany."

This round goes to the Russians, and it will be for the seconds in the western corner to work out how the points lost are to be made up in the next round. It is worth going on sparring a little longer, but there must be no illusions about the realities. Neither side believes that the other has in mind concessions which would enable the Foreign Ministers to achieve important results by negotiation; and it was one of the purposes of this meeting in Paris to discover this. Mr Gromyko knows quite well that the west will not modify the Atlantic Pact against any concession his masters are likely to offer. And the western delegates know quite well that, if they give way now on this essential point, the whole of Mr Vyshinsky's attack would be directed against the Pact when the Foreign Ministers met. In other words the failure of the meeting would be foredoomed—and

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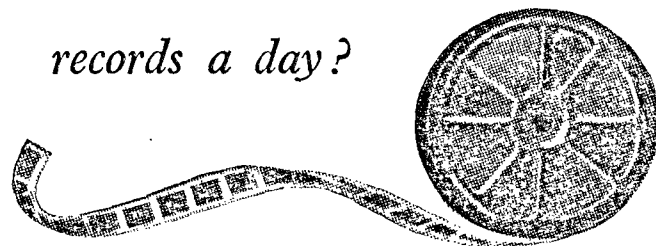
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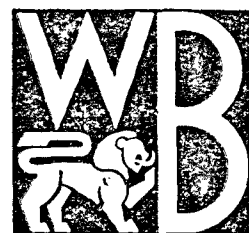
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are, to say the least, liable to revision. If Nato succeeds in its main purpose, which is to keep the peace, then political leadership in the eastern Mediterranean and the Middle East—apparently left to the British—will be just as important in the cold war as the functioning of the European Command. And if Nato does not succeed in keeping the peace, is it absolutely certain that Admiral Carney's carriers will be required in the Mediterranean rather than elsewhere?

It would surely be wise to recognise that if the strategist in war regards the Mediterranean as one area, the statesman in peace has to regard it as two: one is Europe and the other is Middle East. Until the Atlantic Pact is extended to cover the Middle East these divisions should be recognised in the command arrangements; and such an extension should be permitted only after the gravest consideration of the long-term consequences. To extend the military range of the Pact is to limit its political and economic possibilities as a new form of association between allies. And one had believed that it was British policy to develop those possibilities to the utmost.

* * *

London Taxi Fares

The new rise in London taxi-cab fares announced by the Home Secretary last week was made after an inquiry by an independent firm of accountants into the economics of the industry. A new cab costs £1,200 since the last budget, compared with £350 before the war; petrol is up by 211 per cent since then, and the cost of spare parts by 100 per cent; and drivers' commissions were raised last June, after a strike, from 33½ to 37½ per cent. Compared with these figures, the present increase of 66½ per cent over prewar fares is moderate, and seems sharp only because it has all taken place in the last fourteen months. It was possible to defer it so long by running ancient vehicles which must now be scrapped—or rather, sold to private buyers at about £90 each. But the Commissioner of Police, who licenses London taxis, has been trying for the last three years to make a gradual return to the maximum "life" of 10 years for taxis; this year those of vintage 1933-34 are being taken out of service. Replacement is thus a growing burden.

The 66½ per cent surcharge is less than the proprietors thought necessary to cover all these costs, but when the taximeters are altered, as progressively they are to be, the whole basis of fares will be altered too, so that they will in fact be rather more than 66½ per cent higher, and nearer to what the proprietors proposed. The fare stages, instead of rising in thirds of a mile, will rise in fifths of a mile, at 3d. per fifth, but starting at 1s. 3d. for the first three-fifths. It is at least a compensating advantage to the passenger that if he travels a mile and a yard he will pay for a mile and a fifth instead of a mile and a third, as he does now.

The public may agree that the rise in fares is justified, but will it pay the new prices? After the increase a year ago, which introduced the 33½ per cent surcharge, receipts fell, and have still not regained their former level. But this fact must be attributed partly—how far it is impossible to say—to the end of petrol rationing and the return to private motoring. The present sharp increase at a time of falling purchasing power will lead to well-filled taxi ranks, just after the Home Secretary has turned down a scheme worked out by owners and drivers for a limitation of taxi-drivers' and cab licences. The drivers' insistence on an extra 6d. for a second passenger (drivers get all the extras) may prove short-sighted.

* * *

The Railways in Trouble

Those ultra-liberal economists who maintain that public enterprise is incompatible with a "rational" use of

resources might well hail last week's revelations concerning the present plight of the British Railways as a resounding demonstration of their case. A combination of labour shortage, low pay, and labour-wasting practices; an accumulation of delayed freights matched by resolute opposition to the freer use of road transport; a mutual cost-raising partnership with the coal industry; a disregard for the customer's convenience unmatched by any merely private monopoly; these accompaniments of public control hardly point to the fulfilment of the nationalists' expectations of economy, coordination, and improved labour conditions and morale. In fact, however, the difficulties of the railways have little to do with their legal ownership. The unreality of railway charges is the unreality of any set of prices institutionally removed from the market process and readjusted only at long intervals and by jerks; and their removal long antedates nationalisation. The "poor bag of assets" inherited from the railway companies after the strains of war, and the competition offered to their services by road transport, would have constituted exactly the same problem to any executive. So would the maldistribution of those assets in unprofitable branch lines and under-used facilities. The well-known defects of railway management and promotion systems are those of any very large and ossified organisation, public or private. The labour shortage to which the chairman of the Railways Executive drew attention last week is, like that in the mines, the product of brimful employment in less strenuous and intrinsically less uncomfortable occupations.

It is indeed arguable—and has been argued even by firm believers in competitive private enterprises—that nationalisation and nationalisation alone could make possible the major overhaul, the logical integration of services and adjustment of rates, which the situation demanded. The public's case against the Transport Commission, and against the Government responsible for the general framework of economic conditions within which the Commission must carry out its duties, is that this major overhaul has been shirked; that the opportunities of nationalisation have been dissipated by tenderness to vested interests, timidity before trade union obstructiveness, and acquiescence in timidity-dishonoured defects of organisation. This is to make the worst of both worlds.

* * *

Seven who were Hanged

After prolonged delays, due not to any desire of the authorities to keep condemned men in suspense, but to their lawyers' persistent exploitation of the almost endless appeal facilities of American law, the seven men who were not reprieved from death sentences in the most recent revision of German war crimes verdicts have at last been hanged. Three of them belonged to the S.S. *Wirtschafts- und Verwaltungshauptamt*, the administrative organisation of the Nazi concentration camps; and the other four to the *Einsatzgruppen* or extermination squads, which operated in the rear of the German armies in Eastern Europe. Between them these organisations killed in cold blood, with every aggravation of cruelty, a total of victims which cannot be precisely ascertained, but probably amounts to between five and seven million men, women and children, including the mass exterminations of Jews in the camps of Auschwitz, Maidanek and Treblinka. The most prominent of the condemned men was S.S. General Pohl, who was in charge of all the concentration camps and bore a responsibility surpassed only by that of Hitler and Himmler themselves for the immense atrocities of the Nazi régime.

The seven death sentences which have now been carried out were the residue of 28, out of which 21 were recently commuted to terms of imprisonment by Mr McCloy, the American High Commissioner in Germany, or General

SULPHUR



"BRING me fire that I may purify the house with sulphur" wrote Homer in the Odyssey. From these ancient medicinal applications, sulphur, in the form of sulphuric acid and other chemicals, has so extended its uses that today this yellow rock, which burns to form choking fumes, is one of the most important elements used as a raw material in modern civilisation. In recent times most of the world's needs for elemental sulphur—amounting to 5-6 million tons annually—have been supplied from deposits in the U.S.A., but these are fast becoming exhausted as more and more sulphur is needed for industrial, agricultural and other purposes.

Since the early 1930s, I.C.I. has been developing methods of making sulphuric acid from anhydrite, which is found in large quantities in many parts of Great Britain. It is fortunate, now that the sulphur situation is critical, that I.C.I. is thus able not only to increase its own production of sulphuric acid from British sources, but also to place its accumulated research and production knowledge at the disposal of some of the principal British acid users. Plans are indeed now going forward to install new plants which will make sulphuric acid from this indigenous raw material and thus reduce the need to import sulphur from overseas. I.C.I. has also converted other plants to utilise the sulphur recovered as spent oxide made in the purification of town gas.



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[3P 1048]

Handy, the American Commander-in-Chief. These reprieves represented the extreme limits of clemency to which it was possible for the American authorities to go; the cases had been repeatedly reviewed by appeal tribunals and committees, including eminent American judges, which had considered all the evidence and pleas in extenuation advanced by defence counsel. There could be no question of summary jurisdiction or verdicts reached under the influence of wartime passions. Nevertheless, an intense agitation for the reprieve of General Pohl and his associates has developed in Germany, and every kind of irrelevancy has been dragged in to confuse the issue.

It has been held that because the German Federal Parliament has abolished capital punishment in Germany, this should apply to sentences imposed by Allied war crimes courts under their own system of law—a claim which has no basis either in law or common sense. More indicative of the political character of the agitation is the claim of a counsel for the condemned men that they were "heroes of anti-Communism." If Germans think that such pleas can arouse sympathy in the western democracies for men who made a business of putting little children into gas-chambers, they are very much mistaken. In resisting the menace of totalitarian Communism, as it formerly resisted that of Hitlerism, the west has set its face against the whole principle of organised inhumanity which the seven men of Landsberg represented; and the sympathy which has been shown for them in Germany can only make decent people everywhere wonder how far even now Germans realise the enormity of the régime in which Hitler made them his active or passive accomplices.

* * *

Party and Peasant in Poland

The recent trial of some Communist Party and other officials at Gryfice in the Szczecin province of Poland has been given a great deal of publicity by the Polish press and radio. They were charged with exceeding their authority during the compulsory grain-purchasing campaign last February. The accused have been found guilty, among other things, of conducting illegal searches of peasant farms and of stealing domestic property. They have been sent to prison and the Politburo of the Polish Workers' Party has expelled them from the Party and dissolved their district committee. This is not an isolated case. Only a few weeks ago an article in *Trybuna Ludu* spoke of reports that abuses of authority were taking place in the countryside, and that local officials were showing a "soulless, politically thoughtless and condescending attitude" to the peasants.

The publicity given to the disciplinary action just taken on behalf of seven—as one is led to believe—very ordinary peasants serves several useful purposes. On the one hand it enables the Party to act in the role of incorruptible champion of the poor and oppressed, and the implacable foe of the "fossilised bureaucrats and careerists." It also helps to deflect on to expendable minor officials the widespread discontent over the Government's agricultural policy. On the other hand, it serves notice on all local officials that they must behave circumspectly, and not make the Government's relations with the peasants any worse than they must. For, however many temporary retreats and sidesteppings the Government may execute, collectivisation remains its basic aim in the countryside, and it cannot hope to carry this out successfully and get food into the towns unless most of the peasants co-operate. Although it is the declared aim of the Government to eliminate the kulaks and isolate them from the "working peasants," even the treatment meted out to them has recently been condemned as "high-handed" and contrary to the Party line. In other words, they are to be eliminated by discreet and respectable means such as crushing taxation.

David Among the Hospitals

It is hard to decide who had more right on their side in the long dispute between the South-West Metropolitan Hospital Board and the general practitioners of Kingston. The board, after many months of argument and appeals, has closed the Kingston Victoria Hospital and is to transform it into a gynaecological unit for the Kingston general hospital. The Victoria Hospital was a general practitioner hospital, which, however, was run with the assistance and supervision of outside consultants. The general practitioners therefore assert that the hospital achieved two important aims: it preserved continuity of care for the patients, while providing them with consultant skills, and it preserved the status of the general practitioner, which is being whittled away under the national health service by his exclusion from the hospitals.

For the regional board it can be said that its chief function is to plan and co-ordinate the hospital services of its region. The whole point of setting up appointed regional authorities was to make it easier to override local loyalties where the interests of the whole area demanded it. The board has maintained that more gynaecological beds were urgently needed, and it offered the general practitioners alternative beds elsewhere, but the displaced doctors of the Victoria Hospital rejected them as unsuitable. It is perhaps worth pointing out that in the case of Paddington Green Children's Hospital and the London Lock Hospital, which were also threatened with extinction by regional boards, the Ministry of Health decided in favour of the threatened hospitals, showing that it is willing in some cases to make plans give way to tradition and local feelings. In the Kingston dispute it has upheld the regional board. This looks as if on balance the board has the better case; but one cannot help suspecting that its way of setting about it has been badly at fault.

All this is past history. The new and unexpected happening is the determination of the displaced doctors and the

Clogs Upon the Mind

If anything could make us forswear our faith in human progress and lend an ear to those prophets of evil who despair of the prospects of our race, it would be the late portentous resuscitation, in so many quarters, of the old demon of Religious oppression. Here, and here alone, retrogression is undeniable. While Science with all its grand discoveries, Art with all its splendid applications, Industry with all its tameless energy and all its magnificent achievements—are striding forward to their allotted goal with no faltering or languid steps, there is a class of men as busy as of old in hanging clogs upon the mind, and pressing back the tide of intelligence and inquiry whenever it endeavours to enter upon its highest field—that of religion and the wisdom of the soul. While Reason and Knowledge are carrying light into all the dark places of the earth, the Priests of darkness are resolute in insisting that no rays shall be allowed to penetrate the clouds in which they sit, and out of which they teach. While the efforts of the wise and good are directed towards the spread of freedom in every department and in every land,—while the unenfranchised is struggling for his rights,—while the slave is casting off his chains—while commerce is unbound, and industry exulting in its new-born liberty—while the Great Emancipator is everywhere issuing to every oppressor of every victim the high command—"Loose him, and let him go!"—those very men who ought to be by the nature of their calling—who would be if they had a just conception of their mission—the Leaders and Educators of Humanity, are striving to cast it back into a darker dungeon, and to bind it with heavier fetters than before.

The Economist

June 7, 1851

management committee of the Victoria Hospital to start a new hospital in Kingston to replace their old one. They are appealing for £50,000 to buy and equip the premises and to maintain the hospital for two years. The hospital will be tiny by present standards—15 to 20 beds—but the aim is to equip and staff it as well as any general hospital. Patients will be treated free, though private wards will be available if wanted. Whether the doctors will succeed in raising their £50,000 remains to be seen, but they will certainly win a great deal of sympathy. At the present time such a resolute display of individualism and voluntary effort, in the face of great odds, deserves ungrudging approval.

* * *

Halfpenny on Milk

The price of milk is to go up from 5d. to 5½d. a pint from July 1st because of the higher price to be paid to British farmers under the February price review. This simple statement issued by the Ministry of Food reveals a major change in the Government's policy on food subsidies. Milk has long been considered an essential nutritional food, whose price should be kept within the means of all classes of consumers. The higher prices that the Ministry of Food has now to pay for home-produced and imported foodstuffs made an increase in retail prices inevitable, given the limit of £410 million on the total cost of subsidies. But the

Ministry had ample scope to mask the increases on those foods considered nutritionally important and to exaggerate them on the other foods. It has, however, chosen the wiser course of reflecting its higher purchase prices for different foods in their retail prices, though not proportionately to the same extent. Milk is still one of the most subsidised foods and the real price to the consumer should be 8½d. a pint. But at last the British consumer is being made to feel the impact of higher food prices, and the distortion caused by the subsidies in the pattern of relative prices is being lessened. The price of 1½d. a pint for milk sold under the welfare schemes will be unchanged and free milk will still be given to school children. This part of the nutritional programme has quite rightly been kept intact.

Weekly expenditure on food will go up by another three halfpence since approximately three pints of milk are consumed by each adult. The higher prices for rationed foods announced a month ago added about fivepence halfpenny to weekly food bills, so that the total increase is now sevenpence. At the beginning of April the Minister of Food warned housewives that the weekly cost of basic food would increase by about eightpence this year. Another penny a week has still to be found unless Mr Webb was erring on the high side to allow for further increases when the annual price reviews of the various long-term contracts with other countries start next month.

Letters to the Editor

A Higher Pound?

Sir,—In your leading article on "A Higher Pound?" which appeared on June 2nd, you do something less than justice to the case for revaluing the pound. Your argument that revaluation would eliminate the rise in prices on which the Government is relying to free resources for rearmament, thus necessitating increased taxes or reduced subsidies, surely depends on the assumption that revaluation would be accompanied by no change in the export programme. Under present conditions of demand for our exports, revaluation would permit us to pay for our imports with a lower volume of exports, so that part of the needs of rearmament could be met from lower exports rather than from lower consumption; to that extent, the budgetary measures you suggest would not be necessary. Furthermore, since current price rises reflect rising costs and wage demands rather than excessive demand, the effects of revaluation on domestic prices would have a useful anti-inflationary effect, rather than the inflationary effect you predict.—Yours faithfully,
HARRY G. JOHNSON
King's College, Cambridge

Inquest on Farming

Sir,—The *Economist*, in its comment on the Government's White Paper on farm prices, compares £53½ million—which is part only of the increased costs for all commodities over a full year—with the £43½ million recoupment for review items only. You thus make the mistake that the Government, in drafting the White Paper, no doubt wished you to make. You imply that agriculture has suffered under-recoupment of only £10

million, which represents partial withdrawal of the capital injection. It may, therefore, seem that the industry has suffered no under-recoupment, but in fact has merely repaid part of a loan. The implication is clear that, other things being equal, farm income will be only £10 million less next year. The fallacy of this conclusion is obvious. The award for livestock products will come into farming receipts in the June to May year, 1951-52, but the award for arable crops will not be received by farmers until after the harvest of 1952, i.e., in 1952-53. Moreover, since no award was made for the 1951 arable crops at the 1950 review, the farmer will have to bear all the increased costs for crops of the 1951 harvest, with the exception of the special award to cover increased labour costs only, incurred from November, 1950, to March, 1951. In other words, recoupment based on a full year's receipts must be compared with a full year's increase in costs.

Since you have pointed directly to the £89½ million increased costs, which relates to all commodities, it is necessary to point out how the burden has, in fact, been distributed:

£13½ million applies to the higher costs of non-review commodities which receive no automatic recoupment;
£43½ million has been awarded as higher prices for review commodities;
£22½ million represents the proportion of increased costs absorbed by producers of review commodities;
£10 million has been withdrawn by the Government out of the £40 million capital injection.

You point to the fact that whereas the industry has increased the physical quantity of production by 25 per cent over the past four years (no small

achievement) farming profits have risen by approximately 60 per cent over the same period. In considering whether this increase in income is justified, it is necessary to have regard, not only to the conditions which existed in 1946-47, the base year of the agricultural expansion programme, but also to those in the following years. In 1946-47, the income of the industry had reached its lowest level since before the war. Moreover, the ratio of profit to net output in that year was the lowest in any year between 1940-41 and 1950-51. At that time, the industry was seriously concerned with the declining trend in farm income and pointed out to the Government that it could not accept the responsibility of maintaining, let alone increasing, food production unless the level of profitability was permanently raised. As *The Economist* well knows, the Government then decided to inject £40 million a year into farming incomes. Thus, starting from a base income of £184 million, which was the worst since before the war, it will be seen that if farming income had risen in proportion to the 25 per cent increase in the volume of physical output, it would have increased by £46 million between 1946-47 and 1950-51, i.e., to a level of £230 million, assuming of course that costs and prices remained at 1946-47 levels. When the £40 million capital injection is added to this sum, the "theoretical" farming income would be £270 million, leaving a gap of £23½ million between that figure and the present forecast of £293½ million—a calculation which makes no allowance for the fall in the value of the £ since 1946-47.

It is quite untrue that farmers have had to find "only a minor part" of their

increased costs. Over the last three reviews, producers of review commodities have absorbed £60½ million out of a total of £153½ million increased costs. Surely nobody could reasonably claim that farmers have borne only "a minor part" of this burden.

You suggest that the Government's food import programme is adjusted to the availability and the cost of home-grown food. In fact, the raising of the limit on coarse grain acreage and the stimulus given to livestock production are both reflections of the shortages of imported supplies.

You imply that overseas producers are straining to supply us with food at low prices. This must make strange reading for the Ministry of Food whose unwillingness to pay the increased prices now being asked by virtually all of our major food suppliers (which have themselves been necessitated by increased costs) has already resulted in a fall in our imports of several basic foodstuffs.—Yours faithfully,

H. COLE TINSLEY,
Vice-President,
National Farmers' Union

London, W.C.1

[That the farmers will have, this year as in recent years, to "absorb" some part (not, on our calculations, a large part) of their increased costs is no answer to our arguments. To recoup them 100 per cent would be a very poor bargain from the nation's standpoint, since it would allow nothing either for increased efficiency or for higher production on the part of farmers. Mr Tinsley's own figures show how successfully costs have been "absorbed" over the last four years.—EDITOR.]

Famine in India

Sir,—I am astonished to note that *The Economist* did not have the courage to set out the basic problem in the article in the issue of April 21st. The article states that the long-term problem is whether to grow more food or more cash crops and makes no reference to the basic problem of "growing" fewer children. Famine and disease are the only current checks on India's population. The more food that is poured into India the greater will its population grow.—Yours faithfully,
F. H. CARLSON
Victoria, Australia

Weights and Measures

Sir,—Your Note in your issue of May 19th refers to the need for the decimalisation of the British coinage. It is understood that the Government of South Africa favours a proposal based on the adoption of the unchanged crown as the principal coin of account.

The following table of coins and accompanying comments may therefore be of special interest:—

Denominations	Crowns and Cents	Equivalent
Paper:—		
100 Cents—Crown.....	1.00	s. d. 5 0
Silver:—		
50 Cents—Half-crown.....	0.50	2 6
20 Cents—Shilling.....	0.20	1 0
10 Cents—Sixpence.....	0.10	6
5 Cents—Threepence.....	0.05	3
Brass:—		
2 Cents—Decimal Penny.....	0.02	1.2
1 Cent — " Halfpenny.....	0.01	0.6

New notes could be issued, as required, in crowns and in its usual multiples at

the unaltered rate of 4 crowns to the pound. All the silver coins could be described in cents without change of value. The existing bronze coins could be used as cents representing twenty per cent higher values than pence, and exchangeable at the equality rate of 5 cents for 3 pence.—Yours faithfully,
Hale
HARRY ALLCOCK

Lebanon at the Polls

Sir,—It might interest you to learn that your article "Lebanon at the Polls" published during April has been published in one of the leading Arabic papers of Lebanon *An Nahar*. As a result, the poor editor and owner of the paper, Mr Ghassan Tuani, M.P., Harvard graduate in journalism, has been sued; his paper was subsequently suspended for eight consecutive months and he was condemned for £Lebanese 800 damages.

I want to proclaim here that we Lebanese welcome any criticism you make which would lead to the overthrow of our present dictator, who, unlike other dictators who sometimes try to benefit their country, through public works, etc., is only interested in his individual and family welfare. All that you said in your article represented the whole truth.—Yours faithfully,
A LEBANESE

Those Billions

Sir,—The possibilities of confusion between milliards, American billions and British billions, to which reference has been made in your correspondence columns, are exceptionally frequent in Germany, where statistics are issued daily by American, British, French and German authorities. Involuntary multiplication or division by one thousand is accomplished with fatal ease, especially in announcements which have been translated, teleprinted and duplicated.

You maintain, I notice, that the word "milliard" is not English, and no doubt you are right. But is it not time for some term denoting "one thousand million" to be internationally standardised, to eliminate ambiguity?

Confusion is deepened by the use of such abbreviations as M., m. and Md. In the British press, at least, these are no doubt only one more reflection of the newsprint shortage. But to many readers, including myself, the significance of very large figures is to a great extent visually appreciated. The statement, for example, buried in a long dissertation, that there are now "nearly 10m. refugees in Western Germany" has a far weaker impact than "nearly 10,000,000 refugees." And am I alone in finding "\$5 Md." a rather unimpressive sum of money?—Yours faithfully,
ANTHONY MANN

Bonn

Disturbances in Grenada

Sir,—It was with some surprise that I read a Note in your issue of May 19th. You state, "To grasp the real nature of these sudden disastrous outbreaks of violence to which the West Indies are prone is by no means easy," also, "There is no industrial issue at all in the new

outbreak of unrest, which is more of a demonstration of loyalty to Gairy."

To the average reader, the first quotation implies the existence of conditions in the island unparalleled in world history; it implies that the ordinary social and economic factors that have been the cause of unrest in different sections of the world from time to time fail to serve as a basis for explaining away the upheaval. On the contrary, you state that "provocation frequently comes, not from any particular 'oppression' or any new burden, or act of injustice, but from the personality of leaders striving for power." The end, ergo, explains the beginning.

Speaking generally, Grenada has not felt the sharp edge of the evils of monoculture. Her agriculture is more diversified than the other islands. But cocoa is the largest export crop, and much dissatisfaction has been felt because the sharp rise in the world price has not been reflected in the price to the planter from the merchant, far less in the purchasing power of the labourers. There were two trade unions on the register at the end of 1949, with a total membership of 2,039 out of an employable labour force of 28,239. It is not surprising to find that the basic daily wage of a labourer in the cocoa industry is 91 cents (3s. 9½d.) for a man and 76 cents (3s. 2d.) for a woman.

An outstanding feature of the island economy is the comparatively large number of smallholdings—about 20,000 smallholdings out of a total of arable land of 75,119 acres. The greatest number of holdings (19,592) are under ten acres. Unfortunately these holdings are too small to provide the means of an independent existence, and the holders have to supplement their casual employment on estates or elsewhere. The products of the tiny holdings are sold for cash, and the labourer exists as best he can on imported foodstuffs and clothing. Because of currency restrictions, purchases must be made in the mother country, and since devaluation the cost of living has soared.

Political demands have played no part in the present upset, because hungry and desperate people cannot think in terms of long-range political movements. Gairy's Manual and Mental Workers' Union was the natural answer to the ineffectiveness of the Trade Union Council to improve the basic wage; suspicion also deepened because of the links between the TUC and the employers themselves.

If Jamaica had not demonstrated symptoms of the "malaise" as represented by Alexander Bustamante, would it have achieved more representative government? Had Trinidad's "malaise" not produced Uriah Butler, would the new constitution of 1950, as recommended by the Commission of 1946, ever have been implemented? It is the peculiar fate of these islands that symptoms of "malaise" have to be exhibited before they qualify for constitutional reform.—Yours faithfully,
LYNNE BECKLES

Ruskin College,
Oxford

Books and Publications

Men and Morals

English Life and Leisure. By B. Seebohm Rowntree and G. R. Lavers. Longmans. 482 pages. 15s.

This book has all the appearance of being in the great tradition both of Mr Rowntree's own previous surveys of poverty and of the "London Life and Labour" surveys to which, from its title, it might have formed a happy complement. Thus one picks it up with a keen sense of anticipation which unhappily is not fulfilled. The disappointment is not altogether easy to explain. The book is attractively printed—and for these days cheap—and the style is as readable as the type.

To a certain extent disappointment may be felt because a large part of the material is not new. This is not a survey in the sense of a complete picture of the leisure time activities of a representative sample of the people. The authors have instead taken examples of such activities—gambling, drinking, the cinema, broadcasting are among them—and treated them at length or sketchily according to the amount of the material available to them. Thus gambling, on which much has been written in recent years, is given a fair amount of space; it is, however, unfortunate for the authors that the report of the Royal Commission on gambling has appeared since they completed their book, for it gives a much less gloomy picture of the nation's gambling habits, and their cost, than they do. Drinking is also covered fairly fully—though here too one has the impression of reading familiar matter. The stage, on the other hand, is inadequately dealt with, and surely the growing popularity of ballet deserved at least a mention.

As an introduction to these various leisure time activities, the authors give a selection of 220 case histories out of nearly a thousand which they collected in the course of compiling their material. Here again one is disappointed. Case histories, properly presented, put life into the bare facts of a social study. When they are woven into the general theme as illustration, their "human

touch" helps to drive the argument home. Mr Rowntree and Mr Lavers do indeed use this technique, with considerable effect, in their other chapters. But they made a mistake in starting the book with a chapter of 121 pages containing nothing but case histories. They are not intensive enough to be of real interest in themselves, and many readers will find that twenty or thirty of them are all they can manage on end.

Perhaps the main cause of disappointment in the book is the growing impression that the authors were not so objective as they claim to be. They themselves admit that once they had embarked on their study of leisure they found themselves embarking on "a study of the cultural and spiritual life of the nation." Unfortunately, this gives the whole book an impression of moralising, an impression which the authors were clearly anxious to avoid giving but which is inevitable from the leisure time pursuits that they select to treat at length. To allot whole chapters to gambling, drinking and the cinema, all activities widely held to be demoralising—although, to do them justice, the authors do not confirm this view in every case—and to treat summarily or omit altogether such activities as games, women's institutes, walking, gardening, allotments, music, and all the thousand and one hobbies that make up the brighter side of English life and leisure inevitably make the book seem biased. A chapter on sexual promiscuity and another on honesty, or rather dishonesty, and a too ready use of the phrase "moral fibre" confirm the impression of moralising before one is half-way through the book.

It is only towards the end that interest revives, with the chapter on religion, which is excellent and fulfils all expectations. Here the authors are able, by reference to an earlier survey by Mr Rowntree in York, to give some measure of the decline in churchgoing in this century; in the earlier chapters the

reader is left guessing whether people are better or worse than they were fifty years ago. The authors' discussion of the causes of this decline is wise and objective. What is especially striking is that, in spite of the decline in churchgoing it reveals, the chapter as a whole, by emphasising the persistence of the Christian ethic, does much to redress the unfavourable picture of English life produced by the other chapters. Extracts from the case histories are in this chapter particularly effective, and one sincerely wishes that the rest of the book were on the same level.

The Spy Ring

Chief of Intelligence. By Ian Colvin. Gollancz. 223 pages. 12s. 6d.

It is a great pity that, in writing this book, Mr Colvin allowed himself to be distracted by the red herring that Admiral Canaris, Chief of German Military Intelligence (*Abwehr*), might have been a British agent. Canaris was many things to many men, but there is no evidence, not even in this book, that he ever so much as pretended to owe allegiance to Britain. If he preferred any country to Germany, it was Spain and not England, which he barely knew. True, his plotting and intriguing, his occasional false evaluations of the intelligence reports he received, and his inability to make the *Abwehr* a really efficient organisation indirectly helped the Allies, but it is stretching logic too far to deduce from these facts that he was therefore employed by the British.

Apart from this irritating theme, however, the book gives a fascinating account of Canaris and the *Abwehr*. Mr Colvin has unearthed a number of good stories about intelligence work during the war. There is the case of the Dutch agent in The Hague who seems to have played not only the British and German secret services against each other but also the *Abwehr* against other German intelligence organisations. Intrigues in Spain, in the Vatican and in Turkey are all well described, and Mr Colvin has succeeded in re-creating the curious atmosphere which surrounds the work of secret agents.

Inevitably, however, much of the book is taken up with the part which Canaris played in the various revolts against Hitler. And here Mr Colvin is on uncertain ground. There is no doubt that Canaris had a finger in a large number of intrigues which aimed at the overthrow of Hitler, but it is quite impossible with so little evidence to say how important a conspirator he was. He might have been the ring-leader of the plotters, but even the Gestapo was sufficiently uncertain about him to have delayed his execution for six months after he was arrested for his alleged participation in the revolt of July 20, 1944. This could, of course, mean that he covered his tracks more cleverly than his fellow-conspirators, but the impression one gets both from this book and from other accounts of him that have been published is that he moved in the outer rather than in the inner ring of the plotters. Canaris was neither a very able chief of intelligence nor a very important figure in Germany; he was, however, an exceptionally interesting character, and Mr Colvin might have done better if he had attempted a more straightforward biography of his subject.

Introduction to War

The World at War. Edited by Geoffrey Dennis. Caxton. 4 Volumes. £4 10s. 3d.

Mr Jules Menken has contributed a long introduction—it is a full-length book in itself—to this new edition of "The World at War" (it was originally published in ten volumes under the title "The War of 1939"). In it he attempts the formidable task of explaining just how the war came about. He takes the reader from crisis to crisis down the long hopeless slope from the occupation of the Rhineland, through the Japanese invasion of Manchuria, the Spanish and the Abyssinian wars, Munich and Poland, to the final avalanche of the war itself.

It is not altogether Mr Menken's fault that the narrative—at any rate in its early stages—does not move forward very coherently but tends to run in circles. Indeed he drives all his horses before him with great skill; the difficulty is that he has so many horses to drive and so much ground to cover. It is only towards the end, in the Munich to Poland period, when the focus narrows down upon the rampaging figure of Hitler, that the events take on a clear and decisive movement.

Reading through these half-forgotten speeches of the dictators, the broken treaties and the planned lies, one is afflicted all over again with the feeling that none of it was inevitable and none of it represented what the masses of the people really wanted, whether they were German or Russian or British or anybody else. Somewhere, somehow, politics moved beyond human control and no one knew where or how to apply the brake and set things right again. The war itself bursts upon the scene with a sense of positive relief.

Inevitably Mr Menken's book evokes a comparison with things as they are now—and despite the atomic bomb there is a curious reassurance in this. When one is reminded here of the feebleness

of Britain's alliances right up to 1939, the wishful thinking and the pathetic unpreparedness, one looks at the year 1951 in a much more friendly light. Nothing like the United Nations campaign in Korea could have happened in the nineteen-thirties—the nearest parallel is the half-baked attempt of the League of Nations to impose sanctions on Italy over the Abyssinian war. Nothing like the North Atlantic Treaty Organisation was envisaged, let alone put into practice. America was in no way committed. Mr Chamberlain had not even read *Mein Kampf* until he returned from Munich and no complete translation was available in Britain until 1939.

There may still be people who believe that it is possible to make treaties with Moscow, but at least most of them are not quite so ignorant of the theory and practice of communism in Soviet Russia as they were of Hitler's Nazis in the nineteen-thirties. This perhaps is the most startling difference between then and now, and with it the indifference, the cynicism, perhaps even the fatalism with which the public almost expects treaties to be broken. Right up to Munich and even beyond most people still placed some trust in the signed word of governments.

Mr Menken has written a scholarly and able essay, and it makes an excellent springboard into the next three and a half volumes which tell the story of the war itself.

The Death Penalty

The Shadow of the Gallows. By Viscount Templewood. Victor Gollancz. 159 pages. 8s. 6d.

Lord Templewood gives this book the sub-title of "The Case Against Capital Punishment." It is not, therefore, a dispassionate review of the arguments for and against capital punishment but a frankly polemical work, which is, however, on the whole, written in a dispassionate though somewhat uninspiring style. There is no fire in it. Too often, Lord Templewood points out, capital punishment—and penal questions in general—are discussed in a highly charged atmosphere, and by treating the evidence unemotionally he presumably hopes to have it considered in a similarly unprejudiced way.

The evidence is indeed impressive. In Europe west of the iron curtain the death penalty has been abrogated by disuse or abolished in every democracy except Great Britain (but it has been considerably modified in Scotland), Ireland and France. It has been abolished in virtually all the South and Central American states, in six of the United States, in Queensland, in New Zealand, in Nepal and in Travancore. Since all the thirty-six states where there is no death penalty have suffered no increase in the rate of murder, and have had no difficulty in dealing with long-sentence murderers in prison, why should Britain cling to a penalty whose main drawback, to some people, is that it is quite irrevocable—Lord Templewood cites instances where innocent men have escaped hanging by the merest chance.

Yet one wonders whether all his evidence in favour of abolition will persuade the upholders of capital punishment to budge one inch. Abolitionists will be depressed by reading in this book that a Royal Commission was appointed in 1864, which reported in favour of reducing death sentences for murder to the very minimum. All that has been accomplished in the succeeding ninety years is the removal of infanticide from the law of murder, the end of public hangings—and the appointment of yet another Royal Commission. Is it possible, one asks, for capital punishment to be considered dispassionately? Do not people, whatever rational arguments they may voice, really make up their minds for or against capital punishment emotionally and intuitively?

The floating voters on this subject must be very few. But such as they are they will probably be moved in favour of abolition, not so much by Lord Templewood's evidence as by his confession that he is not sure whether he exercised his power of reprieve rightly when he was Home Secretary. They will be impressed, not by statistics, but by the cold factual account of an execution provided by the Home Office for the present Royal Commission and reprinted by Lord Templewood in this book.

Fission or Cohesion

The Multinational Empire: Nationalism and National Reform in the Habsburg Monarchy, 1848-1918. By Robert A. Kann. Columbia University Press. (London: Geoffrey Cumberlege.) 2 Vols. 444 and 423 pages. £4 2s.

The difficulties of writing the history of the Habsburg monarchy are proverbial. The mass of material is vast, the linguistic difficulties are formidable, and the passions generated violent. Professor Kann has many of the qualifications needed for the task. He has (to judge from his bibliography) a knowledge of the main languages of Austria-Hungary. He has (we learn from the publishers' announcement) a personal background that gives him an understanding of the mentality and values of Central Europeans. He has scholarship, insight, and a conspicuous impartiality. A book, therefore, on the scale of this one and with all these qualities ought to become the standard work on its subject. But it has one serious flaw, its style. We have become used, unfortunately, to stodgy and undistinguished writing in our history books, but "The Multinational Empire" is badly and obscurely written even by American standards.

This is unfortunate, for the book is full of valuable information and interesting judgments. It is an account of the ideas held about the relations between the nationalities in Austria-Hungary, rather than a history of the nationalities themselves. This means that attention is concentrated on legal and constitutional proposals rather than on economic and cultural development. This legalistic approach is a useful one because it enables one to study in detail the con-

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ANTECEDENTS OF THE INTERNATIONAL LABOUR ORGANIZATION
By JOHN W. FOLLOWS. 18s. net
The International Labour Organization owes its origin to the idea that labour laws, to be effective, must be accepted by all nations. It was the logical answer to early industrialists who opposed a reduction of working hours because of foreign competition.
This study begins by examining and rejecting the widely accepted view that Robert Owen originated international labour legislation. It goes on to trace the origin of the idea to one Charles Hindley in 1833, and shows how other reformers—Villermé, Blanqui, Legrand, Ducpétiaux, Frey, and Mahaim in their turn espoused and developed the cause. By 1900 an unofficial international labour organization was formed. The final chapters describe how its efforts resulted in the first international labour law and set the stage for the constitution of an official International Labour Organization in 1919.
OXFORD UNIVERSITY PRESS

stitutional proposals that were made, and the forms of political organisation actually put into practice.

Professor Kann comes to the conclusion, like Mr A. J. P. Taylor, that after 1866 nothing could have been done to save the monarchy. Yet the framework within which all the discussions took place was that of an Empire that was expected somehow to hang together. R. W. Seton-Watson wrote in 1907: "The present writer disbelieves not merely in the probability but even in the possibility of a break-up of Austria-Hungary." "Even the severest critics of the Empire up to the last envisaged its survival in some form or other." However, each proposed solution of the problem of nationalities had consequences that would be intolerable to some section within the Monarchy. Even the most enlightened German liberal theorists never shed their tacit assumption that German culture was in fact superior to that of the other nationalities and would ultimately prevail. Even the most enlightened of aristocratic federalists were not prepared to give up their privileged position and accept a genuine democracy, so that their plans for reform lacked mass support.

Above all, the dynasty itself never produced the man capable of putting any serious reforms into practice. Francis Joseph in the last decade of his reign was too remote, weary and unimaginative to do so (or was it, as some writers suggest, that he saw how disastrous it would be to touch the creaking edifice?). And even if the dynasty had produced a

leader of genius, would he have been more successful? To the end the Magyar nobility and gentry opposed any reforms that in the slightest degree weakened their position, while the years 1849-66 had shown the difficulties of imposing a settlement on them by force.

Yet when the end came, it came with surprisingly little violence. Dr Kann suggests that this was due to the influence of a series of thinkers who had believed, from their different standpoints, in liberal solutions and peaceful change—Palacky, Eötvös, Lammasch, Masaryk, for example—and that their spirit offered the only hope for the Succession States. And as one looks at the attempts made since 1938, first by the Germans and then by the Russians to impose a unity on Central Europe, one can be excused a moment of regret, if not for the irrecoverable political organisation of the old Austria-Hungary, at least for the enlightenment that some of its subjects achieved.

Saskatchewan Experience

Agrarian Socialism. By S. M. Lipset.
University of California Press. Cambridge University Press. 315 pages. 37s. 6d.

This study of the rise to power of the Co-operative Commonwealth Federation party in the Canadian Province of Saskatchewan bears a paradoxical title. Professor Lipset's central conclusion is that the programme followed by the CCF Government has been one of bold, constructive reform rather than one of fundamental socialist change. Innovations have been conditioned by the attitudes and interests of the main groups in the province. Being democratic the government has not carried out sweeping changes of a doctrinaire character. Policies which seem radical as compared with policies advocated and implemented in eastern Canada are, in fact, conservative in their prairie context and certainly neither egalitarian nor likely to bring about wholesale nationalisation of resources and production.

The western wheatlands of Canada depend on a single crop. This crop is at the mercy of the incalculable vagaries of nature. It is subject to drought, hail, early frost, grasshoppers and rust. It must be exported at heavy cost to distant European markets where its price has, on occasion, dropped suddenly and catastrophically. The farmers who grow it face the twofold problems of a frontier and a rural community. This background welds them together with a common class interest which has created a "native pattern of organised discontent." They are concerned to secure a high, stable price for their wheat, low transport costs, cheap effective grain-elevator and other services, and generous financial facilities, together with protection against the effects of natural catastrophes. Their attempts to "resist the coercions of a fluctuating market economy" have given rise to a long series of radical farm movements, which has its counterpart among wheat farmers in the United States, and which reached its peak in the election in 1944 and re-election in 1948 of the present farmer-labour government in Saskatchewan.

Within the limits of its constitutional competence, this government has fought for the interests of the wheat farmers, notably by encouraging co-operative action and protecting farmers' title to their land against creditors. It has put into effect "one of the best social service programs in Canada" to meet the needs of its sparsely peopled rural communities, especially for improved health and educational services. It has passed progressive labour legislation in response to the demands of the small urban branch of the party.

Professor Lipset's story of these developments is more rewarding to the general reader than his excursions into sociological theory, where the thread of his argument is sometimes lost in vague generalisations. It is none the less encouraging to find a sociologist trying to bring to bear the facts of an experiment such as this on the problem of the nature of political and social change.

Intelligent Investment

Investment Arithmetic. By M. S. Rix.
Pitman. 155 pages. 15s.

Arithmetical calculation is part and parcel of any investment decision, but the snares and pitfalls which await the unwary who trespass unguided into the realm of the specialist statistician are many. Miss Rix, in detailing the principles underlying these processes, has now provided a safe guide and is quick to point out when the specialist should be called in. The primary purpose of this textbook, which is admirably fulfilled, is to enable any investor readily to understand the reasoning of investment statisticians. These specialists themselves will also profit by reading this book for it unifies and clarifies the rule of thumb methods so often used.

As well as discussing yields and certain recognised calculations arising from company accounts in great detail, a good deal of descriptive matter is given, relating to securities, prices, dividends and new issues. This is as it should be, for once all the material is gathered together and fully understood, actual calculation is comparatively straightforward. One criticism of detail can, however, be made. In an otherwise exhaustive discussion on equity earnings it is not quite clear what is meant by free reserves; should replacement reserves, for example, be included in a distributable earnings calculation or not?

The exposition throughout, even on such an intricate subject as overseas taxation reliefs, is lucid and the style direct and simple. Well chosen arithmetical examples illustrates every principle of calculation and any qualification which has to be made. A well-compiled index and the subtitling of paragraphs make reference easy, an essential requirement in a textbook of this nature. "Investment Arithmetic" should become a standard book of reference not only in stockbrokers' offices but also on the shelves of anyone whose interest in investment goes beyond a cursory glance at a balance sheet or the passive acceptance of a broker's opinion.

THE BRITISH COLONIES

ALMOST EVERY ITEM of news nowadays from the British colonial territories in Africa, the Caribbean, and elsewhere in both hemispheres, bears witness to an accelerating tempo of economic and constitutional development. For that reason it is imperative that the character of the problems involved in colonial development to-day be fully and widely understood.

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The first issue, published last March, was read by a large public at home and reached almost every part of the world. The June issue has just appeared. It resumes the commentary on colonial affairs during the preceding quarter and introduces an important series of contributions on the resources of the colonies with a special article on rubber. This reviews the growth of the rubber plantation industry, analyses problems of supply and demand, and discusses the outlook for the future.

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AMERICAN SURVEY

Washington in Two Minds

Washington, D.C.

THE internal tensions now to be discerned or deduced behind the Iron Curtain were mentioned in a recent speech by President Truman, and since then the legislative reference staff of the Library of Congress, in a report to the Senate Foreign Relations Committee, has examined "a number of soft spots (in the Russian structure) which are most uncomfortable to the Soviet leaders." As far as it goes, though there has been no conclusive demonstration that it goes very far, this is satisfactory to one and all. But it must have set some of the more perverse realists in Washington to wondering whether any comparable references are being made inside the Kremlin to the internal tensions of the conspicuously uncurtained area that stretches from the Ambrose Light to the Golden Gate.

If they have not been observed in Moscow, it can only be because all hands have been too busy lately with livelier documents analysing and assessing the military and political secrets that have flowed from the MacArthur inquiry as from a cornucopia. The American tensions are evident enough to anyone who reads the papers. To those who busy themselves in the general vicinity of the horse's mouth, they seem most often to spring from a deep-seated case of split personality. A curiously neat illustration of this condition has just been furnished, in two acts. The first act took place on a Friday when newspapermen were invited to the offices of the International Monetary Fund for a briefing on the impending second annual report on exchange restrictions; and this may be described as the day when the good Dr Jekyll was on top.

Since the Fund is dedicated to what the *Baltimore Sun* calls "nineteenth-century Manchester-type multilateral and fluid trading," it was no surprise to discover that the report was going to call the attention of the 49 member countries to the promise they had made at Bretton Woods in 1944. Each had agreed that if, five years after the Fund began operations, it should be still engaged in restrictive practices inconsistent with aims set forth in Article VIII of the Agreement, it would consult the Fund about their retention. The five years would elapse in March, 1952, the report pointed out. It went on to suggest in (for a work of this kind) quite forthright language that in view of the "remarkable" improvement in the world's payments situation, the increases in exchange reserves and the assurance that the United States, fully embarked upon a vast rearmament programme, would be maintaining its demand for imports for a long time to come, there was no good reason why many restrictions and controls should not now be relaxed. It was noted that the sterling area in particular had greatly improved its position, and

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

it was rather plainly hinted that the United Kingdom would be among the first of those invited for consultations, on the ground that among controllers Britain was a leading sinner.

The second act took place on the following Tuesday, when newspapermen were invited to a briefing conducted by Mr William C. Foster, the Economic Co-operation Administrator who is also chairman of the Office of Defence Mobilisation's Committee on Foreign Supplies and Requirements. The subject was a new set of "priority principles" laid down, after protracted inter-agency argument, by Mr Charles E. Wilson, the director of defence mobilisation. This could be called Hyde's day.

Having explained the logical, though by no means painless, rules Mr Wilson wanted to see observed in the allocation of scarce resources both in the United States and among America's allies, Mr. Foster rather sadly conceded that the present powers to enforce these rules in the United States were incomplete and divided; there would be undeniable difficulties in resisting domestic pressures. This was, he said, a beginning: an attempt to get things going in the right way. Now Britain, he told the newspapermen, had advanced much further towards centralised controls. Britain had great advantages. He indicated that the United States was moving further in the direction of the admirable British pattern.

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It was only a few days later that General Marshall, the Secretary of Defence, gave the Senate Banking Committee the sombre news that of \$35 billion appropriated for military supplies in the current fiscal year \$7 billion had been eaten up by inflation. He said that the loss of guns, tanks and planes through creeping inflation was just as damaging as if they had been destroyed or captured by an invisible army. The question whether the United States has actually lost any guns, tanks and planes—whether, in fact, inflation has left the military without enough money to buy all that could be produced—might have been explored further; but nobody contradicted General Marshall. As soon as he had finished testifying, the procession before the committee was resumed of those who were denouncing the controls designed to hold inflation back.

From the mimeograph machines of the National Production Authority, meanwhile, there were pouring press releases, of which there are now considerable numbers almost every day, setting forth the current status of controls over materials. It cannot be recorded that they are showing any greater immunity from the prevailing confusion. There was one, NPA-765, which began sternly:

The US Government has not yet reached the natural rubber stockpile goal it considers essential for national security and until it does there can be no increase in the allocation of rubber for civilian use, the National Production Authority, US Department of Commerce, told the Rubber Industry Advisory Committee.

But NPA-765 grew noticeably less stern as it went on:

The May rubber order will be continued through the third quarter of this year, NPA said. . . . The May order, which increased civilian use by 8,000 long tons over April consumption. . . .

On Friday, June 1st, the Gallup Poll published the results of a survey it had just conducted among cross-sections of the American millions on two matters of topical interest, aid to Spain and Yugoslavia. It turned out that 65 per cent of those who could identify General Franco and Marshal Tito thought the United States should aid Spain (though that nation for some time has been regarded as a Fascist country) and 54 per cent thought the United States should send military equipment to Yugoslavia (though that nation for some time has been regarded as a Communist country).

But even the American desire for allies is (as Frank Sinatra sings, in another connection) not just a simple emotion. General MacArthur is by no means the only American who, from time to time, falls into a reverie in which the alternative of "going it alone" takes on the qualities of a beautiful ideal. Action instead of talk, crisp decisions crisply arrived at, no delays for complicated adjustments, no tiresome need for persuasion, no painful compromises. More than other nations—because the whole thing is so new to them—the Americans feel the tensions that are an inherent part of alliances.

The strains are felt by all, but there is no agreement on what is the main cause of them. Mr Harold Stassen speaks of a "counsel of fear" which is "alien to the heritage of America"; Senator Kefauver complains that the American people have not been given "an entire goal to strive for." But it may well be that Mr John Foster Dulles has provided the most accurate diagnosis. In Tucson, Arizona, last week he said—and the italics are his:

We are engaged in a gigantic sacrificial effort of a kind which, in the past, we have made only in the face of dire peril and only to force an early decision which would end the necessity for such sacrifice. Today, the peril to our homeland seems to many to be somewhat speculative, while continuance of our present measures could impair the very foundations of our American way of life without forcing an abandonment of Soviet strategy. . . . I have deliberately chosen to present the problem in terms of what, to the American temperament, is its most baffling aspect, namely, indecisiveness.

Recordings in Revolution

[FROM A CORRESPONDENT IN THE UNITED STATES]

IN 1941, in the United States, a sufficiently energetic, and sufficiently well-financed, devotee of recorded classical music could, if he would, listen to some 136,000 minutes of ten-inch and twelve-inch gramophone records, all turning at a speed of 78 revolutions per minute or thereabouts. During this 2,200-hour marathon he would have heard 11,900 twelve-inch and 4,800 ten-inch discs, some domestically produced and some imported, and they would have cost him over \$20,000. He would have had to listen to innumerable performances of such hackneyed pieces as Beethoven's Fifth Symphony—many of them curiously abridged—and would have been unable to secure any recording of many such slightly unusual works as J. S. Bach's "Christmas Oratorio" or Haydn's Symphony No. 1, even though the gramophone industry was, by 1941, more than 30 years old.

Ten years later, in 1951, this theoretical enthusiast would certainly confine his purchases chiefly to the so-called Long Playing records, although the first of them was only put on the market, by Columbia Records, Inc., as recently as July,

1948. In the scant three years since then, no less than 127,000 minutes of classical music have become available in this form, an amount almost identical with that which the gramophone industry took 30 years to pile up before 1941 and one which, in its new form, would cost over \$5,000 less than in its old. Many unusual musical works would also now be included and, perhaps best of all, the duration of an LP record is four to six times longer than that of its 78 r.p.m. predecessor; for this reason the discs, which in 1941 would have had to be turned over or changed 33,000 times, would today require such attention only 5,800 times.

The introduction of these long-lasting records, needing a special needle and revolving at the new speed of 33½ r.p.m., was hailed with almost universal enthusiasm by gramophone enthusiasts, and with as universal forecasts of financial disaster by everyone, outside the Columbia company, who was connected with the business side of recorded music. As it has turned out, the industry's gloomy prophecies could hardly have proved more false. The introduction of LP records, so far from having led to financial trouble, is largely credited with rescuing the record business from the low state in which it was ten years ago. Companies making gramophone records are reticent about annual sales, but figures for collections under the excise tax imposed in October, 1941, tell an unmistakable story: in 1942, a year of high prosperity in the United States, the 10 per cent tax yielded just over \$1,800,000; in 1950, the same tax, still 10 per cent, netted the Treasury no less than \$6,790,000. As a further indication, shops selling records, which were going bankrupt at a high rate in 1941, are now doing even better business than in the days before the wireless undermined profits from gramophones.

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It is generally argued that an important reason for the high popularity of the LP record—remarkable in a country so surfeited with devices for home entertainment—lies in the lower cost of a musical work in this form, by comparison with its 78 r.p.m. equivalent. The eminent gramophone critic, Mr C. G. Burke, ran a series of articles in the *Saturday Review of Literature*, in which recordings were compared, amongst other ways, on a cents-per-minute basis, and these articles excited great interest. To Mr Burke, as to others, however, a greater advantage is the virtual absence of intra-movement breaks in the LP recording. (It is worth noting that the British Decca Company, whose products sell in the United States as London Records, recently twice violated this principle and broke a movement. It has been roundly criticised for doing so.) To avoid such breaks the Columbia company, for several years before the introduction of long players, had been transcribing performances on large diameter, long duration master records.

This foresight was generally held to have given it an overwhelming and lasting superiority in the new field. In a business which so often confounds the prophets, however, this again turned out to be a bad guess. Far from being alone in the field today, Columbia Records, Inc., which was one of only 34 manufacturers in 1942, had 87 fellow "music-cannery" on LP records alone, by April, 1951. Many of these are very small, and by no means all represent true competition; indeed, Columbia does the difficult processing of records for most of them and actively encouraged the entry of companies into the 33½ r.p.m. market, as part of its now successful attempt to stifle the development of 45 r.p.m. recordings sponsored by the rival RCA-Victor company. The invention which made it technically feasible for the independent operator to turn out recordings of superb

quality—at least as good as those of the larger companies—is the magnetic tape recorder.

Developed in Germany before and during the last war, the tape recorder arrived at the fidelity required by the wireless and by the recording industry only after further development in the United States. In its present form, the tape recorder (of which excellent examples sell for less than \$1,000) is by far the cheapest as well as by far the best method of making "masters," or recordings of original performances for later transference to disc. Ironically, the tape recorder's reputation was finally made when it was used by Mr Bing Crosby to "can" his radio programme for later broadcast, and for this purpose a recorder manufactured by his own Ampex Electric Corporation, part of Bing Crosby Enterprises, Inc., was used. This, or a similar device made by one of two or three competitors, is virtually all the capital equipment required by a small firm wishing to enter the long-playing field. Several such little companies are taking advantage of favourable exchange rates and the low salaries paid to non-union musicians in Europe, notably in Vienna, to make tape recordings abroad. Their records—the original tape transcription transferred to discs at cost by a huge company using several million dollars' worth of equipment—sell at a price (\$3.85 to \$5.95, depending on size and manufacture) which permits generous discounts to the gramophone shops and still nets the "manufacturer" a very substantial return on his time and his tiny investment.

Although prophecy has proved to be so dangerous in this connection, already there are heard voices proclaiming that the disc is on its way out, and that ultimately tape will be the form in which the musical American buys his records. During "live" broadcasts from those wireless stations using frequency modulation, which gives more accurate transmission and better reception than does the more usual amplitude modulation, dozens of the new tape recorders are turned on in homes and studios. And their products are being sold for fabulous sums in a new and exciting collectors' grey market. There seems little doubt that, when the question of royalties is clarified, and the technical problem of duplicating tape recordings is successfully solved, tape will offer serious competition to discs in the struggle for the "high fidelity" music dollar.

American Notes

Acheson on Trial

The Republicans have been waiting with ill-concealed impatience for Mr Acheson's appearance before the committee investigating General MacArthur's dismissal, an impatience all the greater since they burned their fingers on the Chiefs of Staff. Indeed, they would have been glad to dispense with some of the military testimony, which not only made it plain that General MacArthur was mistaken in assuming that the Joint Chiefs agreed, even on military grounds, with his proposals for finishing off the war in Korea, but also helped to explode the legend of his military infallibility. Reluctantly General Bradley and General Collins testified that General MacArthur had been warned in November of the risk of splitting the Eighth Army and the Tenth Corps, a warning only too well founded. General Vandenberg, Chief of the Air Staff, provided a greater surprise; he effectively demolished, from a purely professional point of view, the proposal to bomb the Manchurian bases. This he considered was unlikely to be conclusive even in the Far East, and could be done only by stripping the United States of the power to counter an aggressive move by Russia elsewhere.

But even Mr Acheson, so far, has not proved easy game, though he is being held accountable for Far Eastern policy as far back as Yalta and though the Republican National Committee has been busy accumulating ammunition for Senators Wiley, Hickenlooper and Knowland. The propaganda directive issued by the State Department in 1949, anticipating the fall of Formosa, of which Senator Knowland had such high hopes, has proved something of a dud: it was General Wedemeyer, one of the idols of the Asia-firsters, whose idea it was to minimise the importance of Formosa in order to lessen the blow to American prestige if the island fell.

On the witness stand Mr Acheson is well able to take care of himself, though he too readily falls into the mistake of displaying his intolerance for fools. Many observers believe, nevertheless, that however ably he acquits himself the verdict has gone against him. This is not because Republicans are once more howling for his blood, signing petitions, and threatening to cut the State Department off without a penny if he remains. Such moves only stiffen the President's determination not to give way. Some Republicans may even be exploiting this well-known trait, in the hope of preserving their most cherished target for the election campaign.

The real pressure on the President comes from his own party, from such well-known figures as Senator Connally, who fears for his own, and the party's, defeat if Mr Acheson is not dropped, and Senator Douglas, who regards the Secretary of State as a "casualty of war" prevented by his honourable wounds from any longer exercising effective leadership. Some of Mr Acheson's most faithful friends have been alienated by his alleged appeasement of his enemies. So far, however, there are no signs that either the baying of the enemy or the pleas of his own supporters have convinced Mr Truman that bi-partisanship could be restored by throwing his ablest cabinet officer to the wolves.

Communists Convicted

The Supreme Court, saving its most important decision to the last, wound up its session with a bang by confirming, by 6 to 2, the conviction of the eleven leaders of the Communist Party, who spent most of 1949 in a New York courtroom and who will now spend the next five years in jail. It might have been longer had not Congress seen fit to reduce the maximum sentence while they were on trial. The Court also pinned a final star on the shining legal crown of Judge Learned Hand, who has just retired from the Court of Appeals. In what may become his most famous opinion, he ruled that today the danger to the United States is sufficiently "clear and present"—the criterion set by Justice Holmes in 1919—to justify restrictions on the Communist leaders' constitutional right of free speech. In upholding Judge Hand's decision, the Chief Justice concluded that they had "intended to overthrow the government as speedily as circumstances would permit" and that they were properly and constitutionally convicted under the Smith Act of 1940.

It is not the Communist Party itself that has been found guilty, but only the leaders who sought to carry out the party's policy by conspiring to advocate the desirability of overthrowing the government by violence. Such activities were expressly prohibited by the Smith Act and the Supreme Court, by ruling on the constitutionality of that Act for the first time, has opened the way for the government to initiate further prosecutions under it. Regrettable as it may be that the dangers of today necessitate the abridgment of constitutional freedoms, at least the lengthy hearings under due process of law and the careful consideration for their democratic rights, which the eleven Communists received, endangers civil liberty much less than do the unsatisfactory laws and sensational hearings by which Congress has sought to save the country from Communism. It will no longer be so easy

for Senator McCarran and his friends to hide their search for political advantage under a cloak of patriotic necessity.

Congress Gets to Work

The first fruits of this Congressional session, which have been so long maturing as to cause some comment, appeared last week. To the relief and surprise of the State Department the House finally swept aside Mr Cox, who has been fighting a single-handed battle against grain for India, and passed a Bill authorising the \$190 million loan without the strategic material strings which disfigured the Senate version.

At the same time, two longer-term Bills finally dropped into Mr Truman's lap: the extension, until 1953, of the Reciprocal Trade Agreements Act, and the extension until 1955 of a strengthened conscription measure. Neither version is precisely the apple of the President's eye. The trade agreements draft is blighted by four amendments restricting the freedom of the executive to reduce tariffs: the "peril point" provision discarded by the last Congress is revived, escape clauses are made mandatory, and the Tariff Commission is required to make a study of any specific rate at the request of either House or any of its tax-writing committees. In addition, all concessions to Communist areas must be withdrawn, a step which will not affect trade in strategic materials, but will merely cut the few remaining economic links connecting the satellites with the free world. A complete ban is also to be placed on imports of seven kinds of furs from China and Russia; if White House stenographers must wear mink, it at least will not be Russian mink, but will provide a market for home industries.

The great disappointment in the military manpower Bill is that the Senate was unable to induce the House to accept the substance, as well as the shadow, of universal military training. The present need for universal military service has not been scamped: the Bill reduces the calling-up age to 18½ (when the pool of men 19-26 has been exhausted), extends the term of active service to 24 months, and requires six years to be spent in the reserves after this period of active duty. The Department of Defence has now prepared a plan for putting the whole chaotic reserve system in order, creating a class of ready reserves, prepared to serve in limited emergencies, such as the Korean war, another of stand-by reserves available only in total mobilisation, and a third of retired reserves. Once this plan is in effect, it will eliminate the injustices, anomalies, and wastefulness which have caused much indignation during the past year.

Universal military training, however, was proposed as an alternative to a large standing army once the present emergency is over. Under the present Bill, Congress does no more than promise to consider, within six months or so, the specific scheme submitted by a commission to be appointed by the President. For the first time, the groundwork of a universal training scheme has been approved, but whether it becomes a reality depends upon the mood of Congress next winter, and after that at the time when, the emergency being over, money must be found to finance it.

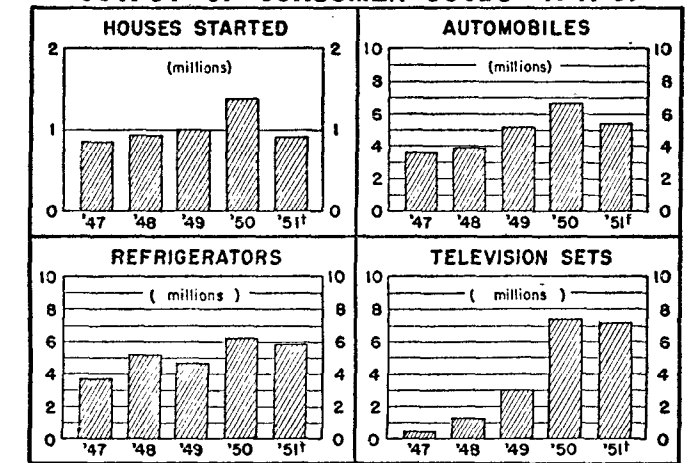
Materials Feel the Pinch

Promptly following up the announcement that the United States plans to share scarce raw materials with its allies, the National Production Authority has put sulphur, today the most notorious of all scarce materials, under the grip of complete allocation. A number of the scarcer steel alloys, such as cobalt, nickel and molybdenum, are already being squeezed by some form of allocation, with little or none available for civilian use. The rearmament programme has also been absorbing increasing quantities of other metals;

this month 75 per cent of most copper products, 20 per cent of high-grade slab zinc and 25 per cent of lead must all be set aside for defence and essential civilian orders.

In the third quarter of the year the other blade of the raw material controls will also be cutting non-defence consumption more sharply. Then only 70 per cent, instead of the present 80 per cent, of the zinc used in the 1950 base period may go into civilian goods, only 50, instead of 65, per cent of the aluminium, 60, instead of 65, per cent of the copper and 70, instead of 80, per cent of the steel. A special formula has been worked out for the automobile industry, the controllers' pet guinea-pig, which seems to go half-way towards regulation by the number of units produced instead of by the amounts of materials used. Steel, copper and aluminium will be divided among manufacturers, according to their relative standing in the industry, in sufficient quantities to produce 1,200,000 cars in the third quarter, or more if the makers choose to concentrate on lighter models; it is unlikely that they will, because profits are less on the cheaper cars.

OUTPUT OF CONSUMER GOODS - 1947-51



All of this is in preparation for July 1st and the controlled materials plan. Estimates of the exact amount of steel that will be allocated under it vary, but orders have been issued for the set-aside of 75 per cent, and in some cases more, of a number of steel and stainless steel products—ingots, shapes, plates, sheets and so on. This does not mean, however, that that amount of steel will be withdrawn from normal production. For many of the uses of steel which are classified as "defence-supporting" or "essential civilian"—railway equipment, oil pipes, farm machinery, for example—are those which take large quantities of steel at any time. The charts give an idea of the quantities of durable goods that will be available for civilians this year, in spite of the pinch on metals. They compare favourably with every year except 1950 and, as sales lag and inventories pile up, many manufacturers are wondering whether they would want to produce more even if they could.

Shorter Note

Mr Rudolph Halley, who has made a nation-wide reputation as counsel to the Senate Crime Investigating Committee, has been nominated by the Liberal Party as its candidate for President of the City Council of New York in next November's election. The responsibility of the people to destroy the links between crime and politics, and the strength of those links in New York, was brought home to Mr Halley by his work on the Senate Crime Investigating Committee. He is said to regard the nomination as a call to duty and public service.

THE WORLD OVERSEAS

Trade Union Struggle for Asia and Africa

EVER since the war, the Communists have been shrewdly aware of the importance of the young trade union movements in Asia and Africa. The World Federation of Trade Unions, since the western unions broke away in 1949 and formed the International Confederation of Free Trade Unions, has become an acknowledged arm of the Cominform. It publicly concerns itself with guerrilla warfare and military tactics in Asia, and it finds in the workers' organisations fostered under the traditions of western democracy a happy hunting-ground for its political intrigues. Isolated, without funds, and without a sense of international solidarity, the unions found this penetration difficult to resist. Now WFTU's challenge has been taken up by ICFTU.

One of the fruits of the rapidly-unfolding plan of work which ICFTU set itself at its foundation congress in London just eighteen months ago could be seen recently in Karachi. The free trade unions of Asia met there in conference for the first time. Thirty-one delegates, representing about 10 million organised workers, attended; they came from Ceylon, Formosa, Hongkong, India, Japan, Korea, Malaya, Pakistan, Persia and Siam with observers from other countries not formally represented. The purpose was to create a permanent Asian regional organisation of ICFTU.

From the outset the free unions have put a particular emphasis on help to workers in the so-called "backward areas." Point C of their aims reads

to provide assistance in the establishment, maintenance and development of trade union organisations, particularly in economically and socially under-developed countries.

This aim has been pursued with vigour. The formal shape which it is to take is the establishment of regional organisations in all the main areas of the world, for this—as the name indicates—is to be a confederation, and not a federation on the lines of WFTU. There is to be no domination from the International Centre in Brussels.

One of the first decisions taken was to send a delegation to investigate conditions in Asia. It consisted of an Englishman, two Americans, an Indian and a Belgian; it left for Asia in July, 1950, visited 15 Asian countries, met thousands of trade union leaders and spoke at almost a hundred workers' meetings. Its success was gratifying, even though WFTU was already set in the field. In 1949 WFTU had held a conference for Asian unions in Peking, which launched a campaign to capture the workers of south and east Asia. A liaison bureau was set up in Peking, from which propaganda material was distributed, and Peking radio was used for broadcasts in Asian languages. In spite of this, the ICFTU delegation was overwhelmed with requests for help and advice, on organisation and legislation problems, on how to deal with the anti-labour attitude of employers, on trade union education, and—not least—on "the constant threat from anti-democratic forces in the trade union movement."

That Asian workers should be looking for help is not surprising. Their trade union movement is still very young, for the most part a post-war phenomenon. Before 1939 the only unions existing in Asia, even on a small scale, were in India, Japan, Ceylon and the Philippines. The overwhelming majority of the workers, except in Japan, are peasants or landless labourers, and about 95 per cent are illiterate. Nevertheless, the greater education and organisational discipline of what industrial workers there are, has given them a crucial importance in the national independence movements, and

they have found themselves pushed into a key position in Asian political life. They have thus become vulnerable as pawns of political parties or individual politicians, and have failed to distinguish between political and industrial action.

Here was, indeed, a fertile field for communist activity. The ICFTU delegation was, therefore, pleased, and doubtless a little surprised, to find that the strength of the communist-dominated unions was on the decline. It attributed this partly to the courageous action of the free unions, and partly to an increasing awareness of the true nature of Communism. In its judgment, this awareness was bred by the communist attempts to exploit and distort the struggles for national independence, and by the decision at the 1948 Calcutta Conference of Asian communist parties, to launch campaigns of violence and sabotage in a number of countries—for instance, India and Malaya.

Centre in Singapore

After receiving the report on Asia, the ICFTU took a series of important decisions. It resolved immediately to open an information and advisory centre in Singapore, to be followed by three branch offices in other parts of Asia. An Indian trade unionist, Dhyani Mungat, was put in charge, with the function of co-ordinating the activities of democratic trade unions and helping to form new ones. A permanent regional organisation would be established later, and was the central subject of the recent conference at Karachi. It was also decided to step up ICFTU publications in Asian languages, to give help on organisational matters, and to open two residential Labour Colleges for training Asian trade union leaders.

In the meantime work has started in Africa. In December, 1950, a delegation of four visited French North Africa. In Morocco and Algeria, where the unions are affiliated to the French trade union centres, they found that communist penetration had gone a long way on the metropolitan pattern. In Tunisia, where there is now also an independent movement, a bitter struggle is being waged between communist and non-communist groupings. Unfortunately, the report of this delegation has not been published. No conference was held, but the intention is to help to build independent unions in these territories.

West Africa, on the other hand, is a less intractable problem. In February a delegation of eight—of generously mixed colour and nationality—travelled out to West Africa where they investigated conditions in ten countries, and met in conference at Douala in the French Cameroons, during March. Twenty-nine African trade unionists attended the conference. The delegation noted here that problems of political freedom were not so much to the fore, at least during the conference sessions, as the very serious economic and organisation difficulties—low productivity, lack of mechanical skill, illiteracy, non-payment of union dues—with which African trade unionists have to contend. Of the resolutions passed, the one of greatest immediate significance called for the formation of an ICFTU regional organisation for that area. There was also a resolution asking for the creation of an African office of the ILO and one calling for a rapid expansion of facilities for general and technical education, particularly as skilled artisans in industrial development. The territories represented at this conference were Senegal, Gambia, Sierra Leone, Ivory Coast, Gold Coast,

Dahomey, Nigeria, British Cameroons, French Cameroons and French Equatorial Africa. Nigeria, the largest of the Colonies, has its own internal problem in that one of the main trade union centres, the Nigerian Labour Congress, is affiliated to the WFTU, and known to be receiving communist support from overseas. But there is also a strong anti-communist trend; three Nigerian trade unionists attended the Douala Conference, and the Labour Congress shows the first signs of disintegration. Communist influence was not too apparent in the other territories.

Action to follow on this conference is now awaited. Decisions have already been taken to send a delegation to East and Central Africa—where trade unions are still in an embryonic state—and another to survey the situation in the Near and Middle East prior to calling a conference there.

Theory and Reality

This is a remarkable record of activity for an organisation not yet two years old. Under the slogan "Bread, Peace and Freedom" ICFTU claims to have rallied 53 million members in 60 different countries. In order to do this, it has ranged itself with the workers' stand against imperialism and for national independence, and has thrown its weight into the demands for economic help, on a large scale, from the west. But how strong loyalty to the new organisation is—particularly in Asia—is another matter. If ICFTU is to be ultimately successful, not only on paper but on the ground, there are two dangers which it will need to avoid. There is always the tendency in international organisations to proliferate paper and top-heavy office staff. But what is required here are men in the field who identify themselves with the workers' lot, and are willing to work side by side with them, selflessly and without patronage. Behind these skilled men must be funds and efficient organisation, but it is the field representative who will bear the brunt of the battle. The second danger is of operating on the negative line of extreme anti-communism. This will kindle no spark among backward workers, as experience throughout Asia shows. The support given to young and weak unions is something which should stand on its own merits; the less it is deliberately brought into the ideological conflict the more willingly it will be received.

Who Shall Own the Ruhr?

A CRITICAL point has now been reached in the long and complicated process of breaking up and reorganising Germany's heavy industry, which the western occupation powers undertook in 1947. The question has now to be answered: "Who is to own the Ruhr?"

The matter was brought to a head recently, when the Allied Steel Control Group issued regulations under Law 27 for setting up the first new steel companies to be formed out of the dismembered vertical trusts of the Ruhr. These regulations in practice amount to the sequestration of the old concerns. Moreover, although a German trustee is to be appointed for each new company, the Allied Group made it plain that it intended to go on controlling the implementation of Law 27 until the whole vast operation is completed.

It is not surprising that the Germans reacted strongly to this step, though it was inherent in the Law. The Bonn Government was in a particularly awkward position. It had assured the public that the Schuman Plan meant the end of both the Ruhr Authority and the Allied Steel and Coal Groups; and, for the sake of the Plan, it had put forward an unpopular scheme of its own for reorganising the Ruhr which had been accepted by the Allied Control Group. The Government has now officially complained that the regulations pushed responsibility for action on to it although they

had been issued without Dr Adenauer's knowledge and represented decisions "dictated to the Federal Government, who only agreed under extreme pressure."

The key to Dr Adenauer's concern lies in the fact that the steel concerns' property is being sequestered. With a revealing glimpse into the future, the Government has complained to the High Commission that to be party to the implementation of the regulations would lay it open, possibly in a few years' time, to trial before a German court for interference in the rights of private ownership. In view of Dr Adenauer's difficult political situation, the Allies have agreed to amend the text of the regulations in order to absolve the Government from responsibility. At the same time, the High Commission—with Mr McCloy in the lead—has given an assurance to Dr Adenauer, which he can pass on to the former shareholders of the trusts, that they will be compensated by receiving shares of the new unit companies. (This news caused a boom in the shares of Ruhr companies which are in an extremely strong financial position). Since one of the main purposes of breaking up the old trusts was to remove industrialists who supported Hitler, the High Commission's assurance must be read in conjunction with other measures which are intended to prevent a re-concentration of power in the hands of any of the "old gang" who remains.

Moves by the Trade Unions

At this point, the German trade unions and Social-Democrats entered the field. They saw that private ownership was being restored in the Ruhr. In fact Law 27 laid down that the question of final ownership rested with the German Government; but the more quickly the new companies are set up, and shares exchanged, the more certainly this issue will be prejudged in favour of private ownership. This is a point which was apparent to both the Americans and British, and accounted for certain differences over procedure between them. It is also obvious to the Germans.

Two swift moves were therefore made last week by the trade unions which aim to maintain the power they have been granted under the recent co-determination law in heavy industry, and by the Social-Democrats, who aim to ensure that the Government they hope soon to form will own the Ruhr. The Trade Union Federation has issued a demand that the old owners be expropriated and the reorganisation left to the German Steel Trustee Association and the German Coal Control—two bodies which are nominally responsible to the High Commission, but on which the trade unions are represented. If the matter is handed over to the Federal Government and the old owners, the trade union leaders threaten to resign from all the Federal economic advisory bodies, on to which Dr Adenauer has brought them in order to secure labour peace and weaken Dr Schumacher's position.

The Social-Democrats, for their part, have tabled a motion in Parliament demanding that the reorganisation of the Ruhr shall be solely a German responsibility and shall be completed as quickly as possible, and that the Government shall at once prepare a bill on future conditions of ownership. This move by the Opposition is an effort to force the issue on ownership before the new steel companies are formed and shares transferred to private holders. It is also intended to settle the matter in favour of a future Socialist German Government before the Schuman Community comes into existence.

In Paris, when the question of abolishing the Allied control groups was discussed a few weeks ago, the French made it clear that the Schuman High Authority will not be concerned with questions of ownership; but their objections to centralised power in Germany are well known. If they fail to believe that the Ruhr would be in safe-keeping for Europe should a Social-Democrat Governor become its owner, Dr Schumacher's savage attacks on the Schuman Plan are to blame.

Labour in the Middle Eastern Oilfields—I

[BY OUR SPECIAL CORRESPONDENT LATELY IN THE MIDDLE EAST]

SOCIAL discontent in the Middle Eastern oilfields is an easy theme on which to expatiate. It is seized upon by Teheran newspapers, Moscow radio and labour sympathisers in many western countries. There is plenty of material for all; this year alone there have been serious strikes at the Abadan refinery, in the Anglo-Iranian oil fields, and at Zubair, in the Iraq Petroleum Company's concession area. But strikes and discontent do not necessarily mean that labour conditions are bad. In underdeveloped countries the reverse is often true; improved social conditions waken backward peoples to the great truth that misery is not inevitable. Once awakened, they clamour for swifter improvements. Ironically but inevitably, the labour conditions offered by the oil companies in the Middle East—so superior to anything available under Persian or Arab management—have produced among some of the workers in every oilfield a mood that is highly receptive to propaganda by agitators.

There are five major oil companies employing labour in the Mesopotamian and Persian Gulf area. In order of seniority, they are the Anglo-Iranian Oil Company in Persia, the Iraq Petroleum Company at Kirkuk and Zubair, the Bahrein Petroleum Company (Bapco), the Arabian American Oil Company (Aramco) in the Dahrán area, and the Kuwait Oil Company. All have two main social problems with which to contend: that of keeping their irreplaceable western technicians contented and that of doing as well as they can by their local employees. The Persian Gulf is not a pleasure spot. The oilfields are in lonely places. Summer heat is often too much for wives and children. Only by supplying the indispensable westerners with the housing and amenities they would get at home can the companies get the right people for what they call their graded staff, and get them to stay. At the next—the non-graded level—which does the clerical and less technical jobs, good amenities must also be supplied. Even then, Persians of the right calibre do not want to leave their pleasant plateau for the hot coastal deserts where most of the oilfields lie. Indian, Pakistanis, Italian and Palestinian clerks have therefore in the past been taken on, much to local annoyance once they are engaged. Numbers for local employees are, however, going up, as is shown by Anglo-Iranian employment figures:—

Graded and Non-graded Staff		Percentage	
	1939	1950	
British	41.3	27.8	
Persian	48.2	62.7	
Indian and Pakistani	10.5	9.5	

By the end of 1950 the Anglo-Iranian labour force, as opposed to its technical and clerical staff, was wholly Persian except for 652 Indians and Pakistanis.

Bent on maintaining some sort of equity of social treatment as between skilled and unskilled grades, all the companies also provide their indigenous workers with many amenities. In fact working and living conditions, though they vary, are nowhere bad by local standards and are in some places good by any standard. The Anglo-Iranian—having made money for longer than any of its cousins or rivals—is well ahead of all the other companies in this respect. Last year, a request made by the Persian Government to the International Labour Office for an inquiry into labour conditions in the south Persian oil industry was fulfilled, and a mission of three ILO officials produced an interesting report on the subject. On the whole, these impartial ILO observers reached the conclusion that Persian Government complaints against the company were "mainly economic and financial"; as an employer of labour, the grievances against it were not grave.

Complaints against its social services were, of course, numerous; what worker does not grumble, all the world over? But after investigating them the mission concluded that "the working and living conditions of the oil workers appear as an encouraging example of what can be done." At the Geneva conference at which this report was discussed last November the Persian workers' delegate—a fitter in the Oil Company's service—attacked it and described labour conditions as "scandalous"; the speech in which he did so won him a splendid press in Teheran. But after a tour of Britain he was ready to recognise in private conversation that "they are getting about the same in Luton as I am myself." Certainly there are plenty of workers' homes in the industrial towns of the United Kingdom which compare unfavourably with those of Abadan.

The Anglo-Iranian Oil Company now houses 18,000 out of its 65,000 workers. Since it was, as far back as 1934, producing more oil per annum than Iraq has yet produced in any one year, it can be argued that it should have started its housing programme earlier and that this proportion is too low. But in the company's favour it must be remembered that its really big expansion of staff took place during and after World War II. Between 1943 and 1949 employment in its oil fields (as opposed to its refinery) rose from 5,088 to 17,158; during this time, building materials were in short supply everywhere.

Amenities of Abadan

In the matter of health services it has a better record than any other company since it caters not only for workers but for their families. Its superannuation scheme is far better than that in Persian Government service; a member of its labour force, recently retiring after 32 years' continuous service received 185,000 rials (about £2,000). It pays "dirty money" and money for hazards encountered while handling lead or sulphur. It provides ice and overalls, protective clothing for heavy workers, and cheap canteens. In the heat of Abadan, 3,000,000 gallons of chilled drinking water are served daily to 80 public points; its wastage of staff figures suggest contentment. According to the ILO, company efforts in the field of education "will produce their reward not only for the company but for the country generally." Also according to the ILO, its promotion of trade unions could bear improvement, but its arrangements for labour management relations are satisfactory (they are far and away the happiest in Persia). Probably its weakest feature as an employer is the amount of contract labour it is forced to use on building, roadmaking, etc., and its inability to stop the exploitation of this labour by rapacious Persian contractors.

The corresponding conditions in the other companies will be described in a second article. Meanwhile, with special reference to Persia, and to current Persian criticism of company labour policy, it is worth noting the ILO mission's pertinent comment that "the general population knows little of the industry or of the conditions of its workers, and is unable to compare its conditions with these in other industries." Undeterred, the Teheran editor or politician makes the comparison. Even if he has seen Abadan and the oilfields (which is very rare) the company can do nothing right; if they build good workers houses with the materials available, they go too slowly and it is "scandalous how many remain unhoused"; if they put up more houses of lesser quality, their standards are "disgraceful." If they provide a hostel for boy apprentices, in which a few rules, such as doing homework on certain evenings, must be observed they have shut the boys into "the Bastille of Abadan." Workers' wages are compared with those in the United States, regardless of the huge differences in what the same money will buy in the two places. They are never compared with the average in Isfahan or Teheran, to which they are greatly superior. People who are determined to find fault can always do so.

(To be concluded)

Malaya's Divided Loyalties

[BY A CORRESPONDENT]

EVEN slower than the war in the jungles of Malaya is the battle for the united loyalties of Malaysians. For, although attacks by the Communist guerrillas, or against them, dominate the news from Malaya, the inability of the Malayan Federation to win the loyalty of its energetic Chinese minority who comprise 38 per cent of its population (as against the Malays who make up 44 per cent) is as vital to retaining control as is the military effort. Precisely because the Chinese squatter feels little or no loyalty towards the Federation Government, it has been necessary to plan the transplantation of 500,000 of them in order to prevent their active or passive co-operation with the Communist guerrillas. Had the overwhelming bulk of the Chinese in Malaya not been neutral the task of cleaning up the Communist insurrection would long ago have been accomplished.

To win over a large section of the domiciled Chinese, the Malayan authorities have made a considerable effort during the past two years to secure agreement on a common nationality for all those permanently domiciled in Malaya. The bills calling for a uniform state nationality in each of the nine Malayan states as the foundation for common federal citizenship date back to the Communities Liaison Committee first convened in 1949 with the help and encouragement of the Commissioner-General, Mr Malcolm Macdonald. The definition of nationality is a compromise between the Malay fear of being swamped by the Chinese and the Chinese desire for equal status. The bills give automatic citizenship to a Malay born in Malaya, but a person born there of Chinese parentage has to prove his loyalty by taking an oath of allegiance to the Sultan, proving that he can speak Malay or English and conforming to an undefined "Malayan way of life."

This proposal represents a compromise between the most reconcilable elements now leading the three leading communal organisations (the United Malays National Organisation, the Malayan Chinese Association and the Malayan Indian Congress). They have other achievements to their credit. All decided earlier this year to admit members of other communities to at least associate membership.

Most significant of all is the conversion of Dato Onn bin Jafaar from a communal politician to a conservative nationalist of wider views. Under his leadership the UMNO has changed its slogan from "Hidup Melayu" (Long Live the Malays) to "Merdeka" (Freedom). It is also changing its name to the United Malaya National Organisation. Dato Onn, now the "Member" for Home Affairs in the semi-cabinet of the Federation, appears to consider himself candidate-premier of a Malayan Dominion. It has become clear that Britain cannot possibly transfer power in Malaya to a Malay communal organisation, but might eventually do so to a Malay-dominated national organisation. His decision to attempt to convert his organisation to a national one has been hastened by the threat of Singapore's Labour and Progressive (businessman's) Party to "invade" the Federation. In more political Singapore, the parties have already made the transition from communal to politico-economic platforms. In the April elections, candidates of Indian origin were elected from predominantly Chinese constituencies.

Despite the slow pace at which the modest nationality proposals have been introduced, they have met with considerable resistance from Malay Sultans and some of the more retrograde British business interests. Although the Sultans rule in name only, and are compelled to act on the suggestions of their British advisors except on Malay customs and religion, they have shown an ability to stall matters, and now four of the sultans are in Britain trying to enlist sympathy for their complaints that the High Commissioner,



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Sir Henry Gurney, and the Commissioner-General, Mr Malcolm Macdonald, bring pressure to bear on them. When the uniform state nationality bills were introduced earlier this year they were referred to select committees in most of the states. There the communally-minded Malays, with the aid of European business interests in states like Johore, attempted to amend the bills out of existence. In mid-May, Sir Henry Gurney felt it necessary at a secret meeting of the Conference of Rulers to urge upon those present the necessity and urgency of expediting the nationality bills as a means of providing a focus of loyalty for the many Malayan Chinese still on the fence. He apparently met with a very unenthusiastic response from at least four of the states represented. One of these four, the Sultan of Kedah, who recently earned notoriety by forbidding his niece to marry a British commoner, has been telling his intimates that he will "fight" with every resource if the British officials become too "high-handed" in putting pressure on him to admit Chinese to state nationality.

Progress of Italian Land Reform

[FROM OUR ROME CORRESPONDENT]

CHRISTIAN Democracy, or more accurately the De Gasperi Government, is getting the worst of both worlds from the commentators on its land reform programme. Some condemn it as precipitate, indiscriminate and subversive, others dismiss it as illusory and pettifogging; and there are yet other critics who blame it precisely for its middlingness, as being a programme which in present circumstances is powerful enough to shatter private agricultural credit, and too weak to precipitate a new moral concord.

The obligation to go forward with agrarian reform derives in the first place from the 1947 Constitution which was voted unanimously by all parties from Communists on the Left to Christian Democrats and beyond. This said:—

In order to promote rational exploitation of the soil and to establish equitable social relations the law subjects private land ownership to charges and obligations, fixes limits to the size of properties suitable to the regions . . . encourages and insists upon land redemption . . . assists small property.

The highly distinct purposes of rational exploitation of the soil and the establishment of equitable social relations are thus equally obligatory, but there is an unconditional though regionally flexible requirement to limit the size of landed property. The Governmental reform measure sets out to implement this by requiring the larger owners to "disincorporate" (that is, to make over against compensation based upon taxable values) a quota of land proportionate, though with many qualifications and elasticities, to their total land revenue. This land is to be put into a pool of land for resale to selected peasants. The scale of disincorporations was agreed between the parties entering into the Government coalition from which the Saragattian Socialists recently executed their queer half withdrawal.

Actually the Agrarian Reform Bill has not been introduced into Parliament. Propounded, in general outline, the year before last, after an intensive campaign of land invasions by the peasantry in remote southern districts (but also, for example, at the gates of Rome) it seemed to find a wide favour except in Cominformist quarters. In 1950, however, agrarian stresses were much less spectacular, and criticism of the Reform now looms much bigger in the large-circulation press.

The agrarian reform programme, originally represented as promising a pool of 3,500,000 acres of land for the setting up of 250,000 small owners, has not meanwhile been shelved, though the Bill itself is in cold storage. Alarming episodes

in 1949 called particular attention to the conditions of the Sila plateau in the toe of Italy, a poverty-stricken rural area of a third of a million inhabitants, living as tenants or wage earners for the most part on two or three huge and backward estates. A special "Sila Law" was rushed through Parliament, and an authority was established locally to determine expropriations and redistributions. The transference of legal ownership to selected peasants involved, however, the clearing out of squatters and the termination of tenancies wrested from the old proprietors under duress by groups describing themselves as co-operatives. The Communists mobilised their supporters to resist the carrying out of the reform, on the grounds that it was a device to split the peasantry by winning over to the "bourgeois" cause a selected minority, and that it was also a device for dispossessing the landless peasantry of lands which they had already "won."

A dense propaganda fog overhangs events in this remote tract, a dozen hours' journey south of Rome. Conscientious investigators have brought back the news that, while proceedings are very slow, peasants at certain centres are actually taking over land and have sometimes been able to see with their own eyes modern ploughs and other equipment which will go to them on favourable terms—for here, at all events, the commandment of "rational exploitation" is to be held as sacred as that of social justice. Yet reports also come back that the finance provided will meet only a bare fraction of the cost of modernising the agriculture of the area. And another significant report suggests that the longer the local land reform authorities last, the more do they fall into the toils of the socially dominant landlords. There is, indeed, an historic tendency, in southern Italy for the most sweeping reforms to end in a re-establishment of the powers which they purported to dethrone. Yet a few men of devoted energy and patriotism who have helped in the organisation of the reform in the far south (mostly northerners) stood guarantee that if the experiment miscarries Italy will know why.

Good and Bad Landowners

After launching the experiment in the Sila the Government, instead of plunging into the vast expanse of the general reform, decided to apply the Sila method to a number of other areas. This has roused strong remonstrances. The areas were not defined precisely in the "Sample Law," which passed Parliament late in 1950, as the list could be extended by decree. A number of Senators were under the impression, however, that the Government had morally pledged itself to apply the Sila type of reform only in districts exhibiting a Sila-like agricultural economy, namely the virtual monopolisation of land ownership by large and neglectful owners. The Government list proves, on the contrary, to include areas where, at least in the past, the owners have carried out great developments (the most striking example is the Fucino lake-bed drained by the ancestor of the present Prince Torlonia) and even, because of their being sandwiched among undeveloped lands, areas of extremely high current development (notably the Po delta, where as a particular and piquant feature, great co-operative properties flow providing an important economic backing for the Communist movement, are threatened with disintegration by the Reform). The Government's retort to the many and weighty protests against the mode of application of the Sample Law is that the general agrarian reform is to be nation wide, not limited to areas of outrageous backwardness like the Sila. It is clear, however, that a large part of the Government's parliamentary majority now considers that the requirement of agrarian reform will be amply met by concentration upon half-a-dozen minor "Silas." It seems indeed to be very likely that finance, in a world where American capital is increasingly difficult to come by except for purposes directly pertaining to the military effort, will drastically limit what can be done in the early future. Meanwhile the Damocles sword hangs over landed proprietors, doubtless with very adverse effects upon their will to develop the land.



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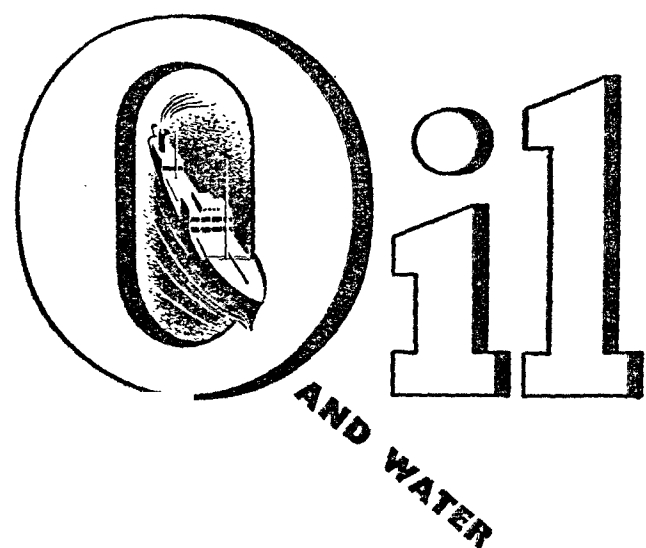


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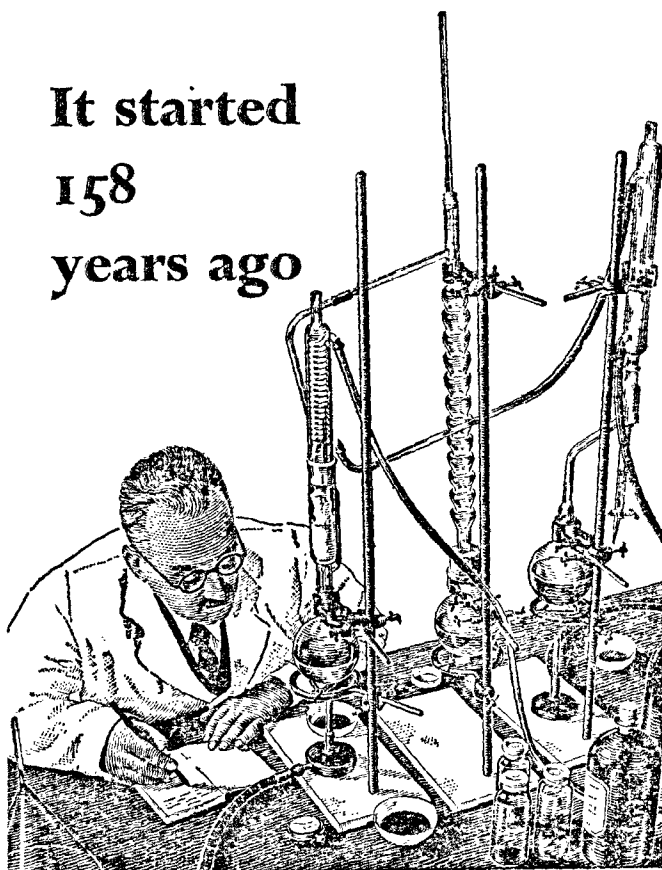
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THE BUSINESS WORLD

The Next Coal Board

AT the time when the National Coal Board issued its annual report and accounts this week, no announcement had come from the Ministry of Fuel and Power about the composition of the Board after the middle of next month. The delay is remarkable and disquieting. Of the five full-time members, including the chairman, that remain to the Board, none (so far as is publicly known) holds a contract running beyond July 15th. It is no secret, indeed, that for three months the coal industry has been weaker in leadership than at any time since it came into being. The resignation of Sir Eric Young, the Board's only mining engineer, was shortly followed by the death of Sir Arthur Street, whose immense capacity and command of detail were attested by the gap he left in its administration. The Board, which last winter had come to realise the need for two deputy-chairmen, was suddenly left without one. Its balance between general and "functional" membership, in fact if not in title, was upset; and the undivided and continuous responsibility for broad questions of policy was thrown largely upon Lord Hyndley. The Board's five part-time members have played an important part; their contribution to the detailed consideration of major questions must of necessity be limited; but their influence at present, as the only continuing members of the Board, is of special importance. What is now required, however, is a radical strengthening of the full-time direction of the Board. The failure to make any announcement about its future composition has created within the NCB's administration that hampering uncertainty which too often attends impending change at the top of any large organisation.

Lord Hyndley and those members of the Board who were appointed on July 15, 1946, have been at the head of the coal industry throughout its four full years under public ownership. On taking over in 1947, the Board inherited a fuel crisis caused by the insufficiency of output and stocks in autumn 1946, and by the disorganisation of transport during an exceptionally hard winter. It spent the remainder of that year in safeguarding against a similar crisis and in slightly improving manpower and output; in 1948 it managed to begin measures of urgent re-equipment in the mines, to improve output considerably, to resume sizeable coal exports, and to earn a small surplus to reduce the £23 million deficit left from 1947. In 1949, though the improvement in productivity continued and for the first time the NCB was able to achieve a reduction in costs, manpower showed a considerable fall. The Board accepted this fall without alarm, in the interests of efficiency, and demonstrated its perhaps undue confidence by accepting the Government's decision to remove the "ring fence" of the Control of Engagement Order at the end of 1949. It had further reduced its outstanding financial deficit by a larger surplus in 1949, and it looked forward in 1950

to clearing off the remaining deficit from 1947 and to increasing its small reserves.

Its failure to achieve either of these hopes is the financial measure of the coal industry's disappointments in 1950. The report reflects some significant changes in the relative weight of its achievements and failures. In the mines, higher output per manshift would have contributed 5,600,000 tons more last year than in 1949, and extra shifts worked per man 2,100,000 tons more; but these potential gains in output were largely offset by the decline of 20,500 in manpower, which cost 6,300,000 tons. Deep-mined output was thus only 1,400,000 tons higher than in 1949, and opencast output was 300,000 tons lower. At the same time, inland consumption rose by 6,000,000 tons, and export and bunker supplies had to be cut by more than 1,000,000 tons. The coal equation was balanced only by unusually heavy drawings upon stocks, which placed the country's fuel supplies in jeopardy early in 1951. In November the Government instructed the NCB to import up to 1,200,000 tons of coal; by the end of the year, it had purchased almost all of this from the United States, at \$8.67 to \$10.00 a ton f.o.b., plus 50s. to 62s. 6d. a ton for freight.

★

Only 73,500 tons of that imported coal, involving a loss of £300,000, appears in the NCB's accounts for 1950: the remaining 1,080,000 tons has been shipped since the end of 1950, and the loss of £4,200,000 on it will fall into this year's accounts. A more important factor in reducing the NCB's financial surplus from £9,500,000 in 1949 to £8,300,000 last year was the sale at home of coal that it was hoped to export at premium prices. At the beginning of the year, exports of 19 to 22 million tons were contemplated. Only 17½ million tons were in fact exported; allowing for a differential of about £1 a ton between export and home prices, this presumably reduced the profits by some £3,000,000. As home pithead prices were not increased during the year, and more coal was sold inland, the collieries in 1950 received nearly 2d. a ton less than in 1949 for their total saleable output. At the same time costs rose by 4.6d. a ton, compared with a reduction of 6d. a ton in 1949; this resulted from higher prices for materials and stores and a larger provision for depreciation of newly-installed equipment. Miners' average earnings rose from 34s. 4d. a shift in 1949 to 35s. 6d. in 1950, but improved productivity held the rise in wage costs down to less than a halfpenny a ton. From the sale of coal the industry as a whole earned a profit of £24,150,617, compared with £29,418,332 in 1949; and considerably increased profits from carbonisation and other ancillary activities added £2,359,425. Out of a total

income of £26,794,292, the NCB provided £743,808 for compensation for loss of office, £300,000 for losses on American coal, and £2,500,000 for estimated profits tax (it has not yet become liable for income tax). Interest and interim income payable to the Ministry of Fuel and Power amounted to £14.5 million, leaving a surplus of £8,284,662. This has been applied in reducing the accumulated deficit with which the Board began the year, bringing it down to £4,000,000, against which may be set a reserve fund of roughly £3,000,000.

During the year—which saw the issue of the industry's 15-year development plan—the NCB spent £29 million on capital account, and at the end of the year had authorised but not incurred further capital expenditure amounting to £68 million, largely for major schemes that will be carried out over several years. Nearly two-thirds of the capital it spent was on plant and machinery, at rising prices and in face of growing supply difficulties. Further consideration of its depreciation policy is deferred until the District Valuation Boards have completed their revaluation of coal assets for compensation purposes; the board recognises that the provisions that have been made upon the basis of cost to the NCB will not cover replacement costs. A considerable proportion of the money spent on the industry is still going into "short-term development" such as the introduction to more mines of proved coal-cutting machinery, conveyors, and power loaders, and also the experimental operations of newly developed equipment such as scraper boxes, coal ploughs, and an American "continuous miner" for pillar and stall work. This type of

investment can earn coal quickly; moreover, it introduces techniques that may become most productive in future. But an increasing proportion of new investment is going into long-term development, and work in hand under this head is now beginning to include some projects put forward as integral parts of the long-term plan for the industry.

Between now and the nineteen-sixties, when that plan may begin to deliver results, there lies the prospect of years of continued fuel stringency for this country and for its coal customers abroad. There are signs in the report that this prospect, and the balance of emphasis between the pressure of requirements for fuel in the short term and the essential reconstruction of the industry that alone offers the chance of adequate supplies in the long term, are being considered more closely by the board. Manpower, which is the key to present output and the essential constituent on which the plan was based, is the first special aspect of the industry considered in the report. This reveals that a new and detailed examination of the chances of meeting the eventual manpower needs of each area was begun before the end of 1950. The conclusions are not over-sanguine about the prospects of offsetting the wastage of older men from the industry by continued recruitment. Technical development and certain experimental techniques that were not covered in the plan also appear to be receiving more attention: it may be asked whether any of them could be widely applied more quickly. Further attention to the medium-term fuel requirements of the country is indicated by a special chapter on the

efficient use of coal, upon the theme that "an irreplaceable asset on which the country's industrial future depends is too often being squandered." In this connection the board, for the first time, ventures into questions of wider—and competitive—fuel policy. It points out that domestic consumption of gas and electricity has risen considerably since the war years, while the demand for coal by these secondary fuel industries has restricted the amount of coal that could be supplied for domestic needs. The NCB does not elaborate this point; but it quotes significantly the Simon Report's conclusion that "the main winter space and water heating load should be taken by solid fuels." It has in mind, no doubt, the "promotional selling" of gas and electricity while coal remains rationed. But on this subject it may need to consider its own price policy. Colliery profits recorded before charging interest and interim income partly conceal the fact that coal prices at home last year did not suffice to cover all the charges upon coal sold here. Even with reduced exports the British consumer continued to enjoy a subvention from the consumer abroad.

A reconstituted board will need to devote more time to such questions of policy. If fuel economy becomes a constant preoccupation throughout the fifties, the points at which the interests of the nationalised fuel industries meet and may conflict will multiply. Already, such questions as the control of pithead power generation, and the co-ordination of carbonisation policy and prices, demand to be settled. Major questions of internal policy also remain unsettled. The report refers to experiments with standard costing systems by outside management consultants; but it makes no reference to the massive problem summarised in the 1948 report in the words: "The present wages structure of the industry as it has evolved is not conducive to economy or efficiency." Further attention is needed to the restiveness of colliery managers concerning the powers of specialist staffs that the board is committed to strengthening: and in particular of labour management, which may eventually involve reconsideration of the whole relation between the NCB and the industry's unions. Such problems, added to the task of attempting to supervise from the centre the day-to-day operations of the industry,

demand superhuman wisdom and skill. Even with the best will in the world and some of the best men the industry can furnish, the job of running as one giant concern, and now wholly reorganising the coal industry, far exceeds the scale of the biggest tasks that business management has ever been called upon to tackle. Outside

NATIONAL COAL BOARD—SUMMARISED FINANCIAL RESULTS

	1947	1948	1949	1950
COLLIERY RESULTS				
(a) Saleable output* (mn. tons)	184.7	195.5	200.7	202.3
(b) Saleable output per man-shift (cwt.s.)	21.5	22.3	23.4	24.2
	Per Ton Saleable			
	s. d.	s. d.	s. d.	s. d.
(c) Proceeds	40 3.0	47 2.5	47 11.5	47 9.6
(d) Costs	41 3.0	45 6.6	45 0.3	45 4.9
(e) Profit or Loss	1 0.0	1 7.9	2 11.2	2 4.7
PROFITS AND LOSSES				
(a) Colliery profits or losses	£ million 9.2	£ million 16.2	£ million 29.4	£ million 24.2
(b) Profits of ancillaries (excl. railway wagons)	1.8	1.2	1.7	2.3
(c) Profits on railway wagons (the wagons vested in the Transport Commission in 1948)	1.2	0.1	...	...
(d) Other income less interest payable	0.1	0.6	0.1	0.2
(e) Compensation for loss of office	0.4	0.8	0.8	0.7
(f) Losses on imported coal	1.7	...	...	0.3
	8.2	17.3	30.2	25.3
(g) Additional provision for workmen's compensation	...	...	4.0	...
(h) Profits tax	...	...	3.5	2.5
(i) Interest and interim income payable to the Minister of Fuel & Power	8.2	17.3	22.7	22.8
	15.1	15.6	13.2	14.5
(j) Surplus or deficiency	23.3	1.7	9.5	8.3

* Excluding output of licensed mines.

critics—including the party that may form the Government with which the next board may soon have to treat—have argued that it is beyond human talent; and there is no lack of proposals for further reorganisation within the NCB structure. But the present Government presumably believes that the job can be done effectively, even as it grows more difficult. If so, it is high time that the men who are to do it should be named.

The Paradox of Rubber

SINCE the war rubber has been a very jumpy commodity. The market has borne the brunt of all the changes of American government purchases and the impact of spasmodic buying by American manufacturers. Technically, it has stood up well to these tests in that day-to-day variations in prices have been less extreme than might have been expected, though the swing of prices over a period has been considerable. Last February, spot rubber reached a peak of 6s. 2d. a lb. in London. During the past three weeks it has hovered around 3s. 7d. Not even tin or wool has experienced such a sharp reversal of the fantastic rise that rubber, like other commodities, experienced after the invasion of Korea. The reaction has been sharp, but it has also been orderly; rubber is still rs. 3½d. a lb. higher than it was twelve months ago and still substantially above average costs of production in Malaya.

When the United States Government decided to expand the output of synthetic rubber and to curtail the civilian consumption of natural rubber it was obvious that the price was bound to fall. In the first quarter of this year, American consumption of natural rubber amounted to no more than 114,500 tons, compared with 177,500 tons in the first quarter of 1950. In addition, American purchases for stock have fallen, and now that shipments to China from Commonwealth sources have been prohibited, the stockpile authorities have adopted an even more cautious buying policy, since they are counting on adequate supplies later on. A revised estimate for world production of natural rubber in the first quarter now puts the total at 465,000 tons compared with 374,000 tons in the first quarter of 1950; at that time output was abnormally low because Indonesian smallholders were holding back supplies. The indicated

COAL OUTPUT AND COSTS, 1947-50

	Scottish Division	Northern Division (N. & C.)*	Durham Division*	North Eastern Division	North Western Division	East Midlands Division	West Midlands Division	South Western Division	South Eastern Division	Great Britain	
Saleable Output (Tons):—											
Calendar year figures:—											
1950	22,948,069	13,195,658	26,320,199	42,322,321	14,459,939	39,927,798	17,307,333	24,056,907	1,724,374	202,262,598	
1949	23,427,092	12,723,563	26,172,000	41,789,624	14,208,436	38,919,562	17,916,691	23,940,753	1,595,737	200,694,693	
1948	23,724,300	28,240,900*	40,617,900	40,617,900	14,278,000	37,469,100	17,881,700	23,913,200	1,510,700	197,645,700	
1947	22,577,400	36,234,300	36,623,300	36,623,300	13,439,600	34,894,400	17,041,200	22,712,200	1,375,400	187,202,200	
Average Number of Wage Earners on Colliery Books:—											
All workers	81,492	48,643	108,255	135,510	57,493	95,675	56,159	107,799	6,005	697,031	
1949	82,633	48,512	110,075	140,451	60,152	98,080	59,895	112,952	6,127	719,527	
1948	82,297	159,186*	141,523	141,523	61,064	98,165	59,946	115,464	6,285	724,039	
1947	81,057	156,053	133,471	133,471	59,842	94,616	59,462	115,517	6,357	711,383	
Face workers	1950	36,172	18,927	46,603	53,650	22,244	39,997	19,957	48,209	2,372	288,141
1949	36,803	18,775	47,433	53,390	22,802	40,383	21,460	50,744	2,397	296,197	
1948	36,043	66,231*	54,495	54,495	22,238	39,337	21,123	50,736	2,495	292,757	
1947	36,000	64,571	54,162	54,162	21,841	37,815	21,290	49,747	2,410	287,935	
Output per Man-shift Worked:—											
Overall	1.12	1.10	0.99	1.31	1.06	1.72	1.31	0.91	1.24	1.19	
1949	1.12	1.06	0.96	1.27	1.03	1.63	1.23	0.88	1.14	1.16	
1948	1.12	0.95*	1.20	1.20	0.97	1.53	1.24	0.83	1.04	1.11	
1947	1.10	0.94	1.18	1.18	0.92	1.51	1.20	0.79	0.93	1.07	
At the face	1950	2.63	2.96	2.44	3.69	2.91	4.51	4.13	2.17	3.42	3.11
1949	2.64	2.83	2.39	3.54	2.83	4.36	3.95	2.09	3.18	3.02	
1948	2.66	2.41*	3.42	3.42	2.79	4.26	3.86	2.01	2.91	2.92	
1947	2.57	2.39	3.33	3.33	2.69	4.21	3.69	1.98	2.83	2.83	
Attendance Percentage:—											
All workers	1950	89.37	90.58	90.04	85.65	88.07	87.73	86.62	87.89	87.70	88.04
1949	89.42	90.69	90.21	85.20	87.72	86.76	85.17	87.76	86.73	87.63	
1948	90.36	91.53*	85.62	85.62	88.22	87.04	85.16	89.43	86.92	88.45	
1947	90.52	90.32	84.35	84.35	86.75	85.64	84.31	85.96	83.57	87.57	
Pithead Proceeds per Ton Saleable:—											
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	
1950	47 2.4	46 10.9	43 3.6	47 0.5	50 8.3	43 4.2	46 8.4	54 9.1	51 4.8	47 9.6	
1949	47 6.9	46 11.2	49 0.4	47 2.9	50 6.5	43 11.7	46 9.6	54 6.0	51 2.9	47 11.5	
1948	47 3.8	47 8.0*	46 0.3	46 0.3	50 2.8	43 10.5	45 4.3	52 2.9	50 11.9	47 2.5	
1947	40 2.4	40 4.6	38 11.5	38 11.5	44 5.5	37 4.4	41 0.1	43 4.7	45 10.3	40 3.0	
Total Cost per Ton Saleable:—											
1950	46 9.2	48 11.1	51 6.4	42 4.5	49 11.9	36 6.3	42 7.4	54 6.9	49 3.9	45 4.9	
1949	45 5.9	48 10.2	51 0.1	42 3.5	49 2.3	35 11.9	41 8.9	55 0.1	51 2.3	45 0.3	
1948	41 6.9	51 0.7*	42 7.6	42 7.6	50 2.3	36 1.3	41 10.5	57 0.2	53 11.5	45 6.6	
1947	33 9.4	45 3.4	33 7.6	33 7.6	46 10.0	33 0.4	37 9.4	52 11.9	52 11.9	41 3.0	
Profit (+) or Loss (—) per Ton Saleable:—											
Before charging interest and 1950	+	2 0.2	— 2 2.8	+	4 8.0	+	6 9.9	+	2 2	+	2 4.7
interim income	+	2 1.0	— 1 11.7	+	4 11.4	+	7 11.8	+	5 0.7	+	2 11.2
1949	+	2 8.9	— 3 4.7*	+	3 4.7	+	7 9.2	+	4 5.8	+	1 7.9
1948	+	1 5.0	— 4 10.3	+	3 3.9	— 2 4.5	+	4 4.0	— 9 7.0	— 1 0.0	
1947	+	1 5.0		+			+	3 2.7	— 4 9.3	— 1 0.0	

* As from January 1, 1950, the former Northern Division was divided into two: Northern Division (Northumberland and Cumberland) and Durham Division. Comparable figures for these new divisions are available for 1949; but not for earlier years.

annual rate this year, 1,860,000 tons, is in fact very close to the total of 1,850,000 tons for 1950 and below the Rubber Study Group's forecast of 1,870,000 tons.

Estimates of world consumption of natural rubber in both the first quarter of this and last year have recently been revised by the Secretariat of the Rubber Study Group. Hitherto the total included an estimate for Chinese consumption and any surplus of Chinese imports over this estimate was treated as an addition to stocks. Now Chinese imports are treated as being wholly consumed, and on this basis total consumption for the first three months of this year is put at 400,000 tons compared with 362,500 tons on the old basis. Consumption in the first quarter of last year amounted to 387,500 tons, on the new basis. Since China is now to be cut off from natural rubber from Commonwealth sources, world consumption in 1951 may not total much more than 1,500,000 tons, leaving a balance of perhaps 350,000 tons to be absorbed by government and private stocks; and the American stockpile of rubber is nearly full.

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It is possible that output of rubber might fall this year, though that would imply a sharp change in the recent trend. World production rose in April to 172,500 tons, exceeding the first quarter's average by 11 per cent. The increase during the past twelve months has mainly come from smallholders, encouraged by the high price to tap as hard as they could. Estate production in South-east Asia actually fell last year to 605,000 tons, compared with 620,000 tons in 1949, while the smallholders' output increased from 593,000 tons to 914,000 tons. Given a lower level of prices, smallholders may perhaps produce less rubber this year. Most of the rubber produced by smallholders is not of No. 1 grade and while the price for this standard quality soared last year in response to large demands by the American authorities for stockpiling and also by China, prices for inferior rubber rose less sharply and the spread of prices between the highest and lowest grades widened. When the price of No. 1 sheet fell, prices for off-grades declined less sharply and the price spread narrowed.

One important effect of dear rubber, however, has been to retard replanting programmes. When rubber is very high, it is unprofitable to grub out old trees and replant them with high-yielding stock; at 5s. a lb. it is worth tapping almost any tree. Conversely, when rubber is very low, estates are reluctant to find funds to finance replanting because new trees cannot be tapped until their seventh year. The average annual yield for each acre of high-yielding stock in Malaya varies between 800 and 850 lb. compared with 400-450 lb. for ordinary stock. At the end of 1949 the rubber estates in Malaya covered 1,983,000 acres, of which 537,000 acres or 27 per cent were planted with high-yielding stock. Smallholdings under rubber covered 1,403,000 acres, of which a very small proportion was planted with high-yielding trees. Similar particulars for Indonesia are not available; before the war the proportion of estate acreage planted with high-yielding stock was 33 per cent, and little replanting has been done since the war. A large output of cheap rubber in the future depends on much more energetic replanting than that of recent years.

In this context the suggestion of the Malayan Govern-

ment to freeze part of the Colony's earnings from tin and rubber as a means of combating inflation must be examined with care. The idea is simple and has been adopted by other countries for other commodities. The Government would take part of the proceeds of these commodities and put them into a stabilisation fund, to be administered by trustees, who would use the fund to supplement the prices received by producers in Malaya when world prices fell. If the scheme were to be put into operation for rubber, it would be directed mainly against the estates, for it would be administra-

PRODUCTION AND CONSUMPTION OF RUBBER
('000 tons)

	1946	1947	1948	1949	1950	1950				1951
						1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.
NATURAL RUBBER										
Production										
Malaya: Estates ...	174	361	404	401	377	91	89	98	99	87
Smallholders	230	285	295	271	317	71	69	84	93	77
Indonesia: Estates ...	—	13	102	168	171	44	42	49	45	41
Smallholders	175	265	331	264	516	71	137	155	153	156
World Total	838	1,260	1,525	1,488	1,850	373	450	502	525	465
Consumption										
USA	278	563	627	575	720	180	188	188	164	117
UK	97	154	194	184	220	55	53	50	62	59
World Total	555	1,110	1,423	1,438	1,705	388	410	410	467	400
SYNTHETIC RUBBER										
World output	807	559	532	440	535	104	124	147	169	193
World consumption	913	625	480	450	580	115	142	155	168	190

Source: Secretariat of the Rubber Study Group.

tively impossible to freeze part of the earnings of smallholders. But as Sir John Hay has pointed out to shareholders of United Sula Betong Rubber Estates, the part that the estates play in the internal inflation in Malaya is small, apart from payment of wages which absorb about a third of the company's proceeds. The rest goes in taxation, in dividends to shareholders, mostly registered in Britain, and to reserves. The only way in which estates generally could effect a major reduction in their expenditure in Malaya would be to reduce wages. Since that is presumably not the intention behind the proposed levy, its burden would in fact be met from the funds that the estates are using to meet their replanting programmes. Sir John showed that the rubber estates were already paying very large tax contributions both in Malaya and in the United Kingdom. The tax commitment of United Sula Betong Rubber Estates last year absorbed 60 per cent of the profits earned, and since then the Malayan export tax and British profits and income taxes have been increased. If a substantial part of estate earnings were frozen, little or no provision could be made for replacing capital or for replanting.

The rubber market is faced with a paradox. This year, and possibly next year, supplies are likely to exceed requirements, given continued restriction on civilian consumption of natural rubber in the United States. For the time being, any surplus output may be absorbed by government stocks. As rearmament gets into its stride the demand for rubber for defence purposes will certainly expand, but it is doubtful whether total consumption of natural rubber (including civilian consumption) in

the United States, Britain and Western Europe will exceed that of 1950. The more distant future, however, suggests that a distinct scarcity of rubber may arise. World output of natural rubber is unlikely to show any marked expansion much before 1960 owing to the delay in replanting with high-yielding stock, and the maximum annual output in the next few years might well be 2,000,000 tons. On the other hand, if and when rearmament has been completed and civilian production is again unrestricted, the consumption of rubber is likely to expand. Since 1900 world consumption of rubber has tended to double itself every decade, as can be seen from the accompanying chart, and there are those who expect the increased use of latex foam and crepe to push the total up to 3,000,000 tons a year by 1960. The gap could be bridged if synthetic output is maintained at 1,000,000 tons a year. But if synthetic production were to be kept at this rate during the next eight years, and consumption of natural rubber in the United States were correspondingly restricted, rubber-growers would experience very hard times, with serious political consequences in South-east Asia. The United States is one of the few large consumers of rubber that

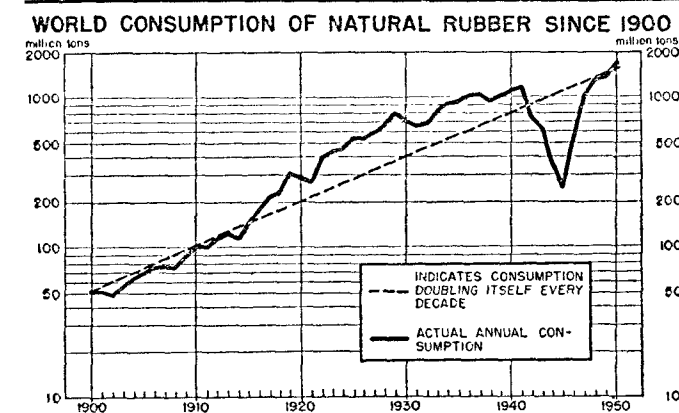
Shell's Strength Displayed

AMONG the many impressive company reports of recent weeks, none surely has surpassed in economic importance, clarity of presentation, and world-ranging significance the picture of the Royal Dutch-Shell group that has been revealed this week in the "Shell" Transport and Trading Company's report. The Royal Dutch-Shell group is not in itself a legal entity; it is rather a partnership, headed by the Royal Dutch Petroleum Company and the "Shell" Transport and Trading Company as holding companies, which share in the joint investments in the group in the proportion of 60 for Royal Dutch and 40 for "Shell" Transport and Trading. The two holding companies participate in this ratio in the capital and income of three major operating companies—Bataafsche Petroleum, Anglo-Saxon Petroleum, and Shell Petroleum, which in turn own companies concerned with every aspect of oil development, refining, transport and marketing.

The strength of the group has never until this year been revealed. It proves to be as vast as the most fabulous guesses had suggested. Never has a set of consolidated accounts so dramatically revealed the real substance of a group as distinct from the legal barebones of the companies that control it. A holding of "Shell" ordinary stock gives a participation in a 40 per cent share in an organisation that straddles the world and counts, with all prudence, its total resources at between £500 and £600 million and its net income last year at little short of £200 million. Compared with these figures, the book value of the "Shell" investments in the group, appearing in its own balance sheet at £87 million, is a very modest reckoning of the 40 per cent interest that they represent.

The following tables are concerned solely with the Royal Dutch-Shell group, and with neither of the holding companies. They show that in a single year, net income from trading and other revenue, before taxation and depreciation, has jumped from £136.3 million to

can absorb large supplies of off-grade rubber, and a reduction of American consumption would particularly affect the smallholders. The paradox of rubber might



be solved if the United States, when it has completed its stockpiling of natural rubber, decides to allow natural and synthetic rubber to compete freely in the American market.

£184.4 million. One-third of this enormous sum has been transferred directly to depreciation, and not much less than a third (£55.4 million against £41.7 million in 1949)

CRUDE OIL AND NATURAL GASOLINE PRODUCTION
(Millions of Barrels)

	World		Shell & Royal Dutch Group of Companies	
	1949	1950	1949	1950
USA	1,999.0	2,153.4	87.6	90.2
Venezuela	482.5	547.1	150.6	169.3
USSR, etc.†	280.3	309.0	...	...
Persia	204.8	241.3	...	...
Saudi Arabia	174.0	199.5	...	...
Kuwait	89.9	125.7	...	...
Mexico	63.7	75.2	...	...
Iraq	31.6	49.7	6.3*	10.3*
Indonesia	42.5	48.4	26.6	26.6
Colombia	30.4	34.6	7.8	10.8
British Borneo	25.1	31.0	25.1	31.0
Canada	21.5	29.1	...	...
Argentina	22.6	24.2	3.6	3.5
Trinidad	20.9	20.9	5.5	5.5
Egypt	15.9	16.4	12.3*	12.3*
Peru	15.9	15.6	...	...
Qatar	0.7	12.3	0.2*	2.9*
Austria	8.7	11.1	0.7*	0.7*
Bahrein	11.0	11.0	...	...
Western Germany	6.0	7.9	0.3*	0.4*
Netherlands	4.3	4.9	2.2*	2.4*
Ecuador	2.6	2.6	...	...
Japan	1.4	2.1	...	...
India	2.0	2.0	...	...
Netherlands New Guinea	1.7	1.7	0.7*	0.7*
Others	4.5	7.0	...	...
Total Group Production	...	...	323.6	366.6
Crude oil received under long-term contracts	...	...	60.1	87.7
TOTAL	3,563.5	3,983.9	383.7	454.3

World figures include estimates for certain countries for which accurate figures are at present unobtainable. According to the specific gravity of the crude oil, one metric ton varies from 6.7 to 7.5 barrels. * Share of production of group and associated companies. † Including production of Rumania, Hungary, Albania, Poland and Czechoslovakia.

has been provided for taxation. The operating companies themselves have retained £14.6 million compared with £6.1 million in 1949, to meet their own needs. In the result, the net profit available for group appropriation has risen from £35.8 million to £49.2 million, of which £33 million has been retained in the business,

£16.3 million (against £12.4 million) paid out in dividends by the two holding companies, leaving the balance of profits carried forward little changed at just over £40 million.

Figures of this magnitude almost defy conventional analysis. The "Shell" shareholder will retain his stock the more happily for knowing from the figures that his 12½ per cent tax free dividend was covered three times by last year's available profits. But as the account itself reveals, the group has the energy and earnings of a giant, and also the needs of a giant for continued expansion. The ploughing back process has absorbed £108 million out of last year's net income of £184.4 million, and moreover tax has been paid in respect of at least one-third of the net sum retained. Similarly, to work out from the group's statement of assets and liabilities the asset value for "Shell" ordinary is an agreeable exercise, but for a number of reasons the result would not do justice to the real strength that underlies the stock. For example, oil production rights and exploration costs appear in the books at £8,500,000 net; that is all that remains after writing down gross expenditures of £75½ million. The group's gross investment in fixed assets has reached the enormous total of £632.6 million, mainly valued at cost, and, against this, depreciation reserves stand at £330.9 million. The policy of the group in providing generously for depreciation is well illustrated by last year's changes; fixed assets increased by £85.3 million, and depreciation reserves by £45.1 million. The additional provision of £33 million to general reserve has been made with today's greatly increased costs of replacement in mind. The stockholder with his slide-rule must therefore first make up his mind about the real value to be put on the fixed assets standing in the books at £301.7 million net. Then there are investments valued in the books at £55.7 million.

These are mainly shareholdings in oil companies in which there is an outside public interest and which finance themselves independently ; they include holdings in Shell Oil, Shell Francaise, Canadian Eagle, El Aguila, United British Oilfields of Trinidad and others. This item includes the group's holdings in public companies which, a year ago, had a book value of £31.6 million and a market value of £146.1 million ; the chairman's statement draws attention to the fact that their market value is considerably higher today.

In sum, as the statement shows, £65 million of profits have been retained in the business, of which £40 million has been used for capital expenditure (this apart from depreciation provisions of £61.1 million) and £25 million used to swell the group's net current assets. It is clear that 1950 was a year in which the demand for the group's products was considerably greater than had been expected. But the results, expressed in accounting terms, also reflect the falling value of money, which has driven up costs in a startling way, while the basic price of petroleum products has shown a comparatively insignificant increase. It is for this reason that Sir Frederick Godber emphasises the marginal—and therefore vulnerable—nature of the profit per unit sold by the group. He also makes an emphatic contribution to the discussion on profits and the maintenance of assets:

The conditions under which industry in general has worked since the outbreak of the second world war have created such problems that they demand a fundamental change in the traditional attitude to those balances between income and expenditure which have technically been called "profits." . . . In recent years the rates of depreciation recognised by taxing authorities have been wholly inadequate to ensure that the value of the capital assets is maintained. . . . With the rising costs now current, "profits" must increasingly be used for the maintenance of the working value of the assets. . . .

It follows from this trouncing of the doctrine that profits are what normally accepted accounting principles say they are, that Sir Frederick is highly critical of the increased taxation on distributed profits and the suspension of the initial allowances. This year the group has ordered 46 large tankers, of which 31 are to be built in this country at a cost of more than £30 million. The orders were placed with no suspicion that the initial allowances might be withdrawn, and there is a justifiably touch of bitterness in the chairman's comment:

While I will not go so far as to say that had we known this the programme would have been modified, I do submit this case as an example of the severe impact these proposals must have upon necessary building programmes in particular and industry in general.

The fairness of this comment, from a group that last year was better able than most to finance itself from its own net revenues, can hardly be gainsaid.

The stockholder who wishes to clothe these gigantic figures with the realities of the group's operations last year will study with close interest the "Survey of Activities" that accompanies the report. This comprehensive and attractive document shows that the group maintained its position last year in helping to meet a 12 per cent increase in world demand for petroleum products. Figures for last year's world output, and the proportion produced by the Royal Dutch-Shell group are given in full in the accompanying table. As the survey points out, it was fortunate that the long-term plans of the industry for the provision of new sources of

Business Notes

Finance Bill in Committee

Up to the time at which this issue of *The Economist* went to press, the debate on the Committee stage of the Finance Bill had not progressed as far as the really contentious matters—notably, the objectionable clause that restricts the freedom of British companies to transfer their domicile overseas, and the proposal to violate the secrecy of a banker's relationship with his customer. In the first two days the debate was focused on the increases in the petrol and entertainment duties and in income tax. Only on this last issue was there scope for extension of discussion to matters of high policy, but it was neither a distinguished nor a particularly fruitful discussion. Mr Lyttelton, and other Opposition speakers, emphasised again the deadening effects of the weight of taxation, and, in particular, the dangers of a policy that bears so heavily upon industrial capital. The budget would accelerate the depletion of such capital "at an unpardonable rate at a time when we should be trying to build up further industrial capital to meet the necessary finance of higher prices." On this issue, Mr Gaitskell's retort hardly reached his usual standard of objectivity. He declared that the problem now is to restrain the recent "extraordinarily high rate of investment"; that this justified the suspension of the initial allowances; and that, in any case, the Tucker Committee had supported the Inland Revenue definition of profits. This last reference has an ominous ring; for there is no doubt that this obsolete definition is the major source of capital wastage, and, before the Tucker Committee reported, there had seemed some reason to hope that the Treasury mind was opening on this issue; now its attitude seems to have become inflexible once again.

There was prolonged discussion on the clauses relating to the petrol tax and entertainment duty, and at times the debate was lifted above the plane of party politics. Yet, to the plea that the increased petrol tax would speed up the

production, transport and refining capacity were so well advanced, for demand in the latter part of 1950 was running at a rate that was not expected to materialise until 1952 or even later. In the production of crude oil, the group seems to have maintained its contribution of about one-tenth to world supplies (excluding Russia and Eastern Europe) ; its most spectacular achievements have been in Venezuela, but the largest proportionate increase in output was recorded in Iraq, where the group holds nearly a quarter share in Iraq Petroleum. In Venezuela, drilling and development appear to have gone ahead at impressive speed. Elsewhere, there is equally purposeful expansion—of pipelines and pumping stations, refineries and manufacturing plants, of an enormous programme of enormous tankers (there will be 31 tankers of the 28,000 ton class in the group's service by 1955, fourteen owned and seventeen on charter), of new manufacturing plants tailor-making products to meet every requirement, of research looking towards a future that in this industry arrives with astonishing speed. All this is part of the impressive story that the oil industry and the Royal Dutch-Shell group has to tell. Its contribution to the sum of industrial achievement increases still at a geometric rate ; its responsibilities to its staffs, its customers, to the foreign countries in which it operates were never greater nor more readily acknowledged. A holding of " Shell " ordinary (at $4\frac{7}{8}$ to yield $4\frac{7}{8}$ per cent) provides the investor with an equity in expansion and technical achievement that would be difficult to match.

twisting spiral of prices and wages, the Government replied by the dubious argument that the effect would be very small, would be "thinly spread," and would be mitigated by the fact that the duty would be paid partly out of undistributed profits. On this clause, however, the Government did offer one tiny concession: Mr Jay promised to look afresh at the arrangements for allowing drawback of duty where light oil is used in the manufacture of exports. Similarly, when responding to the long debate on the effect of the increased entertainment tax on the cinema industry, he conceded that if there had last year been a binding undertaking, under the so-called Eady plan, not to raise the tax for a full twelve months, that arrangement ought to be sustained. What is in question here, however, is nothing more than a month's postponement of the date on which the tax increase will take effect.

Dollars for Defence Tools

Dollar aid for the British rearmament programme is a subject that appeared in the earliest statements about increased expenditure on defence last summer, but has been conspicuously omitted from later declarations. This display of transatlantic tact has this week been followed by the announcement from Washington that Britain has been authorised to use \$112 million for American-made machine tools needed for the defence production programme.

These dollars, which will be provided from funds appropriated by Congress for the Mutual Defence Assistance Programme, will buy rather more than half of the machine tools that this country hopes to obtain from American makers. Defence order priority ratings have been issued for these tools by the National Production Authority; according to ECA some have already been delivered, and the remainder will be delivered "as quickly as production permits." The

ROYAL DUTCH SHELL GROUP

ASSETS AND LIABILITIES				PROFITS AND APPROPRIATIONS	
	Dec. 31, 1949 £	Dec. 31, 1950 £		Dec. 31, 1949 £	Dec. 31, 1950 £
FIXED ASSETS:—			NET INCOME from TRADING and INVESTMENTS and MISCELLANEOUS REVENUE arising during the year, before providing for items below.....	136,282,377	191,414,121
Property, plant and equipment, less depreciation and amortisation (see Schedule A)	261,476,367	301,732,742	<i>Deduct:—</i>		
Investments (see Schedule B)	55,607,336	55,574,563	Interest on long-term borrowings	4,120,151	4,104,354
Net additional cost on acquisition and reorganisation of Companies	23,754,844	23,727,353	Depreciation and amortisation (including £1,000,000 in 1950 for future exploration, compared with £2,000,000 in 1949)	48,506,633	61,132,955
	<u>340,839,057</u>	<u>381,134,658</u>	Estimated taxation, wherever arising, on profits of year and proposed distributions	41,667,755	55,402,405
WORKING AND CURRENT ASSETS:—			Miscellaneous appropriations of profits for purposes of individual companies	6,147,854	14,563,318
Stocks of materials	85,872,454	81,614,577		<u>100,442,415</u>	<u>135,212,061</u>
Stocks of oil and goods for resale	87,995,098	92,133,940	NET PROFIT FOR YEAR AVAILABLE FOR GROUP APPROPRIATIONS	35,846,934	49,202,066
Accounts receivable, prepaid and deferred charges	87,238,412	107,835,838	BALANCE OF PROFITS BROUGHT FORWARD FROM PRIOR YEARS	39,973,481	40,202,520
Cash and securities	120,749,712	162,767,880		<u>75,820,415</u>	<u>89,404,586</u>
Total working and current assets	<u>381,773,686</u>	<u>447,352,355</u>	APPROPRIATION OF PROFITS:—		
CURRENT LIABILITIES:—			Profits appropriated for retention in the business	25,250,000	35,000,000
Accounts payable and accrued liabilities	115,203,540	142,998,093	Dividends to Royal Dutch Petroleum Company (60 per cent) and The "Shell" Transport and Trading Company, Limited (40 per cent)	12,567,895	16,235,382
Taxation	79,019,463	88,745,761		<u>35,617,895</u>	<u>49,285,382</u>
Bank overdrafts	3,573,596	3,515,117			
Dividends payable to Royal Dutch Petroleum Company and the "Shell" Transport and Trading Company, Limited	12,300,990	16,200,000			
Total current liabilities	<u>211,096,369</u>	<u>251,553,974</u>			
EXCESS OF WORKING AND CURRENT ASSETS OVER CURRENT LIABILITIES	170,577,317	195,792,361			
	<u>511,516,384</u>	<u>576,927,029</u>			
DEFERRED LIABILITIES	11,613,393	15,951,174			
	<u>493,902,991</u>	<u>560,975,855</u>			
Funds were provided by:—					
CAPITAL INVESTED BY ROYAL DUTCH PETROLEUM COMPANY (60 per cent) and The "Shell" Transport and Trading Company, Limited (40 per cent)	219,645,561	219,853,152			
ACCUMULATED PROFITS APPROPRIATED and other surpluses retained in the business including balance of profit carried forward (see Schedule C)	153,112,515	231,431,697			
	<u>347,767,877</u>	<u>450,340,149</u>			
LONG-TERM BORROWINGS	112,138,114	110,658,795			
	<u>493,902,991</u>	<u>560,975,855</u>	BALANCE OF PROFITS CARRIED FORWARD	49,202,520	40,121,200

grants of finance and priority represent very material American assistance to British rearmament. In its calculations of needs and finance, the Ministry of Supply has for some months been discreetly relying upon such assistance; without it, the Ministry's policy of obtaining from abroad the bulk of the additional tools needed for defence production, and of disturbing home machine tool production and exports as little as possible, would have been impossible.

Argument about Steel Allocation

It fell to the Minister of Fuel and Power this week to drop a fairly heavy hint of the likelihood of steel allocation. Replying to a question about steel supplies for the coal industry, Mr Noel Baker said:

Urgent consideration is being given to the whole question of the arrangements to ensure that the supplies of general steel shall be distributed in such a way as to maintain a proper balance between the various needs of our national life. In the meantime the Minister of Supply has made arrangements designed to ensure that the coal industry shall receive the supplies necessary to meet its current needs.

Consideration of steel allocation had been mentioned to the House of Commons on several occasions; but no specific measures to provide steel for any one industry had been disclosed before.

It seems likely that allocation of general steel, as well as of strip and sheet, is imminent, and that the system adopted may be tighter than the pattern of general priorities between separate industries that has been suggested within the industry for some time past. Detailed control of steel distribution will be arduous and far from watertight, as past experience proves; nevertheless, the indications are that something comparable to the old "M form" system is firmly in the official mind, with certain modifications to avoid the grosser anomalies that became evident during its operation. Such a system could hardly be brought into operation before the autumn, whenever an announcement is made; it appears, in fact, that the Ministry may be attempting to elaborate its plans in complete detail before it makes any statement.

New Style for Steel Meetings

Even though shareholders' attendance at company meetings is traditionally sparse, the annual meeting of Colvilles in Glasgow last week may be noteworthy as marking a new departure. The company's directorate and officials presented its report and accounts in the normal fashion, and for once had the attention of 100 per cent of its corporate ownership—in the person of its one "shareholder" Mr Steven Hardie, chairman of the Iron and Steel Corporation of Great Britain. The directorate, indeed, no longer held a qualifying shareholding in Colvilles; the corporation over which Mr Hardie presides does not share its ownership with anybody. It was Mr Hardie's first appearance in this role, and presumably he or his representatives would have a fairly busy routine attending eighty such annual meetings during each year. The occasion provided the Steel Corporation's chairman with an opportunity to refer once more to the shortage of steel-making materials: this subject was the only aspect of the industry that Mr Hardie discussed in detail when the Corporation assumed control of publicly-owned steel in February, and it appears to remain his most engrossing interest.

More than three months of the "interim period" in taking over operational control of the industry of which Mr Hardie then spoke have passed. There are no signs of any specific move by the corporation to take over any of the functions of the British Iron and Steel Federation. When any such change is proposed, it is likely to be gradual: Mr

Hardie's special interest may indicate a desire to assume a more direct responsibility first for the industry's raw materials. Such a responsibility would seem to denote a positive appetite for an unpopular job; but even Mr Hardie's critics would probably not deny him that quality.

Weaker Canadian Dollar

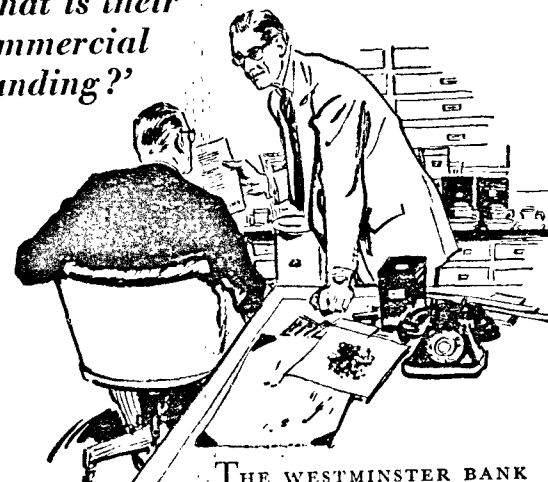
The recent weakening of the Canadian dollar brought the London-Montreal rate to over \$3.00 to the pound at the end of last week; there were some signs of strengthening—possibly as a result of official support—at the beginning of this week but on Wednesday the middle rate quoted in London was still \$2.98½. When the Canadian dollar was unpegged from its old rate of \$3.08 last October, many observers expected it to move fairly rapidly towards parity with the US dollar at \$2.80; the rate did in fact strengthen to beyond \$2.90 at one time, but since the end of November it has gradually tended to fall back. Throughout the whole period the Canadian authorities are believed to have held the view that a "strong" rate would be a buttress to their anti-inflationary policy—and to have supported that view in the market as far as they could, though always with the proviso that the Foreign Exchange Control Board must not be allowed to make serious losses.

Why, then, has the relapse occurred? The answer seems to be that those Americans who sent nearly \$800 million of speculative capital into Canada last year in expectation of a change in the rate have recently been taking their profits. When the rate was unpegged last October much of this capital stayed in Canada in the hope that the free rate would appreciate to \$2.80; in fact the withdrawal of speculative capital from Canada in the last quarter of 1950 does not seem to have been much larger than the volume of genuine investment funds that was still flowing into the country. Since the end of the year, however, Canada's current external deficit has widened; in the first three months of this year the deficit on merchandise trade with the United States was \$140 million, compared with \$47 million in the whole of last year. This deterioration is partly seasonal and partly due to abnormal imports, but it has apparently been sufficient to send some capital out of the country. Some of it has no doubt been wagered on new favourites in the revaluation stakes. As the Canadian tourist season is now about to start and as forward purchases of Canadian dollars for next autumn's grain crop are soon expected, it seems possible that the rate may now start to strengthen again. But the pronounced see-sawing movement since last October shows how wise the Canadian authorities were not to decide on an arbitrary fixed rate at that time. This is a lesson that other countries would do well to ponder.

Entertainments Duty Review

In the debate on the entertainment duty this week, the Chancellor of the Exchequer declared that he was "perfectly prepared for a discussion with the [film] trade upon the present rates of duty and the way the incidence is felt," but added that it would not be easy to find a satisfactory solution. His assurance is welcome; but it will place on the trade the onus of devising something more than a simple reduction in duty. If such a discussion is to take place, it should be soon, for other questions of Government policy on films, including the future of the National Film Finance Corporation and amendments to the Quota Act, will soon have to be settled, and the Treasury's partial remissions of tax last year and increase-plus-remission this year bring it into the centre of films policy. The Films Council refers to these impending changes in its annual report, issued this week: the Council once more emphasises the agreement of its independent members with the trade

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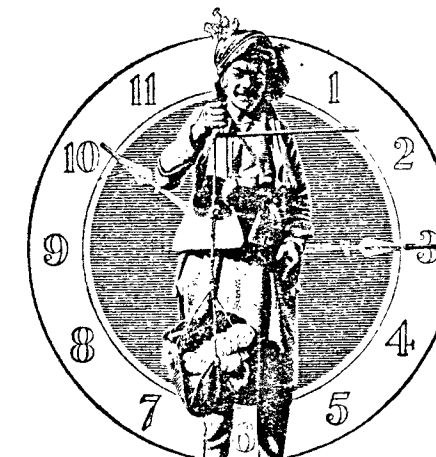
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about the undue burden of entertainment tax. Mr Gaitskell was referring to a general review during the coming year, not to negotiations upon the latest increases and remissions proposed in the Finance Bill. Mr Jay had referred at an earlier stage to negotiations with the trade on the current issue; these, he said, culminated in an offer that the producers had accepted, but the cinema exhibitors, had turned down.

The cinema exhibitors, in conference at Bournemouth last week, coupled defiance of the Chancellor with threats to refuse to continue the voluntary levy for film production machinery set up last year for passing a remission of duty to the producers. It is never easy to judge what the film trade will do by what it says; and it is worth noting that the interests of the exhibitors operating the smallest cinemas may not entirely coincide with those of the circuit owners. Whatever may be said in favour of siphoning off part of the revenue of the industry and passing it to the producer outside the industry's ordinary financial channels, it was this scheme that the exhibitors accepted last year; to refuse to co-operate in it would merely reopen the divisions in the industry without bringing any effective pressure on the other party in the present argument, the Treasury. But it would certainly invite stricter action by the Treasury to carry out its mission of redistributing the industry's income among its component parts. This aim appears to be undimmed, to judge from the readiness of Mr Jay to accept only such tax amendments as would pass the greater share of any remissions to the producing side of the industry, "where the main trouble is at present."

* * *

Egypt's Support for Cotton

The prospect of larger cotton supplies next season is distinctly favourable, though much still depends on the weather. The American crop this summer is expected to yield about 16 million bales compared with less than 10 million bales last year; if it is achieved, it will equal the 1949 crop which was the largest since the war. The smaller Egyptian crop last year was caused by a spell of hot, damp weather in the late summer; the yield fell from an average of 520 lb. to 427 lb. an acre. If average yields are obtained this year, production might well exceed 1,850,000 bales, which would be a record crop for the postwar period. On this basis, a world output in 1951-52 of 34 million bales is possible. If world consumption during the present season does not exceed 31 million bales—in the first half of the season it was running at an annual rate of over 32 million bales—the carryover stocks on August 1st will be reduced to 13 million bales, the lowest level for many years. Available supplies in 1951-52 might therefore total 47 million bales compared with 44 million bales in 1950-51—a modest but welcome increase.

The larger American crop will almost certainly mean

bigger export quotas; this is doubtless the reason for the Egyptian Government's decision to guarantee minimum prices for domestic grown cotton. These minimum prices are proclaimed for both old crop and new crop futures, but the Egyptian Government guarantees to buy only old-crop cotton at those prices. The medium Ashmouni grades (short staple Egyptian cotton) can be substituted for American middling and have been used for this purpose in Lancashire and elsewhere. Nine months ago when the United States restricted its export of cotton, the rush to buy Ashmouni forced prices up to an absurdly high level. Since the turn of the year prices have fallen somewhat, but Ashmouni is still dear and the Egyptian Government is trying to maintain current prices. With Ashmouni now selling at 75d. a lb. compared with American middling at 53d. a lb., buyers have been scarce and stocks are accumulating, though the trade suggests that a ready market would probably exist at 58d. a lb.

The increase in world supplies of cotton in 1951-52 suggests that the Egyptian Government may find itself heavily committed by its policy of fixing minimum prices—unless indeed it decides to bring them into line with those ruling on the New York market. This is not the first time that the Egyptian Government has shown itself interested in supporting the market, but in the past it has not always been an accurate judge of trends in supply and demand.

* * *

Plastics in Industry

Sir Ben Lockspeiser, secretary of the Department of Scientific and Industrial Research, remarked at a plastics exhibition in London this week that the plastics industry had expanded to a point where it was outrunning its supply of feed-stock. He added that crude oil would become an important source of new materials to the industry. Raw materials for plastics are drawn exclusively from the chemical industry, which is investing heavily in new plant designed solely to supply them. In several cases the chemical manufacturers are either producing and marketing their own plastic products, or have acquired an interest in some of the plastic producers to whom they supply raw materials.

Plastic exhibits have a similarity of appearance that belies the diversity of their properties; but it is on that diversity of properties that the future expansion of the industry will be based. Large sections of the exhibition were given up to the display of moulded containers, radio cabinets, light weight constructional materials, special laminates, gears and pinions, cups and saucers—all the industry's more familiar products in which plastics are competing with other materials on the basis of cost and performance. There are now, however, numbers of special-duty plastics with valuable characteristics that justify high cost. Sir Ben spoke of frictionless bearings, and of the possibility of replacing 2,000 tons of lead sheathing for underwater cables by light, corrosion

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In the case of Lever Brothers & Unilever Limited a DIVIDEND of 13½% (2/8.4 per £1 of Stock) less Income Tax at 9/6 in the £ (1949—10%) PAYABLE to Stockholders registered in the books of the Company on the 23rd June, 1951.

In the case of Lever Brothers & Unilever N.V. a corresponding DIVIDEND calculated in accordance with the Equalisation Agreement converted at the rate of exchange of Fl. 10.64 to £1 sterling of 12% (Fl. 120 per share of Fl. 1,000) less 15% dividend tax (1949—8.9%) PAYABLE on PRESENTATION of the appropriate DIVIDEND COUPON.

The combined trading profit before charging taxation on profits was £52,181,298 (1949—£31,947,465) after charging reserve for replacement of fixed assets £4,943,233 (1949—£4,247,744). The combined consolidated net profit, after taxation of £28,459,366 (1949—£17,569,024), was £19,226,875 (1949—£19,580,127). This net profit for 1950 is after setting aside reserves against stock values amounting to £2,629,699 whereas the net profit for 1949 included exceptional credits of £7,504,190 arising from exchange profits of £5,680,882 and £1,823,308 brought back from stock reserves.

The results for the groups separately were:

	Consolidated Net Profit	Profit of Parent Company
Lever Brothers & Unilever Limited	£10,998,350 (£11,727,509)	£5,853,188 (£5,501,287)
Lever Brothers & Unilever N.V.	£8,228,525 (£7,852,618)	£3,799,776 (£2,614,897)

The Reports and Accounts of both Companies will be issued on 19th June, 1951.

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All of these schemes for American grants to overseas territories are intended directly or indirectly to assist the production of essential raw materials as well as to develop Africa and other areas. There is, however, another source of ECA finance potentially available for this purpose. It will be remembered that the original Marshall Aid agreement gave ECA the right to use 5 per cent of Marshall Aid counterpart sterling funds for the purchase of strategic materials or for

But delays in delivering the Ambassador have been caused by more far-reaching technical difficulties. They have arisen from the refusal of the Air Registration Board to grant the aircraft a certificate of airworthiness, without which it may not carry fare-paying passengers. The ARB has maintained that a certificate could only be granted to this aircraft on the condition that, when loaded, its centre of gravity (which determines the machine's stability and hence its safety) should not vary by more than a two-inch margin from a given point. For practical purposes it would be impossible

Copies of the full Report and Accounts can be obtained free of charge by anyone interested from N. M. Rothschild & Sons, New Court, St. Swithin's Lane, London, E.C.4.

for a commercial operator to load the Ambassador with such precision, and the certificate of airworthiness has therefore been withheld until the margin could be made more reasonable. This has now been done by fitting a new elevator to the aircraft. The modification appears to be entirely successful and a certificate of airworthiness may, therefore, be issued in July when flight trials have been completed. If so, the first Ambassador could be in service by the middle of August; five more are scheduled for delivery this year, and a further fourteen in 1952.

The Ambassadors were to have been used this summer on some of the Corporation's most heavily booked routes. Their failure to arrive has meant that aircraft from other services have had to be diverted to those routes, and has involved heavier calls for aircrews since Ambassador services would have been operated with fewer flying staff. BEA's consequent "sense of frustration" is understandable. In recent years the Corporation has reduced its annual deficit by impressive steps in the face of continually rising costs: this summer's cancellations will now offset much of this saving.

* * *

Softwood Supplies and Russian Negotiations

When early last year the United Kingdom Timber Control bargained with Sweden on the basis of £47 10s. a standard, it miscalculated the market and lost the timber—less than a third of the softwood hoped for in 1950 under the Anglo-Swedish trade agreement was eventually purchased. It also revealed the loss of British influence on softwood prices that used to be predominant before the war. After the outbreak of the Korean war, Britain had to turn to North America; with a more plentiful supply of dollars it was able to contract in the latter half of 1950 for about half a million standards both in British Columbia and the United States at high prices, which in their turn set a higher level for Scandinavian prices in 1951. Then the timber trade was partially freed in October and up to the end of April some 680,000 standards had been bought on private account. More recently the Timber Control has contracted with British Columbian firms for over 300,000 standards for shipment up to June, 1952. If the business recently done by the Timber Control in the United States and by private buyers during May is included, imports during 1951 should total about 1,500,000 standards, a figure that takes no account of the possibility of new agreements with Russia and allows for doubts about some of the contracts and the difficulties of freight.

Such a total suggests that, even after stockpiling by the Government and re-stocking by the trade, softwood supplies in this country should be adequate by the end of the summer—at least to meet the reduced consumption of the present time. It also provides a background for the negotiations that continue with Russia for softwoods both from the Kara Sea and from the White Sea or the Baltic. Agreement had been partially reached about a fortnight ago for 28,000 standards of Kara Sea softwoods at £106 a standard c.i.f. and for 122,000 standards of White Sea softwoods at £76 a standard f.o.b., but subject to certain Russian stipulations: first that half the tonnage to carry the Kara Sea timber should be supplied by this country and secondly that cargo ships for White Sea timber should be available at Archangel within three weeks after the timber is declared ready for shipment. It is unlikely, in present circumstances, that the Timber Control will accept such conditions, for it is difficult enough nowadays to man ships for Archangel, and will presumably be doubly difficult to get crews for the Kara Sea; moreover, the trip to Archangel takes about ten days and to charter the requisite tonnage and get the ships into position in a week would be almost impossible. On the other hand, White Sea timber is generally of better quality than Scandinavian, and Kara Sea timber is of the highest quality; whereas lower

quality wood is becoming comparatively plentiful, the higher quality required for joinery is still unlikely to meet the demand. The importance that Russia attaches to an agreement is not certain; the Russian negotiators originally hoped to secure some kind of a barter arrangement. For the first time since the war, the major problem for Britain is no longer that of sheer physical shortage of timber supplies; shortage of cargo tonnage and delays in handling at ports have been steadily assuming greater importance. Thus the trade, though requiring the Russian grades, would probably not be as greatly disturbed as this time last year by the loss of the Russian timber.

Shorter Notes

The Union Discount Company announces that Treasury consent has been given to the capitalisation of £1,283,333 from the share premium account and to the issue of 1,283,333 ordinary shares of £1 each, credited as fully paid; it is intended to distribute these shares (which will rank *pari passu* with the existing ordinary stock for the interim dividend to be declared next month) in the proportion of one new share for every £3 of stock held. Since 1937 the company has kept its dividend frozen at 10 per cent and has built up very substantial reserves, both published and hidden; there seems every reason to suppose, therefore, that the present rate of dividend will be maintained on the increased capital.

*

Sir William Crawford Currie, at the annual meeting on Wednesday of the Peninsular and Oriental Steam Navigation Company, illustrated the gravity for a shipping company of the suspension of initial allowances on expenditure to be incurred in the coming financial year. Seven companies in the group, with liabilities for ships under construction exceeding their assets by nearly £2,000,000, had received tax relief of over £4,500,000 in initial allowances. Thus without these allowances their deficiency would have been more than trebled. Apart from the loss of the initial allowance, the basic question of calculating depreciation to meet current replacement costs instead of initial costs demanded further consideration. For even in addition to very high prices for liner construction, the number of cargo liners now employed had to be greater in order to allow for loading and discharging delays at the ports of call.

*

The Ministry of Fuel and Power last week neatly contrived to nullify one effect of the National Coal Board's zone-delivered price scheme before it came into operation. To the Board's new system of graded coals and equalised transport charges, which would have had the effect of reducing domestic coal prices by 11½d. a ton, the Ministry attached a rise of 1s. 3d. a ton in distributors' margins. The consumer was thus promised his coal at an average of a shilling a ton cheaper, and finally offered it at threepence a ton dearer; for both changes, to increase perplexity, he was given the same explanation, "changes in transport charges." In reality, while the Board was reducing its prices, the distributors had satisfied the Ministry that their transport costs were rising. The Minister might perhaps have called his increase a matter of "delivery."

*

The Tin Research Institute has been working for some time on a tin-nickel alloy for electro-plating, consisting of 65 per cent tin and 35 per cent nickel. It is now being produced on a pilot scale by two firms in this country and by other firms abroad. Since less nickel is used than in nickel plating it is hoped that it might ease the nickel shortage; but its merits largely depend on price and it is too early yet to compare costs.

Company Notes

United Molasses.—The impressive improvement in United Molasses' group trading profits from £2,145,959 to £3,592,941 is partly due to the inclusion for the first time of earnings of Anchor Line, now wholly owned by United Molasses, but mainly to the increased earnings of the group's tanker fleet. The company did not immediately benefit from the sustained rise in freight rates in the latter half of 1950, but voyage accounts of recent months have begun to show their effect, and "a marked increase" in earnings is expected this year, when the tanker fleet will be restored in size to its prewar numbers and more than restored in annual carrying capacity.

As the company's issued capital had become completely out of line with the real capital employed—net worth, based on book values, of £12,500,000 represents at present replacement values no less than £18 million to £20 million—the company sought to broaden the basis of its capital. The Capital Issues Committee finally agreed to the capitalisation from reserves of £1,954,000, after the company had sought permission to capitalise double this amount, and in April one 6s. 8d. ordinary stock unit was issued for every unit held. The final tax-free ordinary capital of 6½ per cent is to be paid on the doubled capital, so that the year's total distribution is equivalent to 43.81 per cent on the original capital of £1,954,500, against 27½ per cent plus a tax-free cash distribution of 2½ per cent in 1949.

	Years to Dec. 31, 1949	1950
Consolidated Earnings:—		
Trading profit	2,145,959	3,592,941
Total income	2,286,609	3,855,090
Depreciation	799,975	1,203,358
Taxation	652,232	1,382,256
Group earnings for ord. stock	551,616	921,650
Ordinary dividends	295,619	459,308
Ordinary dividends (per cent) ..	27½	43.81
Retained by subsidiaries	150,000	205,000
Added to carry forward	205,997	414,994
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation ..	7,028,920	7,864,326
Net current assets	4,285,428	3,437,151
Stocks	659,995	2,112,432
Cash	2,872,785	1,594,807
Reserves	9,829,146	10,514,745
Ordinary capital	1,954,500	1,954,500

6s. 8d. ordinary stock at 39s. 2d. yields 13 15s. per cent.

The replacement of tankers lost in the war is now almost completed; the book value of motor vessels at cost has increased by £2,088,672 to £9,638,970 with the purchase of new tankers in 1950 and payments of £1,132,065 have been made for four new tankers building at the end of the year. Capital expenditure of this nature has made some call on liquid resources, so that cash has fallen from £2,872,785 to £1,594,807 and British government securities from £791,213 to £69,480; when the tankers now under construction are delivered, no further capital commitments of any consequence are in prospect in the next few years and this should lead to a strengthening of liquid resources. When the Board of Trade gave up its control of molasses, the company acquired stocks previously held by the Board, so that the book value of molasses stocks has jumped from £134,770 to £1,542,666. Carrying stocks of molasses at high prices, however, imposed some strain on liquidity, and an American subsidiary had to sell some £450,000 of American government securities to finance its purchases.

The chairman is optimistic about the immediate future and says that "combined earnings for 1951 are likely to show a very substantial increase over 1950." Some concern, however, is expressed over the abnormally high prices for molasses, and it is feared that it will encourage greater production of synthetic alcohol, so that the fermentation industry might suffer when "the present inflated demand for industrial alcohol brought about by world-wide rearmament comes to an end." Despite this risk, the company has erected and equipped collecting stations in areas where it was uneconomical to collect and ship molasses at the lower prices prevailing at the beginning of 1950.

*

J. and P. Coats.—One of the biggest disappointments in the market since the dividend thaw began was the mere maintenance of Coats' ordinary dividend at 12½ per cent; immediately the announcement was made the £1 share units fell 5s. to 62s. 6d. but they have since recovered to 65s. 7½d. to yield 3.8 per cent. The report shows that group trading profits have risen from £13,133,612 to £15,546,151, but exchange gains following devaluation and the conversion to sterling of stocks carried by foreign subsidiaries have inflated the 1950 figure by £2,800,000 compared with £2,250,000 in 1949; allowing for these windfall gains the increase in profits is of the order of £1,700,000 and is said to arise "from higher values experienced under the general inflationary conditions operating during the year." The greater part of the 1950 exchange profits was retained by overseas subsidiaries and as the company does not provide for taxation on these gains until they are transferred, the provision for British taxation has actually fallen from £4,339,565 to £3,234,986. It is emphasised that retentions by subsidiaries, which total £6,394,488, against £2,924,285, and which include exchange gains of £2,795,121, against £566,970, are not freely available for distribution through the parent company's account; exchange controls restrict the transfer of cash and goods within the group and the capital needs of subsidiaries have to be met from profit retentions. The parent company's earnings cover on the ordinary dividend is, however, over £2,000,000, so that the company's dividend policy appears to be weighted on the side of caution.

	Years to Dec. 31, 1949	1950
Consolidated earnings:—		
Trading profit	13,133,612	15,546,151
Total income	13,426,858	15,933,292
Depreciation	741,620	823,268
UK Taxation	4,339,565	3,234,986
Group earnings for ord. stock	3,155,706	5,888,011
Ordinary dividends	1,014,062	986,406
Ordinary dividends (per cent) ..	12½	12½
Retained by subsidiaries	2,924,285	6,394,488
Added to general reserves and carry forward	1,631,303	1,654,982

Cons. balance sheet analysis:—

Fixed assets, less depreciation ..	7,885,906	8,819,471
Net current assets	36,410,920	42,560,939
Stocks	35,785,855	39,876,780
Cash	3,709,830	5,611,649
Reserves	25,437,947	32,628,628
Ordinary capital	14,750,000	14,750,000

£1 ordinary stock at 65s. 7½d. yields 13 16s. per cent.

The ploughing back of profits has, of course, strengthened an already impressive balance sheet. Reserves are up from £25,437,947 to £32,628,628, while subsidiary companies have reduced bank overdrafts from £1,109,848 to £953,485. Investment in current assets may partly explain the decision to buttress reserves, for stocks are higher at £39,876,780, against £35,785,855, rather as a result of a rise in raw cotton and yarn prices than of any increase in physical quantities, and trade debtors have risen from £5,157,118 to £7,275,899 as a result of higher sales turnover. The strength and comparative liquidity of the balance sheet and the good profit figures will not make ordinary shareholders in any way sceptical about the future profitability of the group, but they will hope—and the low yield suggests that these hopes are not dead—that the board will modify its ultra conservatism in the matter of dividends and distribute a slightly larger slice of the cake.

SECURITY PRICES AND YIELDS

Prices, Year 1951 Jan. 1 to June 6		British Funds and Guaranteed Stocks	Price, May 30, 1951	Price, June 6, 1951	Gross Yield, June 6, 1951
High	Low				£ s. d.
101½	100½	War Bonds 2½% ... Mar. 1, 1951-53	100½	100½	1 3 11½
101½	100½	War Bonds 2½% ... Mar. 1, 1952-54	101½	101½	1 18 9½
102½	100½	Exch. Sdk. 2½% ... Feb. 15, 1955	101½	101½	1 0 7½
103½	101½	War Bonds 2½% ... Aug. 15, 1954-56	102½	102½	2 1 10½
102½	101	Funding 2½% ... June 15, 1952-57	101½*	101½*	2 4 0½
103½	102½	Nat. Defence 3% ... July 15, 1954-58	103½	103½	2 10 4½
104½	102½	War Loan 3% ... Oct. 15, 1955-59	102½	102½	2 5 9½
101½	97½	Savings Bonds 3% ... Aug. 15, 1955-65	98	97½	2 13 5½
99½	97	Funding 2½% ... Apr. 15, 1956-61	97½	97½	3 16 3½
99½	93½	Funding 3% ... Apr. 15, 1959-69	93½	93½	3 5 6½
99½	95½	Funding 3% ... Aug. 1, 1966-68	95½	95½	2 17 7½
107½	102½	Funding 4% ... May 1, 1960-90	103½	103½	4 0 7½
99½	92½	Savings Bonds 3% ... Sept. 1, 1960-70	93½	93½	3 10 3½
94½	90½	Savings Bds. 2½% ... May 1, 1964-67	90½	90½	3 11 4½
110	104½	Victory Bonds 4% ... Sept. 1, 1920-70	104½	104½	3 16 9½
97½	90½	Savings Bonds 3% ... Aug. 15, 1965-75	91½	91½	3 19 6½
103½	99½	Consols 4% ... Feb. 1, 1957	100½	100½	3 10 10½
96½	89½	Conversion 3½% ... (after Apr. 1, 1961)	90½	90	3 5 10½
71½	64½	Treasury Sdk. 2½% ... (after Apr. 1, 1975)	65½	65½	3 18 0½
84½	76½	Treasury Sdk. 3% ... (after Apr. 5, 1966)	77½	77½	3 12 3½
103½	95½	Treasury Sdk. 3½% ... June 15, 1977-80	96½*	95½*	3 16 9½
92½	83½	Redemp. Sdk. 3% ... Oct., 1986-96	85½	84½	3 15 15
94½	87½	War Loan 3½% ... (after Dec. 1, 1952)	88½*	88½*	3 16 3½
71½	64½	Consols 2½% ...	66	65½*	3 12 3½
91½	90½	Br. Elect. 3% Gtd. ... Apr. 1, 1968-73	91½	91½	3 15 15
96½	89½	Br. Elect. 3% Gtd. ... Mar. 15, 1974-77	90½	90½	3 12 3½
103½	95½	Br. Elect. 3½ Gtd. ... Nov. 15, 1978-79	96½	95½	3 13 12
92½	83½	Br. Tpt. 3% Gtd. ... July 1, 1978-88	84½*	84½*	3 15 15
97½	90½	Br. Tpt. 3% Gtd. ... Apr. 1, 1968-73	91½	91	3 18 3½
91½	83½	Br. Gas Gtd. 3% ... May 1, 1990-95	84½	83½	3 12 3½
99	95	Br. Iron & Steel 3½% ... Feb. 15, 1979-81	95½	95½	3 16 3½
					3 16

(c) To earliest date. (f) Flat yield. * Ex dividend.
† Assumed average life 13 years 3 months.

Prices, Year 1951 Jan. 1 to June 6	Ordinary Stocks	Price, May 30, 1951	Price, June 6, 1951	Yield, June 6, 1951	
High	Low			£ s. d.	
87½	61	Anglo-Am. 10/-	88	88	3 12 6
61½	41	Anglo-Iran 1/-	51	51	5 7 10
100/-	82/6	Assoc. Elect. 1/-	97/6	98/9	4 1 1
110/9	80/-	Assoc. P. Cem. 1/-	108/9	110/-	5 0 0
37 ¼	26/6	Austin 5/-	35 7 ½	36/10 ½	4 14 11
156/6	143/-	Bass 1/-	149/4 ½	149/4 ½	6 7 6
55/6	46 ¼	Boots 5/-	50/6 ½	52/-	3 16 11
36/-	23 1 ½	Br. Celanese 10/-	34/6	34 6 2	2 17 11
101/6	85/3	Br. Oxygen 1/-	99/-	100/6	3 19 7
70/-	54/9	Coats 1/-	63/9	65/7 ½	3 16 2
50/-	38/-	Courtaulds 1/-	48/6	49/3	4 1 3
24/9	19 1 ½	Distillers 4/-	23/6	24/-	3 6 8
68/6	54/6	Dunlop 1/-	64/9	67/6	5 3 8
60/3	46/3	Ford 1/-	57/6	60/-	4 3 4
97/-	81/3	Gen. Elect. 1/-	92/6	92/6	3 15 8
145/6	127/6	Guinness 1/-	78	78	4 8 8
45 7 ½	30/9	Hawker Sid. 5/-	44 7 ½	45/6	3 11 5
53/10 ½	42 1 ½	Imp. Chem. 1/-	51/10 ½	53/6	4 9 9
51 ½	39 10 ½	Imp. Tobacco 1/-	51	51	6 3 4
57 1 ½	40 10 ½	Lancs. Cotton 1/-	53 1 ½	56/6	4 9 11
61/9	55/9	Leaver 1/-	53 1 1	56/6	4 15 1
69/6	59/9	London Brick 1/-	59/4	59/4	5 0 10
104/-	80/-	Marks & Sp. A. 5/-	99/3	103/6	3 12 6
69/6	53/9	P. & O. Def. 1/-	63/-	64/6	4 19 3
41 10 ½	36/3	P. Johnson 10/-	41/6	41/6	6 0 6
52 ½	37 ½	"Shell" Stk. 1/-	41 ½	42	4 17 8
7 ½	6 ½	Tube Investmt. 1/-	7	7	3 11 5
103/9	82 4 ½	T. & Newall 1/-	5 ½	5 ½	3 17 7
47/-	35 10 ½	Union Castle 1/-	38 ½	38/6	5 3 11
77/6	49/6	U. Sna Btong 1/-	62/6	64/4	15 10 8
56/-	35/3	Wickers 1/-	54/-	53/-	4 14 4
50/-	43/-	Woolworth 5/-	49/-	49/6	4 5 10

* Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 2, 1951, total ordinary revenue was £67,122,000, against ordinary expenditure of £76,382,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £1,550,000 the surplus accrued since April 1, 1951, is £18,845,000 compared with a surplus of £27,606,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand)			
		April 1, 1950 to June 3, 1950	April 1, 1951 to June 2, 1951	Week ended June 2, 1950	Week ended June 2, 1951
Ord. Revenue					
Income Tax	162,400	138,186	158,719	11,530	18,548
Sur-tax	128,000	18,200	18,300	1,450	1,500
Estate, etc., Duties	180,000	33,900	37,900	2,850	5,200
Stamps	55,000	9,220	10,900	1,000	1,000
Profits Tax	312,650	30,280	39,400	2,940	1,800
E.P.T.	500	2,500	...	...	...
Other Inland Rev.	1,500	130	590	100	80
Special Contributions					
Total Inland Rev.	2,302,400	233,466	265,849	19,870	28,138
Customs	930,500	152,332	167,932	18,296	28,395
Excise	720,500	135,015	147,570	2,943	8,765
Total Customs and Excise	1,651,000	287,347	315,502	21,239	37,160
Motor Duties	62,000	5,015	5,542	394	103
Surplus War Stores	20,000	9,337	22	7	...
Surpl's from Trade	50,000	974	...	...	...
P.O. (Net Receipts)	5,400	6,900	8,700	Dr 500	600
Wireless Licences	13,600	1,800	2,000	800	1,000
Sundry Loans	27,000	1,308	2,267	...	...
Miscell. Receipts	105,000	11,130	7,951	62	121
Total Ord. Rev.	4,256,400	557,878	607,833	41,872	67,122
SELF-BALANCING					
Post Office	179,431	23,800	25,900	2,500	2,900
Income Tax on E.P.T. Refunds	4,900	1,580	933	240	88
Total	4,420,731	583,258	634,666	44,612	70,110

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1, 1950 to June 3, 1950	April 1, 1951 to June 2, 1951	Week ended June 2, 1950	Week ended June 2, 1951
Ord. Expenditure					
Int. & Man. of Nat. Debt	335,000	98,024	105,031	28,683	27,538
Payments to N. Ireland	38,000	4,94	5,575	...	...
Other Cons. Funds	11,000	725	...	118	144
Total	384,000	103,693	111,498	28,801	27,682
Supply Services	361,292	424,534	475,940	33,270	48,700
Total Ord. Expd.	419,692	528,227	587,438	62,071	76,382
Sinking Funds	...	2,044	1,550	550	...
Total (excl. Self-Bal. Expd.)	419,692	530,271	588,988	62,621	76,382
SELF-BALANCING					
Post Office	179,431	23,800	25,900	2,500	2,900
Income Tax on E.P.T. Refunds	4,900	1,580	933	240	88
Total	438,125	555,651	615,821	65,361	79,370

After decreasing Exchequer balances by £435,147 to £2,905,538, the other operations for the week increased the National Debt by £20,106,787 to £26,267 million.

NET RECEIPTS (£ thousand)	
Title Act, 1936, s. 26	250
NET ISSUES (£ thousand)	
P.O. & Telegraph (Money) Act, 1950	260
E.P.T. Refunds	103
Export Guarantees Act, 1949, s. 3(2)	470
Housing (Scotland) Act, 1950, s. 9(2)	380
Local Authorities Loans Act, 1945, s. 3(2)	4,900
New Towns Act, 1946, s. 12(3)	850
Cinematograph Film Production (Special Loans) Acts, 1949 and 1950	250
Coal Industry Nationalisation Act, 1946, s. 31(1)	1,000
Miscell. Fin. Prov. Act, 1946, s. 2(1) War Damage War Damage Commission	3,000
Finance Acts, 1946 and 1947: Post-war Credits	364
	11,532

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	2,360	21% Def. Bonds	475
Nat. Savings Certs.	1,700	Other Debt	939
3% Def. Bonds	439	External	...
Tax Reserve Certs.	12,616		
Other Debt	...		
Internal	3,315		
Ways & Means Advances	1,130		
	21,551		1,444

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bk. of England		
1950 June 3	3070.0	1838.2	431.2	...	390.0	5729.4
1951 Mar. 3	3170.0	1733.8	421.5	...	339.0	5664.3
" 10	3180.0	1737.3	440.7	...	314.0	5672.0
" 17	3180.0	1799.6	396.6	6.5	294.0	5676.7
" 24	3170.0	1811.6	428.9	...	284.0	5694.5
" 31	5009.9	446.8	...	...	283.5	5740.2
April 7	3190.0	1774.8	432.8	...	338.5	5736.1
" 14	3200.0	1749.3	436.5	...	363.5	5749.3
" 21	3220.0	1779.5	450.5	...	344.0	5794.0
" 28	3230.0	1789.8	434.3	...	319.5	5773.7
May 5	3220.0	2040.3	439.0	...	319.5	6018.8
" 12	3230.0	2015.2	448.6	...	319.5	6013.3
" 19	3230.0	2035.1	436.4	...	319.5	6021.0
" 26	3230.0	2043.5	434.8	...	319.5	6027.9
June 2	3240.0	2036.0	427.7	...	319.5	6031.4

TREASURY BILLS (£ million)

TENDERING STATE						
(₹ million)						
Date of Tender		Amount			Average Rate of Allotment	Allotted at Min. Rate
		Offered	Applied for	Allotted		
1950						
June 2		240.0	343.5	240.0	10 2.64	57
1951						
Mar. 2		260.0	346.2	260.0	10 2.87	65
" 9		260.0	339.3	260.0	10 2.97	68
" 16		250.0	332.7	250.0	10 2.96	66
" 22		250.0	332.9	250.0	10 2.94	66
" 30		250.0	332.4	250.0	10 2.98	66
April						
6		240.0	320.3	240.0	10 3.13	67
" 13		250.0	351.2	250.0	10 2.67	59
" 20		240.0	354.5	240.0	10 2.60	54
" 27		230.0	359.0	230.0	10 2.44	48
May						
4		240.0	364.8	240.0	10 4.52	15
" 11		250.0	350.3	250.0	10 2.79	60
" 18		260.0	350.9	260.0	10 2.80	63
" 25		250.0	336.6	250.0	10 2.98	65
June						
1		250.0	349.5	250.0	10 2.78	60

On June 1st applications for 91 day bills to be paid from June 4 to June 9, 1951, were accepted dated Monday to Saturday at about 60 per cent at 99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million are being offered for June 8th. For the week ending June 9th the banks were asked for Treasury deposits to a maximum of £25 million at 154 days.

NATIONAL SAVINGS (£ thousand)

	Totals 8 Weeks ended		Week ended May 26, 1951
	May 27, 1950	May 26, 1951	
Savings Certificates:			
Receipts	14,050	34,700	5,000
Repayments	20,300	24,300	2,800
Net Savings	Dr 6,250	10,400	2,200
Defence Bonds:			
Receipts	2,855	7,964	1,120
Repayments	9,515	8,180	1,085
Net Savings	Dr 6,660	Dr 216	35
P.O. and Trustee Savings Banks:			
Receipts	101,853	107,504	11,368
Repayments	100,009	128,114	16,528
Net Savings	Dr 1,854	Dr 20,610	Dr 5,160
Total Net Savings	Dr 11,056	Dr 10,426	Dr 2,925
Interest on certificates repaid	4,319	5,832	672
Interest accrued	19,153	19,435	2,409
Change in total invested	+ 3,783	+ 3,177	- 1,194

BANK OF ENGLAND RETURNS

JUNE 6, 1951

ISSUE DEPARTMENT

Notes Issued:—		Govt. Debt...	
In Circulation	1337,132,360	Other Govt. Securities	1334,772,542
In Bankg. Department	13,224,463	Other Secs. (other than gold)	694,725
		Gold Coin and Bullion (at 248s. per oz. fine)	3,513,533
			1,350,000,000
			355,823
			1,350,358,823

BANKING DEPARTMENT

Capital		Govt. Secs.	
.....	14,553,000	Other Secs.	377,535,441
Rest.	3,444,075	Discounts and Advances	30,329,747
Public Depts.	17,321,136	Securities	7,475,249
Public Accts.	12,931,538		23,854,439
H.M. Treas. Special Acct.	4,389,600		
Other Depts.	386,321,602		
Bankers	300,041,126		
Other Accts.	86,280,476		
	421,639,813		

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

COMPARATIVE ANALYSIS (£ million)

	1950		1951	
	June 7	May 23	May 30	June 6
Issue Dept.:				
Notes in circulation	1289.6	1332.3	1331.6	1337.1
Notes in banking department	10.7	18.1	18.7	13.2
Government debt and securities	1299.2	1345.8	1345.8	1345.8
Other securities	0.7	0.6	0.7	0.7
Gold and Coin	0.4	3.9	3.9	3.9
Valued at s. per fine oz.	248/0	248/0	248/0	248/0
Banking Dept.:				
Deposits	12.1	13.5	14.4	12.9
Public Accounts	196.2	9.1	13.4	4.4
Treasury Special Account	285.9	306.3	296.4	300.0
Bankers	95.9	82.3	84.8	86.3
Others	510.1	411.2	409.0	403.6
Securities:				
Government	551.3	380.0	371.8	377.5
Discounts, etc.	15.9	7.5	2.8	7.5
Other	24.0	23.1	33.2	22.9
Total	591.2	410.6	407.8	407.9
Banking dept. res.	17.0	18.6	19.2	13.8
" Proportion "	2.8	4.5	4.7	3.4

* Government debt is £11,615,100, capital £14,553,000. Fiduciary issue reduced from £1,375 to £1,350 million on January 10, 1951.

GOLD AND SILVER

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

	SILVER			GOLD	
	London	New York	Bombay	Bombay	per ton
1951					
May 31...	d. 78-5	c. 90-16	Rs. 232 10	Rs. 116 0	
June 1...	78-5	90-16	202 6	116 2	
" 2...	Markets	Close	201 15	115 4	
" 4...	78-5	90-16	202 3	115 2	
" 5...	78-5	90-16	203 5	116 7	
" 6...	78-5	90-16	203 7	116 6	

COMPANY MEETINGS

UNION CORPORATION, LIMITED

SATISFACTORY FINANCIAL POSITION

REVIEW OF GOLD-MINING AND OTHER INTERESTS

The ordinary general meeting of shareholders in Union Corporation, Limited, was held in Johannesburg, Mr P. M. Anderson presiding. The chairman said:

Our gross profit for the year was £1,519,366. Revenue from dividends and interest rose by £318,714 to £1,408,706. This increase was more than offset by a fall of £348,345 to £110,660 in net realised profits on shareholdings, fees and sundry receipts, after charging expenses. These net realised profits fluctuate in accordance with market conditions and with the financial policy of the Corporation and it is satisfactory that the more stable dividend income now represents such a considerable proportion of the total revenue.

Largely as a result of unilateral relief which was accorded to the Corporation under the United Kingdom Finance Act, 1950, the amount of United Kingdom income-tax and profits tax charged on profits for the year was substantially less than for the previous year, and as a consequence the net profit after taxation increased by £96,249 to £927,319. Out of this profit your directors have considered it desirable to appropriate £300,000 to exploration reserve which, after deducting £193,930 actually spent on exploration during the year, now stands at £366,575. As will be seen from the report, the Corporation is still actively engaged on prospecting and substantial provision on this account is therefore required.

Dividends totalling 6s. per share free of United Kingdom income-tax, the same rate as last year, have been paid and absorbed £558,000, leaving £282,327 to be carried forward to the new account, compared with £213,008 brought forward from 1949.

The Corporation's financial position at the end of the year was satisfactory; the balance of debtors and cash assets after deducting current liabilities and provisions as shown in the balance-sheet was £1,666,650.

WITWATERSRAND

The tonnage milled in 1950 by the Witwatersrand gold mines increased by over 2,500,000 tons to 59,515,200 tons, and as the increased price of gold of 248s. 3d. per ounce fine was received for the output over the full year, the working revenue at £139,491,029 was £28,873,593 more than in 1949. Working costs totalled £87,956,643, so that the working profit was £51,534,386, which is £17,584,593 more than for the previous year. In addition, the sum of £2,123,547 accrued to the industry from sales of gold at enhanced prices for industrial and artistic purposes.

After appropriating over £6,000,000 for capital expenditure and other items and after providing for payments to the Government, dividends distributed to shareholders totalled £24,700,000, or an increase of just over £8,000,000 compared with the previous year. It is estimated that taxation and share of profits payable to the Government will amount to £22,500,000, an increase of £10,750,000. Notwithstanding the substantial share of the profit which the State already takes, in March of this year the Minister of Finance announced his intention of restoring the formula tax to the 1947 level. The effect of this is to increase the rate of the formula tax by 5 per cent. as from January 1, 1951.

The money value of the output, the work-

ing profit, and the total dividends distributed to shareholders in 1950 are the highest achieved in the history of the Witwatersrand goldfields. Unfortunately, it appears doubtful whether these records can be maintained for the present because of the contraction in the supply of native labour and the rising costs of goods and services. The

issue of Ordinary shares in which your Corporation will participate.

EXPLORATION

Particulars are given in the directors' report of the principal exploration ventures which are being carried out by your Corporation through its subsidiary companies, and I

CROWN MINES LIMITED

DEVALUATION BENEFITS OFFSET BY RISING COSTS

SATISFACTORY ORE RESERVE POSITION

MR W. H. A. LAWRENCE'S ADDRESS

The annual meeting of Crown Mines Limited, was held on May 30th in Johannesburg.

Mr W. H. A. Lawrence, the chairman, who presided, said, due mainly to the higher price received for gold since devaluation on September 19, 1949, and also to additional income received from sales of gold at enhanced prices for industrial and artistic purposes, the revenue of the gold-mining industry in the year 1950 had been the highest ever recorded in the history of gold-mining in South Africa.

Monthly working profits of the industry, although also totalling a record amount for the year, had declined seriously as the result of a steady and material increase in working costs. After averaging 26s. 3d. per ton milled for the quarter immediately prior to devaluation, working costs had increased to 28s. 6d. in the last quarter of 1949 to 30s. 5d. in the last quarter of 1950 and to 31s. 1d. in the first quarter of the current year.

Unless that upward trend of working costs could be halted, benefits resulting from devaluation would soon disappear and the industry might again experience the difficult conditions which had prevailed as recently as 21 months ago.

COST RISE CAUSING CONCERN

At the company's mine, revenue for the year had been the highest recorded with the exception of the years 1940 and 1941. Excluding results for the five years immediately prior to devaluation, working profit had, however, been the lowest since 1932.

Considering that the mine had been in production since 1897, and that the average depth of the present main workings was about 8,000 feet that was not entirely unexpected, but the rate at which, and the extent to which working costs had risen since devaluation was causing concern. One of the benefits of the higher price of gold was that it rendered economical the mining of certain ore previously below the pay limit. While the consequent increase in the quantity of ore available made it easier to maintain a high rate of milling and, therefore, to keep the cost per ton milled down, the lower value of ore mined resulted in an increase in the cost per ounce of gold produced depending on the extent of the fall in the grade of ore milled. At the company's mine, working costs per ounce of gold produced had since devaluation increased by about 29 per cent., of which 9 per cent. was due to the decrease in yield. Of the additional revenue of 75s. 9d. an ounce accruing to the company as a result of devaluation, 44s. 9d. had, therefore, already been absorbed by increased working costs.

ORE RESERVE POSITION

Last year, he had explained why it had not been possible to develop sufficient payable ore to replace that mined from reserves and he had stated that the ore reserve ton-

nage was likely to decline for the next two or three years. He had added that thereafter future prospects would be governed by the percentage payability of the Main Reef Leader in unexplored areas below the existing workings due to the improvement in the average numbers of both European and non-European employees. During 1950 it had been possible to increase reef development by 23,931 feet to a total of 72,752 feet. Although there had been a slight decline in the value and percentage of payability of the Main Reef Leader in the central section of the mine, disclosures generally had been satisfactory, particularly in the western section. Including small tonnages again opened up on the Main and South Reefs in the upper levels, total ore developed had been 436,700 tons more than in the previous year, but 386,300 tons less than the tonnage mined from payable reserves. After allowing for certain other adjustments, the available ore reserve at the end of the year had been estimated to be 9,212,000 tons valued at 4.5 dwt per ton. That represented a decline of 323,000 tons from the previous year's figure, which in all circumstances could be regarded as satisfactory.

EXPLORATORY OPERATIONS

As a result of intersection early in 1950 of a strike dyke at depths exceeding 9,000 ft. in the south-eastern portion of the mine, sinking operations had been suspended in R.1, 2 and 3 sub-incline shafts pending the outcome of investigations into the extent of intrusion and its effects on reef formation. In the latter part of 1950 a winze below R.2 incline shaft passed through the dyke, which had an apparent thickness of about 500 ft. As the ground to the south of the dyke had been badly broken, the crosscut had been advanced to less disturbed ground, where drilling had been undertaken to establish the position of the reef. In one of those boreholes a reef, believed to be the Main Reef Leader, had been intersected at a vertical depth of 250 ft. below the crosscut equal to about 9,500 ft. below the surface assaying 10.4 dwts. over a true width of 18 in. The reef had been thrown down several hundred feet and exploratory operations were continuing to determine more fully the displacement and value of the reef in the area.

During the first four months of the current year, working profit had amounted to £466,369 and additional revenue from sales of gold at enhanced prices to £131,404.

In regard to the item of special business mentioned in the notice convening the meeting, shareholders would be asked to pass a special resolution altering certain of the company's Articles of Association, the main purpose of which was to bring them into line with modern practice and Stock Exchange requirements. Those alterations had been approved by the Johannesburg and London Stock Exchanges.

The report and accounts were adopted and the special resolution passed.

LISBON ELECTRIC TRAMWAYS

SIR HUGH O'NEILL'S REVIEW

The annual general meeting of Lisbon Electric Tramways, Limited, will be held in London on June 27th.

The following is an extract from the statement of the chairman, The Rt. Hon. Sir Hugh O'Neill, Bt., P.C., M.P., circulated with the report and accounts for the year 1950:—

It is with deepest regret that I have to refer to the recent death of His Excellency Marshal Carmona, the President of the Portuguese Republic. He had been President for nearly 25 years and was held in the greatest affection by all his people. During this period Portugal enjoyed orderly Government and achieved stability. He did much to foster and extend the good relations which have always existed between his country and its oldest ally, Great Britain.

The number of fare-paying passengers carried by the company's services continues to increase and reached the record number of 308,007,979, an increase of nearly 14 million, or 4.7 per cent. compared with the year 1949. The company's vehicles carry each day more than the total population of Lisbon, a feat probably unique in public passenger service operation.

Besides contributing the sum of £198,447 to the Municipal Revenue of Lisbon and £109,467 in Portuguese State Tax, the company also provides free travel facilities for various uniformed services. These account for about 11 million journeys a year in addition to the figure mentioned above and converted into money would represent approximately £100,000.

PROFIT AND DIVIDEND

The final result of the year's operations is that the net profit of £70,390 shows an increase, compared with 1949, of £3,084. This profit, together with the balance of £41,197 brought forward from last year, gives a total of £111,587. The preference dividend and the ordinary dividend of 5 per cent. net for the year absorb £61,595, leaving to carry forward to 1951 a balance of £49,992. Capital expenditure during the year on six new double deck buses, 10 closed trailer tramcars and expenditure on general plant and equipment amounted to £66,456.

Last year reference was made to the project of an underground railway in Lisbon. The latest information regarding this is that technical studies by the underground company's engineers continue but the constructional work has not commenced.

It is only by planning well ahead that demands can be met as they arise. Mr J. P. Thomas, M.I.E.E., who visited Lisbon in 1949, to report on the Metropolitan project, has recently been to Lisbon at our request in order to study the traffic problem there and to report to the company on the best methods to be adopted to improve and extend our services.

A request for an increase in wages was received from our workpeople, and negotiations with the authorities have resulted in the increase being made effective as from January 1, 1951.

Our general manager, Mr James Ramsay, C.M.G., O.B.E., was taken seriously ill in the middle of the year and resigned from the positions of general manager and chairman of the board of the C.C.F.L., as at December 31, 1950. Mr Ramsay has been succeeded in these positions by Mr Reginald John Smith, who has had many years business experience in Portugal and South America.

CITY DEEP LIMITED

INCREASED WORKING PROFIT

HEAVY CAPITAL EXPENDITURE ENVISAGED

NEED FOR CONSERVING RESOURCES

MR W. M. FRAMES' REVIEW

The annual meeting of City Deep Limited, was held on May 30th, in Johannesburg.

Mr W. M. Frames, acting chairman, who presided, in moving the adoption of the report and accounts, said the price received for gold had remained unchanged throughout the year at 248s. 3d. per ounce fine. As a result of that higher price and of the greater efficiency and increased tonnage which had been attained since the acquisition of Nourse Mines property, there had been a net increase in the working profit of 4s. 11d. per ton milled, although working costs had risen by 3s. 4d. to 39s. 2d. per ton milled.

In spite of a continued shortage of both European and native labour, ore milled at 1,962,000 tons had represented an increase of 135,000 tons over the figure for 1949 the improvement being mainly accounted for by an increase of 95,038 in the tonnage which had been drawn from surface dumps. Increased revenue received as a result of the higher price of gold had made possible a reduction in the pay limit and there had been a consequent decrease of 0.298 dwt. to 4.269 dwt. in the average yield per ton milled.

UNAPPROPRIATED BALANCE

Working profit for the period under review, after placing £878 to abnormal costs reserve, had amounted to £1,455,203. To that figure had been added a net credit of £14,185 being the difference between sundry items detailed in the income and expenditure account, making a total profit of £1,469,388, which together with the unappropriated balance of £467,807 brought forward at the beginning of the year and £12,700 withdrawn from shareholders contingency reserve, had made a total of £1,949,895. From that sum appropriations of £562,635 for taxation, £12,748 for forfeited dividends refunded and £709,391 for two dividends of 3s. 6d. each had been made, leaving an unappropriated balance of £665,121 to be carried forward to the current year's accounts. That unappropriated balance had been represented by cash assets (including shares, stores, sundry debtors and payments in advance), deposits, cash and gold on consignment totalling £2,636,948 less current liabilities, provisions and abnormal costs reserve amounting to £1,971,827.

After allowing for sales of equipment and property totalling £4,617, net capital expenditure during the year, including an adjustment of £588 in respect of the cost of the acquisition of Nourse Mines property, had amounted to £92,798. That left capital funds totalling £181,924 to be carried forward to the current year.

POSSIBILITY OF LOWER DIVIDEND

At the annual meeting last year, shareholders had been informed that capital expenditure during 1950 might amount to £258,000. Due to delays in delivery of equipment and the consequent slowing up of the programme for sinking and equipping the sub-incline shafts, expenditure had been considerably less than anticipated and had been incurred mainly in respect of the construction of new buildings and of extensions and renovations of existing buildings and to two reduction plants; winding equipment, power supply and cutting of engine chambers

for K1, K2, K3 and 3E sub-incline shafts; pumping stations on the 45th and 48th at the 3D and 1E sub-incline shafts and a water column and power cables in the 3D sub-incline shaft between the 37th and 48th levels. Much of the equipment and material which was due for delivery during 1950 would, however, become available during the current year and it was now estimated that capital expenditure to be incurred during 1951 mainly on the equipping of the K sub-incline shafts would be of the order of £650,000. Appropriations from profits, together with funds on hand at the end of 1950, should be sufficient to enable the company to meet that heavy capital expenditure from its own resources without necessity for increasing the issued capital. Shareholders must expect, however, that dividends might be on a somewhat lower scale during the next year or two compared with the high level which had been attained during 1950.

INCREASED DEVELOPMENT

Footage developed during the year totalled 59,720 ft., which had represented an increase of 2,548 ft. over the figure for 1949, 24,785 ft. had been sampled, of which 11,925 ft., equivalent to 48.1 per cent., had been classed as payable with an average value of 15.9 dwt. over a channel width of 24 in. Increased development had been carried out on the lower-grade South and Main Reefs in the upper levels of the mine, and that work which would be continued during the current year would have the effect of further reducing the grade of ore developed. Meanwhile, new sub-incline shafts were being advanced below the 8,500 ft. horizon to permit of more extensive development in the lower levels of the western part of the mine. The Main Reef Leader had contributed 70.7 per cent. of payable disclosures, and only in the vicinity of the 1F incline shaft had exposures on that reef been generally poor. Exposures on pyritic quartzites had continued to be disappointing and virtually no payable tonnage had been disclosed. Estimated payable ore developed had amounted to 1,071,800 tons of an average value of 5.6 dwt., which was 28,800 tons and 0.4 dwt. less than the corresponding figures for the previous year.

The available ore reserve had been re-estimated as at December 31, 1950, to be 6,012,000 tons, averaging 5.8 dwt. over a stoping width of 42.6 in. That was an increase of 35,000 tons compared with the ore reserve at December 31, 1949, the value being lower by 0.1 dwt. and the stoping width 0.6 in. greater. Tonnage contained in the shaft and safety pillars, which was not at present available for stoping had remained the same at 881,000 tons of an average value of 5.8 dwt.

During the first four months of the current year working profit had been £334,625, additional revenue from sales of gold at enhanced prices had amounted to £92,006, making a total working profit of £426,631.

The special business to be transacted at that meeting was in connection with the alteration of certain of the company's articles of association in order to bring them into line with modern practice and Stock Exchange requirements.

The report and accounts were adopted and the special resolution passed.

HALL TELEPHONE ACCESSORIES

IMPROVED PROFIT

The twenty-third annual general meeting of Hall Telephone Accessories, Limited was held on June 1st in London, Major The Hon. Oscar M. Guest (the chairman) presiding.

The following is an extract from his circulated statement:—

The profit and loss account shows a net trading profit for the current year of £62,375, which compares with £56,209 for the previous year. Although the profit result shows an improvement of £6,166 over the previous year, this is offset by an increase in taxation liability. Your board, however, feel justified in recommending a dividend of 10 per cent. (less tax) for the year.

During the past year, the company has executed further important orders for coin-collectors and stamp machines for the British Post Office and a large coin-collector order for the Argentine. We have also received orders for telephone equipment from a number of other administrations for export.

Our office machinery business has shown considerable expansion. During the year our research department has been very busily engaged on important development work and has, in addition, undertaken development contracts for certain of the Ministries, which should lead to an expansion of our business. We have also widened our field in the manufacture of certain delicate scientific instruments.

With regard to the future, while I think we may look forward to the coming year with reasonable confidence, it must be borne in mind that the material position is becoming increasingly difficult and liable to hinder our production and activity.

The report was adopted.

ENGINEERING COMPONENTS

SUBSTANTIALLY IMPROVED RESULTS

The sixteenth annual general meeting of Engineering Components Limited, was held on June 5th in London, Mr C. C. Griffith, M.C. (the chairman), presiding.

The following are extracts from the chairman's circulated statement:

The combined profits, before tax, amounted to £414,779, compared with £253,804 for 1949, and there is left £186,670, being the net profit for the year.

It is proposed to pay a final dividend of 20 per cent. and a bonus of 10 per cent. (both less tax) for the year, making a total of 40 per cent., and to carry forward £59,850 against £38,903 brought in.

Our export trade continues to expand, and we are striving to build up connections that should assure us a place in these markets when conditions change to a buyers' market.

The help that the Gasket factory has received from Abergavenny has added materially to our service, and I am hopeful that in due time we shall reap our just reward from this enterprise.

Our subsidiary company, domiciled in Brisbane, Queensland, has expanded rapidly, and should become a most useful adjunct to our group.

The present inflationary movement now taking place is causing, I am sure, the gravest concern to all connected with industry, and especially the motor industry, and as a result, we may find in the not far distant future that our goods are costed out of world markets.

It does seem reasonably safe to prophesy, however, that provided we are able to buy our raw materials at economic prices, and there is no substantial increase in labour rates, your company can look to the future with confidence.

The report was adopted.

DE BEERS CONSOLIDATED MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA)

RECORD DIAMOND SALES

SIR ERNEST OPPENHEIMER'S SPEECH

The sixty-third ordinary general meeting of De Beers Consolidated Mines, Limited, was held on June 5th at Kimberley, South Africa.

Sir Ernest Oppenheimer, the chairman, in the course of his speech, said:—

The year 1950 was a prosperous one for the diamond industry as a whole and your company shared fully in that prosperity. Gem and industrial stones were in good demand throughout the year and sales reached the record level of approximately £51,000,000, which compares with the previous record of £38,000,000 established in 1948. It should be realised, however, that the quantity of diamonds sold during 1950 was not appreciably greater than the quantity sold during 1948, and that the substantial increase in the sterling yield from sales in 1950 was almost wholly due to the devaluation of the pound sterling in terms of the dollar in September, 1949.

One of the main factors contributing towards the continuing prosperity of the diamond industry is, undoubtedly, the harmonious relationship that exists between the principal producers of stones throughout the world and others interested in the trade. Under the agreements that exist and which have a currency of six years as from January 1, 1950, production and trading are proceeding most satisfactorily.

DEMAND MAINTAINED

During the first five months of the current year the demand for both gem and industrial stones has been well maintained, with sales at an even higher level than they were during the same period last year. The present outlook is encouraging and 1951 sales may well equal or somewhat exceed those of 1950.

But I would like to sound a note of caution. We are living in uncertain times and our business is particularly sensitive to world events. As you know, our policy aims at the permanent welfare of the industry and we refuse to be led astray by boom conditions, but follow a conservative price policy. The result is that diamonds are nowadays considered a good hedge against currency depreciation and some hoarding of diamonds takes place, thus augmenting for the time being the volume of gem sales. Then again, our industrial sales include considerable purchases by the American authorities for stockpiling purposes. With the return of more normal times, stockpiling will cease, and the hoarded gem diamonds may be resold.

TAXATION BURDEN

I wish to make a special appeal to the Minister of Finance to be mindful of these factors when assessing the permanent tax that can be reasonably imposed on us.

For a number of years representations have been made to have the special levy which was imposed during the war, and which was intended to play a comparable role to the excess profits tax, removed, and a comprehensive case was submitted to the Income Tax Enquiry Committee. The Committee's report has not yet been issued.

In the recent budget the special war levy of 2s. 8d. in the £ was indeed removed, but in its place the normal tax was increased from 4s. 6d. to 8s. in the £, an increase of 3s. 6d.

The net result is that our tax liability has been increased by 10d. in the £ and our present taxation is only 6d. less than the highest rate imposed during the war.

We are the only industry not relieved from war taxation and taking the 10 per cent. export tax into account we are more heavily taxed than any other industry in the Union.

GREATER THAN INDUSTRY CAN BEAR

Surely it is not equitable to impose war taxation on diamond mines in peacetime. The burden is far greater than the industry can bear in normal times, when with this imposition neither the Premier nor Jagersfontein Mines would give us a reasonable return on the large sums provided for their development and equipment, and a mine like Koffiefontein (unless our sampling work exceeded all expectations) would be relegated to the category of mines "too rich to ignore and too poor to work." We look upon the present taxation as temporary, necessitated by emergency conditions, and accept it as such.

But I can only express the hope that the report of the Income Tax Enquiry Committee will be favourable, that it will receive the sympathetic consideration of the government and that the diamond taxation will be reviewed in the next budget.

PREMIER DIAMOND MINE

One of the features of the diamond industry during 1950 was the resumption of large-scale operations at the Premier diamond mine near Pretoria. Shareholders are aware that this company has a very large interest in the Premier company, amounting to about 91½ per cent. of the issued preference share capital and approximately 98 per cent. of the issued deferred share capital. The Premier mine has increased its scale of operations since the end of 1950 and will shortly be producing to the full capacity of the new plant which has been brought into commission in stages over a period.

Your company has also a very large interest in The Consolidated Diamond Mines of South-West Africa, Limited. This interest was increased during 1950 by purchases of both ordinary and preference shares and at the close of the year totalled approximately 91 per cent. of the issued ordinary share capital and 12½ per cent. of the issued preference share capital. Since the close of the year an offer has been made to the holders of the balance of the ordinary shares in the consolidated company, not held by your company, to exchange their shares in the ratio of 100 ordinary shares in the consolidated company for 125 deferred shares in your company.

HELP FOR INDUSTRIES

The strong financial position to which your company and its associated companies have attained has made it possible to place a very large sum at the disposal of De Beers Industrial Corporation. This, in turn, has enabled that Corporation to take its full share in the provision of additional funds required to finance the ever-expanding business of African Explosives and Chemical Industries, Limited. Furthermore, the Corporation has thereby been able to take advantage of oppor-

tunities that have occurred to transact profitable business in other directions.

A noteworthy part has been played by De Beers Industrial Corporation in the underwriting of capital issues made by certain companies mentioned in the directors' report. Similar opportunities for profitable investment continue to present themselves.

In this way your company, through its dominant interest in De Beers Industrial Corporation, is able to pursue its traditional policy of assisting in the development of various carefully selected enterprises in Southern Africa. The fruits of this progressive policy will, we confidently expect, be reflected in due course not merely in your company's accounts but also in the progress of a number of important national industries.

DIVIDENDS AND DIRECTORS' REMUNERATION

I would now offer some comment on your company's dividends. The normal preference share distribution totalled £1 per share for the year. Dividends on the deferred shares totalled 5s. 6d., an increase of 1s. per share on the 4s. 6d. declared in respect of the year 1949. These dividends were paid out of the profits remaining after appropriations had been made, not only for all foreseen future capital expenditure requirements, but also for additional share acquisitions arising out of the reconstruction of the capital of certain of our selling companies (as explained in the directors' report). A certain amount of capital expenditure is normal each year, but these heavy appropriations should not recur; and if the prosperity of the diamond trade continues, it is self-evident that increased dividends can be expected in respect of the current year.

In terms of Clause 82(j) of the Company's Articles of Association, the directors are entitled to additional remuneration over and above the ordinary fees provided for in Clause 82(i) of the Articles. Such additional remuneration is defined as a sum equal to 5 per cent. of the dividends on deferred shares declared and paid in respect of each year, in excess of a dividend or dividends on deferred shares equal to the total sum of the paid-up capital of the said deferred shares.

BOARD'S DECISION

It will be seen from the accounts before you that the total dividends declared and paid on the deferred shares in respect of the year 1950 amounted to £4,385,346. This sum exceeded the issued paid-up capital in deferred shares, amounting to £4,002,203, by £383,143. In the form of additional remuneration the directors have received the sum of £19,157, this being equal to 5 per cent. of £383,143. It is apparent that, if the dividends on the deferred shares should in future exceed the total of the 1950 deferred share dividends, considerable additional remuneration would accrue to the directors. Your directors are of the opinion that additional remuneration in excess of the sum of £20,000 would be disproportionate to the other costs of administration of the company. Accordingly, the directors have agreed unanimously among themselves that any additional remuneration accruing to them in terms of the Articles should be limited in any one year to the sum of £20,000.

TRIBUTE TO EXECUTIVE AND STAFFS

Before concluding my remarks, I wish to express our appreciation of the work done throughout the year by the consulting engineers, the general manager, the secretary, the chief accountant, and their staffs; and also the secretary and staff of the Diamond Corporation Limited, who have carried out their duties to the satisfaction of the board.

The report was adopted.

RAND MINES LIMITED

A SUCCESSFUL YEAR

DEVALUATION BENEFITS OFFSET BY RISING COSTS

WIDESPREAD INVESTMENTS

MR W. H. A. LAWRENCE'S SURVEY OF ACTIVITIES

The annual meeting of Rand Mines, Limited, was held on June 1st in Johannesburg, Mr W. H. A. Lawrence, the chairman, presiding.

The chairman, in the course of his speech, said that the company had had a successful year, dividend receipts attaining the record figure of just over £1,125,000 and total revenue at over £1,340,000 being one of the highest figures recorded during the 57 years of the company's existence.

Profit earned by the company during 1950 had amounted to £1,112,575, representing an increase of £162,513 compared with the previous year. The main source of income—namely, dividends received, had increased by £175,477. Administration and other expenses had increased by £15,528. Dividends declared had increased by £215,099 to £752,848. The sum of £100,000 had been appropriated to the credit of the exploration reserve account which, after deducting expenditure of ventures totalling £30,738, had thereby been increased to £337,197. After making those and other appropriations and details in the accounts, the sum of £227,233 had been added to the unappropriated balance, which had stood at £1,640,937 at the end of the year.

The beneficial effects of devaluation in September, 1949, on the South African gold-mining industry were reflected in the results for 1950—the first full year of operations under the changed conditions. Further benefit had been obtained by selling gold at enhanced prices for artistic and industrial purposes. Consequently, although the Witwatersrand gold production had decreased by 28,490 oz. to 11,185,222 oz. revenue had reached the record figure of £141.6 million and profits had increased by £18.6 million to £53.7 million, which had also been a record. The major portion of the increase in profits, however, had accrued to the state by way of taxation and lease consideration, which had totalled about £22.6 million in 1950, an increase of £10.6 million compared with the previous year. In spite of that the rate of taxation had been increased for 1951. Working costs had continued to rise and were overhauling the advantages of devaluation all too rapidly. Devaluation had resulted in an increase of 75s. 9d. per ounce in the price of gold, but due to the lower grade of ore mined the cost of production per ounce had increased by 6s. 8d. and due to higher operational costs by 26s. 10d., which had represented an overall increase in working costs of 33s. 6d. per ounce during the period September, 1949, to April, 1951. More than 44 per cent. of the advantage gained by devaluation had, therefore, been absorbed in the short period of twenty months.

SERIOUS IMPACT OF RISING COSTS

That rapid whittling down of benefits of devaluation by continually increasing working costs was not only of serious consequence to the producing mines, but also to the new mines which were being opened up on the West Wits line at Klerksdorp and in the Orange Free State. Costs had increased due to many factors, such as improved wages and conditions of employment, the steadily increasing cost of living allowances, higher prices of stores, foodstuffs and power, increased silicosis charges and increased

railage charges. The impact of those increasing costs on the gold-mining industry was threefold: production costs were steadily rising, the amount of money tied up in stocks of stores was mounting and the capital cost of bringing a mine to production was outstripping all preconceived ideas. In addition, recent and material increases in the prices of such basic commodities as maize and steel would inevitably lead to a further increase in the severity of the general cost spiral.

INCREASED TAXATION

It might well be that those factors and their likely outcome had influenced the Minister of Finance in making his recent Budget proposals and which had led him to increase the rate of taxation payable by gold-mining companies during 1951 in order to offset the effect of decreasing profits. Once again, therefore, the gold-mining shareholder was faced with the prospect of being squeezed between rising costs and increasing taxation. Such conditions would not encourage the flow of capital which was so essential to the development of the industry and the country; and while the Government had our full support in efforts to obtain a more realistic price for gold, it was felt that more determined efforts should be made not only towards halting inflation but also towards counteracting the effects of such inflation as was inevitable under existing world conditions. A tight rein must be kept particularly on basic commodity prices, on transport costs and wages, and every effort must be made to utilise the country's resources to better advantage by increasing efficiency and the volume of trade.

COAL

In the coal-mining industry, total production had reached a record level in 1950 under increasingly difficult conditions, but, nevertheless, output had been well below capacity in the case of the majority of collieries. In addition to increasing production costs, the main difficulties facing the industry were those of prices and transport. The majority of inland prices were to all intents and purposes frozen at the 1938 levels, and the collieries were, therefore, becoming increasingly dependent upon a higher-priced export trade to maintain profitable operations. Some indication of the importance of the export trade could be obtained from the fact that although only 7½ per cent. of the output of the Transvaal collieries had been shipped during 1950, more than half the profit earned by those collieries came from that source. In course of mining, coal of various sizes is produced. The large sizes of coal were required principally for export for railways and to a lesser extent by certain industries. The small sizes of coal were consumed mostly by South African power stations and industrial concerns, the demand from which was increasing rapidly and was already out of proportion to the amount of small coal derived from the run of mine production. Inadequate railway, transport and shipping facilities precluded the sale of sufficient large coal to restore the balance, and the Transvaal collieries had now to crush coal in order to meet demand for small coal. Unlike the position in other countries, however, small coal commanded a lower price than large

coal in South Africa, so that not only did the collieries have to bear the cost of crushing, but also they received less revenue. In addition, the output of the collieries was limited by the very restricted amount of railway transport available, with the result that during April, 1951, two collieries, in which the company was principally interested, worked—like the majority of producers—to only two-thirds of capacity.

CEMENT

A somewhat similar position existed in the cement industry, where rising costs were to a small extent offset by increased production which had reached a high level in 1950. Demands were steadily increasing and extensive programmes of expansion were making good progress. Although the present capacity of the industry was not yet adequate to meet the country's demands, producers were not able to work to capacity due to insufficient railway trucks and tarpaulins to cover them. The company also had material holdings in concerns manufacturing cement pipes and other cement products, bricks and tiles and steel pipes. Those companies had had successful years, but outputs had been limited to a certain extent by the cement position and to a material extent by the shortage of steel plate. That shortage of steel plate had in recent months become acute, but it was hoped that it would be eased during the course of the next few months as output from the Vanderbijl mills increased.

TIMBER

In the timber trade, forestry, sawmilling and mining timber concerns in which the company was interested had had a successful year in spite of the material increases in production costs and they had continued to expand, such expansion being encouraged by the high cost of imported timber and the substantial advance in shipping rates. Stocks of mining timber had, however, from time to time reached dangerously low levels due to the railways' transport difficulties, and that section of the industry was consequently living very much on a hand-to-mouth basis.

RESTRICTING INFLUENCES ON PROGRESS

It was a fortunate fact that South Africa's basic industries were soundly conditioned and undoubtedly had greater potentialities, but those brief observations had, he trusted, made it clear that their progress was being unduly handicapped at the moment by serious restricting influences, not least of which was the railway system whose rate of expansion was lagging behind that of the rest of the country. The gold-mining industry and, therefore, South Africa generally, had already lost much of the benefits gained by devaluation, and there were very real dangers of losing all too rapidly what advantages remained. We must, therefore, press for the earliest possible introduction of a more realistic price for gold and for every feasible step being taken to slow down the inflationary spiral of costs.

COMPANY'S SOUND POSITION

Meanwhile, we could find comfort in the knowledge that the company was in a sound financial position and had adequate cash resources at its command. Its investments were spread over a wide section of the whole field of South African basic industries, and while its major interest continued to be centred in the gold-mining industry, and particularly in the producing mines of that industry, that interest now included substantial shareholdings acquired in recent years in the new developing mines, the producers of the future.

The report and accounts were adopted.

BRUSH ELECTRICAL ENGINEERING

BRUSH ABOE GROUP

CONTINUED PROGRESS

WIDESPREAD MANUFACTURING RANGE

EXTREMELY SATISFACTORY HOME AND EXPORT ORDER INPUT

SIR RONALD W. MATTHEWS ON A DOUBLE DUTY TO THE NATION

The sixty-second annual general meeting of the Brush Electrical Engineering Company, Limited, was held on June 5th at Winchester House, Old Broad Street, London, E.C.

Sir Ronald W. Matthews, D.L., M.Inst.T., the chairman, presided.

The following is an extract from the chairman's statement, which had been circulated with the report and accounts for the year ended December 31, 1950:—

During the autumn of 1950 and the following winter the managing director, Mr Good, has made extensive tours of many of the most important markets in the Commonwealth and in North America. The warmth of his reception was a tribute to the good will enjoyed by the BRUSH ABOE Group throughout the world, but above all it was a personal triumph, and the contacts made during his journeyings will be of lasting value to the organisation.

I am pleased to be able to advise stockholders that the improvement shown in the past three years has continued. At the beginning of the year the major problem was that of maintaining sales at a high level when the postwar "sellers' market" had come to an end and more normal trading conditions were returning. By the close of the year conditions were reversed under the impetus of rearmament and the problem was that of increasing manufacturing capacity to balance a strong order book.

The board have for some time felt that the name The Brush Electrical Engineering Company, Limited, is now by no means descriptive of the wide range of the Group's manufactures. It is not, however, thought desirable at present to change the name of the parent company, but with a view to presenting to the world a more adequate picture of the Group's activities it has been decided to use as a general description of the organisation the words "The BRUSH ABOE Group of Companies." Certain of the companies trading overseas are changing their names to include the words BRUSH ABOE.

The wide range of equipment manufactured by the Group has facilitated a considerable measure of rationalisation of production. The majority of the company's factories are equipped for the building of individual "made to measure" equipment, and it has therefore been convenient to concentrate certain small items suitable for "line" production methods. At the Loughborough factory non-electrical equipment, such as the Petter super-scavange engine and the small engine development section, are being diverted to other factories to provide space for the heavy power station electricals for which this factory is so well known.

RESEARCH

Research and development programmes have been carried through on a wide scale. Methods of increasing pressure charging rates have been investigated and it is hoped that these will result in higher performance and greater reliability of engines. Improvements

have been made in the air-cooled types with a view to enhanced performance on the smaller sizes and extension of air cooling to larger engines. A considerable amount of experimental work has also been carried out on fuel combustion with a view to allowing the use of heavier fuels in a wide range of engine types. The company's laboratory at Loughborough has extended its activity in a number of directions. New X-Ray equipment has been installed for the examination of materials; a tropical chamber has been built and additional high voltage equipment has been installed for the testing and development of insulation materials.

SALES

The input or orders both from the home market and from export markets is extremely satisfactory. The management has always striven to secure at least some sales from even the smallest and remotest markets of the globe in view of the dangers inherent in a dependence on a few large markets, and it is encouraging to see the network of agents increasing under the intensive efforts of the export companies.

The distribution of engines has been improved and service facilities have been extended throughout the world. The recent influx of orders from overseas markets has proved the wisdom of pursuing a determined export sales policy.

Associated Tube Wells Limited has obtained contracts from the three Indian provinces for the drilling of 965 tube wells.

Contracts of this nature are essentially the sale of a service rather than a piece of equipment. The customer, particularly in underdeveloped territories, frequently desires to purchase not a group of machines but a complete installation that will supply him with water, electricity, or oil. These contracts stress the interdependence of the constituent companies of the Group, and only a group of companies such as this can provide from within itself the equipment and technical ability necessary for the operation of such a contract. Similar features can be seen in the combined Group products sold by Brush Bagnall Traction Limited and in the substantial orders recently obtained from the Middle East for the electrification of a number of towns and villages.

To familiarise agents, dealers, and customers throughout the world with the BRUSH ABOE Group, arrangements were made for the production of a Group film entitled *Power*. This outlines the early history and growth of The Brush Electrical Engineering Company, Limited, and then deals with the present-day factories and products of that company and of the four principal oil engine factories. Although primarily intended for overseas, the opportunity has been taken to show the film before important audiences in London and in over a dozen provincial towns. The *première* in London on January 16, 1951, was attended by the Right Hon. G. R. Strauss, Minister of Supply, the Minister of Labour, and by many other

distinguished guests. *Power*, which is a "sound" film, has been translated into three foreign languages and within the next few months will be shown in nearly every part of the world.

STAFF AND TRAINING SCHEMES

Industrial relations continue to be satisfactory throughout the Group, and the established policy of keeping all employees fully informed on current developments through the channels of joint consultation at all levels has been continued. Stockholders will be aware of the difficulties encountered in various parts of the country in the implementation of the last engineering wages award. This was accomplished in the factories of the Group on a perfectly satisfactory basis, due undoubtedly to the progressive approach of factory managements and the co-operation of the trades unions' representatives.

In my last statement to stockholders I indicated the development of training facilities in various directions. The scholarship scheme has now been very broadly extended under the title of the BRUSH ABOE Group Commonwealth Scholarship Scheme. This now offers facilities to young graduates from all parts of the Commonwealth, and in the course of the next few months graduates from Canada, Australia, South Africa, New Zealand, India, and Pakistan will be serving apprenticeships in the various factories.

The Research Fellowship, which enables time-expired graduate apprentices to obtain a higher degree at a British University, was inaugurated in February, 1950. Applications from candidates for the Fellowship to be awarded this year will shortly be invited. It is believed that this period of time spent on research away from the inevitable pressure of industrial life will be of inestimable value both to the successful candidate and to the company.

Two or three years ago when the overseas sales organisation was being developed, it was decided to take steps to ensure that a flow of suitably qualified sales engineers would be made available. Accordingly, the BRUSH ABOE Sales Engineers' Training Scheme was set up and young engineers of high professional qualification were recruited and individual training courses were arranged for them at the various factories. This scheme is enabling the Group to place sales engineers in positions of importance overseas.

I have endeavoured to lay before you a succinct, yet comprehensive account of the activities and developments of the BRUSH ABOE Group and of the parent company during 1950. We can, I feel, look back with considerable satisfaction on the success which has attended our efforts to expand our contribution to the country's overseas trade, particularly in hard currency markets. We have entered upon the current year with a new obligation superimposed on the vital export position—the need to play our full part in meeting the requirements of the Government in connection with the rearmament programme. That we shall not fail in this double duty to the nation I am convinced, although we are fully conscious of the difficulties already arising from shortages of essential raw materials with their inevitable effect on output. In expressing our appreciation of the Herculean efforts of Mr Good and of all those on every rung of the organisational ladder who have loyally supported him during a year of international tension with all its attendant problems, I know you would like me to convey to them your warmest wishes for the continuing success of the undertaking which I am confident they will ensure.

The report and accounts were adopted.

THE UNION-CASTLE MAIL STEAMSHIP COMPANY

UPWARD TREND OF COSTS

SIR VERNON THOMSON ON TONNAGE REPLACEMENT PROBLEMS

The annual general meeting of The Union-Castle Mail Steamship Company, Limited, was held on June 7th in London, Sir F. Vernon Thomson, Bt., G.B.E. (the chairman), presiding.

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

The report of the directors and the audited accounts of the company for the year ended December 31, 1950, set out clearly the position of the company and of the group as a whole.

The net profit for the year 1950, after providing for debenture interest, depreciation, etc., amounted to £1,478,579—half a million less than for 1949. The net profit for the group, for all services, was £1,576,096. That represents the very moderate return of approximately 8½ per cent. on the real capital of over £19,000,000 employed in the business, namely, share capital, reserves and debenture capital. Our profits are earned by efficient service, modern ships, large turnover and good value given; they are small per unit handled.

The gross earnings of the company and its subsidiaries were somewhat higher in 1950 than in the preceding year, the reduction in profits being in the main due to the substantial increases in running costs. At the annual meeting a year ago I pointed out the serious effect which increases in operating costs would have upon the company's trading for 1950, mentioning in particular the increase in oil fuel prices.

The voyage costs of Union-Castle ships in 1950 showed an increase of more than £1,200,000 over similar costs in 1949. This was mainly accounted for by the increased cost of oil fuel, repairs and maintenance, wages, port charges and cargo handling. Unfortunately, so far from falling, the trend of costs continues definitely upwards.

INADEQUATE WEAR AND TEAR ALLOWANCE

Shipbuilding costs have continued to rise throughout the year; they have risen steadily during the past fifteen years. The national rearmament now planned defers any prospect of early easement. To maintain the company's high standard the regular replacement of older and less efficient ships is essential, and vessels now cost at least three times as much as their forerunners. The Inland Revenue wear and tear or depreciation allowance, which is based upon the original cost of ships, is by itself quite inadequate to provide for the construction of such replacement tonnage; it is thus necessary to make additional provision from revenue for the difference between the Inland Revenue allowance and the actual cost of replacing ships in due course. Only by ploughing back into the business a substantial part of the company's earnings can we provide and maintain the high-class costly tonnage necessary to meet expanding requirements of the trades we serve. The company has three passenger and cargo vessels building at present. Apart from these three, our existing fleet (which includes several vessels built since the war) cost approximately £26,000,000. To replace it at today's prices would cost well over £60,000,000. Replacement in due course of obsolescent ships by new tonnage at the high costs current in these inflationary times is the most serious concern of the British shipping industry today. Some alleviation in the present incidence of taxation on profits retained in the

business and used for building new tonnage in existing conditions is clearly requisite—otherwise the tonnage of the British mercantile marine will inevitably diminish.

One million pounds has been transferred to general reserve, and after payment of the preference dividends and the proposed dividend of 10 per cent. on the ordinary stock, the balance carried forward is increased by approximately £250,000 to £1,925,739.

In recommending a distribution of 10 per cent. (2 per cent. more than for 1949) the directors have had in mind not only the foregoing facts but also the desirability of paying a dividend which, circumstances permitting, they hope to maintain.

FLEET

The company's fleet has been maintained at its usual high standard of efficiency during the year and was operated without serious mishap.

The regular weekly mail service between Southampton and Cape Town was performed throughout the year in accordance with the ocean mail contract with the Union Government.

The company now operates one of the finest passenger liner fleets in the world.

NEW TONNAGE

During the year satisfactory progress was made in the construction of the two vessels which were ordered early in 1950 for the round Africa service. The first of these, the *Rhodesia Castle*, was successfully launched at Belfast on April 5, 1951, by Mrs K. M. Goodenough (wife of the High Commissioner for Southern Rhodesia), who graciously named the vessel. This ship is due to be delivered in September, 1951, and to sail in October in the round Africa service.

The second of the two the *Kenya Castle*, is due to be launched a fortnight hence, when Lady Mitchell, wife of the Governor of Kenya, has consented to perform the naming ceremony; this ship should be delivered about the end of the year for employment in the round Africa service.

These ships will cost well over £2,000,000 each and as a ship has a limited service life we have to provide not less than £100,000 per annum per vessel (and possibly more, dependent upon the course of shipbuilding costs) towards their replacement before any profit is earned out of which to pay interest on the capital employed or to strengthen the company's reserves.

An order has been placed with Messrs Harland and Wolff Limited for a third vessel of the *Rhodesia Castle* type and we hope that she will be delivered well before the end of 1952.

PASSENGER AND CARGO TRAFFIC

The volume of passenger traffic during 1950 was slightly higher than for the previous year, more particularly to and from East Africa, and we trust that the introduction of our fine new one-class vessels in this trade will result in further improvement in our passenger carryings.

The attractions of southern Africa to visitors throughout the year are well known, whilst the round Africa voyage by one of our passenger vessels, with its calls at many interesting places *en route*, provides a pleasant and restful holiday which is becoming increasingly popular.

Coastwise traffic between ports in South and East Africa showed an appreciable increase. To this, the *Bloemfontein Castle*, which has carried large numbers of passengers on excursions between South African ports and Beira, has contributed substantially.

Cargo traffic between United Kingdom/Continent and South and East Africa was variable during 1950. There was a paucity of cargo in the U.S.A./South Africa service.

The Union has achieved remarkable success in securing a closer balance of overseas payments and in advancing the economic well-being of that great country. All sincere well-wishers of South Africa, and especially partners in its progress like ourselves, confidently look forward to still further progress and development.

PORT CONGESTION

During 1950 and since, congestion has occurred at certain South and East African ports, with consequent expensive delays to vessels; the responsible authorities in the territories concerned are fully alive to the necessity for eradicating this serious impediment to the economic development of their respective countries and strenuous efforts are being made to improve facilities in order to ensure a freer flow of traffic.

These improvements in facilities are urgently required to keep pace with the impressive strides which are being made in the development of the resources of the African territories we serve.

RATES OF FREIGHT AND PASSENGER FARES

A year ago I mentioned that the average increase in our passage rates was less than 75 per cent. and in our freight rates less than 100 per cent. above the prewar level. At that time our running costs were over 200 per cent. above prewar. As already indicated, they are still rising rapidly.

The increases which have been taking place in world market rates of freight appear to have led many to believe that liner companies were benefiting correspondingly, but this is not so. Whilst tramp rates of freight on bulk cargoes fluctuate almost daily according to world market conditions, liner companies aim at maintaining stability of rates with regularity of service, irrespective of day-to-day fluctuations; these do not ordinarily follow world market rates but obviously must be at an economic level. In exceptional times like these, the territories we serve benefit especially by this policy. Moreover, from time to time liner companies require to supplement their berth tonnage by chartering tramp vessels and the cost of so doing in present conditions is far in excess of existing liner rates of freight.

The East African Conference, of which this company is a member, increased its rates generally as from March 1, 1951. Although warranted by the substantially higher operating expenses, a world trend today, the South African Liner Conference is the only major conference which has not yet increased its rates of freight. A moderate increase, however, will operate from July 1, 1951.

GENERAL

We are fortunate in our relations with all governmental authorities, notably ministers, overseas representatives and officials, and we are happy to co-operate with them in a spirit of goodwill for the benefit of the peoples and territories with which we are associated.

STAFF

On behalf of my colleagues and myself I should like, as on previous occasions, to express our warm appreciation of the splendid service rendered by the company's staffs in this country, afloat and overseas.

The report was adopted

P. & O. STEAM NAVIGATION COMPANY

THE REPLACEMENT PROBLEM

SIR WILLIAM CURRIE'S VIEWS

The 111th annual general meeting of The Peninsular and Oriental Steam Navigation Company was held on June 6th in London.

Sir William Crawford Currie, G.B.E., the chairman, dealing with the board's reasons for recommending an increased dividend, said that the Government's attempts to stabilise wages and prevent inflation had failed and the board therefore felt it right, on this occasion when profits allowed, to assist deferred stockholders in a modest way to meet the increased cost of living, especially as increases in pay had been given to sea and shore staffs.

Justifying the increased dividend in the face of the difficulty of financing fleet replacement, he said that the spiral of rising costs might well carry the cost of new ships to a point at which some companies might be unable to finance new building, but their difficulties would be enhanced far more by the penal rate of taxation than by modest increases in dividends.

INITIAL ALLOWANCES

The suspension of initial allowances on expenditure incurred after April 5, 1952, had been received with consternation by certain sections of the shipping industry. While the financial position of the P. & O. Group was strong, showing investments of £33 million compared with liabilities of less than £15 million for ships actually under construction, the consolidated balance sheet did not tell the whole story. Seven companies in the group had liabilities for ships under construction exceeding their investments by nearly £2,000,000. These companies had received over £4,500,000 in tax relief on initial allowances. Without that tax relief they would thus have had a deficiency of about £6,500,000. It was evident from those figures how important a factor the initial allowance relief might be in deciding whether or not to replace obsolescent tonnage.

If a business were to remain virile it must be able to make good out of current profits the wastage of capital used in earning those profits. The measure of that wastage was depreciation calculated on the current replacement cost of the assets.

REPLACEMENT COST

The current replacement cost of the fleet was of interest, not so much in its effect on the break-up value of the deferred stock, but in relation to the amount annually required to replace the fleet. If depreciation based only on original cost were charged against profits and the balance distributed, the company could not survive. The additional amounts set aside, although technically reserves, were nevertheless necessary charges against profits. Over the past three years, the amounts set aside by the group for depreciation, as transfers to replacement of assets reserves, and even after charging the tax relief on initial allowances, were less than the amounts required as depreciation based on the replacement cost of the group fleets.

The system of initial allowances was only a palliative and not a solution of how to find funds for fleet replacement. The only suggestion the Millard Tucker Committee could make to meet the situation, however, was an extension of the system; but the announcement of the suspension of initial allowances a few days after the committee had reported, made one wonder if any good at all would result from its appointment.

The report was adopted.

GUARDIAN ASSURANCE COMPANY LIMITED

ANNUAL GENERAL MEETING,
6th JUNE, 1951

EXTRACTS FROM THE DIRECTORS' REPORT—CHAIRMAN: THE RT. HON. LORD BLACKFORD, D.S.O., D.L., J.P.

LIFE DEPARTMENT

Net new sums assured amounted to £6,188,057, the highest in the history of the company, being an increase of £1,671,291 over the previous year of £4,516,766. Claims by death were slightly more than in the previous year but there was a profit from mortality.

The net rate of interest earned on the fund which increased during the year by £1,442,453 to £15,892,511, was £3 18s. 2d. per cent.

FIRE DEPARTMENT

The net premium income at £3,262,895 showed an increase of £389,980 over the previous year and of this figure over £300,000 was in respect of overseas business. The loss ratio at 42.4 per cent. was slightly less than in the previous year. The amount transferred to profit and loss was £381,614.

ACCIDENT AND GENERAL DEPARTMENTS

The net premiums were £3,056,674 against £2,622,961 in 1949. The loss ratio was 52.6 per cent. and the amount transferred to profit and loss £242,213.

MARINE DEPARTMENT

The net premiums amounted to £1,225,529 against £1,021,565 in the previous year and the first year's claims were 27.8 per cent. of the premiums. £180,000 has been transferred to profit and loss leaving the fund at £1,511,835 representing 123.3 per cent. of the premium income.

REDEMPTION ASSURANCE ACCOUNT

A valuation made at the end of the year revealed a surplus of £29,571 of which £15,000 has been transferred to profit and loss leaving the amount of the fund at £2,021,599.

PROFIT AND LOSS

After making full provision for taxation, including that on the profits for the year and transferring £269,668 to a reserve for unpaid capital and £143,141 to general reserve and providing for the final dividend recommended by the directors of 2s. 6d. (less income tax) on each ordinary and staff share and meeting the cost of the preference dividend for the year, the balance carried forward was £257,664.

BALANCE SHEET

A valuation of the Stock Exchange securities was made at December 31st and again showed a surplus over the aggregate value as shown on the balance sheet. The directors recommended that part of the undivided profits of the company be capitalised and that such profits be applied in paying up the balance of 6s. 8d. on each ordinary share, thereby making each ordinary share of £1 fully paid. A reserve has been set up for £414,157, the amount required for this transaction, and of this amount £144,489 has been transferred from the general reserve and £269,668 from the profit and loss account. The general reserve of the "Guardian" now stands at £1,000,000 and that shown in the consolidated balance sheet at £2,604,702.

All the principal classes of insurance transacted; also trustee and executor business.

Head Office:

63, King William Street, London, E.C.4.

UNITED MOLASSES COMPANY LIMITED

INCREASED PROFITS

The twenty-fifth annual general meeting of the United Molasses Company Limited will be held on June 26th in London.

The following is an extract from the circulated statement of the chairman, Sir F. Michael K. Kielberg, K.B.E.:

Last year I mentioned that the profits for the first three months of 1950 compared favourably with the corresponding period of 1949 and that the prospects for the remainder of the year looked promising. As the profit and loss account discloses a gross trading profit of £3,592,941 compared with £2,145,959 and a net profit of £1,215,682 compared with £786,426 for 1949, I think you will admit that the results for the year more than justify the cautious optimism to which I gave expression a year ago.

The substantial increase in the consolidated earnings is partly due to the inclusion for the first time of the earnings of the Anchor Line Limited (£554,961 gross and £117,559 net) but mainly to the increased earnings of our fleet of tankers which reflect the growing benefits the company is reaping from the large investments made since the end of the war in the building of a new fleet and in the reconditioning of old vessels.

The prospects for 1951 are most promising and present indications are that the anticipated prosperity of our shipping companies will be shared by the various other companies in our group. There can hardly be any doubt that present prices are unhealthy and it will be a relief to see prices in the not too distant future recede to a saner and healthier level.

SAN FRANCISCO MINES OF MEXICO

IMPROVED RESULTS

The thirty-eighth annual general meeting of San Francisco Mines of Mexico, Limited, was held on June 1st in London, Mr C. E. Temperley, O.B.E., M.C. (the chairman) presiding.

The following is an extract from his circulated statement:

The operating surplus for the year under review was £2,185,000 against £1,910,000 for the previous year, whilst the net profit after taxes was £818,000 against £628,000. The improvement in the figures for the current year results from a somewhat lower level of metal prices being more than offset by the benefits of devaluation of sterling in terms of dollars and by the increased tonnage milled. The directors recommend the payment of a dividend of 7s. per unit.

In order that the balance sheet should give a better picture of the company's true standing and condition, it is proposed to capitalise £1,028,406 10s. and to apply this sum in paying up new shares in the company and to issue these new shares as a bonus to stockholders in the proportion of one share for each 10s. Stock Unit now held.

During the year under review the mill treated a total of 623,000 tons of ore from the Frisco and Clarines Mines. This is a record annual tonnage and compares with 580,000 tons in the previous year.

Although in the last analysis our net earnings are largely governed by metal prices and taxation, the Mine itself is in good shape and its future seems as assured as can be hoped for in present circumstances.

The report and accounts were adopted and the ordinary resolutions increasing the capital of the company and authorising the bonus issue of shares were approved.

ENGLISH & CALEDONIAN INVESTMENT COMPANY

SATISFACTORY INCREASE IN VALUE OF INVESTMENTS

MR HENRY S. LOEBL'S STATEMENT

The twenty-fourth annual general meeting of English and Caledonian Investment Company, Limited, was held on June 1st in London, Mr Henry S. Loebel (the chairman) presiding.

The following is an extract from the circulated statement by the chairman:

It will be noted that the investments at March 31, 1951, stood in the balance sheet at £1,061,973, compared with £1,005,224 a year previously. The value of the investments at March 31, 1951, was £1,545,830, which showed an appreciation over the book value of £483,857, or of 45.57 per cent., compared with 28.67 per cent. at March 31, 1950, a very satisfactory increase.

The changes made in the company's investments during the year resulted in a surplus which has been added to the contingency fund.

DISTRIBUTION OF INVESTMENTS

The distribution of the company's investments is much the same as in previous years with 87.78 per cent. within the Empire. Of the balance of the company's funds invested outside the Empire almost one-third represents investments in the U.S.A. The investment in our property owning subsidiary company remains unchanged. In the latter part of the company's year, a further property was sold and this, together with the rather heavy repairs effected during the year (to which reference was made in the note to the balance sheet of Encal Estates, Limited, at March 31, 1950) accounts for the reduction in the revenue of that company. Nevertheless, we have received a dividend from Encal of 3½ per cent., which is the same as for the two previous years.

The balance with the company's bankers at March 31st last was down by some £37,000, which accounts in part for the increase in the invested fund at that date. On the other side of the balance sheet it will be noted that general reserve stands at £85,000 following the appropriation of £10,000 from revenue account.

Turning to the revenue account it will be noted that total investment income at £82,644 represents an increase of £10,139 over the investment income for the previous year. After deducting administrative and sundry expenses, directors' fees, debenture stock and other interest, the net revenue for the year was £58,153, compared with £48,411, showing a very satisfactory increase of £9,742. After deducting the charge for taxation and the dividend on the preference stock for the year, the amount earned on the ordinary stock was £23,272 or 21.15 per cent., compared with 16.58 per cent.

DIVIDEND INCREASE

An interim dividend of 3 per cent. on the ordinary stock was paid in October last, and this was followed on April 7th of this year by the payment of a second interim dividend of 7 per cent. As it is not the intention to recommend any further distribution on the ordinary stock for the year ended March 31st last, the total dividend for the year is 10 per cent., as against 7½ per cent. for the previous year. The sum of £10,000 has been transferred to general reserve and there is left a sum of £11,680 to be carried forward.

As regards the results for the current year, I will content myself by saying that, in the absence of any untoward development, we expect them to be at least as favourable as for the past year.

The report and accounts were adopted.

E. POLLARD AND COMPANY

PROMISING OUTLOOK

The thirty-ninth annual general meeting of E. Pollard and Company, Limited, was held on May 29th in London.

Mr H. Edward Pollard, the chairman, in the course of his speech, said:—The profits of the group were £233,687, and after providing for taxation there remained £107,755. Out of this your directors recommend a transfer of £70,948 to reserve.

In April, 1951, a capital dividend of £40,000 was received from a subsidiary company, and after careful consideration your directors have decided not to recommend the usual ordinary dividend for the year 1950, but to recommend that the capital dividend received from the subsidiary company should be distributed as a capital dividend to the ordinary shareholders. This leaves the balance of profit to be carried forward in the accounts of E. Pollard and Company Limited, at £66,409 as compared with £66,208 a year ago. This dividend will be paid without deduction of income tax.

INCREASED DEMAND

During 1950 the demand for our products increased in all sections, although the shopfitting department was handicapped by stringent licence control. During the early months of the year licences were extremely difficult to obtain, and although this situation improved somewhat towards the turn of the year, we were unable to make up what was lost to us.

This control of shopfitting by M.O.W. licences is the most difficult problem we have had to face since the war. Many of our shopfitting licence applications are refused because of the rearmament programme. In 1949 and 1950 refusals were because of the capital expenditure programme, and before that the housing programme. Whatever one may think of these reasons, the fact remains that the shopfitting industry is involved in the complicated machinery of licensing with very little prospect of any relief in the near future.

The display section of shopfitting at our Highbury factory was able to increase its turnover considerably. Increased cost of raw material forced our prices up, but most of the turnover increase was due to new business.

At Walthamstow we have two engineering factories. One making Hammond and Champness electric lifts and Haskins steel shutters. The 21 special lifts at the Ocean Terminal Docks are now in full use and proving most successful, and we have over 700 passenger lifts on hand for 23 of the London boroughs. The export department can claim a very full year on steel shutters as well as lifts, and together with such things as grilles, louvres, and iron doors of all kinds we have a most valuable export market which is continually improving. The home trade in Haskins shutters has also been most encouraging and we are now being specified for nearly all new power stations, wharves, and Government buildings throughout the country.

At our other factory at Walthamstow the architectural bronze work of our subsidiary, The Morris Singer Company, has been developed and increased during the year.

The future prospects of the group are promising and should continue to develop favourably if materials and controls do not cause the position to deteriorate.

Competition is stiffening a little, but we obtain most of our orders not only on the quality of our work but also because of the completeness of our manufacturing facilities.

The report was adopted.

LIMMER AND TRINIDAD LAKE ASPHALT

INCREASED VOLUME OF WORK

The seventy-ninth annual general meeting of the Limmer and Trinidad Lake Asphalt Company, Limited will be held on June 29th in London.

The following is an extract from the circulated statement by the chairman, The Right Hon. Lord Courtauld-Thomson, K.B.E., C.B.:

The trading profit of the company and its subsidiaries amounted to £384,496. This compares with £407,983 for the previous year. After providing £149,443 for taxation and £123,446 for depreciation, the net profit of the group for the year under review amounted to £109,813 against £158,947.

During the year under review, the turnover has increased and, although the work has been carried out at a lower margin of profit, the trading profit shows a reduction of only £6,867. On February 27th we paid a second interim dividend of 10½ per cent., making a total distribution for the year of 13½ per cent. against 10 per cent. in 1949. This is the seventy-ninth successive year in which we have paid a dividend out of the profits earned in each of those years.

The financial strength of the organisation as a whole lies in the somewhat unusual fact that we have no prior charges, mortgages, debentures, preference shares or loans, and our goodwill stands at the nominal figure of £1.

For more than a quarter of a century, at the conclusion of my remarks I have expressed our confidence in the future, and so far our confidence has been justified. Now, in spite of the many world difficulties and problems, I see no reason to depart from my usual fair weather forecast for 1951.

BARTON AND SONS LIMITED

PROGRESSIVE STRENGTHENING OF RESOURCES

The ordinary general meeting of this company was held on June 6th in London.

Mr A. H. Redfern (the chairman) said: It is very gratifying to me that the first accounts which I have the privilege of submitting to you as chairman of your company are so very satisfactory. We have consistently adopted the policy of keeping our plant and equipment completely up to date, and to enable us to do so we have pursued a very conservative dividend policy. The result has been progressive strengthening of the company's resources.

The group trading profit amounts to £494,314 compared with £372,066 for 1949. From this figure must be deducted the colossal sum of £238,653 for taxation, a depreciation charge of £61,436, and other items amounting to £29,647. The net profit remaining amounts to £164,578 compared with £118,509 for 1949.

It has been decided to recommend to you payment of a final dividend of 8½ per cent., making a total of 12½ per cent. for the year, an increase of 2½ per cent., although the profits are sufficient to cover the increased dividend on Ordinary stock 3½ times after making full provision for profits tax.

As to the future, I can only say that our production is at least keeping pace with last year, but along with other companies in the engineering industry we are finding it increasingly difficult to secure the raw material necessary to maintain our plant at full production. Our orders are substantial, and everything possible is being done to maintain maximum output.

The report was unanimously adopted.

SPILLERS LIMITED

SUBSTANTIAL MODERNISATION PROGRESS

DEVELOPMENTS ON NON-MILLING SIDE

MR ARTHUR WHITTAKER'S STATEMENT

The sixty-fourth annual general meeting of Spillers Limited will be held at the Abercorn Rooms, Great Eastern Hotel, London, E.C., on June 29th.

The following is the statement by the chairman, Mr Arthur Whittaker, which has been circulated with the report and accounts for the year to January 31, 1951:—

Personnel.—It is with deep sorrow that I have to record the death of my predecessor, The Rt. Hon. Sir Malcolm Robertson, G.C.M.G., K.B.E., who was chairman of the board from 1930 to 1947. Sir Malcolm rendered distinguished service in many fields and not least to this company, which developed and prospered so greatly under his leadership. I am sure it would be your wish that a message of condolence from the stockholders be conveyed to Lady Robertson.

We are much gratified that the Federation of British Industries should have honoured Sir Archibald Forbes by electing him President. We wish him all success in this high office at a time when industry is called upon to face such exceptional and varied problems.

In the early part of this year two members of the board, Mr W. D. Vernon and Mr H. B. Vernon, visited the United States of America to study the latest developments there in the manufacture and distribution of kindred products to our own. We attach great value to the exchange of views on technical and commercial problems resulting from such visits.

ACCOUNTS

Detailed comments on matters arising on the accounts are contained in the directors' report. The substantial progress made with the present programme for reinstatement, modernisation and development of productive capacity has had the effect of increasing the ratio of fixed to total assets and reducing the liquid balances. This trend will continue as this work proceeds. The conservative policy followed in the past will, we consider, enable this programme to be financed from our own resources (including probable recoveries from war damage claims not yet received) without encroachment upon the existing requirements of working capital. This situation would alter, however, if the existing subsidies on wheat and flour were to be materially reduced since, as I indicated last year, the prices of these commodities are being kept far below their real levels as a matter of Government policy.

The problem of making adequate provision for depreciation, obsolescence and ultimate replacement of fixed operating assets is one which causes concern to most industrial enterprises in these times of rising capital costs and heavy taxation. The method followed by this company is to provide out of profits, firstly, for the writing off of capital expenditure actually incurred on a basis which we consider embraces the obsolescence factor as well as normal wear and tear and, secondly, to take account of the current level of replacement cost. The first part of the provision (in this year £373,000) is written directly off the book value of fixed assets and the second (in this year £187,000) is carried to a special capital reserve which now stands at nearly £2,000,000.

NEW WORKS

For the information of stockholders, I would refer to the major items comprised in the capital outlay during the year. The new Central Laboratory at Cambridge, begun in 1949, has been completed. The original laboratory at Victoria Dock was destroyed by enemy action in 1940, since which date we have been operating in temporary premises, first at Birkenhead and later at Cambridge. The new laboratory has been laid out in the most up-to-date manner and fully equipped for scientific research. We realise that all our products must not only be attractive to the consumer, but they must at the same time be nutritionally sound and it is in this field that the Central Laboratory will operate both in research and in exercising over-riding control of nutritional quality.

Another completed development is the re-modelling upon the latest lines of the Cambridge Mill of Paul Bros., Limited, which is adjacent to the new laboratory. The plant has been completely renewed and designed primarily for milling home-grown wheats. The mill is the first in England to be operated on the pneumatic system.

Work is proceeding satisfactorily on the reinstatement of our London mill and it is hoped that it will be ready to come into operation within eighteen months. At Hull the Silo has been completed and is now working, and a start has been made on the rebuilding of the mill itself.

PROFITS AND DISTRIBUTION

Stockholders are aware that the policy for a considerable time past has been not only to expand the flour milling side of the business but steadily to develop activities on the non-milling side though still within the ambit of the manufacture of human and animal foodstuffs. This, particularly in recent years, has called for the investment of a substantial amount of the stockholders' capital which has derived from the ploughing back of resources over a long period. It is from expansion along these lines and not from an increase in profit margins on the milling side (which remain virtually frozen at pre-1939 levels) that the increase in earnings has come. The Board has concluded that the time has arrived when the stockholders ought to benefit from this further employment of their capital and accordingly recommend a modest increase in the dividends on the equity stocks of the company. I would add that in future, and subject to conditions permitting, it would be the Board's intention that the interim distribution on the ordinary stock should be a somewhat higher proportion of the total for the year than was previously represented by 2½:17½.

I think it appropriate to point out that the total earnings of £1,685,000 (before providing for taxation) represent a somewhat low return on the book capital employed of nearly £14 million, especially having regard to the extent of our turnover and the efficiency of our factories. This is due to the inadequate return from the flour milling activities, the reasons for which I refer to below. Bearing this disability in mind, I consider the results to be satisfactory and am particularly gratified at the progress made on the non-milling side.

Our thanks are due to the managements, staff and workpeople of all the establishments comprising the group for another year of outstanding service.

CONTROL OF FLOUR MILLING

In the past I have referred to the unsatisfactory nature of this control and our firm conviction that the interests alike of the country and of the industry call for its termination, or at least substantial modification. The thesis that profit margins under today's conditions should in fact be lower than before the outbreak of the last war, when they were certainly not other than reasonable, appears to me untenable. But this is less serious than the grave danger of undermining the morale of an industry by stultifying enterprise through the absence of any incentive to economy, technical efficiency, or the development of products to meet the needs of customers or special markets.

Moreover, the present system governing the distribution of wheat appears to us to involve much unnecessary expense. I think it says much for the sense of responsibility of the industry that great efforts continue to be made to maintain and improve its standard of efficiency despite the absence of material reward. I would once more appeal to all concerned to unite in an endeavour to bring these artificial and restrictive conditions to an end and restore healthy competition and enterprise.

ALTERATION OF SHARE CAPITAL

A scheme for altering the share capital of the company, involving the capitalisation of certain of the reserves employed in the business, is now in course of preparation. When completed this will be submitted to the Capital Issues Committee and, if approved by that body, its adoption will then be considered at appropriate meetings of the Stockholders.

SELANGOR RIVER RUBBER

RECORD DIVIDEND

The nineteenth annual general meeting of Selangor River Rubber Estates, Limited, was held on June 5th in London.

Mr J. Bligh Orr (chairman) presided and the following are extracts from his statement:

The past year has been notable for a somewhat spectacular rise in the price of rubber, which began in April and gathered strength as the year went on, reaching a peak in November when the average market price for the month was just over 5s. per lb. This very welcome improvement in the price of the commodity is naturally reflected in the accounts and you will see that we made a profit of £60,972, representing 20.32 per cent. on our issued capital, against earnings of 8.37 per cent. for the previous year. In 1949, 5 per cent. out of the 8.37 per cent. earned, came from the Estate, the balance being interest and dividends received. For the year under review we made 13.84 per cent. on our issued capital from working the Estate and 6.48 per cent. from interest and dividends. Thus, while the increased price for the commodity has brought about such a satisfactory increase in Estate profits it has also resulted in our subsidiary company paying us substantially more by way of dividends for 1950, when Belata River (Selangor) Rubber Estates, Limited, distributed a total of 35 per cent. against 10 per cent. for 1949. The subsidiary company with its high yielding strains of rubber is a most valuable contributor to our profits and it paid a first interim dividend of 20 per cent. on May 1st on account of its profits for the current year.

We are recommending payment of a final dividend of 10 per cent., less tax, making the total distribution for the year 14 per cent., less tax, the highest yet attained by us. We have brought the reserve account up to a round £10,000 by the transfer of £6,000 from the profits this year.

The report was adopted.

BURY FELT MANUFACTURING COMPANY, LIMITED

RECORD TRADING RESULTS

LT.-COL. BUCKLEY ON EXPORT MARKET PROBLEMS

The forty-sixth annual general meeting of The Bury Felt Manufacturing Company, Limited, was held on June 6th in Manchester, Lt.-Col. A. Buckley, C.B.E., D.S.O., J.P. (the chairman), presiding.

The following is his statement circulated with the report and accounts for the year ended December 31, 1950:—

The gross trading profit of £293,968 is again a satisfactory one and is in excess of any previous annual profit earned by your company. The very heavy charge for income tax and profits tax amounting to £146,472 and sundry other debits, reduce the net profit to £123,426.

DEPRECIATION AND DEVELOPMENT

The only material variation in the presentation of the accounts this year lies in the treatment of the provision for depreciation. Today, annual accounts are read and criticised by many people other than shareholders, and erroneous conclusions are often drawn as to the actual capital employed to produce a given profit. It has long been your board's policy to have periodical revaluations made of the company's fixed assets. In a recent valuation, for insurance purposes, our valuers arrived at a present-day depreciated value of the buildings, plant, machinery, etc., of over £800,000, and a replacement value in excess of £1,000,000. In view of the large disparity between these valuations and the figure of £109,785 at which the fixed assets appear in the balance sheet, the sum of £20,000 for depreciation and development charged in the profit and loss account in arriving at the net profit, is carried to a new reserve account in the balance sheet rather than deducted from the existing written-down value of the assets concerned. This practice will be continued in the future.

Some portion of the increase on the 1947 valuation is accounted for by the present inflated costs of replacing plant and machinery, which is a serious matter to industry, especially as the initial allowances for taxation are to be withdrawn.

NOTICES

GENERAL REGISTER OFFICE MEDICAL STATISTICIAN

The Civil Service Commissioners invite applications from men and women for a permanent post of Medical Statistician. Superannuation is at present under the Federated Superannuation System for Universities. The inclusive salary scale (London) is £1,250 x £50—£1,500 x £75—£1,725, £40 being deducted from commencing salary for each year of age below 38 on appointment, and £50 added for each year above 38 up to age 40. This scale is at present under review by an independent committee. Candidates must be registered medical practitioners, and have had statistical training, preferably with a university degree and a Diploma in Public Health, and with experience in at least two of the following: (i) resident hospital appointment; (ii) public health service; (iii) school medical service; (iv) pathology; (v) general practice; (vi) medical research; (vii) industrial medicine. It will be an advantage for candidates to have had statistical training more advanced than that of the D.P.H. course, and also experience in writing reports and commentaries. The successful candidate will have ample scope, under the general technical direction of the Chief Medical Statistician, for original work over the whole field of vital statistics.

Further particulars and application forms from Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1, quoting No. 4035/51. Completed application forms must be received by the Secretary by July 5, 1951.

UNIVERSITY COLLEGE, SOUTHAMPTON

Department of Economics. Applications are invited for the post of Assistant Lecturer in Statistics. Salary scale £400 x £50—£500 plus superannuation and children's allowance. Further particulars and details of application can be obtained from the Secretary and Registrar.

The substantial addition of £45,000 has this year been made to stock depreciation reserve account and £20,000 placed to general reserve account. Reserves now total £310,862 and, in addition, the amount carried forward on profit and loss account is £137,814.

and our thanks are due to them for their loyalty.

The report was adopted.

CAPSEALS LIMITED

NEW ACQUISITIONS

The seventeenth annual general meeting of Capseals Limited was held on June 6th in London, Mr Oscar Morduch, B.Sc., A.M.I.E.E. (the chairman), presiding.

The following is an extract from his circulated address:—

During the year your company purchased the issued share capital of the Neptune Waterproof Paper Company, Limited, and Valapak, Limited.

Not least among the advantages in acquiring these new interests was the opportunity, which we have taken, to secure on favourable terms a 21-year lease of commodious modern factory premises at Cowley, near Uxbridge; this lease contains an option to purchase the freehold of the site at what we consider to be a very reasonable figure.

Last year I referred to the difficulties we were then meeting, due to shortage of working space at our Slough factory. With the additional facilities existing at Cowley, both for storage and manufacturing, I can say, with some confidence, that we have now satisfactorily solved these difficulties.

I hope you will agree that the results justify your Directors' recommendation to capitalise a further £12,500 of accumulated profits in distributing as a bonus one new stock unit for every three units held, and to maintain the dividend at the rate of 6d. per unit on the increased capital.

We are now well into the first half of our current trading year, and I am pleased to report that business continues on a satisfactory basis. I must, however, mention that the world shortage of paper and board and the generally known difficulties of present conditions make your Directors feel it necessary to exercise the utmost caution in making plans for the immediate future. So far our supplies of raw materials have been adequately maintained, but further contraction in availability of materials may well necessitate a reduction in the output of some sections of the business. Your board hope, however, that with the co-operation of our suppliers and customers we shall be able to maintain our activities on the present level. The report was adopted.

UNIVERSITY OF HONG KONG

Applications are invited for the vacant post of Lecturer in Economics.

Emoluments (for a married member of the staff normally resident outside Hong Kong or China, and inclusive of allowances), £1,400—£10—£1,640 p.a.

Applicants should be Honours graduates of British Universities, and have appropriate qualifications and experience, and should be prepared to take up the post by September, 1951.

First-class sea passages and furnished houses or flats at reasonable rentals are provided for expatriate staff.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is July 31, 1951.

MULTIPLE Departmental Store Organisation of National Reputation wishes to select a number of senior personnel, not exceeding 35 years of age, for accelerated development with a view to subsequent appointment to executive positions in its Retail Branches and with the future possibility, in certain instances, of appointment to its central organisation. Commencing salaries in the region of £750 per annum will be paid to men of proved ability and status. Successful candidates will be expected to accept assignments anywhere in the United Kingdom. Full details, including age, education, experience, present occupation and salary, which will be treated in strict confidence, should be forwarded to Box No. M.D. 511, 10, Hertford Street, W.1.

A NATIONAL ORGANISATION requires an Education Officer to work in Yorkshire. Preference would be given to a north-country graduate with experience in adult education. Starting salary £600 to £800, according to age and experience.—Reply, stating policies, to Box 663.



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THE ALEXANDRIA WATER COMPANY, LIMITED

PAYMENT OF DIVIDEND
NOTICE IS HEREBY GIVEN that a Dividend of Fifteen Shillings per £5 Share on Coupon No. 124 will be paid without deduction of British Income Tax, but less Egyptian Government and Alexandria Municipal Taxes amounting to 2s. 4.29d., making 12s. 7.71d. net, on and after May 31, 1951, at the National Bank of Egypt in Alexandria at Rue Toussoun, or in London at 6, King William Street, E.C.4.
Net profits for the year ended December 31, 1950, £168,000 (last year £151,200).
Dated, Alexandria, Egypt, May 24, 1951.
By Order of the Board,
ROBERT WALTON,
Managing Director.

NIGERIA

Old established British private Company of highest standing, having recently opened branches in West Africa, require Branch Manager, also an Assistant with practical and executive ability.
Applicants must have had commercial experience, preferably in hides and skins and general produce. No applicant over 40 years old will be considered. Salary according to experience and qualifications. Appropriate leave and living allowances, etc. Write, with full details, to Box 4254, c/o Charles Barker & Sons Ltd., 31, Budge Row, London, E.C.4.

DO YOU NEED REPRESENTATION IN BRAZIL?

Consult J. D. Magalhães—Caixa Postal, 1352—Rio de Janeiro; Member of the: American Chamber of Commerce for Brazil—Associação Comercial do Rio de Janeiro, British Chamber of Commerce in Brazil Inc., Liga do Comercio do Rio de Janeiro, etc. Purchasing Agent for: steel, metals, tools, abrasives, machinery, selling Agent for: iron, steel, metals, tools, abrasives, machinery, implements, chemicals, wheat, etc. Agent for: Investments of capital in local enterprises, etc., outright importer.

INTERNATIONAL WOOL SECRETARIAT

Applications are invited for the post of Manager of the Secretariat's Branch in Lahore, Pakistan.
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Prospectus from the Director of Studies, Department P17
WOLSEY HALL, OXFORD

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policy could have been better handled, it is still difficult to argue that Britain between 1945 and 1950 was in a position to do much more than was done towards preparing the defence of the Middle East and protecting British interests there.

There is, therefore, little point in argument about the past unless it reveals the extent to which recent events have changed the circumstances in which British policy has to work. The change has in fact been rapid and considerable. Though Britain's commitments remain heavy, its military and economic strength is increasing. Its purpose in this vital area has been narrowed and more sharply defined as the holding of Russian expansion, not only by military preparation but also by contesting political and social leadership with Communism. And it no longer stands alone in the Middle East; it can hope increasingly for the sympathy, interest and aid of the United States. It is on this fact, so new and significant, that discussion should focus.

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As yet, the Americans are not fairly and squarely committed to a joint and agreed policy for holding the bridge between Asia and Africa. Far from it. The most that can be said is that the conditions for working out and achieving such a policy are more favourable than ever before. The poison generated in Anglo-American relations by differences over Palestine is almost dispersed; there has been a sharp awakening in Washington to the importance for the western partnership of the Persian oil dispute—indeed, of all oil politics in this area; and the long discussions about ways and means of defending the Mediterranean as General Eisenhower's southern flank in Europe seem to have revealed to American strategists what has been a blind spot in their view of the map. They are perhaps beginning to see the logic of the British argument that the protection of Greece and Turkey is a function not of the existing North Atlantic Treaty Organisation, to which the Americans belong, but of a Mediterranean and Middle East organisation which does not and cannot exist so long as they stand aside from the strategic realities south of the Soviet Union. They may be nearer than is realised to accepting the need to share with allies joint plans, organisation and bases.

Such a fresh start will be inadequate unless there is a clear understanding of what each can contribute and of the fact that military solutions are weak, if not valueless, unless the social problem is also dealt with. The Americans can contribute to this task superior resources and a superior capacity for getting things done quickly. Britain can supply, besides its growing military and technical strength, greater experience of susceptibilities and reactions among proud and touchy peoples. The countries in which the two great powers have worked hand in glove—in Greece and Turkey—have so far proved two of the most reliable buffers against Russian expansion. Further east, an Anglo-American policy of resistance is much more difficult to organise, for virtually no nation in the area except Israel feels that it lives by standards that are worth fighting for.

This aspect of the situation was until lately not clearly seen in the west, chiefly because Russian policy in the Middle East had become quiet and unobtrusive. It needed the threat of political chaos and revolution in Persia—staved off only by concentrating popular atten-

tion on the idea of nationalising the oil industry—to bring home two facts: the frail defences of the free world's key oil resources, and the need for a radical change in the social conditions that the ruling classes have tolerated and defended. The crucial question for Anglo-American policy now stands revealed: it is to organise defence of the oil area and to bid for the shaken allegiance of the "broad masses."

Before a political and military programme can be framed one most important point or principle will have to be decided. What can be done to convince fanatical nationalists that, in their obsession with western intrusion, they are opening the door to another and far more interfering foreigner—the Russian? It has to be proved to Egyptians, Arabs and Persians—what the Greeks and Turks already accept—that there can be no neutrality in present circumstances. If this could be done, the way would be open to an agreed defence programme for the governments of the area. If it cannot be done, is military co-operation to be forced on unwilling allies? This is only one of the questions that the advocates of a tougher policy have to answer. In either case, the military problem is insoluble unless there is a social and psychological policy to offer. At once the question arises how local custom and vested interest are to be dealt with. What line is to be taken with ruling classes who pay lip service to ideas of social reform and yet persist in their rapacious ways? The would-be adviser from the west who feels he has the answer to this question even then remains baffled by the incapacity of these states to administer efficiently the present state of affairs, let alone the far more complicated process of change from feudalism to the modern welfare state. The classic example of failure has been the fate of the American firm of Overseas Consultants Inc. in Persia. Equipped with a splendid team of British and American experts, this firm was able to achieve little and was dismissed last December by the Persian Government for failure which was almost entirely due to the inertia and inefficiency of the Persian Government itself.

Western experience in these matters is now sufficient to justify the view that it is no good persisting in such failures. But the fact has to be faced that the alternative to doing nothing is to do far more than western opinion has so far contemplated: to push changes through and to direct—as the Russians do—the choice of governments and policies. Any decision to use such methods could be taken only if it were known that responsible and capable Arab and Persian reformers were ready to play their part. In fact, few such people can be found. In Iraq and Syria, it is true, there are responsible and moderate leaders of the centre or left; but if they exist in Egypt and Persia they are still hiding their talents. In short, it is difficult to escape the conclusion that nothing but the emergence of a series of Kemals can save most Middle Eastern states from violent revolution. Indeed, any Anglo-American policy that aims at creating healthy societies as well as reliable allies may have to encourage the right men to emerge. And if the main effort must be made by diplomatic and military means, there is also a great opportunity for the joint and separate oil companies to co-operate in a common welfare and public relations policy. Unless someone gets done what the pasha only talks about doing the Russians have merely to sit and wait for the wrath of the masses to boil over.

“British Central Africa”

THERE is nothing new in a proposal for closer union between the British territories in Central Africa, about which an important statement was made in Parliament this week. For over thirty years the proposal has periodically been put forward, only to meet with the careful reply from the Imperial Government that amalgamation, though desirable in principle, was neither practicable nor expedient at that time. This was also the conclusion reached by Lord Bledisloe's Royal Commission in 1939.

What is new about the present proposals is the attitude of the Imperial Government towards them. The proposals are put forward in the report (Cmd 8233), which has been published this week, of a conference of officials drawn from the three territorial governments concerned (Southern Rhodesia, Northern Rhodesia and Nyasaland) and from the Colonial and Commonwealth Relations Offices in London. The Colonial Secretary was careful to emphasise that none of the four governments is committed to the proposals, but they are at least going forward for further discussion. Moreover, instead of the Colonial Office making up its mind what will be best for Northern Rhodesia and Nyasaland, as has happened in the past, there are to be the fullest consultations on the spot with the African and European communities in the two northern protectorates as well as with the Government of Southern Rhodesia.

One reason that has always been given in the past for deferring projects of closer union has been the immense difference in the degree of political development reached by the three territories. Formally, this refers to the fact that, while Southern Rhodesia has been a self-governing colony since 1923 and regarded for some years as on the verge of dominion status, Northern Rhodesia and Nyasaland were governed until the war as crown colonies, with official majorities in their legislative councils. The reality behind this formal distinction, however, is that Southern Rhodesia is governed by its white settlers, while the proclaimed objective of the governments of the other two territories is full partnership between Africans and Europeans. Southern Rhodesia has a native policy which many of its white inhabitants sincerely believe to be in the best long-term interests of the Africans; but it is not one that commends itself to African opinion in the neighbouring territories.

In the past decade the difference in the degree of political development has certainly been narrowed. In

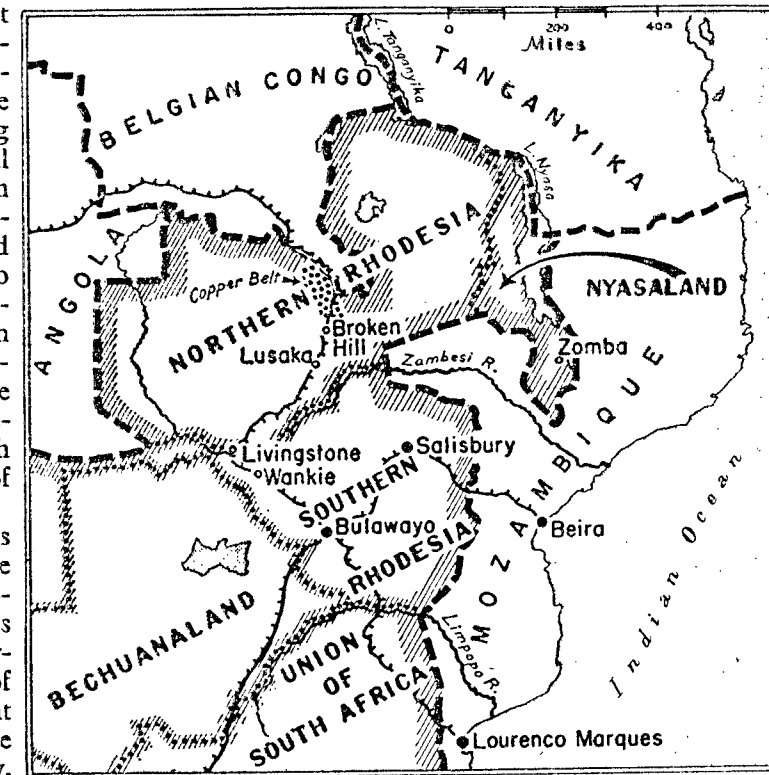
Northern Rhodesia, there has been a substantial transfer of power to the European unofficial members of the legislative and executive councils. At the same time the Africans have far more political maturity than they had before the war and Africans are beginning to sit in the legislative councils of both the protectorates.

If the differences in political maturity between the three territories were the chief obstacle to closer union, the narrowing of the gap ought to have lessened the difficulties. Actually, it has probably increased them. The effect of the increasing political consciousness of the Africans has been to harden their opposition to Southern Rhodesia's native policy and to create a new resistance to white domination in general. In Northern Rhodesia the African Congress, a political party, is demanding that some of the power transferred to the Europeans should be taken away again. At the same time, the vocal and energetic white community is pressing for more self-government on the Southern Rhodesian model; and in

Southern Rhodesia itself there has been a renewed request for complete dominion status, which means the removal of the existing check on measures which discriminate against the African.

Why, then, if closer union is more difficult than it used to be, does the Imperial Government, which has always been content in the past to postpone the issue, now put its weight, however tentatively, behind a project of unification? The answer is not to be found in the officials' report. It is true that they say there is a "compelling case" for closer union and that the need is urgent. But the reasons they give are the reverse of convincing, and the real reason is only hinted at. The

compelling and urgent reason is the course of native policy in the Union of South Africa, the pressure of Afrikaner nationalism and the growing immigration of Afrikaners into the two Rhodesias. The establishment of a strong central government in the three territories would, it is hoped, go far towards withstanding the spread of Boer influence to the north. Why is not Southern Rhodesia by itself a strong enough bulwark between the Union and the British dependencies? No answer is given in the report to this question either. But it is easy to guess that the British Government, and the governments of the two colonies, fear that a time might come when Southern Rhodesia, baulked of complete dominion status and also of leadership in a wider Central African domain, might tend to look more and more towards the Union and possibly seek incorporation in it.



These, it may be guessed, are the reasons that have led to the attempt to design a constitutional framework for three partners who are likely to remain very different. The scheme proposed is certainly ingenious. To begin with, each of the three partners is to retain its own government, which means that one will be self-governing, communicating with the Commonwealth Relations Office in London, while the other two remain colonies, responsible to the Colonial Secretary. But there is also to be a federal government for British Central Africa (an uninspiring title; why not Rhodesia?). This federal government is to have a legislature of 35 members, 17 from Southern Rhodesia, 11 from Northern Rhodesia and 7 from Nyasaland, and it is to have authority over the subjects specifically transferred to it. These comprise external affairs, defence, communications, broadcasting, electricity supply and distribution, foreign trade, customs, higher education, research and economic development planning.

The significance of this list lies in the main omission from it. Native policy, in its widest sense, is to remain a matter for each territory separately—that is to say, neither Southern Rhodesia on the one hand nor the two northern territories on the other are to be asked to change their present policies. It is evidently thought that this does not go far enough to reassure the Africans in the protectorates, so there is to be further machinery for the protection of their interests within the federal government. Since African interests may be indirectly affected by its actions, there is to be an African Affairs Board, consisting of the three Secretaries for Native Affairs of the territorial governments, one elected or unofficial member from each territorial legislature and one African from each territory. Its chairman will be the Minister for African Interests in the federal cabinet, and he will be appointed not by the Prime Minister but by the Governor-General. All proposed legislation will come before the Board and the Minister, and if they object to any proposal as being detrimental to African

interests, the Governor-General is required to reserve it and refer it to the Secretary of State in London. Which Secretary of State is not made clear, and it may be thought to be of some importance whether it is the Colonial Office or the Commonwealth Relations Office that has the last word; the best arrangement might be the two in consultation.

This is a very gallant attempt to square the circle, and it can be said at once that if some form of closer union between the three territories is desirable and necessary, the proposals now put forward are excellently conceived. Nevertheless, it does not follow that the scheme will be accepted. The Africans in the northern territories may remain unconvinced that there is any need at all for federation, and suspicious of an arrangement which, for all the safeguards, would inevitably bring them more closely under the influence of the white men in Salisbury. As for the Southern Rhodesians, though the plan offers them scope in a much larger unit, it inevitably postpones almost indefinitely their ambitions for dominion status and subjects many of the affairs they now run unchallenged to a legislature in which they would not have a majority.

The British Government's problem, in short, is to persuade both Southern Rhodesians and Africans that they will gain by federation when neither side wants the other to gain an inch. It is important that neither side should reject the proposals out of hand, and each should be invited to ponder on what the alternative may be. For the white settlers the alternative might be a permanent block to the expansion they desire. For the Africans in Northern Rhodesia and Nyasaland, the alternative may be an advance of Afrikanerdom, or at least of Afrikaner ideas, to their borders. The task of securing agreement cannot be hopeless, since officials of all four governments believe it can succeed. If it does succeed, it will add by no means the least interesting chapter to the history of British constitutional ingenuity.

Peace with Japan

THE visit to London last week of Mr John Foster Dulles, Republican adviser to President Truman on foreign affairs, was only moderately successful. Less agreement was reached than had been hoped for on the remaining points at issue between London and Washington and, consequently, it now seems that a Japanese peace treaty will not after all be ready for signature quite as early as July. Nevertheless, final agreement can hardly, and should not, now be long delayed. There is little basic divergence left between the British and Americans about the terms of the treaty itself, and it should not be impossible to devise a compromise which would defer decision on the question of who should sign for China and when. The Russians, at least, have finally indicated their withdrawal from participation in any present treaty by their Note to Washington last week-end, while most of the other countries which took part in the Japanese war are only waiting to subscribe to a draft agreed between the major powers.

The delay is regrettable. As Mr Dulles said in London, ever since their discussion of principles last November all the governments on the Far Eastern Commission, and,

indeed, nearly everyone in the free world, is agreed that a peace treaty is now becoming overdue. Much of the blame for holding it up has hitherto lain with the Americans, but they reached a new decision last September when the Korean war was three months old and when there was not a single combatant American soldier left in Japan, and they are now anxious to see their relations with Tokyo put on a new basis. This, moreover, is nearly the end of the sixth year of the Occupation, which, to quote Mr Dulles again,

has reached the point of diminishing returns. If it is arbitrarily prolonged, it could paralysise the promising beginning of representative government in Japan; it could turn the incipient good will and friendship of the Japanese people into sullen hostility; it could even create the illusion that Soviet Russia could be a liberator rather than the cruel gaoler it is in fact.

Seldom, indeed, can there have been any country whose future was wrapped in greater mystery than Japan. In December it will be just ten years since the American fleet was attacked at Pearl Harbour. During this unique decade the Japanese have fought and been defeated in a war which was the culmination of seventy years of grow-

ing modernisation and ambition; they have been struck by the first two atom bombs in history; and they have endured what must have seemed to many of them a most strange and puzzling Occupation, ending with a non-combatant role in yet another war, this time alongside their western conquerors. No one can possibly tell at this stage what effect this decade will have had on the Japanese. Will they reject militarism altogether? Will they become good democrats? All that can be known for certain is that, since the time is ripe for them to try their own paces at the height of the cold war, the first years of test are of even more crucial importance to the rest of the world than they seemed in the moment of victory. At present the Japanese are strongly anti-militarist and mostly anti-Communist. Both their interest and their inclination is to side with the powers at whose head stands the United States. But will that always be so, and, if not, how long will it last? Probably alone of the nations intimately concerned in the peace treaty, Australia and New Zealand are thinking seriously in terms of the next half century, and before accepting the proposed treaty they have had many doubts about the line being taken in it.

Yet there are only three ways of making peace, and there can be little doubt that in choosing to be liberal and magnanimous the victors over Japan have taken the only possible course. Their policy may or may not succeed, but anything less would be bound to fail. Of the two other alternatives a Carthaginian peace would have been quite impracticable, both because it is not in the nature of the American and British peoples to enforce such a thing and because Japan has an inalienable role to play in Asia, on which the future of many millions of Asians may well depend. A peace on the compromise model of Versailles—repressive in spirit but not in substance—has so recently been proved a complete failure that no one could take it seriously. As things are, the problem of actively converting a defeated enemy into a willing ally, in both Japan and Germany, is taxing the ingenuity of western statesmen to the limit.

In Japan the outcome has been to lay the foundations of the treaty on four principal ideas. Territorially, Japan is being cut down to its main islands; the abandonment of all claims to the mainland under the Potsdam surrender terms means that Japan cannot have under its own control the sources of raw materials which gave it its military power. Secondly, however, there will be no war guilt clause. Equally, in the economic sphere—as was also specifically laid down at Potsdam—Japan must not be penalised in such a way as to prevent it earning

its living; on the other hand, not only must the opportunity be taken to try to bring Japanese standards and behaviour into line with normal commercial practice, but Japan cannot expect to gain the advantage of an entirely clean slate in a fresh start. This means no significant reparations, yet at the same time acknowledgment of prewar debt liabilities and commercial claims, and adherence to international conventions on subjects on which Japan used to have a bad record, such as drug smuggling. Lastly, although disarmed, Japan must be given both a sense of security through outside guarantee and the right to look forward in due course to taking over its own defence as a normally armed, sovereign state.

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These are the substantive provisions of the treaty. By far the most contentious in detail, and the most difficult for the western allies to elaborate, is the economic section. Unfortunately in this the British find their logical interests on the least defensible side of the argument. The war and its aftermath have at least emphasised one lesson: that the world is short of goods and that productive capacity is more important in the long run than hoarding markets. The Japanese have a contribution to make to the under-developed parts of the world and it is only common sense that in the peace treaty they should not be restricted from playing it. The one fully justifiable point at issue between London and Washington has been Japanese shipbuilding capacity. Neither side has cared to embark, particularly at this stage, on trying to dismantle shipyards on the German scale; but there is every reason why, since this capacity was unduly inflated by war from 300,000 to 800,000 tons a year and cannot now be used in any case owing to the shortage of steel, such resources as are transferable should be switched to other industries.

Even when these broad outlines of the treaty were settled, however, a number of serious points of difference still remained. The first of these was whether to proceed without the Russians. The basic decision to do so was taken many months ago, but some of the western countries (the French, for instance) still entertain some doubts, on which the Russians try to play. In this week's Note to Washington the Russians shift their ground from the demand that the whole matter should be remitted to a meeting of the Council of Ministers to a new demand for a special peace conference. The first demand could never be sustained, since it was based on the untrue statement that there was an agreement to that effect at Potsdam, and the result of agreeing would simply be

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to give the Russians a veto. The demand for a peace conference cannot be quite so easily disposed of; it is a clever manoeuvre. But there is no reason to yield to it. The Russians have no genuine grievance; they have been kept fully and continuously informed of every step in the negotiations during the past year and have been repeatedly asked for co-operative suggestions. The present state of the world, split into two camps by Russian action, leaves no realistic alternative to the western powers' present intention of completing negotiations for a Japanese treaty through ordinary diplomatic channels, and of holding only a brief, formal conference at the end for the actual ceremony of signing.

The second point of hesitation is over the powers of rearmament that are to be restored to the Japanese. The Australians and the New Zealanders are nervous about this; and the American guarantee of their security is intended to allay their alarms. Indeed, the connection is direct, since the guarantee is to come into force at the same time as the treaty. The doubts are natural enough in view of very recent history. But to impose permanent restrictions on Japan would, at this stage, involve a complete re-casting of the treaty. To put the matter in its bluntest terms, it is the United States that has decided on a liberal settlement with Japan, and it is therefore for the United States, by its guarantee to Australia and New Zealand and by the forces that it is to retain, on Japanese invitation, "in and around Japan," to see that the risks do not materialise.

Personal Incomes

THREE articles in this journal early last year reviewed the facts then available about the course of personal incomes since 1938. This article revises some of the main series of statistics in the light of the latest information, and attempts to form a more up-to-date picture of movements in the purchasing power of different classes of people.

Table I shows the general pattern of net incomes (that is, after payment of income tax and surtax) in 1948-49 compared with 1938-39. It will be seen that rather more than twice as many people in 1948-49 had incomes above the tax exemption limit. The great expansion in numbers occurred in incomes between £150 and £1,000, and more particularly in the £250-£500 group. But, as would be expected, the numbers at either end of the scale had contracted. In spite of inflated prices, there were in 1948-49 less than half as many net incomes between £4,000 and £6,000; and only 86 incomes were above the £6,000 mark compared with 6,560 in 1938-39. Moreover, the average income of this latter group had fallen by nearly £2,000. While it is taxation that has stifled the large income and surtax payers have increased in number, yet they have not done so in anything like the same proportions as those in the more moderate income groups. A further set of statistics, analysing gross incomes according to their amount before tax, shows that between 1938 and 1949 the numbers of incomes in the range £250 to £1,000 increased five-fold (from 2,429,000 to 12,753,000); those in the range £2,000 to £10,000 doubled (from 98,000 to 219,000); while the number of gross incomes of £10,000 and over only rose from 8,000 to 11,000. So, even before taxation, the share of the total income going to surtax payers had fallen.

Finally, there is the controversy over which government shall be invited to sign for China and, as a necessary corollary, which representative of China should be regarded as the legal heir to Formosa. Britain recognises the Peking Government and could hardly do otherwise than hold that, if anyone is to sign for China, it should be Mao Tse-tung. At one stage the British appear to have suggested that an invitation should be sent to Peking; though they do not appear ever to have contemplated that Formosa should be handed over to the Communists in present circumstances. The United States still recognises Chiang Kai-shek and similarly can hardly do other than suggest that he should sign for China. The debate of recent months in the United States has shown that there is no present possibility of persuading the Americans to admit the Chinese Communists to the conference or to recognise their signature. And it can be said with equal force that in London and other capitals the suggestion that Chiang should sign is regarded as outrageous. If both governments insisted on their logical positions, there would be complete deadlock. But it does not take any great wit to see the obvious way out—which is that, for the time being, no one should sign for China. This has certain disadvantages—not least for the Japanese, who would find themselves living under a treaty which neither of their biggest and nearest neighbours would have signed. But the alternative is no treaty at all, which would be far worse for everybody but the trouble-makers.

Although the detailed pattern of income distribution is continually being modified, the postwar structure remains clearly defined. In each of the years 1948, 1949 and 1950 wages have, after tax payments, accounted for 47 per cent of all net incomes (excluding social security payments and other transfer incomes) against a 1938

TABLE I—NET PERSONAL INCOMES

Range of Income After Tax	1938-39			1948-49		
	No. of Incomes in Each Range	Average Tax Paid	Average Income After Tax	No. of Incomes in Each Range	Average Tax Paid	Average Income After Tax
£135-150*	2,508,000	0.2	£138	1,113,000	0.1	£144
150-250	4,630,000	0.9	188	8,500,000	5	201
250-500	1,940,000	13	333	9,152,000	21	340
500-1,000	607,000	85	670	1,551,000	164	677
1,000-2,000	142,200	324	1,368	349,000	633	1,378
2,000-4,000	54,640	1,672	2,731	79,650	2,992	2,618
4,000-6,000	11,600	3,138	4,836	5,264	18,361	4,360
Over 6,000	6,560	13,399	9,482	86	138,953	7,558
All Ranges	9,800,000	31	272	20,750,000	51	325

* For 1938-39, figures relate to the range £125-150. The figures include about 6,000,000 incomes in each year which were entirely relieved from tax by the operation of allowances.

figure of 39.5 per cent. The National Income White Paper of last April (Cmd. 8203) which gives these figures also shows the movement of salaries and other forms of income. Although these statistics, which are summarised in Table II, bear the official stamp, the Government statisticians who compile them always emphasise the element of estimation included in them, and this

becomes increasingly apparent with the revisions contained in each publication. Some of these changes arise because of alterations in definition, but mostly because more accurate methods of assessment are found. In particular, the postwar figures of total salaries have been repeatedly revised, and almost invariably in an upward direction, without any modification of the 1938 estimate. This is no oversight—the prewar figure was estimated very carefully when it was first put forward, and the methods of today cannot necessarily be applied in all respects to older statistics. But it seems likely that the compilers, after more extensive investigation, will make some addition to the 1938 figure in order to make it strictly comparable with the present-day figures. In all probability, therefore, the statistics in their present form overstate the increase in the total of salaries since 1938.

Nevertheless, even as they stand, the figures in Table II establish some well-defined differences. The final column in the table is an attempt to show the purchasing power of the different categories of income,

TABLE II—PURCHASING POWER OF INCOMES

Year	Income Before Tax £ Million	Direct Taxation as % of Col. (1)	Col. (1) as Index 1938=100	Col. (3) Adjusted by Col. (2)	Col. (4) Adjusted by Consumption Prices 1938=100
	(1)	(2)	(3)	(4)	(5)
A.—WAGES					
1938.....	1,735	3.1	100	100	100
1948.....	4,025	8.1	232	220	122
1949.....	4,230	8.7	244	230	124
1950.....	4,470	8.4	253	244	123
B.—SALARIES					
1938.....	1,110	5.0	100	100	100
1948.....	2,200	13.5	193	181	100
1949.....	2,350	14.0	212	192	104
1950.....	2,500	13.4	225	205	103
C.—PERSONAL INCOME FROM PROFITS, INTEREST AND RENT					
1938.....	1,699	14.1	100	100	100
1948.....	2,665	23.4	157	140	77
1949.....	2,749	22.6	162	146	79
1950.....	2,861	22.3	168	152	80
D.—DISTRIBUTED PROFITS OF COMPANIES (Included in C.)					
1938.....	560	14.1	100	100	100
1948.....	796	23.4	142	127	70
1949.....	803	22.6	143	129	70
1950.....	827	22.3	143	134	71
E.—RENT (Partially included in C.)					
1938.....	416	15.9	100	100	100
1948.....	470	26.2	113	99	55
1949.....	483	26.1	116	102	55
1950.....	496	25.2	119	106	56

allowance having been made both for direct taxation and for the rise in the market price of consumption goods. The estimates for 1950 show total wages to have increased their 1938 purchasing power by 28 per cent and total salaries by 8 per cent, while the mixed group of "profits, interest and rent" have lost 20 per cent. Two categories from this latter group are shown separately. Distributed profits of companies, assuming taxation to be at the same level as for the whole group of "profits, interest and rent," and the income of landowners have each fared worse than the group as a whole. There is no guide as to the taxation paid on the other types of income in this mixed group, such as professional earnings, which increased (before tax) from £84 million in 1938 to £182 million in 1950, and farming income, which increased over the same time from £64 million to £302 million.

All these figures from the National Income White Paper refer to the total of wages, salaries, etc., without reference to the numbers of incomes in each category. And, indeed, such figures are not available except in the case of farming income which, after deduction of a small amount earned by "spare-time" farmers, was shared in each of the years 1938 and 1950 between 360,000 full-time farmers. So, on the average, the farmer's income before taxation rose from about £170 in 1938 to £808 in 1950. What can be learnt about the average wage or salary? For wage-earners additional information is supplied by the twice-yearly surveys made by the Ministry of Labour covering industrial earnings of manual workers in most of the principal industries — but excluding coal-mining. In October, 1950, the average weekly earnings were 150s. 5d. for men, 82s. 7d. for women and 128s. for all workers; these figures are respectively 218 per cent, 254 per cent and 240 per cent of the corresponding earnings in October, 1938. When direct taxation and changes in consumption prices are allowed for, the average wage-earner was some 22 per cent better off and the male wage-earner some 10 per cent better off. Indeed, the improvement is probably greater than this, for rent and food, of which the prices have been kept artificially low, play a larger part in the wage-earner's expenditure than they do in the price-index of consumption goods as a whole.

No such clear-cut information is available about the average salary. Salary-earners have certainly increased in numbers, and, although the exact amount of the in-

TABLE III—SOME CIVIL SERVICE SALARIES (£ per annum; London Scales)

	Men		Women	
	1939	Present Day	1939	Present Day
ADMINISTRATIVE				
Permanent Secretary....	3,000	4,500	2,200	3,250
Deputy Secretary.....	2,200	3,250	2,200	3,250
Under Secretary.....	1,500	2,500	1,500	2,500
Assistant Secretary.....	1,150-1,500	1,500-2,000	1,000-1,325	1,340-1,850
Principal.....	800-1,100	1,000-1,375	700-940	880-1,200
Assistant Principal.....	275-625	400-750	275-510	400-650
EXECUTIVE				
Asst. Accountant-General	1,050-1,200	1,325-1,475	890-1,050	1,150-1,325
Chief Executive Officer..	900-1,050	1,100-1,325	740-890	930-1,150
Senior Executive Officer..	700-860	900-1,075	590-700	775-910
Higher Executive Officer..	550-650	715-865	450-525	600-735
Executive Officer.....	150-525	250-700	150-420	250-530
CLERICAL				
Higher Clerical Officer...	400-525	570-700	320-420	460-530
Clerical Officer.....	105-350	150-500	105-280	150-400

crease is not known, it is probably about 10 per cent. The figures in Table II would then suggest that the average salary-earner in 1950 had practically the same purchasing power as in 1938. But, since salary-earners cover all workers other than those described technically as "operatives," a very wide range of occupations and remuneration is included. For most salaried posts there are no fixed scales of pay and little comparable information. But Tables III and IV give a few examples of known salary movements since 1938 or 1939. Very recent increases have tended to arrest to some extent the ironing-out of the differentials between pay for skilled and unskilled work in these particular occupations. But certainly after taxation is taken into account, it is the junior salary-earners who relatively have fared the best.

While it would be wrong to attempt to draw any conclusions about salaries in general from this limited information, yet the indications are that either the National Income Statistics overestimate salary increases since 1938 or numbers have risen more than has been supposed.

TABLE IV.—VARIOUS SALARY SCALES
(£ per annum)

	1938	January, 1950	Present Day
TEACHERS			
Graduates :—			
Men	249-480	360-615	471-726
Women	228-384	318-492	416-582
Certificated Teachers :—			
Men	180-366	300-555	375-630
Women	162-288	270-444	338-504
SCHOOL HEALTH SERVICE			
Senior Medical Officer	750-1,100	1,035-1,435	1,250-1,650
Assistant Medical Officer	500-700	735-935	850-1,150
Assistant School Dental Officer	450-550	730-900	800-1,250
BANK CLERKS			
Men	70-365	157-546	166-579
Women	83-205	155-365	164-385

Prewar scales for teachers are for graduates in secondary grammar schools in the provinces and certificated teachers in industrial and semi-industrial areas; no account is taken of special allowances. School dentists' salaries for 1938 and 1950 are averages of those advertised in the *British Dental Journal* which varied quite considerably; present day scale is that recommended by the Dental Whitley Council (Local Authorities). Bank clerks' salaries are as supplied by National Union of Bank Employees and include a cost-of-living bonus in the postwar rates.

In yet another respect the picture may have been painted too cheerfully for salary-earners. Some very rough estimates of middle-class cost of living indices, published previously in this journal and brought up to date in Table V, show—with no claims to statistical accuracy—that the higher the income the greater has been the rise in the average price of the goods and services bought. The wage-earner has therefore improved his comparative lot to an even greater extent than is indicated by the income differences already calculated.

Throughout these comparisons no account has been taken of increased social services (except that the employees' contribution to national insurance has been deducted as a part of direct taxation). Before the war the services were provided mainly for the wage-earner. Today they have been expanded to cover all classes. In this respect, therefore, the middle classes have stood to gain relatively more. Some idea of what the welfare state can add to an ordinary family's income is shown in the last table in this article. It may be argued that the higher income groups do not utilise the facilities. But practically all families who are eligible take advantage of the child allowance and will doubtless accept a retirement pension. And the Health Service is said to be used by about 95 per cent of the population—although perhaps not for all treatment. Here then are benefits, in cash or kind, drawn from the welfare pool not only by manual workers but by the middle classes. Education is another matter. The independent schools in England and Wales still cater for 500,000 pupils against the 6,000,000 at maintained and assisted schools, although the elimination of the prewar small-fee school may well force middle-class families to use free educational facilities.

Social consciousness is clear about the need for some of the burden of the cost of children to be shared by the

TABLE V.—ESTIMATED COST OF LIVING INDICES
(1938=100)

Date	Working Class Index	Middle Class Prewar Income Groups			
		£250-350	£350-500	£500-700	£700 and over
Average, 1938.....	100	100	100	100	100
June, 1948.....	177	182	190	196	201
" 1949.....	179	186	194	202	208
" 1950.....	183	190	199	208	216
March, 1951.....	192	201	210	220	229

The working-class index is the one published by the London and Cambridge Economic Service. The middle-class indices are rough estimates made by *The Economist* using as basic material some prewar surveys carried out by the Civil Service Statistical and Research Bureau.

country as a whole. General interest will therefore be felt in some new and interesting statistics relating incomes to family circumstances which are promised by the Inland Revenue Department from an income census being taken for 1949-50. Unfortunately these results

TABLE VI.—INCOME SUPPLEMENTS FROM THE WELFARE STATE
For a Family with Two Children

	£ Per Year
Child allowances.....	13
Education :—	
1 child at primary school	25
1 child at secondary school.....	45
Provision for old age (premium for comprehensive policy taken out at age 30).....	27
Health (at average outlay per head)	36
Total of above	146

Provision for old age is assessed on the charges that might be made by an insurance company to provide the same retirement pensions and other benefits (excluding unemployment) as National Insurance. For an annuity of 26/- a week at age 65 (without return of premiums at death), a man would have to pay an annual premium of about £6.8 for a policy taken out at age 20, £10.5 at age 30, and £18 at age 40. For an annuity of 42/-, the premiums would be about £11, £17 and £29 respectively. Making what allowance is possible for the other benefits and for differing mortality rates of husband and wife, the premiums that would be charged for a married couple at ages 20, 30 and 40 are estimated at about £15, £27 and £45. No account has been taken of any higher rates of pension over 65.

Education figures are based on costs in early 1950; in 1951-52 they are expected to increase and to be over £50 for a child at a secondary school. Fees at well-known public schools will then average about £280 a year for boys and £230 for girls. An independent day preparatory or secondary school charges anything from £50 to £100 a year.

are not expected until early next year, but in the meantime the department has published provisional figures of the same nature for 1948-49. In that year, 2,830,000 married couples had incomes, before tax, below £250 and 1,839,000 of them had one or more children to support. Exact calculations are not possible, but whereas the average income of the one-child family appeared to be about £400 a year, that of larger families was nearer £500. But although incomes may be somewhat higher for the larger families, yet of the 1,266,000 families with three or more children in 1948-49, 339,000 had incomes below £250 and a further 688,000 were between £250 and £500. Thus even with the great postwar rise in the lower incomes, there are still many large families in need.

• This article can do little to bring the story beyond 1950; 1951 will see many claims for income increases to combat the steep increase in the cost of living. Already, by April, wage-rates had increased 7 per cent over their 1950 level, and nearly 6,000,000 workpeople had benefited by wage increases in the first four months. In the upper reaches of the range taxation prevents any such escape from the rising cost of living. On the face of it, therefore, it would seem that the redistribution of income is to be taken still a little further this year.

NOTES OF THE WEEK

"Peace, Then Plenty"

The East Woolwich by-election has shown that there is more to the present political lull than a renewed sense of stalemate at Westminster. Two months ago even the constituency that Mr Ernest Bevin held so safely could not have been the scene of a campaign as quiet as that which ended with Thursday's polling. Springtime passion has evaporated in the country as well as in Parliament.

Perhaps for that reason the Woolwich by-election provided an important indication of the pattern that political campaigning is likely to take in the next four months. A new Labour slogan was introduced. "Peace, then Plenty" is neat, and it is unusually important because it serves a double purpose. It may be assumed to summarise the lines on which Ministers intend to reply to Mr Bevan if and when he begins to press within the Labour Party a campaign to elevate himself to leadership. In effect the slogan emphasises frankly that adequate defence must take precedence over the current standard of living, which Mr Bevan appears to regard as in all circumstances the first charge on the economy. If Mr Mayhew's campaign at Woolwich is an accurate guide, the Labour leaders have decided to take the courageous stand of rejecting Mr Bevan's standards of value. A reply in such terms has the great advantage that it also serves as, in part, an answer to the Tories. However much they may in fact rate the needs of defence even higher than does the present Government, the main basis of popular Tory propaganda is still the promise—or, at least, the hint—that they could squeeze more benefits out of the welfare state than Labour can: the offers are more guns, more houses, and lower prices all at once. The most successful thing the Labour Party could do would be to persuade people that the Conservative position and Mr Bevan's position are essentially alike in their unrealism and perhaps even in their possible "disloyalty" to the cause of the West.

To try to put the two oppositions on the same level is, of course, an obvious strategy that even Mr Morrison will not be clever enough to execute if the Tories know their business. But they seem more likely to play timidly straight into the bowler's hands—to remain afraid of suggesting that what is required is more effort rather than more reward, and therefore to offer the electorate nothing but unconvincing hints at the impossible. Enough has been said about the necessity of "re-thinking" on the Labour side, of finding a new policy that is neither further socialisation nor an expansion of the social services. The fact that the need is talked about so self-consciously is evidence enough that little thinking is in fact being done. But it would be rash to assume that a new policy, however important for the Labour Party in the long run, is essential for an election this year. The Conservative Party still shows no sign of making up its mind whether it is offering people more than Labour can give immediately or a sounder policy in the long run. If the Tories remain undecided, Labour may be able to get along as it is. There is no law that says that nature abhors one vacuum more than another.

Plain Speaking to Europe

Mr Milton Katz, the American representative at the United Nations' Economic Commission for Europe, has added another spirited page to the current international debate on rearmament and inflation, which recently promoted a clash of opinion about the level and control of foreign exchange rates between the International Monetary Fund in Washington and Europe's ECE. Speaking last week at Geneva, Mr Katz carried the war vigorously into enemy

country. He had a double theme: that high defence expenditure has come to stay, and that the only real way to counteract its effects on the economic life and financial stability of Europe is to increase production. To this end, Mr Katz put forward a five-point programme for Europe. There must be a wide variety of imports in order to sustain both industrial and agricultural output, and in return exports must be competitive in price as well as quality. To maintain the tempo adequate new investment is essential, which must produce a harvest of higher living standards; but part of the developing economic strength must go into defence.

It is all very well to urge greater production and to indicate the way to approach it, but to do so does not really show just how it is to be achieved. Even in America a great firm like General Motors has recently had to stop work on certain days in the week owing to shortage of raw materials—a problem that threatens to be more acute in Europe. The other major European difficulty is the restrictive and cautious mentality that has grown up over many years among both certain workers and certain employers. In Britain, even highly successful and progressive concerns suffer from go-slow tactics among the workers, because they fear that to go faster will only run through the available raw materials sooner. On the Continent particularly, nothing that has happened since the war has yet made more than a dent in the small-market, high-price mentality of business men.

Two of the greatest benefits of the American aid programme have been the wide increase in public discussion of economic problems, with the aid of more and better statistics, and the pressure which the United States has been able to exert in the direction of freer trade and higher turnover. Mr Katz rightly emphasised that raw material production is at present the key to a healthy western economy. What he did not do, and what there is still great scope for Americans to do even more than they have, is to think and speak about European problems, both publicly and privately, as if they were their own. There are more and more fields in which, as Americans come to have increasing experience of Europe, their practical advice can be very welcome and useful—provided it is realistic.

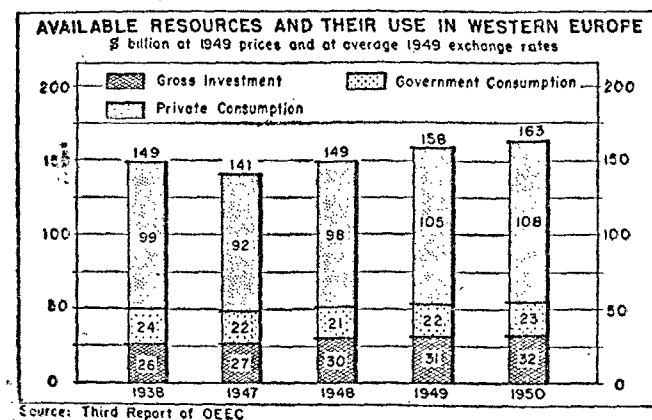
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Europe's Recovery

When the Marshall Plan was first introduced in 1948 even its most enthusiastic supporters scarcely dared to believe that Western Europe could be put on its feet in a brief period of four years. But the progress to date recounted in the third report of the Organisation for European Economic Co-operation leaves little doubt that, but for rearmament, the targets set in 1948 would be attained by 1952-53. Some have been attained already, although they were considered pious expressions of hope rather than of belief when they were set. In agriculture, one of the twin keystones of recovery, the production of sugar beet, fodder roots and eggs are above the target, while potatoes, bread grains, meat and milk are all within striking distance. The two uncertainties are coarse grains and oilseeds, which are important because they are the raw material for livestock production. In industry the output of textiles and sawn softwood has exceeded the 1952-53 target while mechanical and electrical engineering is within a few points of it. Again progress has been slowest, in relation to the targets set, in the primary industries: hard coal, crude oil throughput, electricity, and crude steel. The total balance of payments deficit for Western Europe has been reduced from about \$8 billion in 1947 to \$1 billion in 1950. Gross internal investment is 20 per cent above that of 1938 and the level of personal

consumption per head of population is almost, but not quite, back to its prewar level.

Western Europe is certainly recovering and recovering rapidly, but viability has not yet been achieved. A high level of final production both in agriculture and industry can be sustained only if an equivalent high level of output has been developed in the primary stages, or if Western Europe can be assured of an adequate supply of fuel, primary products and semi-manufactures from the rest of the world. So far, a large volume of imports has been possible first because of the annual injection of American dollars and, secondly, because of the high level of prosperity in the United States.



Two years ago Europe was made acutely conscious of the serious consequences to it of only a mild recession in the American business activity.

A further contributory factor to recovery, not specifically mentioned in the OEEC report, has been the resurrection of sterling as an international currency. At present over half of the world's business transactions are carried on in sterling. It is clearly impossible to distinguish between cause and effect and sterling's present strength is no doubt partly derived from Europe's recovery. But events of the past two years would seem to have shown that sound sterling—"sound" to the point of permitting more liberal trading policies—was of paramount importance to the economic health of Europe.

Finance by Night

The Conservatives have duly sought to make up in duration what their attacks on the Finance Bill have lacked in intensity. The combination of Mr Churchill's belligerency and Mr Ede's stubbornness has kept the Commons awake throughout the night on two separate occasions, adding in the process two new long-sitting records (for the postwar period) to the Wisden of parliamentary performances. Last week's private members' business on Friday was lost in the process; at the beginning of this week the arguments dragged through until the normal hours for business on Tuesday had been completed, making a sitting of 31 hours and 15 minutes. The Tuesday evening debates, with members groping wearily for arguments like marathon pianists fumbling for the keys, were hardly an impressive spectacle.

The two all-night sittings have had the effect of forcing the Government to make three extra days available for the committee stage of the Bill, thus almost doubling the time taken last year. Mr Ede sensibly gave way once it became apparent that the alternative was to endure further all-night sittings, which would add nothing to the debates and detract a good deal from the dignity of the House. In the present state of Parliament, this type of badgering and manoeuvring is inevitable; but not all the Tories are convinced that Mr Churchill's tactics have been sound. Their more moderate

wing would have preferred a more compact and coherent debate, using the six days originally offered by the Government for a calmer discussion in which their arguments rather than their emergency sleeping and eating habits might have caught the headlines.

Whatever the form of the debate, the Conservatives hardly made a happy choice in devoting most of their energies to attacking the blanket clause dealing with tax evasion. The clause is certainly clumsy and probably ineffective, but that does not necessarily justify eleven hours of debate on a matter on which—in the words of one sardonic Tory—no gentleman ought in any case to have an opinion.

With the committee stage of the Finance Bill out of the way, the Government can expect to get safely through the last stage of report and third reading, and the House of Commons can turn, with what will certainly be relief on both sides, to some of the more general issues awaiting debate—in particular, to foreign affairs, defence, prices, and the conduct of the nationalised industries.

Missing Diplomats

The case of the missing diplomats arose last week when the world's newspapers were rather short of fresh political news. It would be premature at this stage to assume that it has any deeper significance, and the House of Commons fortunately showed a decent restraint in its discussion of the affair on Monday. Mr Morrison maintained in his brief statement that the Foreign Office had nothing to say and nothing to hide about the case, which has left the superiors of Mr Maclean and Mr Burgess as baffled as the general public.

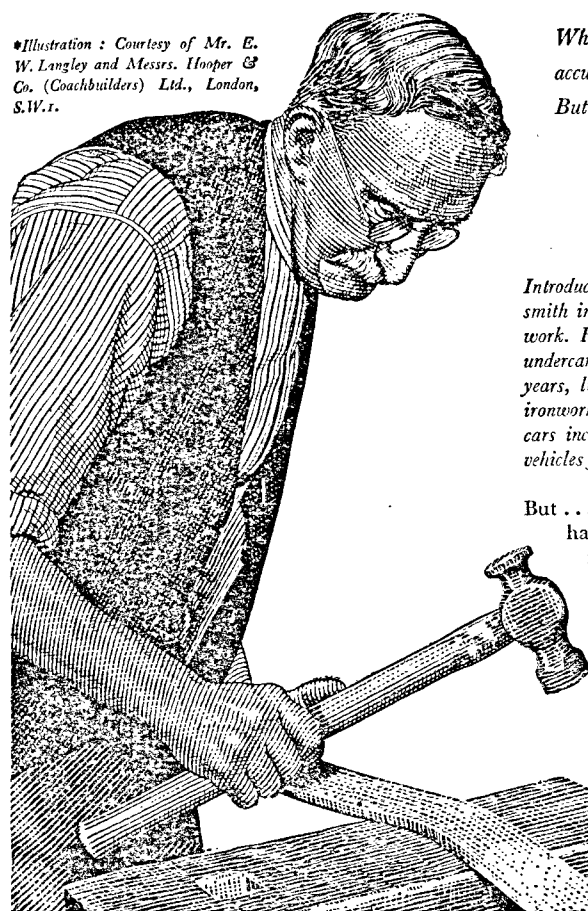
The Foreign Secretary also set himself firmly against any suggestion that this extraordinary event indicates the need for either a political or a moral purge of the diplomatic service. Though his words might have been more happily chosen this is surely the right position. The efforts of some Conservative backbenchers (and some newspapers) to pin a political or ideological label on the missing men produced, as a healthy reaction, the unusual spectacle of Labour Members hurrying to the defence of that Foreign Service which has so often been the object of their scorn and dislike. This anxiety to prevent a witch hunt has stifled any tendency in the Labour party to revive the old demands, pressed strongly on Mr Bevin in the revolutionary mood of 1945, for a complete overhaul of Britain's diplomatic representation. It is hardly possible that an affair of this kind should be merely a nine days'—or even an eighty days'—wonder; it is important that opinion, both in this country and abroad, should not be formed until more of the facts are known and their implications, if any, soberly assessed.

No Change in Teheran

The chances of an agreement between the Anglo-Iranian Oil Company and the Persian Government are still being queered by the number of voices with which Persia is speaking. Teheran radio has become the most extreme of these; it is tending to incite the public to violence while Dr Mossadegh is receiving the company's directors from London, and while the Persian mission to the southern oil fields is making its first acquaintance with Abadan. Owing to Persian behaviour, therefore, anarchy remains only just around the corner, and the task before the company's emissaries is rendered unnecessarily difficult.

They have done their best to be reasonable, and to explain (whenever any Persian pauses to hear the explanation) exactly where the company and where the Persians now stand over nationalisation. In a press interview given on arrival in Teheran this week Mr Basil Jackson, the head of the company's delegation, made a statement that was a

Illustration: Courtesy of Mr. E. W. Langley and Messrs. Hooper & Co. (Coachbuilders) Ltd., London, S.W.1.



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NOT SEPARATE COMPARTMENTS

IF we want to avoid needless discomforts, it would be as well if trade unions and employers got a move on to cut out restrictive practices and waste of manpower in industry. A strong initiative should come from the Government, and the subject should be kept in the spotlight of publicity.

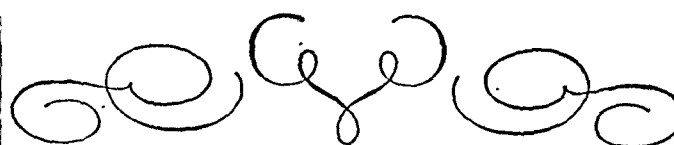
Because, of course, the enormous need for workers on the defence programme must be met. National security demands that the Government see to that, and, whatever may be done by dilution of labour, workers will certainly be drained from civilian production.

Nobody should imagine that there is the least likelihood for long of the defence industries doing without, while civilian work goes on as usual. That will not be the case, either in regard to labour or to raw materials.

The problem we have to face is not simply one of defence production, but of production in general. *It is civilian life that will have to go without, and we will rob ourselves unnecessarily if we continue to fritter away productive capacity by restrictive practices.*

We urge that the problem should be seen as a whole. We are cutting our own throats wherever we have waste of manpower.

Reprinted from the editorial column of the *Daily Mirror* of May 30. The *Daily Mirror*'s net sale—over four and a half million—exceeds that of any other daily newspaper in the world.



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In this year 1951 we honour the memory of Cronstedt, a mineralogist of Swedish nationality, who two hundred years ago first discovered and gave a name to the metal nickel.

In Cronstedt's time, minerals were mainly classified by their outward characteristics, form, colour and hardness. He believed the only real basis for such a classification was chemical composition and much of his work was directed to that end. Amongst many ores which he examined was one known to contain iron and cobalt, and he concluded that it contained also a third and unknown metal, "more silver-like than either", which he called nickel.

Many years passed before this discovery was accepted, and even so, little importance was attached to it until the closing years of the last century. Today, the production of nickel is one of the world's great industries, and the metal Cronstedt discovered plays a vital part in bringing us the necessities and the comforts of our daily lives.



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model of moderation and clarity. He recognised the principle of nationalisation. He said that the company "hoped to find a form of it into which we can fit." But he also pointed out that the Persians might create circumstances in which it would no longer be worth the company's while to operate. Were it to have to get out, he said, it would be capable of replacing in not too long a time both the supply of crude oil that is at present obtained from the Persian wells, and Abadan's refinery capacity (Some details of these possibilities were given in *The Economist* of May 26th). He also touched upon a consideration that is far too seldom weighed by Persians—the fact that "the company" is not a mechanism that can be taken over *en bloc*, since it owes its efficiency and prosperity to the services of technicians who are individuals and free agents. Questions of nationality apart, it is always irksome to work under a management that knows less about one's job than one does oneself. If the Persians want to retain the services of such experts, they must create circumstances in which good men will want to stay. Without them, it cannot produce the "unprecedented prosperity" that it has promised to an expectant people.

*

Dr Mossadegh's position remains insecure. He has been out-shouted by his lieutenants. He reveals no capacity for handling the problems which press on his government outside the field of oil nationalisation—notably its financial problems. It is uncertain whether he could retain control of the police and gendarmerie in the event of an outbreak of the public feeling which some of his supporters are fomenting. Yet his continuance in office must be hoped for because there is no sign of a leader with more control than he possesses over the crowd, unless it be a Tudeh leader. The limitations of his mind are well revealed in his insistence that Mr Jackson shall see the notorious slums of Teheran, which are in Persian eyes "all the fault of the Oil Company." Mr Jackson would do well to press for a return visit by Dr Mossadegh, who has never seen the neat dwellings in which the company houses its workers in the oilfields and at Abadan.

* * *

Russian Grain for India

The declaration of the Indian Food Minister that, with the passing of the American loan for 2,000,000 tons of grain, India's food position was saved must have struck the Russians as disappointing. For some time now Radio Moscow has been broadcasting almost daily reports on Soviet ships entering the harbour of Bombay with grain for the hungry Indians. Six ships have been mentioned hitherto and the total quantity of grain delivered up to now is probably less than 40,000 tons, which falls far short of the "million tons of wheat for India" which has been used as a trump-card in Soviet propaganda. The speedy despatch of the first ships, before any final agreement with the Indian Government had been made known, had enabled Soviet propagandists to steal another march on the Americans. Previously Soviet spokesmen made much capital of the lengthy negotiations between American and Indian representatives, which the Russians qualified as "five and a half months of noisy propaganda and hubbub about American food deliveries to India... revealing US imperialism in all its savagery." When the special loan for India was on the eve of being approved by the American Congress, the Russians replied immediately by sending the grain ships; they contrasted the "benevolent, fraternal" deliveries from China and the USSR with the "grain with strings" coming from America.

In the skin game now being played in Asia the position of India is so vital that the Soviet Government was willing to make a gesture and dip, if necessary, into its own grain stocks. This policy of cajoling Mr Nehru was not facilitated

by the activities of the Indian Communist Party. A few weeks ago *Pravda* published at length the programme of the Indian Communist Party, in which both Mr Nehru's foreign and domestic policies were strongly attacked. It was notable that the social side of the programme was not over ambitious. Socialism was judged unattainable in the present state of backwardness; the establishment of a "People's Democracy" was put forward as the present aim and there were some overtures to the Indian middle class. As for foreign policy, it was argued that India should leave the Commonwealth but strengthen its ties with Pakistan and Ceylon.

Pravda made no comment on the programme and lately the Soviet press has abstained from its usual attacks on the Indian ruling circles. It would therefore seem that the Soviet Government, appreciating Mr Nehru's potentialities as a mediator or even as a temporary ally in the present struggle, was willing to bring some grain into the bargain to gain the favour of Indian public opinion and thus force Mr Nehru's hand. Now the declaration of India's Food Minister somewhat restores the balance in favour of America. But even at this stage any misunderstandings, delays or hesitations in the American aid for India will still be exploited quickly and adroitly by Soviet propaganda.

* * *

One More Dock Strike

Few strikes can have been so unnecessary as that of the tally clerks at the London docks. It lasted 10 days, kept over 100 ships idle and cost some 100,000 working days. The action of 1,469 men gave over 8,000 dockers a paid holiday, for cargoes could not be loaded and unloaded without clerks to check them. The men supposedly struck because they feared that the proposed recruitment of 80 new tally clerks would be followed by the dismissal of some older workers. The Transport and General Workers' Union and the London Dock Labour Board assured them that their fears were unfounded, and that the new tally clerks were needed to cope with heavier traffic in the port and to keep pace with the recruitment of dockers. The assurances were unheeded and Mr Robens's speech did not help, since most newspapers emphasised its meaning as "No concessions for the dockers," rather than as a statement that the Minister of Labour was satisfied that the 80 new clerks were absolutely necessary. Certainly the speech did not save the strikers' faces, for to return to work on the strength of it would have been to admit that they had made a mistake from the start. On Wednesday, however, the strike was called off. No compromise was made by the Dock Labour Board, but the unions concerned—the TGWU and the stevedores' union—have agreed to allow elected representatives to take part in the machinery of consultation alongside the paid union officials.

There is no evidence that the tally clerks' strike was the work of political agitators, although their demands about consultation reflect the prevailing distrust of union officials wherever they become identified with the employers, as they tend to be in the Dock Labour Boards. The unions claim that the machinery of consultation was punctiliously operated at every stage; but the episode perhaps underlines the need for better union information services, as was recommended by the Leggett report on unofficial strikes in the docks. This was perhaps unusual among dock strikes in being primarily a simple case of vested interests. At present there is such a severe shortage of tally clerks that employers will retain a clerk's services on odd days when there is no work for him to do, rather than return him to the pool and risk being without a clerk when a ship berths. Some men may have wrongly interpreted this as a sign that there was already a surplus of labour; others may have seen it as what it is—a comfortable custom which would be ended by an adequate supply of clerks.

Free Sweets—and More Sugar

The Minister of Food, replying to a Parliamentary question last week, said that sweets would be freed from rationing when supplies were big enough to meet the demand—including the rush demand to be expected in the first days of freedom; he could not guess when this would be.

The prospects for unrationed sweets are certainly better than they were at the time of the first ill-fated venture. The increase in their price has done something to establish a prospective balance of supply and demand; the general increase in the cost of living, whittling away the margin of income available for semi-luxury spending, has worked in the same direction. It is possible that these two differences might be big enough to prevent another sequence of queues, chaos, and empty shelves, though the initial buffer stocks would still have to be large. The only real safeguard, however, lies in a step which Mr Webb is unlikely to favour—the freeing of sweets from price control. That, combined with continued control over the supply of sugar for confectionery, would ensure the necessary balance fast enough. Though the principle of fair shares in lollipops might be infringed, it is really rather difficult to maintain that this particular infraction would represent a serious breach in the edifice of social justice.

It is, however, a curious commentary on the Ministry of Food's scale of values that the building up of confectionery stocks should be given precedence over an increase in the sugar ration itself. Home preserving, home jam-making, home cake-making come at the very end of the sugar queue, to be provided with their necessary raw material only after it has been provided for the manufacture of sweets enough to keep the dentists busy till further notice. The alternative is not, of course, to keep sweets rationed in order to increase the household sugar ration: what is wrong is that housewives should be kept short of sugar while sweet supplies are built up to whatever undefined level may be required in order to meet the demand at the present controlled prices.

* * *

Bonn Puts on the Screw

There is no mistaking the defiant, hectoring tone of the latest German protests against occupation costs and the export of Ruhr coal. The Bonn politicians and their adviser on raw materials, Dr Friedrich, are determined to blackmail the west. They are giving the occupation powers to understand that they must give way to German demands, or face economic decline and a hostile public.

A few days before Mr McCloy's departure for Washington to present the German case to Congress, Dr Schaeffer, the Federal Minister of Finance, announced to the German Press—before communicating with the High Commission—his solution for the problem of occupation costs. It is that the Americans should themselves pay for a large proportion of them. Not that Dr Schaeffer stated his proposal so honestly; to do so he would have had to acknowledge that Germany cannot ask for anything but gifts, since its credit is already mortgaged several times over and its foreign debts are unpaid. Dr Schaeffer has decided to include DM 5,800 million of occupation costs in the budget and leave the rest for an extraordinary budget. He intimated that this balance, amounting to DM 3,500 million in the German estimate (which is much larger than that of the High Commission) should, and probably will, be covered by "a credit from abroad." If he makes this proposal to the High Commission, Dr Schaeffer will argue that part of the occupation costs represent capital investments, and that the United States is already aiding the defence effort of other countries.

Instead of occupation costs, Dr Schaeffer has decided to include in the ordinary budget the Government's increased expenditure on pensions. He maintains that pensions to former members of the *Wehrmacht*, their dependants and

former officials of the Third Reich also represent a German contribution to Western defence. By this manoeuvre he will be able to impress upon the public that, should they have to pay higher taxes, it would be for the purpose of the occupation. Supporting Dr Schaeffer's blackmail, the economic press declares that the responsibility for any decline in the German standard of living rests entirely abroad. If "foreign countries fail to do what is required," as one journal puts it, the German Government will face the choice of raising money for occupation costs by inflating its credit with the central bank, or by imposing fresh taxes labelled "for the occupation." Naturally, it is pointed out, either course would mean the end to any hope that Germans might be willing to aid Western defence.

Though there are rights and wrongs on both sides, this blunderbuss diplomacy leaves little room for a compromise with Bonn which would not simply lead to further demands. It also ensures that the Adenauer Government, which the western powers genuinely wish to help, will lose prestige at home unless it can claim a resounding victory.

* * *

No German Mandate for Stalin

Plebiscites in totalitarian states are superficially uninteresting affairs, in which questions are framed to attract an affirmative vote, even without the pressure of fear. That held in the Soviet Zone of Germany last week was no exception. Everybody, from the age of sixteen, was asked to declare against remilitarisation and for a peace treaty in 1951. If the Communist organisers are to be believed, nearly 96 per cent of the public did so. This vote would not be remarkable, since the whole Communist-controlled apparatus of house-wardens and "enlightenment committees" was brought into action to secure it. Open voting was encouraged. Propaganda threatened citizens with an American invasion of the People's Republic if they failed to demonstrate for peace.

Under the circumstances, it is somewhat surprising how much opposition to the plebiscite was revealed in Communist speeches. The efforts to win over the Evangelical Church seem to have been relatively unsuccessful. The Church's guidance to voters supported the plebiscite, but intimated that its questions should implicate Russia, as a state which is remilitarising the Germans. It became apparent that many Eastern Germans look upon Dr Adenauer as a leader who supports a German contribution to Western defence and, knowing him to be a sincere Christian, they are influenced by his example. Herr Ulbricht regretted that some Christians failed to understand why partisans of peace were asked to attack Dr Adenauer; the reason was, Ulbricht explained, that he had committed treason. Moreover the Communist leader argued that the Eastern German effort to remove Dr Adenauer would not mean a revolution.

We are convinced that the popular movement for the preservation of peace will bring to power leading political personages who will act as patriotically as Walter Rathenau and Dr Wirth who, in 1922, concluded the treaty of Rapallo with the USSR.

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The peace plebiscite, which was banned in the Federal Republic, has done little towards attaining this objective. The Communists have attempted to collect signatures without much success, and may continue to do so; but they appear quietly to have abandoned their earlier hopes of announcing an all-German mandate against America.

* * *

The Motherless Child

The experts have for long had theories about the effects on the very young child of separation from its mother. The theories are well known. What is new and valuable in the report* recently published by the World Health Organisation is the collection of evidence to support them. The author, Dr John Bowlby, is director of the child guidance department of the Tavistock Clinic, London. He visited several European countries and the United States, and examined the findings of many research teams. He found much agreement among investigators in different countries, most of whom had little knowledge of the research being done elsewhere, and it is this that makes Dr Bowlby's conclusions impressive.

The new report is concerned with the floor of an edifice of child care of which the Curtis Committee in 1946 examined the superstructure. By its terms of reference the committee was limited to the problems of the care of children after they had been deprived of a normal home life, and was precluded from examining in detail the effects of separation on the child or the measures possible to prevent this separation. Dr Bowlby's work starts at an earlier stage. He examines the evidence about the effects of separation on children under the age of three or four and about their development (more often, retarded development) in institutions; and he traces the connection of delinquency and anti-social behaviour with early deprivation.

The results are both convincing and harrowing. They establish the overriding importance of relieving the mother rather than removing the child, of taking preventive action in the home rather than dealing with the consequences of separation in later life. They are a crushing condemnation of institutional life for the very young child. The alternative is a more constructive expenditure of public money within the home rather than the removal of young children to nurseries. To meet the cases where the home cannot be held together there should be more, and better-paid, foster parents rather than still more expensive institutional care. These are important as well as controversial questions, and the report deserves to be as widely read and discussed as the recommendations of the Curtis Committee.

* * *

The Future of Charity

Hitherto when the place of charitable trusts and voluntary effort in the welfare state has been discussed, it has been assumed that their chief function would be to break new ground, to find out new social needs not yet provided for from public resources and to show public authorities how their resources can most usefully be spent. In the sixth report of the Nuffield Foundation, a good example of this sort of pioneering effort is given. In 1946, the foundation made a grant of £14,000 to the Caldecott Community to enable it to run an experimental reception centre for children deprived of their normal home life. Two years later the Children Act made reception centres an obligation of local authorities, and the experimental centre of the Caldecott Community became the prototype. Similarly, the National Corporation for the Care of Old People, which is sponsored by the foundation, is trying to find out the best way of bridging the gap between the provision made by the hospital authorities for the sick old, and that made by the welfare authorities for the able-bodied old, a gap which leaves many infirm old people the responsibility of no one.

* "Maternal Care and Mental Health." HMSO. 10s.

Other practical questions of this sort, which the foundation is helping to answer, are described in the report. But in its second five-year programme, which is just entering on its third year, preference is being given to fundamental biological and social studies. The object is that both these branches of study should acquire the disciplines of the older and more advanced sciences. The social sciences in particular are weak in their lack of "realistic and cumulative research," and it is interesting to note that with the help of the foundation the techniques of sample interviews, on which the validity of so much social research depends, are being rigorously tested at the London School of Economics.

About its future programme, however, the foundation's report sounds a note of warning. Its freedom to initiate and support projects of the more speculative, though promising, kind may be curtailed if a restriction of government spending faces it with demands for help from projects that have already proved their worth. The foundation, and other bodies like it, may be faced with a difficult choice between sustaining and initiating. Instead of mapping out new lands for state action, they may find themselves having to till the known lands from which the state has perforce withdrawn.

* * *

Reinforcements for Korea?

As weeks pass with no sign of any moves by the Chinese to stop the fighting without prior acceptance of their impossible conditions, the prospects of a prolonged war in Korea has to be taken seriously and measures planned for the contingency that the Chinese will keep on fighting in the hope of wearing out the United Nations forces. The question of sending fresh units to Korea must now be considered by all the nations engaged in the struggle, and not least among the problems of a continued war effort is that of sustaining morale, both at the front and at home in each country concerned. A war of this kind is a most difficult one to fight, for there is no declared state of war, the main enemy is immune from direct counter-attack, the overall policy for which the campaign is being fought keeps on changing, and the whole issue is the subject of acute public controversy in the Western democracies.

In these circumstances what is remarkable is not that there may have been some cases of low morale or bewilderment among the troops in Korea, but that the composite army of the United Nations has stood up so well to the strains and stresses of a war which has its full measure of setbacks and muddles—especially during the terrible Korean winter which is now past. There seems to have grown up a special sense of comradeship in arms under the United Nations flag, a loyalty new in human history and different from the solidarity which can be achieved in an ordinary coalition of wartime allies. This unity on the fighting front, however, cannot be expected to endure unless it is backed up by a real will to maintain the war effort on the various home fronts, and it is in this sphere that there are grounds for apprehension. General Wedemeyer has certainly not helped the allied cause in America by advocating withdrawal from Korea; this is the brand of MacArthurism which, if it is foiled in its advocacy of "hitting China," prefers to pull out altogether rather than pursue a strategy of patient and limited action. In America the movement, fostered both by the Communists and the Isolationists, for "bringing the boys home" may now gather increased strength.

* * *

Another Stage in Kashmir

India is pursuing its course in Kashmir by moving from one *fait accompli* to another. The recent session of Sheikh Abdullah's National Conference Party in Srinagar was, he claimed, the prelude to a Constituent Assembly which would put an end to the uncertainties governing the fate of Kashmir.

It was no coincidence that Mr Nehru, the Indian Prime Minister, was in the country at the time and that the session was held just when Dr Graham, the new United Nations mediator, was on his way from the United States. For the Indian tactic is now to treat the Kashmir problem as virtually settled, and to reject any idea that the United Nations—to whom Delhi itself originally submitted this dispute with Pakistan—any longer has any right to interfere. In Pakistan, on the other hand, Dr Graham's appointment represents virtually the last tangible hope of a peaceful settlement. The Indians, however, regard him as an arbitrator and therefore unacceptable; and if he fails Pakistan looks like preparing for war.

It is hard to see at this late stage when the future is once more heavy with grave foreboding—superficially concealed by the revival of a considerable flow of tourists to Kashmir this summer—how the ultimate tragedy of war is to be averted. Britain certainly can do very little more than to urge moderation, as it has done all along. For in India the attitude is that the British are "hopelessly prejudiced" in favour of Pakistan, while in Pakistan they could not do enough to satisfy public opinion without taking sides in the dispute to an extent to which they are neither willing nor in a position to go. India itself will make no move except to resist attack; indeed the Indians are far from aggressive and, in spite of Mr Nehru's deep personal commitment to his hold on Kashmir, the government's refusal to make offensive military dispositions in the strategically placed Punjab is said to be Mr Nehru's own. On the other hand, public opinion in Pakistan is being goaded into action by a burning sense of frustration, and might force the government's hand.

The failure to reach a settlement in Kashmir undermines the security of the whole of southern Asia. Yet no one in the West either can or wants to intervene directly. It seems, therefore, that the people and statesmen of Asia must act themselves. A committee of Asian and Arab states has already been in existence to try to bring peace to Korea. If Dr Graham fails they should make an attempt to do the same for Kashmir.

Struggle for the Ruhr

The source of German power is the stake in a struggle over the future ownership of the Ruhr heavy industries which has now entered its first round. The positions taken up by the contestants were discussed in an article on page 1379 in *The Economist* last week. At first sight it might appear that the British Government was lined up with the German trade unions and Social-Democrats against the Americans and the German industrialists, with Dr Adenauer under fire from all sides.

The division, however, is not so clear-cut as it might seem. The Social-Democrats, for instance, would like to take the question of the Ruhr's future out of the hands of the Occupation Powers; they would do so even though they know that the present German Government, were it left to itself, would neither nationalise the Ruhr nor ban the old owners. Dr Schumacher is playing for time, which he believes will bring him to power at the next elections. The trade unions, on the other hand, appear to prefer that the Ruhr should be reorganised on the present lines by a combination of Occupation authorities and German control groups rather than an alliance of the Government and private industry.

As the fog begins to clear round this complicated matter, two main alternatives begin to appear. The Ruhr, it seems, may be privately owned, but in practice run by a condominium of managers and trade union officials, subject in important respects to the High Authority of the Schuman Community. Alternatively, the Ruhr may be in the hands of a Socialist Government which would, indeed, oust the "old gang," but which would also be pledged to oppose the Schuman Plan. And this power might one day rest with a government which was more nationalist than Dr Schu-

macher and would perhaps not appreciate the dangers of a pact with Moscow as clearly as he. With the Ruhr as bargaining-counter, free from the restraints imposed by the High Authority, such a government might conceivably lead Europe once again to ruin.

This prospect should restrain the British Government from attempting to weight the scales in favour of Dr Schumacher. It also indicates that the best solution would probably be to continue to reorganise the Ruhr on the lines now laid down by the High Commission. At the end, the Ruhr would then probably be privately owned, with the trade unions and the High Authority in a strong position to safeguard it from misuse. In the meantime, however, the Germans would have to submit to the continued supervision of the Allied control groups until the reorganisation was completed. This is a severe drawback. Faced with various discriminatory measures, notably the forced export of coal at low prices, the German Government is inclined to say, in effect, "That was Potsdam—this is."

Correction.—In a leading article on "The Graduate Teacher," in the issue of June 2nd, it was stated that it would be necessary to secure "an increase of 1,000 a year in the flow of graduates entering the teaching profession." The sentence should have read that it would be necessary to secure "an annual net gain of about 1,000 in the number of graduate teachers entering the grammar schools." This implies, of course, a lower rate of recruitment.

France in Convulsions

France has already seen a general election of Deputies, and a Presidential election also; and she still retains a vivid remembrance of the excitement which distracted her on these two occasions. But important as were those occasions, the interests involved in the elections of 1952 will be more profound and stirring still. Then will be decided the question whether France is to be replunged in chaos, or to emerge into peace, order, and prosperity. Then will be the moment for the Monarchists and the Imperialists to make their grand audacious grasp at power—for the Republicans to make their last dogged stand for a position which is slipping away from under their feet—for the Socialists again to seek their fancied pearl amid the mire and darkness of a new convulsion. It will be, to all appearance, a death-struggle of fearful desperation. And at what period will it occur? When the existing Assembly was elected, agitating as was the contest, France was comparatively safe, for the reins of power were in the hands of a dictator, whose firmness and capacity had been signalled in the bloody catastrophe of June. When the country was again convulsed by the Presidential election, it was controlled and steadied by the presence of a recently-elected Assembly, filled with the energy of youth, and strong in the suffrages of the people. But the double election of next May is to take place round the dying bed of an expiring President, and an expiring Assembly;—the proceedings which of all others place public tranquillity in the greatest jeopardy, and which, to be conducted peacefully and without mischief, require the strongest hand of power in its moment of greatest vigour, are appointed for the precise moment when power is paralysed by its approaching dissolution;—and during the four or six weeks when France will be most vehemently agitated, the reins will be dangling between an Assembly which is *no longer*, and an Assembly which is *not yet*;—the helm of State, while the vessel is steering amid the sharpest rocks, and in the stormiest night she ever encountered, will slip between the nerveless and relaxing grasp of one President in his death agony, and the feeble and inexperienced fingers of another in his cradle.

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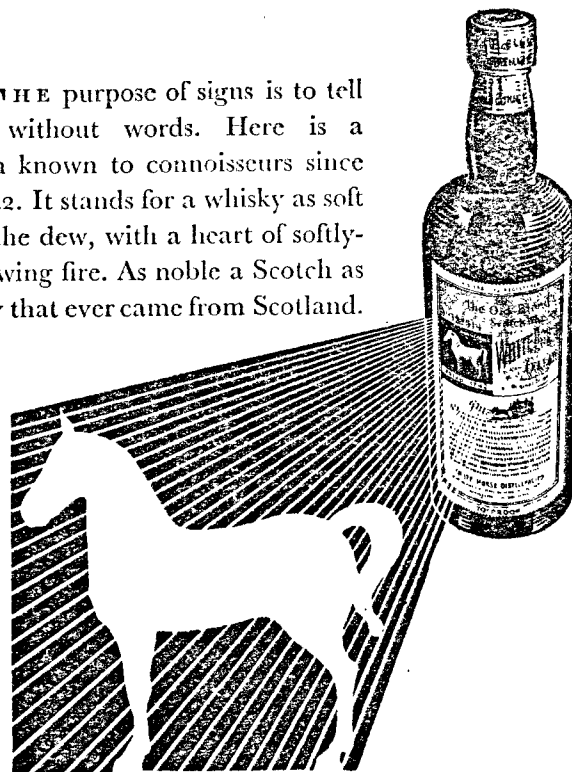
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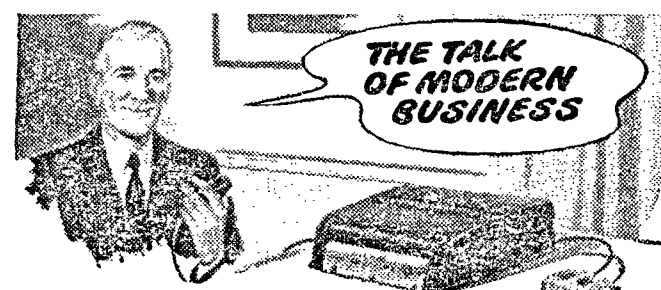
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Letters to the Editor

A Higher Pound?

Sir,—Your central argument against the revaluation of sterling (discussed in your issue of June 2nd) was that revaluation would involve stopping the price rise that is necessary to achieve a diversion of resources from home consumption to armaments. Leaving aside the question of how necessary such a diversion is, surely your case is technically unsound.

If import prices are reduced by revaluation to an extent that imports will cost £100 million less in the coming year than they would otherwise, the opening of an inflationary "gap" to this extent will be offset by exporting £100 million less for a given level of external investment. Hence all the counter-inflationary measures you suggest as the domestic price of revaluation would be unnecessary.

Internally the balance of advantage is clearly with revaluation. The price rises this year will, in any case, put severe strains on our whole economy, but the "thanasia" of the rentier (and salaried classes) will be more like "euthanasia" if we revalue sterling.

Externally the case is more open and there are important arguments, as you suggest, against revaluation; but surely the essential point is that the American arms programme is so big that it must make demand inelastic in nearly all markets, including those for British exports. The usual argument that revaluation involves a loss of foreign exchange earnings, involving risks if reserves are low and precluding moves towards convertibility, is based on the assumption that demand is elastic. The question is rather whether we can face the certain social strain and the dangers of losing foreign exchange earnings involved in leaving sterling at \$2.80.—Yours faithfully,
Brill, Bucks

DUDLEY SEERS

Sir,—Mr Johnson's letter published in your issue of June 9th draws attention to one aspect of the revaluation debate that surely needs elucidation. He complains that your leading article left out of account the fact that revaluation, by improving the terms of Britain's trade, would in effect make available more goods for use at home, without thereby worsening the balance of payments. It seems to me that the inflationary significance of any revaluation would be decided by the balance between two opposing influences—the amount of additional goods released to consumers on the one hand, and the extent to which, on the other hand, the effective buying power of consumers is increased. Since you appear to assume that the effects on the terms of trade would not be large, your argument about inflation seems to rest upon a belief that the second of the two groups of influences would be the stronger. On that question there is

surely room for differences of opinion; but it would be helpful to know whether the above supposition correctly interprets your line of approach.—Yours faithfully,
STATISTICIAN

London

[Yes. The supposition is entirely correct.—Editor.]

For What We Have Achieved

Sir,—It is one of the penalties, and also one of the glories, of democracy that, except at moments of deadly peril, it has no heroes. There are, however, limits to public ingratitude; and I would like to thank you most sincerely for your leading article of June 9th.

The policy of containment, and the rearmament necessary to implement it, has no parallel in history. It demands of the democracies a patience and fortitude which will test their powers of endurance to the limit. It is subject to bitter partisan attack on both sides of the Atlantic by European leftists who hate everything American, and American rightists who hate everything democratic. But if it succeeds, and success is perceptibly nearer than it was four years ago, it will have saved the sum of things.

Due credit should be given to the British Government by its political opponents for the part it has played. But the principal architects of the policy, who alone could provide the leadership and the means necessary to carry it out, and have done so, are President Truman, General Marshall, and Mr Acheson. For aught we know, one or all of them may be relieved of office—and that will be none of our business. Nevertheless this does seem to be a moment when the central mass of sober opinion throughout the free world should elbow the critics off the stage and drown their howling with a stentorian shout of "Thank-you" to three resolute and courageous men.—Yours faithfully,

ROBERT BOOTHBY

House of Commons

Inquest on Farming

Sir,—The impression gained by the lay reader of your article in your issue of May 26th is that profits are easier to earn in agriculture than in other industries assuming an equal standard of efficiency. This conclusion is arrived at by an analysis of statistics, which in agriculture are particularly misleading, as anyone who has attempted to translate farming results into figures will agree. The facts are not against the farmer. I have not inconsiderable experience of both business and farming, and think that the efficiency, hard work and adaptability of those engaged in the latter compare favourably with other industries.

The 1945 Act has given landlord and tenant the opportunity of replacing some of the capital which drained from the

land during years of depression. Much has been done already, but whilst an industrialist can choose the site for a factory, a farmer has to make do with his land—a major factor in his costs of production. Of course, by cutting agricultural production substantially and leaving vast areas uncultivated, thus concentrating only on rich soil, costs could be reduced. I cannot believe that this policy is suggested.

With costs and prices at today's levels the production of milk and eggs does not leave a reasonable margin of profit, and unless prices are raised rationing will have to be reimposed. It will be a long time before those who have given up the production of milk will return to work which imposes a degree of inconvenience unmatched in other industries.

To prove that the community is not getting a fair deal from British agriculture, it would be necessary to show that a person of normal intelligence, farming ordinary land, is making a greater return from his capital and labour than he would do in other industries. I have yet to find the person who knows his subject who will claim that this is the case.—Yours faithfully,

CYRIL H. KLEINWORT

London, E.C.3

A Sporting Nation?

Sir,—The article in your issue for May 19th remarked that facilities for athletics are worse than for any other organised recreation. This is correct, but it should not be imagined that the situation is passively accepted by the Amateur Athletic Association. In fact accurate statistics about the number and location of running tracks are only available because the Honorary Secretary of the A.A.A. compiled them to support the efforts now being made by the association to bring about improvement.

Last year Britain was the leading nation at the European Athletic Championships, while every year since the war the standard of performance and the numbers taking part in school and club sports meetings have improved. Keenness for athletics on a nation wide scale has been aroused, but tens of thousands of sportsmen will only be able to enjoy the active recreation of their choice if those responsible for their wellbeing take note of the facts which your article so clearly revealed.

Local authorities are, in the main, responsible for providing outdoor recreational facilities for the public and it is to them, as well as to all others who may provide playing field space for adults or children, that the A.A.A. now looks for assistance in developing those facilities for which there is such an urgent, and growing, demand.—Yours faithfully,

F. W. COLLINS, Hon. Secretary
Amateur Athletic Association

Books and Publications

The Legacy of Bismarck

Know Your Germans. By Count Kurt Blücher von Wahlstatt. Translated from the German by Lord Sudley. Chapman and Hall, 188 pages, 12s. 6d.

As each month brings news of some fresh manifestation of neo-Nazism in Germany—or at least of an indulgent sympathy for the perpetrators of the worst atrocities of the Hitler regime—it is refreshing to read a book written by a German which says frankly about modern Germany what it is so hard for an Englishman or a Frenchman to say without incurring a charge of national prejudice. Count Blücher is a German aristocrat of the type which has never entirely lost the wide European outlook of an earlier age; as a *grand seigneur*, who does not identify himself closely with any of the "isms" of current politics, he sits in judgment on modern Germany and passes an unsparingly severe verdict.

In his view German history took the wrong turning in 1862 and has never recovered from what Bismarck did to it. Bismarck, in Count Blücher's estimation, was indeed a man of genius, but that was the trouble, for he taught the German people not only to associate success with "blood and iron," but also to expect always to be led by a genius. "We Germans," writes the author, "are a race of political genius-worshippers." Because the German Empire of the nineteenth century was the creation of one man, and because Bismarck so successfully crushed and discredited all opposition to himself, Germans acquired the habit of "unlimited trust in inspired leadership." Count Blücher regards both William II and Hitler as, in different ways, essentially charlatans who exploited the genius-worshipping state of mind induced by the extraordinary career of Bismarck.

The author ironically remarks that he writes to refute a book which has not yet been written—the apologia for Hitler which is bound to appear before long. He is merciless in his analysis both of Hitler's character and of German popular responses to it. While critical of the Treaty of Versailles and of the part played by the Allies between 1918 and 1924 in producing a "pariah-complex" in Germany, he finds that the most fatal factor in the destruction of the Weimar Republic was the German readiness to set out on "a fresh venture across the wide ocean of fantasy." He maintains that the success of Hitler was due to his "atrocious primitiveness"; Hitler was "entirely obsessed by an impulse for revenge, which was a product of his will," and against all rationally conceived political theories or programmes he set always one simple idea: the Jews are to blame for everything.

Count Blücher continually emphasises that antisemitism was the real core of Nazi belief and practice, and here his testimony as a German is particularly

valuable. British and American observers, however hostile to the Nazi faith, have always tended to attribute to it a degree of rationality which it did not possess, because they have never been able to comprehend how a nation pre-eminent in modern science and administrative efficiency could have been captured wholesale by a wave of monomaniac frenzy. But in the light of modern German history, as Count Blücher expounds it, the phenomenon is less incredible. He sometimes spoils a good case by over-statement—the minutes of Hitler's secret conferences produced at the Nuremberg trial show that it is going too far to say that Hitler's warfare was "a gigantic Jew-hunt and nothing more"—but he has done well in pointing out how the antisemitic fury provided the mainspring of the Nazi movement and how it drove Germany towards world conquest. For, just as in Communist theory Wall Street controls all countries which do not follow the leadership of Stalin, so in the Nazi myth the Elders of Zion controlled all lands not redeemed by the Aryan swastika; and in both cases alike the doctrine requires that the evil principle be pursued and extirpated in all parts of the world.

Gandhi

Selected Writings of Mahatma Gandhi. By Ronald Duncan. Faber, 253 pages, 12s. 6d.

Gandhi's Letters to a Disciple. Introduction by John Haynes Holmes. Gollancz, 234 pages, 12s. 6d.

While he lived, Mr Gandhi's personality was always good for a controversy. Some saw in him the age's greatest saint, others merely the world's biggest hypocrite. Neither opinion was true. Neither even, as these two books help to make clear, had any appreciable element of truth. Mr Gandhi claimed no mystic communion with the Infinite, no miraculous powers. His Inner Voice was his own conscience; and, far from being a hypocrite, he was a man of quite astonishing consistency of outlook, and of almost equally astonishing persistence in the repetition of a few, to him, very simple truths.

His values show up most clearly in the letters to Mira Behn. This is not an exciting book. Mira Behn's devotion has caused her to publish many letters of no literary or historical value. Some are medical bulletins about her malaria or his weight. Others are mere notes about the arrival of a train or the plan of a cottage. It is, indeed, precisely because they are so ordinary that these letters are so revealing. There was perhaps nobody of whom the Mahatma was fonder than he was of Mira Behn. He talks of her

as a daughter, and he shows for her quite as much concern as he ever did for his own children. To her he was the centre of the spiritual world; and the dominant motive of her life has clearly been the striving after holiness. An Admiral's daughter, Professor Carr-Saunders' niece, she gave up all the comforts of her background to spend her life in serving India. She did not quarrel with her family; she was no foolish ingenué, but a thoroughly practical woman. Whatever Gandhi gave her to do, she did; and nowhere does the way he looked at life come out more clearly than from his choice of tasks for her.

Their relationship continued for over 20 years, and it covered all the period from the disobedience movement of the early '30s to Gandhi's murder after independence. Yet politics are little mentioned. Gandhi has an occasional word of moral justification for his fasts; there is a long report from Mira Behn about the organisation of civil disobedience in Orissa, where a Japanese invasion to be successful, a report which in itself destroys the once popular theory that Gandhi was another Subhas Bose. That is all. There is not one word of hatred for the British, not one imputation of a base motive to anyone, not one letter about the arduous negotiations Gandhi so often had to conduct. The recurring themes are all moral, from the importance of simplicity in diet to the interpretation of the Bhagavad Gita and the Bible.

Gandhi was so close to Mira Behn that in writing to her a hint was enough. Naturally, therefore, the book is full of half-finished thoughts and scraps of attitudes. If one wants the thought in its entirety, the attitude in the mind, one must turn to Mr Duncan's selections. It is the proof of the sincerity and consistency of Gandhi's mind that, though the selections are mainly from books and articles which were in effect political tracts, and though many of them dated from the early '20s, before Gandhi had met Mira Behn, the general themes of both are the same. Over the years the ideas develop and are modified; they do not change. The basic ideas, indeed, go back into early youth. The Non-violence is a mixture between the profound respect for life of the Jain-imbuéd tradition of Gandhi's native Kathiawar and the Quaker aspect of Christianity—only the Bhagavad Gita influenced Gandhi more than the New Testament, and he was obviously deeply attracted by Christianity. The horror of untouchability began at the age of 12 when his mother finally failed to convince him that it was wrong to touch the sweeper. The emphasis on *brahmacharya* went back to a child marriage and an apparently unresponsive wife, which implanted in his mind while yet an adolescent a deep shame for desires most people would regard as normal.

Running through the whole of his thought can be seen two dominant ideas. From the Bhagavad Gita he took

the idea that a man's duty required of him right action, and that true renunciation means not refusing to act, but acting without personal interest in the result. This withdrawal from asceticism, this insistence upon applying the standards of religion to everyday conduct, is Gandhi's greatest contribution to contemporary Hinduism. His other guiding idea, the dignity of man, probably had a more Western origin; certainly it governed his politics. Indian independence, South African Satyagraha, the abolition of untouchability, were all referred back to the one touchstone; and it was altogether in character that Gandhi was deeply suspicious of communism and the all-embracing state; for him what mattered was the moral responsibility of the individual.

No one has been more important in the history of the last 30 years than Gandhi, and there is perhaps no one whom it is more valuable to understand. There could be no better beginning to understanding than to read these two books together.

Tito and Stalin

Tito and Goliath. By Hamilton Fish Armstrong. Gollancz, 318 pages, 18s.

Mr Armstrong begins this book by describing an interview which he had with Bukharin in Paris in 1936, when Bukharin elaborated at length upon the theme that national rivalry between Communist states was "by definition an impossibility." The rest of the book is a description and analysis of the way in which events since the war have proved Bukharin to be wrong. The result is an extremely interesting book which combines an exhaustive knowledge of the subject with great readability. Mr Armstrong never allows himself to get bogged down in a morass of Communist dialectic, and he makes good use of his own experiences in eastern Europe, particularly in Yugoslavia, to give point and colour to his narrative. Nearly half the book is devoted to the quarrel between Tito and Stalin, and the rest describes the reverberations of that quarrel, principally in eastern Europe.

One can only speculate whether the trials and purges that have shaken the east European Communist parties during recent years would have taken place if

Tito had not defied the Kremlin. Mr Armstrong believes that the fact that Tito has been successful in his defiance may, in the long run, have important psychological consequences. But such men as Gomulka in Poland and Clementis in Czechoslovakia would not have needed Tito's example to make them wish to rebel against slavish obedience to Moscow. The recent upheavals have been as much a measure of the Kremlin's implacable determination that Tito should have no successful imitators as of the actual infectiousness of his example. Mr Armstrong believes, for instance, that Rajk may well have owed his downfall to the fact that the eminence of his position in the Hungarian Workers' Party and in the Government made him so "well suited to induce terror as a ceremonial sacrifice." His destruction would demonstrate that "none was immune to the workings of the system."

Mr Armstrong traces the Tito-Stalin quarrel in detail from its first faint beginnings in 1941. He points out that more than any other Communist Party anywhere, the Yugoslav party is the creation of one man. In assessing the significance of events inside Yugoslavia since 1948, Mr Armstrong suffers the disadvantage that his book had to go to press while the situation was still rapidly evolving. But he has had the great advantage of frequent visits to Yugoslavia and discussions with the Yugoslav leaders, including Tito himself. The Marshal could hardly hope to have his position explained to the western world by a non-Communist in a more scrupulously fair way. Mr Armstrong judges Tito's moves to liberalise his regime with realism and common sense. And while emphasising that Tito and the West both need each other's support, he makes it quite clear that the West can never hope to dictate to Tito. "Pressure will not succeed with a man who has staked his life on his ability to resist pressure."

French Institutions

The Parliament of France. By D. W. S. Lidderdale. Hansard Society, 296 pages, 18s.

It is rare for a standard work on the detailed organisation of political insti-

tutions in one country to be written by a citizen and in the language of another. Yet Mr Lidderdale looks like achieving this distinction. Under the aegis of the Hansard Society he has made a valuable contribution towards an understanding of French parliamentary procedure, and with it of the politics of France. This is, however, not the limit of its usefulness. The French rather than the British model has been close at hand for most of the other European countries who have experienced some form of parliamentary government in modern times; and on the international scene, and especially at Strasburg, a knowledge of the French system would appear to be indispensable.

In form, Mr Lidderdale's book is a study of the various provisions of the constitution of the Fourth Republic governing the election and organisation of its Parliament and its tasks, and also of the standing orders which regulate the habits of its two houses. But indispensable as is such an account for purposes of reference, the principal interest of the book for the less technically inclined is elsewhere. In the first place, Mr Lidderdale has a proper sense of the importance of the past, a sense without which the study of institutions is meaningless, and he is able to present briefly but cogently the various elements in the French tradition going right back to 1789 that have made French institutions what they are today. It is a matter of such interest that one could wish he had been able to expand it in greater detail. In the second place, he is well aware of the fundamental differences between the French and British notions of parliamentary government and the way they express themselves in the conduct of debates. "The absence of basic rules of debate [in the French Assembly] is as surprising to an Englishman as their purpose is difficult to explain to a Frenchman." Equally enlightening is his discussion of the use of proxies in France compared with the French bewilderment at the practice of pairing. It is this infusion of the details of procedure with a real understanding of fundamental ideas that explains the outstanding contribution that this book makes to the comparative study of institutions. A similar work on Congress by someone with Mr Lidderdale's qualifications and gifts would be not less valuable.

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The Third Way

Freedom, Power and Democratic Planning. By Karl Mannheim. Routledge and Kegan Paul. 384 pages. 25s.

This book by the late Professor Mannheim is described by his publishers as his political testament. It was, indeed, to be the most ambitious attempt of the author of "Ideology and Utopia" and "Man and Society" to grapple with what he saw as the fundamental problems facing our society and to provide both a diagnosis of those problems and a therapy for their solution. This volume, however, is not the finished product of Mannheim's thought but a compilation of a number of unpublished writings; and though they possess a common theme and have been skilfully brought together by his editors, they yet bear the mark of work still far from complete when the author died.

The thread which binds these essays is the conviction that we stand in urgent need of a new social unity. Our society, Mannheim argues, suffers from basic maladjustments because it has failed to evolve social techniques and a system of values for the control and co-ordination of technological progress. Concentrations of economic and political power have increasingly favoured minority rule, divorced the individual from the places of decision and denied him the achievement of active citizenship. The task is to recreate the "integrated society," in which social control is reconciled with individual initiative and government and the community are no longer separate entities. This is the society of the Third Way, the middle ground between anarchy and autocratic control. It is not, however, with the mechanics of economic planning or with the political problems it creates that the author was primarily concerned. Institutional change, the control of power and the selection of governing groups in the democratically planned society were subordinate, in his system of priorities, to a far vaster view of what the integrated society requires. It requires nothing less, in fact, than the "remaking of man and the reconditioning of human behaviour." Reform, in Mannheim's view, must proceed on three related levels. There is first the reshaping of institutions in order that power, in whatever form, may be brought under democratic control. Secondly, we must

foster, primarily by a more adequate social education, "democratic behaviour" and "democratic personality," designed to produce co-operation and tolerance. And thirdly, there must be a redefinition of values, a rediscovery of a shared ethic. Such an ethic, Mannheim came to believe, could be found in a "dynamic religion," alive to social problems and willing to contribute to their solution.

There is much, in these pages that is both stimulating and suggestive and many of its author's aims and hopes would find ready agreement. But as an analysis of the instruments and methods of change, the book is profoundly disappointing. It postulates an ease in transforming men and institutions which strikes one as oddly unreal. It seldom comes to grips with the problems of conflict that accompany the disturbance of privilege and traditional patterns. It seems to suggest that the Third Way is round the corner, were we but willing to see it and act upon the vision. But the faith which creates the vision is no substitute for a more solid evaluation than is to be found here of the means to its achievement.

Bare Bones of Nationalisation

The British Coal Industry. By H. Townshend-Rose. Allen and Unwin. 162 pages. 12s. 6d.

This book is the first of a new "National Board Series." The series, which will finally cover coal, electricity, gas and transport, is intended to meet the needs of the general reader and the university student of the social sciences. In particular—the publishers claim—these volumes should "provide the staffs of the new Boards with a clear idea of the structure and working of the whole organism of which they are part."

The book is of additional interest because it is the first comprehensive study of the organisation of a nationalised industry by one of its employees—the author is a member of the legal department of the National Coal Board. One of the unforeseen dilemmas of nationalising whole industries is that the only people in a position to acquire the background for judging the implications of their admittedly complex problems are the employees of

the corporations themselves. It would be unfortunate if the present volume reflected the extent to which the Boards or their employees are prepared to go in self-analysis.

The book starts with a succinct chapter on the background to nationalisation from the Sankey Report to the Reid Report. The only omission is that no mention is made of the "Foot" Plan. It then summarises clearly the process of nationalising the industry. But when the book leaves history and comes to present-day problems, two factors vitiate its value. First, there is the delay in publication. Secondly, the author imposes on himself two self-denying ordinances: the book is not based on first-hand research, but is only a rearrangement of material generally available to the public. This deprives it of half its possible value. Further, the author thinks that "it would be presumptuous as an employee of the Board to attempt to evaluate what has been achieved" and refrains therefore from any criticism. Thus a second though much more difficult opportunity is lost. This means that the reader looks in vain for any new facts, or any analysis of the internal organisation of the Board. There is, indeed, value in the bare facts which the book supplies. But if nationalised industries are only to have such uncourageous spokesmen it is going to be exceedingly difficult for students or the public to be intelligently informed. As the web of public enterprise extends it is increasingly important to find a way into its intricacies.

Shorter Notices

The Memoirs of Ernst Von Weizsacker.

Translated by John Andrews. Gollancz.

322 pages. 16s.

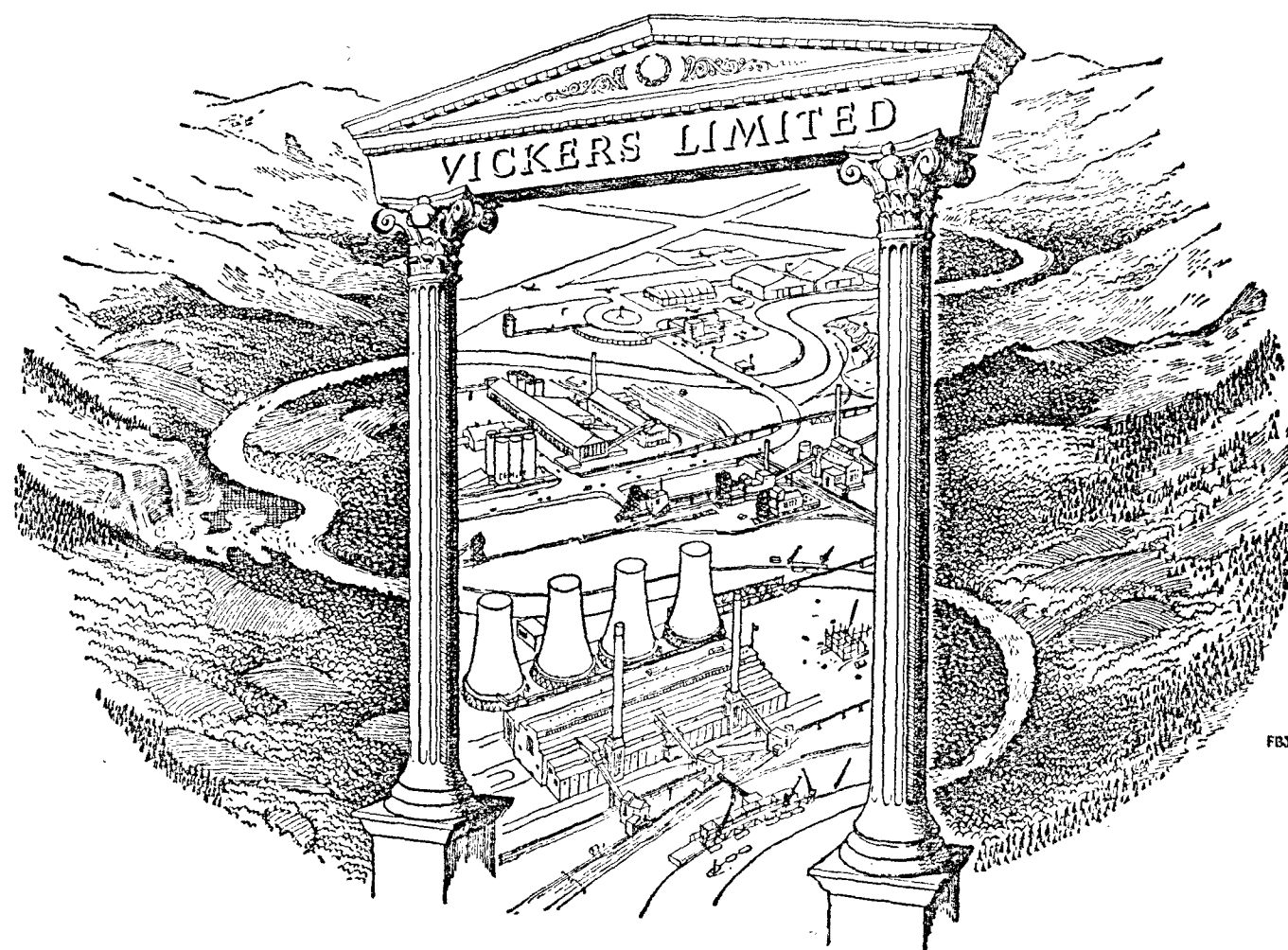
An English edition of Baron Ernst von Weizsacker's "Erinnerungen" has now been published. A review of the German edition appeared in *The Economist* of February 3rd, 1951.

Guide for the Company Secretary. By

Arthur Coles. Revised by D. S. W.

Poulter. Pitman. 276 pages. 20s.

The seventh edition of this well-known book has been extensively revised so as to take account of the provision of the 1948 Companies Act. Emphasis is made throughout not only on the legal aspects of the Secretary's work but also on the practical requirements of day by day routine.



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AMERICAN SURVEY

Inquest on China

Washington, D.C.

IF the Senators who are inquiring into the MacArthur affair were concerned solely with eliciting and understanding the available facts on United States policy and performance in the Far East, their enterprise would now be within measurable distance of completion. Most of the available facts, from Yalta to Pyongyang, have been elicited, and no phenomenal intellectual equipment is required to understand them. But anyone in Washington who began to read the transcript of the hearings in the belief that all the members of the Senate Joint Committee were men dedicated to the search for truth alone must by now be sorely disillusioned.

Last week's testimony was notable for a long, careful and lucid exposition by Mr Dean Acheson, the Secretary of State, of the policy the United States has pursued in China since the war with Japan ended, of the circumstances that have arisen to frustrate that policy, and of the events which have led the United States to fight the forces of the new masters of China in Korea while the old masters of China dwell in peace on the island of Formosa.

A wholly disinterested auditor might well feel that what Mr Acheson said leaves one important doubt unresolved. The Secretary of State has demonstrated that the Chinese Nationalists lost the civil war, in spite of the immense military, economic and territorial advantages they enjoyed, because their cause was betrayed by inefficient and corrupt leaders under a Generalissimo who would not, or could not, institute the reforms that alone might have saved the day. If this is so, the disinterested auditor might ask, what moral or practical purpose is to be secured by a policy which continues to give American recognition and support to this same Generalissimo and his administration after they have lost the recognition and support of their own people? But though Mr Acheson has been assailed and abused on other grounds, this doubt has not been expressed at all. None of the hundreds of questions put to him even suggest that any Senator feels uncertain about the wisdom of leaving the American eggs in a basket whose bottom fell out when it was last lifted.

This is not the least curious aspect of the inquiry, though in America it is probably the least noticed. The other curious and better noticed aspect is the unconcealed effort of what is already being called a little group of wilful men, in and out of the Senate Joint Committee, to obfuscate and direct attention away from such of the elicited facts as conflict with a different thesis about China, one which, if accepted by the public, would weaken confidence in Mr Truman's Administration and help to secure its defeat at next year's elections. This effort has been encouraged by the "China Lobby," operating on behalf of the Nationalists to an extent and by methods which the Administration's supporters in Congress are now proposing should be investigated in their turn.

The rival thesis requires that Mr Acheson should be held guilty of "barefaced distortion," that his statement on China

policy should be regarded as a "miracle of contrived confusion" which is "well calculated to deceive the American people." These are phrases of Senator Brewster, Republican of Maine, a member of the Senate Joint Committee. One of his Republican colleagues, Senator Morse, of Oregon, had earlier congratulated Mr Acheson on "one of the clearest digests and synopses of a very complex international matter that it has ever been my privilege and pleasure to hear"; but the indications that they are splitting their own party seem not so far to have troubled those Senators who are dedicated to the Up-with-Chiang, Down-with-Acheson endeavour.

What this Republican school of thought is trying to demonstrate is that Nationalist China was sold down the river at Yalta by a Democratic Administration which later showed that it had been fooled into believing that the Chinese Communists were harmless agrarian reformers with whom it would be possible to do future business. Having made this appalling mistake, the story goes on, the Democratic Administration, led by the nose by Mr Acheson and the Communist-loving faction in the State Department, sent a reluctant General Marshall to China to force the Nationalists into an unholy coalition with the Communists, then denied them adequate arms and made their defeat certain.

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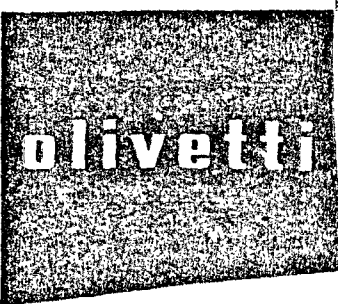
Anyone in America, who is willing to make the effort of attention necessary to discern what has happened since Mr Acheson began to testify, must be aware that gaping holes have been torn in this China thesis in which so large a part of the Republican Party now holds so great a political investment. Not every argument the Secretary has produced has been conclusive, and not every position he has taken has been unassailable. There might be some reservations, for example, on his defence of the deal at Yalta, but it is now beyond dispute that the Republicans are not in a good position to enter them. For Senator McMahon of Connecticut—who has shown more enterprise than any of the other Democratic members of the Joint Committee—smoothly produced a speech that Senator Wiley had made in July, 1945, calling for Russia's entry into the Far Eastern war to save "countless American lives."

Senator McMahon further drew attention to the absence of any single Republican objection at the time to General Marshall's policy. Mr Acheson noted that the coalition plan was not based upon any illusion within the State Department that the Chinese Communists were agrarian reformers, but was an idea originated and produced by the Chinese Nationalists themselves; that it was the only plan for China

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that the United States had the military strength or public support to further; that General Marshall's arm could hardly have been twisted by the State Department since he drafted his own instructions for the mission to China; that the relevant committees of Congress had learned at the time from the head of the American Military Mission and from testimony submitted by the American Chamber of Commerce of "one of the largest cities in China" that the Nationalist forces, weakened by greedy leaders, were disintegrating and handing over their arms to the Communists; and that General Marshall's request for \$570 million in aid for the Nationalists was reduced by Congress to \$400 million.

These were contributions useful, to say the least, to anyone who wanted to elicit and understand the ascertainable facts. But they were not helping the China thesis of the Republican group, and so vigorous efforts were made to refute them. Senator Brewster at one point found himself in the same half-hour strongly telling Mr Acheson, on the one hand, that the Nationalists could not fight because the United States had not supplied them with enough ammunition and, on the other, that the Nationalists fought so well that they inflicted 1,233,000 casualties on the Communists—a feat, as Senator Long mildly indicated, unequalled in modern times, in that it credited the Nationalists with wiping out 80 per cent of the enemy.

Mr Acheson was released last Saturday after forty hours of questioning. On Monday General Wedemeyer, who commanded the American forces in the China theatre and was General Chiang Kai-shek's Chief of Staff between 1944 and 1946, came in to bat and laid about him briskly with a series of spectacular, if not wholly consistent, swipes. Uninhibited by the fact that he still holds the command of the United States Sixth Army, he first supported General MacArthur's demand for the bombing and blockading of China, and then recommended American withdrawal from Korea, severance of diplomatic relations with "the Soviet enemy" and acceptance of the "calculated risk" of a third world war. But though he did considerable contradicting—of Mr Acheson in the first place and in the second place, in the opinion of many who heard or read him, of himself—he left relatively undisturbed the record of what happened in China.

Everything considered, indeed, the group's China thesis is now leaking rather badly. For those who must sink or swim with it, the obvious technique in these circumstances is to go on making the same accusations as though none of them had ever been refuted—indeed, to say the same things louder than ever. At the end of the week Senator Taft, the Republican leader, was telling a reporter: "Acheson's explanation is just a cover up. . . . They really wanted the Communists to take over. . . ."

Divided Keystone

[FROM A CORRESPONDENT IN PHILADELPHIA]

PENNSYLVANIA began to be called the Keystone State about 1800 and, although California has at last drawn level in population, and New York has long surpassed it, Pennsylvania retains great political importance, by virtue of its voting strength and economic power. Control of the keystone, however, is hotly disputed today. The Republicans regained their century-old hold on Pennsylvania in 1948, after four Roosevelt victories. But inside the party, the venerable Grundy dynasty is challenged by Senator James Duff, the former Governor who last year unseated Senator Myers, the

Democratic whip. This split is the more painful because of the likelihood that the Democrats will be able to capture new votes in the fast-growing industrial areas.

Senator Duff is the most interesting political figure Pennsylvania has produced in recent years. In the state, though a wholehearted Republican, he is engaged in a running battle for control against what he regards as the reactionary manufacturing barony. In Washington, his thinking follows the lines laid down by the late Senator Vandenberg and General Eisenhower. His interest in international affairs, however, will probably have to take second place to the practical matter of winning control of Pennsylvania's powerful delegation to the Republican National Convention, which selects the party's candidates. The task of reviving a bi-partisan foreign policy, which he favours, is also one to be approached with caution by a Senator who, although he is 68 years old, is in his first term.

When Senator Duff departed for Washington he left the state machinery in Harrisburg in the hands of Governor Fine, his running-mate. They had won their nominations over the opposition of the Republican old guard led by followers of former Senator Grundy, an 89-year-old power of the high tariff school. Mr Duff was one of these originally but, shortly after he became Governor, he revolted against their "horse and buggy" ideas and "McKinley politics." Since then he has stressed Pennsylvania's need for progressive government. The split was widened in 1948 when the machine decided to support Governor Dewey of New York for the Republican nomination, rather than Senator Vandenberg, whom Mr Duff favoured. In his irritation, Mr Duff was driven temporarily into the camp of Senator Taft, where today he would hardly feel at home.

While Senator Duff has been in Washington, learning to deal with the problems of a national legislator, the Grundy influence has been making itself felt once more in the state legislature at Harrisburg. Many of Mr Duff's projects for social betterment have been brought to a standstill, though it must be conceded that the state government is beset by trying tax problems, some of them bequeathed to it by Mr Duff himself.

But Pennsylvania's role will not be determined entirely by which Republicans win this internal feud. The state was carried by Mr Dewey in the 1948 Presidential elections, but only by 150,000 votes out of a total vote of 3,735,149. Then, Pennsylvania's population was about ten million; according to unofficial estimates, it is now half a million larger. Neither party can count upon an easy victory next year.

Presumably, the Democrats' aim will be to seize Pennsylvania's other Senate seat for former Senator Myers, a Roosevelt-Truman Democrat, who will be assured of all the support the President can give him. His opponent would be Senator Edward Martin, a Republican, but a representative of the school of Republican thought that Mr Duff so emphatically opposes, in both its domestic and its international ideas. There will be no shadow of bipartisanship, but both ex-Senator Myers and Senator Duff, from opposing sides of the political fence, will be challenging Pennsylvania's traditional, rock-ribbed and very much alive old-line Republicanism.

An important indication of how the battle is going may be given by this year's elections for Mayor and other important offices in Philadelphia, Pennsylvania's largest city. Philadelphia is an old citadel of Republican patronage

politics; the local machine has always refused to share its power by seeking the label of "independence" or "good government." But it has lost four elections, and in 1948 President Truman won 432,699 votes as against 425,962 for Mr Dewey. This was a margin of less than 7,000 in a city of 2,000,000, but the Republicans are badly frightened, and now are frantically searching for independent candidates who might stem the Democratic tide which has been set in motion. The Democrats are still far from controlling Philadelphia, but their progressives have the best chance of winning such control that they have had for fifty years—and some progressive Republicans in the city are on their side.

At the other, western, end of the state, where the freight-laden Allegheny and Monongahela rivers join to make the Ohio, lie Pittsburgh and its industrial environs, a Democratic stronghold. Here, in a city whose political boss is its Democratic Mayor, is the home of the Mellon industrial and financial empire, and also the home of Senator Duff. Between the two extremities of the state lie the rural counties which are the heart of old-fashioned Republicanism, territory which owes its allegiance not to Senator Duff, but to ex-Senator Grundy and his supporters.

It would be foolish to say that Senator Duff is no friend of Pennsylvania's industry and business. He likes to recall that, when he left the governorship, Pennsylvania had more than 17,000 manufacturing establishments with a capital investment of more than \$3 billion. They employed a million workers producing more than \$6 billion worth of manufactures. He does believe that many of the state's ablest leaders are misled both in their international and their social thinking. A studious and unexcitable observer, his view of the MacArthur controversy was that Americans should keep their heads and discover what had happened. He supported General Eisenhower on the troops-to-Europe issue.

There have been suggestions that Senator Duff, whose vigour belies his age, might himself emerge as a Republican candidate next year. It is certain that he will be a power, but he may prefer to exercise it on behalf of some other candidate, such as General Eisenhower, for whom he has so much admiration.

American Notes

Beef on Strike

In the two weeks since the price meat packers may pay for beef was "rolled back" 10 per cent, beef cattle have almost ceased to roll into the stockyards. Slaughtering is down by 50 per cent or thereabouts, and the shortage is filtering through to retail meat counters. There is now little doubt that this is more than a temporary maladjustment, that it is a strike by the cattlemen, an attempt to force the withdrawal of the further roll-backs in the price of beef which have been ordered for August 1st and October 1st. The cattlemen are, in fact, making the prophecies of their Washington lobbyists come true and are seeing to it that price control does produce the beef famine that was predicted. How long they can afford to keep their cattle eating their heads off in the feeding lots is doubtful, but in the meantime they have provided the farmers' representatives with ammunition for torpedoing the Defence Production Act when it sails on to the floors of Congress, as it must before the end of the month.

The leaders of both parties have guaranteed that they will not sink the Act, but it is probable that the present uncertainties in the military and economic outlook may be made the excuse for extending it only temporarily, a move which would add to the uncertainties, at least as far as the economy is

concerned. The President and his advisers do not share this uncertainty; they can see an "unmanageable torrent of inflation" piling up by the autumn, and they are now, rather belatedly, warning the buying public that, if it does not protest, Congress will take away its "economic lifebelts," the controls that have enabled consumers to keep their heads above the inflationary tide so far. The beef strike is the test case, both of Congressional resistance to pressure groups and of the housewives' willingness to go without stewing steak today for the sake of a cheaper joint tomorrow. For beef is the most important single item in the American cost of living, and it was a cattlemen's strike that killed price control in 1946.

Without price control the task of the Wage Stabilisation Board would become impossible; so far it is working satisfactorily, even if only tentatively. True, wages are climbing, but there is a sound excuse for each upward step: the productivity increase that has been allowed to automobile workers was an important part of a contract that has brought peace to the industry, and is not supposed to involve a price rise; shipyard wages, which have now gone up, had not kept pace with those in other trades for several years, because of the depressed state of the industry. The members of the Board, plotting their course from case to case, seem to be arriving at much the same destination, a controlled rise in the wage level, closely related to the cost of living, as they would do by mapping out general principles in advance, a method which Mr Eric Johnston, in charge of economic stabilisation as a whole, would prefer and may yet insist on.

* * *

Senator Kem's Monster

Senator Kem is forever flying anti-British fancies, but Congress does not usually oblige him by making them into facts. In May, however, both houses approved an amendment which he had originally proposed to stop the "shame

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and disgrace" of strategic materials moving through Hongkong to be used against United Nations troops in Korea. What it actually does is to prohibit economic or financial, but not military, assistance to any country which exports arms or military material, or anything which may be used in their manufacture, to the Soviet Union or its satellites. The President was obliged to approve the amendment because it was attached as a rider to an urgently needed appropriation Bill, a procedure which enabled a major piece of legislation affecting the foreign policy of the United States to be passed without being studied by the relevant committees of Congress. It is doubtful if in fact Congress realised that it was doing anything more than embarrassing the Administration.

Senator Kem is now, however, being tormented with the monster he has created; to one whose knowledge of the whereabouts of the iron curtain is probably not very precise, it must come as a shock to find that Communist Yugoslavia is the only country that is not impeded by his rider. For Yugoslavia has already a complete embargo on trade with the Soviet and its satellites; every other recipient of American aid exports at least some of the articles, from feathers to castor oil, which the Administration has decided must be banned under the loosely-worded amendment. The lists just issued would, in the words of an official, "make the Sears Roebuck catalogue look like a drop in the bucket" and the rules, if followed to the letter, would not only prevent the development of Indian manganese deposits that are vital to the United States, but would stop the aid that is helping countries such as Austria to resist Communist influence.

President Truman, while agreeing that it is a sound principle to prevent the Soviet block from acquiring goods that would add to its military strength, pointed out that the most unsatisfactory of the many unsatisfactory aspects of the Kem amendment is that it ignores the benefits of two-way trade; the free world is at present getting more from the Soviet satellites than it gives to them and therefore needs less help from the United States than it would otherwise do. Until Congress provides a workable substitute for Senator Kem's monster, economic assistance will be saved from its jaws by the President's power to authorise exemptions in the interests of national security. Since it would be impossible for countries receiving aid to comply with the regulations in the time allowed, Mr Truman has really no alternative, but his action will not oil the wheels for a Congressional reversal of policy. Now, however, that the full implications of what it has done are being made clear, Congress may be ready to reconsider what was intended more as an expression of opinion than as a change of direction.

* * *

Battle of Thirty-Fourth Street

The price war, with its platoons of comparison shoppers, still continues on New York's 34th Street and sporadically across the country, but there is nothing to compare with the scenes a fortnight ago when shoppers broke plate-glass windows and revolving doors to take advantages of price cuts as deep as 40 per cent in some cases. Stocks of the most popular bargains are temporarily exhausted, and the New York stores, though noting with satisfaction that their trade in the war's first week had risen by 25 per cent, have begun to wonder whether they are not robbing the future to make a shoppers' holiday. As replacements are brought in, even R. H. Macy and Company, which fired the first shot, may be content with the 6 per cent reduction which it has long contended reflects the savings of its "no credit" policy.

Meanwhile, small retailers and manufacturers caught in the cross-fire are attempting to salvage what they can from the wreckage of the fair trade laws, the euphemism for retail price maintenance. The New York Supreme Court, at the request of a Brooklyn chemist, has ordered Macy's to cease

selling pharmaceutical products made within the state at prices below those fixed by the manufacturer. This, however, is small comfort, for home-produced pharmaceuticals make up a small part of Macy's stock. More drastic legal remedies are being proposed by indignant retailers to the New York board of inquiry, such as a ban on the advertising of "loss leaders" without the manufacturers' consent. Such bargains, it is argued, are purely devices to lure the unwary shopper into the spider's web. Some manufacturers have already refused to sell direct to Macy's, on the ground that when their product is sold at a loss public confidence in its value is undermined. Still others are hastening to require resale price maintenance contracts from all their customers.

The usefulness of all these steps is very limited; what most manufacturers and retailers would like would be for Congress to pass a law specifically permitting the states to force retailers to charge the prices on all goods fixed by the manufacturer—something the Supreme Court found the Miller-Tydings amendment did not do. Such a law probably could not be passed unless there developed price wars as severe as those in the nineteen-thirties, something not very likely at a time when supplies of consumers' goods are bound to decline and consumers' incomes to rise. The Senate Small Business Committee, however, is to look into complaints of small businessmen that the decision may force them into bankruptcy. A more real danger to the small businessman would appear to stem from an earlier decision of the Court. This so interpreted the Robinson-Patman Act as to permit sellers to discriminate between buyers, granting lower prices to some than to others, if it is done in good faith to meet competition. When harder times return, it would allow large buyers to secure bigger discounts than are justified and exaggerate the advantages of mass distribution they already enjoy.

* * *

First Aid for Medical Schools

The nation's 79 medical schools, suffering from acute deficits although they are full to capacity, are to receive first aid from a new National Fund for Medical Education. Its chairman is Mr Herbert Hoover and it is supported by the medical profession, the life insurance companies, industry, the trade unions and a number of scientific and educational foundations. The aim is to collect \$5,000,000 a year in voluntary contributions from those who benefit from medical science. The American Medical Association has agreed to turn over to the new fund the \$500,000 it appropriated for the schools last December—a sum the doctors' critics insist on regarding as conscience money for the part the AMA had played in blocking federal aid for the medical schools. The \$500,000 was a part—only a small part—of the \$3,600,000 the AMA collected by assessments on individual doctors to fight compulsory health insurance.

It has been the fervent wish of the AMA that voluntary effort might reverse the tide of federal subsidies and government control. But it is to be hoped that the new fund may be a supplement to federal aid, rather than a substitute for it. For \$5,000,000 a year, even if it can be guaranteed, will not cure the financial anæmia of the medical schools. A committee appointed by the US Surgeon General estimates that \$40 million a year is needed to put them on a healthy foundation at present levels of enrolment; to train more doctors, additional funds for expansion must be found.

Before the rearmament drive, the Public Health Service estimated that the country would be short of 15,000 doctors by 1960. The number of doctors declined from 1940 to 1950 (though three-quarters of the qualified applicants for medical training are turned away for lack of room), while the population, and its ability to pay for medical care, grew. The expansion of the armed forces will drain away both doctors and nurses. The AMA disputes the shortage, arguing that the additional "productivity" of doctors—



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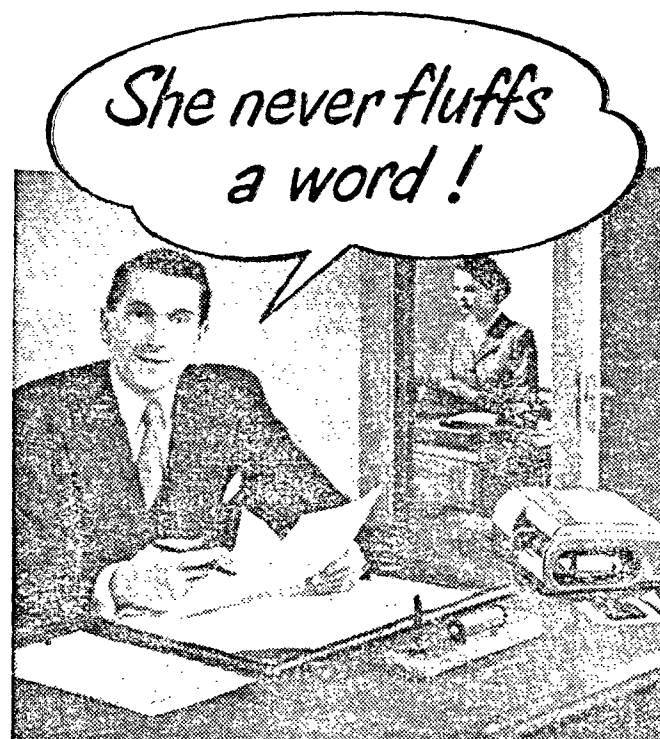


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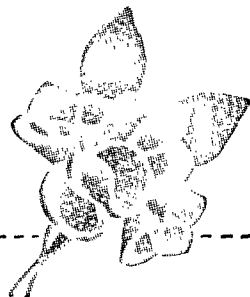


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thanks to the so-called "wonder-drugs" and better organisation—more than offsets the decline in their numbers. But no one doubts that if war, accompanied by atomic attacks, should come, there would be a disastrous shortage of doctors and nurses. No one believes it would be safe, this time, to reduce the number of doctors for the civilian population as drastically as was done during the last war.

Last year the Senate passed a Bill embodying the President's plan for a five-year programme of aid to medical education. Each school would have received \$500 for each student, and larger sums were offered to schools expanding their enrolments. The Bill was killed in the House on the grounds it opened the way to federal control of education. Voluntary efforts may be able to keep the medical schools from bleeding to death at once, but last year's Bill, or something like it, is needed if they are to enjoy permanent good health and provide all the doctors that are needed.

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TV Goes to the Movies

This week the millions of spectator sportsmen who have been taking their exercise on their own television sets had their armchairs pulled out from under them, by a combined attempt by sports promoters and cinema owners to counter television's threat to box-office receipts. To see the Louis-Savold championship in New York, where it was to take place, it was necessary to attend the fight; it was nowhere available in the home, but in Washington, Chicago and a few other cities, it was to be "piped" directly into movie theatres by coaxial cable from cameras at the ring-side. So far only a few cinemas are suitably equipped for this, but the number with large screen television facilities is growing rapidly. Before long theatre owners should be able to offer not only sports promoters, but also producers of other types of entertainment, terms more attractive than can the advertisers who sponsor television programmes on the networks. To many this seems one way of checking the alarming fall in movie attendances, which have dropped by over 20 per cent in the last five years, to under 60 million a week.

United Paramount Theatres Inc., one of the pioneers in this attempt to go along with television instead of being put on the shelf by it, presumably hopes that bigger and better television programmes for its movie screens will be one of the offspring of its proposed union with the American Broadcasting Company. This merger, if approved by the Federal Communications Commission, will be a marriage between two firms that were divorced from their previous partners by anti-trust decree. ABC was formerly the second network of the National Broadcasting Company and United Paramount was until recently the theatre-owning branch of the Paramount Pictures Corporation. Similar divorces are being forced by the Department of Justice upon all the film-producing companies that also own theatres.

Partly because of this separation, but more because of rising costs, Hollywood is so depressed that recently one leading corporation asked its top executives to take salary cuts of from 25 to 50 per cent. It has been estimated that television stations will eventually be in the market for far more films than Hollywood has ever produced in a year, so it is not surprising that the picture-making companies are beginning to flirt with the new medium that they have cold-shouldered for so long. There is no question yet of television networks being allowed to carry the latest feature films, nor indeed could they afford them; but there are plenty of old films that still have life in them and that could be earning their keep if telecasters were allowed to rent them. At present all they can get are second-rate films that even in their first youth were not worth seeing. Furthermore, there are increasing opportunities for making films directly for television, as some independent producers, and some television networks, are already doing.

No Education Without Segregation

The doors of the law school of the University of North Carolina, like those of so many other graduate and professional schools in the South, must open to admit Negro students. Under past decisions of the Supreme Court Negro students may be excluded from white colleges only if a State provides them with equal opportunities within its borders. Unlike most States, which have reluctantly conceded that such equal facilities do not exist and that they cannot afford to provide them for graduates, the University of North Carolina contended that the opportunities for Negroes to study law at the Negro North Carolina College were substantially the same as those at the University, though the resources of the latter are many times greater. That contention has not been upheld by the Supreme Court.

The south is becoming accustomed to the admission of small numbers of highly educated Negroes to its graduate and professional schools, unheard-of though such a thing would have been five years ago. What is creating a solid resistance movement is the threat that court action may abolish segregation right down the educational ladder. Most of the southern States, fearing the long arm of the Supreme Court, are hastily attempting, out of their meagre resources, to remedy the generations of neglect from which the Negro schools have suffered. The suits being brought in three States, however, do not merely ask admission for coloured children to the white schools because those for Negroes are inferior; they argue that no school exclusively for Negroes, whatever its physical or academic standards, can provide opportunities equal to those offered by an unsegregated school. One of these cases is already being heard in South Carolina and a decision from the Supreme Court is expected early next year.

Even progressive opinion in the more advanced States of the South is frightened by the speed with which segregation is being challenged on its strongest ground, and fearful of the disturbances which may follow. In the deep South, preparations are already far advanced to defy or evade an adverse court decision. In Georgia, the legislature has given authority for state funds to be withheld from the schools if a single Negro child is admitted to a white institution; Florida is following suit; and in South Carolina school trustees are to be permitted to sell or lease school buildings to private groups. The Governors of Mississippi, Georgia, and South Carolina—the latter Mr James Byrnes, a former Justice of the Supreme Court—have all declared that they would discard the public schools rather than forego segregation. This is a position they may not be able to maintain either legally or practically. But the South has shown, since the war, that it is willing to modify its racial practices, and the Negro leaders might, with feeling as strong as this, have been wiser to move more slowly.

Shorter Notes

Washington's "captive audience" is on the way to freedom from "forced listening." The District of Columbia Court of Appeals has ruled that the Capital Transit Company has deprived citizens of their constitutional freedom by broadcasting commercial programmes on its trams and buses, since the passengers have had no alternative but to listen or cease to use public transport.

★

For the coming fiscal year, 1952, only \$800 million is being requested from Congress for stockpiling of strategic materials. This programme has been granted \$4.4 billion in new obligational authority since it began and \$2.9 billion in the 1951 fiscal year, "to accelerate current procurement and to provide for long-term commitments for deliveries from new or expanded sources of supply." From now on, therefore, it is necessary to provide only for current procurement and for a few additional long-term commitments.

THE WORLD OVERSEAS

Confidence in Berlin

(From Our Special Correspondent)

FOR the past fortnight the Russians have again been holding up trade from West Berlin. This is on the pretext that "certificates of origin" are required for all raw materials used in exports from the city. But it is in reality an effort to influence current trade negotiations and in retaliation for the efforts being made by the western powers to stop smuggling from western Germany into the Soviet zone. In spite of such pressures, however, the most remarkable feature about Berlin during the past few months has been the way in which this unique sector in the cold war has settled down. In fact, it would probably now be wrong to put Berlin into quite the same category of such actual or potential trouble spots as Korea, Indo-China, Persia or Yugoslavia. Both sides in the city are certainly aware that serious trouble can always be created at very short notice; there have already been sixteen boundary incidents this year on the 150-mile perimeter of the western sectors—including the Russians' legal but crude occupation of Staaken in February. There is, however, a strong feeling that, as a result of intense experience in constantly handling highly inflammable political material, both the Russians and the western powers now "know the form." If the Russians persist in a move designed to embarrass the allied authorities—and the British have labelled as a "pin-prick policy" the Soviet tactics of trying some new gambit two or three times every month—the western powers take counter-action, not necessarily in direct opposition but somewhere else on the great chessboard of Germany. And usually within a few days, the balance is restored to its steady if sensitive normal.

Nothing, of course, will alter the fact that Berlin is in the front line of the struggle between the free world and the Communists. But, as is often the way with the front line, there is an atmosphere of calm and confidence in the city itself which is sometimes lacking in the world outside. And while this atmosphere has mainly grown up since the raising of the blockade, nothing should be allowed to detract from the great credit due to the western occupation authorities—in the British sector Major General Bourne has done an outstanding job—and to the Berliners for the way they have both handled their problems all through the last two or three years. This is most particularly true of the people of Berlin themselves, of whom one in four is still unemployed; without their co-operation it would have been difficult to create the relatively stable conditions of today. That being said, it is well to draw the lesson of Berlin for the rest of Western Europe. Two unusual factors have been at work in the city and have brought its people to resist Communism more stoutly and with greater unanimity than elsewhere. First, they experienced the rule of the Red Army for two months in the summer of 1945 before being taken over by the western allies; and they have never forgotten the experience. Secondly, they have now had plenty of evidence that the western allies mean business and will not abandon them without fighting a world war; Berlin is still the only place in Germany where a public statement to this effect is applauded and cheered.

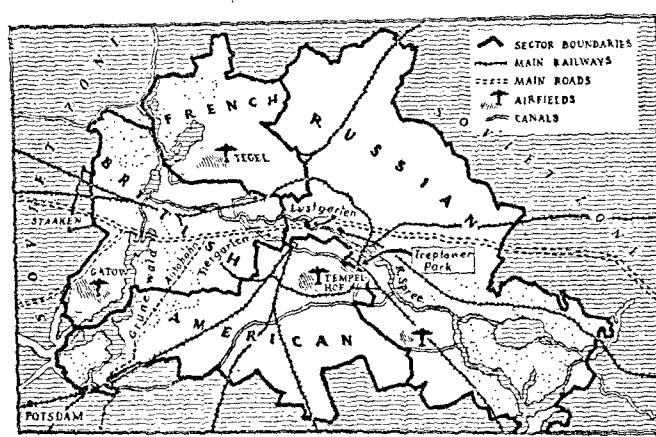
The Road to Stability

Four landmarks stand out in the recent history of Berlin and have contributed to the city's confidence, as well as to the good relations between the western authorities and

the Berliners—relations which are now in contrast to the deteriorating atmosphere in the Federal Republic. The first was naturally the breaking of the Russian blockade; in that, western success is attributed almost as much to the counter-blockade of the Soviet zone and the stopping of the flow of capital goods from the Ruhr as to the air lift itself, vitally necessary though that was. The next landmark was the very important decision of ECA to rescue the Berlin economy; the American administration put in some of its best men to carry out the programme. Thirdly, there was the calling of the Russian bluff over the Whitsun rally last year, when the Communist threat of a mass move into the western sectors was cancelled after the west had made it clear that the marchers would be met by force. Then, lastly, it was felt that a new stage had been reached—and subsequent events have so far justified the belief—when Berlin was given a security guarantee by the foreign ministers of America, Britain and France after their conference in Washington last September.

Trouble at the Festival?

What of the future? The most immediate threat of trouble on the horizon is the meeting of the Soviet-dominated World Youth Festival in the Soviet sector of the city on



August 5th. This has been coupled with the fact that at the World Peace Council in Berlin last winter the Russians let it be said on their behalf that a peace treaty must be signed with Germany by the end of 1951. Hence it is argued that the August meeting may provide another favourable opportunity for the Russians to raise the political pressure in order to extract concessions from the west. This does not, however, look very likely from Berlin itself. There is little feeling that the Russians have really bound themselves to a date for a peace treaty; they have not spoken of it directly themselves. Moreover, the August Youth Festival has been convoked on such a note of peace that it would seem difficult even for the Russians to switch it into a rally with aggressive intentions, without several weeks of preparation of which there has as yet been no sign.

In addition, last year's experience at Whitsun suggests that unarmed marchers can be stopped more readily than some pessimists believe, if they are met by other large masses of

individuals such as a phalanx of West German police with two or three battalions of troops behind. The very last thing to do, of course, is to use arms or even tear-gas, which itself creates panic. In August the only suitable open spaces in which the Communist boys and girls can assemble in the Soviet sector are either the Lustgarten or Treptower Park. Of the two, the Lustgarten is the only practical proposition for an effective march on West Berlin since Treptow is a considerable distance away from the centre. The capacity of the Lustgarten is limited to 200,000 and there are in effect not more than three routes from it into the western sectors which need to be blocked off. Last year the reply to the Communist marchers was to welcome them into the western sectors in small groups. The young Communist sympathisers in August will again be entertained and shown round if they come as individuals; few fail to return behind the iron curtain from such a visit unimpressed by the superior standards of living and the friendly confidence in West Berlin.

Rienne dure comme le Provisoire

History has a way of spinning out the existence of temporary arrangements, and there is now no reason why the present situation in Berlin, based though it is on a day-to-day war of nerves, should not endure for some time—unless the third world war breaks out. Looking into the future of Berlin itself, however, there seem to be two factors which may eventually work against the western powers: Russian construction of rail and canal links to by-pass the city, and success for the Five Year Plan in the Soviet zone of Germany. At present, although all the railways in Berlin are operated by the East German authorities, one of the reprisals the western powers can take against Russian interference with their own road and rail communications to the Federal Republic is to stop Soviet traffic through the western sectors of Berlin. This is a very strong weapon since communications in the Soviet zone are already bad, and there is virtually no alternative to using Berlin—the former German capital—as a vital part of the east-west rail and canal network in the zone. Now, however, the Russians are building routes round the city, the rail link to be completed—and the Russians have recently reiterated that it must be ready—by the World Youth Festival in August and a canal link some time next year.

The Five Year Plan in the Soviet zone is at present dependent on supplies of coal, steel and capital goods from the Ruhr. And since the economy of the zone has run so far downhill that the Russians have had to bring back some of the equipment they removed at the end of the war, the success of the Five Year Plan is politically essential to them. At present the western powers can retaliate very effectively against obstruction in Berlin by holding up exports from Western Germany. If, however, steel capacity in the Soviet zone has been built up to 3,500,000 tons a year by the end of 1953 and other proposed steps towards industrialisation achieved, its dependence on Western Germany will decline sharply—two separate economies will in fact have grown up in Germany, that of the east zone being increasingly tightly bound to the Soviet system.

Two Years Ahead

It looks, then, as if the western position in Berlin may gradually tend to weaken until, in about two years' time, the power to retaliate is not as great as it is at the moment. To build too much of an argument on this, however, is to think too far and too theoretically into the future. Between then and now many things may happen. And while it may be assumed that the Russians will sooner or later make another serious attempt to wink the west out of Berlin, by blockade or otherwise, their immediate prospects are undeniably poor. With several months' stocks now in West Berlin, another blockade would be a costly business for them. If the Berliners remain as steadfast and resolute as they have been so far there is every reason to hope for the best. In the front line this spirit itself is an essential ingredient of victory.

Election Eve in France

[FROM OUR PARIS CORRESPONDENT]

THE general election in France on Sunday will be a *scrutin de liste départemental majoritaire à un tour avec apparentement de listes, panachage* et vote préférentiel†*. This means first and foremost that, instead of the system of proportional representation used in 1946, all the seats in a department will go either to a majority party or, where there is none, to a majority group of affiliated parties. In the latter case the seats will, within the *apparentement*, be distributed proportionately to the votes received. Only where no absolute majority is gained either by a single party or by the group will recourse be had to proportional representation proper. In Greater Paris (departments of Seine and Seine-et-Oise) PR is, however, being retained: so it is also in Guadeloupe, Martinique and Réunion, which send deputies to the Palais-Bourbon. French Guiana, on the other hand, has the unique distinction of using the British system, a one-seat constituency to go to the man at the top of the poll.

The new system is, of course, designed to whittle down the present Communist representation of 178 out of 620 seats. And with *apparentements* of one kind or another in 87 out of the 103 departments it undoubtedly will. The Third Force proper (Radicals, Socialists and MRP) have affiliated in over half the departments. In another 14 departments the Socialists have desisted from affiliation with the Radicals and MRP, feeling strong enough to try their hand alone and thus escape the stain of contamination with which the Communists are hoping to smear them. The Gaullists have refused all alliances with the Third Force or *syndicat des sortants*, as it is irreverently called, but they have made about a dozen affiliations with the Right groups or "Fourth Force," and in a very few cases with the MRP (which began its life in 1946 as the *parti de la fidélité* to General de Gaulle). It is hard to predict how many seats the RPF is sacrificing by its electoral aloofness.

In the Parisian region the most seats were won last time by the Communists and MRP:

DISTRIBUTION OF SEATS DEPARTMENTS OF SEINE AND SEINE-ET-OISE, 1945				
Communists	...	...	...	32
MRP	...	...	...	20
Socialists	...	...	...	3
Radicals	...	...	...	5
PRL (Right)	...	...	...	6
Other parties	...	...	...	3
				75

This time, although PR has been retained for the region, there is one innovation; on the second round the system of what is called *les plus forts restes* has been substituted for that of *la plus forte moyenne*. The effect of this is that parties at the bottom of the poll are to be favoured at the expense of the heavy vote parties—another means of reducing the Communist and, presumably, Gaullist representation. Paris, which is the most important Communist stronghold—in 1946 it elected Thorez, Cachin, Marty, Fajon, Bonte, Duclos—is now strongly contested by the RPF, which holds the municipality. Marseilles, equally a Gaullist municipality of which the mayor is now standing, should also provide a stiff fight between Communists and Gaullists. The RPF has put up a good number of generals which the opposition usually depicts grimly planning the campaign in the map-room of their HQ. General Koenig has an excellent chance at Strasbourg in spite of not knowing the dialect, and General Billotte is hoping to win the Burgundy wine country.

* *panachage* means the drawing up by the elector of a list of his own by mixing candidates from different lists on the voting paper. This practice affects the total vote, since each transferred candidate counts as an added vote to the party to which he belongs.

† *vote préférentiel*. By this the elector is permitted to change the party list by striking out names and by adding them. But this rule is apt to be a dead letter since no account is taken of those changes unless they are made by half the voters supporting the list.

In the strongly Catholic East and West much will depend upon the extent of the MRP losses to the Gaullists. The Church has said that people must vote (abstentions would undoubtedly favour the Communists, and they are especially feared on account of the lassitude inculcated by the prolonged wrangle over electoral reform). The *Osservatore Romano* has printed an article favourable to the MRP which has led certain observers to believe that the landslide into the Gaullist lap will not be so great in departments such as Moselle and Bas-Rhin. But the MRP candidates are particularly vulnerable when they are affiliated to the Socialists, since they risk losing supporters who are unable to countenance *laïcité* at any price. Those supporters will either abstain or vote Gaullist—Brittany is a case in point.

One of the most interesting features of the postwar period has been the recovery of the political grip of industrialists in such places as Lille, Roubaix, Tourcoing, Lyons. These gentlemen, of whom many are textileists, do not relish the risk of strikes and disturbances following a Gaullist victory. Nor are they at all in favour of the association of capital and labour which the General has now made one of his central planks. If they feel that the Communist threat is sufficiently weak the Fourth Force (of which Monsieur Paul Reynaud is the natural leader) may well be their choice. Unknowns in the heavy industrial east are the relative forces of attraction and distrust exerted by the outgoing coalition's German policy (Saar question and Schuman Plan). M. Schuman has certainly his work cut out to beat off Gaullist criticisms on these counts.

It is said that the Frenchman votes not for but against. The battle is therefore perhaps between the Third Force, which must discredit the Gaullists and Communists for what they might do, and the latter groups, which (having discredited each other) must persuade the people that what the Third Force has not done must really be done by someone else. Inertia is on the side of the *syndicat des sortants*.

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Labour in the Middle East Oilfields—II

[BY OUR SPECIAL CORRESPONDENT LATELY IN
THE MIDDLE EAST]

THE labour policy of the Anglo-Iranian Oil Company was described in last week's issue of *The Economist*. The four other major oil companies working in the area face many of the same problems. But there are some significant differences. For instance, the companies in Iraq and Persia—states which possess parliaments and trade unions and politically conscious capital cities—have to meet far more public criticism than companies which operate in a feudal monarchy, as does the Arabian American Oil Company (Aramco) in Saudi Arabia, or in small sheikhdoms, as do the companies in Kuwait and Bahrain.

No one else handles a payroll nearly so large as Anglo-Iranian's, which numbers over 60,000 inside Persia; after that comes Aramco in Saudi Arabia; the Kuwait field directly employs 7,300; the Iraq Petroleum Company, when its Kirkuk field is working to its 20 million ton capacity, will directly employ 4,500 people there. Again, by no means all the companies have had to build housing and social services from zero as Anglo-Iranian had to do at Abadan. Aramco has done it in the desert at Dahrán, but the Iraq Petroleum Company fields at Kirkuk and Basra, and the Bahrain fields and refinery are close to towns that have been in existence for centuries. Oilfields engender rather warmer local sentiments when they spring into being in populated areas that can remember days of lesser prosperity. The Northern Iraqis appreciate "their" company. Lastly, one of the fields—Kirkuk—is situated in a food-growing district, and

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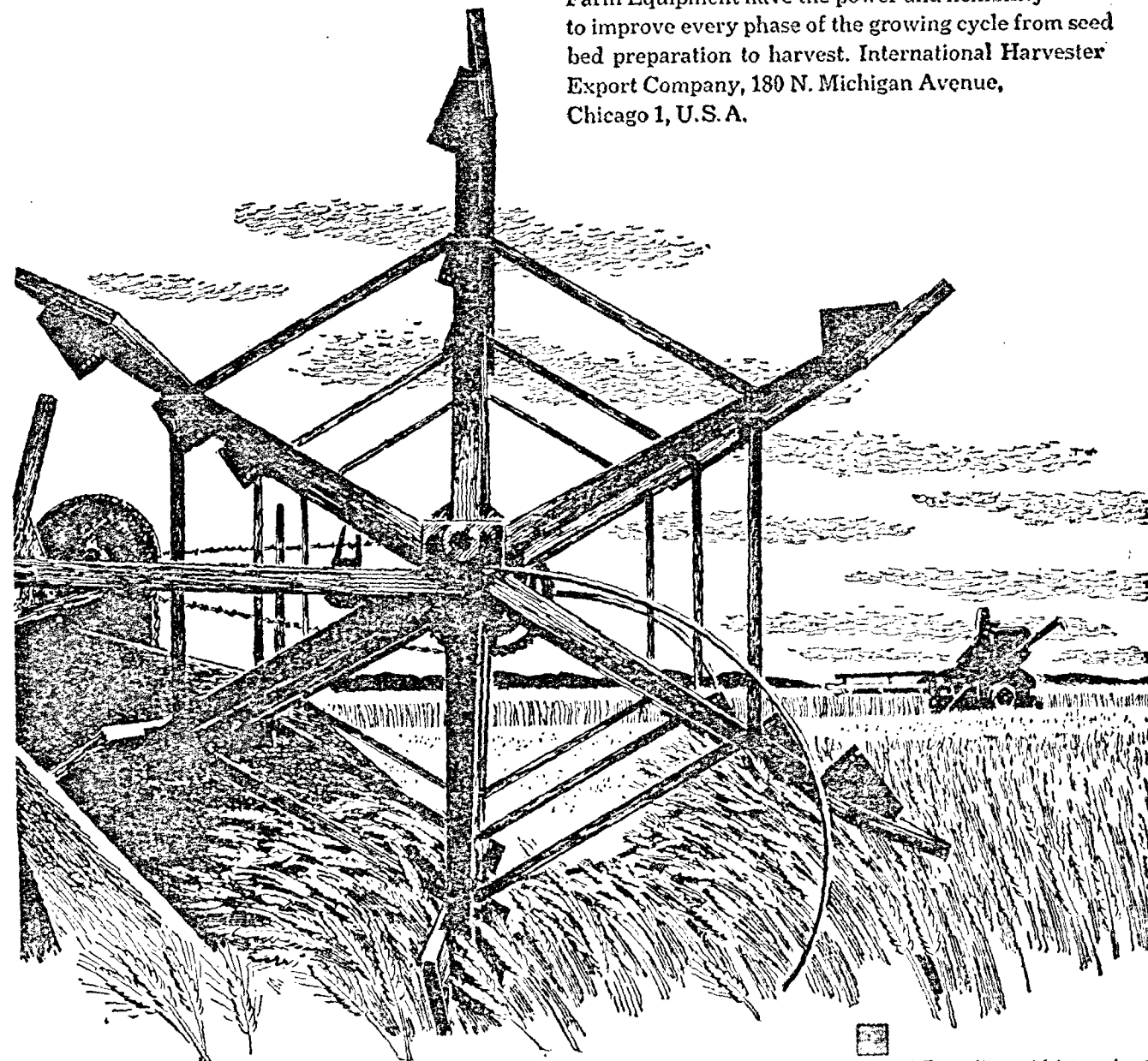
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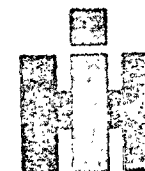
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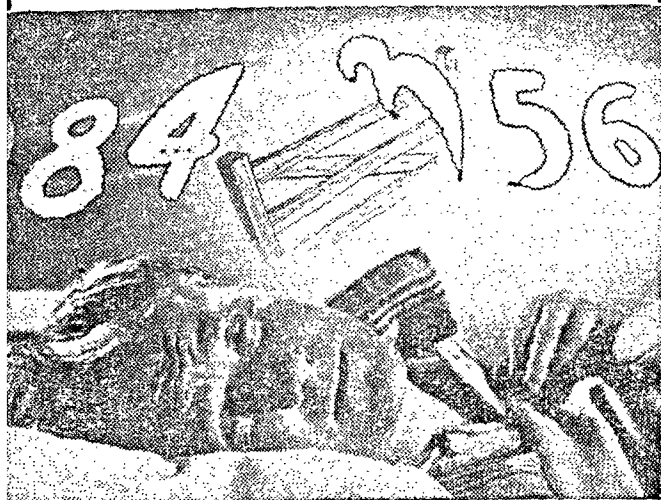
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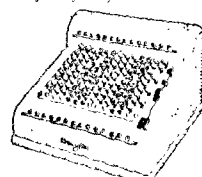
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therefore brings immediate business to neighbouring agricultural producers. The oil operations in the deserts round Abadan, Koweit and Dahrán do not do so.

All the companies—for reasons explained last week—do well by their foreign staffs. But none can as yet claim to treat its local employees so handsomely as does Anglo-Iranian. No other, of course, has made profits for so long. The Iraq Petroleum Company at Kirkuk, which comes second in seniority, has suffered delays in increasing its production owing first to the closure of the Mediterranean in World War II (it exports by pipeline westwards) and then to the Palestine war. In March, 1951, all its European staff were housed, but only 300 workers' houses were ready for use out of a building programme of 1,624 dwellings. IPC's medical services are not yet as extensive as Anglo-Iranian's for they do not cater for workers' families. Its technical education services are only just beginning. Yet the need for workers' betterment is clearly prominent in the company's mind as it prepares for the immense rise in Kirkuk's output and earnings over the next two years. Its measures for the protection of workers from danger and for their cleanliness are excellent. So are its superannuation and savings scheme. A housing estate which is being built by local enterprise, but with some company assistance, in the area between Kirkuk town and the oil suburb, may help to bridge a gap between town and company society. At present this gap is enhanced by the wire fencing behind which all the European employees live. Barbed wire was, years ago, necessary to security in turbulent northern Iraq; but it is no longer so and has a sad psychological effect on Iraqis, and on your correspondent. At the company's southern field, which is at Zubair, near Basra, and which is only now coming into production, labour conditions are less advanced. Workers need not yet be housed, owing to the field's proximity to Basra. They are carried to and fro by 'bus. The recent strike at Zubair was partly due to complaints about the quality of this 'bus service. But 'buses were not the top grievance on the strikers' list. Their first complaint was one of western "rudeness"—a stigma for which the stand-offish British must take part of the blame, though part can be allotted to the Texan drillers.

Winning the Wives

Aramco is handicapped in its treatment of staff by the strict limitations imposed on it by the puritanical government of Saudi Arabia. Its Americans may live as they wish, and do so inside an enclosure into which everything is imported from the United States. Its Saudis are housed in barracks, without their families—a practice which is adequate while a labour force is still primitive and tends to work for so long as is necessary to earn enough to buy a wife or a camel. The company knows that better housing will become necessary as technical skill and liking for regular work increase. But its middle grade, consisting largely of Indians, Palestinians, Italians and Bahreins is unhappy in a no-man's land between these two worlds.

Lastly, in the sheikdoms of Koweit and Bahrein the labour force is of course not without its grumbles and growing pains. But inside small principalities that have good rulers the benefits that accrue from royalties are of course far more visible to every man than are those in large national states. Both Bahrein and Koweit possess such rulers. Both are improving the conditions in which their people live. The immense and chatty queue of women that goes daily, to relieve both disease and boredom, to the new clinics of Koweit, is a sight to hearten any oil company. It suggests that, so long as such rulers continue to spend their revenue from oil on improving public services, labour's attitude to its employer will be mellowed than that in Iraq or Persia. It also suggests that giving the wives cause to keep blessing an oil company, or the royalties it pays, is a good tip for public relations officers.

Freedom and Wealth in the Colonies

SPEAKING in the House of Commons just a century ago, Sir William Molesworth, the leader of the Colonial Reformers, condemned the whole system of government through the Colonial Office:

The wonder to me is, not that the system works ill, not that it produces discontent and complaint, but that it works no worse than it does. The Secretary of State for the Colonies is responsible to Parliament for the government of every colony. . . . If he could divide his time equally between the colonies, as there are forty-three of them, he could give about a week a year to the affairs of each separate colony; but to no single colony could he at one time spare a week of continuous attention; for every colony, more or less, requires his attention simultaneously.

At that time the staff of the Colonial Office consisted of "five superior and twenty-three inferior functionaries." Today it consists of 1,250, although the number of colonial territories has not materially altered. Yet the Secretary of State is still required, "more or less," to give his attention to them all simultaneously; what is more, the activities of his office, like its staff, have multiplied out of all recognition. One glance at the tightly packed pages of his annual report* ranging over every continent and almost every sphere of human activity, leaves the reader wondering, as Molesworth did, that the system works "no worse than it does." Indeed, it is working today with considerable success.

That is due largely to a fact which no one is ready to believe—that the Colonies are no longer "governed" by the Colonial Office at all. They are supervised in Whitehall, and certain key decisions are taken there, but their day-to-day administration is in the hands of the Colonial Governments and Legislatures on the spot. Increasingly, year by year, more powers are devolved from London; and within the Colonies powers are shifting, with unbelievable speed, away from the officials and on to the shoulders of the colonial peoples themselves. The essence of colonial policy in these last years has been the transfer of power.

Steps to Self-Government

The annual report describes how this is being achieved in a detailed chapter on "Political and constitutional developments." In almost every territory some new advance towards self-government has taken place in this one year. Beginning with the spectacular changes in the Gold Coast, we learn of the final preparations for the new Nigerian constitution in 1951, the revision of the Sierra Leone constitution, so as to give unofficials a majority in both Legislative and Executive Councils; and the enlargement of the Gambia Legislative Council. In Uganda the Legislature has been reconstituted, increasing African representation; in Tanganyika a Constitutional Development Committee has been taking evidence; in Kenya, arrangements for revising the constitution have just been announced; in N. Rhodesia far-reaching constitutional changes are in the air. In Malaya a Ministerial form of government has been introduced; in Singapore the executive and Legislative Councils have added extra elected members; in North Borneo a new constitution was brought into operation. In the West Indies further moves towards the creation of a West Indian Federation took place; in the meantime Barbados further liberalised its constitution; a Commission of Inquiry visited British Guiana to recommend a new constitution; British Honduras considered proposals for political reform; and a new constitution was introduced into Trinidad involving the election of five fully responsible local Ministers.

* *The Colonial Territories* (1950-51). Cmd. 8243. 4s. 6d.

Growing Technical Services

Hand in hand with this remarkable record of political advances comes the impressive fact that British recruitment to the services in the Colonies is nearly five times as large as in 1938—the increase being concentrated on the technical services. In the five years since the war 770 doctors and dentists were recruited compared with 243 in the five years preceding the war; 1,116 teachers as compared with 62, and 370 agriculturists compared with 99. This must, further, be seen together with the trend for the colonial peoples themselves to man their own services in increasing numbers. In the Gold Coast, before the war, there were practically no African members of the Senior Service; in 1949 there were 179; in 1950, 269.

In this complex operation of creating self-governing communities in the Colonies the Colonial Office has been imbued with one most significant conception: that democracy does not depend for its success on constitutions alone, but on all the institutions and services which together represent the democratic way of life. This means local government, trade unions, co-operatives, educational facilities, social welfare and health services, and what has been done under each of these heads fills many pages. A complete network of local government authorities, in Africa based often on the traditional tribal councils, now covers most colonial territories, and the functions of these authorities are being continually extended. Over one thousand trade unions have been registered, with an estimated membership of nearly 700,000. In 25 territories Registrars of Co-operative Societies have been appointed; the number of co-operatives extends into the thousands. There are now seven university institutions in the Colonies, four of them founded in the last three years. They have a combined student population of 2,700, and a further 4,500 colonial students are studying in British universities. Teacher-training has also made good progress, and technical education—always a bad gap—is at last being taken seriously. Particular pride is taken by the achievements of the health services. Malaria has, in many bad spots, been completely eliminated; yellow-fever is reduced to a few sporadic cases; smallpox no longer reaches epidemic proportions; trypanosomiasis is under control. The result is that everywhere population is growing.

Production and Trade Expand

What does this spate of progress mean in economic terms? In 1939 the total public revenues of all Colonies amounted to £57 million; in 1950 this figure had increased nearly five-fold, to £246 million. In 1938 the total value of colonial exports (excluding the special case of Hongkong) was £155 million, in 1950 the figure was £922 million; imports had risen from £145 million to £772 million. Price increases have of course played a major part in this expansion, but it is calculated that "the physical volume of goods moving into and out of the territories in 1950 was about one and a half times as large as in the immediate prewar years." The index of the volume of colonial exports has increased from 100 in 1946 to 175 in 1950; in that year the rate of increase began to fall.

This economic development, which extends not only to primary products but to the beginnings of industrialisation, has been spurred on by the ten-year development plans, now in operation in 27 territories. The total sum of money approved for these plans amounts to £227 million—£71 million from the Colonial Development and Welfare funds, and £156 million from loans and local resources. There are, in addition, the spreading activities of the Colonial Development Corporation, with its capital resources of £110 million, and certain smaller sums which have come through ECA. Colonial production has had a strong stimulus, also, from the stiff rise in commodity prices in these last years.

It must not be thought from this satisfying record of

progress that all is now peace and contentment in the Colonies. There are many sore spots and threatening points of danger. The Secretary of State for the Colonies remains a harassed and all-too-busy man, even though he is now assisted by both a Minister of State and a Parliamentary Under-Secretary. But he and his department have this merit: they do appear to know where they are going.

Soviet Industry Moves Eastward

[BY A CORRESPONDENT]

THE recent official report on the fourth Five Year Plan emphasises the continued eastward expansion of Soviet economic power. The shift in relative economic weight from the traditional Donbas-Krivoi Rog region towards the Urals, Siberia and Central Asia, a shift which had been going on already in the 'thirties and was greatly speeded up by the war, has not ceased in the last quinquennium. On the contrary, it has been consolidated and has even exceeded the original estimates of the planners. Thus at the turn of the mid-century the balance of Soviet basic industry seems to be slightly tilted in favour of the more eastern industrial regions.

From the scanty information now disclosed it may be gathered that already the regions farther east account for a larger—though as yet only by a slender margin—proportion of the Soviet primary production than the once overwhelmingly predominant western parts. Even for oil, extraction outside Baku in 1950, the last year of the Plan, was getting close to half of the total Soviet output. By that time more coal was already mined in the Urals and beyond than in the European part of the Soviet Union. Output of iron ore was probably balanced, but there are indications that steel production was already greater in the Urals and farther east.

The available figures show that the tempo of the Soviet internal colonisation surpassed the forecasts of the planners. Thus, for instance, oil extraction outside Baku should have reached 36 per cent of the total at the end of the Plan—it actually reached 44 per cent; while eastern coal output was to account for less than half of the total and not for more, as it in fact did.

In the last decade, the two main eastern coal basins—the Kuzbas in Central Asia and Karaganda in Kazakhstan—have developed with terrific strides: in the Kuzbas output, which was 18 million tons in 1940, has more than doubled since then; in Karaganda it nearly trebled—from 6 to 17 million tons. Simultaneously there has been a rapid expansion in iron and steel production, output rising by more than two and a half times in the Urals and more than one and a half in Siberia. It seems that the Soviet Union is now partly reaping benefits from investments, which, at first, for short term accountancy, did not look like a paying proposition. For instance, the Karaganda coal can be used increasingly for smelting in Magnitogorsk, instead of obtaining coal from the Kuzbas which is roughly twice as far away; while the latter region may use more of its coal for its new ore deposits.

The growing importance of eastern production of fuel and basic materials, particularly of rolled steel, seems to indicate that in metallurgy, too, the European regions of Leningrad, Moscow and the area converging on the Azov Sea are progressively losing their predominance in favour of the Urals, Kuzbas and Karaganda. This is in keeping with the wishes of the Soviet authorities, since already in 1939 Molotov declared that "we must strictly forbid the construction of new plants in Moscow, Leningrad and a number of other industrial centres." True, the east is still lagging far behind in light industry and the building during the last Plan

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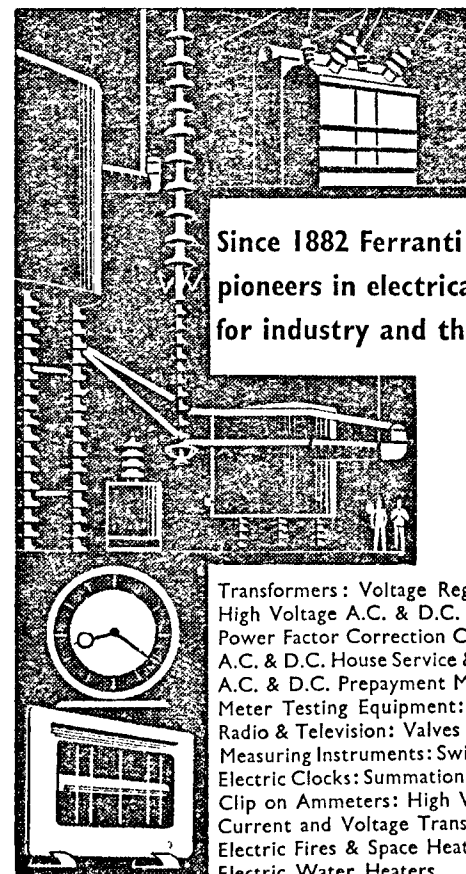
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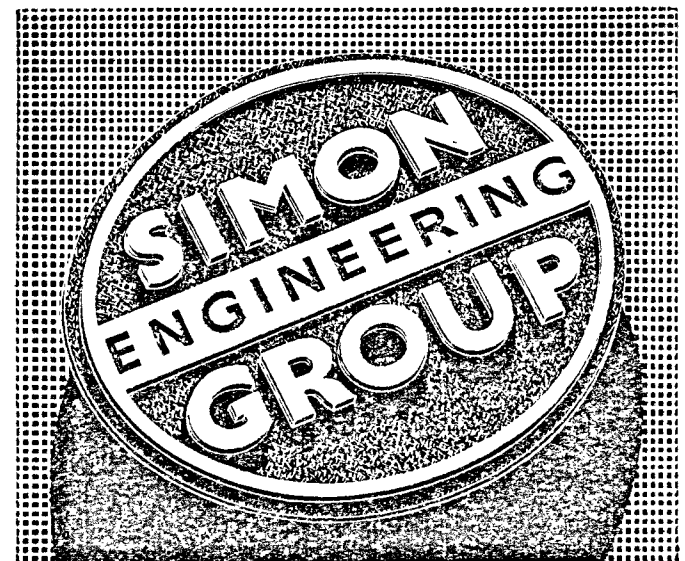
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Aspects of enterprise

No. 2

An American-owned plant, built under an ECA guarantee, was recently opened in Cheshire. Its output of carbon black, an essential material in the rubber industry, saves Britain a million dollars of annual imports from the United States. A bouquet from a client is worth many fanfares on one's own trumpet: "To complete the plant has actually taken just over a year since breaking the first sod. The credit for this achievement largely goes to the general contractors, Simon-Carves Ltd. . . . Harassed by shortages on the one hand and 'American impatience' on the other, they may well be proud of the final result."



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of some textile mills in cotton growing Central Asia is far from meeting this deficiency. On the other hand, the new basins are much richer in non-ferrous metals.

The eastward industrialisation drive necessitates large-scale migration of population. According to Soviet statistics between 1926 and 1939 alone over 3,000,000 people migrated to the Urals, Siberia and Far East, while 1,700,000 moved to Central Asia; and it is uncertain whether these figures include the "free settlers" who were transplanted from the west during the collectivisation. During the war towns sprang up like mushrooms in the east.

Most of the 1,360 industrial undertakings evacuated to the east were left behind after the end of hostilities. Large numbers of workers and technicians have stayed behind as well. This has certainly contributed to speed up the industrialisation of these regions; on the other hand, it must have been somewhat detrimental to the European parts of the Soviet Union; a shortage of skilled workers and technicians was felt in central Russia. Yet the internal colonisation forms part of a definite policy. Not only have Ukrainians, the Germans from Saratov, the Crimean Tatars and the various Caucasian tribes been transplanted there *en masse* during and after the war, but to attract labour and to check the departure of evacuated "westerners" wages in the east were raised 50 per cent higher than elsewhere.

The policy of favouring the eastward expansion has the good fortune of combining strategic and economic interests and combining them both with the inclinations of the policy maker. The strategic considerations are obvious: the removal of industry from vulnerable Europe and its dispersal. Economically the Plan at first did not look so attractive, because of the seemingly prohibitive cost of transport. Yet with the general development of eastern economy reductions in transport costs come about automatically. Moreover, the high cost of haulage is more than outweighed by the relatively low cost of production. To take but one example: the open cast ore of Magnitogorsk is certainly much cheaper than that of Krivoi Rog; hence pig iron

output per worker in Magnitogorsk is apparently 2.5 times higher than in the rest of the Soviet Union.

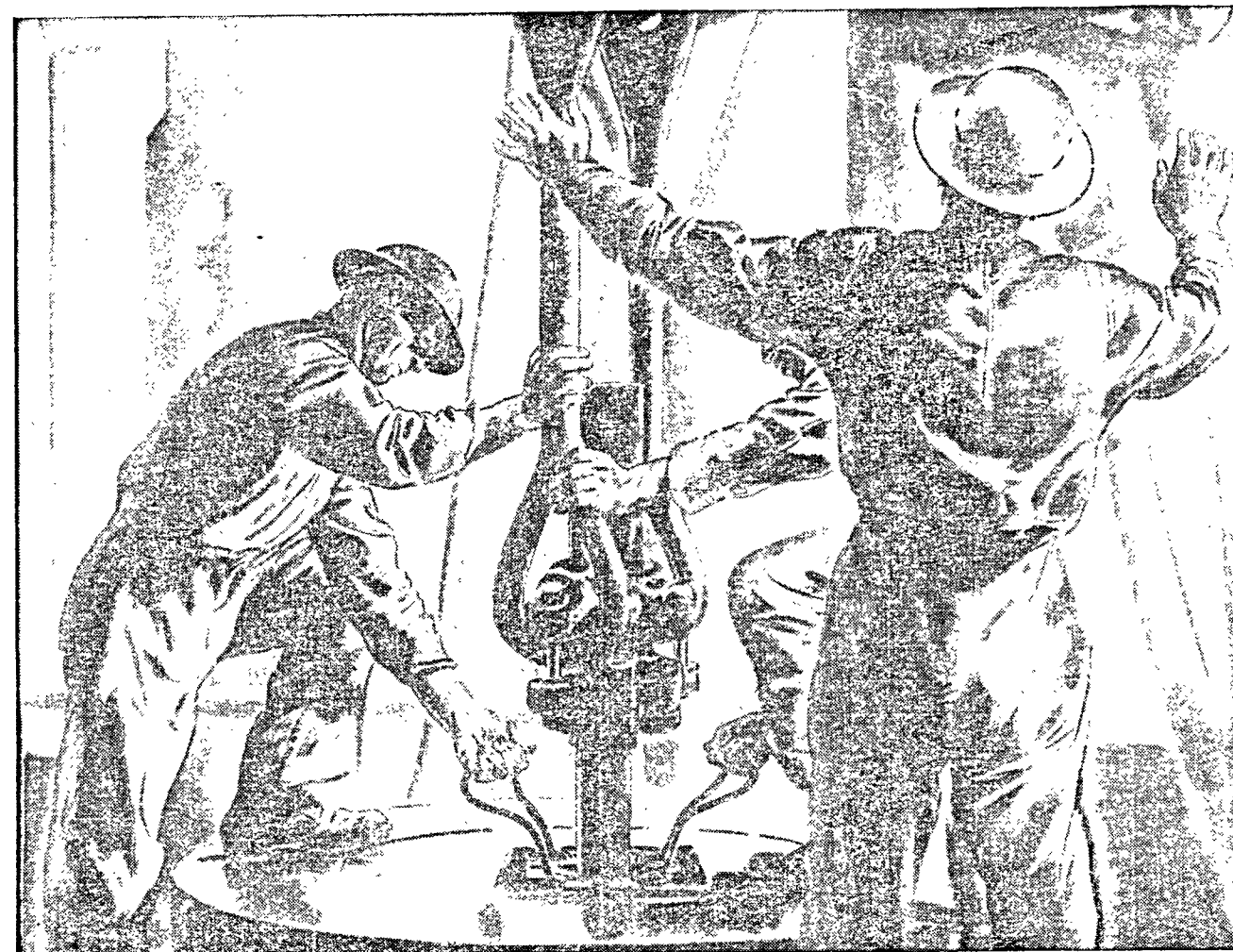
Stalin the "Easterner"

The task of leading Russia's eastward colonisation drive suits Stalin perfectly. As far back as 1923 he said:

... We must turn our faces to the east, taking into account the huge reserves which are still slumbering there. ... The eastern peoples closely linked with China and India are particularly important for the revolution. The qualitative weight of these small nations is far greater than that of Ukraine. ... We are facing the perspective of a powerful movement in the east and the awakening of the east should become our primary task.

A shift of economic power such as the one taking place in Russia must be both preceded and consolidated by railway construction. The Trans-Siberian, and the Turksib connecting Siberia with Central Asia have played a vital part in the development of the east. In the last Plan the most salient features were to be the laying of the Southern Trans-Siberian Railway, linking Kuznetsk (Siberia) with the Volga region (Kuibyshev), the laying of a line connecting Karaganda with Central Asia and another joining the central and northern Urals. It is not disclosed whether these plans have been fulfilled.

Russia's eastward drive is somewhat reminiscent of the American westward expansion in the 19th century, with this substantial difference, that whereas in America the pioneer was a farmer, in the Soviet Union he is an industrial worker. The colonisation has not yet gone deep into Asia. There are still vast, almost untapped resources both to the east and to the south-east. The recent establishment of academies of science in the Asiatic republics shows how the Soviet planners are thinking. Some time hence the mining regions of Tungus or Yakut may be competing for supremacy with the Urals, Kuzbas and Karaganda, as the latter are now competing with the old European parts.



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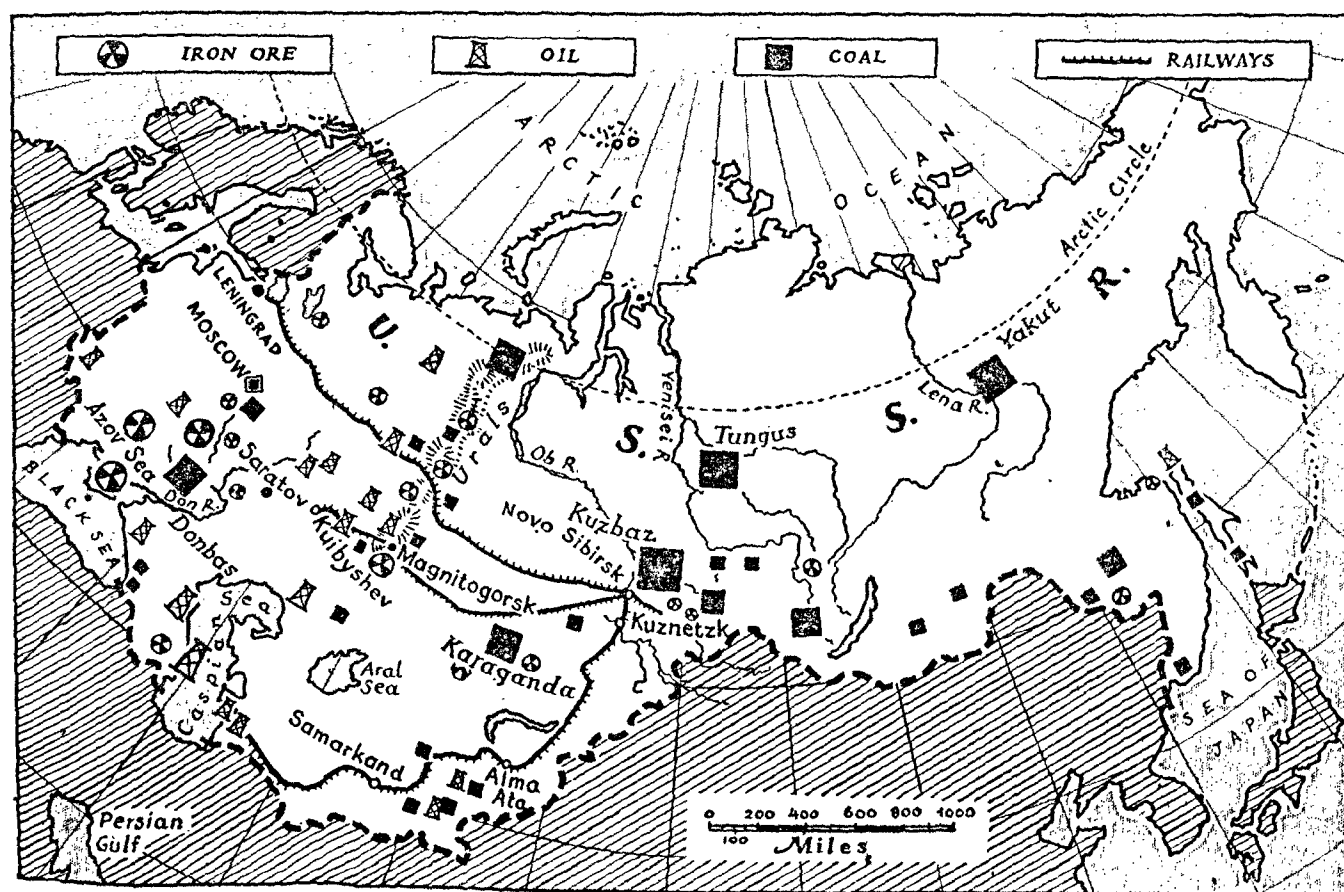
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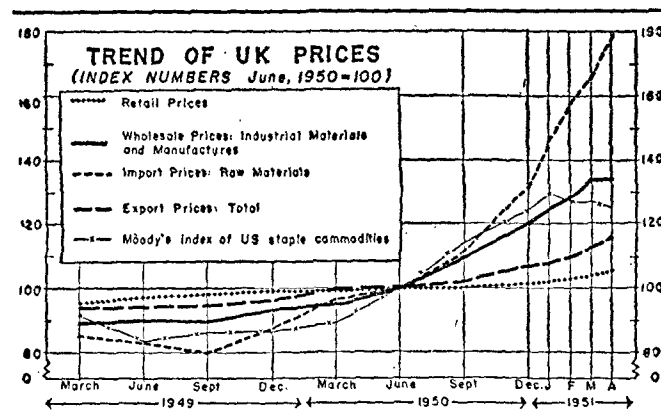
Prospect for Prices

IN the last few months, no single economic indicator has been more closely watched than the movement of prices. Last February, after six months of the most feverish buying that the world has ever seen, there was a sudden break and some of those who only a few months before had been prepared to accept the post-Korean level of prices as a semi-permanent fact in the world economy were asking whether a decisive turn was in prospect. At first, only a few commodities were affected. Cotton did not fall until the end of February and wool was strong until April. Some commodities have shown no fall at all. It is a mixed and confusing record. Nevertheless, a general index of commodity prices shows that the peak was reached some time in the first quarter of this year and that since then the trend has been downwards rather than stationary. The question that is now of paramount importance is whether prices are likely to fall further or whether the present phase is a temporary lull that will give way to a renewed boom in the later months this year.

The dramatic rise in commodity prices after the invasion of Korea resulted from the scramble by industry and by governments for raw materials that were already scarce. Once this scramble had exhausted itself prices were bound to react. But an analysis of this simple kind hardly explains the varying performance of different commodities in the first five months of this year, and the break itself owes little or nothing to increased supplies. Output of certain commodities is expected to be larger this year than in 1950, but no significant increase occurred in the first quarter of this year.

The causes of any major change in commodity prices are usually complex but four particular factors—all primarily effective in the United States—seem to have had a significant effect. First, the American price-freeze which came into force on January 26th and the discussion preparatory to the setting up of the International Materials Conference in Washington; secondly, the reduced tempo of stockpiling; thirdly, the slow rate at which defence contracts were being placed and the governmental restriction on civilian consumption to ensure adequate supplies for defence; and, fourthly, the increase in consumers' resistance to higher retail prices. To some extent these factors are interrelated and their impact differs for each commodity. The American price-freeze was adopted to curb mounting internal inflation in the United States. The sceptics refused at first to believe that it would work. Then when the world came to realise that the United States Government meant business in resisting rising prices not only in its domestic market but in the overseas markets from which it draws primary materials, prices reacted sharply. America's attitude was decisive in world commodity markets simply because American demand had conditioned those markets since 1945 and had put them in a high fever since the Korean war started nearly a year ago.

United States' consumption now accounts for as much as 50 per cent of the world's output of copper and lead compared with 30 per cent before the war, 50 per cent of the world's zinc and tin against 40 per cent, 60 per cent of the world's aluminium against 30 per cent, 55 per cent of the world's rubber against 45 per cent, 75 per cent of the world's woodpulp against 48 per cent, 26 per cent of the world's wool against 18 per cent, and 35 per cent of the world's cotton and sisal against 23 per cent before the war. These proportionate increases are significant enough, but in almost every case the physical quantity consumed by the United States has risen even more sharply, since world consumption is now higher than it was before the war. In addition, America instead of being an exporter of copper, lead, and iron and steel scrap is now an importer, and it has increased its proportionate share of imports of most industrial materials. Ceiling prices imposed on American manufacturers were in these circumstances equivalent to ceiling prices on



materials traded across the world. The discussions about the international allocation of scarce materials in Washington had more effect on buyers outside the United States. It was clear that allocation would be effective only if prices were controlled, and while there was any prospect of that buyers could not be blamed for refusing to pay high prices. It is impossible to assess the material effect of the Washington discussions on market dealings; they certainly made buyers more cautious.

The slackening in the American stockpiling first became evident towards the end of February, though there had been earlier rumblings from the United States against having to pay exorbitant prices for defence reserves. These threats to suspend stockpiling made their particular mark on the market for tin, the price of which was already falling when the suspension of new buying was announced early in March. The weakness in rubber from the second half of February onwards can also be attributed to smaller purchases by the American Government, which became the sole importer of natural rubber in the United States at the end of 1950. American production of synthetic rubber was expanding, and the

consumption of natural rubber in the first quarter of 1951 was reduced by government order by about 20 per cent. Wolfram was another commodity affected by stockpiling. In February it reached a peak of 670s. a unit; in the following month, the United States made long-term contracts with the main European and South American suppliers for deliveries over the next two years; the demand for spot supplies declined and the price fell; by April it had fallen to 500s. a unit, though it has since recovered somewhat.

The main specific cuts in civilian consumption in America have been in non-ferrous metals—copper, zinc, lead, aluminium and nickel—and the prices of all these metals have either remained firm or have risen. Copper rose from 24½ to 27½ cents a lb in May, whereas zinc and lead have remained at 17½ cents a lb and 17 cents a lb respectively since last October. Aluminium has also been unchanged since the beginning of this year whereas nickel rose from 50.5 cents to 56.5 cents a lb this month. American metal prices are notorious for their lack of response to changes in supply and demand. But free market prices for these metals are nearly double the official quotations. Thus it would seem that, despite restrictions on civilian consumption and the comparatively slow starting speed of the rearmament drive, no weakness exists in the base metal market and it is clear that manufacturers expect that the supply of these metals for civilian use will decline rather than increase in the coming months.

★

The slow placing of defence contracts, however, is closely related to the increase in consumer resistance that has been in evidence in the United States for the past three or four months. American manufacturers who had accumulated relatively large stocks of raw materials at high prices from last September onwards considered it wise to reduce those stocks rather than maintain them, hence a mild form of the 1949 inventory recession has

been in progress since February. Little or no wool has been bought by American manufacturers since March; this decline in purchases was clearly reflected in the sharp fall in wool prices. Most of the American purchases in February and March were to meet defence contracts, as the market price for wool was well above the American ceiling price; but now the converse is true and still no American buying is in evidence. In Britain and in Western Europe, too, wool manufacturers are concerned lest consumers will refuse to buy clothes made from high priced raw wool, and they, too, have tended to reduce

their purchases. The American cotton price has kept steady at its maximum fixed last January, but prices for Egyptian cotton began to fall in February.

One important feature in the commodity market has been the firmness of cocoa, sugar and coffee. Prices of these commodities are usually a guide to American prosperity. Cocoa has remained high since the beginning of the year and so, too, has coffee; while the price of Cuban sugar, which declined from 5.85 cents a lb in September, 1950, to 5.50 cents a lb in January, 1951, has since risen to 7.50 cents a lb despite the largest world crop ever recorded.

In spite of the price falls since February, many of the principal commodities, particularly metals and fibres, have undeniable market strength. Others, such as rubber and tin, will depend on stockpiling and international events if they are to maintain their present price levels. Cocoa and coffee depend directly on American internal consumption. Even those prices that have fallen substantially since the first quarter are still well above the levels of a year ago and very much higher than they were in the summer of 1949. This point can be illustrated in the behaviour of copra, tin, rubber, wool and wolfram as shown in the accompanying table. The February reaction has been limited to a small number of commodities, prices of which are still high compared with pre-Korean standards.

What of the prospects? Experience of the past year shows the dominating influence of governments over the commodity markets, and particularly the influence of the American Government. What the Administration does about ceiling prices or stockpiling is immediately translated into a new market situation. It is, therefore, not enough to conclude that, because supplies of essential commodities are likely, for the most part, to be sufficient to meet present restricted rates of consumption, prices will stay firm but not feverish. That view would give too little weight to the prospect that the natural acceleration in the tempo of the defence effort will produce new

COMMODITY PRICES

Quotations at the end of the month.

Commodity and Unit	1949	1950	1951					
	June	June	Jan.	Feb.	Mar.	April	May	June*
Wheat (cents per bushel)	217	216½	251½	243½	245½	252	239½	238½
Maize (cents per bushel)	138	148	179½	178½	177½	181½	174½	171½
Tea (annas per lb.)	24½	31½	34½	32½	28½	29	no sales	25½†
Sugar, Cuban (cents per lb.)	4-10	4-30	5-0	5-25	5-5	5-75	7-15	7-50
Cocoa, Bahia spot (cents per lb.)	18-7	29-62	38-25	37-37	38-0	37-25	38-25	38-37
Coffee, Santos spot (cents per lb.)	28-9	52-5	closed	56-25	56-25	55-75	55-5	55-25
Tallow (cents per lb.)	320	4½	17½	18½	14½	14½	14½	13½
Shellac (£ per ton)	320	237½	395	398½	356½	340	345	353½
Copra, S.D. Straits (£ per ton)	60	72½	120	135	121½	106½	95	93½
Rubber, R.S.S. (d. per lb.)	10½	24-0	64½	72	62½	55½	43½	45½
Cotton US Middling (cents per lb.) ..	30-85	31-95	closed	closed	46-06	46-06	46-06	46-06
Karnak (talleris per cantar)	75-68	74-4	166-15	177-5	166-5	167-75	166-10	...
Ashmouni (talleris per cantar)	...	closed	136-35	143-70	117-16	120-55	118-00	...
Flax, Courtrai (£ per ton)	266	335	518	493	505	498	498	498
Wool, 56's (d. per lb.)	51	81	239	254	277	174	202	202½
Sisal (£ per ton)	97-5	130	215	229	243	250	243	246½
Jute (£ per ton)	98	120	143½	165	193	230	232	235½
Lead, soft foreign pig (£ per ton)	82	92	136	136	136	160	160	160
Copper, electro (£ per ton)	111½	186	202	202	202	210	234	234
Zinc, g.o.b. (£ per ton)	78	127½	151	151	151	160	160	160
Tin, London spot (£ per ton)	569	601½	1,345	1,422½	1,255	1,167½	1,120	977½
Aluminium (£ per ton)	90	112	124	124	124	124	124	124
Wolfram (s. per unit)	103-5	126-9	525	670	550	510	532½	570
Nickel (£ per ton)	224	386	406	406	406	406	406	454

* June, 1951, prices as at June 13th. † Latest available prices.

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ADMINISTERS NATIONAL SAVINGS

virtually derelict. Those remaining include the nucleus of important factories in and around London and the other "national factory" at Birtley in Durham retained after the 1914-18 war; a proportion of the 23 permanent ordnance factories that the government of the day began to build late in the 'thirties to decentralise the State arsenals; and a few of the supplementary factories built later in the second world war. They comprise 14 engineering factories, producing and repairing guns, tanks, automatic and other rifles, bayonets, shell and cartridge cases, rockets, bombs, fuses and small-arms ammunition; four explosive factories; and three filling factories. Another half-dozen of the small-arms and loading factories built during the war "in the blue" away from towns, with little possible commercial value, were retained by the Ministry of Supply to store its reserves of materials and machine tools, and some space in the retained ROFs has been used for similar storage. There remain also as strategic potential 19 "agency factories" operated by commercial managements on behalf of the Ministry of Supply, of which only about half a dozen are engaged directly upon defence production; and the Admiralty's Royal Dockyards, torpedo factories, and factories concerned with cordite, propellant explosives, and naval ordnance gauges.

All other wartime ROFs, and the rest of the 180 agency factories operated on behalf of the Ministries of Supply or Aircraft Production during the war, were passed to the Board of Trade for disposal to civil industry. Immediately after the war factory space was at a premium, and the bulk of this reserve was leased by private industry and entirely converted to civil production. In a few cases, special provision was made in leases for returning the factories quickly to arms production in an emergency; the Ministry of Supply may have one or two back by next year. In deciding which ROFs could be handed over, many factors were considered, including the factory's share of total ROF capacity, employment in its locality, its suitability for commercial operation and the general desirability of keeping together a nucleus of labour for ROF work.

This postwar labour force, which it was decided to maintain at roughly 40,000 in the 21 factories, could not have been kept occupied without work on civil contracts. Service orders for the ROFs did not fall away sharply in 1945. During 1943-44 fairly radical changes were made in design of many types of equipment, and after the war the Services were not satisfied with "war finish"; for these reasons, a fair proportion of the defence work carried out in the engineering ROFs since the war has been devoted to bringing weapons that helped to win a war up to the quality desired for training armed forces. Even so, defence orders for most of the factories soon dwindled to a trickle: and the ambitious programme of civil production was begun. It covered ceramics, electrical equipment, gramophone record compound, concrete sleepers for railway lines, internal combustion engines, railway wagons, machinery for food and paper production, watch and clock components, car and cycle parts, mining and oilfield equipment, and much miscellaneous engineering work. Up to March 31, 1950, the factories had completed civil orders costing roughly £20 million; upon that part charged at fixed prices (work for Government departments being done "at

cost"), the factories lost £1½ million. Production was uneconomic partly because of the overheads charged upon factories working to perhaps 30 per cent capacity, and because some of the work was that which private industrialists, having regard to the current supplies of materials, were reluctant to undertake: but it arose mainly from the fact that the ROFs and their staff were not used to manufacture of civil products on a commercial basis, and obtained few large contracts enough to permit mass production. Civil production in the ROFs has now almost entirely ceased: but reconversion of their production lines to defence work, in certain cases, will not be completed for some months.

The share that the ordnance factories will take of the three-year rearmament programme has not yet been disclosed. In settling this problem, ROF capacity for various types of arms production has obviously been a basis: but more importance has probably been attached to the policy of restoring arms production capacity as widely as possible, consistent with the other major needs of the economy. Certain forms of war material, such as military explosives, are scarcely produced outside the ROFs, and the same is true of many processes requiring special care such as shell-filling: these sections of defence requirements can hardly be spread to any considerable extent. In other types of equipment, such as guns, special calibres of ammunition, small-arms cartridges (plans have already been made for a large scale switch to the .280 rimless cartridge), and the mass-production of certain fuses, it would be possible for the ROFs to handle the whole of the programme. The ROFs will be responsible for a major share of tank production, in the Leeds factory that was reconstructed to assemble tanks at the end of the last war, and in a new production line at ROF Dalmuir; but tank engines, and probably tank tracks and links, will mainly be supplied by Ministry factories managed on an agency basis. In general, however, the "re-educative" policy of spreading orders means that much less than the total capacity of the ROFs will be occupied on rearmament work. The single-shift labour force of these 21 factories could reach 120,000, but there has been no suggestion as yet that the labour force required for the present programme will reach 60,000; that represents a rise of some 15,000 in ROF labour during rearmament, out of a total of 500,000 extra workers who may be needed for the whole defence production programme.

Rearmament must be used not only to accumulate stocks of modern equipment, but also to strengthen war production capacity in general; this policy involves the acceptance of certain difficulties. Ordnance factories that operate well below capacity will carry a high burden of overhead costs, and may not gain the full advantage of quality production; and on other items that the ROFs can produce more efficiently than their civilian competitors, the policy of spreading output may tend to make average costs higher than those of the ROFs. In general, however, it is impossible to compare the efficiency of the ROFs with outside engineering companies. Costs in the ROFs are subject to continual scrutiny by the ROF directorate and by two further sets of accountants of the Ministry of Supply and the Treasury. No doubt these checks make some contribution to operating efficiency, but there may be differences

strains on supplies by the end of this year or early in 1952. Copper, zinc, iron ore and wool again threaten to become scarcer. This expectation, however, does not necessarily support the conclusion that the commodity markets will behave as if they were completely free. What would happen to them if some international agreement on the allocation of scarce materials among the countries of the free world were to emerge from the Washington discussions? Is the Administration's attempt to freeze prices proof against the flowing tide of inflation? How far do prices have to fall before stockpiling is resumed, and if the markets remain firm may stockpiling be eventually resumed in any case?

These questions are of great consequence for the world and for this country. The British predicament in the present situation of commodity prices can be left to explain itself from the accompanying chart. Painful price

adjustments are involved at home; the rise in British export prices, so long damped down, is making its appearance at the moment when world trade conditions are perhaps rather more difficult than they were because of the chastening effect that this year's fall in primary prices has had on traders' forecasts of future trends. No doubt, they are making too much of the price reaction, such as it is. It would probably be the wiser course for British industry to assume that supplies of raw materials will be scarce and prices high as the defence programme matures. There is no indication that governments are seriously disposed, either by planning or by broad economic policy, to cut down competing civilian demands to the full extent required. So long as they lack such political courage and economic realism, they must be prepared for prices to rise. The powers even of American Canutes are limited to stop these inflationary waves.

Tasks for the Arsenals

IN May, 1948, a spokesman of the Ministry of Supply, in evidence to the House of Commons Select Committee on Estimates, gave this view of policy about Royal Ordnance Factories:—

"So long as there are in the Ministry of Supply those officials who faced the situation of this country between the 3rd September, 1939, and the fall of France, they are determined never to go again or let their successors go again through that experience. . . . We must have that reserve of productive capacity.

That determination, and the policy based upon it, are largely responsible, for example, for the fact that the ROF Fazackerley, near Liverpool, is still making rifles, and not making confectionery. Later in his evidence, this official referred to the gibe about "being prepared for the last war." He commented that in any future operations infantry soldiers and rifles would still be needed, and therefore a rifle factory would be needed too. This view is right, but its rightness does not rob the comment of point. ROF Fazackerley remains in being for the present rearmament programme. But as and when the new .280 calibre infantry self-loading weapon comes into full production—and it, as is not yet publicly known, it is indeed a substitute weapon for the infantryman's rifle, to be issued on the same scale—the largest rifle production lines in the country will require considerable and lengthy retooling.

This single example emphasises the importance—and

the difficulties—of the ordnance factories in the defence production programme. The importance as war potential of other engineering industries does not suffer from this disadvantage; any service orders that they are ordinarily called upon to meet require a small proportion of their peacetime output, and thus at any moment of general expansion they have little capacity geared to particular weapons. But capacity for war production is the only purpose of the ROFs. The civil production in which some of them engaged between 1946 and 1950 was conceived as an important "balancing" contribution to the needs of the peace economy, providing extra capacity for "bottleneck" tasks. It was an expensive failure; and the ROFs have reverted to their proper function of providing an essential nucleus of munitions production, particularly of munitions to which no form of civil production can easily be adapted. In this role, they find it difficult to change over their production from existing—and sometimes obsolescent—patterns equipment; though it is necessary to add that the Royal Arsenal and the old-established ordnance factories at Enfield and Waltham Cross undertake considerable research work on service weapons and equipment.

Of the 44 ROFs in existence at the end of the last war only 22 were kept at work, and two others were kept on a "care and maintenance" basis: one of the 22, which might have competed for labour with new atomic plant, has been allowed to go out of production and is now

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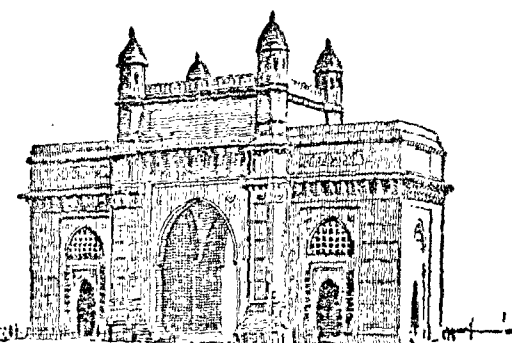
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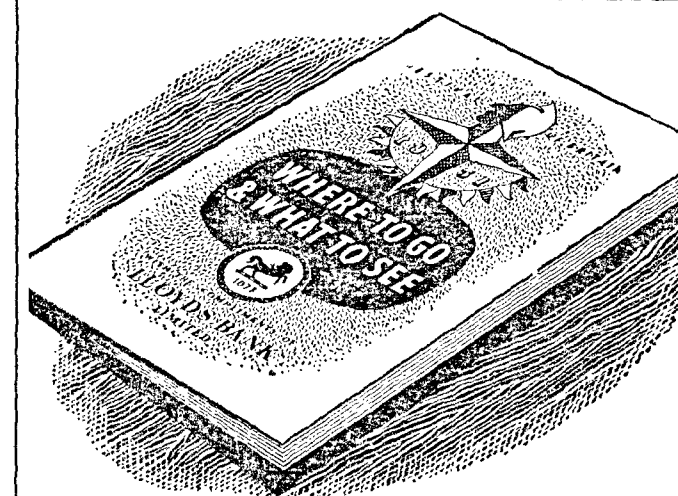
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between, say, the attitude of headquarters on the value of time and motion study and its application in the ROFs themselves.

In the old-established factories such as Woolwich Arsenal, scientific methods of this kind meet resistance from traditional attitudes towards their work. These attitudes are not merely obstructive; they may contribute to efficiency. The engineering ROFs employ one skilled man in about every four, and the other factories a smaller proportion, so that the "reserve of skill" that is needed is not, in absolute terms, unduly large. But ROF work does demand from many workers a high level of accumulated judgment and experience. The barrel-tappers in small arms factories, for example, who glance at the pattern of shadows inside a precision-machined rifle barrel and by a few gentle taps with a hammer on the outside bring it into true, are not the less useful for being somewhat outside the mass-production consultant's sphere. A similar degree of care is of value inside the perilous "Clean Area" of a shell-filling factory.

In many other jobs, recruits can easily be trained, but several of the ROFs are encountering difficulty in finding the labour they need. They can offer good labour relations and welfare facilities, and acceptable wage rates, but the disadvantage of uncertainty of employment has its effect even in a period of active rearmament. In one area in South Wales, almost immediately after completing the dismissal of 600 workers as redundant, the ROF superintendent had to begin recruiting again. Nor have they the flexibility in wage incentives that private employers command; central auditing would soon unmask higher wages disguised as "merit awards" or "general output bonuses" that some other firms turning over to defence production can offer. Nor do the super-

intendents at the ROFs appear to receive preference from the Ministry of Labour; in some cases, they even complain that as State employers they are expected to absorb the least promising applicants. In two major industrial areas, Lancashire and the Potteries, ROFs will be competing directly with under-manned staple industries for manpower; it is not surprising that they should find recruiting difficult.

The directorate is meeting other common problems of the defence programme with fewer official privileges than might be expected. In their efforts to acquire scarce but uncontrolled materials—such as steel—superintendents can rely only upon their usual suppliers' regard for national defence; they claim no priority over other producers with defence orders. The ROFs depend heavily upon supplies of tools ordered for the defence programme, and their needs account for a large part of the earliest American orders. But their responsibilities will not cease with their own production. The directorate's staffs are trained in the special techniques of arms production, and their "Process Specifications," compilations of accumulated experience, have been circulated to allied Governments and are being made available to private firms in the same field. They will also be called upon to offer technical assistance in the production of certain equipment by one or more civilian contractors, as in the case of tanks: and certain tasks they are themselves beginning will be entirely new. In a rearmament programme of limited dimensions, aimed not only at re-equipping larger forces quickly but at re-creating a wider war potential, the arsenals must play a large part; but their contribution, in terms both of size and efficiency, will necessarily be circumscribed by those aims.

Business Notes

Mountain and Mouse

In the history of Finance Bill debates there have been few precedents, and none in recent years, for the prodigious labours that have been witnessed this week on the Committee stage of the Bill to give effect to Mr Gaitskell's budget. The two longest sessions extended to 22 and 32 hours respectively. Rarely has determined opposition worked so long and so hard for so little. In no instance has the Government given ground on the central principles of its proposals, though concessions of substance have been won, and a number of promises have been extracted, on marginal aspects of some of the most contentious clauses.

In the circumstances, the technical standard of the debates has been surprisingly high, only rarely descending to the cheaper forms of party politics; nor has it been noticeably impaired by signs of sheer physical strain; and, rather unexpectedly, the Government's attitude seemed to become a little more conciliatory as the week wore on. There have, it is true, been a few prize exhibits of party nonsense, but these have generally come from the back benches—such as Mr Silverman's assertion, in response to Mr Eccles' arguments about the serious disincentive effects of surtax, that "crooks and entrepreneurs" are the bulk of those earning over £15,000 a year. This attitude may be contrasted with Mr Gaitskell's response to the abortive opposition proposal to raise the limit on earned income allowance from £400 to £500: he declared himself to be not unsympathetic to the principle of differentiation between earned and unearned income, and of pushing it further up the scale—but not this

year, because the proposal would cost £5,500,000 "which is not a bagatelle."

Concession for Shipowners

Among the amendments, as distinct from promises, that have been wrung from this debate only two are as yet quite specific and definite. Nine hours were devoted to discussion of the clause withdrawing the initial allowances from capital expenditure incurred after the end of this fiscal year, and many amendments were introduced (and lost) in the effort to secure specific exemptions or concessions—notably for installations designed to save solid fuel, and for capital equipment for new industrial processes. Mr John Edwards repelled these pleas on the ground that, although the case for one or another might look sound, it would be impossible to know where to stop if any was conceded. The object was not to provide revenue but to safeguard the defence programme, and no threat to that could be countenanced.

The one exception to this was the shipping industry, the case for which was accepted as "unique." It was agreed in the end to replace the promised Governmental amendment, which was to exempt ships under construction by last budget day, by one that will exempt ships contracted for by that day—a change that goes far to meet the arguments of the shipowners. On the general principle of suspending the allowances, Mr Gaitskell repeated his earlier arguments—contending that he was using "monetary" controls in

preference to physical controls as the Opposition had always pressed him to do, and suggesting that the stopping of "interest-free" loans was analogous to a raising of interest rates. He remarked, incidentally, that there would be a case for restoring the allowances when the arms pressure eased—which scarcely suggests that the Government contemplates any more adequate solution of the problem of depreciation allowances based on historical cost. Later in the debate he also remarked that it was an "extraordinary doctrine" that the higher prices of stocks must necessarily be financed out of profits: this would put the equity holder in "a privileged position."

The second definitely promised amendment relates to the new powers to compel banks to disclose interest payments made to customers without deduction of tax (for amounts exceeding £15 in a year); the power will not extend to customers who are not resident in the United Kingdom. But the Government's only response to the objections to the basic breach of banking secrecy was to emphasise how rigorous are the Inland Revenue's principles of secrecy and to point out that the power to compel bank disclosure does not extend beyond the bare fact of the interest paid. Prolonged debate on the profits tax yielded no concessions of substance—except a promise, on the evasion clause relating to capital repayments (Clause 27), to try to insert a formula for exempting "genuine" cases of repayment. On the omnibus evasion Clause 28, which allows the authorities to adjust tax assessments to correct the effect upon tax liability of transactions wholly or mainly entered into with the object of avoiding tax, the debate lasted twelve hours—but it yielded little more than a promise by the Attorney-General to consider whether it is possible to introduce a little certainty into this extremely vague and widely-drawn power.

Defining the "Ring-fence"

As expected, one of the most strenuous tussles occurred on the objectionable Clause 32—the "ring-fence" clause that seeks to check tax evasion by making the migration of companies overseas, and other kindred operations, subject to Treasury licence. Protracted debate failed to shake the Government's adherence to the basic principle of this restrictive plan, but it did extract a number of concessions that will somewhat diminish the frictions that are inseparable from the operation of such a system. The broad attack by the Opposition was rightly concentrated upon the damage that will be done to London's status as an international centre. This argument was well developed by Mr Lyttelton, who emphasised that London is traditionally the largest market in international securities in the world, and declared, "with a proper sense of responsibility," that the Stock Exchange "is as necessary a raw material of industry as coal." Clause 32, he argued, would be "poison" to London's internationalism, and was typical of the Government's "sour

puss" mentality: "any damage is accepted to trade for the sake of catching a few evading sprats."

Mr Gaitskell, though adamant on the central issue, happily took a conciliatory tone towards many of the detailed proposals for making the clause less onerous and more readily workable in practice. He reaffirmed that there is no intention to administer the new control purely in the interests of the revenue, and repeated his suggestion, made on the Second Readings, that there should be an advisory tribunal "consisting of persons whose experience is such as to give confidence to the business community"—this body would be consulted before permission is refused in any particular case. He emphasised, too, that the clause is aimed not at the transfer of individual assets ("still less, of course, stock in trade or anything of that kind") but at parts of the trade or business that are going concerns; he offered to make this clear in a new proviso specifically excluding transfer of assets that do not "materially alter" the trade or business carried on by the transferor. Such a proviso would incidentally exclude mining leases.

A third specifically promised concession was to incorporate in the clause a power to the Treasury to exempt particular classes of transactions. The Chancellor stated that it would be impossible to lay down precisely what kind of transaction might rank for this exemption until experience of the new system had been gained, but he gave a number of hypothetical instances to illustrate the principles on which the Treasury intended to work, both with and without this specific exempting power. In particular, care would be taken not to hamper Colonial development, and the authorities might be prepared to grant exemption to foreign companies establishing businesses in Britain "with substantial foreign capital."

Prospects for Steel

Though steel output dropped sharply in May, prospects for the remainder of the year appear slightly improved. Last month's output, at an annual rate of 15,864,000 tons, was well below that in April and about 10 per cent lower than in May, 1950. For the first five months of this year, steel production has been at an annual rate of 16,361,000 tons, compared with 16,651,000 tons in the same period of 1950.

These figures—which as far as they go tend to support the industry's confidence that 16 million tons of steel can be turned out in 1951—reflect the limit that has been imposed upon pig iron production by difficulties in the delivery of imported iron ore. In May, however, 660,000 tons of ore arrived, against an average of 560,000 tons for the first four months: in June it is hoped to bring in 760,000 tons and in later summer months nearly 1,000,000 tons. Shipping has become rather easier to secure; and in parti-

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cular eight Liberty ships engaged in carrying coal to the Mediterranean are to bring ore to this country at the end of June and early in July. Consumption of home ore has increased to the rate of about 14½ million tons a year, or nearly 2,000,000 tons a year more than in 1950. Supplies of coke, upon which use of more home ore places a strain, have already increased with the bringing into operation of new coke ovens at Margam, producing 5,000 tons a week. From the end of September another 8,000 tons will be forthcoming from additional plant in South Wales; and at the end of November the doubling of the coke plant at Appleby Frodingham should supply another 5,750 tons a week. These ovens, it should be noted, may require roughly 26,000 tons more coking coal each week throughout the winter, and will thus increase the steel industry's demands upon the mines and the railways. So far this year pig iron production has averaged 182,000 tons a week. With these additional supplies of materials it is hoped to raise this output to 190,000 tons a week by the end of this year. Next year capacity for 10½ million tons of pig iron a year will be available, compared with 9,500,000 tons being produced this year. This increased capacity will demand greater supplies of home and imported ores; though the recently completed long-term contract for Wabana ore will supply an additional 1,000,000 tons a year, total supplies will depend upon normal sources—and upon the restraint of the American steel industry in purchasing ore from Europe.

* * *

Scrap from Home

In May, imports of steel-making scrap dropped to 26,000 tons a month, little more than an eighth of the amount received in the same month last year. It is hoped to bring in 40,000 tons this month and the same quantity next, and supplies during the remainder of the year may be better than recently: but there is obviously no chance of importing a total in any way comparable with last year's.

It is against this background that the British Iron and Steel Federation was this week able to announce first results from the home scrap drive. So far, these are satisfactory. The industry expected this year in any case to receive about 157,000 tons of scrap a week, as it did from home sources last year; though it is now receiving about 2,000 tons a week less from the shipbreakers, it has since February been gathering roughly 167,500 tons a week, or the 10,000 tons a week extra that it initially hoped from the scrap drives. This success has been attained largely by the speeding up of the rate of flow of process and circulating scrap from within the steel works and their closer customers: as yet the drive has drawn little scrap from the farmer or the householder. The industry has formed nine district committees representing scrap merchants and steel makers, and these have some discretion in making special arrangements to gather metal rusting in homes and farmyards. Local authorities—particularly in steel towns such as Sheffield—are co-operating, though in some cases special arrangements may need to be made for the installation of metal baling presses at refuse dumps and dust works. The home scrap campaign is intended to continue into 1952, since the more remote sources of scrap will obviously take a considerable period to tap; and available sources of steel-making materials will obviously be needed to the full next year.

An early statement by the Minister of Supply on both steel allocation and steel prices is now expected. Both questions appear still to be under discussion; the first upon the extent to which licensing of steel supplies shall be carried, the second in settling the specific increases to be made. Announcement of the change in price, at any rate, should not be delayed: its necessity has been obvious for many weeks. The rise, when it comes, may do little to curb present demand for steel: but it is obviously incongruous that the Government should be contemplating the control of

supplies of a commodity of which it is at the same time holding the price uneconomically low.

* * *

Revaluation Debate Continued

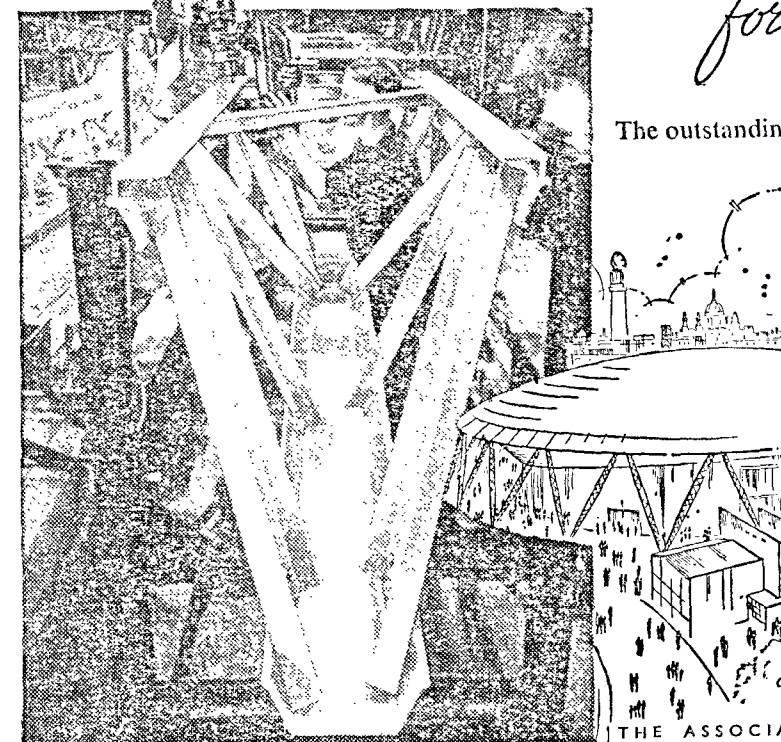
The proposal by the Secretariat of the Economic Commission for Europe that the currencies of western Europe should be revalued in terms of gold and dollars, or left to fluctuate on a free market, received very short shrift at the meeting of members of that organisation that took place in Geneva towards the end of last week. Most of the national representatives refused to comment on the proposal, arguing that the Economic Commission for Europe was not the proper body to discuss such matters. The Dutch and French delegates went out of their way to condemn the ECE initiative as an encouragement to speculation and therefore a disservice to the cause of economic stability in the countries whose interests ECE is intended to serve. The most direct attack on the ECE report came, however, from the representative of the International Monetary Fund who attended the ECE meeting. He pointed out that the Fund was not aware of any disposition among its members to discard the existing system of internationally agreed par values and to adopt instead, by unilateral decision, a system that would allow exchange rates to fluctuate. He added that the Fund wished to warn the public against any suggestion that responsible government officials were contemplating such action. The IMF representative also criticised ECE for venturing opinions on questions that do not concern it and are clearly the province of the IMF. Before this meeting the views of the United States Administration on the ECE proposals had also been made abundantly clear by Mr John Snyder, Secretary to the United States Treasury, who pointed out that any appreciation in the exchange values of European currencies would, in the present circumstances, be inimical to their joint defence effort; he added that if the countries in question felt strong enough for such treatment, they should first of all remove some of the exchange and import restrictions by which the existing exchange values of their currencies are still underpinned.

*

The Bank for International Settlements in its recently published 21st annual report also adds the weight of its opinion to those who argue that, in using their present new-found and, perhaps, illusory strength, the currencies of Europe should seek relief from restrictions before trying to reach higher exchange values. The BIS report stresses that the division of the western world into two monetary camps of dollar and non-dollar countries constitutes a dangerous separation and that this may be an opportune moment for proceeding step by step with the task of their unification. Under a policy of gradual relaxation it would be possible, according to the BIS, to rescind some of the restrictions on dollar trade that were imposed when monetary reserves were shrinking. The BIS report gives an interesting illustration of the damaging effect that can be exerted by differences in exchange controls and import restrictions among the countries of Europe. It points out that under existing European Payments Union arrangements the currencies of those members that apply the fewest restrictions in relation to the dollar area—notably the Belgian and Swiss francs—are the currencies most keenly sought after for purchases of so-called dollar goods. The goods in question are then resold at considerable profit in some other country belonging to the Union, against payment in the local currency. In this way arbitrage operations that could not be carried out directly over the exchange rates are successfully engineered through the channels of trade—a method of dealing that is as injurious as it is cumbersome.

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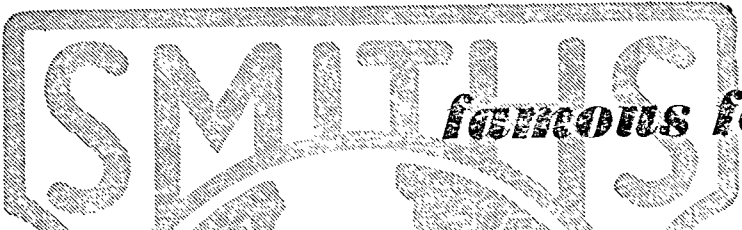
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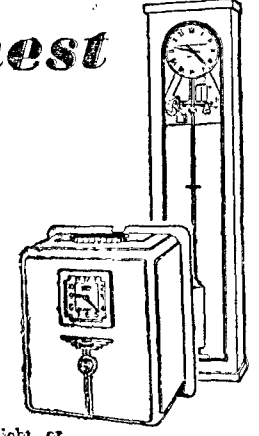


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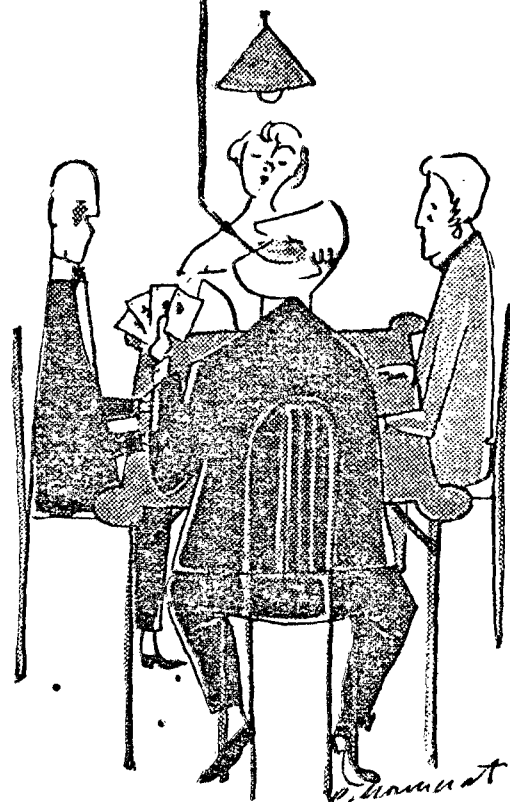
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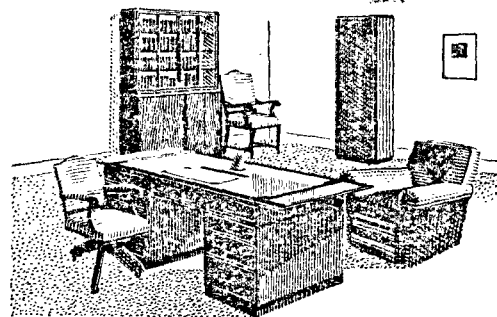


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Bigger Trade Deficit

Britain's trade deficit widened considerably in May. The provisional estimate for exports, at £229.7 million, is only a little below the high April figure of £230.2 million, and although it is still well above the comparatively low average of the first quarter, the trend must be regarded as disappointing now that export prices are rising. Moreover, the provisional value of imports in May was £338.2 million compared with the April value of £311.5 million and an average for the first four months of £289.9 million. The value of imports between January and May, 1951, was equivalent to an annual rate nearly 40 per cent above that of 1950. Thus the visible adverse trade balance is already greater than during the whole of last year. British exports to the United States in May, at £10.8 million, were £3,100,000 less than in April and were also slightly below the average of the first four months of the year, but exports to Canada, at £14.4 million, were some £200,000 higher even than in April. Exports to the whole of North America during May, at £25.2 million, were in value about the same as the average for the last quarter of 1950, but they were probably less in volume.

The Board of Trade is unlikely to announce specific new export targets until later in the year—and then they will probably be targets for 1952. Export prices are increasing, but so far this year, in the absence of any sharp increase in volume, this has not been sufficient to bear the added burden of paying for rising import costs.

British Debit with EPU

The compensations effected under the European Payments Union reveal for the first time a debit position on United Kingdom account. In the month of May this net debit amounted to £9,681,429, equivalent to 27,108,000 EPU units. In accordance with the cumulative principle on which debits and credits are calculated and gold payments and repayments are effected, half this debit was repaid to EPU by the United Kingdom in gold and the other half was deducted from the accumulated balance standing to the credit of the United Kingdom in the books of EPU. After these transactions, the total gold received by the United Kingdom from EPU since it began operations on July 1, 1950, is reduced to £37,794,286, while the credit balance held in the name of the United Kingdom by EPU has fallen to £113,508,929. No alarming deductions need be made from this reversal of the United Kingdom's usual creditor status. The figures for May should be viewed in conjunction with the exceptionally large April credit of £18,536,786. That earlier credit was in part the result of anticipatory purchases of sterling caused by revaluation rumours. As those rumours dwindled during May (though they may have increased again during the first week of June), the purchases of sterling for current requirements were reduced and this reduction is reflected in the net deficit incurred during May.

When the full results for May are available it will be found that Germany has forsaken its long-standing debtor role and has become a substantial creditor within the EPU group. That credit position, reflecting larger exports to the United Kingdom and the sterling area, played its part in explaining the United Kingdom deficit for May. It should also be realised that seasonal influences are beginning to affect adversely the United Kingdom's balance of payments with the continent of Europe. Sales of wool and cocoa, which in previous months had earned the sterling area considerable income from Europe, had been reduced to a comparatively small trickle in May, while on the other hand the beginning of the tourist season and the invasion of the Continent by British cars had begun to make its impact felt on the demand for European currencies against offers of sterling. In any case no tears need be shed over this modest correction of

the excessive credit balance previously accumulated by the United Kingdom in its trade with other OEEC countries.

Oil Supplies and Defence

The setting up of an Oil Supply Advisory Committee "to advise the Government on oil supply problems with particular reference to defence" has a significance that is not emphatically revealed in last week's rather flat statement. The committee has been formed at the request of the Ministry of Fuel and Power, but it is essentially an industry committee without official representatives; it is headed by Sir William Fraser (chairman of Anglo-Iranian), who becomes chairman of the new committee; the other members are Sir George Leigh-Jones (a managing director of Shell Petroleum) and Mr S. Vos (chairman of Trinidad Leaseholds), with Mr J. P. Berkin of Shell as secretary. The Ministry's statement declares that the setting up of the committee is not related to the situation in Persia and that the request to the companies was made "some time ago."

By virtue of this official request, the new committee acquires a formal recognition of what would otherwise remain an informal authority. Its work in the field of oil problems relating to defence will be of the co-operative character that the competitive oil industry seems to adopt as a matter of course in a period of emergency. Its composition reflects its independence of government direction. Indeed, the comparative simplicity of these arrangements is in marked contrast to the difficulties that the American oil industry and the Administration have recently been facing in their attempts to concert action for defence. The brooding shadow of the Department of Justice prevents the industry from taking action in the broad interest of defence because in doing so it would risk prosecution, fines and imprisonment under the anti-trust laws. The recent strike at Abadan refinery provided disconcerting evidence of the apparent impossibility of obtaining rapid and effective joint action by the American oil industry to assist in meeting a crisis of world importance. The Petroleum Administration for defence has been attempting to work out arrangements that would provide some hope of quick action without risking offence to the Department of Justice; this latter condition was far from easy to secure during the war, and is ten times more difficult in time of cold war. A solution may be found in the new National Petroleum Council that has been set up as an advisory body to assist the PAD. But the conditions have, it seems, been scrupulously laid down to fit the commandments of the anti-trust laws: the Council will be purely advisory; it must not allocate supplies or facilities to individual companies; when the time comes for allocation or other joint action, special advisory committees with full-time government officials will be set up.

Thus joint action in America, it seems, must first await the crisis and then, presumably, the discovery of sufficient dollar-a-year men from the industry to head the separate committees as full-time government officials. At the cost of some delay and confusion, the commandments will be obeyed. It may be, perhaps, that the simpler administrative forms that the British Government and the leading oil concerns have been able to evolve will have a certain interest for Washington, if only because the British committee, in time of crisis, will have an advisory authority that will contain the real substance of executive responsibility.

Fiduciary Issue Increased

In a written Parliamentary answer this week, the Financial Secretary to the Treasury revealed that the Treasury had authorised an increase in the fiduciary issue from £1,350 million to £1,400 million, as from June 12th.

The Bank return made up on the following day showed that the note reserve in the banking department was hoisted by this increase to over £59 million. As holiday demands last year raised the active circulation of notes by about £40 million between mid-June and early August, this week's increase in the fiduciary limit was clearly inevitable. This is the first time since February, 1948, that the fiduciary issue has been as high as £1,400 million. Between the spring of 1948 and the outbreak of the Korean war, it remained at £1,300 million for all non-holiday periods, though it was raised to £1,325 million or £1,350 million for the Christmas and summer holiday peaks. The "summer holiday" increase last year, however, (by £50 million to £1,350 million on June 27th) was never rescinded; the issue remained at £1,350 million, except for the month spanning Christmas, when it had to rise to £1,375 million. Between the end of January and the middle of June this year, the active note circulation has risen by £59 million to £1,340.9 million; in the same period last year it rose by £45 million to £1,291.4 million. It is clear that the creeping rise in retail prices is exerting a steady upward pressure on the demand for notes, and there may be room for doubt whether the fiduciary issue will be able to revert to £1,350 million when the present holiday season comes to an end.

Synthetic Rubber for Britain?

The rubber industry is growing conscious of the fact that synthetic rubber has its place in commercial use just as rayon has established its place among the fibres. Six months ago the Dunlop Rubber Company announced that it was considering plans to open a synthetic rubber plant in Britain. This week, Sir Clive Baillieu, the chairman of the company, in his speech at the annual general meeting alluded to the need of the British rubber industry to secure adequate supplies of synthetic rubber at reasonable prices. He added that the synthetic rubber industry in the United States was not only an insurance against interruption in supplies of natural rubber but also a national asset of real commercial value "providing American industry with a product at reasonable cost which has a wide and increasing diversity of use in a highly competitive world."

Rubber growers have feared the increase in synthetic production not so much because of the increased competition but because in the United States natural rubber is not allowed to compete freely with synthetic rubber. For certain uses synthetic rubber may be more suitable than natural. For tyres and inner tubes, which account for about 60 per cent of the world's rubber consumption, however, natural rubber is still preferred. But if, as was suggested in an article in last week's issue, world rubber consumption continues to expand at the rate it has done since 1900, supplies of natural rubber may be insufficient to meet requirements in 1960, and scope would exist for extending synthetic production.

The problem of synthetic rubber costs has not been solved. It is not certain, for example, whether the sale of synthetic rubber in the United States is subsidised or whether the price of 24½ cents a lb for general purpose synthetic covers all normal commercial costs. But if Sir Clive's remark that "this problem will not be allowed to lie dormant" can be taken to mean that the Dunlop Rubber Company is pursuing its plan to erect a synthetic plant in this country, it is presumably satisfied that the cost of producing synthetic rubber is no longer the main obstacle to be overcome.

Cotton Commission Report

Cotton trading has become a profitable business and the Raw Cotton Commission has shown a substantial increase in both its net profit for the year ending July 31,

1950, and in its surplus and reserves. Its annual report and statement of accounts, published this week, are commendable for the detail they contain; but it is all the more regrettable that it has taken the Commission eleven months to produce them when any private undertaking can publish its accounts within six months of the close of its trading year—though in fairness it should be stated that preliminary figures were released at the end of November and discussed on page 974 of *The Economist* dated December 2, 1950.

The Commission benefited from the effects of devaluation since it raised its selling prices to bring them in line with current replacement costs. Its net profit for the year amounted to £9,939,000 compared with a deficit of £707,000 in the previous twelve months, and surplus and reserves rose from £24,380,000 to £40,049,000. Stocks are valued at the lower of cost or replacement value. At the end of July, 1949, they amounted to £74,764,000 (valued at replacement cost) and at the end of July, 1950, they had increased to £83,988,000 (valued at cost), although the physical stock was some 10 per cent smaller. About 42 per cent of the physical stock appearing in the balance sheet at the end of the trading year represented cotton sold to spinners for delivery at fixed prices in the months subsequent to the date of the balance sheet. The value of these forward commitments amounted to £35 million; sales for deferred delivery at the end of the previous year amounted to only £8,000,000. But the sales for delivery after July, 1950, were all effected at prices which show a profit over the cost of raw cotton.

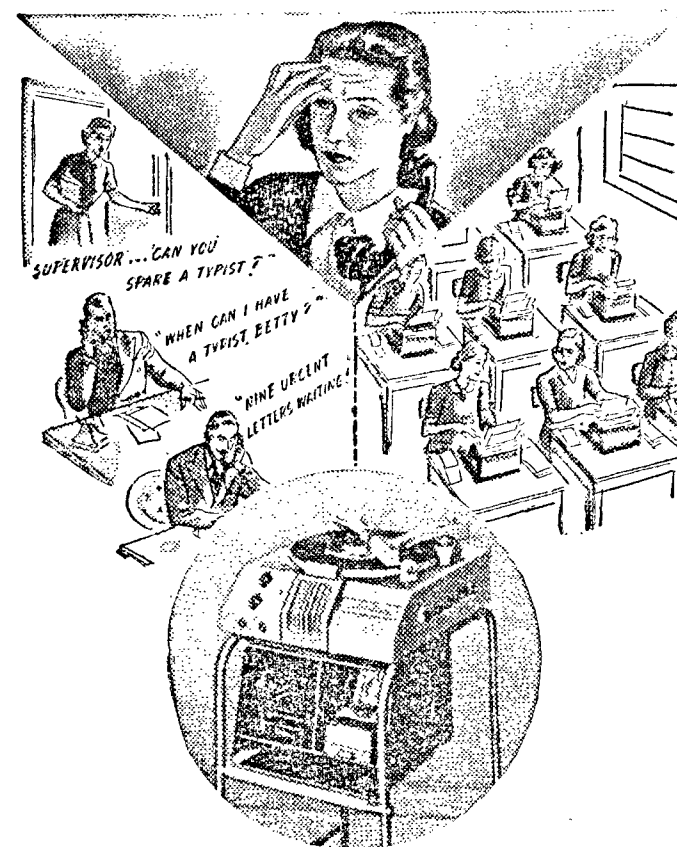
Most of the Commission's purchases continue to be made through shippers' agents in Liverpool and Manchester. The main exceptions to this policy are certain colonial growths bought under contract and Egyptian cotton bought through the Commission's Alexandrian office. New sources of supply are being developed to replace American growths; the Commission bought substantial quantities from Turkey, Syria and Haiti and smaller lots from El Salvador, Nicaragua and Cyprus to enable the trade to make extensive tests. Regular meetings have been held with representatives of the Federation of Master Cotton Spinners' Associations; this innovation has no doubt been responsible for the decline in the number of complaints about the way the Commission has conducted its affairs. At least the Commission has understood and applied sound principles of government trading, which some of the Government's departments could do well to copy.

Critics' Plan for Coal

The three most prominent expert critics of the National Coal Board have now united in proposing a changed structure for the nationalised coal industry. Col. C. G. Lancaster's "Structure and Control of the Coal Industry," which is not yet official Conservative policy on coal mining but may later be adopted as such, was written "in association with" Sir Charles Rtid and Sir Eric Young. It is, in effect, a slightly modified reconciliation of the reorganisation plans for the industry put forward almost simultaneously in 1948 by Col. Lancaster and Sir Charles; the specific influence of Sir Eric Young's views is less apparent.

Col. Lancaster proposes to sweep away the present structure, below the Coal Board itself, of nine Divisional Coal Boards and 48 Areas controlled by area general managers. He would substitute "about thirty" District Coal Boards, of which the district production directors would have full executive control, assisted by a number of area production managers, "one for each of the areas into which it was considered technically appropriate at that time to divide the districts" (possibly in fact three or four to each district). The District Coal Boards, unlike the existing intermediate coal authorities (but like the Area Gas and Electricity Boards) would be statutory entities recognised in an amended Coal

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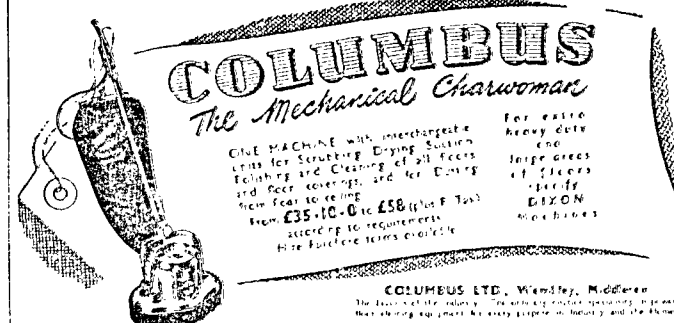
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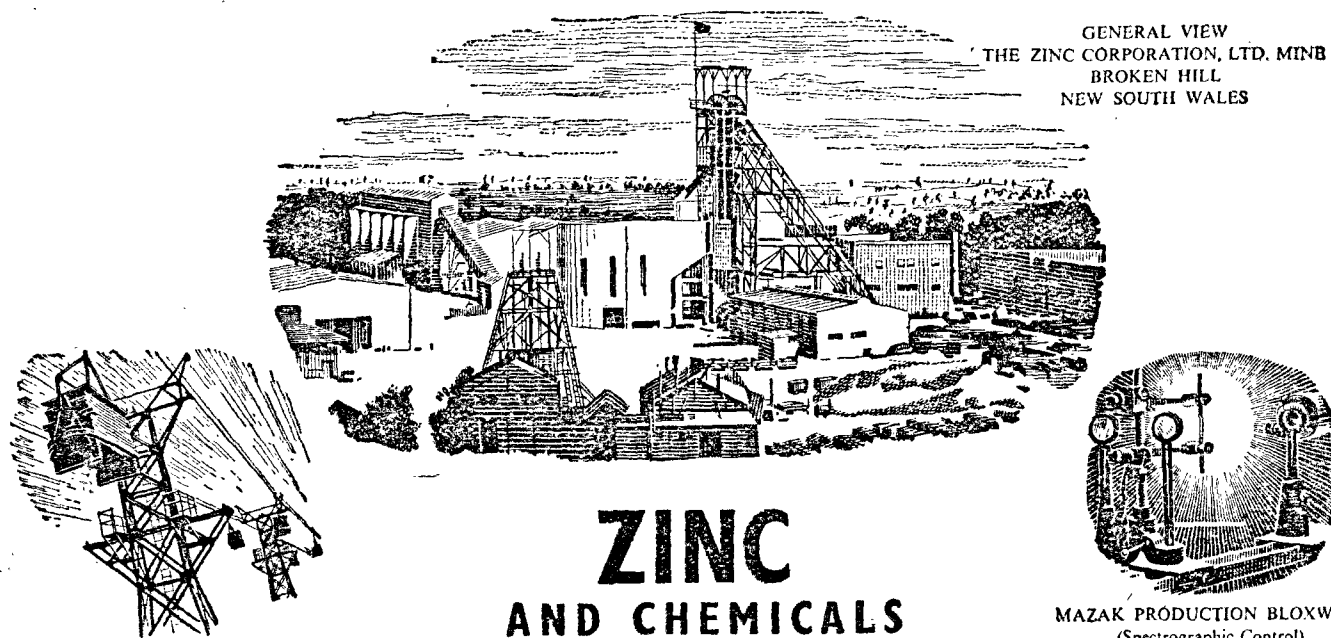
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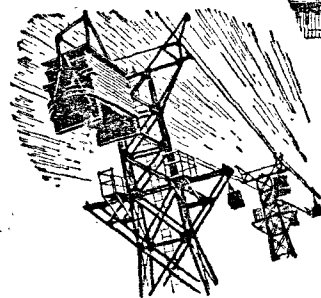


ZINC AND CHEMICALS

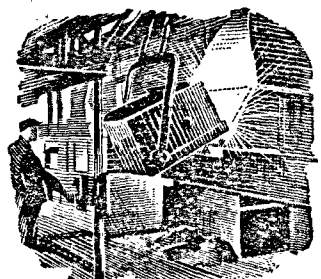
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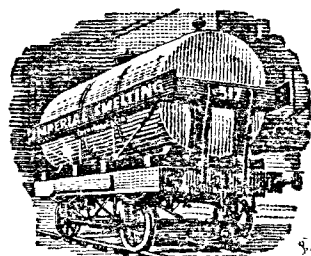
CONVEYING ZINC
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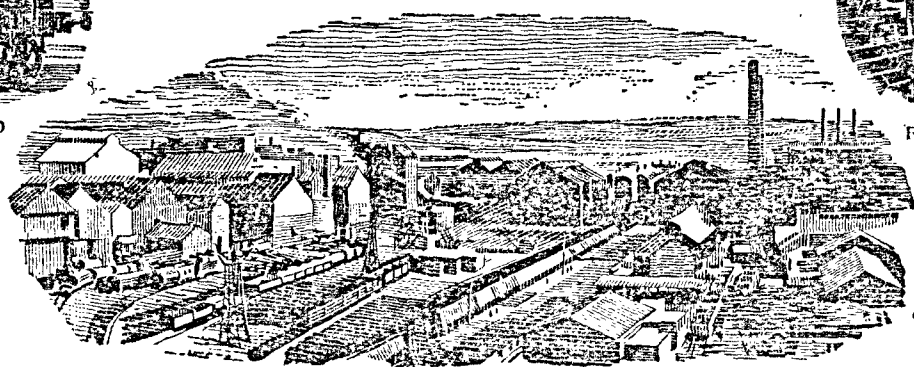
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ZINC DISTILLATION PLANT



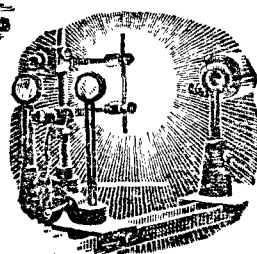
CASTING ZINC SLABS



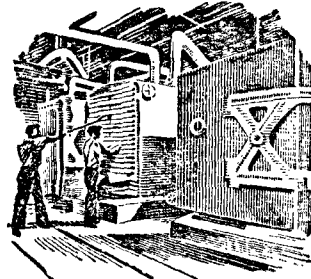
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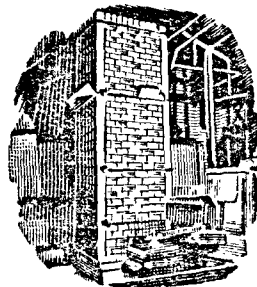
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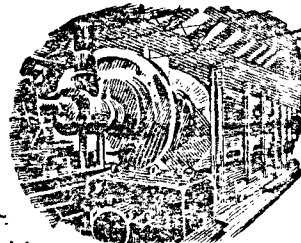
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Industry Act; but the National Coal Board would retain the power of appointing and replacing their full-time chairmen and part-time members. Each district Board would be responsible for producing a certain yearly output set by the National Coal Board; it would publish its own balance sheet, though it is recognised that not every district board could immediately become self supporting, and that in the meantime some would need to be subsidised by others. Specialist staffs on the "board of management" of each district (there is no mention of any such staff, including labour managers, below this level) would act strictly as advisors to the district chairman, and would ordinarily have no direct contact with parallel technical staffs at national headquarters that would offer a central advisory service that district chairmen might consult if they wished (and would probably pay for). The Coal Board itself would be a policy, and not a functional board; its chairman, deputy chairman and four or five full-time vice-chairmen would have no executive responsibilities, and would be assisted by a similar number of part-time members. Its purview—and "substantially reduced" staff—would cover annual budgetary control and finance "which should now include the issue of stock," planning of long-term development, co-ordination of sales policy (Col. Lancaster believes a marketing structure would need to be created separately from the production districts, but does not describe it), national wage negotiations, control of carbonisation, and the encouragement of local and central research.

The proposals would ensure considerable decentralisation of responsibility—though less than has elsewhere been suggested—between the Coal Board and the administrative units immediately beneath it in the structure: this is the only decentralisation that has been attempted to any extent in the existing structure. But these second rung units in the new system would be much smaller—an average of 7,000,000 tons of coal a year and up to 30,000 workers; though statutory bodies, all 30 could hardly be made accountable to Parliament. It is not easy to see how the proposals as they stand would carry the principle of decentralisation much farther down, would demand any smaller number of the industry's scarce high-grade mining engineers in intermediate jobs, or would greatly reduce the number of levels in the structure. The proposals need elaboration, and will then deserve fuller study—particularly in conjunction with the report of an independent research body that is soon to appear on this subject. At present, however, the authors seem to assume too confidently that what is mainly wrong with nationalised coal mining is its organisation, and they perhaps devote too little analysis to the weaknesses and frictions in the human elements of the industry that they hope to treat by redesigning its structure.

Slight Improvement in Stocks

The figures in the latest Digest of Statistics show some improvement in stocks of certain materials. Apart from coal, which showed a seasonal improvement in April, stocks of zinc, copper, cotton and rubber improved in March, and sulphur and pyrites stocks improved a little in February (the latest figure) over the previous month. Copper stocks in March were the highest since last October, and rubber the highest since September, 1949; cotton and zinc showed gains over the previous month.

It would be easy to exaggerate the importance of a single month's movement in these commodities. Moreover, some important materials showed no improvement. Thus stocks of pig iron at the end of March were little more than two-thirds of the end-1950 total. Coke stocks in April showed a further decline from March. Stocks of coke at coke ovens and blast furnaces were 264,000 tons in April, 1951, compared with 347,000 in April, 1950, and 371,000 in April, 1949. The fall in stocks of pig iron and coke clearly reflects

the scarcity of iron and steel-making materials, though there are grounds, as a note on another page suggests, for expecting an improvement. Stocks of softwood, wool, woodpulp and

UNITED KINGDOM STOCKS OF RAW MATERIALS
(*000 Tons unless otherwise stated)

	1949	1950		1951			
	Dec.	June	Dec.	Jan.	Feb.	Mar.	April
Coal	17,117	12,933	13,941	11,959	11,381	10,814	11,259
Coke	2,605	2,211	1,505	1,245	1,075	930	904
Steel	1,275*	1,162	997	920	875	848	...
Pig iron	797	775	760	760	760	543	...
Iron and steel scrap	813	839	618	542	472	408	379
Softwood (*000 stand-							
dards)	416	170	217	191	215	202	...
Zinc	62	53	36	36	33	35	...
Copper	130	125	104	102	94	109	...
Lead	51	74	62	55	45	33	...
Tin	16.1†	13.2	8.8	1.8	1.9	1.8	...
Rubber	39	41	38	36	39	47	...
Sulphur	100	118	81	77	84	...	...
Pyrites	84	75	70	74	77	...	...
Wool (million lb.) ..	296	267	200	204	198	192	...
Cotton	291	297	285	287	276	280	...
Wood pulp	389	276	277	278	265	245	...

* Including certain items, which were excluded from June, 1950.

† Including producers' stocks, which were excluded from January, 1950.

lead are steadily shrinking (lead supplies having been held up by shortage of shipping); and stocks of tin are only about an eighth of the total at the end of 1949.

* * *

Hawker Recapitalisation

To describe the reforming of Hawker Siddeley ordinary capital as a capital "bonus" is to put a greater weight on that overworked word than it can possibly bear. The operation has long been in the company's mind, and, as the chairman disclosed last January, rested on the consent, withheld over many months, of the Capital Issues Committee. Given the Chancellor's revised directive to the CIC last April, the company renewed its application and at long last it has obtained consent to a three for one issue from reserves, raising the nominal value of the 5s. shares to £1.

A company in the limelight of the armament business finds it desirable to keep as small a gap as possible between issued capital and capital employed. Issued capital and reserves will remain as before at £14,471,271, but the ordinary capital will in future represent 40 per cent of this total instead of 10 per cent—or, in accounting terms, £5,822,350 against £1,455,587, the increase being found from capital reserves. Together with the announcement of the capital issue, the directors took the wise step of stating the maximum dividend that they would be prepared to consider in respect of the year ending July 31st. This is 10 per cent, of which 4½ per cent has been declared as an interim. No doubt this will disappoint shareholders who have bought Hawker with their eye on the much greater earnings. But presumably some informal understanding was needed between the company and the CIC, and in any event the group's needs for capital are likely to press hard against its resources in the next year or two. The 5s. shares fell from 45s. to 42s. 4½d. on the announcement and after allowing for the interim dividend, yield £4 14s. 5d. per cent on the expected 10 per cent distribution for the full year.

* * *

Utility Clothing Prices

Since the beginning of the year maximum prices of nearly all articles of utility clothing have been increased, the most recent being one of 25-30 per cent announced last week in the price of certain children's clothing. The increases became necessary after maximum prices of utility cloth were raised early this year to allow for rising raw material costs;

but they also take into account recent wage increases to clothing workers. The Board of Trade before granting these rises in ceiling prices has carried out some of its periodic "cost investigations" into manufacture of certain garments, and the increases finally granted are by no means uniform. They average between 25 and 30 per cent for wool garments, about 12½ per cent for rayon and 10 per cent for cotton garments. But while the price of a man's suit in the cheaper ranges, for example, will now go up by a full 30 per cent, the maximum price for a top-grade suit has been raised by only 22 per cent.

The interim index of retail prices shows that by the middle of April the cost of clothing had risen by 34.2 points compared with prices in June, 1947, and had gone up ten points this year. Garments selling at the new prices will not be on sale before September, when their effect on clothing sales is hard to predict. In spite of the high rate of clothing sales this year, stocks of both cloth and garments at the old prices are still large. Weekly clothing sales rose from 141 in January to 183 in March (1947 average = 100), and although the April sales index was four points lower, it was still 35 points above that for April, 1951. Yet the value of retail clothing stocks at the end of April was 9 per cent higher for women's and 11 per cent higher for men's clothes than twelve months previously. Clothing prices have risen during the period, but figures of stock still indicate a high volume of production at, and in many cases below, current maximum prices. Many manufacturers are selling even now at prices some way below the maximum; and with stocks at these prices, and the prospect of falling raw material prices, the clothing industry may find it hard to take full advantage of the new price ceilings, particularly those for wool garments. It may find it even more difficult to pass on to the consumer the full effect of the price rise in raw wool since last October, for which no allowance has yet been made in either cloth or clothing price schedules.

* * *

Silver Falls in New York

An unexpected buyers' strike has sent the New York quotation for imported silver down from 90.16 cents to 87½ cents per ounce. The London quotation for silver provided for authorised users by the Bank of England has dutifully followed suit from 78½d. to 76½d. per fine ounce. The movement in New York is in the main explained by the customary seasonable slackening in the demand for silver by the jewellery trade. This is a regular phenomenon and the buying from this quarter normally revives in August and September in preparation for the Christmas jewellery trade. On this occasion other industrial buyers of silver scented an opportunity of "banging" the price and, as the principal smelter in the United States normally continues offering irrespective of the market quotation, the price inevitably yielded. The market has been steady at the lower level and reports from the United States suggest that industrial demand is beginning to pile up; an early recovery in the price for imported metal is a distinct possibility.

While the price of silver in the United States has been going down, that in India continues to soar. During the past week the quotation in Bombay has risen above 200 rupees per 100 tolas, a price that gives a sterling parity of just over 100 pence per ounce. Too much should not, however, be made of the behaviour of the silver quotation in the domestic and insulated Indian market. Imports of silver into that market continue to be strictly prohibited and though a certain amount of smuggling is encouraged by the present margin between world and Indian prices, the movement can be little more than a trickle. This is partly because silver is a bulky and difficult commodity to smuggle, and partly because available smuggling facilities are fully occupied in dealing with a much more profitable traffic in gold.

Control of Non-Ferrous Scrap

The Ministry of Supply has made a new Order, taking effect on July 2nd, to extend the licensing system for virgin copper, lead and zinc to cover scrap and residue of these metals or their alloys. This control of distribution was envisaged in February when the Ministry imposed ceiling prices for non-ferrous scrap metals. A licence will be required to obtain any quantity of metal for processing, including the making of secondary ingots; the acquisition of small quantities without processing, under 13 tons in a quarter, does not require a licence. At present it is not intended to apply quantitative control, but under the new Order returns are to be rendered of stocks and transactions; it would be possible, therefore, to impose a more complete control later.

By this control the Ministry hopes to limit the issue of licences to reputable dealers. Yet it is unlikely to end the black market in non-ferrous scrap without a campaign of investigation and prosecution, upon which the Ministry so far has hesitated to embark. Moreover, the lack of price control of secondary ingots makes it profitable to buy scrap, at prices above the statutory limit, for melting and ingot making. Further, the Order is unlikely to affect the various types of conditional sale that are common in the non-ferrous metal fabricating industry. For example, some dealers in scrap brass have recently been holding back part of their scrap from the normal market and offering it to brass mills partly in exchange for such mill products as strip and sheet, which they have been able to sell at prices ranging up to twice the regular prices. The mills could, of course, refrain from this trading, but they are in urgent need of scrap to supplement metal supplies to meet the increased demand for brass mill products. Action by the British Non-Ferrous Metals Federation would not be wholly effective since not all the mills are federated.

*

Moreover, scrap dealers who are exploiting conditions of sale are pursuing their own form of the somewhat more widespread arrangements by which mill customers return their own scrap directly to the mill. All mills have encouraged this prompt collection and recirculation of scrap and some have insisted on receiving given quantities of scrap as a condition for supplying new orders. The mill customers have usually fallen in with this procedure willingly, since they have been anxious about their own supplies of sheet and strip. These are not altogether unreasonable arrangements, and if the scrap dealers take advantage of them by bartering in brass semi-fabricated products, they can hardly be blamed. They reflect the shortage of non-ferrous metals and they have arisen, in part, from the Ministry's policy of keeping maximum scrap prices at levels incommensurate with demand. Copper, cupro-nickel, brass and other copper alloy scrap prices have recently been raised—copper scrap, No. 1 wire, to £207 a ton, cupro-nickel 70/30 process scrap to £257 a ton, and brass heavy scrap to £163 a ton; but these increases are a mere consequence of the increases in price of virgin copper and nickel. If scrap prices were raised generally, more scrap would no doubt become available through normal trade, much scrap now wasted would be worth a special effort to conserve, and the breaches of normal trading relations such as conditional sales would become less important.

* * *

Cotton Output

Output in both the spinning and weaving sections of the cotton industry has been rising during the first four months of this year, but the figures invite the question whether the postwar rise in output has reached its peak. Yarn output was 4.9 per cent higher in 1949 than in 1948, and in 1950 it was 6.3 per cent higher than in 1949. How-

ever, output for the first 21 weeks of this year was, at 433.91 million pounds, only 3.47 million pounds or less than one per cent higher than in the comparable period last year. But in this case a direct comparison can be misleading, because this year's figures include the Whitsun holiday while the 1950 figures do not. There were also temporary factors at work, such as the need to adapt mill schedules to the limited choice of raw cotton and yarn, that might have been expected to check the upward trend of output. The period between Whitsun and the opening of the Wakes weeks is by tradition the time of highest output in the industry, and production of yarn this year in the first week after Whitsun was 19.78 million lb. compared with 18.95 million lb. in the first post-Whitsun week of 1950. This is an increase of more than 4 per cent which, given this year's production difficulties, compares quite favourably with last year's rate of expansion.

*

Output during the first half of the year is not likely to be affected by the 20 per cent cut in the rayon industry's allocations of sulphuric acid. The rayon producers, by drawing upon their stocks of acid at the time of the cuts, are preventing rayon production from falling by more than about 10 per cent in the first half of this year, despite the 20 per cent cut in sulphur supplies; and stocks of rayon have enabled them to maintain deliveries to most consumers so far. The cotton industry has been steadily increasing its production of rayon and rayon mixture yarns and cloths; and when the full effect of the 20 per cent cut in sulphur is passed on in rayon deliveries in the coming months it is bound to cause difficulty for many spinning and weaving companies that have plant to handle rayon.

	COTTON OUTPUT (Weekly Averages)			
	Single Yarn (mn. lb.)		Cloth (mn. linear yds.)	
	Cotton	Spun Rayon and Mixture	Cotton	Rayon and Mixture
1950 average	16.40	1.68	40.83	13.59
1951:—				
January*	15.93	1.96	39.61	14.09
February	17.11	2.05	43.33	15.20
March	15.78	1.84	41.03	14.00
April	17.73	2.03	45.46	15.36

* Average of 5 weeks.

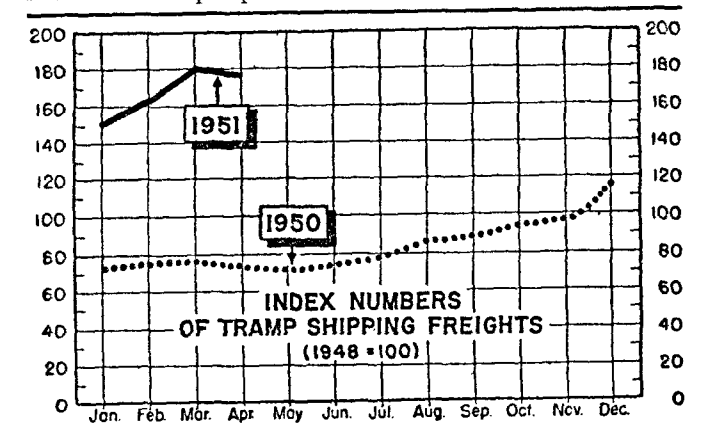
Source: Cotton Board.

The fall in rayon output may also affect the demand for cotton yarn from other rayon users such as the tyre or knitting industries. If these demand more cotton yarn, Lancashire's weavers will immediately feel the effect. A good cotton crop in the United States could go a long way towards meeting the extra demand created by shortage of rayon, but the cotton industry has also yet to feel the effect of competition for labour from the rearmament industries. Its labour force has continued to rise this year, reaching 316,840 at the beginning of May; but re-deployment is making slow headway and output is still closely dependent on the supply of labour. Should Ministerial warnings (much resented in Lancashire) of a transfer of labour from cotton be fulfilled, this could hardly be offset now by the installation of more new machinery. Current supplies of automatic looms are small compared with the numbers of looms in operation; though there are grounds for believing that many sheds equipped with these looms are not taking full advantage of them, the practical opportunities for savings are probably small. The next few months, therefore, will show how developments in other industries may affect output of cotton and hamper Lancashire's chances of fulfilling its export commitments—and whether certain recent signs of an abated pressure of demand portend some fall in home and export

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Freight Market Activity

There is no sign yet of a break in the high level of freight rates that has ruled since last January. The latest Chamber of Shipping tramp freight index, for April, shows a slight drop, by 3.8 points to 176.8, but the index still remains higher than in either February or January, and more than double the average for the whole of 1950. The high levels of recent months are largely due to the disorganisation of the markets caused by the urgent demands of Government bulk buyers for trans-Atlantic timber and coal, although other influences have continued to bolster the demand for tramp tonnage. Europe's winter importation of coal from North America, it may be recalled, was carried out only at the expense of depriving other markets of tonnage, and United Kingdom imports of iron ore, in particular, are well behind schedule. Tonnage in the Mediterranean trades still fails to satisfy demand, so that high rates are now obtainable there. This tendency shows signs of continuing through the Baltic timber season, so that higher rates than before (and more favourable chartering terms and conditions) will certainly have to be paid by the timber charterers to divert the attention of shipowners from Mediterranean prospects.



On the other hand, one or two weaker points have begun to show in certain directions, sufficient at any rate to cause the slight drop in the freight index for April. The Plate market, for example, is behaving rather oddly. Recently, higher freights have been paid for grain to India, whereas employment for vessels bound for the United Kingdom is not easy to find and charterers are quite ready to let vessels go unheeded. The exportable surplus of Argentine maize, too, promises to be poor, so that most of it could be carried in the liners during the season. The homeward liner conferences, however, are holding out for high rates, and one or two tramp ships that have offered lower freights have been preferred. It is expected that 500,000 tons of British coal will have to be shipped to the Plate this year, but shipowners will need some extra inducement to take their vessels to such a dull market as the Plate, particularly while employment nearer home is still so easily obtainable. Trans-Atlantic grain and sugar, as well as occasional coal cargoes, have kept rates fairly high, and the United States exports of grain to India have readily absorbed the extra tonnage released from the U.S. laid-up reserve fleet this year. Ready employment can be found, too, in the West African trades. Here and there, however, rates are tending to weaken somewhat—an indication that perhaps seasonal fluctuations are again beginning to make themselves felt.

FACTS, FIGURES, AND OPINIONS

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Company Notes

Hudson's Bay.—It is impossible to bring the activities of the Hudson's Bay Company within a single focus. In recent years, the company has moved in step with the development of Canada itself—that is, towards new commercial and industrial frontiers, inevitably leaving behind something of the old pioneering endeavours in a new and promising land. But it is the range, rather than the intrinsic character of the company's operations that has changed. Hudson's Bay was founded as a trading adventure. The modern reflection of those origins is found in the fact that the six departmental stores owned by the group contributed the largest share to last year's considerable improvement in trading profits from £1,415,659 to £2,674,268, establishing a new record of sales turnover. The advance in profits reflects this expansion of business, but it also owes something to the more favourable exchange rates at which Canadian earnings were converted into sterling after the freeing of the Canadian dollar and to the general inflation of values following the Korean war. This last factor justifies the transfer of £400,000 to a special merchandise reserve. These records of business and profits permit the raising of the ordinary dividend from 8 to 12 per cent (in addition to the tax-free 5 per cent dividend from land sales).

	Years to Jan. 31, 1950	1951
Consolidated earnings:—		
Trading profit	1,415,659	2,674,268
Total income	1,519,664	2,752,606
Depreciation	200,841	274,586
Taxation	531,178	1,183,730
Group earnings for ordinary stock	406,540	518,846
Ordinary dividends	109,658	159,502
Ordinary dividends (per cent)	8	12
Retained by subsidiaries	232,055	285,465
Added to general reserves and carry forward	131,594	107,261

	Years to March 31, 1950	1951
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	5,374,078	5,536,096
Net current assets	8,880,779	10,521,373
Stocks	6,294,394	7,790,184
Cash	1,652,442	1,528,647
Reserves	10,576,824	12,127,598
Ordinary capital	2,492,224	2,492,224

£1 ordinary stock at £6 yields £3 11s. per cent on a distribution basis of 21.3 per cent.

Tax-free dividends from land sales have given ordinary shareholders a welcome bonus for some years past, but this source of income is rapidly being exhausted. The land department is gradually being wound up and "little more revenue can be expected." The fur trade, still of great importance, made an average contribution to last year's profits. The group in association with Continental Oil, is exploring the Hudson's Bay acreage (4,300,000 acres, with other options, together totalling 8,000,000 acres) for oil and natural gas. This new joint venture has been undertaken on the long view with no expectation of great benefits for some years to come.

The indications appear to be that the company is stronger and is growing faster than at almost any time in its long history. Its fortune, however, will remain closely linked to the prosperity of the North American economy.

Courtaulds.—Judged by an accountant's "true and fair view" of profit, the giants of British industry were more profitably employed last year than in any other period in their history. Courtaulds are no exception; indeed, the expansion of profits by 116 per cent from £7,994,741 to £17,270,823 in the year ended March 31, 1951, is relatively greater than that recently revealed by its fellow giants. Such figures throw a deceptive light on the underlying problem of replacing fixed and working capital as prices continue to mount; big though they are, they are expected to do too much, including the satisfaction of the tax collector's claims

which reached the phenomenal figure of £9,049,664 against £3,787,193.

Courtaulds is among the long list of companies to make specific reserves in defence against present-day prices; some £2,600,000 has been set aside against the replacement of material consumed last year, and £1,704,692 (against £1,701,679) has been appropriated to a fixed assets replacement reserve.

Record profits have nevertheless given the Courtaulds' board an opportunity to take a step outside their traditional role of financial ultra-conservatism by raising the ordinary dividend from 7½ per cent to 11½ per cent. If retentions by subsidiaries of £1,556,527 (against £614,851) are regarded as free reserves, these sums and the addition to the carry forward comfortably cover the ordinary dividend. Investors have therefore to balance the undoubted profitability of the group and the company's break with dividend conservatism against the financial problems of replacement brought in the wake of inflation. They have also to assess the potential effects of the scarcity of such materials as sulphur particularly as it is pointed out in the preliminary statement that production, which increased in the earlier months of the financial year, has been restricted in recent months by certain raw material shortages. On a slightly longer view, perhaps, these difficulties may not prove so burdensome as they now appear. At the current price of 50s. 6d. the £1 ordinary stock units yield £4 9s. per cent.

J. Lyons.—A year of steady, if unspectacular, achievement is reflected in the advance of Lyons' group trading profits from £2,569,485 to £3,022,138 and the maintenance of the ordinary dividend at 22½ per cent. The expansion of profits may be linked with the completion of a further stage of

	Years to March 31, 1950	1951
Consolidated Earnings:—		
Trading profit	2,569,485	3,022,138
Total income	2,641,994	3,089,785
Depreciation	605,332	721,400
Taxation	893,416	874,210
Group earnings for ordinary stock	393,597	506,527
Ordinary dividends	223,714	221,593
Ordinary dividends (per cent)	22½	22½
Added to group revenue reserves and carry forward	163,883	293,101

	Years to March 31, 1950	1951
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation	11,634,456	12,733,641
Net current assets	6,145,845	7,932,751
Stocks	6,151,111	8,221,112
Cash	995,737	1,416,177
Reserves	5,997,483	6,444,175
Ordinary capital	2,391,273	4,258,660

£1 "A" ordinary stock at £5½ yields £4 7s. per cent. capital development for the book value of fixed assets at cost has risen from £11,634,456 to £12,733,641. Plans for further development appear to be well in hand as outstanding commitments are estimated at £1,729,000.

Any strain imposed on financial resources by this capital programme or by further commitments in current assets—stocks, for instance, are higher at £8,221,112, against £6,151,111—has been relieved by the proceeds of the issue of 660,000 £1 "A" ordinary shares at £4 10s., which do not rank for dividends in the latest financial year. At the balance sheet date, £1,867,387 had already been received from subscribers to the issue, leaving over £1,000,000 still to be collected. The addition of this sum should strengthen liquid resources to meet any call made on them by any further expansion of fixed or working capital.

The financial strength of the group, and a record of slowly mounting profits and of comparatively generous treatment of ordinary shareholders, confirm the impression that Lyons' equity deserves its blue-chip status, though some stockholders may well feel disappointed at the lack of any dividend increase.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, June 6, 1951	Price, June 13, 1951	Net Yield, June 13, 1951 (a)	Gross Yield, June 13, 1951
War Bonds 2½% ...	100½	100½	£ s. d. 0 11 6	£ s. d. 1 4 2½
Mar. 1, 1951-53				1 19 0½
War Bonds 2½% ...	101½	100½	0 16 8	1 3 3½
Mar. 1, 1952-54				2 2 9½
Exchequer Stk. 2½% ...	101½	100½	0 16 6	1 19 8
Feb. 15, 1955				
War Bonds 2½% ...	102½	102½	0 15 5	2 1 6½
Aug. 15, 1954-56				2 1 8½
Funding 2½% ...	101½	101½	0 5 1	1 10 1½
June 15, 1952-57				2 10 8½
Nat. Defence 3% ...	102½	102½	0 16 8	2 4 0½
July 15, 1954-58				2 12 7½
War Loan 3% ...	102½	102½	0 19 2	2 8 4½
Oct. 15, 1955-59				2 13 7½
Savings Bonds 3% ...	97½	97½	2 5 10	3 17 4½
Aug. 15, 1955-65				3 5 11½
Funding 2½% ...	97½	97½	2 0 0	3 5 1½
April 15, 1956-61				2 17 10½
Funding 3% ...	93½	93½	2 10 3	4 0 7½
April 15, 1959-69				3 10 5½
Funding 3% ...	95½	95½	1 19 1	3 9 5½
Aug. 1, 1966-68				3 8 6½
Funding 4% ...	103½	103½	1 13 9	3 11 8½
May 1, 1960-90				3 16 10½
Savings Bonds 3% ...	93½	93½	2 9 6	4 0 5½
Sept. 1, 1960-70				3 11 3½
Savings Bonds 2½% ...	90½	90½	2 3 8	3 9 1½
May 1, 1964-67				3 6 1½
Victory Bonds 4% ...	104½	104½	1 15 2	3 15 1½
Sept. 1, 1920-76				3 18 1½
Savings Bonds 3% ...	91½	90½	2 1 9	3 12 9½
Aug. 15, 1958-75				3 12 9½
Consols 4% (after Feb. 1, 1957)	100	100½	2 2 3	4 1 0½
Conversion 3½% (after Apr. 1, 1961)	90	89½	2 1 2	3 13 9½
Treasury Stk. 2½% (after Apr. 1, 1975)	65½	65½	2 0 5	3 17 3½
Treasury Stk. 3% (after Apr. 5, 1966)	77½	76½	2 1 2	3 18 8½
Treasury Stk. 3½% (after Apr. 5, 1970)	95½	94½	2 2 0	3 16 5½
June 15, 1977-80				3 16 0½
Redemp. Stk. 3% ...	84½	84½	2 4 6	3 16 9½
Oct. 1936-96				3 14 10½
War Loan 3½% (after Dec. 1, 1952)	88½	88½	2 1 7	3 13 4½
Consols 2½% ...	65½	65½	2 0 2	3 16 6½
Brit. Elect. 3% Gtd. ...	91½	91½	2 4 9	3 15 5½
April 1, 1968-73				3 12 9½
Brit. Elect. 3% Gtd. ...	90½	90	2 3 1	3 14 1½
Mar. 15, 1974-77				3 12 11½
Brit. Elect. 3½% Gtd. ...	95½	95½	2 1 3	3 15 7½
Nov. 15, 1978-79				3 15 3½
Brit. Tpt. 3% Gtd. ...	84½	84½	2 4 0	3 13 4½
July 1, 1978-83				3 15 10½
Brit. Tpt. 3% Gtd. ...	91	90½	2 5 0	3 15 8½
April 1, 1968-73				3 12 11½
Brit. Gas Gtd. 3% ...	83½	83½	2 4 3	3 16 8½
May 1, 1990-95				3 15 8½
Brit. Iron & Steel 3½% (Feb. 15, 1973-81)	95½	95½	2 1 7	3 16 7½

(c) To earliest date. (f) Flat yield. (m) Net yields are calculated after allowing for tax at 9s. 6d. in the dividend. (s) Assumed average life 12 years 11 months. * Ex dividend.

Last Two Dividends			Ordinary Stocks	Price, June 6, 1951	Price, June 13, 1951	Yield, June 13, 1951
(a)	(b)	(c)				£ s. d.
20 ⁰ / _a	40 ⁰ / _b		Anglo-Am. 10/-	8 ⁵ / ₈	8	3 15 0
25 ⁰ / _b	5 ⁰ / _a		Anglo-Iran 11/-	5 ⁵ / ₈	5 ¹ / ₂	5 9 1
5 ⁰ / _a	15 ⁰ / _b		Assoc. Elec. 11/-	98/9	98/9	4 1 1
22 ⁰ / ₁	27 ⁰ / ₂		Assoc. P. Cem. 11/-	110/0	109/4 ¹ / ₂	5 0 6
40 ⁰ / _c	35 ⁰ / _c		Austin 5 ¹ / ₂	36/10 ¹ / ₂	36/11 ¹ / ₂	4 16 1 ¹ / ₂
120 ⁰ / _b	15 ⁰ / _a		Bass 11/-	449/4 ¹ / ₂	452/6	6 4 9
40 ⁰ / _c	43 ⁰ / _a		Boots 5 ¹ / ₂	52/-	52/-	3 16 1 ¹ / ₂
10 ⁰ / _c	6 ⁰ / _b		Br. Celanese 10/-	34/6	35/6	2 16 4
8 ⁰ / _a	12 ⁰ / _b		Br. Oxygen 11/-	100/0	100/0	4 0 0
5 ⁰ / _a	7 ⁰ / ₁		Coats 11/-	65/7 ¹ / ₂	66/3	3 15 5
5 ⁰ / _a	6 ⁰ / ₁		Courtaulds 11/-	49/3	50/6	4 9 2
20 ⁰ / _c	6 ⁰ / ₁		Distillers 4 ¹ / ₂	24/9	24/9	3 4 8
15 ⁰ / _c	17 ⁰ / ₂		Dunlop 11/-	67/6	67/6	5 4 6
10 ⁰ / _c	12 ⁰ / ₁		Ford 11/-	60/-	60/-	4 3 4
17 ⁰ / ₁	17 ⁰ / ₂		Gen. Elect. 11/-	92/6	97/6	3 11 10
11 ⁰ / _a	21 ⁰ / _b		Guinness 11/-	144/4 ¹ / ₂	153/-	4 3 8
15 ⁰ / _a	17 ⁰ / ₁		Hawker Sid. 5 ¹ / ₂	45/6	46/4 ¹ / ₂	3 16 8
3 ⁰ / _a	9 ⁰ / _b		Imp. Chem. 11/-	53/6	53/6	4 9 9
13 ⁰ / ₁	18 ⁰ / ₁		Imp. Tobacco 10 ¹ / ₂	103/9	103/9	6 3 4
5 ⁰ / _a	7 ⁰ / ₁		Lancs. Cotton 11/-	55/7 ¹ / ₂	57/6	4 6 11
10 ⁰ / _c	13 ⁰ / ₁		Lever 11/-	56/5	55/7 ¹ / ₂	4 17 1
15 ⁰ / _c	15 ⁰ / _c		Lon. Brick 11/-	59/4 ¹ / ₂	60/-	5 0 0
15 ⁰ / _a	60 ⁰ / _b		Marks & Sp. A. 5 ¹ / ₂	100/9	100/9	3 14 8
8 ⁰ / _a	8 ⁰ / _b		P. & O. Def. 11/-	64/6	66/6	4 16 3
17 ⁰ / ₁	7 ⁰ / ₁		P. Johnson 10 ¹ / ₂	41/6	43/6	5 14 11
15 ⁰ / _a	17 ⁰ / ₂		"Shell" Stk. 11/-	97/6	97/6	4 17 8
12 ⁰ / ₁	12 ⁰ / ₁		Tube Invest. 11/-	7/-	7/-	3 11 8
31 ⁰ / _a	16 ⁰ / ₁		T. & Newall 11/-	103/4 ¹ / ₂	101/3 ¹ / ₂	3 19 0
8 ⁰ / _c	10 ⁰ / _c		Union Castle 11/-	38/6	39/6	5 1 3
17 ⁰ / ₁	50 ⁰ / _c		U. S.ua Betong 11/-	64/4 ¹ / ₂	65/6	15 5 4
21 ⁰ / _a	10 ⁰ / _b		Vickers 11/-	53/-	53/3	4 13 10
27 ⁰ / ₁	15 ⁰ / _a		Woolworth 5 ¹ / ₂	49/6	49/6	4 5 10

* Ex dividend 1949. How-

EXCHEQUER RETURNS

For the week ended June 9, 1951, total ordinary revenue was £75,068,000, against ordinary expenditure of £66,852,000 and issues to sinking funds £420,000. Thus, including sinking fund allocations of £1,970,000 the surplus accrued since April 1, 1951, is £26,641,000 compared with a surplus of £26,419,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52 (£'000)	April 1, 1950 to June 10, 1950	April 1, 1951 to June 9, 1951	Week ended June 10, 1950	Week ended June 9, 1951
ORD. REVENUE					
Income Tax	162,400	146,170	168,837	7,984	10,118
Sur-tax	128,000	19,250	20,100	1,350	1,800
Estate, etc., Duties	180,000	37,270	40,800	3,370	2,900
Stamps	55,000	9,970	12,800	750	1,900
Profits Tax	312,650	33,430	42,900	3,150	3,500
E.P.T. Refunds	500	2,500	...	...	...
Other Inland Rev.	1,500	30	40	100	80
Special Contributions	1,500	1,250	670	...	...
Total Inland Rev.	230,240	250,170	286,147	16,704	20,298
Customs	930,500	169,070	186,704	16,738	18,772
Excise	720,500	138,200	150,700	3,155	3,130
Total Customs and Excise	1,651,000	307,270	337,404	19,923	21,902
Motor Duties	62,000	5,234	6,102	219	560
Surplus War Stores	20,000	10,403	7,238	466	7,216
Surplus from Trade	50,000	25,974	25,000	25,000	25,000
P.O. (Net Receipts)	5,400	5,500	7,600	Dr 1100	Dr 1100
Wireless Licences	13,600	1,800	2,000	...	...
Sundry Loans	27,000	1,389	2,344	81	77
Miscell. Receipts	105,000	12,089	9,066	958	1,115
Total Ord. Rev.	4,236,400	619,829	682,901	61,951	75,068
SELF-BALANCING					
Post Office	179,431	27,900	29,500	4,100	3,600
Income Tax on E.P.T. Refunds	4,900	1,744	1,008	164	75
Total	4,420,731	649,473	713,409	66,215	78,743

Expenditure	Estimate, 1951-52 (£'000)	April 1, 1950 to June 10, 1950	April 1, 1951 to June 9, 1951	Week ended June 10, 1950	Week ended June 9, 1951
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	106,739	112,701	8,716	7,671
Payments to N. Ireland	38,000	6,097	6,856	1,153	1,281
Other Cons. Funds	11,000	735	893	10	...
Total	584,000	113,571	120,450	9,879	8,952
Supply Services	361,292	477,535	533,840	53,000	57,900
Total Ord. Expd.	419,692	591,106	654,290	62,879	66,852
Sinking Funds	...	2,304	1,970	260	420
Total (excl. Self-Bal. Expd.)	419,692	593,410	656,260	63,139	67,272

SELF-BALANCING	Estimate, 1951-52 (£'000)	April 1, 1950 to June 10, 1950	April 1, 1951 to June 9, 1951	Week ended June 10, 1950	Week ended June 9, 1951
Post Office	179,431	27,900	29,500	4,100	3,600
E.P.T. Refunds	4,900	1,744	1,008	164	75
Total	438,122	623,054	686,768	67,403	70,947

After decreasing Exchequer balances by £213,848 to £2,691,690, the other operations for the week decreased the National Debt by £13,374,598 to £26,254 million.

Bal. Expd.....	4196921	593,410	696,260	63,193	61,212
SELF-BALANCING					
Post Office.....	179,431	27,900	29,500	4,100	3,600
Income Tax on					
E.P.T. Refunds	4,900	1,744	1,008	164	75
Total	4381252	623,054	686,768	67,403	70,947

THE ANGLO-PALESTINE BANK LIMITED

TRANSFERENCE OF CONTROL TO BANK LEUMI

RESERVE FUND EQUAL TO PAID-UP CAPITAL

MR S. HOOFIEN ON THE CHANGED POSITION

The forty-ninth ordinary general meeting of the Anglo-Palestine Bank Limited was held on June 5th at 6, Gracechurch Street, London, E.C.3.

The following is the statement by the chairman, Mr S. Hoofien, which had been circulated with the report and accounts for the year ended December 31, 1950:

In my statement to the annual general meeting of last year I announced the steps to be taken towards transformation of the bank into an Israel company which were then under consideration. These steps have now virtually been completed. The Anglo-Palestine Bank Limited, though formally still in existence, has ceased to function and the Bank Leumi le-Israel B.M. is continuing the business.

It will be recalled that in October of last year I addressed to the shareholders, on behalf of the board, a statement in which I explained the reasons which impelled the directors to come to them with certain proposals, and I set out at some length the nature of those proposals. A report on the action which followed this circular will, I assume, be welcome.

BANK LEUMI OFFER ACCEPTED

I ought first of all to point out that as a result of this action the Bank Leumi le-Israel B.M. has become the only shareholder of the Anglo-Palestine Bank Limited, and my present statement should, therefore, formally be addressed to it only. In view, however, of the fact that in the ordinary course of business the former shareholders in the Anglo-Palestine Bank, who are now shareholders in the Bank Leumi, will receive the first report and accounts of the latter bank only in a year's time, and so as to preserve continuity, the directors have deemed it proper that I should address the present statement to the shareholders of the two banks, who will also receive the report and accounts.

On October 27, 1950, the Bank Leumi le-Israel B.M. made an offer to the shareholders of the Anglo-Palestine Bank Limited, of three of its £1 ordinary or "A" ordinary shares, respectively, in exchange for two ordinary or "A" ordinary shares held by them. This offer, which expired on November 22, 1950, was until the date of expiry accepted by ordinary shareholders holding 304,518 £1 shares—that is, over 98 per cent.—and by "A" ordinary shareholders holding 291,887 £1 shares—that is, over 94 per cent. Further acceptances came in during the period of four months (expiring on February 27, 1951) which, under the Companies Act, 1948, had to elapse before further action could be taken, and ultimately all the remaining shares in the Anglo-Palestine Bank were acquired by the Bank Leumi.

TERMS OF EXCHANGE

The exchange offer made by the Bank Leumi to the shareholders of the Anglo-Palestine Bank also gave accepting shareholders the right to subscribe for cash at par for additional shares of their own class in the proportion of two additional shares for every seven shares held. The holders of nearly all the ordinary and "A" ordinary shares exercised this right or disposed of it

to others and the small balance which remained, owing to the fact that a few shareholders abroad were never able to respond to the offer, has been taken care of on their behalf by the Anglo-Palestine Bank.

On the strength of the exchange offer there were taken up as fully paid:—

Ordinary shares	£465,000
"A" Ordinary shares	465,000
and on the strength of the cash subscription offer there were taken up and fully paid:—	
Ordinary shares	135,000
"A" Ordinary shares	135,000
The subscribed and paid-up capital of the Bank Leumi amounts, therefore, to	£1,200,000

The authorised capital has been fixed at £3,000,000.

ASSETS AND LIABILITIES TRANSFERRED

The assets and liabilities of the Anglo-Palestine Bank in Israel have passed to the Bank Leumi through the operation of law, a special section, providing for our own and similar cases, having been added to the Israel Companies Ordinance. The assets and liabilities of the London office have been specifically and individually transferred to the Bank Leumi.

The transfer of the assets and liabilities in Israel under the special section of the Companies Ordinance which I have just mentioned called for an Order of the Court which was applied for and was duly issued. Under this Order the transfer entered into effect on Tuesday, May 1st, on which date the Bank Leumi le-Israel B.M. opened its doors and continued the business of the Anglo-Palestine Bank Limited, under the same director and management, with the same staff in the same offices and without any interruption or change. Thus the history of the Anglo-Palestine Bank Limited has been brought to a close after 48 years of activity, during which the bank has given useful service in every field of the country's economy, through several wars and many periods of unrest and commotion. During this long period the bank has grown considerably, until it now takes the undisputed position of the leading bank of the country, conducting the larger part of its banking business, serving as bankers to the Government and to the Jewish Agency, issuing the country's currency and administering the Government loans.

SHAREHOLDERS' REASONS FOR SATISFACTION

Having been connected with the bank myself for nearly 40 years I have been able to observe the single-minded devotion with which the bank has been served at all times by its management and staff. The bank's aim to promote the welfare of the country by all such means as are at a bank's disposal has always been their own, and they have pursued it through good times and bad, giving the utmost of their skill and zeal. It is proper that, on behalf of the shareholders, I should on the present occasion give due recognition to their faithful co-operation.

The shareholders, I believe, have reason to be satisfied with the way their interests have been served by the bank. Taking the

period of 15 years, starting with the year 1936 (when the bank issued its "A" ordinary shares to the general public) and ending with the year 1950, and calculating all dividends paid during that period on a "subject to tax" basis it appears that an average annual dividend of 9 per cent. has been paid, besides which an amount of £960,000 has been added to the reserve fund and sufficient amounts to the other reserves to allow for the allocation to shareholders of £310,000 fully paid shares in the Bank Leumi without in any way unduly impairing those reserves.

FURTHER SUBSTANTIAL EXPANSION

The accounts for the year 1950, while showing further substantial progress, also bear the mark of an expansion which calls for careful watching. It is only natural that in a country which is attempting to absorb so enormous an immigration as is the case in Israel many inflationary factors should be at work. The Government's special development budget is bound to lead to a large expansion of credit and to the creation of disproportionate buying power. The bank has at all times attempted to avoid any exaggerated credit expansion and has done its best to select those credits from which an increase of productive capacity can reasonably be expected. Even so, there remains room for further efforts to prevent undue credit expansion. Those efforts are being made with the co-operation of the entire banking community.

That the balance of payments would be upset by the strain on the country's resources brought about by the events of the last few years was to be expected. However, a good part of the decline in the quotation of the Israel pound in some free markets which has occurred during the last year could have been avoided and was in no way justified. It seems to have been brought to a halt. There is reason to expect that the efforts that are now being made to raise a loan for the Israel Government from the public in the United States, which look quite promising, together with other actions which have lately received some publicity, will result in a considerable easing of the present difficulties. Moreover, and this is, perhaps, more important, the Government which by that time will emerge from the elections which will take place at some time in midsummer will possess both the stability and the means to make a vigorous and thoroughly planned effort to stabilise the position. It will not be an easy task, but there is no doubt that the thing can be done.

PROGRESS OF THE SUBSIDIARIES

All the bank's subsidiaries have been prospering during the year under review. The General Mortgage Bank of Palestine, Ltd., has raised its working capital from £3,600,000 to £7,600,000 mainly through debentures taken up by the Government. It is paying a dividend of 6½ per cent. on its ordinary shares and 6¼ per cent. on the preference shares.

The A.P.B. Investment Company, Ltd., has also considerably raised its working capital and is paying a dividend of 7 per cent. on its ordinary shares.

The Otsar La-Taasiya, Ltd. (Industrial Credit Corporation), and Otsar La-Haqlauth, Ltd. (Agricultural Credit Corporation), have expanded their activities with gratifying results.

RESERVE FUND EQUALS PAID-UP CAPITAL

As appears from the directors' report an amount of £230,000 has been transferred out of available profits to the reserve fund, bringing it up to £1,100,000. The dividend for the year, at the rate of 13 per cent., has already been distributed in the month of November by way of interim dividend, in

order that shareholders should have the benefit of it before they parted with their shares in exchange for shares in the Bank Leumi. As announced at the time, there will be no final dividend. I may, however, say that the Bank Leumi intends to follow the tradition of the Anglo-Palestine Bank in paying an interim dividend.

The period of four months which terminated on May 1st, when the business was taken over by the Bank Leumi le-Israel B.M., has again proved to be one of further satisfactory development. The profit earned during those four months increases the sur-

plus available in the Anglo-Palestine Bank which in various forms has been passed on to the Bank Leumi le-Israel. Out of this surplus an amount of £1,200,000 has been allocated to the reserve fund, and the Bank Leumi le-Israel has, therefore, started its career with a reserve fund equal in amount to the paid-up share capital.

The report and accounts were adopted.

The retiring directors, Dr G. Halpern and Mr L. Braudo, were re-elected and the remuneration of the auditors, Messrs Jackson Pixley and Company, having been duly fixed, the proceedings terminated.

MARKS AND SPENCER, LIMITED

VOLUME OF BUSINESS INCREASED BY 25 PER CENT.

GREATER EXPORTS TO HARD CURRENCY AREAS

SIR SIMON MARKS ON MAINTENANCE OF HIGH STANDARDS

The twenty-fifth annual general meeting of Marks and Spencer, Limited, was held on June 7th, at 82, Baker Street, London, W.

Sir Simon Marks, chairman and joint managing director, who presided, said: I am pleased to report that our profits for the year, after provision for taxation, amount to £2,557,000, compared with £2,121,000 last year. We have provided £3,525,000 for taxation, compared with £2,530,000 a year ago. With the amount brought forward there is available for distribution £6,529,000.

We propose a final dividend of 60 per cent., making 75 per cent., less tax, for the year on the ordinary and "A" ordinary share capital, which absorbs the sum of £879,500. This compares with the amount of £713,925 last year, when the dividend was 60 per cent., less tax. Taking into account the rest of the appropriations, we carry forward the sum of £4,663,000.

We have not included the profits of the reserves of our subsidiary companies in our accounts. Their profits, after taxation, amount to £84,821, and their reserves now stand at £200,000.

BONUS ISSUE

It is proposed to capitalise the sum of £49,168, being part of the general reserve, to enable a distribution by way of bonus of one "A" ordinary share in respect of every 45 ordinary and/or "A" ordinary shares held on May 19, 1951.

We have increased our general reserve from £2,343,000 to £3,000,000 by transferring our property contingency reserve of £200,000 and adding £505,321 from this year's profits. We have also increased our stock contingency reserve from £150,000 to £500,000.

Our total reserves, including capital reserves, now amount to £9,332,000, an increase of £1,522,000.

We have spent £520,000 on the maintenance and repair of our properties and equipment. We have taken into account the balance of our deferred repairs reserve, which is now eliminated from our accounts. The amount expended a year ago was £505,000. Depreciation has required £733,000, against £687,000 last year.

STORE DEVELOPMENTS

We now operate 232 stores. In the five years since the war we have opened three stores, at Sheffield, at Norwich, and at Leeds. Our store at Leeds replaces the old one in that town. We have made extensions at 12 stores and nearly 100 stores have been modernised.

In regard to the 16 stores destroyed in the

war, I am glad to tell you that we are rebuilding at Exeter, Plymouth, Sheffield, Yarmouth, Clacton, and Bristol, and we hope quite shortly to start work at Southampton. Arrangements have not been settled with the local town planning authorities in regard to the remaining bombed stores.

EXPORT TRADE

As I indicated to you in my last report, in view of the national need we have directed a larger proportion of our sales to the hard currency areas. Nearly 60 per cent. of our exports have gone to these countries. With rising prices it may be difficult to maintain exports at their present level.

GENERAL SURVEY

We are glad to report a rise in our volume of business of 25 per cent. over the preceding year, and, as a matter of interest, 47 per cent. above the figures for 1949.

It has been a constant struggle since the end of the war to increase the quantity and to extend the range of our textile goods, which form the major part of our business. During the war and for some years after textile materials were in short supply and the quantity and variety of goods were both limited and austere. It is only during the past two years, thanks to greater productivity in the textile industry, and to the development of our special arrangements with our cloth suppliers, that we have been able to make good, to an appreciable extent, the shortages of some of our most important basic materials. We have, as a result, been able progressively to increase our production of a wider range of goods, which in price and quality fit the purse of our public.

We have built up our stock in trade which stands at £4,372,000, compared with £2,894,000 last year. This is an outstanding feature of the accounts, and the measure of improvement can be seen from the corresponding figures for recent years. In 1947 our stock in trade was as low as £927,000, and in 1949 it was still only £1,600,000.

I would draw your attention to the item of advances to subsidiary companies, which has grown from £1,134,000 to £2,442,000. To ensure regular supplies of the goods our stores need, we have had to take an increasing interest in the actual production of the basic materials which enter in the manufacture of a considerable range of our made-up garments.

The yardage and the finance involved are on such a scale that we have had to assume the responsibility for the purchase of a substantial part of the grey cloth and its conversion into the finished product. Without regular supplies no manufacturer can produce efficiently and economically. The func-

tion of our subsidiaries has therefore become of great importance. As the instrument of our merchandise development department they are responsible for the dyeing, printing and finishing of the grey cloth, which we then allocate to our garment manufacturers. This pipeline of supplies is an important service to them; without it their productive capacity could not be used to the best advantage.

ATTRACTIVE RANGE OF GOODS

A visit to our stores would demonstrate that we are presenting a range of articles attractive, of good quality, and inexpensive. The fruits of our policy of continuous upgrading can be seen in improved styling, design and finish, and beyond all doubt our goods are appealing to a widening section of the public.

We set high standards of quality for our foodstuffs and insist that they should be made and packaged under the most hygienic conditions. Shortages of the raw materials traditionally used in food manufacture have caused many substitutes to appear on the market, which vary so widely in quality that we have to exercise the most careful control. Our technical staff have an up-to-date laboratory for the examination of such raw materials, which are recommended and used only if they reach our standards.

Over the whole field of the goods we offer to the public we set our buyers and our scientific and technical staff the task of maintaining strict quality control and, in collaboration with our suppliers, improving standards. We endeavour, with mutual benefit, to supplement by our own services, the technical services of our manufacturers, our relations with whom are based on mutual understanding and confidence. We value their efforts and are grateful for their co-operation. It is this combined team work which produces and will produce a most varied range of merchandise at prices which will, to some extent, mitigate the rising costs of living.

RAW MATERIAL PRICES

The very great increase in raw material prices since the Korean war has created acute problems for the manufacturer and the retailer. Merchandise is being sold today at prices much below its present replacement cost, and the continuous raising of price levels must inevitably produce customer resistance and reduce public demand.

Our manufacturers have a common interest with us in countering this upward movement of prices, for in the long run, their ability to keep their plant running to full capacity and with maximum efficiency depends on the customers. Together we can do much to keep prices within reach of our public.

Our manufacturers have invested considerably in new machinery and equipment which is now fully operating. This, together with the regular flow of production which they enjoy, puts them in a more favourable position. It has always been our joint policy to pass on to the public the benefits of efficient production and an even greater effort must now be made in this direction. This business lives and grows by our co-operation with our suppliers in creating and offering the best values. That policy will retain for us the public goodwill built up over many years of trading.

At the same time, we have to take into account that certain commodities have recently declined from their peak levels—as, for example, wool and rubber, and it may be that, in the near future, we shall have to face further falls in a wider range of raw materials. Because of this uncertainty, we have thought it prudent to provide for such an eventuality by increasing our stock contingency fund to £500,000.

The war years witnessed a steady deterioration of our properties, and the appearance of our stores left much to be desired. Maintenance and repairs were not possible during those years and redecoration and re-equipment were not permitted.

It has always been our policy to keep our properties in good order, and to make our stores up to date and attractive. Therefore, as soon as we recovered a measure of freedom, we embarked on a programme of modernisation. The function of the stores is to provide the goods with the setting which displays them to the best advantage. We aim to make our stores distinctive in character and well adapted to their purpose through their architecture, their decoration, their equipment, their lighting, and their general layout.

This policy of modernisation involves a considerable outlay. We believe it to be an excellent investment as the accounts before you indicate. We have already dealt with a large number of stores, but much remains to be done before we have brought all our stores up to the standard we have in mind.

We have, for many years, pursued a consistent policy of acquiring our own sites and building our own premises which in the main are freehold. The original cost of our properties and their development was nearly £11,000,000. They stand in our books, after depreciation, at £8,342,000. It is obvious that their replacement value today would be greatly in excess of these figures. Whilst all other main items of expense have risen considerably, the rental charges in our accounts are nominal as a result of this policy, and the profits we show benefit accordingly.

STAFF AND WELFARE

Modern management demands the understanding of people, no less than the technique of trading. A loyal and efficient staff is indispensable for the successful conduct of a business. Management must create conditions of work wherein each person feels himself or herself a responsible member of a team, interested in the success of the venture.

We give a great deal of thought to the well-being of our staff, and our welfare department directs its efforts to create for them pleasant and healthful conditions of work. Our employees now total more than 20,000, of whom a large number have served the company for many years.

We have always laid stress on the need for the development of a team spirit among our staff, and the fruits of this are seen in the courtesy, competence, and helpfulness which characterise our sales staff in their relations with our customers.

Moreover, the social and cultural activities, initiated and organised by the staff, and encouraged by the company, develop this team spirit still further, and a common purpose is given to their leisure.

Our medical department and dental services continue to function and, by the personal interest taken in each case, we are able to give a welcome and beneficial service. Chiropody treatments are available to all our staff and physiotherapy is being made available in increasing measure. All these activities and many other services are organised so that our staff may realise that they are part of an organisation which is greatly concerned with their welfare and progress.

I am sure you would wish to join with me in expressing our appreciation of the loyalty and devotion of our staff.

The report and accounts were unanimously adopted and a resolution was passed approving an issue of one "A" ordinary share in 45 on a capitalisation of reserves, allotment letters in respect of which will be posted on July 23rd.

The proceedings terminated with a vote of thanks to the chairman, directors and staff,

MONSANTO CHEMICALS LIMITED

EXTENSIVE DEVELOPMENT PROGRAMME

MR EDW. A. O'NEAL'S REVIEW

The seventeenth annual general meeting of Monsanto Chemicals Limited was held on June 7th in London, Mr Edw. A. O'Neal, Jr. (chairman and managing director), presiding.

The following are extracts from his circulated statement:

The results of the company's activities for the year as a whole have been satisfactory. Net sales exceeded our budget estimates by 7 per cent. and were 41 per cent. above the 1949 record. Less than 5 per cent. of the increase in sterling worth of goods sold is to be attributed to increases in selling prices. The bulk of the additional volume of business came from the incidence of greater production at the new factory at Newport, while production efficiency at the Ruabon factory, where most of the major expansion was completed by the end of 1949, was greatly increased through improved methods and emphasis on operating and cost control.

NEWPORT SALES TARGET EXCEEDED

At Newport all manufacturing processes contemplated in the original programme for this location were in production at the end of the year. Most of the units have been developed to maximum capacity, some to extraordinary production records, and although due to recurrent shortages of raw materials consistent full production was impossible, nevertheless, the rate of sales of Newport products during the last quarter of the year exceeded our target for that period.

OVERSEAS ACTIVITIES

Monsanto Chemicals (Australia) Limited has continued to expand its manufacture and reported record sales during 1950. The rate of growth of this company, in which we have the controlling interest, is very satisfactory.

Expansion of activities of Monsanto Chemicals of India Limited to embrace manufacture in India continues to be studied, but the very unsettled conditions existing in that country and the East as a whole are likely to delay any action on our part. The Indian company continues to handle satisfactorily the sale of our goods in its area.

FUTURE DEVELOPMENT

Following the policy, typical of the chemical industry in the United Kingdom and in the United States, of maintaining continuous development and expansion, we have completed our plans for the next stage of development. This will be to increase the output of important products already in manufacture, and to extend the company's range of new products. Total capital additions during the four-year period 1947-1950 amounted to approximately £5,259,356. We see no reason why this rate of expansion at least cannot be profitably maintained, given favourable fiscal conditions.

In budgeting the company's production and sales for the year 1951, we have felt justified in anticipating an appreciable increase in turnover. Yet we have felt it necessary to set our budgeted output considerably below the maximum capacity of our manufacturing plant due to the increasing difficulty of obtaining sufficient supplies of raw materials, and of maintaining their flow to the factories in that continuity which is so important to efficient operation.

THE ACCOUNTS

The income of the Group for the year was £1,686,478, compared with £963,766 in 1949, whilst the Group profit carried forward to the appropriation account was £545,405. After providing for Parent Company's dividends, there remains to be carried forward

MONSANTO CHEMICALS LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1950

	1950	1949
Balance from Trading Account	1,685,897	959,127
Add: Miscellaneous receipts	581	4,653
	1,686,478	963,780
Deduct:		
Depreciation and obsolescence	364,712	233,604
Bank interest	6,405	...
Provision for taxation	695,124	377,139
Provision for auditors' fees	2,100	1,514
Remuneration of directors	36,501	33,364
	1,104,942	645,621
Net profit of the group for the year	581,536	318,085
Deduct: Proportion attributable to minority interests	36,131	21,701
Balance attributable to Monsanto group	545,405	296,384
Deduct:		
Appropriations:		
Dividends to shareholders of Monsanto Chemicals Limited, less tax:—		
Preference dividends	30,820	30,934
Interim ordinary dividend at 15%	74,250	74,250
Provision for final ordinary dividend at 40%	189,000	148,500
	294,070	253,684
Leaving undistributed	251,335	42,695
To which is added:—		
The balance brought forward from the previous year	487,992	445,296
Provisions no longer required	12,665	...
	501,000	445,296
and from which is deducted:—		
Profit of a subsidiary company acquired during the year applied to extinguishing deficit at date of acquisition	11,893	...
Making the balance carried forward	£740,099	£487,992

to 1951 £740,099 for the Group, as compared with £487,992.

I should like to refer to the recent successful offer for sale of the 1,500,000 4½ per cent. second preference shares of £1 each. All stockholders were given the opportunity of making application for these shares on a special form and such applications received preferential consideration by the issuing houses. The issue was a successful one both from the point of view of the company and of the subscribers. The board are appreciative of the strong support given to the issue by existing stockholders.

The report and accounts were adopted.

Following the annual general meeting an extraordinary general meeting was held at which new articles of association were adopted.

THE NATIONAL BANK OF NEW ZEALAND

SUBSTANTIAL EXPANSION OF BUSINESS

The annual general meeting of the National Bank of New Zealand, Limited, will be held on July 5th, in London.

The following is an extract from the circulated statement by the chairman, Sir Sydney Parkes, C.B.E.:

There has been a substantial expansion in the Bank's business during the year and it is pleasing that, in spite of the increases in our costs, the net profit for the year reflects this increased activity.

Deposit and Current Accounts at £49,964,000 show a notable increase of £9,988,000. The total of the balance sheet at £57,855,000 is £10,920,000 higher than last year.

The net profit after taxation, of £204,900, shows an increase of £36,600. This must be regarded as satisfactory in the light of the heavy increases there have been in our expenses during the year. An interim dividend of 3 per cent., less United Kingdom Income Tax at 9s. in the £, absorbed £33,000 and the Directors now recommend a final dividend of 4 per cent., less United Kingdom Income Tax at 9s. 6d. in the £.

The Dominion is developing steadily and should continue to do so provided international conditions are favourable. The bank has shared fully in this business development, and it is gratifying to be able to report a record turnover and a very large increase in the number of accounts on our books during the last year.

The large increase in purchasing power which the high wool prices have created has given much concern to the Government. After obtaining the agreement of the growers the Government passed an Act providing for the freezing of one-third of this year's wool returns. These blocked balances are to be carried in special accounts in the growers' names at their bankers and are not to be available as purchasing power in the meantime, but are to be released at the rate of 20 per cent per annum, commencing in 1952.

During the year trading conditions have been buoyant and all sections of the community have been prosperous. This has been assisted by the high prices ruling for the main export commodities, together with a good production season.

Inflationary pressure upon prices and costs and upon the supply of goods available for consumption still remains the Dominion's most pressing problem, despite the useful steps which were taken during the year to relieve this condition.

AMALGAMATED ROADSTONE CORPORATION

IMPROVED RESULTS

The fifteenth annual general meeting of Amalgamated Roadstone Corporation Limited was held on June 8th in London, Mr J. S. Killick, C.B.E., M.Inst.C.E. (the chairman), presiding.

The following are extracts from the chairman's circulated statement and the directors' report:

The report and accounts clearly show the company's position. It is sufficient for me to draw your attention to the salient points.

(1) The trading profits of the corporation amount to £313,328, as compared with £255,893 for the previous year.

(2) Whereas only £89,613 net is proposed to be paid to our shareholders, no less than £111,506 is provided for taxation.

(3) The future taxation reserves shown in the balance sheet at £125,583 are considered to be equivalent to rather more than two years' estimated income tax liability at current rates.

(4) The balance carried forward is £82,814, compared with £51,290 in the previous year—an increase of £31,524.

(5) The amount provided for depreciation is £123,265, compared with £97,469 the previous year—an increase of £25,796. Provision for initial allowances on capital expenditure on plant and equipment amounts to £80,678, compared with £46,757.

During the past four years provision for ordinary depreciation has exceeded £375,000, and for the same period the total amount of initial allowances written off has exceeded £210,000—an aggregate amount of £585,000, which exceeds one-half of the total amount of capital expenditure on plant and equipment incurred during that period, amounting to approximately £1,100,000.

It is anticipated that by the middle of 1952 practically the whole scheme of reorganisation and mechanisation of your company's quarries now envisaged will have been completed. We consider it fortunate that the major part of the cost of such reorganisation and mechanisation should have been incurred before the recent and abnormal increases in prices. Production efficiency is, and has been, the earnest endeavour of your board.

EFFECT OF OUTPUT ON COSTS

It is certainly true in our industry, and probably even more so in ours than others, to say that the volume of output affects costs to a much greater degree than any other element. Therefore, when the time comes, as it surely must, when an adequate sum is spent upon the reconstruction and maintenance of our roads, the demand for our products will be spread more evenly over the year, accompanied by a decrease in costs and, we hope, an increase in profits.

The abnormally bad weather since the beginning of the current financial year which, as you know, dates from November 1st, adversely affected production and sales during the first three months, November to January; February and March, however, showed substantial improvement and in spite of the continuing bad weather, brought the five months' turnover fully up to that of the corresponding period of last year. As regards the remainder of the financial year, the board feels justified in anticipating continued improvement.

Your subsidiary, Amalgamated Limestone Corporation Limited, whose first accounting period will run to October 31, 1951, is still in its teething stage of development, but your directors are satisfied that its prospects appear to be most encouraging.

The report was adopted and the dividend of 10 per cent. for the year was approved.

CAPE ASBESTOS COMPANY

MOST SUCCESSFUL YEAR IN COMPANY'S HISTORY

The fifty-eighth ordinary general meeting of The Cape Asbestos Company, Limited, was held on June 7th in London, Mr Robert Walker, M.B.E. (chairman of the company) presiding.

The following is an extract from the Chairman's speech: This has been the most successful year in the history of our company.

The group's trading profit increased from £712,483 in 1949 to £913,960 this year. After the addition of certain credits and charging depreciation and other expenditure under specified headings, the amount of £715,971 appears as the net profit for the group, of which £695,075 is attributable to the parent company, after transferring to capital reserve £14,901 for pre-acquisition profits relating to shares of a subsidiary purchased during the year. Adding an amount of £7,542 withdrawn from stock reserve and £561,827 brought forward from previous years, there is £1,264,444 available for appropriation. After setting aside £334,481 for taxation, £115,508 to reserves and £97,534 for dividends paid and proposed, £716,921 is left to be carried forward in the books of the various companies.

Turning to the parent company's accounts, the trading profit amounts to £374,330, the comparable figure in 1949 being £171,826. Adding the amount brought forward from last year of £139,373, there is £513,703 available for appropriation. Taxation this year amounts to £193,166, and £80,000 is placed to reserves. The dividends recommended require £97,534, leaving £143,003 to be carried forward to 1951.

A considerable proportion of this increased profit arises from larger dividends paid by our South African mining companies in respect of their 1949 operations and received by us in 1950. In addition, each of your company's factories has shown improved results compared with last year.

In submitting their proposal of a final dividend of 15 per cent., giving a total for the year of 17½ per cent. on the ordinary shares, your board consider that this is a prudent and conservative assessment of the sum that it is equitable to distribute, having regard to the new capital and to the year's earnings.

FACTORIES

At Barking a record figure of production has once more been achieved, and plans for further extending the scope of our operations and improving their efficiency are in hand. In addition to our well-established products, our new, high quality Capasco moulded brake linings have met with marked success during the year.

At our Acre Mill factory in Yorkshire notable progress has been made and the factory has had a satisfactory year's trading. Here also plans are afoot for further improving and increasing output, and additional premises, acquired earlier, are now being prepared for occupation.

Our Kentmere diatomite plant has worked at full capacity, and this, combined with the manufacture of insulating compositions, now made extensively in these works, has resulted in a profitable year's operations.

At our Uxbridge works, although the situation is still not satisfactory, much knowledge has been gained in the initial stages of manufacture of special board products. A small but rising demand exists for these and Pluto Board sales.

Throughout the factories, and indeed in all our branches and subsidiary companies, there have been embarrassments caused by rising prices and more recently by shortages in the supply of essential goods.

The report was adopted.

DUNLOP RUBBER COMPANY

YEAR OF OUTSTANDING SUCCESS

RECORD PRODUCTION, SALES AND PROFITS

SIR CLIVE BAILLIEU'S SPEECH

The fifty-second annual general meeting of the Dunlop Rubber Company, Limited, was held on June 11th in London.

Sir Clive Baillieu, K.B.E., C.M.G., the chairman, in the course of his speech, said:—The activities and achievements of the Dunlop group of companies during the year 1950 have been notable in many ways. It has been a year of outstanding success, in which, at home and overseas, records in volume of production and in value of sales have been attained. Operating profits constitute a record, an outstanding contribution thereto having been made by our export and overseas activities. Not less than two-thirds of our profits came from this source.

You will note that after bearing the very heavy burden of taxation now demanded, by far the largest part of the increased profits earned in 1950 by the group, has been placed to reserve either in the parent company or in the accounts of the various subsidiaries at home and overseas. Thus reserves are strengthened for future contingencies and the provision of the further finance required under present conditions is eased.

RISE OF COMMODITY PRICES

Prices of commodities rose throughout 1950. The rise in the sterling cost of raw materials was initiated by devaluation of the pound in September, 1949, but was greatly accentuated by the uncertain political conditions prevailing throughout the year and by the demands for stockpiling.

The price of rubber during the period under review fluctuated between a low price of 15d. per pound and a high price of 68d. per pound. During the same period cotton prices showed an increase of up to 90 per cent. Such wide and sharp fluctuations in raw material prices create many problems for those who are responsible in a great organisation for providing its supplies of essential materials. The increased price of these materials during 1950 inevitably resulted in an overall increase in the selling price of our products.

Notwithstanding the increasing pressure on costs, we have always given our customers substantial benefits deriving from our inventories in a rising market.

High material costs also greatly increased the total capital requirements of the group. At the end of 1950, this was over £100 million compared with £73 million at the end of 1949, and £35 million at the end of 1939. Such high figures involve considerable financial risks which is an added reason for strengthening reserves out of profits.

SHARE ISSUE

Towards the close of 1950, we made a rights issue of ordinary shares, the principal purpose of the issue being to provide capital for our expanding fixed assets. At the time of the issue we indicated that considerable working capital requirements were also needed, and that we proposed to finance these by temporary borrowings rather than by fixed capital until conditions, and particularly raw commodity prices, had become more stable. The level at which prices will settle down is not yet sufficiently clear so that it is premature to try and determine what additional working capital we may require.

With the cash recently subscribed and the

increase in our borrowing powers we should for the time being have sufficient capital for our needs, unless there is a major change in the volume or profitability of our business.

Nevertheless it is pertinent to mention the coincidence that the amount payable in taxation by the group as a whole in respect of the year 1950, is almost equal to the proceeds of the recent issue of capital by the parent company. What has happened to the Dunlop Company in the course of a single year reveals in striking fashion the underlying weakness and the latent dangers of the fiscal and taxation policies which affect industry.

EXHAUSTION OF INDUSTRY'S CAPITAL

I do not think it is yet sufficiently recognised that increasing taxation of industrial profits is exhausting the capital resources of industry. The more this process goes on, the more must industry earn higher and higher profits with which to pay these taxes and maintain its capital, plant and equipment, without which industry simply cannot function. This vicious spiral of increasing taxes, higher costs, higher prices and greater profits only serves to increase inflationary pressures.

Attempts have been made to assess the degree of exhaustion of industry's capital. These are not yet conclusive, but the pattern is clear. Industrial resources are being steadily absorbed by the vast increases in the working capital requirements for which the profits of industry, high as they superficially appear to be, are in fact insufficient.

What is left is certainly inadequate to make good the growing deficiency of capital required to replace and modernise the permanent fixed assets. We have endeavoured to meet the position by making reserves out of taxed profits.

WITHDRAWAL OF INITIAL ALLOWANCES

The recent Budget has withdrawn the initial allowances which in the past few years have mitigated to a considerable extent the effects of the deficiency of capital. We have noted from the Chancellor's Budget statement that the decision to withdraw these allowances is made in the interests of our rearmament programme and that when this period of rearmament is over and we can increase home investment again, it will no doubt be desirable to reintroduce them. Notwithstanding that their withdrawal is intended apparently to be only a temporary measure, it must be recognised that these initial allowances did provide industrialists with a proportion of the immediate finance required for buildings and machinery.

Their permanent withdrawal would mean that there would be still less capital available for industry to maintain itself, let alone expand. It would indicate either that the evidence of the growing deficiency of industrial capital was unrecognised or that we had chosen to mortgage our future in order to sustain present policies. In the end the account would be presented and the nation would have to pay.

Industry must operate within the policies and plans, whether we approve them or not, of the Government of the day. To these we must conform our own policies and actions. But it is our duty no less than our right to raise our voice when we consider the stability

of employment and future production is imperilled by public policies.

STATE EXPENDITURE

I have in recent years expressed the opinion that a basic inflationary influence in our affairs has been the vast and menacing increase in state expenditure. I am, of course, aware that inflation is a hydra-headed monster and that an answer is not to be found alone in dealing with state expenditure. The failure of the state, however, to recognise its duties in this sphere has created an atmosphere of illusion and make-believe which has warped our thinking and our policies in recent years.

A high and extravagant level of expenditure has been sustained by the highest level of taxation amongst the great industrial nations of the world. The resources of industry essential for its replenishment and growth have been diverted into the hands of Government to satisfy the ever-mounting claims of the modern state. These policies have been justified in the interests of the Welfare State regardless of the menace inherent in them to the interests of the Welfare State itself and to the employment and standards of living of our people.

All of us desire to see in these islands, the highest possible standards of life and well being. But we cannot hope to preserve the gains of recent years unless we accept the hard facts upon which our existence as a nation rests. The Welfare State must rest upon a sound national economy and a foreign policy ensuring our national security. A sound economy means little more than living within our means, and this we are still failing to do.

NATIONAL SECURITY

National security must derive from a foreign policy, resting upon an adequate basis of power, both physical and moral. We are learning—I trust not too late—the price we pay, the hazards we run, when this vital principle of national safety is made subservient to local and domestic policies.

If we are to survive as a great commercial and industrial nation, supporting the population of these islands at a reasonable standard of living, those policies must ultimately be reconciled with the basic principles to which I have just referred. The resources of industry are not inexhaustible, nor can we plan our social and economic policies in a national vacuum.

THE FUTURE

We have not yet felt the impact of our rearmament. You may be assured that the productive resources of the group will be fully geared to national requirements, both at home and overseas, whenever they are needed.

We could have enjoyed a quiet, respected and relatively profitable life by confining our business to these islands. But we have chosen to respond to the instincts of our race, to venture abroad and, by so doing, seek to establish a firmer and wider basis for the development of our own business, and that of our country. Happily, this policy has been justified by the results which you see manifested today, in the splendid contribution made by our overseas interests to the profits of the group.

We have every confidence that for the future we are well placed to discharge our responsibilities to our country, to our shareholders and employees, and to all those who, in ever-increasing numbers, are customers for Dunlop products.

The report and accounts were adopted.

SUNDAY PICTORIAL NEWSPAPERS (1920) LIMITED

The thirty-first annual general meeting was held on June 8, 1951.

In opening the meeting the chairman, Mr H. G. Bartholomew, referred to the marketing of shares of the Anglo-Canadian Pulp and Paper Mills Limited, and disclosed that the company's interest in this marketing was limited to a total of 24,825 shares, the proceeds from which, he estimated, would be around £260,000. The deal depended on the exercising of two options. The cash proceeds from the sale will be utilised in the general expansion of the business.

In dealing with the accounts he said: We recommend maintenance of the final ordinary dividend at the same rate as previously.

Despite the imposition of additional newsprint rationing in October last, a further increase in the net sales of the *Sunday Pictorial* has to be recorded. Over the whole of the year under review, the average net sale was above 5,150,000 copies weekly.

ADVERTISING

The advantage of increased sales of the *Sunday Pictorial* is also reflected in the revenue from advertisements carried in the paper.

It is regretted that the effect of smaller size papers has necessitated a reduction in the advertisement space available in the columns of the *Sunday Pictorial* as compared with the previous year. How long we will have to impose restrictions of this nature it is impossible to forecast. Demand for space in the paper is so great—recognising as it does its value as an advertising medium—that these limiting conditions must, we realise, be of great inconvenience to our regular advertisers.

The picture before you would certainly have been much less satisfactory but for the benefit attached to the increased revenue from sales of the *Sunday Pictorial* and advertisements.

INVESTMENTS

All in all, total profit before taxation is some £38,400 more than in the previous year.

The main items on the balance sheet to call for comment are those related to our investments.

Certain of our quoted investments, including a trade investment, were sold during the year.

Unquoted trade investments include our interest in such companies as Reville Newspapers Limited, West African Newspapers Limited, West African Graphic Company Limited, The Argus and Australasian Limited—all newspaper publishing companies—and Anglo-Canadian Pulp and Paper Mills Limited—a newsprint company.

Reville Newspapers Limited, has recently announced its maiden dividend. It has also announced that the current net sale of its publication *Reville for the Weekend* is now in excess of 2,500,000.

The interests in West African Newspapers Limited, and West African Graphic Company Limited, are not large. The first publishes periodicals in this country dealing with West African affairs and a daily paper in Lagos, Nigeria.

The West African Graphic Company Limited, is now engaged in printing and publishing a daily paper in Accra.

The interest in The Argus and Australasian Limited, was acquired last year.

In conjunction with this interest we, in association with The Daily Mirror Newspapers Limited, formed during the year a proprietary company in Australia.

In consequence of the further substantial increase in the price we have to pay for newsprint, we, in conjunction with other national newspapers, have had to raise the retail price of the *Sunday Pictorial*. The compensation to be found by this increase is, at the moment, problematical, as it will be our objective to give as good a value for the higher price as we have been giving for twopence.

In closing this review I would again record a sincere "thank you" to all those members of the staff who, by their consistent efforts, loyalty and service, have contributed so much to these results.

All the Resolutions on the Agenda were approved, and at the extraordinary general meeting that followed a resolution to adopt new Articles of Association was also approved.

It was announced that a further extraordinary general meeting was to be called for the purposes of approving a resolution for the capitalisation of reserves and the issue in the form of a bonus of three new ordinary £1 shares, fully paid, for every £7 ordinary stock held.

THE DAILY MIRROR NEWSPAPERS LIMITED

The thirty-first annual general meeting was held on Friday, June 8, 1951.

In opening the meeting, the chairman, Mr H. G. Bartholomew, referred to the proposals recently announced to capitalise £1,400,000 of the reserves of the company and for the issue to ordinary stockholders of one new £1 "A" ordinary share for every £1 of ordinary stock held. These new "A" ordinary shares will carry no voting rights, but will rank *pari passu* in all other respects with the present issued ordinary capital.

He also referred to the marketing of shares of the Anglo-Canadian Pulp and Paper Mills Limited and disclosed that the company's interest in this marketing was limited to a total of 24,825 shares, the proceeds from which, he estimated, would be around £260,000. The deal depended on the exercising of two options. If the whole of the proceeds were received they would go a long way to covering the known capital commitments of the company.

In dealing with the accounts he said:—In considering the recommendations that we had to make as to the disposal of the available balance of net profit for the year of £404,742, we were conscious of the need to strengthen the company's cash resources. For this reason your board recommends that the final ordinary dividend be maintained at the same rate as last year.

The gross profit from trading of £811,645 has been derived from three main sources: from sales of the *Daily Mirror*; from advertisements, and on the contra side by reduction in the average cost price of newsprint consumed during the year. This reduced charge for newsprint was due in a measure to the use, through a major portion of the year, of relatively low-priced newsprint drawn from stock and through deliveries in the early part of the year at the then prevailing lower prices.

Throughout the year under review the public demand for the *Daily Mirror* has been maintained at a level in excess of 4,500,000 copies daily, and revenue from this source reached a new high level.

ADVERTISING

The demand for advertisement space in the columns of the *Daily Mirror* has been more than maintained throughout the year. This demand has contributed substantially to the revenue of the company.

It is a pity that, due to the increased severity of newsprint rationing, it has been found necessary to limit further the amount of space that can be made available to advertisers.

This year, dividends from our main subsidiary company—Anglo-Canadian Pulp and Paper Mills Limited—show a further increase.

Dealing with the charges against gross income, depreciation is not materially greater than last year. Taxation has been provided with due regard to the impact on the year's trading of the additional taxes created in the recent Budget.

Turning to the balance sheet, some £190,000 has been added to the figure at cost of our machinery, plant, etc.

Machinery deliveries are slow and well behind schedule. We are, however, hopeful that one new press will be erected in premises in Stamford Street during the current year.

The consolidated accounts of Anglo-Canadian Pulp and Paper Mills Limited make satisfactory reading. Earnings for the year to end December last represented 2.87 dollars for each share of that company's issued capital. Of this, it is the intention of that company to distribute 1.80 dollars per share by way of dividend during the calendar year 1951.

Steps have been taken to establish a quotation for the shares of the Anglo-Canadian Company on a Stock Exchange in Canada. To assist in this operation your company has agreed to sell a small number of shares at a price which your directors consider satisfactory. The number of shares involved is not large and does not affect our share control of that company.

INVESTMENTS

Certain additions have been made in our holdings of quoted trade investments.

Reville Newspapers Limited has reported a satisfactory year of trading and has recently paid its first dividend.

The publication owned by that company, *Reville for the Weekend*, has reached a new high level of net sales, which are now in excess of 2,500,000 copies weekly.

Our West African interests are making satisfactory progress. The *Nigerian Daily Times*, which is published in Lagos, has reported further substantial advances in net sales.

In Accra, we have the West African Graphic Company Limited. That company began publication in October last of a daily newspaper. The demand has greatly exceeded the capacity of the plant available and further additions to plant and premises are called for.

The increase in the total figure for unquoted trade investments is, in the main, explained by our having, in conjunction with Sunday Pictorial Newspapers (1920) Limited, formed a new proprietary company in Australia.

The capital subscribed has been applied towards financing the further capital requirements of our other interest in Australia, The Argus and Australasian, Limited.

It is quite impossible at this moment to assess with any degree of accuracy the likely effects on the current year's trading profits of the increase in the retail price of the *Daily Mirror*. In addition to the adverse effect of the high price of newsprint, other factors have to be borne in mind. Wages have risen, the cost of materials, fuel, carriage, etc., has also increased.

I take this opportunity of thanking all those members of the staff who, by their efforts, have contributed so much to the satisfactory results disclosed by the accounts.

All the resolutions on the agenda were approved. At the extraordinary general meeting that followed, resolutions increasing the authorised capital of the company to £4,000,000 and for the adoption of new Articles of Association were also approved.

TELEPHONE RENTALS, LIMITED

ANOTHER SUCCESSFUL YEAR

FURTHER EXPANSION OF OVERSEAS SUBSIDIARIES

RECORD INQUIRIES FOR SERVICES

MR FRED T. JACKSON ON THE PROGRESS MADE

The twenty-second annual general meeting of Telephone Rentals, Limited, was held on June 11th, at the Caxton Hall, Westminster, London, S.W.1, Mr Fred. T. Jackson, O.B.E., Comp.I.E.E. (chairman and managing director), presiding.

The secretary (Mr G. H. Field) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1950:—

It is with pleasure that I am able once again to report another successful year in which the company has made considerably larger profits than in the previous year. The accounts have been prepared in the same form as last year, and you will readily be able to compare the individual figures with those of previous years. There are, however, a few items to which I should like to direct your attention.

PROFIT AND LOSS ACCOUNT

The profit for the year, before providing for taxation, was £454,783, as compared with £366,475 for the previous year. This result is due partly to the steady expansion of our revenue, and partly to the reduction in operating costs and general and administrative expenses, though the provision made for the depreciation of our fixed assets is considerably higher.

Last year I referred to the decentralising of our London branch in order to give better service to our subscribers. This has been very successful, as indicated by the accounts—so much so that we decided to reorganise the engineering side of our business, the result of which is again reflected in the accounts before you. Also, to give credit where credit is due, our engineers, sales and office staff have certainly done their best towards consolidating the good relations we have with our subscribers. Our profits participation scheme has also had very definite effects on the results before you, for it has created interest and enthusiasm among the whole of our staff in the continued success of our business.

In order to give you a concrete example of this, practically the whole of the participation payment shown in the accounts has resulted in direct savings. For instance, the cost of maintaining our installations shows a reduction of £23,173 compared with 1949, although the rental revenue for the relative services has increased by £135,981 in the same period. If the cost of maintenance had increased proportionately to our rents, the additional expenditure in 1950 would have been some £46,700. In addition to this, new installations are being fitted with greater speed, efficiency and economy.

ALLOCATION TO EMPLOYEES' PARTICIPATION SCHEME

The amount allocated to the employees' participation scheme of £50,400 (the amount in the profit and loss account is reduced to £48,351 by an amount over-reserved in 1949) may be rather misleading to shareholders as compared with the dividends paid. I would like to point out that the amount provided for the participation in profits is shown "gross," as it is not possible to show it less

tax, as the employees have various code numbers, while the dividends have to be shown "net"; the gross amount of the dividends to shareholders for the year is actually £118,000.

To sum up, therefore, the successful year's trading is due to several factors, among which I might mention the reorganisation of the engineering department, the wholehearted co-operation of the whole of our staff—and the participation in profits scheme. The management consider this result a complete justification of the scheme, by which workers share in the profits at the same rate as dividends paid to the shareholders.

In conclusion, on participation, I ought to explain the comparatively large increase in the amount to be distributed this year. When we first introduced the scheme, we wanted to be sure that it would be successful inasmuch as it would give our employees a sense of partnership in the business, which would enable them to identify their own interests with those of the company. To this end, there was a qualifying period of five years before an employee became a participant. We reviewed this a few months ago, and from the results attained decided that we could reduce the qualifying period to three years. This decision meant that the amount of distribution, as included in these accounts, was increased by the sum of £9,400.

REASON FOR INCREASED CHARGES

Although we have been successful in reducing our operating costs, our charges for rent and rates have increased considerably, due to the fact that three of our branches have had to move to larger premises during the year. Other leases have fallen in and had to be renewed at greatly increased rates. These moves were inevitable and largely brought about by the rapid expansion of your business. In spite of all this, reduction in operating costs and general expenses for the year under review amounts to £14,454.

The profits tax and income tax charged against the profit include an estimate of the amounts payable on the profits under review at the rates now in force.

The dividends on both the ordinary and the preference shares have been provided, and the decrease in the reserve for the final dividend of 6 per cent. on the ordinary shares is due to the increase in the standard rate of income tax from 9s. to 9s. 6d. in the £.

The only other appropriation from the profits is a transfer to general reserve of £30,000, the total now stands at £350,000, and we carry forward to 1951 £149,147.

BALANCE SHEET

Referring to the assets side of the balance sheet first, a substantial amount has again been added to the amount invested in installations from which the major part of the company's revenue is derived. The original cost of the installations as at December 31, 1950, was £3,360,641, while the accumulated depreciation amounted to £1,381,058; leaving a net book value of £1,979,583, an increase of £175,686, compared with the total at the end of 1949. This net total value represents about one and three-quarter times the rental revenue for the year.

We have added to our freehold and leasehold properties during the year, principally in the purchase of premises to house our Glasgow branch, which has been very cramped for space for many years. Unlike the other three branches who moved during 1950, we were unable to find any premises to rent and were therefore obliged to purchase.

The increase in the amounts due from subsidiary companies is due to the further expansion of our Irish and South African companies which continue to develop their businesses in a satisfactory manner.

STOCK POSITION

You will no doubt recollect that in my report on the 1949 accounts I remarked that we hoped to reduce still further the stocks held by the company, and as you will see we have indeed made a very substantial reduction to the tune of £86,321, and this factor has helped our cash position considerably. The present level of stock and work in progress is a little below the safety level and is lower than we had anticipated on account of difficulties encountered in obtaining deliveries towards the end of the year. It is very probable, therefore, that by the end of 1951 our stock and work in progress figure will show an increase.

Turning now to the other side of the balance sheet, you will notice that the authorised capital has been increased during 1950 in accordance with the resolution passed at the last annual general meeting.

The share premium account shows a reduction of £2,500, representing the duty payable on the increase in the authorised capital.

Due to the increase in the general reserve and the substantially increased carry-forward on the profit and loss account, the total of the company's capital reserves and surplus has risen from £2,223,866 at the end of 1949 to £2,334,502.

The larger total of current liabilities is attributable mainly to the increase in amounts due for taxation, which, paradoxically, is one of the penalties we have to pay for developing our business and increasing our efficiency. In our business particularly, the high rates of taxation place an onerous burden on our shoulders, since it is robbing us of the cash which is so vitally needed to finance our constantly increasing new business.

CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As in former years, the consolidated balance sheet and profit and loss account have been prepared in similar form to those of the holding company. Apart from the movements already referred to, and which are reflected in these consolidated accounts there are few material changes to which your attention need be directed.

There are, however, just two items which I would like to explain, both of which appear under the heading of fixed assets. The first is an amount of £3,224 shown against patents and developments expenditure. This represents the balance of expenditure incurred by a Continental subsidiary company during 1950, for the purchase and development of patents, part of such expenditure having been charged against the profits.

The second item is the figure of £1,202 for goodwill. The reduction in this figure from £7,325 in 1949, is due to an increase in the capital of one of our Continental subsidiary companies effected by the capitalisation of undistributed profits in the amount of £6,123. I should perhaps explain that this figure of goodwill represents the net difference between, on the one side, the premiums paid in obtaining the shares in our South African companies, and on the other side, the excess of the nominal value of the shares in our foreign subsidiaries over the

figure at which they stand in the holding company's books.

Finally, the profit of the group before taxation is £480,935, compared with £388,286 for 1949. After providing for taxation, the transfer to reserve and dividends, the balance of unappropriated profits carried forward and attributable to the holding company's shareholders amounts to £175,092, as against £86,454 at the end of 1949.

CAPITAL

At our meeting last year I told you that we were approaching the Capital Issues Committee for the right to issue 400,000 5s. shares, fully paid up, by utilising part of our share premium reserve. This application was refused, no reasons being given, as is usual in such cases. We are renewing our application, but it is impossible for me to say whether or not permission will be granted.

THE YEAR IN REVIEW

Without entering into the realm of long-term prophecy, the results achieved for the first four months of this year are again satisfactory and should enable us to put forward accounts for the current year which will not compare unfavourably with those you are at present considering.

We have, however, to take into consideration the difficulties which not only face your company, but other firms in the industrial world, that is, the possibility of a severe shortage of materials. We have taken all steps in our power to prevent our suffering unduly, but I do wish that the Government would relinquish their bulk buying and leave the industries of this country to make their own arrangements for supplies.

During the year under review, your company has received a greater number of inquiries for its various services than ever before. The reason for this is probably reflected in the fact that your company is well known for the services it gives and the universal satisfaction of subscribers. Another reason is that for our operations in the field of time control and job costing your company is now recognised as an industrial consultant in the sphere of efficiency and time saving.

A COMPOSITE SERVICE

The title of your company—Telephone Rentals, Limited—no longer accurately describes your company's business, for we offer a composite service, which consists of telephones, broadcasting, time control and job costing. And, without exaggeration, the whole of these services are of the utmost importance in a period such as we are passing through at the present time, when shortage of labour is acute and reduction in production costs is essential.

Apart from the services mentioned above, we have added a new equipment to our time control services in what is known as "Centralograph." This enables the management of the textile industry in most of its ramifications to get the advantage of visible and recorded time on every machine through a record in the works manager's office. There is a likelihood that the uses of this apparatus will be extended to industries outside the textile, but at present our activities are being concentrated on the one industry.

What I have briefly told you of the activities of your company will give you a good idea of the progress which has been made.

The report and accounts were adopted and the final dividend of 6 per cent. on the ordinary shares, making 10 per cent. for the year was approved.

The retiring director, Mr J. MacMahon, was re-elected and the remuneration of the auditors, Messrs Chas. W. Rooke Lane and Company, having been fixed, the proceedings terminated.

BRIGGS MOTOR BODIES

RECORD VOLUME OF BUSINESS

MR W. D. ROBINSON'S STATEMENT

The sixteenth ordinary general meeting of Briggs Motor Bodies, Limited, was held on June 12th in London, Mr Stanley Worth Cochrane (deputy-chairman) presiding.

The following is an extract from the circulated statement by the chairman, Mr W. D. Robinson: Your board of directors is pleased to present a financial statement reflecting the results of the year when our volume of business, which was very largely for the export markets, broke all previous records, and new production programmes were introduced.

1950 was a year of great achievement for your company. The introduction of the new production involved large-scale re-arrangement of factory lay-outs whilst at the same time maintaining existing production.

The equipping of the leasehold factory at Southampton purchased during 1949 was substantially completed during the year and production at this factory reached a high level in the latter part of the year. Production at the Doncaster factory also maintained its valuable contribution to the total output of the company.

The net profit (after taxation) for the year amounted to £639,843 and compares with a corresponding figure of £654,572 for 1949.

The company was able to purchase during the year a further large leasehold factory at Southampton having some 260,000 sq. ft. of floor space. The further small factory at Croydon has also been taken over on a short-term lease. With these acquisitions the total operating space of the company's factories will exceed 2,500,000 sq. ft.

It is the company's aim to provide fair wages and steady employment for its employees. The rising spiral of cost levels generally and the lack of adequate material supplies has been the concern of your board, bearing in mind that the company's existence depends on the availability of material supplies and on its ability to sell its products at competitive prices. However, in November last the company granted a wage increase of 3d. per hour to its workers, and during the last year it was possible to organise our production and material supplies and maintain output at economic cost levels so that very few employees were discharged as redundant and no worker suffered through short time working. Whether this position can continue will depend to a large extent on factors outside the company's control.

The company has, since its inception, followed a conservative dividend policy, and consistently each year a large proportion of profits earned has been ploughed back into the business. The board are satisfied that it will be no departure from that policy for them to recommend as they do that the dividend on the ordinary shares be increased from 12½ per cent. to 17½ per cent., less income tax, in respect of the year 1950, which dividend is equivalent to 3-4 per cent. on the capital employed in the business.

As you know, the motor industry has been faced with shortage of sheet steel and other important supplies and we have recently been notified of still further reductions in sheet steel allocations during the coming months. It now seems fairly evident that we shall not be able to maintain our volume of output for 1951 at the record 1950 level and the results of the present year will largely depend upon the availability of sheet steel and other material supplies.

The impact of world rearmament is, of course, already having its effect upon our operations and some of our energies are being diverted from the making of peace-time products to those of defence requirements.

The report was adopted.

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS

MR H. ERIC MILLER ON INDONESIAN PROBLEMS

The forty-third annual general meeting of United Serdang (Sumatra) Rubber Plantations, Limited, will be held on July 18th in London.

The following are extracts from the review of the chairman, Mr H. Eric Miller, circulated with the report and accounts for the year ended August 31, 1950:

With the reoccupation of Nagodang estate in July, 1950, the company had regained possession of all its estates in Sumatra. We are left with approximately 27,413 acres of rubber (88 per cent. of prewar) and 4,252 acres of oil palms and gambier (43 per cent. of prewar).

In all the difficult circumstances it is much to the credit of our estate managers that we secured a rubber crop of 9,712,372 lb. in 1949-50, which closely approximates that harvested in 1948-49.

After writing off £52,500, approximately one-half of the rehabilitation expenditure, £31,231 depreciation of buildings, machinery, etc., and setting aside £35,000 for contingencies, we are left with an available balance of £94,130. The proposed dividend of 5 per cent., less income tax, will absorb £37,361, leaving a credit balance of £56,769 to be carried forward as against £54,273 brought in.

FUTURE PROSPECTS

As regards the year now current, while we have had the benefit of higher prices for rubber, there has unfortunately been a substantial fall in the crop secured, which for the eight months to April 30th was only 4,485,699 lb. as compared with 6,800,539 lb. for the same period in the previous year.

We are so much in the hands of the administration of the U.S.A. that their actions and decisions outweigh all other calculable considerations. They are aware of the importance of rubber to the economy of South-East Asia and have it in their power to maintain a reasonable price level for the commodity which plays so vital a part in modern transportation and finds so many other useful applications.

Out of our 1950-51 crop of rubber we have sold or contracted to ship some 3,600,000 lb. at an average equivalent to 4s. 2½d. per lb. landed London terms. Sale contracts for the whole of our 1950-51 output of palm oil and kernels have been effected at good prices.

Provided there is no further general deterioration of the situation in South-East Asia and the Far East, we are hopeful that conditions may become gradually more tolerable for the teeming population of the Islands of Indonesia, and for companies, like United Serdang, which have made a very real contribution to their welfare.

The transition to Republican self-government, following so soon after the Japanese occupation, involved strains and stresses which would have taxed the capacity of the most experienced of administrators. In the main, the present Government of Indonesia seem to be taking a more realistic view of the difficulties of running a country under present disturbed conditions.

There are indications that they recognise the need for Western co-operation in the rebuilding and development of their economy; the nettle of discord is grasped firmly now and if the Communistic and other disruptive elements are appropriately dealt with and discredited, I hope to see the day when United Serdang may again be in the very front rank of plantation companies.

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INSTITUTE OF COST AND WORKS ACCOUNTANTS

MR LAWRENCE ROBSON ON THE TRUE COSTS OF PRODUCTION

The thirty-second annual general meeting of the Institute of Cost and Works Accountants was held at the Dorchester Hotel, London, on June 2nd.

In the course of his address, Mr Lawrence W. Robson, F.C.A., F.C.W.A., the President of the Institute, said the year had been notable for the steady increase in membership and student registrations; the extension of branch activities; the announcement of the revised examination syllabus; the holding of the first summer school at St. Catharine's College, Cambridge; and the issue of research publications on "Budgetary Control and Standard Costing" and "The Presentation of Information to Management." Other notable events of the year were the visit to America of a team of accountants and managers under the auspices of the Anglo-American Council on Productivity, the issue of their report on management accounting, and the subsequent series of meetings held throughout the United Kingdom at which members of the team had discussed their report.

He also referred to the collaboration with other professional bodies for purposes of joint research, mentioning particularly municipal costing and the measurement of productivity.

The President paid warm tribute to the Institute Director, Mr Stanley J. D. Berger, M.C., F.C.I.S., whose efforts over the past 25 years have so largely contributed to the Institute's standing usefulness. He was also glad to announce that Mr Berger would shortly visit the Union of South Africa Branch.

The report and accounts were adopted.

At the conclusion of the meeting, the President invested Mr A. W. Muse, F.C.W.A., the new President, with the badge of office, and Mr Muse in turn presented Mr Robson with a miniature replica of the badge for his personal keeping.

BRITISH INDUSTRY'S TRUE COSTS OF PRODUCTION UNDERSTATED

At the twenty-second National Cost Conference, held on the previous day, Mr Lawrence W. Robson spoke of the onerous responsibilities of the accountant of today to the management he serves and the general public. He stated that, in his considered judgment, British industry is understating its true costs of production in both its cost statements and its published accounts. It was, he continued, the accountant's professional duty to draw attention to no uncertain terms to the deleterious effect that this artificial statement of costs is having on the current and long-term health of the national economy.

Two main factors cause the distortion of production costs:—

(a) The continuous development of inflationary conditions since the outbreak of war in 1939.

(b) The redistribution through the Budget of national income by means of subsidies and other forms of social expenditure that are, in effect, the payment of additional wages.

FALSE POSITION GIVEN BY ORTHODOX METHODS

It is true to say that it is now possible to prepare completely orthodox annual accounts for taxation which show a profit where, in fact, losses in terms of real capital have been severe. Taxation of this profit at current levels seriously reduces the capital resources of the undertakings concerned and if this trend continues it will cause a grave state of affairs in British industry.

The effect of subsidies and welfare payments is to hold down the level of wages and salaries and to lead to an understatement of industrial costs. These amount to nearly £1,000 million—about 10 per cent. of the national income and one-quarter of the total budget.

TERMS OF TRADE

Since the last war, the terms of trade have moved steadily in favour of the primary producing countries, and the trend has been aggravated severely since the outbreak of fighting in Korea. In spite of all we have done as a nation, the adverse balance on visible trade for the first four months of this year was about £305 million, and may deteriorate further. We should be most careful in these circumstances to see that internal fiscal actions do not distort our industrial costs. Yet wage restraint has only been made palatable by expending lavish sums on welfare payments, and these subsidies, besides being internal benefits, have become also an export subsidy which is a serious contributory factor in the deterioration in our balance of payments.

The present price relationship between British exports and primary products is such that in return for one Jaguar XK120 motor car we receive four and a half bales of fine merino wool; that is to say, in return for 3,896 lb. of magnificent car we get 1,125 lb. (one-third of its weight) of wool.

If the policy of subsidy was abandoned the national budget would be relieved of not less than £500 million, and the trades unions could then resume their proper function of agreeing with the organised employers what the true level of wages should be.

NEED FOR A NATIONAL ECONOMIC COUNCIL

The British Government seems to have taken on the task of directing our economic life without maintaining a sufficiently close relationship with those responsible for the achievement of our industrial production. "The Government," said Mr Robson, "would in my view be well advised to consider setting up immediately a National Economic Council representative of our industrial and commercial life."

GREEFF-CHEMICALS HOLDINGS

MR S. BAYLISS SMITH ON THE INCREASED DEMAND

The fifteenth annual general meeting of Greff-Chemicals Holdings, Limited, was held on June 12th in London, Mr S. Bayliss Smith, F.C.A. (the chairman), presiding.

The following is an extract from his circulated statement:—

I know you will all wish to pay tribute to our former chairman and managing director—Mr A. J. Thompson—who for 44 years has been intimately concerned with the management of this business. We very much regret his decision to retire on medical advice from the chairmanship and directorship of both this company and its operating subsidiary, but I am glad to be able to inform you that he has agreed to continue as consultant and you can be sure we shall make full use of his advice and long experience.

The net profit of the group before taxation is nearly £11,000 up at £73,667, and after providing for taxation amounts to £40,348, an increase of £8,501. This increase enables your directors to make an increased return to the ordinary stockholders, namely, an increase of 1½ per cent., making a dividend of 12½ per cent. and a bonus of 5 per cent., both less income tax. In maintaining the

ordinary dividend at 12½ per cent. we wish stockholders to realise that this percentage, on a long view, is one which the directors feel confident, subject to any major catastrophe, can be maintained in the future. By declaring an interim of 4 per cent., as against an interim of 3½ per cent. in the previous year, we indicated in November last that the trend of trade was favourable, and we shall continue to attempt to indicate the trend in future interim distributions, but, of course, it can only be an indication, as, when final accounts are prepared, provisions sometimes have to be made which cannot be foreseen earlier.

After providing for the final ordinary dividend and bonus, placing to general reserve in the subsidiary £12,500, as compared with £10,000 in 1949, providing for deferred taxation £4,750 and deducting preference dividend there remains £742, which has been added to the amount brought forward, making £19,070 to carry forward to next year.

I should perhaps refer to the provision for deferred taxation. During 1950 the company completed the building and equipment of a research laboratory at Newbury and has claimed the initial allowance to which they are entitled thereon of 60 per cent. of the cost. As this has had the effect of reducing the taxation charged for the year 1950 it was thought prudent to set aside an equivalent amount so that results for the year should not be unduly inflated and this provision will be utilised in the coming four years to equalise taxation in respect of that item.

THE OUTLOOK

While the first half of 1950 was one of normal trading, the effect of stockpiling and world shortages were beginning to be felt in the second half of the year, and this trend has been accentuated so far in the current year. The consequent increased demand for goods has meant that your resources have been fully extended, as is shown by the increase in the debtors and trade creditors in the consolidated balance sheet. How long this trend will continue it is not possible to say, but it would be prudent to be prepared for a recession in trade and prices once stockpiling has ceased. As Mr Thompson indicated in his last address to you, the adaptability of the business coupled with the close study of developments in and connected with the chemical and other industries have enabled the company to carry through in the past, and I have every confidence that they will do so in the future. I am glad to inform you that the manufacture of carbon black in this country, with which we are associated and in which we have an investment, is now in operation.

The other companies in which we have trade investments continue to prosper and the results are eminently satisfactory, as is shown by the increased return we have received. Two of your directors have visited the United States of America during the year with satisfactory results, and the associations with all our connections overseas are close and cordial.

It has been a year of hard work and the loyalty and enthusiasm of all, particularly of those who have been associated with the company for a number of years, deserves every commendation.

The report was adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

*The Reporting Manager,
The Economist,
22 Ryder Street, S.W. 1*

THRELFALL'S BREWERY

SATISFACTORY RESULTS

The sixty-fourth annual general meeting of Threlfall's Brewery Company, Limited, was held on June 7th in London.

Mr Frederick Cornwall (chairman and managing director) in the course of his speech, said:

It is with much satisfaction the directors submit the accounts for the past year, enabling them to recommend the payment of dividends (20 per cent.) and a bonus (2 per cent.) on the ordinary stock on the same basis as twelve months ago. Having in mind the general decrease in the consumption of beer, your board consider the results may be deemed highly satisfactory.

We are living under rapidly changing economic conditions, and it is, indeed, difficult at the present time to anticipate what the future may hold in store for us. Although industrial wages and salaries have been increased during the year and higher gravity beers generally have been brewed, which factors in normal times would have had a marked effect on our trade, the peculiar position has arisen that the fall in consumption has not been arrested. We have, therefore, before us a possible reduced demand coinciding with greatly enhanced costs of brewing which have risen substantially in recent years.

The net profit for the year after crediting £24,166 for adjustments in respect of prior years' taxation provisions amounts to £277,649, to which should be added the balance brought forward from last year—£204,768—giving a total of £482,417. After taking into account the final dividends and bonus recommended by the directors, which will require £100,804, the balance to be carried forward will be £202,258.

The report was adopted.

AULT AND WIBORG LIMITED

RECORD SALES AND EARNINGS

The seventeenth annual general meeting of Ault and Wiborg, Limited, was held on June 8th in London, Mr Gerald Wellesley, the chairman, presiding.

The following is an extract from his circulated statement:

I believe that shareholders and stockholders will be well satisfied with the progress

NOTICES

CANADIAN PACIFIC RAILWAY COMPANY.—(Incorporated in Canada with limited liability).—DIVIDEND NOTICE.—ORDINARY CAPITAL STOCK.—At a meeting of the Board of Directors held today, a dividend of seventy-five cents per share on the Ordinary Capital Stock in respect of the year 1951 was declared payable in Canadian funds on August 1, 1951, to shareholders of record at 3 p.m. on June 22, 1951. Of this dividend, twenty-five cents is attributable to railway earnings and fifty cents to income from other sources. By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, June 11, 1951.

CANADIAN PACIFIC RAILWAY COMPANY.—(Incorporated in Canada with limited liability).—DIVIDEND NOTICE.—PREFERENCE STOCK.—At a meeting of the Board of Directors held today, a dividend of Two per cent. on the Preference Stock in respect of the year 1951 was declared payable on August 1, 1951, to stockholders of record at 3 p.m. on June 29, 1951. By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, June 11, 1951.

A SENIOR RESEARCH OFFICER (Geneticist) is required for Malaya by a prominent Group of Plantation Companies. The post calls for a scientist with experience of genetical work on tropical cultures, if possible with special emphasis on oil palms. Exceptional opportunity to use large research resources at own initiative for work on the frontiers of present knowledge in this field. The appointment will carry a high remuneration.—Write with full details to Box 926, Dorland Advertising, 18/20, Regent Street, S.W.1.

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which we are pleased to report, sales and earnings having reached a record in the history of the Group.

Group profits before taxation amounted to £400,619, as compared with £331,255 for the previous year, and the company's profit to £397,754, as compared with £310,840. The directors recommend a dividend of 6½ per cent., less tax, and a further dividend at the rate of 18½ per cent. on the ordinary stock, making 25 per cent. in all. I have no doubt the stockholders will approve the larger distribution which we recommend today. It will be the first increase they have received for four years, although the profits of the Group have appreciated by 119 per cent.

Group exports have increased by 57 per cent., as compared with the previous year. This in itself is a remarkable achievement, exports having been made to 42 different countries. In these days it is difficult for any of us to look far into the future, but I think it right to state that your company's business is strong, healthy and active, and the expansion continues in every line which the company produces and sells. For the first few weeks of our new financial year, turnover has been substantially greater than during the corresponding period in 1950.

The report was adopted.

LUNUVA (CEYLON) TEA AND RUBBER ESTATES

INCREASED PROFIT

The forty-fourth annual general meeting of The Lunuva (Ceylon) Tea and Rubber Estates, Limited, was held on June 14th in London, Mr H. J. Welch (the chairman) presiding.

The following is an extract from his circulated address:—

Mainly as a result of the considerably increased selling price of rubber, and partly as a result of a slightly larger tea crop and price, the year's profit is £217,584, or more than double the equivalent figure for the previous year. The total dividend proposed has been increased by a final of 12½ per cent. to 20 per cent., against 15 per cent. for 1949.

Tea: Conditions for crop were more favourable than in 1949, and the total harvested for the year was 8,361,977 lb.—about 164,000 lb. above the estimate and over 300,000 lb. more than the 1949 crop—representing an average yield per mature acre of 769 lb. Costs of production are still rising and, although these increases have so far been largely offset by higher selling prices, that

state of affairs cannot be expected to continue.

Rubber: The profit from this product in 1950 was greater than for some years past. The crop was slightly more than in 1949 in spite of the smaller total area in tapping.

Estimated crops for 1951 do not vary appreciably from those of 1950, but estimated costs are higher. About half the estimated tea crop for 1951 and 138 tons of rubber (smoked sheet) have been sold forward at satisfactory prices.

Given reasonably stable political, economic and climatic conditions, we may hope that the results for the current year will be satisfactory to the stockholders.

The report was adopted.

GOLD COAST MAIN REEF

IMPROVING POSITION

The seventeenth annual general meeting of Gold Coast Main Reef Limited was held on June 8th in London.

Major-General W. W. Richards, C.B., C.B.E., M.C. (the chairman), said:—Members will have observed the severe drop in the profit to £9,937 for the year under review, as compared with that for 1948-49, which amounted to £63,616. We were able, nevertheless, to pay a dividend of 5 per cent., less income tax, by utilising a part of the unappropriated profit brought forward from the previous year.

Members will expect me to say a few words concerning the company's operations and profits for the current financial year, which ends on June 30th.

As regards the present operations, the deeper levels in the main shaft area between the 12th and the 17th level horizons are opening up reasonably well, although it is too early to form any definite comparison with the disturbed zone immediately above. On the whole, it is considered that the prospects are good; but we must await results from the next few months' work before forming a conclusion.

The mine working profit for the four months January to April, 1951, was £37,600, as compared with £9,000 for the same period in 1950.

We have now completed a pro forma analysis of the profits for the current year and, as a result, I am pleased to declare on behalf of the board an interim dividend of 5 per cent., less income tax, for the year ending June 30, 1951, and the warrants will be posted on Tuesday, July 10, 1951.

The report was adopted.

A BANKING CAREER IN THE EAST

THE EASTERN BANK LTD. has a few vacancies in executive positions for suitable men seeking to enter into a banking career in the East. Applicants should be between 20 and 25 years of age and unmarried. Applications, which should include particulars of banking training, should be addressed to The Secretary, The Eastern Bank Ltd., 2-3, Crosby Square, London, E.C.3.

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UNIVERSITY OF ABERDEEN

APPOINTMENT OF SECRETARY TO THE UNIVERSITY

The University Court will, in the Autumn, 1951, proceed to the appointment of a Secretary to the University which office will become vacant on September 30, 1952. It is intended that the person appointed should take up duty some months before the present Secretary's term expires.

Salary at least £2,000 per annum with F.S.S.U. and Children's Allowance. The University pays a proportion of removal expenses. Further particulars and form of application may be obtained from the Secretary, with whom applications should be lodged not later than September 30, 1951.

H. J. BUTCHART, Secretary.

The University, Aberdeen.

UNIVERSITY OF READING

Applications are invited for the following posts:—One Agricultural Economist and two Assistant Agricultural Economists in the Provincial Agricultural Economics Service. Applications should be submitted, not later than July 14th, to the Registrar from whom further particulars may be obtained.

UNIVERSITY OF READING

Applications are invited for a Research Fellowship in Rural Sociology, value £400 p.a. Candidates should possess good academic qualifications in the Social Sciences. Applications should be submitted, not later than July 14th, to the Registrar from whom further particulars may be obtained.

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Applications are invited for the post of Lecturer or Assistant Lecturer in Agricultural Economics. Salary according to experience and qualifications. Applications, together with the names of two referees, should be sent within three weeks of the appearance of this advertisement to the undersigned, from whom further particulars can be obtained.

T. MAELGWYN DAVIES, Registrar.

UNIVERSITY OF TASMANIA

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Applications are invited for the above position in the Department of Economics and Commerce. The appointment will be offered as Senior Lecturer or Lecturer Grade I, according to qualifications and experience.

The present salary grades for men (including cost-of-living allowance as in May, 1951) are as follows:—

Senior Lecturers: £A1,047—£A1,147

Grade I: £A817—£A1,017

The corresponding grades for women are 10 per cent less. A new grading is under consideration which may increase the salary for a Senior Lecturer to a maximum of about £A1,250, plus any future additions to the cost-of-living allowance.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is July 31, 1951.

UNIVERSITY OF MELBOURNE, AUSTRALIA

Applications are invited for the position of Ritchie Professor of Research in Economics.

Salary £A1,952 per annum (including £A102 cost-of-living allowance), subject to superannuation contributions.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is August 7, 1951.

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Applications are invited for the post of Research Fellow in Economics.

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Applications (six copies), giving full details of qualifications and experience, including the names of three referees, should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1, Gordon Square, London, W.C.1, from whom further particulars may be obtained. Closing date, July 7, 1951.

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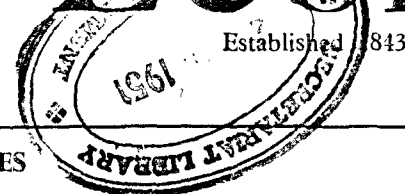
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Whether or not that was the right decision is, for the moment, beside the point. There is no present possibility that either of the other courses of action will be substituted for it. The practical alternative at this moment to allowing prices to take their natural course is not to remove the root causes of inflation: it is to drive inflation on to another course. By more rigid and more extensive price controls the Government might squeeze the profit margins of some companies; the main result would be to reduce company savings and to leave consumers with correspondingly more money to spend on other things. To the extent that they succeeded in getting more things—to the extent, that is to say, that the policy succeeded in doing what the trade unions and others want—the amount of the national output going into defence, exports and investment would be smaller than the Government thinks necessary. If, in fact, these commitments were maintained in spite of the extra pressure of consumers' demand, price control would have served no purpose; the money not spent on the artificially cheap, price-controlled goods would be chasing other goods that did not exist, and would be reflected either in more shortages and queues or in a faster bidding-up of the prices of non-essentials. The public would not, in either case, be better off; indeed, it would soon be worse off.

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This, the road of more control, is the wrong road for prices. The proper alternative is not, of course, to do nothing at all and watch prices rise. It is to remove the conditions in which rising prices have to be relied on as the means of curbing consumption. Here two methods of approach are possible. One, and in the short run the most effective, is to reduce money demand at its source; this is the method of budgetary and monetary policy—on which, unfortunately, the Government's views must for the moment be taken as static. The other possibility is to reduce prices, not by administrative fiat, but by cutting costs; it is, that is to say, to increase efficiency so that more goods are produced from the same effort and resources. This is the direct opposite of the policy of control: it is the policy of removing distortions that hamper efficiency, instead of imposing new ones.

Everyone pays lip-service to such a policy, but this week the Government has made a rare tentative step towards doing something about it in practice. A warm welcome should be given to Sir Hartley Shawcross's statement on resale price maintenance—on the practice, that is, by which the manufacturer or wholesaler insists that his branded products shall be sold at the same fixed price by every retailer in all circumstances. The Government has only reached the point of issuing, in effect for discussion, a general statement condemning all price maintenance but declaring that there may be some cases—which it does not try to define—where exceptions should be made. This is hardly the tactic (two years after the Lloyd Jacob committee published its exhaustive report on the subject) that will get legislation through Parliament at high speed, if the Government ever has the opportunity, and it would be rash to assume that the pure economic liberalism of the White Paper will survive untarnished through the processes of drafting and of Parliamentary pressure.

The practical importance of these reservations remains

to be seen. But if the spirit of the White Paper is in fact preserved, the Government will be making a determined attack on one of the most obvious of restrictive practices. Price maintenance is not primarily associated with monopoly or with price rings among manufacturers. It is designed to provide a comfortable life for retailers and to give manufacturers the feeling of security that goes with an "orderly" market. Its main economic effect is to prevent the consumer from getting any benefit by buying through the distributors whose costs are lowest—any benefit, that is, in cheapness; he may be forced to accept benefits in the form of better service that he would prefer not to have to pay for. Admittedly, two-thirds of the things the consumer buys are free from price maintenance; but those are, in general, the less standardised products for which he cannot easily compare prices for like qualities. In large sections of retail trade there is, therefore, hardly any price competition at all. The results are not open to serious dispute. They are not, it should be emphasised, that all retailers earn large profits. They are that the inefficient retailer survives too easily.

The White Paper insists that this economic criticism applies to all forms of price maintenance. The Lloyd Jacob committee—and also some Conservative speakers in last week's debate in the House of Commons—made a sharp distinction between price-fixing for his own product by the individual manufacturer and the collective action of trade associations designed to maintain the retail prices for all brands of a commodity. It is true that the individual firm has no weapon so effective, nor so repugnant to the sense of fair play, as the collective boycott and stop list, whereby a retailer may, in an extreme case, be put out of business altogether because he has cut the price of one commodity. It is also true that such action by the trade association may be, additionally, the means by which a price-ring among manufacturers keeps out competitors.

If the Government is right in deciding to forbid all price maintenance, whether collective or individual, it will—if it ever brings itself to legislate on such simple lines—have to answer two main objections more effectively than it has done in its first thoughts. One applies to the technically elaborate product, such as a motor car, for which the manufacturer is anxious to encourage good servicing arrangements; it would be unfair if the retailer who provided such services could be undercut, in the actual sale of cars, by one who does not provide them. This is a genuine difficulty: the lines of the solution are, presumably, that the manufacturer should be free to refuse supplies to a retailer who does not provide defined standards of service. But this would be a difficult condition to lay down and to make effective, without abuse, and the Government should have something to say about it. It does try to answer the other principal objection—the argument that orders for branded goods fluctuate seriously if retailers are free to sell them below cost, as "loss leaders" attracting custom to the shop. This case is no doubt much exaggerated, and the Government is probably right in thinking that it would matter very little as soon as the shopper had stopped expecting to see branded goods offered at the same price everywhere. But the implications of this mental revolution will have to be examined more fully before the Government can succeed in getting its case accepted.

These are, however, secondary points. The essential

point is that the Labour Government has at last decided to try to remove one of the basic rigidities of the British economy, and has chosen, in general principle, the right method of attack. One can only hope that, if it has the chance, it will persevere—and go on to be as radical not only about monopoly practices in industry but also about trade union practices, about nationalised industries, and about its own policies of control and subsidy. The truth, unfortunately, is more probably that the Government has

Breakdown in Persia

THE blame for the breakdown of the Anglo-Persian negotiations for a nationalised oil industry lies squarely on the Persian government. They stated as their minimum terms for beginning to talk that 75 per cent of the company's revenue from oil must be handed to them from the date of "nationalisation." The company replied that 25 per cent of that revenue would not provide an adequate return for the capital and effort required for its operations in Persia—a contention supported by all the principal American companies. There is a limit beyond which operations in a foreign country are not worth while. The Persian demand exceeded this limit and afforded no guarantee of future security. Indeed, it read as if it had been framed with intent to force the foreign investor to get out and to stay out. The oil company's negotiators are expected to be back in London this week-end.

Could the Anglo-Iranian Oil Company have done more, since the negotiations started, to keep the door open to compromise? It seems doubtful. The company had fallen in with all Persian requests for meetings and visits. Knowing that the Persian exchequer was in dire straits for ready money, it had offered the financial sweetener that has throughout been advocated by the Americans as a means of producing a less strained mood in Persian government circles. It proposed, as a temporary alternative to the Persian demand for a percentage of the oil revenue, to make an interim payment of £10 million immediately and of £3,000,000 monthly while the future of the industry was under discussion. But Persian tempers had been allowed to run far too high to be abated with mere money. The company was also ready to vest its assets in the National Iranian Oil Company, which would grant them to a new mixed company with a number of Persian directors. This suggestion also was turned down. It is impossible to deal with men who are deaf to all arguments, economic as well as political.

There are some who contend that the company would have done better had it been tougher. In the economic field it has, since its delegation arrived in Teheran, carried toughness as far as ordinary words and decisions can take

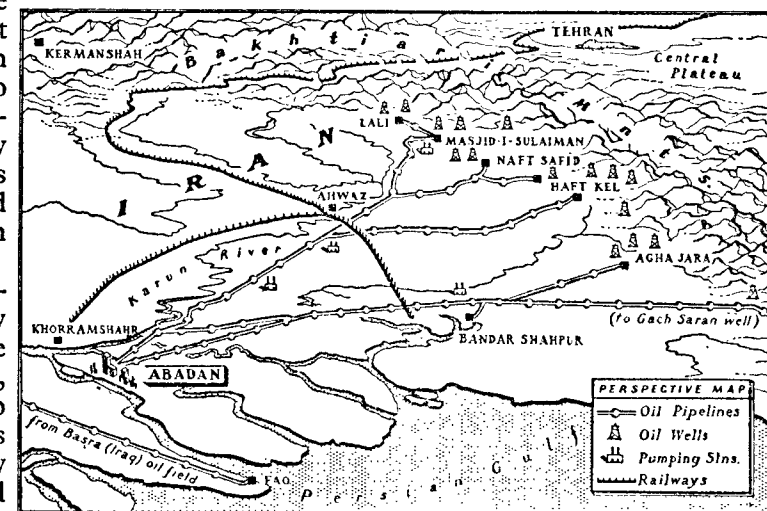
hit on one section of the right road for prices because its present desperation makes it explore every road. It is difficult to detect the millennium round the corner in a policy that promises to ease the economy of one set of clamps but promises to screw down another set, in the form of stricter price controls. But even if it is for offering no more than a hopeful gesture, the new President of the Board of Trade has earned some congratulation.

it. To do more would have entailed the backing of force. One glance at the map of Persia reveals how great would be the force needed for toughness in an area which includes not only the Abadan refinery but hundreds of miles of pipelines and a string of wells stretching for over 200 miles along the fringe of the Bakhtiari mountains. What western power could, at its present strength, spare the force for so spreadeagled an operation? Would the result be worth the effort? Would the chance of success justify the gravity of the risk? The free world would be saved some discomforts from a shortage of oil which will, for several months, be very great. But the price of the effort would be the pinning

down of a task force at a fresh point in Asia in conditions that would be satisfactory only to Moscow. The single justifiable use of British force in the Persian oil-fields would be to save British life if that were to be threatened during an evacuation of the area. Mr Morrison did well, in his statement in the House of Commons on Wednesday, to make it clear that British subjects would not be left defenceless and in jeopardy.

The only hope, therefore, of stopping the Persians from perpetrating acts that are more damaging to their own prosperity than to that of any other country is to bombard them with economic, not military arguments. Unfortunately it seems that part, at least, of Dr Mossadegh's team is impervious to any such pounding. The Persian authorities are still speaking with several voices, the most extreme of which is that of Hussain Makki, *rapporteur* of the liquidation commission now in Abadan. Some new edicts from Teheran amount to a back-handed method of obtaining the financial result that the AIOC delegation turned down. It is difficult to see how the company could continue operations under such a condition.

At Abadan itself Hussain Makki's desire to turn off valves, to stop the flow of oil and to seize the refinery seems temporarily to have been checked. This respite is all to the good, for he seemed, in the height of his nationalism, to have snapped his fingers at the danger that such acts, if performed by inexperienced hands, can throw out of its delicate balance, and irreparably damage,



valuable pumping and refining machinery that Persia can ill replace, and that is insured for £78 million. Few of the 5,500 Persians of staff grade at Abadan and in the fields are managing technicians, but there are many who know enough to work parts of the apparatus. Mr Makki mentioned an output of 8,000,000 tons a year as a figure that could be managed were the British company to pull out. Even at this rate, the dearth of Persian technical experts is such that some foreign technicians would be necessary. And in making his statement Mr Makki appeared to ignore two non-technical problems that have entered far too little into the Mossadegh government's calculations. The first is that of creating sudden unemployment not only among the company's 48,000 Persian workers, but also among the further 12,900 workers employed through Persian contractors on building connected with its expanding output and social services. Contraction of operations must throw great numbers of these people out of work. The second problem is that of mitigating Persia's growing reputation as a bad employer of foreigners. A country that has within the year refused to parley with its British concessionaire, and discourteously sacked the American firm of consultants which it had engaged to help execute its Seven Year Plan, must make itself more attractive if it wants to secure the best type of foreign technician.

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It is still uncertain whether the last word lies with the more extreme members of Dr Mossadegh's team. Undoubtedly, Persia contains many thinking men who are vastly uneasy at the turn events have taken. One or two have had the courage to speak out, but they tend to be shouted down. It seems that, owing to Dr Mossadegh's weakness in allowing free rein to extravagant statements, the crowd has taken charge, and no action can be taken except by a government that can command its allegiance. Dr Mossadegh, armed with his thin but catchy nationalisation slogan, has yet to lose this. Were he to do so, the only other discernible candidate for public favour is the Tudeh party. Even the Shah, backed by a strong team of elder statesmen, would now find difficulty in using the wide public esteem for his office to capture support for negotiation with foreigners. A task so difficult is repellent to any Persian, who, proverbially, prefers swimming with the stream.

A debate on Persia is taking place in the House of Commons as *The Economist* goes to press. But it can alter matters little. The next step lies with the Persians.

If, as seems almost inevitable, they take measures that greatly reduce Persia's oil exports, the dislocation imposed on the free world's oil supplies will temporarily be great. As a result of the Korean war stocks are at maximum almost all the world over, and producers and consumers will have a few weeks of grace in which to adjust their purchasing, shipping and loading arrangements. But the next nine months will be hard. The principal markets that are likely to be affected will be those east of Suez, including South Africa, which take nearly three-quarters of Abadan's refined products. The whole British and western European refining programme is dependent on Middle Eastern crude oil, and the loss of Persian crude would affect these new plants at a critical time, though they could be supplied, after a time, from other sources in the Middle East. Persia produced in 1950 32.3 million metric tons, compared with 26.9 million tons by Saudi Arabia, 17.3 million tons by Koweit and 6,500,000 tons by Iraq, in all of which the rate is rising. But the serious consequences of Persia's step lie in the threat to economic expansion and the defensive preparedness of western Europe.

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Recriminations do not sound well at a moment of crisis. Yet praise for the company's conduct of its case in the last few weeks, and for the support it has had from the British Government, has to be tempered with the comment that both have, in the two years since the Supplemental Agreement was initialled with the Persians, taken Persian grumblings and prevarications too smugly, and failed to take any action calculated to forestall the outburst of passion that now threatens to end the Persian part of British oil operations. From Mexico the warning had already been sounded that, once nationalism takes charge, the prospect of mere loss of money and destruction of valuable assets does not daunt the nationalist. "Nationalisation" is a mid-century fashion. Even though it may be demonstrably unprofitable, nationalists still want to try it. It remains to be seen whether the fever will spread to the other oil-producing states of the Middle East or whether they will sensibly wait and see what happens to Persia's fortunes if and when it attempts to run its industry for itself. Some of Persia's neighbours are far more cautious, but that does not make them immune from the ferment of nationalism. The lesson of Persia is to underline the new problems of co-operation between Western enterprise and underdeveloped territories, and to demonstrate that they cannot be solved by old methods.

France Moves Right

THE French elections have removed an important stumbling block from the path of the western alliance. Until they had been held, it was impossible to be sure that France, at the centre of the whole western defence system, could pull its weight. This is not to deny the weakness of the political *impasse* in Britain and the gathering uncertainties which already begin to spread their shadows a full year before the 1952 Presidential election in America. But there is now hope, after the elections, of a fresh and a stronger assembly in Paris on July 5th. That, however, is about all that can be said. While the technical results of the election are good in that Communist representation in the Assembly has gone down sharply, it is most depressing and, indeed, alarming that half the French electorate should vote for one or other of the two extreme parties—the Gaullists or the Communists. After three years of Marshall aid and with the remarkable improvement in the French economy, this result does not promise well for the next five years of French democracy.

The immediate problem is to form a government. If France were Britain, the head of the state would be under a constitutional obligation to call first on the leader of General de Gaulle's party in the lower house to try to form a Cabinet; the Gaullists—the RPF, the *Rassemblement du Peuple Français*—are now the largest single party in the French chamber. It is not yet certain, incidentally, who their parliamentary leader will be—though M. Soustelle is a likely choice—since the General himself did not stand as a deputy and M. Capitant, a former leader, lost his seat; but it is not constitutionally impossible for General de Gaulle to be Prime Minister, even though he is not in the Assembly. There is, in fact, little chance that if the President, M. Auriol, does call on the RPF this would be more than a formality. The General would not, and could not at this stage, form a government, since he would have to rely not only on the small right wing parties—the PRL (*Parti Républicain de la Liberté*), the Independents and the Peasant party—who now have almost a hundred seats between them but on another hundred members of the Third Force as well. Hence it seems that the Third Force itself, standing together, fresh from the triumphs of its electoral *apparements*, and representing a much larger block than the Gaullists, must form the first government. As the main trend of the election has been a swing to the right, M. Auriol is expected to invite someone not too far to the left but who might retain the confidence of the Socialists; the name of M. Pleven is being mentioned. If this is unsuccessful then the invitation may go to a Radical: if not to M. Queuille, then to M. Daladier, M. René Mayer or M. Petsch.

In any event, it seems likely that a new Third Force administration—or successive administrations—will govern France at least for some months after last week's elections. What will be their position? Looking back on the elections, the leaders of the Third Force will know that they have the backing of most of the citizens of metropolitan France and Algeria; in spite of the Gaullist gain, it was clear from the polls that Frenchmen do not want a fundamental change in the way they are governed. Looking around the Assembly, however, they

will be very conscious of their inability to secure a clear majority by themselves; they need the support either of the smaller right-wing parties, as would the Gaullists, or of the Gaullists themselves. This means—and here is the second main lesson of the elections—that a new element of considerable strength has emerged, the Fourth Force of rightist parties of which M. Paul Reynaud is the natural leader. There has in fact been a shift in the parliamentary balance of forces inside the Third Force itself and this has inevitably weakened the combined progressive influence of the Socialists and the MRP.

A very important question which emerges from the election is the role that General de Gaulle intends to adopt. His party has now gained a powerful position in France. Although the electoral law favoured the RPF as compared with the Communists, so that it has more seats in the Assembly than they have, it came a close second only to them in the number of votes that it polled. The RPF could not have achieved this result without winning the support of men and women from all sections of the community. And whether or not General de Gaulle finds himself outside the government during the next few months, while the leaders of the Third Force once more steer their way—in a stouter ship—between the Scylla of Gaullism and the Charybdis of Communism, a heavy responsibility now lies on the General's shoulders. For sooner or later, in the absence of new elections, the fate of the Third Force will assuredly turn on its relations with the RPF.

General de Gaulle can either show willingness in due course to join a coalition or he can refuse to do so. Since he cannot govern France alone and since he has now put his RPF to the electoral test—he long since forswore any intention of trying to seize power outside the constitution—there can be no question in which direction his logical duty must lie. He owes it to those who have voted for him, and to the France for which he stands, to join in the work of government. If he does, his party would almost certainly come to make its permanent mark on the political life and history of his country. If he does not, his own supporters may begin to drift away; but they will not transfer in sufficient strength to bring effective support to the Third Force in its primary struggle of defending the democratic method and the future of France itself against Communist attack. General de Gaulle has a great opportunity to bring an element of determination into French democracy that has hitherto been lacking in the Fourth Republic, by using his mass party as a firm but constitutional right wing against which a non-Communist left—can afford on occasion to go into opposition.

The weakness of France, as resort to the new electoral law in the latest elections has shown, lies not only in hesitation to resist the threat of Soviet imperialism abroad, but in preoccupation with the fight against the Communists at home. It is fanciful to suppose, as some British admirers of France assert, that a French Communist state would be much more French than Communist. That would be as inaccurate as similar judgments made about the new China. The French Communist party, led by men who know precisely where they are trying to go and sufficiently adroit to persuade



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just over five million frustrated but misguided citizens to vote for them, occupies a key position in the Soviet tactics directed against the people of Western Europe. The party is too big and too dangerous for compromise. The parties of the centre and right, for all their own differences, have had to band together and, in effect, to limit the free working of full democratic debate. Hence the paradoxical outcome of the elections: the democratic forces have emerged stronger and with a new opportunity to make the parliamentary system work effectively;

PROVISIONAL ANALYSIS OF RESULTS

Party	Com- munists	(Third Force)			(Fourth Force) Conser- vatives	RPF
		Socialists	MRP	Radicals		
Votes (000)	5,489	3,432	5,058	2,381	2,466	314
Percentage of votes	28.6	17.9	26.4	12.4	12.8	1.6
Seats	177	99	143	60	86	25
Votes (000)	5,039	2,764	2,354	2,194	2,497	4,135
Percentage of votes	26.5	14.5	12.3	11.5	13.1	21.7
Seats	201	104	86	95	99	117
Loss or gain of seats	- 76	+ 5	- 57	+ 35	+ 13	+ 92
Loss or gain of votes (000)	- 450	- 668	- 2,705	- 187	+ 31	+ 3,821

As will be seen from the table the Third Force together lost 3,560,000 votes for a loss of 17 seats. The Communists, on the other hand lost 76 seats for a loss of 450,000 votes. Within the *appartements* the Socialists who lost 668,000 votes managed to win 5 seats.

but the Communists have come through with their backing in the country not seriously impaired and have been provided with a grievance—that they have been defrauded of seats—which they are already busy exploiting. If the opportunity ever arose, it could give them a dangerously plausible excuse for a *coup d'état*.

Compared with the rise in the Communist poll at the recent Italian regional elections over the figures for 1948, the fall in France is satisfactory. It is also more important that three-quarters of the French electorate should

vote against the Communists than that one in four should vote for them. Nevertheless, the drop of only 3 per cent shows how hard is the core of French Communism. The main reason for this small decline in voting strength is that there is still no alternative to the Communists as a working class party. Until the French Socialists, or some other party of the left, can really represent the feelings of the men at the bench and the plough this condition is bound to persist, to the detriment of good government and ultimately to the danger of the state. As it is, there is an unhealthy smugness in Paris about the way in which the Communists have been jockeyed out of their seats. At the same time, it should be remembered that, in any country not conditioned to proportional representation, the loss of a majority in a given constituency is unequivocally accepted as defeat. In Britain, governments have often ruled with a majority in the House of Commons but a minority of the votes cast.

At the present pace of French economic recovery and with the new sense of security which is beginning to grow with every month of the North Atlantic alliance, the face of France is changing. It was not for nothing that M. René Pleven, as Prime Minister, and President Auriol went to the United States in February and April to make ringing speeches that made the western world put new hope and trust in its French ally. In these elections France has repudiated Communism as a governing force and has chosen its path for the next five years. For the French themselves, the task is now to improve the technique of government and to see that the Assembly tackles great economic and political problems with a higher sense of reality and purpose. Nothing would better encourage France's western partners to put new faith in the good sense of the French people and in the destiny of France.

Two Kinds of Inflation

ALL economic, and most political, discussions today are dominated by the spectre of inflation. In the past nine months money has been visibly losing its value from week to week; the stage has been reached—and it is potentially a very dangerous stage—when, for the first time in British history, the man-in-the-street is aware that his money cannot be relied upon to keep its value. For politicians—at least when they are in their constituencies—the rising cost of living has become almost the most crucial issue of the day. And on the world stage, there has recently been a weekly series of reports by one international body after another viewing with grave alarm the ravages of inflation and summoning the nations to action against it.

Unfortunately, the more the public mind becomes concerned about inflation, the more muddled it shows itself to be. This has been made very plain by the public discussion of Mr Gaitskell's budget and of the suggestions for a revaluation of the pound sterling. The muddle arises almost entirely from one fact: that a state of inflation and a state of rising prices are generally spoken of as if they were one and the same thing, whereas in fact not only are they quite distinct phenomena but they can even be in contradiction. One of the chief requirements for clear economic thinking today is to insist on the distinction.

The basic meaning of inflation is a state in which the flow of money being offered for goods and services in general is in excess of the value, at existing prices, of the supply of goods and services in general available for purchase. Inflation is "too much money chasing too few goods" and its essence consists in the excess of demand over supply. It is true that in a perfect market a state of inflation leads at once to a general rise in prices—and even in a planned economy, provided there is any freedom left at all, some prices will tend to rise. Hence the confusion between the two phenomena. But it is not impossible to imagine circumstances in which perfection in planning and control prevented a state of inflation—an excess of demand over supply—from causing any price increase at all. There would then still be inflation, but the index numbers of prices would be stable. Britain had plenty of experience of something approximating to this state of affairs in the Daltonian era. The effects of suppressed inflation differ from those of the more familiar open inflation; but they are effects of inflation all the same.

Not only is the rise in prices not the same thing as inflation; it is, in a sense, nature's cure for inflation. This can be illustrated by the simplest possible example of a classical inflation. Let us imagine a community with a national income of, say, £10,000 million and enjoying

both stable prices and full employment. The government thereupon decides to embark on a rearmament programme which, it is calculated, will require about one-tenth of the community's resources, and further decides to finance it not by taxation but by the creation of £1,000 million of credit. This is inflation; the flow of money coming on to the market is increased by one-tenth; in a state of free markets prices will rise, on the average, by something like 10 per cent; and if nothing further happens, private consumption will be reduced by one-tenth and the government will find itself in possession of the resources it requires. The rise in prices, it should be noted, is the means by which demand and supply are once again brought into equilibrium; if nothing further happens, the new flow of money will equal the old flow of resources at the new price level. The rise in prices, so far from being synonymous with the inflation, will have destroyed it. Of course, in practice, other things do happen; most notably, trade unions and others insist on increasing their money incomes to compensate for the rise in prices and a new bout of inflation starts—the celebrated vicious spiral. But it is the increase in the incomes, not the rise in prices, that provides the impetus to the spiral. Rising prices, by themselves, must be disinflationary, since they reduce demand relatively to supply.

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This excessively simplified model of a classical inflation can now be compared with a different state of affairs. In this second example the flow of money demand is not the first to rise, sucking up prices after it, but it is prices that take the initiative by rising. This could come about, within one country, by a devaluation of its currency, causing all imported foodstuffs and raw materials to go up in price; or it could happen in consequence of a rise in prices, induced by inflation, in the outside world; or, of course, by a combination of the two. In these circumstances—if this is all that happened—there is no inflation inside the country at all. Nothing has happened (in this simplified example) to increase the flow of money incomes or of money coming on to the market in demand for goods and services, but some of the goods have become more expensive. Taken quite by itself, this is an example of how there can be a rise of prices without any inflation—indeed, with the opposite of inflation. In real life, of course, incomes begin to be pushed up and the spiral begins to revolve; but, once again, it is the rise in incomes, not the rise in prices, that is the inflationary factor.

In common parlance, both these states of affairs are described as "inflation," although in many ways they are the opposite of each other. The confusion would be eliminated if everybody could be induced to use the word inflation only of the first state of affairs, and to call the second a rise in prices. But after all these years there is really no prospect at all of carrying through such a semantic reform; the public will go on calling both of them inflation. That being so, the second best course is to insist on all occasions that there are two kinds of inflation, income inflation and cost inflation. And perhaps this is not, after all, too misleading a procedure since the one invariably leads to the other. The two types are connected as closely as diastole and systole in a heart-beat: the sucked-up prices of demand inflation become the upward-pressing costs of cost inflation; the extra purchasing power released, in the interests of full employ-

ment or in response to complaints of the rising cost of living, renews the sucking-up process, and so *da capo*. Indeed, both systole and diastole may be found simultaneously in different sectors of the economy: the price of fuel, for instance, may be getting pushed up by higher mining costs while the price of uncontrolled house room is still being sucked up by excessive monetary demand; on the railways wages may be pushed up by the cost of living and in the mines sucked up by scarcity values; suction may be most important in the field of capital goods while pressure is most effective in that of consumer goods.

Nevertheless, one or other of the two types of inflation predominates at any one time. In Britain since the war, income inflation was clearly uppermost until about the end of 1947. Sir Stafford Cripps went a long way in 1948-49 in getting it under control, so much so that by the autumn of 1949 it seemed possible to risk the dose of cost inflation implicit in the devaluation of sterling. Unfortunately, the dose was very greatly strengthened by the world-wide scramble for materials that followed on the Communist aggression in Korea—an income inflation so far as the outside world is concerned, but a cost inflation in its impact on Britain. There are a few signs that the impetus of this cost inflation may now be slackening; but it is unfortunately only too likely that the development of the rearmament programme will give rise to a new income inflation a little later on.

Not only is the distinction between income inflation and cost inflation clear in theory, it is important in practice. For one thing, it has important political consequences. Income inflation produces a kind of economic euphoria. To have money burning holes in one's pocket, even if the objects on which one would most like to spend it are generally rationed, allocated by hard-to-get licences, or perpetually elusively "on order," gives a deceptive feeling of wealth, a welcome surcease from the mental and moral strain of balancing one's budget. The fixed-income groups are, of course, in different case; but in an income inflation they are by definition in a minority, since an income inflation is a state in which the average income is increasing faster than prices. But cost inflation, again by definition, hurts the majority; by burning up the money instead of the pocket lining, by turning personal and business budgets into an obsessive nightmare, it causes far more lamentation, far more demands that someone shall somehow do something to stop it.

Obviously the best and the only effective way of stopping either kind of inflation is to remove its cause. But in the case of an income inflation, that would involve reducing the average money income—in the simplified example given above, by paying for the rearmament programme entirely out of additional taxes—and that may be difficult for politicians to contrive. In the case of a cost inflation, it may be impossible to remove the cause if that cause lies abroad. Anti-inflationary policy therefore usually concentrates on attempts to prevent the spiral from beginning to turn—that is, to prevent diastole from giving rise to systole. And it is here that the distinction between the two is of most practical importance, since the measures to be taken may be very different in the one case from the other. A few over-simplified examples may make this clear.

If income inflation is in the ascendant, there is some chance of preventing prices from rising by administrative action. There is at least no compelling necessity, in the

profit-and-loss accounts of the producers, for them to rise, and if they rise at all it is only in response to the excess of demand. A mixture of price controls and rationing may therefore work. True, it can work only at the cost of a tremendous administrative apparatus, for it will have to be progressively extended over the whole economy (as otherwise the surplus of purchasing power will simply spill over from one object to another); and if resources are not allowed to be shifted—into rearmament, for example—by the attraction of higher prices, they will have to be directed by administrative fiat. Still, the task is not inherently impossible; whereas in a cost inflation prices cannot be stopped from rising and attempts to limit the rise will cause supplies to dry up. In this situation rationing is unnecessary, since rising prices impose “rationing by the purse.” Again, subsidies in aid of the prices of food and other necessities are harmful in an income inflation, since they prevent the excess of purchasing power from being absorbed, but

merely divert it with redoubled force on to unsubsidised items; while in a cost inflation, subsidies, if they can be afforded, may be a means of preventing the spiral from beginning to revolve.

These examples, it should be emphasised, are very over-simplified. It is not part of the intention of this article to make recommendations for policy in any actual circumstances, where there is always a multitude of sometimes contradictory factors at work and where the practical limits of action have to be taken into account. Indeed, if from this exposition any moral at all emerges, it is surely that the process of conscious control of the economy is one of great difficulty and complexity, requiring an infinite delicacy of technique if it is to be mastered. Possibly it can be handled by democratic methods, the technicians convincing the politicians and the politicians convincing the electorate, all within a time limit before diastole once more gives way to systole. But no one should imagine that it is easy.

NOTES OF THE WEEK

Korean Anniversary

No one will want to celebrate the first anniversary of the Korean war that falls on June 25th; but it offers an opportunity for reflection which statesmen and public opinion should not let pass. Most of the peninsula has been devastated in a campaign that has twice swung from north to south and back again; the toll in civilian lives has been ghastly, and there is an immense task of reconstruction to be done when the fighting stops. The long-suffering and bitterly divided Korean people will be asking whether it has been worth while. In the United States and this country—as indeed in all the countries that have contributed contingents to the United Nations forces—there will be the poignant thought of losses: 20,000 Americans killed and missing, and 44,000 wounded; 2,000 British killed and missing, and 750 wounded. The question whether it has been worth it merits an honest answer.

In terms of crude political and military calculation it has been worth it; but there has been also the moral gain, now so seldom mentioned. What would have been the state of mind and conscience in the free world if the act of aggression a year ago had passed unchallenged, if Korea were now a Communist state, pointing at the heart of Japan? There would have been again the sense of guilt and cowardice of 1938; the mood in which rearmament is being tackled would have been more nervous and emotional, notably in the United States; the smaller allies of America and Britain, especially those on the very frontiers of the Soviet empire, would have felt more frightened and more sceptical than some of them already are of the ability of the members of the United Nations to defend them. Few would have respected any more the idea of collective resistance to aggression; and without respect the idea would have lost its power both to attract loyalty and to deter aggression.

The political gain has been immense. Many in Asia think worse of the white man for the way he has won a victory on the Asian mainland; but many are less confident than they were that the future in the Far East and southern Asia lies only with Communism and the friends of Peking. A limit has been firmly set to what is tolerable in the cold war, and Moscow has less reason and excuse now than before to underestimate the resolution of the free nations. It is fair to say that those in Washington and London who hoped last year that world war could be averted now feel their argument has been strengthened.

To conclude that Korea has been a useful test case is to

appear indifferent to all the suffering that it has caused; but it has in fact been valuable, as a test of the United Nations, of the western alliance, of its troops, weapons and organisation, of civilian capacity to grasp what is involved in bringing about a settlement of the post-war world. It has removed some grave doubts about the free world's capacity to resist aggression. If the experience has been bought at a high cost, the blame must be squarely placed on the ambitious and unscrupulous men who forced the transaction on the world. What was not done in the 'thirties has been done in the 'fifties by soldiers from all over the world; and the question now is whether the test case can be closed.

Peking's "Patriotic Pact"

On June 7th the Chinese Peace Committee issued an appeal for what was called a “patriotic pact” movement, in which the people were exhorted either to give cash for the purchase of arms for the Korean war or to increase production and contribute extra earnings for the same purpose. Great prominence has been given to this appeal by the Chinese Communist press and radio; and the statement that a check is to be made on the progress of the campaign in January, 1952, suggests that the Chinese People's Government is thinking in terms of a long war. As China's most recent precedent in foreign war, the struggle against Japan, went on for eight years; and as it has now a fairly definite assurance that its territory will be neither bombed nor blockaded, there is no reason why its rulers should be in a hurry to terminate the fighting, provided that the morale of the Chinese people can be kept up and a breakdown of the national economy avoided.

That the economic front is causing concern has been shown by the Government's decision to stop work in all cotton mills from June 6th to July 21st. Difficulties in importing foreign cotton are mentioned as a contributory factor; but the main cause is held to be hoarding by the cotton growers and a new drive is to be launched for getting them to sell their stocks. In other words, the Communist regime, which in China, more than in any other country, has been carried to power by an agrarian revolution, is now running into difficulties with the peasants, who have come to own the land they cultivate and do not feel inclined to part with their produce when prices are too low and there are no goods for them to buy. Officialdom is certainly doing its best to remedy this state of affairs. There is talk of sending

“cadres” into the countryside and “mobilising the masses,” of the “formation of local committees to promote techniques for different crops and of teams to supervise cotton growing”; Hangchow radio declares that “complacency must be overcome, rumours must be exposed, there must be strict watch against sabotage, and the peasants must be taught to overcome despondency.” Peking might do worse than to consider the measures that Marshal Tito has been taking to deal with the same problem in the villages.

It remains to be seen how far China can adjust its economy for a prolonged war in Korea. Conditions are different from those of the Japanese war; for although China is in some ways better off now than it was then, the war is being waged abroad, and it is harder to arouse patriotic fervour when there is no enemy in the land; economically the very fact that China now holds the centres of urban industry which were formerly in Japanese possession means that the old advantages of primitiveness and local self-sufficiency have largely been lost. Inflation, which was the plague of wartime and postwar Kuomintang China, is again rearing its head, even though it is still relatively under control. The main purpose of the “patriotic pact” drive is probably not so much to pay for aircraft or tanks as to mop up purchasing power and curb inflationary tendencies.

The Only Man

Mr Bevan wants to lead the Labour Party, but he is by no means sure where he wants to lead it. His speech at the Keir Hardie demonstration last weekend was concerned less with policies than with the class origins of Labour leaders. They should be taken, he argued, not from the “top drawer of society” but, in the main, from those who have spent their lives in the Labour movement, “who have come up from below, and who not only understand socialism with their heads but know it with their hearts.” As the *Manchester Guardian* remarked, “the Member for Ebbw Vale obviously qualifies under Mr Bevan's rule, as did Ramsay MacDonald, Philip Snowden and J. H. Thomas.” The attitude behind Mr Bevan's remarks is not, of course, new to him. He was simply extending the line of thought of the “lower than vermin” speech to cover his former Cabinet colleagues, well over a third of whom would certainly not pass the test of having come into socialism “from below.”

Mr Bevan did not develop in this speech any of the ideas being mullered over by the Bevanites in the House of Commons for their promised pamphlet on “The Only Way.” For this task he has the help of the former “Keep Left” group, and the new pamphlet will be to some extent a successor to the two that the group produced during the days of a large Labour majority. It will apparently develop in some detail an argument against the present scale of rearmament, and will urge the full implementation of all promises of further nationalisation. Mr Morgan Phillips, the Secretary of the Labour Party, has made it clear that he for one will not regard this as the enunciation of an heretical Bevanite programme, but the constituency Labour parties and the unions will almost certainly look on it as an alternative to existing policy. And they may be much more attracted by it than the orthodox party leaders at present admit. For that reason it is particularly important, to the public as well as to the Labour Party, that the statement of policy should be clear and detailed. Even Mr Bevan cannot rely for too long simply on his personality. Friends as well as foes have to evaluate the exact nature of his views as well as his ambitions. At present there are Bevanites, but there is no real Bevanism.

Legislation, Present and Future

In the early hours of Wednesday morning members of Parliament reached the end of their long journey through the committee stage of the Finance Bill. The House of

Commons was able to turn its full attention to the Persian crisis, on which a special debate was held on Thursday. After almost 100 hours of debate, the Finance Bill emerged from the committee without any real concessions by the Government, though there were a few changes in the section about income tax avoidance and some modification of the cinema tax may be made on the report stage.

On Wednesday the Lords amendments to the Leasehold Property (Temporary Provisions) Bill were taken—a task which threw a further burden on the indefatigable Attorney-General, Sir Frank Soskice, whose work at the despatch box has earned much admiration from both sides of the House. Though the Leasehold Bill has attracted little public notice it is—apart from the Sea Fish Industry Bill—the only major piece of legislation that has in this session accompanied the Finance Bill and its attendant Health Service and Insurance Bills. But the postponement of other promised measures—those to make the Government's emergency powers permanent and to nationalise the sugar beet industry—has left Mr Chuter Ede with something to put in the King's Speech in the autumn, if Mr Attlee should be determined to carry on for yet another session. Sir Hartley Shawcross's statement on resale price maintenance is also important not only in itself but also for the part it could play in the Parliamentary time table. A Bill forbidding resale price maintenance could give the parties something to bite on next winter, and would be thought by the Labour party to have considerable political value in the country.

Admiral Carney and His Carriers

What is called the problem of the Mediterranean command remains unsolved, even now that the American Admiral Carney has been appointed Commander-in-Chief and commander of naval forces in the southern sector of General Eisenhower's European command. That is in many ways a good thing, because it leaves open the vexed question whether General Eisenhower's southern flank—and the responsibilities of Nato—should extend eastward of Sicily and Malta and the much wider problem of defence organisation for the Middle East which must include at least part of the Mediterranean. The Supreme Commander's Chief of Staff, General Gruenther, has made this clear by describing the new appointment as a “functional assignment,” the function being to bring air and sea power, if needed, to the aid of continental defence in southern Europe.

The choice of Admiral Carney in this role is welcome, both because he is a personality of the Eisenhower type and because of the strength he commands. The US Sixth Fleet, with over 200 aircraft, is probably the most powerful naval force ever assembled in peacetime, with the two 45,000 ton aircraft carriers *Coral Sea* and *Franklin D. Roosevelt*, the smaller carrier *Saipan*, the two large cruisers *Newport News* and *Salen*, and some 13 destroyers. The limits assigned to his role are also welcome because they appear to mean that Washington has, if only for the moment, given up its insistence on placing supreme command of the whole Mediterranean in the hands of an American admiral under General Eisenhower. The argument for Admiral Carney's role is one that is particularly acceptable to British minds because it is similar to, if not identical with, the case for Sir Patrick Brind's appointment as Commander-in-Chief Northern Europe. Both in the North Sea and the central Mediterranean the need is for swift local action in case of aggression; and that can be best taken by mobile, sea-borne air power, the possibilities of which have been closely studied in Korea.

In these latest arrangements the Italians will be pleased that their General de Castiglione is to command southern Europe's land forces, and the French will deduce that the lines of communication with North Africa will be in their care. Malta and Gibraltar remain under British command and it seems that Admiral Carney will rely for supplies and

1492 on Italian ports. Now that the powers-
profit at this time better than one that is strategically ideal,
General Eisenhower can get on with his planning.

£50 Million for Yugoslavia

If the American, British and French governments agree to the recommendations of their advisers, Yugoslavia is to receive a direct grant of £50 million to cover its estimated trade deficit for the period ending June, 1952. The money would be spent on machinery, transport, and other supplies, including some raw materials; and it is expected that the Americans will contribute roughly two-thirds of the grant, the British a quarter and the French an eighth. This is the unanimous conclusion of long and complicated negotiations in London which is now to be put before the governments.

The Yugoslavs hope that this aid would put their economy on a basis sound enough for the International Bank to accept their request for a long-term loan of \$200 million to be invested in basic industrial projects. For their part, the western governments are anxious that the aid should be used in the most constructive and thrifty way and not dissipated on ambitious projects that are beyond the range of Yugoslavia's present economic capacity and administrative skill. This most emphatically does not mean that Marshal Tito is prepared to accept any political and economic conditions tied to the aid.

The question of efficient use is all the more important because it is a grant and not a loan that is proposed. In the past 18 months the Yugoslavs have received from this country loans and credits amounting to £22 million, from the Americans £53 million in the same form, together with £10 million that was mostly expended on food for the army. The present agreement on aid does not include any provision for military aid, which is still under discussion. As its former Communist partners will remember, Yugoslavia has strong bargaining counters in its maize and non-ferrous metals; it has no need to rely on purely strategic and anti-Communist arguments in order to get good terms from the west.

The Commonwealth in the Middle East

On Thursday the defence ministers of certain Commonwealth countries assembled in London for a week's conference. Those represented were Britain, Australia, New Zealand, South Africa and—represented by its Minister of Finance—Southern Rhodesia; Canada sent an observer. Mr Shinwell was in the chair. The meeting is technical rather than political; it is surveying ways and means rather than taking the political decisions necessary to implement them.

Although the conference was decided upon by the Commonwealth Prime Ministers when they were in London last winter, it meets with the situation in Persia and the Middle East more critical than then seemed likely. This is bound to be the main topic of discussion, and it will be the duty of the conference to draw up a clear and concise plan of what is technically possible in the way of Commonwealth military action in the Middle East. With the facts in their hands, the Commonwealth governments must then above all agree how far they can go together. It is not for Britain to act alone, even if the United Kingdom is the first to reinforce the 35,000 troops already there.

A grave weakness of the conference is that Pakistan, India and Ceylon have declined to be present, although both Karachi and Delhi have vital interests in Middle East security; while both recognise that a collapse of the free world's positions in that area would affect them closely, they

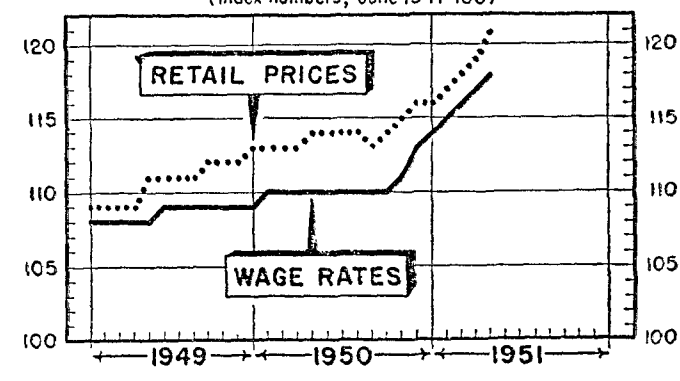
refuse to take any action, at least until the Kashmir dispute is settled. It is not too much to ask that they should bear in mind that the positive and energetic association of the Asian members with the rest of the Commonwealth in dealing with Middle Eastern problems might help to reduce the possible need for military action. It is true, as Mr Nehru has often said, that India is militarily weak because of its over-stretched economy; but its influence and that of the biggest Islamic state in the world, Pakistan, could be very great if ranged with the power of their friends.

Wage Claims

The engineers at their annual conference this week decided to modify a claim for an increase of 30s. in the interests of realism, and to ask for £1 a week for all workers. It was only last November that their union gained wage increases for its lower paid and unskilled workers. Its demand is one of the most important in the new round that is following so fast upon last year's awards.

Among the engineers' partners in the Confederation of Shipbuilding and Engineering Unions, the foundry workers are asking for an increase of 20 per cent and the Electrical Trades Union for a "substantial increase." The vehicle builders at their conference in May resolved to ask for an increase of 6d. an hour and an extra week's paid holiday. The bus and motor workers are to ask for an extra 4d. an hour. The unions in the textile trade want an immediate increase of 10 per cent. The boot and shoe operatives have resolved to ask that their minimum wage should be raised by 12s. a week. The police have applied to the Home Secretary for an increase of 14s. in minimum

WEEKLY WAGE RATES AND RETAIL PRICES
(Index numbers, June 1947=100)



rates and of 70s. for sergeants. The laundry workers are asking for an extra 15s. a week. The cinema and theatre workers have staked new claims; and the annual conferences of the railway clerks, the Post Office workers and the tobacco workers all produced resolutions demanding increases so far unspecified.

These claims constitute the second round since wages "thawed" last year. The awards then made are undoubtedly being overtaken by rising prices. The chart shows how the gap between the price and wage indices is beginning to widen again; the May and June figures will widen it more. The Chancellor's intention was, of course, that surplus purchasing power should be partly absorbed by prices rising faster than wage-rates. He naturally has not revealed how large a rise in wages was assumed in making the Budget calculations, and the estimate made in the report of the Economic Commission for Europe—a rise of 7 per cent in average wage cost per unit—is too speculative to help much. But it certainly seems likely that, if they are not upsetting the Government's economic planning, the unions are demanding quite as much as it feared.

Back to de Valera

Mr de Valera was last week restored to the Premiership of Eire by the decision of five of the fourteen independent deputies in the new *Dail*. For them, the risk of dissolution—a weapon Mr de Valera has used so often in the past—was outweighed by their differences with the inter-party government, and the motion for Mr Costello's re-election was lost by 74 votes to 72 in a full House. Dr Browne, who resigned from Mr Costello's government on account of the disputed mother and child welfare scheme, lectured Mr de Valera at some length in the debate and apparently has every intention of keeping him to his published programme. This will be a novel situation indeed—if it arises.

Mr de Valera has taken office without any overt arrangements with these independents. At first sight his majority seems to be exceptionally unreliable, but it should suffice for ordinary business during the next few months. His administration contains the same men who held office under him from 1932 to 1948—some of them shifted to new (and in certain cases unexpected) posts in order to provide variety. His policy, as so far revealed, appears to be a continuation of the main heads of the inter-party programme which, it is now claimed, was itself taken from the pre-1948 *Fianna Fail* policy. The land project (of reclamation, refertilising and drainage) is to be continued, and the possibility of compulsory tillage is scouted. Obviously, Mr de Valera has decided that Mr Dillon is the man he must beat. For the rest, the *Fianna Fail* programme consists of objectives, such as industrial development, that are common form, though it places a heavier emphasis on the need for defensive preparations than would have been the case with the outgoing government.

The similarity of programmes is only another example of the unreality of the present party lines in Dublin. The life of the present *Dail* will probably depend on the degree to which the incoming ministers realise that they cannot simply start from where they left off in 1948. An alternative government now exists, and it is at least possible that it has the support of a majority of the electorate. This advantage might be lost if the parties that composed Mr Costello's government prove factious in opposition; the public is clearly weary of party politics. But the component parties did hold together in office, and a new coalition is still a possibility. These considerations may make Mr de Valera content to preside over a policy of economic and social reconstruction and development. But such matters have not engaged his personal interest in the past, and he is more likely to try to attract public attention to the question of partition, which affords a special opportunity for the exercise of his gifts and aptitudes.

The Battersea Scandal

The story of the Festival Gardens' need for an extra £1,000,000 of public money is a saga of almost unparalleled incompetence, even in state-controlled enterprise. The investigations of two firms of chartered accountants, whose reports were published as a White Paper this week, show that there was failure on three main counts: in starting the work in time, in management, and, to a lesser extent, in control and organisation on the site. Five months passed in discussion before operations on the site were begun in April, 1950, and consequently work which should have been done last summer was overtaken by a very wet winter.

The failure of management lay partly in the composition of the board of the Festival Gardens company. Thirteen part-time members were appointed with Mr Morrison's approval. Many of them were eminent in vaguely relevant walks of life, but none was an accountant or building contractor, and there was difficulty in finding a suitable managing director. The board seem to have had a very indistinct idea of what was going on. A month before they gave Mr Morrison his big shock they had assured him, on the quantity surveyors' advice, that no more public money would

be required. In November decisions were taken informally which were interpreted as a change to "cost plus," and from then onwards the contract was operated on that basis. The managing director did not know, and the finance committee and the board discovered four months later.

The failure on the site arose mainly from the chaotic speeding-up of the work. The labour force was expanded with whatever casual and unskilled labour could be got, and a few whom the contractors had never engaged got on to the pay roll. In one week £500 was paid out in wages over and above the amount represented by hours actually worked. The deadline set for the opening, and the knowledge that the company would do almost anything to avoid strikes, led to very low output. Security regulations were for a long time such that a lorry could be checked in at one gate and drive straight out of another on the pretext that part of its load was for another destination.

In short, the Festival Gardens show clearly what can happen when the state goes into business, when no one is risking his own money and the taxpayer can always be asked for more, and when there is no possibility of unemployment to make the men accept reasonable discipline. If those who planned the Festival had wanted to illustrate the pitfalls of contemporary economic policy they could hardly have produced anything more telling than this performance at Battersea.

The Case for Tshekedi

The unedifying public debate between Mr Gordon Walker and Tshekedi Khama has continued, probably with little satisfaction to either party. For the Commonwealth Relations Office is patently failing to convince; public disquiet, in Parliament and out, has not been allayed; and Tshekedi, firmly insisting that there should be a public inquiry to which he is prepared to submit all his contentions,

Men
who mean
Business read



EVERY DAY

has gained in dignity and respect. The Minister is now justifying the banishment of Tshekedi by the view that he is unpopular with the tribe. In spite of the fact that he has repeatedly announced his renunciation of the chieftainship, it is still feared by the Minister that, if he returned, he would "make himself chief" or otherwise secure power, and revenge himself on his opponents. This would lead to disorder. Further, progress towards setting up more representative native councils was being delayed by the fear that Tshekedi would return. Any new inquiry would arouse doubts and fears and set back "perhaps irrecoverably" the development of a more representative native authority. "To put the whole thing in a nutshell," said Mr Gordon Walker, "a choice had to be made between a man's private rights and the public good of the tribe." This is a characteristically Socialist way of putting the issue.

To this Tshekedi has made the obvious retort. If he is so unpopular with the tribesmen, how could he work his way back to the chieftaincy, which he has renounced? How could he wreak vengeance if the great majority are against him, "unless the Minister is suggesting that I may have criminal intentions"? And how do these attacks on his public record tally with the Minister's offer to Tshekedi of the responsible position of economic adviser to the Government of the Protectorate—the offer which he refused because he was not allowed access to half the tribal areas?

No proof has been given that Tshekedi's rights are incompatible with the public good of the tribe. There have been assertions that tribal councils could not develop if he were there, but it is also known that these councils have not progressed even in the year of his banishment. And, even if everything said about Tshekedi were true, what, other than political considerations more complicated than any openly mentioned, could account for Seretse's continued banishment as well? Unless there is an inquiry, it will be impossible to eradicate the many suspicions about British policy that this affair has already aroused.

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Advice from M. Monnet

M. Monnet's office issued, just before the elections, a further report on the progress of France's modernisation and equipment plan. The report, like its predecessors, traces the economic regeneration of the nation since the last war. In four years its economy has emerged from sheer ruin and is now well on the road to recovering the competitive status which it lost in 1913.

TRENDS IN PRODUCTION AND TRADE
(Index Numbers: 1938=100)

	1946	1950	1951 (1st quarter)
Production:—			
Power.....	101	132	148
Industry	79	123	138
Agriculture	88	108	...
Productivity.....	78	100	...
Foreign Trade:—			
imports*	115	105	108
exports*	50	174	213

* Foreign plus overseas territories.

The report, however, stresses the need to extend the modernisation already effected in basic sectors (barrages, oil refineries, steel works, railways) to manufacturing industries, which are still weak. These industries, which have a low ratio of investment to turnover, normally fall outside the orbit of the modernisation fund; with them, therefore, it is the management itself which must stimulate the necessary equipment and rationalisation of factories. It is remarked that these producers of consumption goods bear the responsibility of combating the inflation which rearmament now threatens to cause. Much also has been done to help French productivity by the ECA mission, which has already sent 70 teams of French specialists for training in America.

The \$2,300 million that France has received during the three years of Marshall Aid has indeed transformed most of its basic industries except agriculture, which, in spite of the employment of five times the prewar number of tractors, still shows a very low productivity. But the chief national economic scourges have little to do with production: they are the appalling housing shortage and the anarchic system of distribution, upon which evils planning agencies make very little impression. The *commissariat général du plan*, which acts as a kind of hospital nurse to the sickly coalitions that govern France, owes its real but limited efficacy simply to the fact that, as the authorised channel of American gifts, it cannot be "got at" by partisans in the Assembly. What it could achieve if ever there were a real government in France would certainly be tremendous. The French economy cannot ultimately progress unless the nationalised industries, notably the railways, are purged, agricultural holdings consolidated, the fiscal system overhauled and unless, above all, the state recovers its credit. At a given stage in industrial evolution the prosperity of the man-in-the-street is as much linked to the administrative technique of a country as it is dependent upon improvements in productivity. The report, however, concludes with the belief that the single enlarged competitive market, which is the objective of the Schuman Plan, will "cause the elimination of monopolies which hinder the participation of the workers in the real resources of the collectivity." If the Pflimlin Plan can ensure a cheaper supply to the workers of meat, vegetables and dairy produce it will also be extremely useful.

* * *

Geneva Tourney

Every year the question arises: what shall it profit the delegates of governments in Western and Eastern Europe if they meet in Geneva, under the auspices of the Economic Commission for Europe, to exchange views and abuse? The arguments for and against this expensive tourney of officials and economists remain much the same as they were. The sixth session that ended on June 13th produced some very tedious orations on warmongering by delegates under the leadership of the tireless Russian Mr Arutiunian; some factual but colourless speeches from their western rivals; and some unexpectedly firm chairmanship from Mrs Karen Koch of Sweden, who did not allow the indictment against "American exploitation" of Europe to unroll its whole spiteful length. But it also produced a general feeling that good work was being done by technical committees—although they, too, were accused of being dragged along by the western war chariot—and that ECE should unanimously recommend to its master, the Economic and Social Council of Uno, a continuation of its work.

Those from east of the Elbe were anxious to revive the moribund committees of manpower to deal with unemployment, of agriculture to assist small and medium farmers, of trade to encourage the expansion of east-west trade; but their refusal to give adequate information about their own problems threw into relief their eagerness to display all the skeletons in the western cupboard. There is still no basis for co-operation here; if there were, much more could be learned of the methods by which Moscow co-ordinates the economic activities of the satellites through the mighty but mysterious Comecon. Among the pieces of solid work which are to the credit of ECE, and which no other body would be likely to undertake, are the following: the working party which has been pegging away at the scheme for complete coal classification for Europe, and which could not work without Polish co-operation; the work of the Transport Committee on rail tariffs, simplified customs formalities for goods and passengers, technical identification of rolling stock and the movement of perishable foodstuffs; the preparation, by the Industry and Materials Committee, of a glossary of machine tools, which has been welcomed even by the sceptical British. There is, too, still some hope of working

for increased east-west trade in grains. It is fair to add that the annual survey and the quarterly bulletins are documents of merit and usefulness. The bridge between east and west that Geneva still provides has been held by the personal faith of the Executive Secretary, Mr Myrdal; and there is some value in enabling Communists to emerge from behind the iron curtain and breathe the air of the free world. There is always the possibility that someone may settle in Switzerland, like Lenin.

* * *

Industry and Civil Defence

There is nothing either drastic or unfamiliar in the advice to industry on civil defence that was put out last week by the Home Office.* Having dealt frankly and soberly with the special risks of atomic warfare in pamphlet No. 6 of their "Manual of Basic Training," the authorities doubtless felt that it would be sufficient to draw the attention of all establishments with over 200 workers to the need for certain basic steps: appointment of a civil defence officer, formation of warden and rescue sections, recruitment of fire guards and first-aid specialists in case of war, and the forming of links with the local authorities in charge of air raid precautions.

These things should be started as quickly as possible, not because war is any more likely now than it was when the instructions were drafted, but because civil defence will not be taken seriously by the population until efficient cadres for it exist in what are obviously target areas. Even when they are trained and active for all to see, there will remain an immense amount to be done before civil defence has found its proper place in normal life under cold war conditions. Fortunately a useful body of doctrine and experience has been built up at the Civil Defence Staff College, and it is gradually percolating downwards. But until industry gives serious attention to the old dangers of blast, fire and personal injury, and the new dangers of atomic devastation, it will be difficult for the local authorities and the area controllers above them to get a real grip on their work. And it is certain that recruitment for civil defence will be much affected by the way in which the local difficulties are put by managements to the employees.

The chief obstacles to be overcome are ignorance and reluctance to face the facts of this dangerous world. The former can be tackled by the trained men and women of Civil Defence, provided that they are briefed to meet the arguments, questions and objections that will be put by the sincere as well as the mischievous listener. The latter is a job for the politicians. It is true that Mr Chuter Ede says in a foreword to this pamphlet that "while civil defence alone could not win a war, the lack of such defence could lose it"; but he needs rather firmer backing from his colleagues on the public platform.

* * *

Doctors' Earnings

A new stage has been reached in the three-year-old struggle between the Ministry of Health and the general practitioners about the amount of their remuneration. In February the Minister of Health stated that there was a good case for reviewing, "as a matter of urgency," the total amount of public money allocated to the general practitioner service and its distribution among individual doctors. Since then the Budget has been presented, and an undertaking has been given that the total expenditure on the health service should not exceed £400 million. Mr Marquand, the Minister of Health, has accordingly changed his tune. The emphasis, in his proposal to set up a working party,

* Civil Defence Industrial Bulletin No. 1. HMSO, 6d.

is on redistributing the central pool of money rather than on increasing the size of the pool. The Minister has not ruled out the possibility of additional public money being granted; but he has made it clear that it would be forthcoming only on three conditions: that the working party would reach agreement on satisfactory methods of distribution aimed at securing certain specified objects; that steps would be taken to stop extravagance in prescribing; and that it was understood that the amount of new money could not exceed £2,000,000 a year—the balance between this year's estimate for the cost of the health service and the limit of £400 million.

The doctors' representatives are fully justified in refusing this proposal for a working party and in asking that the amount of their remuneration should be settled by arbitration. They want their claim to a bigger central pool to be considered on its merits and not subject to conditions. They are not, it should be emphasised, asking for an increase on a previously accepted rate of pay. They have never agreed that the Spens Committee's recommendations were being properly applied because, for one thing, the Ministry of Health has refused to add more than 20 per cent to bring the Spens scale of earnings into line with the rise in the cost of living since 1939.

It is quite true that a realistic interpretation of the Spens Committee's proposals might well involve an addition to the central pool of more than £2,000,000. If so, then it is up to the Ministry of Health to find the necessary economies elsewhere in the health service. The doctors ought not to be placed in the invidious position of having to refuse prescriptions in order to earn their higher capita-

A Patient Animal

John Bull is beyond parallel the most patient and passive of European animals. The amount of injustice, oppression, and maltreatment he will endure—not indeed without grumbling, but without going mad about it . . . is something quite incredible. Severe suffering and indefensible anomalies, he appears to consider, within certain very liberal limits, as his normal condition, his appointed lot, his natural inheritance. When these limits are passed he rouses himself to resentment and revolt, throws off the burden by an easy effort, looks back with wonder on his long endurance, and relapses again into his old indifference. Such is ever the way with our lazy, good-natured, unvigilant countrymen. No evil is ever remedied till it becomes too grievous to be borne. No abuse is ever rectified till it has reached its climax, and sown all its seeds of mischief. No danger is ever provided against till it has become the pressing and peculiar danger of the hour. In this national tardiness there is, undoubtedly, some advantage; but there is also much peril and much loss. We redress no imaginary wrongs. We appear to hold with Mr Burke that "it is no inconsiderable part of wisdom to know how much of an evil ought to be tolerated." But we endure burdens which an effort—almost a resolution—might remove. We bear much for centuries, which ought never to have been borne for an hour. We have another marked national characteristic, to which may perhaps be ascribed much of our success in political practice. We are singularly deliberate in our proceedings. We have a strong predilection for doing one thing at a time. We dispatch one practical evil before we attack another. If we find our shoe is too tight, we do not alter its entire shape, or make a new one, but we cut a hole above the oppressed and irritated corn. If our coat is inconvenient or worn-out in any quarter, we rip up a seam, or sew on a patch. Our whole legislation is a series of ingenious and short-sighted expedients *pro re nata*.

The Economist

June 21, 1851

tion fee. The blame for the extravagant administration of the health service, which has made the limit of £400 million necessary, ought not to be shifted from where it squarely rests—on the Ministry's shoulders.

* * *

Row About Milk Prices

Dissatisfaction with the reduced profitability of milk production was strongly expressed at the annual general meeting of the Milk Marketing Board last week. Many delegates argued that production would decline during the coming year, and Mr Hinds, the chairman, urged that the proper policy was one of continuous expansion. He pointed out that nutritionists said that the consumer needed one pint of milk a day instead of the three-quarters of a pint he is now getting. He supported the view of one speaker that the board should cut itself free from "the octopus of the Ministry of Food" and should retrieve its own marketing powers.

The indignation of farmers, especially those in remote areas, who since the war have invested much capital in dairying and now find their profits cut, is understandable. But it would seem that the board is living in cloud cuckoo-land. Milk is in fact the one food for which nutritional standards have improved enormously since prewar days, and the liquid milk market is now absorbing nearly double the prewar quantity. No doubt a further increase would be "nutritionally desirable." But man cannot live by milk alone, and many other foods (unlike milk) are in short supply.

Milk production has in fact more than kept pace with consumers' demand, as is shown by the fact that, although now unrationed, it requires an annual subsidy of £72 million (exclusive of the welfare schemes). The public today, whatever may be nutritionally "best" for it, would much prefer more meat to more milk. The Government, at the last price review, slightly reduced the differential advantage of milk production as a means (the only one open to it) of persuading farmers to produce more meat. Probably this step should have been taken two years ago, before so many high-cost milk producers entered the field. If the result now should be a slight fall in liquid milk supply (which is very far from proven), then the proper remedy is to raise the retail price slightly in the winter months, when production costs are high. This would avoid any danger of a return to rationing. Mr Hinds wants to cut free from government control. If his board can successfully market present supplies of milk without the aid of a large public subsidy, there is every reason for letting it do so.

* * *

Reactions to Federation

The first public reactions to the proposed federation of the Rhodesias and Nyasaland have naturally come from the Europeans. On the whole, their opinion is cautiously favourable. No one is likely to commit himself to a whole-hearted acceptance of the scheme as it stands, but the general view appears to be that it provides a good basis for dis-

cussion. In Southern Rhodesia, however, it has been pointed out that if federation were adopted the colony's claim to full dominion status, which is one of the planks in the Opposition's platform, would be indefinitely postponed.

It is too soon for African opinion as a whole to have expressed itself. It can be taken for granted that those Africans who had rejected in advance any idea of federation have not changed their attitude one jot now that the proposals are known in full. They will refuse, that is, to consider the scheme even as a basis for discussion. Much more important is the attitude to be adopted by the native authorities and the advisory African councils. Their opinion is not likely to be known for some time, but it is perhaps a fair guess that the more favourable the reactions of the Europeans the more suspicious of the scheme they themselves are likely to be.

In this connection Dr Malan's comments on the proposed federation are significant. He said that, while offering no opinion on the merits of the scheme, he deplored the attempts being made to persuade people into federation by stirring up fears of South Africa. Yet the truth is that the only real reason for putting forward the scheme now is political. An article on page 1510 shows how unconvincing are the economic arguments for federation. What Africans and Europeans in Central Africa have to decide is whether their fears of South Africa's native policy spreading northwards outweigh their suspicions and dislike of each other. If so, then they should consider the scheme on its merits or put forward some practicable alternative.

* * *

Colonial Universities

In this country the postwar appetite for increased numbers of university students has been at least temporarily satisfied. The latest report of the Inter-University Council for Higher Education in the Colonies* shows how different is the situation there. In the three universities and five university colleges scattered over the territories of Malta, Hong Kong, Malaya, the West Indies, Gold Coast, Nigeria, East Africa and the Sudan, there are now 3,000 full-time university students. With a population of over 70 million this gives a ratio of nearly 1 to 25,000: in Great Britain the ratio is about 1 to 600.

Such a disparity is not surprising, but it emphasises the additional problem of space in the colonial universities that is likely to arise in the coming year. The report states that the new minimum requirements for entrance to universities in the United Kingdom will mean that few colonial students will qualify, whereas in 1950-51 some 1,800 were studying here; the pressure on the local universities will therefore increase.

Two of the limitations to the expansion of the colonial institutions—the shortage of qualified staff and of buildings—are familiar enough in this country. But British arguments about whether university standards have been maintained since the war become insignificant when set beside the difficulties of the colonies. For this reason the University of London, which has assumed a special responsibility towards the colonial university colleges, has secured the adoption of special local arrangements: where the local educational system make it necessary to arrange lower entrance standards, the university course is suitably prolonged. But this solution has its own difficulties. Who is to finance the extra expense of the longer course? Here again is the repetition of a problem already familiar in Great Britain. The colonies need money to cover schemes of this kind, but the £6 million for university work available up to 1956, under the Colonial Development and Welfare Act, is already almost wholly committed. Without more money, progress must continue only slowly; it is desperately needed.

* HMSO. Colonial No. 273. 9d.

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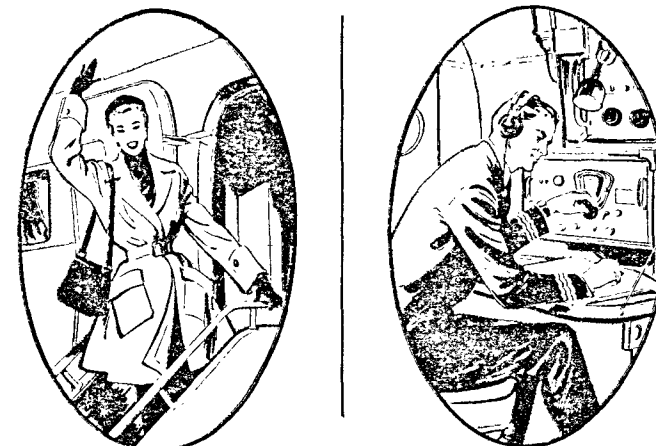
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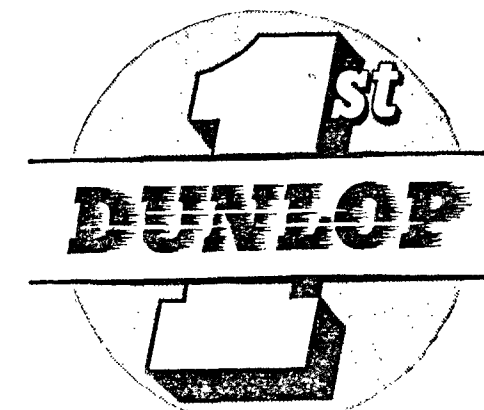
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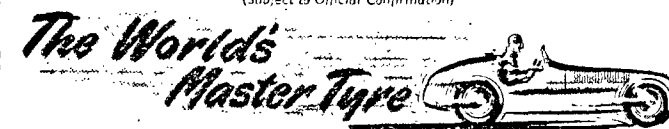


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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1

Letters to the Editor

Lebanon at the Polls

Sir,—I am sending you herewith the translation of part of an editorial published in the Lebanese daily newspaper *Le Jour* of Beirut in its issue of May 29, 1951, criticising your surprising report on the Lebanese elections, which appeared in your issue of April 28th.

We quote (from *The Economist*) only what calls for our personal testimony and what can be refuted *par l'absurde*. . . . Everyone knows how long we had to fight to move the chamber to vote even the partial modification of the electoral law and to augment the number of deputies. . . . The truth is that the President of the Lebanon Republic was unfavourable to the increase of the number of deputies and it took a strenuous effort to convince him. We loudly testify to this. Is it not evident, also, that the less numerous the deputies the easier it becomes for the Executive power, and above all the President of the Republic, to satisfy them if he desires to do so.

In a following paragraph, *The Economist* writes, "The country was divided into nine electoral divisions and the Government began the work of compiling a list of thirteen candidates for each division." How does *The Economist* (for which the figures are so important) make up its account? Nine electoral divisions with thirteen deputies each would give a total of 117 deputies. Actually, there are only 77. *Ab uno disce omnes*.

I like to add that *The Economist* is widely read and highly esteemed in Beirut. Such inaccurate information as that found in your report can only lower its prestige.—Yours faithfully,

MANSOUR CHALLITA

Beirut

[The campaign for more deputies was begun in June, 1950, by a Christian leader, Mr Henry Bey Pharaon. It was supported by the National Bloc (Christian) but opposed by the leaders of the electoral districts in which Shiah Moslems predominate. The difficulty was solved by a compromise acceptable to the President in which the electoral districts which previously returned over 15 deputies were divided; those returning less (as did the two predominantly Moslem districts mentioned) remained as they stood. The *Bloc National* were in the end dissatisfied with this compromise since it returned fewer Maronites than formerly. *The Economist* regrets and withdraws its statement that the initiative for creating a larger chamber was the President's.

The calculation also quoted by *Le Jour* was wrong because the figure of 13 candidates was incorrect. The number of candidates for each of the nine divisions varies according to the size of the districts. In the largest it is 14 and in the smallest only four.—EDITOR.]

Breach of Banking Secrecy

Sir,—Your correspondent, Mr Peter R. Daish, has given an inaccurate impression by his letter to you in your issue of May 26th. The position is that the requirement placed upon trustee savings banks to render a return of depositors

receiving interest amounting to £15 or more is confined to the special investment departments of trustee savings banks, which constitute only a very small part of their business.

Since the inception of trustee savings banks over one hundred and forty years ago, no such return has been required by law as to depositors in the ordinary department, which constitutes more than three-quarters of the business of the trustee savings banks, whose combined funds now exceed £1,000 million.—Yours faithfully,

F. E. HARVEY,
Assistant Secretary

Trustee Savings Banks
Association, W.C.1

Economic Glossary

Sir,—Would you be very kind and define, or if necessary again invent, a few terms. There is already a debt to *The Economist* for the distinctive antonyms: deflation-reflation, inflation-disinflation. Now: devaluation-revaluation (?), appreciation-disappreciation (?). Or should "revaluation" be kept for all changes, up or down, in external currency values (a convenience to non-committal Chancellors wary of informative denials) and the two pairs merged into "devaluation-appreciation"? This might be the better course: the long-term "equilibrium" exchange rate, even with free currencies, would be a concept far more arbitrary than that of "just full employment" (which I take to represent the hyphens in the first two pairs above) and the use of the correct term might depend ultimately upon historical precedent.—Yours faithfully,

STANLEY ALDERSON

London, N.W.8

[As we understand the usage of the day, which is rather arbitrary, devaluation and revaluation imply the determination of a new fixed parity for a currency, lower in the former case and higher in the latter. Depreciation and appreciation imply a fall or rise in exchange value without the fixation of new parities. We have never seen "disappreciation," but it might be useful, on the analogy of disinflation, to describe a movement which, while downward in direction, was regarded as being merely the correction of a previous excessive rise.—EDITOR.]

The Floating Penny

Sir,—In your issue of May 19th you comment very fairly on the increasing burden of taxation borne by the cinema industry, pointing out that our income is only 40 per cent higher than before the war although our costs have probably more than doubled. In truth many of our costs are four times greater than in 1939.

It is not so fair, however, to suggest that the industry has suddenly decided that it needs an extra penny per seat from the cinemagoer. Our needs are the same whether the Chancellor proposes to increase seat prices by 3d. or 3s. each. We would still need a minimum of an extra penny to help cope with the ever

rising spiral of wages and other operating costs in this inflationary period.

The industry is as much against higher prices as it has ever been. We say that if we were fairly taxed, being called upon to bear an equal burden to that of other forms of entertainment, the exhibitor would get a fair recompense and the cinemagoers would get their entertainment at a lower cost.—Yours faithfully,

H. P. E. MEARS
President

Cinematograph Exhibitors'
Association, W.C.2

The Obsequies of Copartnership

Sir,—In your Note in your issue of June 2nd you state that

There is obviously no room for profit sharing in an industry whose governing directive is to break even, taking one year with another.

I would suggest that this statement is incorrect. If in such an industry as you suggest the directors decide that a certain project will cost £5,000 and the workers by increased output lower the costs to £4,500, then the saving of £500 may be proportionately divided between the workers and the industry (i.e., the public in nationalised concerns). In this case public money is saved and the workers still share in the "profits."

I acknowledge that to prevent exploitation of the employees, workers' representation on the managing boards is essential, but such schemes have been suggested for establishments like H.M. Dockyards and I believe are capable of application.—Yours faithfully,

DAVID MORRIS

University College, Exeter

The British Universities

Sir,—Your recent articles prompt me to draw attention to the most tragic neglect of which the British universities are guilty: the neglect of sociology. It seems that the nation which contributed so much to other fields of learning is determined, misguided by obscurantist traditionalism, to remain shockingly backward in this field. Indeed, in the number of works on sociology published between the two wars, Britain stands far behind countries so severely handicapped as Poland and Czechoslovakia. In comparison with France, Germany and the United States (though there the quality does not match the quantity), Britain is unbelievably backward. Of all European nations, except the few smallest, only Russia (and now its victims) stand behind Britain in this respect. It appears that the blind conservatism of the British universities is almost as successful in stifling sociology in Britain as is the Stalinist police in the Soviet Empire.—Yours faithfully,

STANISLAW ANDRZEJEWSKI

Rhodes University,
Grahamstown, South Africa

Books and Publications

Inter-Allied Co-operation

Calculated Risk. By General Mark Clark. G. Harrap. 478 pages. 22s. 6d.

General Mark Clark, who has now added his contribution to the lengthy shelf of American war memoirs, had a wider experience in the last war of the thorny task of leading a mixed Allied army than any other American commander except General Eisenhower himself. In these times when the technique of conducting a successful alliance is once again of paramount importance it is inevitable that this aspect of his book should hold one's attention, rather than his views on past strategy.

Not, however, that General Clark has set out to write a text book on inter-allied co-operation. These are essentially the personal reminiscences of a man whom President Roosevelt once described as a "staunch fighting commander." Primarily he is concerned with the story of his war experiences. His comments on the problems of the Allied armies have a secondary place.

The greater part of his book is concerned with his Italian campaign, though he has an important section on the North African invasion and the Darian deal. The planning for this invasion brought him at an early stage up against those differences in military method which, more than any clashes of personalities or of national habits, formed—and still form—the central problem in Anglo-American co-operation in the field. The Americans disliked the British technique of planning in conferences, preferring their own method under which the commander summons his subordinates and advisers singly or in groups and then formulates his final plan—though General Clark comments somewhat sourly that the British ways are now seeping into the American Army. The British for their part found the American system of command too rigid—indeed, one of General Clark's own battles in Italy, the Rapido crossing, has been the subject of strong British criticism on this score.

In his efforts to smooth out these difficulties General Eisenhower, in General Clark's opinion, "perhaps overdid his efforts to avoid showing any partiality towards the Americans in his desire to be objective and promote harmony." Yet the possibilities for Anglo-American misunderstanding even on unessential matters were so manifold that some such action was essential. Students of national *mores* will, for instance, find a fascinating contrast between the strictness of British mess etiquette and one scene which General Clark describes at his headquarters, when his birthday was marked by two Red Cross girls who arrived wearing Western Union telegraph signs and sang "Happy Birthday to You."

On the major strategic issues of the Mediterranean campaign the difficulties were however eased by the fact that General Clark was in agreement with

the London rather than the Washington school of thought, a fact partly due to his respect for Mr Churchill, whom he regarded as the greatest man he had ever met. Clark for instance backed an attack into the Balkans, a plan which was rejected, he argues, largely owing to Harry Hopkins's opposition. He resisted the withdrawal of troops from Italy for the invasion of Southern France at the moment, after the fall of Rome, when the final defeat of Kesselring seemed possible. And, like his British colleagues, he chafed at the limitations on ammunition and reinforcements which forced the Allies to halt their offensive amid the Apennines.

Mark Clark's disagreements with the British were chiefly on tactical issues, but they were none the less vigorous for that. He writes of these disputes outspokenly but without that rancour which mars so many other American war memoirs. He says that his disagreements with British commanders were very real and very important, but adds that they should not "overshadow the routine of friendly collaboration which went on day after day and which was such a paramount contribution to victory." Only occasionally does he permit himself an outburst of exasperation, as when he noted in his diary once that he was "about ready to agree with Napoleon's conclusion that it is better to fight allies than be one of them."

Yet it is not the extent of inter-allied friction so much as the degree to which it was limited and controlled which stands out from this tale. This was aided, of course, by the fact that the Allies were able to maintain the offensive throughout the Italian fighting. At no time was the alliance tested in retreat. Moreover at the head of their Mediterranean forces, arbitrating between half a dozen generals each as aggressive and obdurate as General Clark, was Field Marshal Alexander, whose skill at holding his team together was almost as great as that of Eisenhower. But the most potent unifying force of all was undoubtedly the mutual trust engendered by months of facing and overcoming difficulties in common. It is in its study of this process that lies the chief value of this book.

The Totalitarian Challenge

The Burden of Our Time. By Hannah Arendt. Secker and Warburg. 477 pages. 30s.

For anyone who wishes to penetrate beneath the surface of events in this age and comprehend the deeper process of history in which all mankind is involved *The Burden of Our Time* is certainly a very important book. It is a serious and extremely intelligent effort to discover what has really happened to the world in the last two decades. It is not easy

going for a British reader, for it is heavily loaded with the kind of deductive, theoretical reasoning which our habitual empiricism always tends to reject, and sometimes indeed the philosophical superstructure appears to lack a sufficient support of historical fact. Nevertheless, the present situation of mankind is one which requires a very rigorous examination of basic categories of thought about society and human nature, for it is becoming increasingly evident that the phenomena of totalitarianism represent something new in human history; they are indeed a progress—a progress not in human virtue or welfare, but in diabolism.

In essentials the theme of *The Burden of Our Time* is the same as that fictionally presented in the late George Orwell's "1984." The author finds the essence of totalitarianism, in both its Nazi and Communist forms, to lie in the "deliberate de-humanisation of humanity." This can in our age be carried further than was ever before possible because of the new technical means of propaganda and terror, and the appetite for unlimited power has grown with the capacity for attaining it. Totalitarian power is something different from old-fashioned monarchical autocracy and even from ordinary dictatorship; it involves control of the whole life of the individual, and in order that all obstructions to its operation may be eliminated, human beings must be systematically corrupted and brutalised. It is the success which totalitarian regimes have had in destroying the moral sense of ordinary people that is the most horrifying feature of the new despotism. The author, however, is not content to analyse the political systems of Hitler and Stalin; she goes back into the nineteenth century to trace tendencies which have only found their consummation in the contemporary age. She has a very interesting section on antisemitism, showing that it was international at an early stage of its development, and analyses the Dreyfus affair as a "dress rehearsal for the performance of our time." She has another section (rather less successful because she is dealing with phenomena remoter from her own experience) on imperialism, which in its extreme form she holds to be a tendency destructive of the nation-state from which it emanates and committed either to collapse or to expansion without limit.

Dr Arendt makes the penetrating comment that "totalitarianism became this century's curse only because it so terrifyingly took care of its problems." She believes that it is only in the spiritual sphere that it can really be overcome, and that the task of the century is "to create—not merely discover—a new foundation for human community as such." If her prescription for doing this is left somewhat vague, she has certainly contributed to the awareness of such a need by the appalling, yet only too true, portrait of "our time" which she has painted.

American Conservation

Water, Land, and People. By Bernard Frank and Anthony Netboy. Knopf, New York. 331 pages. \$4.00.

Conservation of Natural Resources. Edited by Guy-Harold Smith. John Wiley, New York. Chapman and Hall, London. 552 pages. 48s.

In America books on conservation appear with the regularity of those books by clerks or company directors who go Back to the Land in this country, and possibly find their sales through similar emotional needs of city dwellers. In the first and more "popular" of these two books Mr Frank and Mr Netboy are concerned primarily with the water resources of the USA, which like this country suffers from an infuriating alternation of drought and floods. In addition the USA has problems unknown in this country: in nearly all states west of a line from central Texas to central North Dakota water is not even nominally a ubiquitous commodity. The authors state their attitude quite clearly: "in the final analysis, water problems are land problems," which can be solved only as part of a general programme of soil conservation on the watersheds. Unfortunately this means that much of the book is taken up with problems of soil erosion and watershed protection which have been treated elsewhere, adding little material that is actually new.

The most interesting sections are those which criticise the various existing methods of soil and water conservation and the confusing number of US departments and agencies responsible for them. While recognising the good work of TVA, the authors are critical of dam building as a panacea for flooding. They rightly point out that each dam involves an inevitable cost in drowned fields, displaced population, disturbed fishing and ruined amenities, while the reservoir is liable to rapid silting without watershed protection by soil conservation. Even the agencies with a "land" approach to water problems, which are favoured by the authors, do not escape criticism. In particular, there is support for the allegation that subsidy payments to farmers under the Agricultural Conservation Programme have not resulted in an

appropriate increase in standards of cultivation. "There is little supervision or inspection of the practices for which conservation payments are made," while "many of the practices eligible for payments should be undertaken by farmers without a *quid pro quo*," as part of normal farming practice.

The authors close with an appeal for the planning of rural land use. This is also one of the themes of Mr Guy-Harold Smith's beautifully produced volume, in which twenty authorities write on the conservation of the United States' various resources. The various sections range from soils, agriculture and forestry through water to minerals and even wild life and recreation, and should be of considerable interest to the student of United States economic conditions. Where perhaps the book fails is in the relation of conservation to the total economic life of the country. Nobody can dispute that measures against soil erosion are necessary, and in fact some of the restrictions demanded have for centuries been normal practice in Western Europe. The fact that immediate individual advantage may conflict with the general good can also not be denied: the silt from one man's eroding land may choke a city's reservoir. The call for control of land use is therefore understandable. What is disappointing is that writers who see clearly that the various problems of soil, water and plant life are physically interdependent do not also appreciate that they cannot be treated in economic isolation. There are other resources than land which are limited at any one time: conservation is not exempt from opportunity-cost.

Proportional Representation

Europe Between Democracy and Anarchy. By Ferdinand A. Hermens. University of Notre Dame. 291 pages \$4.00.

Professor Hermens is worried by the common accusation that democracy stifles leadership and he admits much in the accusation. He maintains that modern democracy was born out of a spirit of negation, inasmuch as it originated in opposition to absolutism.

(But is opposition the same as negation? Did the revolutionaries deny Louis XVI his head or did they cut it off?) Yet, says Professor Hermens, there is no reason why leadership and authority should not exist in a democracy without perverting it into dictatorship. Democracy need not be negative. The fact that it has been so must largely be laid at the door of Proportional Representation. The alarming title of this book conceals a strong attack on all forms of PR.

The need for such an attack is not obvious in England, where PR has relatively few adherents. But Great Britain has had a full share of responsibility for introducing PR in other countries after both world wars and it accordingly behoves us to consider carefully Professor Hermens's main arguments, which are: that PR benefited and benefits communists and fascists; that in consequence the democrats in the centre (for whom poor *Signor Facta* stands as the *reductio ad absurdum*) are reduced to impotence—in other words, to mere negative democracy; and that PR encourages and assists narrow political sectarianism and the election from party lists of deputies more conspicuous for the interests that they represent than for their native talents. He might have added that an electoral system in a democracy must not only be simple but also appear simple. Professor Hermens's case is a strong one and he demolishes with gusto the favourite examples of the partisans of PR.

His book is divided into two parts, separated by the Second World War. It is a pity that in the first part he is sometimes tempted into generalisations which give an air of hurried compilation and inadequate scholarship. The second part of the book contains a useful survey of party politics in France, Italy, Germany and Austria (and also, briefly, in Turkey, Israel, India and Japan) in the last six years, but one can still read this book and remain vague about the meaning of "positive democracy." In a brief concluding statement Professor Hermens argues that the USA must give the lead which will induce European democracy to become positive, and he calls this a political Marshall Plan. Perhaps one day he will elaborate this idea.

London, East and West

East London. By R. Sinclair. Robert Hale. 416 pages. 15s.

West of the Bars. By D. Newton. Robert Hale. 330 pages. 15s.

Of the books in the *County Books* series covering London, Mr Sinclair's is so far much the best. He is in sympathy with East London and is interested in the human and sociological features of its development as well as in its famous and infamous buildings. His book is therefore much more than a visitor's guide. The sequence into which he has chosen to put his material is a reflection of this attitude. The descriptions of notable places comes last as he takes his visitor on a series of perambulations round his area. The two preceding sections are concerned with the causes and character of the blight which has settled in the inner ring of boroughs, usually known as the "East End", and the migration to respectability in the outer ring in Essex, to Walthamstow, Woodford, Ilford, Leyton and Barking. A million and a half people live in this huge area, which ranges from the worst slums to middle-class prosperity.

Mr Sinclair conveys his atmosphere best in the seamy streets of Stepney, Poplar, Bethnal Green, Shoreditch and West Ham. His most interesting theme is the degeneration and evacuation of the five poorest boroughs of East London, an evacuation accentuated but not caused by the war. After 1918, the population of this inner area was 930,000; by 1938, it had fallen to 740,000. By 1947, when all evacuees who intended to return had done so, it was 450,000. For centuries, East London has collected the economic sediment of London, and although since 1945 this process of silting has ceased, its effects remain—a heritage of social isolation and cultural privation. The "enforcement of a social pale round inner London has had the terrible effect of creating stagnant pools of population in the poorest spots."

One bee buzzes persistently in Mr Sinclair's bonnet. He attributes much of the final degeneration of East London to the charitable and zealous activities of those who descended from higher social circles to do good to the East End, by attempting to save his soul or his body in churches, settlements or soup kitchens. His accusation is that these missionaries never mixed on equal terms, rarely attempted to make the East End their home, never shed their separateness. As a result their charity undermined the East-Enders' self-respect. This view is perhaps exaggerated: nevertheless, there is enough truth in it to be uncomfortable.

In "West of the Bars," Mr Newton covers Westminster and the West End, Bloomsbury, Belgravia and Kensington. His account is too often anecdotal, adjectival and patchy, but every now and then he brings a place or person alive. With the ability to do this, it is a pity he did not omit half of the detail and concentrate on a selected number of places and stories. Some of his vignettes are excellent, particularly those of women

—such as Henrietta Maria, Queen Anne or Queen Victoria; the readers could have done with more of them. As it is, there is too little about too much, and the only theme which stands out is the advancing human and brick tide that flowed out from the city's bars. Mr Newton follows this growth as the pattern of his book, and this gives it form.

Welfare Economics

Social Economy and the Price System.

An Essay in Welfare Economics. By Raymond T. Bye. Macmillan. 356 pages. 26s.

Modern welfare economists generally fall into one of two categories. In one group are those who maintain, by increasingly subtle philosophical arguments, that the economist, as a scientist, can make no firm statements whatever about economic welfare; in the other group are those who apply the elegant structure of modern economic theory to welfare problems with a bolder disregard for philosophical difficulties than their Pigovian predecessors would have sanctioned. As a result of this division, modern welfare economics is split in two.

Professor Bye fits into neither category; the pre-eminent characteristic of his essay on the welfare functions of the price system is a sturdy common sense, distinguished by more familiarity with the real world than is common among welfare economists. Except for certain reservations on the score of

individual liberty, he has no doubt that, as an economist, he can establish a complete set of welfare criteria; but he deduces them, in his first chapter, from the requirements of group survival, and he applies them, in the remainder of the book, to the price system as it functions in reality. Where he makes recommendations for reform, he keeps his eyes firmly on their legislative and political practicability.

Professor Bye writes at textbook pace, and with a textbook's self-assurance. Some of his ideas bear a large "Made in America" label, particularly his notion that the elimination of fractional reserve banking would solve almost all monetary problems. On the whole, however, his essay is a breath of fresh air in what has tended to become a rather stuffy desert.

Shorter Notice

Proceedings of the Seventh International Conference of Agricultural Economists. Geoffrey Cumberlege, OUP. 372 pages. 25s.

This book is of considerable interest to anyone interested in the economic problems and prospects of agriculture. The papers cover a wide variety of subjects affecting different parts of the world, such as problems of peasant farming, agricultural co-operation, and the spread of industry in rural areas. There are interesting papers on the machinery of forward price-fixing in British agriculture and on farm prices in the US. The conference took place in August, 1949.

Dance of Death

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AMERICAN SURVEY

Breathing Spell

Washington, D.C.

THE price war between Macy's and Gimbels, two New York department stores whose feuds have, to their mutual benefit, come to take the place in American folklore occupied at various times in the past by the North and the South or the Cohens and the Kellys, was dramatic proof that, on one front at least, the Administration's fight against inflation was being unexpectedly successful. Some way had to be found by retailers of unloading their expanded inventories—expanded in the belief that the public would go on buying—because the banks were becoming increasingly reluctant to finance them, since the agreement at the beginning of March, between the Treasury and the Federal Reserve Board, on the government bond market. The method adopted by Macy's and Gimbels, and later followed by other stores in New York and all over the country, was made possible by a decision of the Supreme Court which pulled the rug from under the state "fair trade" or price fixing laws. Competitive price-cutting on a whole range of goods which had hitherto been protected by these laws was the bait used to lure the public into helping the stores into a more liquid position.

Between the end of December and the end of April the inventories of department stores rose in value from \$329 million to \$377 million. But sales, which had reached \$362 million in January, the month in which Macy's took a full page in the New York newspapers to ask plaintively "Why are you buying so much, New York?" were only \$290 million in March and \$306 million in April, no more than 5 per cent above the figures for the corresponding months of 1950, when inventories were but three-quarters of what they are today. The epidemic of public buying against future shortages came to a sudden end during the spring and left many shops, which had been lecturing their customers on the evils of hoarding, with embarrassing hoards themselves.

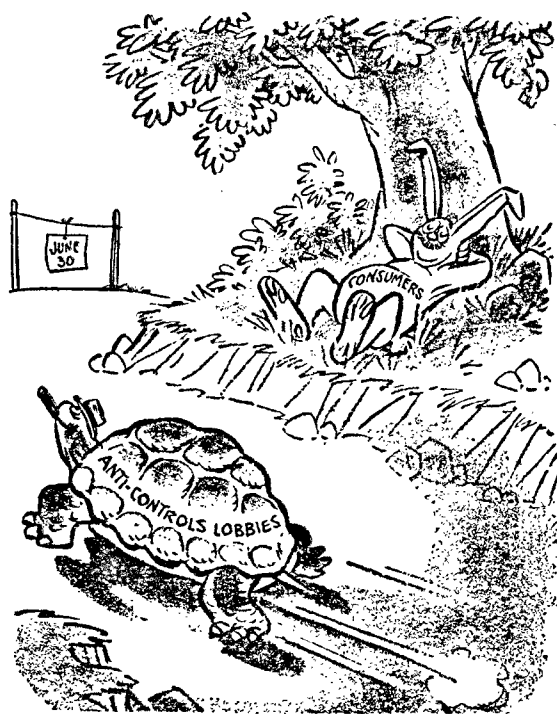
The "breathing spell," as the President called it two or three weeks ago, caught other people besides the department stores off guard. Like so many changes in the American economic climate it seemed to be largely accidental. But the kinds of discipline to which the American economy is prepared to submit, or which it imposes on itself, often appear deceptively undisciplined. The various measures which were thought hardly adequate at the time—Regulation X for hire

purchasing, Regulation W for mortgages, price and wage controls, voluntary controls on bank lending—have had an effect in the aggregate, though it would be hard to say which has had the greatest influence; none has had as much as the involuntary credit controls arising from the unpegging of government bonds. The two regulations date from last year, though their effects were necessarily delayed; wage and price controls began in January; and the lull was first noticeable in February. Since that month, as Mr Truman has pointed out, wholesale prices have increased less than 1 per cent and in the last month they have actually declined.

Satisfactory as this lull is to the government's economists, it could hardly come at a worse time for them in their relations with Congress. As one official said recently, had the measures taken so far proved insufficient, the President and his advisers would have been blamed for not doing more. Because the controls seem to have worked, Congress is now convinced that they were unnecessary. And this, unfortunately, is the moment when Congress has to make its decisions about the future. Last week Mr Truman took to the hustings—or their modern equivalent, the microphones—to speak for, and to, the consumers, whose representative he said he was. A group of Senators and Congressmen, he warned the country, had told him that "they were under a lot of pressure from the special interests to do away with the controls" but that the consumers were not making themselves heard.

The Defence Production Act, which authorised the controls which have been imposed, expires on June 30th. The Congressional Committees have been bearing evidence for six weeks on the new Bill which the President sent to Congress in April. "After the representatives of the Administration testified in favour of a good, strong law," Mr Truman pointed out, 124 witnesses were heard representing private organisations, only 20 of whom were in favour of the Bill. "All the rest were against the whole anti-inflation programme, or they opposed very important parts of it, or they were trying to get special exemption for themselves." But nothing the President said had any effect on the Senate Banking and Currency Committee, which spent the next week removing controls rather than adding to them.

Both houses have now bowed ignominiously to the cattle lobby, the Senate has given way to the automobile dealers, and many other holes are being drilled in the fabric of



Herblock in the Washington Post

THE ECONOMIST, June 23, 1951

controls. There is nothing to suggest that inflationary pressure, and therefore popular enthusiasm for controls, will be renewed in time to be of any use to the Administration in its persuasion of Congress. Everything suggests rather that the present breathing spell will last for at least six or eight weeks more and, possibly, well into September. So Mr Truman made his appeal to the public to come to his, and their, rescue and write to their representatives.

*

The lull since February, to which the controls then imposed, however little their chance of strict enforcement, certainly contributed at least some moral effect, was overdue by the time it came. The pace of inflation had far outstripped any inflationary force which the defence programme had generated by then and both business and the public had probably done all the anticipatory buying they wanted to do. The defence programme has still not had much direct inflationary effect. On the contrary, the two increases in taxes during the last year have had a greater deflationary one and the cash surplus, when the fiscal year ends this month, will be more than \$6 billion. But federal expenditure this year will have been only about \$46 billion against an estimate of \$74 billion for next year and \$84 billion (which may well be increased) for the year ending June 30, 1953. The lull can only continue until the real inflationary force of the defence programme makes itself felt or until the public has digested its post-Korean purchases and is ready to start buying again.

If the early measures helped the anticipatory inflation to wear itself out, the continuation of the breathing spell into the autumn will be attributable largely to the effects of the agreement between the Treasury and the Federal Reserve Board. The prices of long-term government securities have fallen to a level which has discouraged the private banks from selling them in order to lend the money at a higher rate to private borrowers. As long as they keep these securities they can legally be carried at par, so no loss is shown until they are sold. The supply of credit has, therefore, been restricted to an even greater extent than was envisaged, or probably intended, when it was decided in March that, for the first time in ten years, the market in government bonds should be orderly rather than rigid.

None of this, however, even with the third tax increase which Congress is considering and which now appears likely to produce about \$7 billion a year from October 1st, can be expected to offset the inflationary effects of the defence programme when it is in full tide, as it will be within the next fiscal year. Certainly, if other countries are to get an adequate, or even tolerable, supply of raw materials for their defence programmes and their minimum civilian needs—and since Mr Charles Wilson's visit to Europe it would be churlish to doubt it—there will not be enough consumer goods to satisfy a national income which rose during April to an annual rate of more than \$265 billion, \$30 billion more than the annual rate for 1950, with most of the increase coming under the heading of "compensation of employees," where it has the most inflationary impact. There will undoubtedly be need for that extension and improvement of the laws controlling prices, wages, credit and rents for which the President asked on June 14th. And there will also be need for something he did not mention when making his case to the people, for an understanding of the necessity for private saving at a time when the attraction of spending will be greater than it ever was during the war and when the customer will be ready for another round of hoarding.

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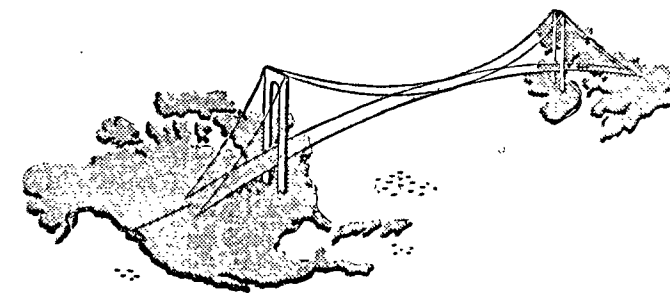
Sport is Big Business

[FROM A CORRESPONDENT IN THE UNITED STATES]

Americans pay more money to see intercollegiate football games than to watch any other sport, professional or amateur—an annual total of approximately \$106 million. Admission charges for this sport alone pay for the entire athletic programmes of most colleges. Naturally the colleges are afraid that television is going to kill the goose that lays this golden egg. Already twenty-four small colleges, unable to compete with the free viewing of large university contests, have abandoned intercollegiate football matches. The gate receipts even of the most popular games have been reduced because television relieves the spectator of the expense, trouble and discomfort of attending them in person. As a result the major colleges and universities have announced a one-year moratorium on the unlimited televising of college games.

This has produced something more than an academic argument. In the first place, the government has reminded the collegiate governing bodies that they must be careful not to form combinations in restraint of trade, which are forbidden by the Sherman Anti-Trust Act. Another complication is added by the refusal of Mr Stassen, president of the University of Pennsylvania, a politician who seldom avoids any controversy, athletic or otherwise, to abide by the agreement. His university stands to gain an additional \$200,000, in television income, but when it announced that it proposed to disregard the moratorium, four universities—Princeton, Cornell, Dartmouth and Columbia—indicated that they would not play their scheduled games with Pennsylvania.

There is, of course, nothing new in the commercialising of



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college and university sports in the United States. It has been a subject of bitter controversy among educators for years. Enormous arenas, some of them challenging Wembley in size, have been built out of the gate receipts of college football games. Since the public has little interest in a losing team, the desire for good players has led to an annual competition among the universities to outbid one another for the services of the best school athletes. The schools and colleges also find themselves involved in a scramble for the ever-increasing amount of money spent in America every year on sport. With rising wages, there is the trend, usual in an inflationary period, toward greater expenditure on all frivolities. Sport has become "big business," and it is subject to all the harsh competition, the opportunities and evils inherent in all large private business enterprises.

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Expenditure on sporting activities in a normal year is approximately \$4 billion. This amounts to an average expenditure of \$134 for each of the 30 million sports "fans"—an appropriate and popular American abbreviation for sports enthusiasts or "fanatics." Surprisingly, it is the 13.5 million peaceful fishermen, spending an estimated \$1.2 billion a year, who get hooked for the biggest portion of America's sports bill. Transportation expenses are included in this item and anglers in the United States are used to going a long way for a "better 'ole." Florida, for instance, reports a catch of 2,000,000 tourists every year who come there for the sole purpose of fishing its coastal and inland waters.

After fishing, the most lucrative sports in terms of yearly expenditures on them are hunting and shooting (\$650 million), motorboating (\$600 million), golf (\$500 million), bowling, indoors and out (\$450 million), and skiing (\$150 million). Other sports get \$190 million. In addition to those who participate in such recreations there are also, of course, the "fans" who take \$260 million out of their pockets every year just to have a look at the fun. Annual peacetime attendance at sports events approximates 365 million, or an average of 1,000,000 a day. Basketball, a comparatively new sport, leads with 90 million followed by softball (baseball played with a larger ball which requires less agility and space and causes fewer accidents), baseball, football (the American form something like rugby), boxing and horse-racing, in the order named. Soccer is popular as an inter-class game in schools and colleges, but not as a spectator sport.

Baseball, still called America's "national game," brings in \$66 million in admission fees each year, but is far down the earnings list. On the other hand, no other athletic heroes in America receive the rewards of the "home-run kings" of baseball; the salaries of the top players are higher than that of the President of the United States. The lowest wage for regular members of the big teams is about \$15,000 a year but may reach \$125,000 for a star such as Mr Joe DiMaggio of the New York Yankees, and \$150,000 for the most powerful hitter in the game today, Mr Ted Williams of the Boston Red Sox team. In addition, such leading players may collect as much as \$50,000 for endorsing things they do not eat,

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

wear or, it is suspected, even know very much about. Another \$5,000 comes their way if their team plays in the championship games, known somewhat presumptuously as the "World Series."

Followers of Mr DiMaggio also may occasionally set aside a day in his honour, during which, before the game, he is showered with gifts. This happened a couple of seasons ago. A list of his gifts included: \$7,191 in nickels, dimes and quarters sent in by 3,000 devotees throughout the country (Mr DiMaggio lost no time turning over this sum to charity), a Cadillac motor car from New York fans and a Dodge motor car for his mother from his followers in Hoboken, a Chris-craft motor boat from New Haven, Connecticut, a cheese from a Wisconsin baseball team, a four-year college scholarship from *Il Progresso*, the Italian-language newspaper in New York City, for any boy Mr DiMaggio might choose, 300 free taxi rides from the Brown and White Cab Company, and 300 quarts of ice cream from the Joe Cardani Ice Cream Company.

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The enormous profits, both legal and illegal, to be made from sport are the more remarkable since organised sport is really comparatively new in the United States. In colonial days sport of all kinds was looked upon by most citizens as evidence of idleness and by many as downright sinful. Such an attitude persisted during the first half of the nineteenth century when Americans were so busily engaged in developing their country and pushing its boundaries westward.

In the closing decades of the century America began to look more tolerantly on sports as something other than the work of the devil. Basketball was invented in 1891. The businessman discovered golf in the eighteen-nineties with the aid of imported professionals from the United Kingdom. The natural combative instincts of the American male and his fierce geographical pride contributed greatly to inter-city and inter-state competitions which often engaged the emotions of large numbers of people. The great competitions with Britain such as the Walker and Ryder Cup matches in golf and the Wimbledon and Davis Cup tennis matches, widened this interest and threw up a number of shining personalities such as Mr Bobby Jones and Mr Bill Tilden. Finally, the technological revolution of the second quarter of this century has affected and complicated the sports world, as it has everything else. It has enabled the camera to pick up the most intimate details of a game in New York, and flash it immediately on the television screen in the front parlour of a workman in Omaha, over a thousand miles away.

During the war sports events were indifferently attended, and spending on sport was cut in half. Since then, however, as after the first world war, there has been a boom encouraging various unsavoury practices which have attracted the indignant interest of educators and legislators. Senator Kefauver, the chairman of the Senate crime investigating committee, turned the light on the fabulously lucrative business of illegal bookmaking, controlled by a racing wire company which counts among its directors some former associates of the infamous Al Capone. The "fixing" of college games for the benefit of gamblers has shown that even amateur sport is not immune to corruption; betting on college basketball alone runs to millions of dollars every year. Americans would be the first to admit that they have not yet solved the social problems created when sport became big business.

American Notes

MacArthur in Texas

The inquiry into General MacArthur's dismissal, now in its seventh week and growing intolerably wearisome with repetition, is to be wound up by June 30th at the latest. Only three more witnesses are to be heard. The Republicans are wisely not anxious to prolong the agony; of the last four to testify, only General Hurley came up to the MacArthurites' expectations. General Wedemeyer, Mr Louis Johnson and Admiral Badger did not weaken the strong case made for the Administration by General Marshall, Mr Acheson and the Chiefs of Staff.

General MacArthur himself has stolen some of the lime-light by betaking himself to Texas, a state which is reputed to be overwhelmingly critical of the Secretary of State and thus likely to provide a happier hunting-ground than Washington. Here he devoted a triumphal tour to a series of frankly political speeches. Going far beyond anything he said before Congress, he accused the civilian authorities of appeasement and defeatism and of allowing their policies to be determined by foreign pressure. He firmly set the first line of defence of Western Europe on the Yalu, not the Elbe or the Rhine. His anxieties on the score of "creeping socialism" and the throttling of individual initiative place him, at home, to the right if anything of Senator Taft, whose presidential campaign some observers think he is abetting.

Texan hospitality is traditional and, indeed, big crowds turned out to welcome General MacArthur. But relatively few remained to hear what he had to say. In the capital, the *Washington Post* remarked angrily that such demagoguery and recklessness in uniform provided fresh justification for his removal. But if General MacArthur's reception was chilly, it was not so icy as that accorded Senator McCarthy when, having been disappointed in his hopes that the Senate investigation would destroy Mr Acheson, he raised his sights to General Marshall. Mr Marshall is generally conceded to be above politics; he is the chief pillar of the Administration, and in the President's view the greatest living American. Hence he is a particularly irritating thorn in the Republicans' side. But the Senate emptied rapidly as the Senator from Wisconsin, in 60,000 scurrilous but privileged words, accused Mr Marshall of making common cause with Stalin at Yalta and marching with him ever since in a conspiracy to let the United States fall victim to Soviet intrigue. Republicans as well as Democrats walked out; when only three listeners were left, Senator McCarthy called it a day and left more than half of his speech unread, for burial in the *Congressional Record*. What is deplorable, however, is that no Republican has yet had the courage to repudiate an attack which, however nasty, might influence a few votes in 1952.

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Modern De Quinceys

A horrifying new series of "confessions of an opium-eater" have been recorded on tape and played out at the New York State investigation into the drug traffic. These confessions, far from extolling the joys of narcotics, recount the begging, prostitution and robbery to which teen-age addicts in New York City are driven by their need to secure money for habit-forming drugs. Narcotics are peddled even in the schools, by students to other children, and taken under the innocent eye of the teacher; they are even more freely obtainable from salesmen in hotels, bars, chemists' shops and amusement centres, under the less innocent eyes of the police. Reluctantly the Superintendent of Schools has had to agree that there might be as many as 1,500 addicts among a school population of 300,000, and 6,000 teen-age addicts in the city. This is one more nail in the coffin which the Republicans, who control the state, hope to have ready for the Democrats in the city before the next mayor is elected.

The spread of the drug-habit to young people is marked in all big cities, but New York, partly because it is a great port, leads the shameful procession. The Federal Hospital at Lexington, Kentucky, admitted 440 minors last year for rehabilitation, compared with one in 1940; half came from New York. This hospital, the only one of its kind, is desperately overcrowded, despite the widespread, though erroneous, belief that a conviction is the only passport to a cure. Voluntary groups in New York are pressing for a new institution where young victims can be segregated from hardened cases and cured without any stigma attaching to them. A new experimental programme of rehabilitation is also to be tried in one of the state prisons for women.

Prevention, which would be better than cure, is made difficult by the under-manning of federal and state enforcement agencies, for reasons of economy, and by the enormous profitability of the traffic. With heroin selling at \$300 a pound in Turkey, and \$100,000 a pound in the United States, the temptation for a seaman to bring in a small fortune strapped to his body is hard to resist; pedlars make a 100 per cent profit. The nation's yearly drug bill is put at \$250 million a year, without including the sales of marijuana, a variety of hemp which can be grown in any backyard. Nevertheless, Mr Anslinger, head of the Federal Narcotics Bureau, believes the traffic can be stamped out if judges are



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forced to give heavy sentences; pedlars in the New York area have moved to Manhattan from Brooklyn, where maximum sentences are usual. A House Committee has now approved a Bill giving the Narcotics Bureau what it wants. Jail sentences of five, ten and twenty years would be mandatory under it for second and third violations of the federal laws against importation, sale, or concealment of narcotics, and there could be no suspended sentences for repeaters.

* * *

Rounding Up Reds

The government has begun the second stage of its round-up of the leaders of the Communist Party by proceeding against the twenty-one members who, it is alleged, will be taking over the party organisation from the eleven whose convictions were recently confirmed by the Supreme Court. The new charges, like the old, are of conspiring to overthrow the government by force, and are brought under the Smith Act. The Supreme Court's decision established that this Act is constitutional and cleared the way for the Administration to proceed against Communists by the road which it has always thought was the best, even if the longest.

Congress has tried a number of supposedly shorter routes. One of these was the establishment of the Subversive Activities Control Board, which is at present trying to decide whether the Communist Party is a group dominated from abroad and therefore obliged to register with the Department of Justice. The members of the Board hold only temporary appointments because Senator McCarran, who was responsible for the Act establishing the Board, has obstinately refused to conduct hearings on their confirmations. He doubtless enjoys the sense of power that this gives him over what ought to be an independent body, but his excuse for delay has now been removed by the resignation, through illness, of the chairman of the Board, Mr Seth Richardson. Mr Richardson, in his own words "a life-long contentious Republican," would seem, from his reactionary views on both domestic and foreign affairs, to be a man very much to Mr McCarran's taste. But as chairman of the President's Loyalty Board, which passes on the reliability of government employees, he showed a judicial impartiality which was more than Mr McCarran could stomach. The outstanding example of this was the case of Mr William Remington, who was cleared of disloyalty while in federal service, but was later convicted of perjury for denying that he had been a Communist before he worked for the government.

Mr Richardson believed that to have dismissed Mr Remington would have left "no room for a change of heart," the objection which Mr Justice Burton advanced to the Supreme Court's decision upholding the anti-Communist oath required of its employees by the City of Los Angeles. The decision, accompanied by a rider that those unable to take the oath should not be dismissed simply because they had once been affiliated with the Communist Party, would seem to establish the constitutionality of the loyalty oaths now required by many state and city governments. The Regents of the University of California have, however, at last given up their attempt to insist on a special loyalty oath for the staff at the university only. Dr Tolman, the leader of the professors who lost their jobs because of their refusal to be singled out in this way, has just received an honorary degree from Yale University in recognition of his valiant defence of freedom of the mind.

* * *

Shipping Stoppage

The American Export Lines' new SS *Constitution*, due to sail on her maiden voyage to the Mediterranean this week, looked like having her debut postponed as a result of the refusal of the 60,000 members of the National Maritime

Union, the Marine Engineers' Association and the American Radio Association to work without a contract. The last-named union is the only one of the three employed on Pacific coast routes but, since no vessel may sail without a wireless operator, shipping has been tied up on both coasts since last Friday, for the first time in three years.

About 650 ships will gradually be affected as they come into port and the anxiety of the owners to prevent such a disruption of passenger traffic in the middle of the tourist season explains, according to the unions, why President Truman was asked to invoke the Taft-Hartley Act and thus delay the strike for eighty days. The President did not, however, feel justified in doing this, since the unions had promised to move all emergency and defence cargoes, for Korea and elsewhere. This guarantee permitted the dispatch of the first shipment of grain for India under the \$190 million loan authorisation which Congress has at last allowed the President to sign. But Marshall Aid deliveries, half of which must by law be carried in American bottoms, will not necessarily be regarded as emergency cargoes. Oil tanker and collier crews were not concerned in the dispute, nor were foreign ships whose crews do not belong to American unions.

The NMU, which sets the pattern for the other unions, is demanding a 40-hour, instead of a 48-hour, week at sea, an increase of 25 per cent in pay (an able-bodied seaman at present gets \$248 a month plus bonuses and overtime), holidays with pay and other minor benefits. The employers say that this would add another \$170 million a year to the already high operating costs of the American merchant marine and would be far above the increases permitted by the Wage Stabilisation Board. During the eight weeks of negotiations that preceded the stoppage, the companies proposed a pay rise of 10 per cent and a less generous scheme for financing holidays, but no change in hours. They have refused to improve this offer and, although the unions insist that they are anxious to negotiate, the government mediators have so far found no readiness to compromise on either side. At the time of going to press, there is no sign of a settlement except possibly on the West Coast.

* * *

Paper Bullets

Barbed words have been flying across the world's longest undefended border. Four Canadian newsprint manufacturers have announced that they will raise their prices by \$10 a ton on July 1st. This will bring the price of Canadian newsprint in New York to \$116 a ton, only \$4 a ton short of the peak reached in the nineteen-twenties, and more than twice what it was ten years ago. As the United States buys 5,000,000 of the 6,000,000 tons of newsprint it uses from Canada, publishers will have to find an additional \$60 million or so a year. It is conceded that rising costs make a somewhat higher price inevitable; ceiling prices charged by American producers are likely to be raised by \$3 or \$4 a ton soon. But the extent of the Canadian advance, coupled with the profits the Canadian newsprint companies are earning, has brought the now familiar charge of gouging both from Congressmen and anonymous officials of the Administration. The new price has, however, been found to be justified by the Canadian Cabinet.

Mr DiSalle, the Price Administrator, believes the issue is bigger than the mere addition of \$60 million a year to the bloodstream of inflation; he notes that some people are asking whether the United States should continue to control its export prices when other countries do not limit theirs, and adds that it is directly contrary to the entire principle of a joint defence effort that essential materials should be permitted to flow to the highest market, regardless of need. This is a principle of relatively recent adoption in the United States, and most of the newsprint-hungry

democracies might dispute whether the giant appetites of the American newspapers represent a genuine need.

Among the means of frustrating the advance which are being discussed is the imposition of a ceiling on the prices which might be paid for imported newsprint, if this were found legal, and retaliation by the withdrawal of defence contracts placed in Canada. These are tactless speculations so soon after Mr Lester Pearson, the Secretary for External Affairs, underlined Canada's independence by saying publicly that while Canada is anxious to support the United States in the leadership she is giving to the free world, she was not willing to be an echo of somebody else's voice. The publishers, at least, have no illusions about their need for Canadian newsprint; while groaning at the prospect of the new burden, they are counselling Mr DiSalle to do nothing rash until he, Mr Wilson, the defence mobiliser, and Mr Eric Johnston, the economic stabiliser, have seen what a friendly talk will do.

Shorter Notes

This week President Truman signed the new Military Manpower Bill, which reduces the conscription age to 18½ from 19, lengthens the period of service from 21 to 24 months and extends conscription until June 30, 1955. It also lowers physical and mental standards and withdraws deferment from men whose only dependant is a wife. The Bill sets up the framework for a universal military training programme to replace the draft after the present emergency is passed, but Congress will have a chance to reconsider this programme before it actually begins.

*

Fine weather made May an excellent growing month and the wheat crop took full advantage of it. As a result it is

expected that over a billion bushels of wheat will again be harvested this year, over 20 per cent more than was forecast in the pessimistic May crop report. But this will only be just enough to cover domestic needs and the increased export demand arising from the greater number of American troops abroad and the need for relief shipments to India and Korea.

*

In 1950 some 300,000 Americans visited countries receiving Marshall Aid, nearly 20 per cent more than in 1949. They spent nearly \$400 million, 32 per cent more than the year before.

*

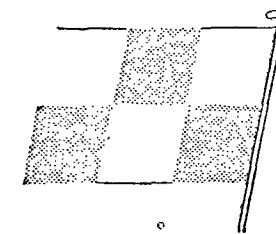
Telephone subscribers in Englewood, New Jersey, will soon have no need to call the exchange in order to talk to their friends in San Francisco. Plans have been announced by the Bell System enabling long-distance calls to be dialled, and it is hoped delays will be reduced to a matter of seconds. The equipment should be installed by the end of the year and the plan will include cities such as San Francisco, Chicago, Cleveland, Detroit and Boston. At first the system will only work one way, but in time, no doubt, San Francisco will be dialling direct calls to Englewood.

*

It may not be long before the Fuller Brush man is relegated to legend, for the Supreme Court has decided that local governments have the right to regulate door-to-door selling, provided they do not discriminate between salesmen or products. No one knows how many communities ban such activities or the volume of business done in this way, but over half the country's magazine subscriptions are collected by this method, which is often hard to distinguish from blackmail.

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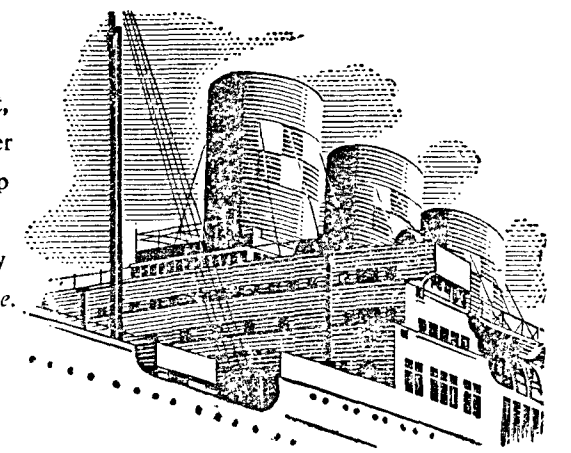
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THE WORLD OVERSEAS

Development of Central Africa

THE case for the federation of British Central Africa rests—at least in part—on economic considerations. It has been argued, officially, that these three territories of Southern Rhodesia, Northern Rhodesia and Nyasaland are so interdependent that if they are to be developed to the full, they must be very closely associated in their economic planning. Three separate administrations will not ensure economic security, and a slump in the price of their main products could be disastrous if the risks are not spread.

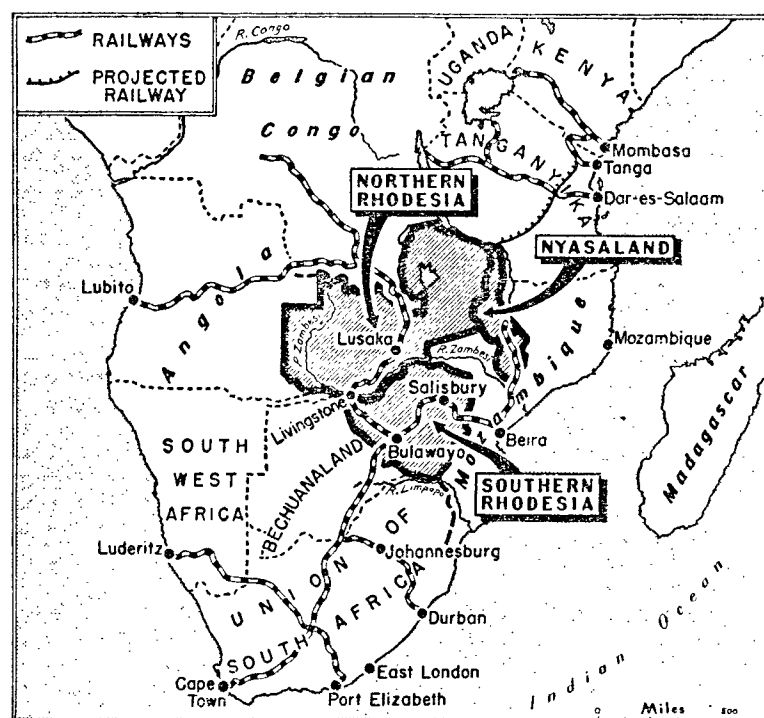
The three territories cover 480,000 square miles (apart from lakes)—nearly nine times the size of England. They carry a population of something over six million, divided with rough equality between the three; only 169,000 are Europeans, and of them 129,000 are in Southern Rhodesia. The combined national income in 1949 was no more than £113 million, or under £20 per head per year. Of this Southern Rhodesia contributed £73 million, Northern Rhodesia £27 million and Nyasaland £13 million.

These, then—Europeans apart—are poor populations, yet the potentialities for development are known to be large. How rapid economic development could be has already been indicated by the extraordinary progress, at least in the Rhodesias, in the last 15 years. Since 1938 the value of gross industrial output has increased more than fivefold in Southern Rhodesia and in 1949 it was £44,891,000. Mineral production, on the other hand, has increased by only 47 per cent to £11,293,000. Revenue has expanded from £3,500,000 to over £16 million in 1950. From 1939 to 1949 Northern Rhodesia's mineral production has increased three and a half times to £35,500,000 and its revenue four times to £12 million. Industrial production figures are not available for earlier years, but in 1948 they stood at £19,917,000 and in 1949 at £29,243,000. Nyasaland's wealth has grown more slowly; its revenue was £1,000,000 in 1939 and £3,000,000 in 1950. The index of output per worker rose in Southern Rhodesia from 100 in 1938 to 118 in 1948.

The external trade figures are equally impressive:—

	Imports (£'000)		Exports (£'000)	
	1938	1949	1938	1949
S. Rhodesia	9,673	54,586	10,574	29,621
N. Rhodesia	5,168	21,266	10,027	32,753
Nyasaland	534	5,592	960	4,690
Total	£15,375	£81,444	£21,561	£67,064

Until the war, mining—mainly gold—had been Southern Rhodesia's largest source of wealth. But by 1950 secondary industry had become the major activity. Factory industries have grown more than sixfold since 1938. The most important secondary industries are sugar-refining, baking, grain-milling, bacon and meat preserving, brewing, mineral waters, tobacco manufacturing, oilseed crushing, soap, textiles, metal manufactures, building materials, paper, printing and publishing. The foundations of a big textile industry and of an iron and steel industry are being laid, and about £1,000,000 worth of coal a year is produced. Tobacco and agricultural production has also increased significantly and tobacco exports last year were valued at nearly £12 million.



Northern Rhodesia's economy is based on the prosperous copper industry. There are efforts to diversify it by increasing tobacco and agricultural production and encouraging secondary industries. Saw-milling is successful and important and a cement works will be in production by 1951, but the remaining manufacturing firms are on a small scale. Tobacco is a valuable cash crop, but agriculture in general has to contend with serious natural disadvantages. Nyasaland relies on agriculture—tobacco, tea and cotton. Tung oil is increasingly valuable and there is an important fishing industry. There is no mineral production, though asbestos, coal and bauxite are known to exist; and there is very little secondary industry.

The impressive development of the area as a whole has been based on the export trade to countries overseas. But the economic case for federation rests on their interdependence. In what way, then, are they interdependent? In some measure, in their labour supply. Thirty-one out of every 1,000 Northern Rhodesia Africans work in Southern Rhodesia; 39 of every 1,000 Nyasaland Africans work in Southern Rhodesia, and three in Northern Rhodesia. These figures are more striking when related to the total of Africans in employment. In 1949, for example, only 41 per cent of the Africans in employment in Southern Rhodesia were indigenous; in Northern Rhodesia the figure was 80 per cent. There is also interdependence between the Northern Rhodesian mines and Southern Rhodesia's coal—at the moment copper production is restricted through shortage of coal. Cotton production in Nyasaland feeds the textile industry of Southern Rhodesia, which finds markets in the other two territories. In general Southern Rhodesia's secondary industries find this a useful outlet. Southern Rhodesia is also a natural distribution centre for Northern Rhodesia—the value of its re-exports to this territory

was £3,000,000 in 1949. The total internal trade between the three territories was £8,000,000 compared with a total external trade of £148 million. Southern Rhodesia has a Currency Board on which the other territories are represented. There is no exclusive trade or customs agreement between the three. Nyasaland and a portion of Northern Rhodesia are governed by the Congo Basin treaties and so are precluded from granting preferences on customs duties.

Movements of Labour

None of these facts give convincing proof of far-reaching mutual dependence. The migration of labour is by no means confined to these three territories. Ten in every 1,000 Southern Rhodesian Africans work in the Union, so do 8 of every 1,000 Northern Rhodesians, and 20 of every 1,000 Nyasalanders. Many African employees from Portuguese territory and from Tanganyika also migrate southwards. Total trade between the three territories in 1949 was only 5 per cent of their total external trade. The Rhodesias trade far more with the Union than with each other. Even the argument that a large, diverse economy is necessary to counter the disastrous effects of a possible trade depression does not bear close examination. A world depression would in any case involve all the main exports of all three territories. But a major slump is unlikely in the foreseeable future, with the defence and production needs of America, Britain and Western Europe stretched to the limit; even apart from rearmament the United States is becoming a net importer of raw materials, particularly of non-ferrous ores, of which Central Africa is an important producer.

The great difficulty for this whole area is transport. Each territory looks outwards for the overwhelming part of its trade, yet each is landlocked. The main outlet is the port of Beira in Portuguese East Africa, and its capacity has been consistently inadequate to handle the volume of trade since the war. In June, 1950, a convention was signed under which the Portuguese Government have agreed to develop the port in return for guarantees that it will be fully used. The Rhodesias (but not Nyasaland) have an alternative outlet in the South African ports, but the distance is too great for them to be used for the basic export traffic. Yet another alternative for N. Rhodesia is on the west coast at Lobito Bay; but this means using the Portuguese and Belgian railways and a recent agreement is waiting approval. The haul is too long to be of use to Southern Rhodesia. The road system of all three territories is inadequate for heavy traffic. An inter-territorial route from South Africa right up to the Sudan was agreed at the Johannesburg Transport Conference last October. Railways link the Rhodesias with South Africa, but the line is single-track and also has insufficient carrying capacity. Northern Rhodesia is considering a link with the East African railway system; the Nyasaland railways are already linked with Beira.

Case for Federation

The economic case for federation is not, therefore, convincing. If the economic dependence of the territories were the main consideration, would not a transport union, a customs union (as treaties permit) and certain common administrative arrangements from the South African border to Kenya, meet the case equally well? That there is vast scope for development is not in doubt, and this may be carried out more easily if the territories form part of a bigger unit, though not necessarily the unit now proposed. But the real case for federation in Central Africa is political, not economic.

Canberra Seeks More Power

[FROM OUR MELBOURNE CORRESPONDENT]

THE 20th Commonwealth Parliament has opened in Canberra amid scenes of great splendour, celebrating the Golden Jubilee of the achievement of federation in Australia. Mr Menzies, the Prime Minister, heads a ministry which now commands a majority in both Houses of Parliament; thus resolving the political deadlock between the two chambers which had made effective government impossible. To achieve this, Mr Menzies resorted earlier in the year to the drastic constitutional expedient of a double dissolution, which had been invoked only once before since federation.

It is ironical that, at the very moment when the nation is celebrating the jubilee of the coming into being of the Commonwealth Parliament, that body itself finds it virtually impossible to legislate on a number of vital issues because of the meticulous care taken by the makers of the Constitution to ensure that the Federal Legislature should not have too much power. As a result, Mr Menzies, despite the clear mandate from the people at two general elections, finds himself unable to legislate against the Communists and very uncertain about the powers that the Commonwealth possesses in the economic field.

The Menzies Government has made the issue of Communism its most important policy plank. Action was taken to outlaw the Communist Party and confiscate its property soon after the Government took office in December, 1949, but the High Court declared by a six to one majority that the enabling legislation was in peacetime *ultra vires* the Constitution. This was a severe blow to the Government, and it raises the possibility that other legislation, both present and future, might be in jeopardy because of the insecure basis on which rest most of the current and prospective economic controls.

For instance, the Government's plans to bring down a defence preparations Bill early in the new session of the new Parliament might well lead to another appeal to the High Court, on the grounds that measures needed to place the nation on a "semi-wartime" footing under a "peacetime" National Security Act could not be legally sustained. It was only through the use of its wartime powers that the Federal Government was able to assume complete control of the economic life of the nation between 1939 and 1945. The Government has no peacetime powers as such to exercise what would be tantamount to a wartime direction over industry. Should it attempt to do so, there would certainly be a challenge in the High Court by affected parties.

Defence and Finance

On the control of new capital issues the Government is already facing a challenge in the High Court about the validity of the present regulations, and upon the Court's decision much of the future pattern of peacetime economic control will depend. This point was referred to by the Governor-General (Mr McKell) in opening Parliament on June 12th. Mr McKell said:

The extent of the powers of Parliament over defence preparations have been rendered doubtful, though the matter may be to an extent cleared up by proceedings in the High Court.

There would be fierce opposition in Australia today to any deliberate direction of manpower; while in other spheres of economic control, such as direction of materials in short supply, there would always be a real danger of a successful appeal to the Court. But in the two spheres of credit control and taxation the Federal Government has undisputed authority. These powers are expressly set out in the Constitution and, in the case of taxation, the High Court has held that the Commonwealth takes priority over the

States both in peace as well as in war. This confirmed the Commonwealth Government as the sole income taxing authority in Australia, since it assumed this power with the assent of the States in 1942. The Federal Government is thus not completely helpless in the economic field, but its lack of jurisdiction over certain vital phases of economic life makes difficult any all-embracing policy.

What, then, is the way out of the present constitutional impasse, which springs from the limited sovereignty granted to the Federal Parliament by the framers of the Constitution? As the Melbourne Age points out:

Nobody looking at the record can fail to realise that the machinery devised half a century ago is grotesquely out of date and seriously inadequate for the highly important obligations of the national Government, the range and scale of which have grown enormously in the last two decades.

The solution, in theory, seems simple. The Constitution can be amended to provide for modern conditions if a majority of electors and a majority of States agree to do so by a referendum poll. That is the logical and obvious way out of the impasse. It would be a way out of the Government's dilemma in dealing with the Communists, for here the Commonwealth Parliament's will to legislate has been frustrated by the High Court and not by the Labour Party. A referendum would likewise resolve the difficulty of legislating in peacetime on matters which normally fall to the Federal Parliament only in wartime.

Strain of the Straitjacket

For a number of persistent and deep-seated reasons, however, Australian electors are exceedingly reluctant to endow the Federal Government with any more power. It is a reflection of the mortal fear that any power given to the Commonwealth must redound to the detriment of the States. It is illogical but nevertheless a no mean factor in Australian politics. Therefore, before risking an unfavourable referendum verdict, the Government is likely first to make a bid to obtain reference of the appropriate powers by the States to the Commonwealth. Alternatively, it could invite the States to co-operate with the Commonwealth in passing identical legislation.

If both these courses fail—as well they might, because of the political differences of the States (New South Wales, Tasmania, and Queensland have Labour governments)—the Government, to quote again the Governor-General, “will bring forward a measure for the amendment of the Commonwealth Constitution.” Thus, the Menzies Government's main task in the opening months of the new Parliament will be not so much to legislate, but to prepare the way constitutionally for legislation, the validity of which will be beyond doubt. Its foremost task will be to convince either the State Legislatures or the people as a whole that modern times demand more than a “horse and buggy” Constitution, and that the Government will be weak and ineffectual if the National Parliament continues in its present straitjacket.

Indonesia's Lack of Order

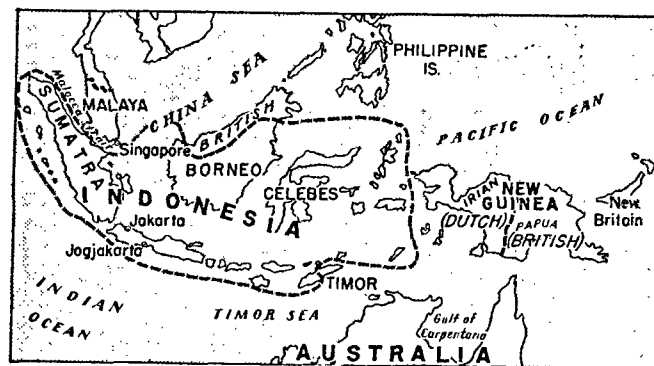
[FROM A CORRESPONDENT]

ALTHOUGH the new Indonesian Republic has now been independent for a year and a half, there is still sadly little evidence of any real internal stability. This rich territory, occupying an important strategic and economic position in the eastern world, is bound to disappoint the optimists so long as there is such an acute lack of competent men in public office. Even some of the recently appointed new cabinet ministers made “tub thumping” speeches before their first cabinet meeting. Such speeches are directed at the mob, but those who deliver them do not realise that such outpourings do nothing to help their country along. The

stable type of man in public life receives little or no encouragement as he is immediately termed “colonial” by all and sundry. And this is a most opprobrious epithet these days.

Meanwhile little or nothing is done to deal effectively with the lawless elements. The numerous murders during the last eighteen months are a black page in Indonesia's record; but even blacker are the less than half-hearted attempts to bring murderers to justice. However, law and order cannot be obtained when police and army are poorly and irregularly paid. The army is involved in many of the thefts of cars and produce, but its members almost invariably go scot-free. Theft, indeed, is the order of the day: factories and estates have to count on losing regularly up to 25 per cent of their production—an almost incredible and ruinous figure. Some rubber estates are tapping three times daily, once for the owning company, once for the labourers themselves, and once at night for the surrounding villagers. At other estates the labourers tap and give the owning company what they think fit, the estate staff being prohibited from going into the gardens.

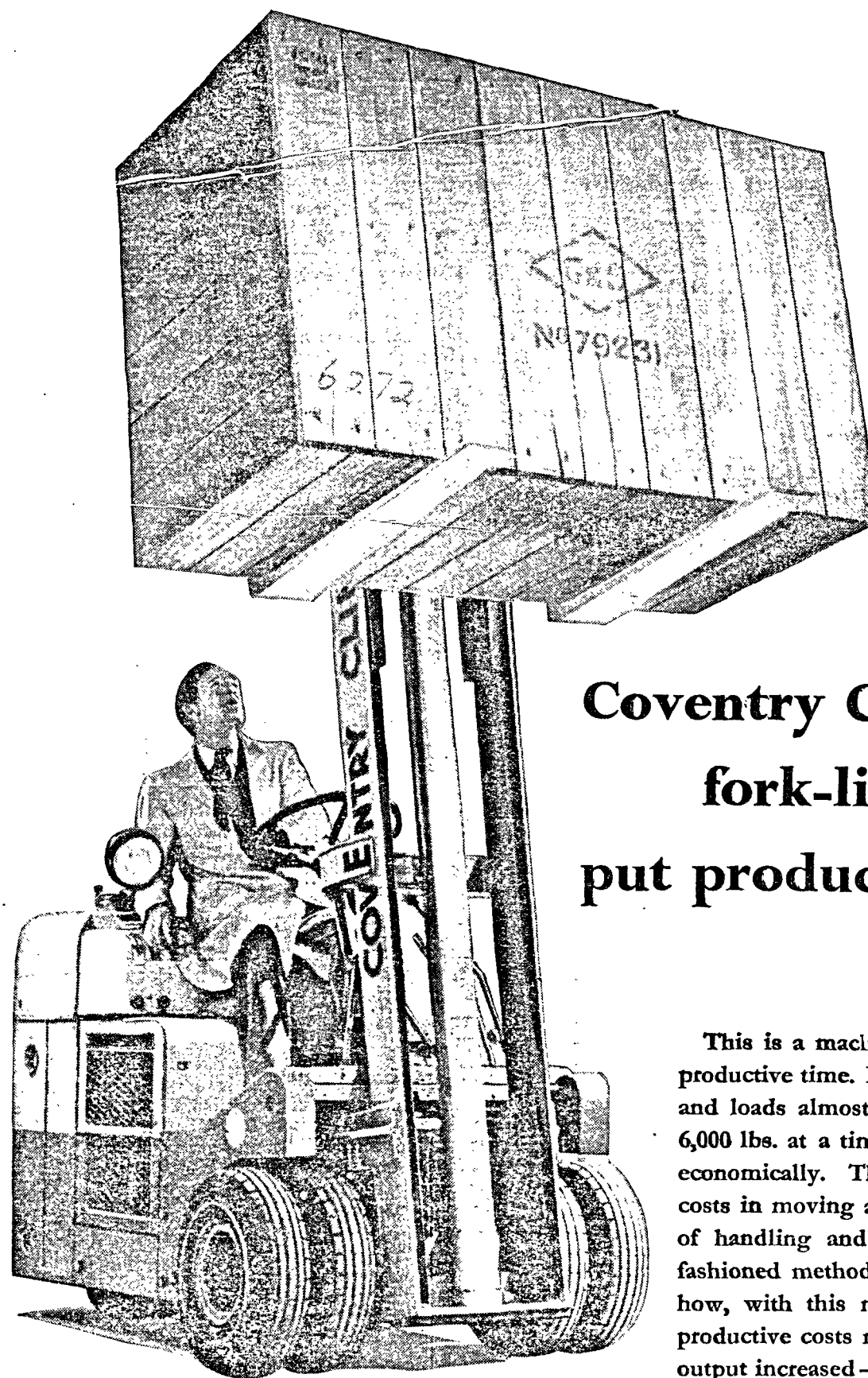
In the harbours nothing is safe. Recently a ship berthed with a cargo of tinned Japanese sardines. The unloading coolies were into this cargo like lightning, but it so happened that a ship carrying tinned American sardines came into the berth ahead—with the result that the Japanese sardines were just left flat and the swarm of locusts invaded the American ship. On the inter-island steamers, officers are not allowed to go into the holds and cargo is ransacked right and left. Indeed, one crew, seeing that they were carrying bales of



textiles, sent one of their members ashore to fetch a sewing machine so that during the voyage what clothes they needed could be run up according to taste from the bales at hand. The harbours are also in a shocking state from the point of view of organisation. Goods are not cleared quickly enough and the ports are so congested that, in the case of Tandjong Priok—the port to Djakarta—there was recently a suggestion that it might be necessary to close the port for a month. The Customs only work from 8 to 12 o'clock, and from 1 to 3; if one wants goods cleared in reasonable time it is necessary to slip a 50 rupiah note in amongst the import permits.

The Menace from Labour

On the labour side things are chaotic. The country just cannot afford a 40-hour week at this juncture, and the unions, Communistic as they are, do all in their power to keep down production and stir up strife. Strikes are called when the labourers themselves have not the slightest idea of why they are striking; but the unions follow the pattern of action laid down by the Chinese Ambassador. Intimidation is the order of the day as a union weapon in controlling its members; this was even looked upon with approval by a recent Minister of Labour. At discussions between employers and unions, the invariable cry from the latter is “exploitation of labour.” The unions themselves never account for their



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funds, but when a strike is called expect the employer to pay. Even so, after a recent strike at a cigarette factory in Djakarta, the union official concerned demanded 25 rupias from each monthly paid employee and a full day's pay from each daily paid employee, in all about 3,500 rupias "for services rendered."

Economically, Indonesia is like a house built on sand. Very few even of the intelligentsia realise the extent to which the country depends on world market prices for its income from exports. Costs continue to go up but rubber prices are slowly descending, and sooner or later someone will have to say to the labourer "your daily wage must go down." Then the fat will be in the fire, and the danger to Indonesia from Communism greatly increased. There is, however, nothing inevitable yet about the Communists capturing power. Although the present picture is so discouraging, the government could still take matters in hand if it had the courage of its best convictions—and if the Chinese and Russians do not make any further startling progress in the rest of eastern and southern Asia. Indonesia's need is to keep the hotheads in place, to get down to restoring law and order even if this means using extreme measures, and to accept the advice of foreign technical experts however unpalatable.

Land Reform in China—I

[FROM A CORRESPONDENT RECENTLY IN CHINA]

EXCLUDING Tibet, but including Formosa, China has an area of something over 2,500,000 square miles. No definite figures of its population are known, but it numbers something over 400 million, representing one-fifth of the world's population. Its average density of about 170 persons per square mile does not seem great at first sight, since France has a density of just under 200 persons, while that of this country is over 500. But in China the localised concentrations are very large; 83 per cent of the population lives on 17 per cent of the land, while only about 20 per cent can be described as urban and half of these are connected in one way or another with agriculture. With only 10 per cent of the land of China at present arable and around 1,500 people living on every square mile of cultivated land the true pressure of the population becomes apparent. Even though the Chinese farmer is an intensive producer, the continually expanding population of his country presents him with an ever-increasing problem.

A fundamental social problem has for long been the maldistribution of the land, with a great concentration of ownership in the hands of a relatively small proportion of the population. Though China still suffers from a lack of reliable statistical material, Kuomintang figures indicate that before the war landlords and rich farmers, representing 10 per cent of the rural households, owned 51 per cent of the land, the rest being divided between the middle peasants (22 per cent of the households, 25 per cent of the land) and the poor peasants and labourers (68 per cent and 22 per cent); the official figures of the present regime state that 10 per cent of the rural population controlled 70-80 per cent of the land. Whichever evidence is accepted, the maldistribution is evident.

The actual holdings themselves are small, as was demonstrated by a prewar official investigation of a sample area, which showed that 20 per cent of the land was cultivated by poor and middle peasants in holdings of up to five acres; 17 per cent by rich peasants with 5-8 acres; while the remaining 63 per cent belonged to small and large landlords owning from 8 acres of land upwards, mostly let out in small lots. The rents charged were almost always very high, 50 per cent of the crop being quite a normal amount: this was recognised by the Kuomintang, which introduced a law reducing rents to a maximum of 37½ per cent, but this never seemed

to have been applied in practice. Usury was also prevalent.

When the Chinese Communists set up the Central People's Government in the autumn of 1949, one of their first acts was to issue their "Common Programme" as the basis of the new regime's general internal and external policies. In this it is stated (Article 27) that "Agrarian reform is the necessary condition for the development of the nation's productive power and for its industrialisation."

After this came the Agrarian Reform Law of June 30, 1950, which codified the land redistribution which had already begun in the "old liberated areas" of the north-east and which is now spread virtually everywhere.

The immediate purpose of the Agrarian Reform Law is to implement that part of Article 3 of the Common Programme which stipulates the systematic transformation of "the feudal and semi-feudal land ownership system into a system of peasant land ownership." This intention is made clear by the first section of the Law which states:

The land ownership system of feudal exploitation by the landlord class shall be abolished and the system of peasant land ownership introduced in order to set free the rural productive forces, develop agricultural production and thus pave the way for New China's industrialisation.

The second section covers the scope of confiscation and requisition. The landlord loses all his land, draught animals, farm implements and surplus grain and his "houses in the countryside," all else remaining untouched. Agricultural land belonging to ancestral shrines (which occupy relatively large spaces), religious orders, schools and other organisations also come under requisition, but with provision for compensation for lost income where the local "People's Government" thinks it necessary.

Exemption for Industry

Industrial and commercial premises are in the main exempt. A partial exemption is also given to "revolutionary army men, dependents of martyrs, workers, staff members, professional people, pedlars" and certain others who rent out land, but who are either unable to work or are employed usefully elsewhere. They are not classified as landlords and are allowed to retain a relatively large part of their original holdings. Though the landlord loses virtually all his land, the "rich peasant" is allowed to keep all the land he cultivates personally or with hired labour. He is likewise allowed to keep small portions of rented-out land, although in certain unspecified "special areas" this can be requisitioned.

Section three is devoted to the manner of distribution of the requisitioned land, which is to be taken over by the local peasants' association for "equal, equitable and rational distribution to poor peasants who have little or no land and who have no other means of production." As far as possible the land is to go to its present tiller. The small land-owning peasant who receives redistributed land is to be allowed to have *in toto* more than a previously landless peasant.

Landlords who have "reformed" or who are not considered "reactionary" are also to receive equal parcels of land, providing "they are willing to earn a living by agricultural work." But no land is available for "collaborationists, traitors, war criminals, counter-revolutionaries guilty of extremely grave crimes, or criminals who have persistently sabotaged agrarian reform." Exemption is given to innocent members of their families.

The machinery for carrying out the reform is to be a local peasant committee, aided by a travelling "people's tribunal," the job of which is, according to Article 32,

To try to punish, according to law, hated despotic elements who have committed heinous crimes, whom the masses of the people demand to be brought to justice, and all such persons who resist or violate the provisions of the Agrarian Reform Law and decrees.

(To be concluded)

THE BUSINESS WORLD

Ministry of Materials

THE Ministry of Materials is a product of the present raw material shortage, but it could still be accepted as a step forward even in a more peaceful era without the strains of rearmament. A White Paper published last week-end set out the functions to be assigned to the Lord Privy Seal and his new department and these are to be debated in the House next week. The Ministry is essentially a procurement department in its widest sense:

It will be the duty of the Minister of Materials to do everything possible to ensure adequate supplies of the materials with which he is concerned. Where they are dealt with on public account, he will be responsible for their purchase and sale. Where appropriate, he will take steps to increase the production of materials of which supplies are, or may become, inadequate, to promote their economical use, salvage and recovery and to develop the production and use of substitutes.

The actual buying and selling of those materials on public account will be the administrative work of the department. Its policy, however, will cover a wider field. It will assess current and future trends in supply; it will be responsible for detecting a threatened shortage before it arises and for taking appropriate action to forestall it. If such a department had existed four years ago, the impact of the present dearth of sulphur, and indeed of most other raw materials, on British industry could have been considerably reduced. Nobody would pretend that the new Ministry will be omniscient; it is as likely to misjudge future trends as any other government department or any business concern. But the fact that its work will cover nearly all the essential raw materials will give weight to its judgments and enable it to act quickly and consistently—in short, its job will be to devise and follow a commodity policy that is realistic and productive.

The conservation of supplies, the recovery of salvage and the development of substitutes are all important aspects of procurement and their inclusion in the responsibilities of the new department is wise. These tasks of the new department may in time expand to include development of production in colonial territories. Colonial development has in the past been hampered by the cautious attitudes of the Ministry of Supply and the Board of Trade and the spectre of surpluses; the need for a great increase in supplies of primary materials had been put in the background. Mr Stokes's task is to put this need right in the foreground.

Similarly, the Minister of Materials will represent the British Government at international commodity conferences; thus in future it will be possible for one single authority to take a synoptic view of all commodity problems. Again, a Minister who can search the world for scarce materials has his valuable uses. Mr Stokes lost no time in going to Washington and rumour credits him with securing more sympathy for the British case

in seven days than the Government had been able to secure in several years—and in present conditions, more sympathy may well mean larger supplies.

But it is one thing to set out the responsibilities of the new Ministry in broad terms; it is another problem to translate them into effective action without causing a major administrative upheaval. Since the war, the responsibility for raw materials has accompanied the responsibility for the using industries—cotton to the Board of Trade, non-ferrous metals to the Ministry of Supply. This trend has had at least this logic—that the interests of the industrial consumers must be properly looked after. The present move in that sense might seem to be a retrograde step, since it goes some way to create a division between procurement and use. This is not an argument against the creation of the new Ministry; under present conditions, it is procurement that is compelling, and this duty has not been successfully carried out by the production Ministries. But the change does raise the problem of where to draw the line between the responsibilities of the Ministry of Materials and of the departments looking after production.

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The guiding principle in assigning tasks to the new Ministry is to make it responsible for raw materials up to the point at which they enter into manufacture, leaving the interests of industrial consumers to be looked after, as hitherto, by the Board of Trade or the Ministry of Supply. Where a scheme of allocation of materials is already in force, or where one is likely to be introduced, the broad division of supplies among the various groups of users will continue to be decided by the Cabinet Programmes Committee under the Chancellor of the Exchequer. Detailed allocations to firms, where these are necessary, will continue to be made by the departments responsible for their use, since they have a more intimate knowledge of the importance of the various users. The Ministry of Materials will thus be responsible only for the administration of the allocation scheme and for seeing that supplies exist to honour the quotas given to firms. This arrangement is sensible. It ought to give confidence to individual firms, since their supplies will be allocated by a department that should be fully acquainted with their work, while at the same time the procurement of supplies and the broad administration of the schemes will be under a single control.

British administrative genius never carries a principle to its logical conclusion. The White Paper reveals many qualifications to the guiding principle, though each anomaly has its special reasons. Metals are fairly straightforward. The Minister of Materials will take over from

the Minister of Supply the responsibility for non-ferrous and light metals in unwrought forms including ores and concentrates, but not the responsibility for the industries fabricating these metals. The Minister of Supply, however, will remain responsible for the iron and steel industry as a whole and will therefore look after the procurement of the industry's basic raw materials including manganese ore (except dioxide), ferro-manganese and scrap. The new Ministry will take over the Board of Trade's responsibility for chemicals, textiles, paper, hides, skins, tanning materials, natural and synthetic rubber, carbon black, softwood, hardwood, pit-wood, plywood and veneers and a host of minor materials ranging alphabetically from abrasives to waxes. The three anomalies in this list are chemicals, paper and textiles. The procurement of the basic raw materials for the chemical industry will be transferred to the Ministry of Materials while the Board of Trade will continue to look after the chemical industry—except sulphuric acid and fertilisers. The reason for this is that sulphuric acid cannot be considered separately from sulphur; since one of the more immediate tasks of the new Ministry will be to mitigate the scarcity of sulphuric acid by developing pyrites and anhydrites to replace elemental sulphur, it is essential for it to control sulphuric acid. Once this point is accepted, the transfer of fertilisers follows as a matter of course. The same argument applies to some extent to paper. There is no clear division between woodpulp and other paper-making materials and finished paper. The choice lay between transferring the whole industry to the Ministry of Materials or keeping it under the Board of Trade. The Government has chosen the former, presumably because woodpulp is one of the commodities at present subject to international negotiation.

Textiles present a more complicated case. Raw cotton, raw wool and other animal fibres will come under the new department. But the Board of Trade will still exercise its power of appointment of members to the Raw Cotton Commission and will still make raw cotton available to users, though in conjunction with the Ministry of Materials. The cotton industry and the wool textile industry will remain under the Board of Trade, which will also continue to be responsible for rayon and other synthetic fibres. This division of responsibility in the textile industry could give rise to serious problems unless the closest consultation is assured between the two departments at all times. In this the Textile Fibres Advisory Committee, which was recently set up, will no doubt have great scope. The committee will continue

to be under the chairmanship of the Parliamentary Secretary to the Board of Trade but it will now include a senior representative of the Ministry of Materials. The whole of the jute industry has been transferred to the new department, since the Jute Control is at present responsible for the import of jute goods as well as the import of raw jute and jute yarns. Again, the choice was between keeping it wholly as it stood under one or other department. Other fibres such as raw silk, flax, soft and hard hems, coir, kapok, etc., will be within the responsibility of the Ministry of Materials. In fact the only raw materials retained by the Board of Trade will be china clay, diamonds and tobacco.

*

The setting up of this new department is unlikely to lead to any immediate change in policy. The appropriate staffs of both the Ministry of Supply and the Board of Trade will be transferred; this will ensure continuity of policy—especially price policy. If it is wise, however, the new Ministry will question the policies that it must for the time being take over. One of the advantages of putting responsibility for the procurement of materials upon one Minister ought surely to be the application of the lessons learnt from one commodity to the case of other commodities. Wool, for example, has shown very clearly how price can restrict consumption much more effectively than exhortation or rationing, by compelling manufacturers to use cheaper substitutes. Again, the Raw Cotton Commission has shown that successful government trading implies following rather than forcing the market. If the Ministry of Supply had refrained from speculation fifteen months ago, British metal users would be in a much more comfortable position than they are. The new Ministry should include in its first tasks a review of methods of governmental procurement and pricing policy.

The first bite at the problem of raw material supplies has been a big one—bigger than most people expected. But it is still only the first, and it is concerned with the two departments that until now have been mainly responsible for raw materials. Later on, it may be necessary to ask why linseed oil (an industrial material) remains with the Ministry of Food. Petroleum, which is at present considered a fuel rather than a commodity, may in view of political developments in the Middle East be the subject of international negotiation, in which case, presumably, the question of its transfer to the Ministry of Materials will be considered. Difficulties of co-ordin-

ation between procurement and use will certainly arise and may involve amendments to the proposed outline of responsibilities. If, for example, synthetic rubber were to become an important industry in Britain it might have to be treated like rayon and given back to the Board of Trade. Again, the intricate interrelationship of the textile industry may require rayon to be moved to the Ministry of Materials. Such a step, however, would mean transferring the responsibility of the manufacturing

Unilever Universe

IT takes the highest arts of presentation to make the annual reports of the Unilever group readily intelligible to the average shareholder, and it is no reproach to their skilful arrangement of figures and comment to say that the Unilever universe remains, in the lay investor's scheme of things, astronomic in range and size and correspondingly difficult for him to grasp. He knows in a general way that the Dutch and British siblings are linked by an agreement to secure that the ordinary dividends they pay are equivalent in value. What is paid by Limited is therefore conditioned by what is paid by NV; immediately, he is plunged into calculations about international trading conditions and taxation in the hope of measuring his prospects. NV's dividend is limited by a formula that is based, under Dutch law, on the capital employed in the business; to that extent it is variable, and the 12 per cent payment for 1950 seems to have left something in hand. Given the decision to pay 12 per cent, the dividend agreement automatically set Limited's dividend at 13½ per cent, a rate that was greeted with satisfaction though it involves a most modest inroad on the year's earnings.

One of the difficulties in a set of accounts of this order of complexity is to draw precise lines below which true earnings can be struck. It is obvious from the outset that the trading experience and accounting results of Limited and Unilever differed markedly last year—Limited with its rise in balances from trading account from £29.8 million to £34.3 million showed a moderate gain that cannot have owed very much to rising stock values, while NV's balances from trading have jumped one and a third times from £13.3 million to £30.9 million and would have been another £3,000,000 higher if the American Lever Brothers Company had not changed its basis of stock valuation to "last in first out." Evidently, the advance in turnover and in prices in the European and American markets mainly served by NV has had a phenomenal effect on the year's results, compared with the more modest course of Limited's profits. Unilever's total sales increased last year by nearly one-fifth, from £801 million to £989 million, and the group balances from trading rose by one half, from £43.1 million to £65.2 million; it is

process to the new department, and it might well hamper the Ministry of Materials in its prime function of securing immediate and long-term relief to possible scarcities. These are only a few of the problems that may lie ahead. Meanwhile a start has been made in the right direction, and at first sight it would seem that the Minister of Materials has been given ample scope to carry out his task of securing an adequate supply of raw materials for defence and essential needs.

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Much play has been made with the Unilever figures (and indeed with those of other companies recently announced) on the score that they are unconscionably high; but those who are the first to cry "exploitation" are the last to understand the effect of a world-wide inflation on the true profits and financial foundations of a group such as Unilever. Certainly, no charge of rapacity can be levelled against the shareholders of the two companies; there are nearly 200,000 stockholders in Limited and a large, but unascertainable, number of shareholders in NV, who together received an increase in net dividends of rather more than £700,000—a matter of a few pounds per head. The largest claims on the trading balances are represented by depreciation and additional reserves for replacement of fixed assets and provisions against stocks; in total, these sums set aside to maintain the real substance of the group's fixed and

LEVER BROTHERS AND UNILEVER
CONSOLIDATED PROFITS ANALYSIS

	Limited		N.V.		Combined	
	1949	1950	1949	1950	1949	1950
Balances from Trading.....	£29,807,927	£34,318,448	£13,267,211	£30,930,492	£43,075,138	£65,248,940
Less:—Provision for depreciation...	3,103,472	3,925,589	3,501,367	3,920,075	6,604,839	7,851,664
Reserves for replacement of fixed assets.....	2,650,000	2,650,000	1,597,744	2,293,233	4,247,744	4,943,233
Emoluments of Directors.....	171,007	167,148	68,083	67,777	239,090	234,825
Pensions to former Directors...	26,480	28,500	8,520	8,520	36,000	37,020
Trading Profit.....	23,856,968	27,547,411	8,090,497	24,633,887	31,947,465	52,181,298
Other Items (Dr. and Cr.):—						
Income from Trade Investments.....	602,570	659,963	81,303	133,526	683,873	793,489
Reserves for stocks.....	1,566,324	83,817	1,823,308	1,879,699	1,823,308	2,629,699
Exceptional items.....	47,447	94,578	3,116,224	328,642	4,682,548	412,459
Interest on long term liabilities.....	18,917	38,796	268,945	960,386	816,392	1,054,944
Inter-Group interest.....					...	...
Profit before Taxation.....	25,959,498	27,317,775	12,361,304	21,559,890	38,320,802	48,877,665
Less:—Taxation on profit.....	13,620,967	15,669,279	3,948,117	12,790,087	17,569,024	28,459,366
Minority interests.....	611,082	650,146	560,569	541,278	1,171,651	1,191,424
Consolidated net Profit.....	11,727,509	10,998,350	7,852,618	8,228,525	19,560,127	19,226,875
Preference dividends.....	2,391,053	2,391,053	1,088,713	1,088,713	3,479,226	3,479,226
Retained by subsidiaries.....	6,226,222	5,145,162	5,237,721	4,428,749	11,463,943	9,573,911
Equity Dividend.....	756,471	973,713	1,438,856	1,640,030	2,195,327	2,913,743
To general reserve.....	2,000,000	2,151,512	...	£52,572	2,000,000	2,604,484
Added to carry forward.....	353,703	336,910	87,888	118,601	441,631	455,511

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working capital have absorbed £15.4 million from the year's revenues, compared with £10.8 million in the preceding year. Even so, a true comparison of profit before taxation, as shown in the accompanying analysis of the consolidated profits, must take account of the sum of nearly £2,000,000 brought in by NV from stock reserves in 1949, and the big adventitious credits of £4,700,000 for the group as a whole that resulted from devaluation in that year. When these exceptional entries are removed from the reckoning, the increase in the past year's profits considerably exceeds the £10½ million shown in the table. In such a situation, there is at least one man who is undaunted; the tax collector has put up his claims by practically £11 million, from £17.6 million to £28.5 million, and on this footing the consolidated net profit of the group, after providing for taxation and the maintenance of assets, is actually down on the year—from £19.6 million to £19.2 million. Even though the fall in the net profit figure is to some extent notional, it is an astonishing result for a year of such bounding figures.

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The reverse of the inflationary medal is to be seen in the consolidated balance sheet. The capital employed by the Unilever group as a whole has increased during the year by £35.4 million (from £273.5 million to £308.9 million), towards which Limited contributed

£10 million by last year's debenture stock issue, while revenue reserves provided £15½ million and capital reserves £8,000,000. The whole of this increase in resources has been used to finance a net expansion of fixed assets, after depreciation, of £15 million (from £153.6 million to £168.6 million) and an increase in stocks of nearly £21 million. So far as Limited is concerned, the report states explicitly that last year's debenture issue will go "by no means all of the way" towards meeting its increasing demands for working capital and extension of fixed assets. The company is seeking powers to increase its present borrowing limits, and it is evident that the directors will have to consider their future capital requirements before this year is out. Whether they may feel, when the time comes, that they are justified in pursuing a natural inclination towards an increase in Limited's ordinary capital, or whether the pressure of profits tax may lead them to resort, as last year, to a fixed-interest issue (with its disadvantage of a further arbitrary distortion imposed on the group's capital structure) remains to be seen. The possibility of a wholesale capital revaluation, on ICI lines, may also arise in the future. To judge from the consolidated accounts, however, this would be a task of great magnitude, for the fixed assets must in many cases represent the book values at which they are entered in the subsidiaries' accounts; they appear at a gross book value of £143.3 million, but there are also premiums arising from the acquisition of shares in subsidiaries amounting to £62.7 million which in their nature partake of additional values to be placed on the fixed assets.

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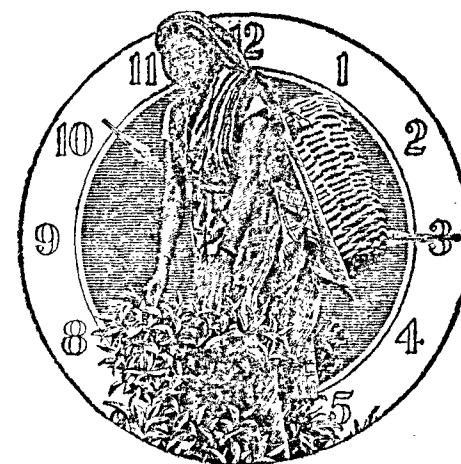
A group of the world-wide range and size of Unilever can control its destinies up to a point; beyond that point it becomes in a sense the plaything of prices. Where prices have full sway—as they seem to have done in the NV empire—the consequences are distinctly different from those that are recorded by Limited, which to a much greater extent lives in a world of controls and government trading. By comparison, for example, Limited's stocks rose much more modestly last year than did NV's (partly because stocks of raw materials in this country are held on government account), but Limited's debtors increased far more rapidly than did NV's (is it justifiable to see in this increase the natural reaction of consumers to relatively low, controlled prices during a period of rapidly rising prices?). The big increase in Unilever's profits as a whole was clearly derived from the freer markets of Europe and the United States rather than from this

country—a point that the group's critics here might have the grace to bear in mind. There is nothing in last year's report that suggests any marked consumer resistance to the group's products in those markets where they were sold without rationing. Indeed it was in this country (which together with Finland and Israel shares the distinction of continuing the rationing of edible fats) that sales of margarine actually fell; in the Netherlands, sales of margarine reached a new record, and in Western Germany pre-war tonnages were restored. The debated question, particularly important for Unilever, about the future demand for soap and the so-called synthetic detergents remains, it would seem, unresolved. Consumption of the synthetic detergents continues to increase, particularly in North America; but in the United Kingdom the group found last year that the ending of soap rationing promoted a greater additional demand for soap powders and toilet soap than for detergents. Among the many important points in the detailed review of the group's operations, stockholders will not fail to note the marked improvement in turnover in soap, edible fat and toilet preparations in the United States; the new management structure, it is stated, "is proving its effectiveness," and the abolition of the federal tax on coloured margarine (a piece of agricultural feather-bedding enacted in 1886 and unassailable until last year) evidently holds out promise of increased trade for the American Lever Brothers company.

It is evident from the review of the past year that shortages of certain materials were already conspicuous towards the end of 1950. Their persistence into 1951 cannot be making for easy trading conditions, though it may be doubted whether shortages have become so universal as seriously to threaten the group's turnover as a whole. On a longer term view, it may well be that prices rather than supplies confront the group with more serious problems. Unilever has made important dispositions against the risk of falling prices—the change to a LIFO basis for the American subsidiary and the strengthening of the reserves against stocks, which now stand at £10.7 million against stocks valued at £143.1 million, are clear examples. The group has also continued the practice of fortifying the current year's depreciation provision with a large appropriation against the replacement of fixed assets—thereby meeting the full burden of replacement on assets "used up" during the year, though the depreciation provisions for the entire period before this practice was adopted would still be insufficient to provide for replacement at current price levels. Stockholders may feel that the recent increase in the dividend provides a new point of departure for valuing Unilever ordinary, which at 52s. 3d. ex dividend now yield 5½ per cent. But they will also acknowledge that there are few boards who would be more insistent than the directors of Unilever on the need to preserve the real substance of the group.

CONSOLIDATED BALANCE SHEET

	Limited		N.V.		Combined	
	1949	1950	1949	1950	1949	1950
CAPITAL EMPLOYED	£	£	£	£	£	£
Preference capital—parent companies	56,293,751	56,293,751	20,031,579	20,031,579	76,325,330	76,325,330
Ordinary capital and reserves:—						
Ordinary capital (parent companies)	13,694,008	13,694,008	15,941,353	15,941,353	29,635,361	29,635,361
Capital reserves	19,554,107	23,413,236	21,541,955	25,919,762	41,196,062	49,332,998
Revenue reserves and exchange surpluses	48,295,564	56,679,143	15,075,024	22,155,045	63,370,588	78,834,193
Future United Kingdom taxation	11,000,000	12,990,000	...	...	11,000,000	12,000,000
Ordinary shareholders' funds—parent companies	92,643,679	105,786,392	52,558,332	64,016,160	145,202,011	169,802,552
Outside shareholders' interests in subsidiaries	13,216,254	13,473,827	4,885,694	4,821,804	18,102,948	18,295,631
Long term liabilities	1,774,370	12,064,995	32,076,938	32,399,945	33,851,808	44,464,940
Limited/N.V. Inter-Group items	11,569,126	11,179,112	11,569,126	11,179,112	...	...
	152,359,428	176,439,853	121,122,669	132,448,600	273,482,097	308,888,453
EMPLOYMENT OF CAPITAL	£	£	£	£	£	£
Premiums, less discounts, at which shares in subsidiaries are held, including goodwill	33,887,831	37,131,370	25,794,207	25,552,403	64,652,038	62,683,773
Land, buildings, plantations, ships, plant and equipment	64,263,416	74,880,838	57,877,713	68,385,224	122,141,129	143,266,112
Less:—Provision for depreciation	25,752,720	27,190,594	20,707,234	23,129,683	46,459,954	50,320,267
Interests not consolidated	77,338,527	84,821,574	62,934,686	70,807,944	140,333,213	155,629,618
Trade investments	3,906,353	3,889,241	6,895,627	6,892,376	6,895,627	6,892,376
FIXED ASSETS	81,304,880	88,710,915	72,251,452	79,852,593	153,556,332	168,563,508
Current assets:—						
Stocks	71,529,919	78,470,992	50,642,270	64,602,415	122,172,189	143,073,407
Debtors and payments in advance	44,354,419	54,545,536	25,002,993	28,808,024	69,857,412	83,353,560
Installment on 3½ per cent debenture stock	...	4,850,000	...	...	...	4,850,000
Short term advances and investments	923,927	1,715,109	16,459,543	17,539,646	17,393,570	19,254,755
Balances at bankers and cash in hand	9,167,087	12,591,333	13,004,344	13,372,972	22,171,431	26,464,305
	126,475,352	152,172,970	105,119,250	124,823,057	231,594,602	276,996,027
Current liabilities and provisions:—						
Creditors and accrued liabilities	26,295,693	30,739,084	28,207,958	27,433,665	54,503,651	58,163,749
Short term borrowings	9,732,223	12,116,493	11,808,572	21,112,435	21,530,794	33,229,008
Provision for taxation	15,811,131	18,238,678	13,974,582	21,015,350	29,855,713	39,254,028
Provision for deferred repairs	1,235,815	906,854	105,734	...	1,391,549	906,854
Dividends—net	2,235,443	2,451,933	2,151,187	2,665,610	4,357,130	5,117,543
	55,120,804	64,444,032	56,248,033	72,227,050	111,668,837	136,671,082
NET CURRENT ASSETS	71,054,548	87,728,938	48,871,217	52,599,007	119,925,765	140,324,945
	152,359,428	176,439,853	121,122,669	132,448,600	273,482,097	308,888,453



Time for Eastern trade

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Business Notes

Higher Rates for Bank Advances

The efforts that the clearing banks have lately been making behind the scenes to agree among themselves upon a policy for raising rates charged on bank advances were abruptly thrust into the limelight on Tuesday last. Action by one of the leading banks—the Midland Bank—in instructing its branch managers that rates should be raised was represented in certain press reports as action by all the “Big Five” banks acting in concert; it was also stated that the increase would amount to “about 1 per cent” and would be supported by a “secret understanding” among the banks “not to steal each other’s customers” while the revision of rates was in progress. This action by the Midland Bank, and especially the false impression conveyed by the press report, forced the clearing banks to declare their intentions more formally and overtly, and certainly much sooner, than they would otherwise have done. The Committee of London Clearing Banks promptly issued the following statement:

Certain sections of the press have stated that it is the intention of the banks to increase interest rates to borrowers by 1 per cent, a statement which is entirely inaccurate.

It is contemplated that in view of present monetary conditions and the ever-increasing running expenses modest increases of $\frac{1}{4}$ per cent and $\frac{1}{2}$ per cent should be made in cases where the lending rate is comparatively low, but this is a matter which will be dealt with domestically by each bank with its own customers and not by general application.

The clearing banks have refrained from increasing charges generally except in a modest degree, but under present conditions some increase is unavoidable.

This statement has helped to clear the air, but it still leaves the public in some confusion about what is in prospect.

It is unlikely, however, that the banks will make any further specific effort at clarification—partly because they are not given to public utterances on matters such as this, and partly because the understanding that was maturing in their private discussions was not (and was never likely to be) in the cut-and-dried form that the reports have implied. These discussions, which have been proceeding for some months, have embraced the whole range of bank charges, and not merely rates of interest charged on loans and overdrafts, from the standpoint of exploring the possibilities of meeting the problem posed by the steadily rising pressure of costs upon revenues. The underlying assumption in these talks was the perfectly natural one that no individual bank could work towards higher charges unless the other banks moved more or less in step; but it was never to be expected that the outcome would be any detailed agreement for concerted action—if only for the reason that, even within any one bank, there is no precisely defined “tariff” of rates and charges for domestic business. The whole subject of service charges, in the fixing of which there is a wide variation of principles as well as practice, is inherently more complex than that of interest rates on advances; and it seems that it was only on the latter question that any general understanding was emerging.

To this extent, the situation has been crystallised by the unexpected events of this week. This does not mean, however, that the individual banks will now act in any prescribed and uniform way, or even exactly simultaneously, in raising the rates charged to borrowers. The extent to which individual customers are affected will depend partly upon the policy of the bank in question and partly upon the particular circumstances of each account. This loose arrangement does, however, apparently presuppose a regard for the principle, generally recognised during the war, that the banks should not directly compete with one another on terms. In so far as this principle is observed, a customer would find

it difficult, if not impossible, to shift his account from one clearing bank to another merely on the ground that he expected to be able to borrow at a lower interest rate from the second bank than from the first; no obstacles, however, would be put in the way of a shifting of business for other reasons.

* * *

No Deliberate Disinflation

It should be emphasised that this movement of bank advances’ rates springs purely from the banks’ concern about the pressure of costs upon their earnings. It is not the result of any action by the monetary authorities to use dearer money as a deliberate weapon of disinflation, nor does it even reflect a sudden reconversion of commercial bankers themselves to principles of monetary orthodoxy. Many of them, indeed, profess scepticism about the merits of a tougher monetary policy as a means of resisting inflation in present circumstances; and some, at least, were not sympathetic to the case for monetary policy as recently argued in *The Economist*—apparently on the grounds that a more positive policy, if it involved any significant rise in rates, would not be confined to bank interest charges on advances but would extend, in particular, to the interest paid by the banks on deposit accounts. In addition, of course, the banks fear the threat of further depreciation of their investment holdings.

This selective increase in rates is intended to help the banks to meet the steady rise in all administrative costs, the heavy pressure of the cost-of-living upon their staffs, the rapidly growing burden of actual and prospective liabilities for pensions (caused not only by rising prices but also by the “bulge” in the age-distribution of staff) and the need to make bigger provisions for contingencies. But although the higher rates are designed for this domestic purpose, it may be considered that they will also serve the interests of disinflation, by acting as a deterrent to borrowings. To some extent this will be true, but the disinflationary force of a rise in rates thus initiated (in circumstances in which it is in the interests of the banks to increase their loans relative to their low-yielding liquid assets) is certainly incomparably less than the force that might be exerted if a similar rise were dictated by the pressures of an orthodox monetary policy pursued by the authorities. There is, however, one way in which the banks’ action may exert a secondary disinflationary effect: it is far from certain that this movement can be kept as selective as the banks seem to assume, and the further it spreads, the greater the restraint that will be exerted. Already, fears that the trend towards dearer money is gathering momentum are having a strong influence in the gilt-edged market. Despite the substantial fall that has occurred in the past few months, gilt-edged prices have eased further in this past week—carrying a number of them decisively below their 1949 lows. The net price of “Daltons” has this week dropped below 64, to offer a flat yield of £3 18s. 2d. per cent.

* * *

Finance Bill—Postscript

The later stages of the Finance Bill debate in committee were largely free from the excitements and endurance tests that marked its middle phase in the previous week. Most of the time was spent in discussing (and mostly rejecting) proposed new clauses generally relating to matters of detail or technique that did not provide any occasion for significant statements on wider policy. Of most general interest, perhaps, was the Chancellor’s promise to launch an *ad hoc* inquiry into the operation of the purchase tax in spheres of trade that embrace utility goods; and also his

reaffirmation of intention to review before next budget day the whole structure of the entertainments duty. Both these matters are discussed in separate notes below.

From the standpoint of industry in general, the most notable addition to the Bill resulted from Government initiative to introduce a new clause extending from March 1952 to March 1954 the period within which capital expenditure on postwar rehabilitation has to be incurred if it is to rank for allowance as an expense when computing liability for income tax and profits tax. A further clause, proposed by Sir John Mellor, was also admitted, to extend similarly the period for relief from E.P.T. for terminal expenses. A number of proposed new clauses designed to give effect to detailed recommendations of the Tucker Committee were shelved, on the Chancellor’s affirmation that, while he was sympathetic to some of them in principle, the Government could not reach its conclusions on such technical matters until it had “fairly full” consultations with industry. There was no prospect, therefore, of legislation on these matters until next year. Incidentally, the debate produced still more evidence of the damage that has been done to the cause of relieving the pressure upon industrial capital by the Tucker Committee’s acceptance of the accountancy. Mr Nigel Birch moved a clause to exclude fixed preference dividends from the definition of distributed profits, and to treat them instead as payment of interest, for the purpose of profits tax. His object, of course, was to remove the arbitrary injustice to the equity shareholder and the unnatural distortion of the pattern of new industrial financing caused by the distinction drawn in accounting and inland revenue practice between preference and loan capital. Such arguments, however, merely drew from the Economic Secretary an assertion that the proposal was a “radical challenge to the whole of the Profits Tax principle” of which, he affirmed, the treatment of preference dividends as distributed profits (carrying the higher rate of tax) was an integral part. He then proceeded to stand the Opposition’s argument on its head, by declaring that the proposal would “greatly favour” a company with a large preference capital as against one with a small preference capital and a large equity capital. It is curious logic to contend that the removal of injustice would be of itself unjust.

* * *

Exports in May

Exports last month were valued at £229,800,000, compared with the average value, for the first four months of this year, of £202,700,000. Half this increase was due to higher prices; moreover, without an exceptionally high export of ships the total value would have been about 3 per cent lower than it was. Export prices in May were about 2.6 per cent higher than in April; whereas the volume of trade during the month, measured by the Board of Trade’s index, fell by 2 per cent. However, during the first five months of the year the volume of exports has been about 4 per cent above the 1950 average.

The May tonnage of exports of ships, in contrast to the low April figure, was about double the average for both 1950 and the first four months of this year; exports to Canada, Sweden, Portugal and Argentina, and to other foreign countries were exceptionally high. The volume of car exports in May was a little below that of April, but in these two months it has been at about the same level as the average volume of 1950 and above the exports of the earlier months in 1951. Among metal semi-manufactures, aluminium exports alone have been maintained during the first five months at last year’s level. The total quantity of machinery exported was slightly higher than the average of last year.

Textile exports fell in May, but during the first five months the quantity exported has been at about 10 per cent above the rate during last year. Cotton yarn exports at 6,785,000

lb, were above both the April figure and the monthly average of last year. On the other hand, cotton piece-goods exports dropped from nearly 96 million square yards in April to 78 million in May, although this was still well above the 1950 average. Rayon exports do not seem to have been affected yet by the sulphuric acid shortage; yarn exports were above their April level and above their average of last year, while rayon fabric exports, though less than in April, were decidedly higher than the average of 1950. Woollen and worsted manufactures, though less than in April, were also higher than the average of 1950. Both in April and May, however, exports of wool tops have been less than last year.

The main increases in imports in May were of foodstuffs, particularly coarse grains, softwood, woodpulp, paper and board, and crude and refined petroleum; imports of manufactured textiles from Western Europe were also high. The steady deterioration in the terms of trade, which continued in May, poses a serious problem for the country’s export trades. The returns show that exports in general are running at a fair level above the rate of 1950, but not sufficiently so—as the excess of the value of imports over exports during the first five months of the year shows. Sir Hartley Shawcross in a speech this week pointed to the problem; “when the Economic Survey was published it looked as if we should have to earn about £2,750 million by exports in order to achieve a balance of payments. Now the task is a good deal harder.”

* * *

Trade with China Controlled

The Government has decided, with effect from June 25th, to impose control by export licences on all goods exported from the United Kingdom to China or Hongkong in order to provide a completely watertight method of preventing the export of items directly or indirectly of assistance to Chinese military strength. Similar arrangements are to be made in all British dependent territories, including Hongkong. This statutory control of exports is to take the place of the informal, though nevertheless largely effective, arrangements to prevent military exports to China during this year—such as the arrangements with the iron and steel industry; and it is the Government’s response to the United Nations resolution of May 18th urging embargoes on all military or strategic items.

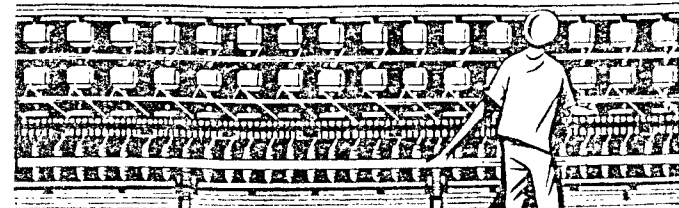
The principal categories of goods whose export will be subject to embargo are petroleum products, transport materials, metals, minerals and their manufactures, rubber and rubber products, certain types of chemicals of military value, including strategically important plastics, petroleum equipment and plant, certain chemical equipment and plant, electronic equipment, scientific instruments, metal-working machine tools, rubber machinery, industrial diamonds and tools, bearings, electric generators and welding machines. Britain in 1950 exported to China significant quantities of iron and steel manufactures, copper and manufactures, electrical goods, apparatus and machinery, machine tools and scientific instruments; and, during the first four months of this year, some exports that come under these categories continued, though in May they were very much reduced. China will therefore be deprived of many materials and products that she has been in the habit of importing from this country. China’s greatest needs, apart from rubber—on which an embargo was placed on May 10th—are probably for transport equipment, electric generators, metal-working machine tools and petroleum products; and even if it can get these from Russia it would only be by taxing present transport routes to excess.

United Kingdom exports to Hongkong are of course not so easy to control as to China. Satisfaction from the Hongkong authorities is to be obtained, wherever it is considered necessary, concerning the final destination of goods before British export licences are granted. This is in addition to



COTTON: The association between Egypt and cotton dates from the earliest days of that ancient country and woven cotton has clothed its inhabitants ever since the time of the Pharaohs. In spite of this long association, it was not until 1820 that Egypt set out to produce cotton in the quantities required by European manufacturers, and the year 1821 saw the first shipment of Egyptian cotton to England. The shipment was only 100 bales—but from this small beginning the export of cotton has become the mainstay of the Egyptian economy. Full and up-to-date information from our branches in Egypt on market conditions and industrial trends in the country is readily obtainable on request. Please write to our Intelligence Department at the address given below.

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the import licence control that the Governor of Hongkong has been recommended to impose. Yet it has always been difficult to find out the ultimate destination of goods sent to Hongkong, even after the event, and trade records including Hongkong have always suffered from that disability. Moreover, smuggling is almost impossible to control completely and Macao is over the water.

The Government's intention, Sir Hartley Shawcross affirmed, is not to stop all trade with China any more than it is to injure Hongkong. In April Britain was still importing liquid eggs, tung oil, bristles and animal feedingstuffs from China—which are not significant; though hardly anything was imported in May. The main British exports to China that do not come under the embargo are textile machinery, wool, wool tops, and paper and cardboard. On both sides, therefore, there should still be some ground for continued trade.

* * *

IMC Breaks the Ice

The first fruits of commodity negotiations in Washington are the unanimous recommendations of governments that an "international system of equitable distribution" for tungsten and molybdenum ores and concentrates should be established. Details of the proposed scheme have not yet been published, but the tungsten and molybdenum committee of the International Materials Conference reported that an interim distribution would commence on July 1st and that temporary allocations have been recommended for the third quarter, July 1st-September 30th. Detailed measures to be adopted by importing and exporting countries have been agreed and price limits (also not published) have been fixed within which ores and concentrates should be bought and sold during the third quarter.

Eleven countries are represented on the committee, comprising both major producers and major consumers: Australia, Bolivia, Brazil, Chile, France, Germany, Portugal, Spain, Sweden, the United Kingdom and the United States. Until more details of the scheme are known, it is difficult to assess how well it will work. But since agreement between the member countries has been unanimous, the scheme has a fair chance of success. Its form is likely to be similar to that of the international wheat agreement, whereby the major producers guarantee to export specified total quantities to member countries during the quarter, at prices not exceeding the maximum limit, while consuming countries guarantee to import specified total quantities at prices not below the minimum. The actual buying and selling would then be left to individual bargaining between the various countries.

Of the other committees of the conference, the wool committee adjourned at the end of May without making recommendations. The cotton and cotton linters committee, which has not met for some time, is due to meet again this week. The sulphur committee is working on a scheme "for equitable distribution" and the paper and pulp committee is discussing the supply of newsprint, while the committee dealing with non-ferrous metals is considering means of expanding world production. At least the ice has been broken and international allocation for one group of commodities has been achieved. It remains to be seen how many of the other committees will follow this lead.

* * *

More Metal Restrictions

This week's prohibitions of the use of stainless steel, nickel alloys and nickel plate in a wide range of civilian articles and components form the second stage in the process of restricting general use of nickel and other alloy metals that started at the beginning of May. Mr Strauss then announced that stainless steel producers would receive 70 per

cent of their 1950 deliveries and that anodes for nickel plating would be reduced to 50 per cent of 1950 supplies. The third stage he then forecast—closer control of the distribution of nickel, tungsten, molybdenum and alloy steels—is still to come. It will be the most important instalment. This week's prohibitions will do no more to limit production of stainless steel and nickel plating than the first percentage cuts have already.

The nickel prohibitions cover not only its use in durable consumer goods—fittings and trim on cars, motor cycles and cycles, and domestic equipment (though not kitchen pots and pans)—but also a range of building materials, electrical items and certain machinery. The orders have been framed so as to allow exceptions for those special cases that were found to exist after similar prohibitions for copper and zinc were announced at the beginning of the year—and also, presumably, with an eye to the prohibitions that have been in force for nickel in the United States for some time. Use of stainless steel and other alloys is prohibited from this week in such manufacturing processes, but the plating ban will not come into force until August 22nd, and makers of prohibited articles have until October to use up stocks of components made of nickel and nickel alloys now in hand.

Licences to use nickel in the forbidden articles will be granted for making goods for export where the "conversion value" is at least 15 times that of the nickel or alloys incorporated; for finishing off nearly completed articles or making essential parts, using up semi-manufactured material stocks that cannot be converted to any other use, or making parts undergoing exceptional wear or corrosion; and "if the full application of the Order would cause exceptional personal hardship." The last condition might appear an invitation to complaint, but licences in fact will probably be granted sparingly on such grounds. The end of the "period of grace" for using up stocks of zinc and copper alloys in prohibited goods is now approaching; and applications for exceptional treatment under these orders are reported to be fairly numerous. When the orders were first made, production of the metals in semi-manufactured form was increased for a time, and a larger number of manufacturers than was then expected still retain stocks of metal in what they consider "inconvertible" forms. Licences to finish off these stocks are being granted: there is in fact some possibility that the original orders will shortly be amended, though in points of detail that will not necessarily loosen the control now coming into full operation.

* * *

Nickel Remains Scarce

World supplies of nickel (outside Russia which with Petsamo has a fair output) are wholly inadequate to meet rising civilian and rearmament demands. The shortage has been aggravated by substantial stockpiling, and by the addition of German, Italy and Japan to the market that Canada has to supply. The expansion of demand for rearmament arises particularly from the need for high-temperature resisting alloys for jet-plane production; and nearly half the nickel used in this country is for alloy steel.

More than 95 per cent of western supplies comes from Canada, and nearly nine-tenths of production is from the International Nickel Company's deposits. The Canadian Dominion Bureau of Statistics estimated Canadian output last year in nickel content at about 120,000 long tons, of which International Nickel produced about 110,000 and the Falconbridge Nickel Company the remainder. This was a few thousand tons less than the 1949 output, although International Nickel's deliveries in 1950 were much higher. Last year's deliveries by the company were the highest since the war, though lower than in 1942 and 1943 when total Canadian output was at its peak. The very high demand at the beginning of the war was only met by working the then newly-tackled Frood-Stobie open pits, the company's

only opencast mines, to such an extent that they are likely to be exhausted by 1953. International Nickel is thus faced with the task of rapidly hastening a huge programme for the extension of underground working in order to meet demand; and because some of the new ore-bodies are of lower-grade ore, changes in mill and smelting processes are necessary. In 1953, however, the company may be producing at the rate of something over 150,000 tons a year, or over 30 per cent more than last year. Further ahead it may well begin mining at Shebandowan Lake, where drilling has suggested extensive deposits.

The Falconbridge company is also expanding mining output in Canada and is increasing the capacity of its Christiansand refinery in Norway. Over the next two years a few thousand tons extra may be provided. The Sherritt-Gordon mines in Manitoba are expected to be in production this year, but their output will go to the United States. Similarly, two United States companies, with government aid, plan to begin production again in Cuba, where it was stopped in 1947 as too costly for normal peacetime requirements. A small extra quantity may also be obtained from the American Frederickstown deposits in Missouri. Elsewhere, New Caledonia is unlikely to do more than supply French needs. A little nickel is mined in Goiás, Brazil, by a Brazilian company in association with an American concern. The deposits are large, and a Canadian company is reported to have also obtained a concession there; but difficulties of transport are likely to impede large-scale production in Brazil for some time. No result has been announced from the exploration by the International Nickel Company in Venezuela. Thus, though the Sherritt-Gordon mines and Cuban production may help to meet American demand and thus ease the strain on Sudbury output, little alleviation of the present world shortage can be expected during the rest of this year or in 1952. In 1953, with increased International Nickel output, the prospect may be better, depending perhaps on the extent of rearmament; and in the long run there are large deposits in Brazil as well as in Canada that could, at a price, be worked.

* * *

Germany Eases Import Licences

The complete figures of the position of members of the European Payments Union at the end of May, 1951, are now available. They reveal some interesting changes in the situation. One of these, the sudden emergence of the United Kingdom as a debtor country, was disclosed last week and was then discussed in a note in these columns. The other striking development disclosed by the figures is the new-found creditor status of Germany. In May, Germany accumulated a credit of \$81 million with other members of the Union. Of this, \$50 million was required to repay the outstanding balance of the special credit of \$120 million that had been put at Germany's disposal when its balance of payments difficulties had caused it to exceed the facilities of the original EPU quota. The balance of \$31 million of Germany's May credit was refunded to Germany in gold or dollars. At the end of May Germany had accumulated a net deficit of \$330,600,000 since July 1, 1950. Of this, \$11,900,000 had been met by the use of existing resources previously held by Germany. This left a balance of \$319,600,000, or virtually the equivalent of Germany's initial quota of \$320 million; of this, under EPU rules, \$191,900,000 had been taken in the form of credit from EPU, and the rest (\$127,700,000) had been paid out in gold or dollars to EPU.

The improvement in the German balance of payments has been rapidly followed by an adjustment of import licensing policy. The total of licences, which had been cut down earlier this year to the equivalent of \$150 million a month, has already been increased to the equivalent of \$170 million. The country which is likely to benefit most directly from

this relaxation of previous restrictions on German imports is the Netherlands. It is in dire of this relief, for at the end of May it had run up an overdraft of \$169,400,000 with EPU and had already lost \$56,100,000 in gold to the Union. These figures indicate an accounting deficit of \$225,500,000 with EPU countries; this compares with the Netherlands initial quota of \$330 million. The Dutch position thus remains decidedly strained, and in considerable need of the help it should receive from increased possibilities of export to the traditional German market.

* * *

Tinkering with Purchase Tax

The Chancellor of the Exchequer made it very clear this week what the *ad hoc* committee he proposes to appoint to study certain aspects of purchase tax would not be. It would not be the standing advisory committee the Opposition wanted. It would deal with problems quite other than those the FBI had suggested deserved a committee's attention. It would not act as a buffer between trades and the Treasury. Nor would it be authorised to recommend changes that would involve any net loss of revenue from the tax. Mr Gaitskell was rather less specific, however, in defining what the committee would be and do. He required "a very short space of time" to announce its terms of reference, and he did not make it clear whether its membership would be independent, or official, or both. He declared that its scope would be limited to studying the effect of purchase tax on those classes of goods in which utility schemes operate—which vastly narrows its terms of reference in comparison with those the Opposition had in mind, but would still include the cases in which the tax is causing the most awkward anomalies. In this connection the Chancellor mentioned one specific point made

by the tax's foreign critics at Torquay—that its effect as a concealed tariff upon imported goods might run counter to the country's international obligations.

It may be hoped, therefore, that the terms of reference of the new committee will embrace some of the more obvious particular distortions that purchase tax tends to impose upon manufacturing and trading practice. Mr Gaitskell emphasised the "present very great advantages of the utility scheme to consumers," but also conceded that the arbitrary and artificial gap in price between utility products and non-utility products of only slightly higher quality caused difficulties in manufacture and had "rather specially adverse effects upon the export trade." In certain trades, the home market has become almost entirely confined to utility goods, and the manufacturer who attempts to earn foreign custom with high quality must split his production. Within the home market, standards of production tend to be deliberately held down to the mediocre, so that adventurousness in design, which is not a thing that can be risked in export markets alone, is at a discount. The advisory committee envisaged in the Opposition's amendment might possibly have become a magnet for complaints that really concern fiscal policy rather than detailed administration of the tax; and the Chancellor was right to point out that such larger responsibilities cannot be devolved. But the narrow limits within which his own committee appears likely to work suggest that it cannot hope to do more than tinker with the tax.

* * *

Increasingly Full Employment

The increase of 36,000 in the total working population during April to a total of 23,265,000 was, as usual in this month, largely the result of the influx of school-leavers. Similarly, the decrease in the number registered as unemployed from 253,000 at April 16th to 215,700 at May 21st was partly seasonal. Nevertheless there has been a decline of 99,000 in the number of unemployed during the twelve months from May, 1950, when the total of unemployed was 314,700; the rate of unemployment for the whole of Great Britain is now 1 per cent, its lowest level since the war. Unemployment remains concentrated in Wales, Scotland and the Northern area, where it is still just over 2 per cent as against 3 per cent or more at the same time last year.

The partly seasonal increases of 5,000 in employment in both the distributive trades and in professional and miscellaneous services, and of 3,000 in building and contracting were markedly less than last April; on the other hand the influx into agriculture of 18,000 was much bigger than a year previously. The other large increases during April were of 5,000 in the food, drink and tobacco group of industries, 4,000 in the metals, engineering and vehicles group, and 2,000 into clothing. April was too soon to expect any evidence of a shift to meet rearmament requirements. So far this year, both in the decrease in unemployment to below last year's levels and in the increase in the number of women working, there is the expected evidence of an increasingly fully-employed nation fairly generally throughout the economy. When rearmament does make its extra demands, they will have to be met by a switching of labour, rather than from any reserve of women or unemployed.

* * *

No ICI Bonus

The logical step to complete the recent revaluation of ICI's fixed assets was to issue ordinary capital corresponding to the capital reserve produced by the revaluation itself. Proposals to capitalise "a substantial part" of the reserve submitted by the company to the Capital Issues Committee have been turned down; on this occasion, it would seem, the Chancellor's new directive has not influenced the CIC to take a favourable view of an operation that would not, on the face

of the matter, appear to conflict with the conditions that it imposes. It was a single operation that ICI proposed, and one that could hardly fail to benefit the financial stability of the undertaking without in any whit reducing its tax liabilities. Was the proposal, then, thought to be inimical to the public interest? Or was the origin of the reserves—as part of a book-keeping operation and not as a fund created from profits—reckoned to be of too unorthodox a character to satisfy purist accounting conceptions? No reasons, as usual, are given. The episode provides a further illustration of the wayward course that the CIC's decisions have so often taken.

* * *

Matador Land Offer

Shareholders in Matador Land and Cattle have now received specific details of the offer for their shares made by Lazard Brothers and Company with whom, it is understood in the City, the New York brokers, Model, Roland and Stone, are in this connection associated. Some holders may well feel that the offer has taken an unconscionable time to formulate. The Board announced as long ago as last November that negotiations were taking place for an offer for the company's property in Texas. Then the 5s. shares were around 50s. and they have since soared to around £10. However, this is truly a case where patience is being rewarded, for the offer amounts, in fact, to a price of US \$23.70 or £9 6s. 3d. per share. The sterling price is guaranteed by Lazard Brothers and is based on the dollar price, increased by a London premium of 10 per cent on dollar securities. The sterling price will be of interest primarily to those shareholders who do not wish themselves to retain the dollars for reinvestment in other American securities. The present London premium in the market is around 14 per cent, but holders will get the benefit of any improvement over the 10 per cent realised by Lazard's in disposing of the dollars, subject to a 3 per cent handling charge on the total proceeds (exclusive of the premium). In addition to the cash payment, holders will receive a half interest in the oil and mineral rights owned by Matador in the United States. Although the present estimated value of this interest is reckoned to be only 7s. 6d. to 10s. per share, this value, if oil were in fact discovered on the properties, would be considerably greater. It must be remembered, however, that despite drillings on the properties by one of the leading US oil companies, no indication of oil has yet been found.

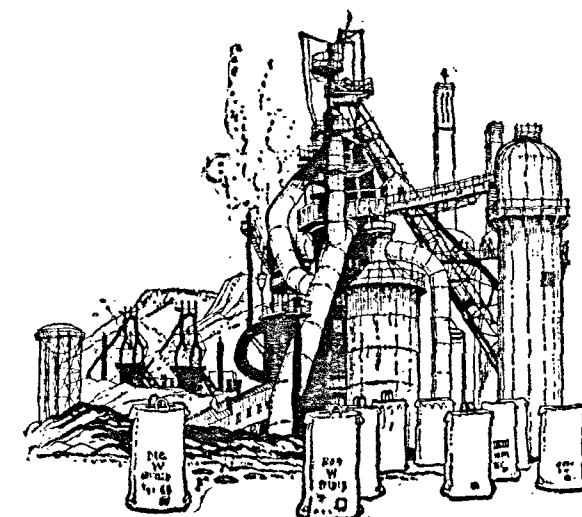
The offer is subject to acceptance by not less than 90 per cent of the outstanding shares or such less percentage as Lazard Brothers may decide. All the directors are proposing to accept the offer in respect of their own holdings and they recommend this acceptance by the other shareholders. There can be little doubt that most shareholders will be pleased to accept, since, even on the basis of a full distribution of last year's record earnings of 160 per cent, the yield would be only 4½ per cent. At the company's annual general meeting in April, the chairman stated that the company, as the owner of first-class land and cattle, held the perfect hedge against inflation. Having regard to the rise in the price of their shares, holders will be little inclined to disagree with this view. But the sale of the company, which was established in 1882, is another melancholy step in the process of liquidating British overseas assets.

* * *

Hoarding Oils and Fats

Hope that margarine rationing might have been abolished this year has been destroyed by the fantastic rise in the price of oils and fats towards the end of 1950 and in the early months of 1951. The increased demand arose more from the propensity to hoard than the propensity to consume. Mr J. C. A. Faure, of Messrs Unilever and

IRON



THE element iron is the most important of all metals and, next to aluminium, the most widely distributed. It has been estimated that there is an average of one cwt. of iron for every ton of the earth's crust. There are many different forms of iron ore, but only four—haematite, magnetite, limonite and siderite—are of industrial value. Most of the iron ore mined in England comes from the siderite deposits at Corby in Northamptonshire and the Scunthorpe district of Lincolnshire. Iron ore smelted in a blast furnace with coke and limestone becomes pig iron, the raw material from which cast iron, wrought iron and steel are made. Steel, the strongest metal in common use, is iron containing about 1% of carbon. Though iron is a newcomer compared with copper and bronze, more than 3,000 years ago it was used to make implements and weapons. Today it is an essential in the structure of civilization. Without it, there would be no railways, steamships, skyscrapers or machinery. Apart from its use in the construction of chemical plant, iron and some of its compounds are vital in certain chemical processes. I.C.I. uses iron as a catalyst in the production of synthetic ammonia, and iron pyrites—a sulphide of iron—in sulphuric acid manufacture. It also uses some of the oxides of iron to make pigments for the paint and rubber industries.



PENSION SCHEMES

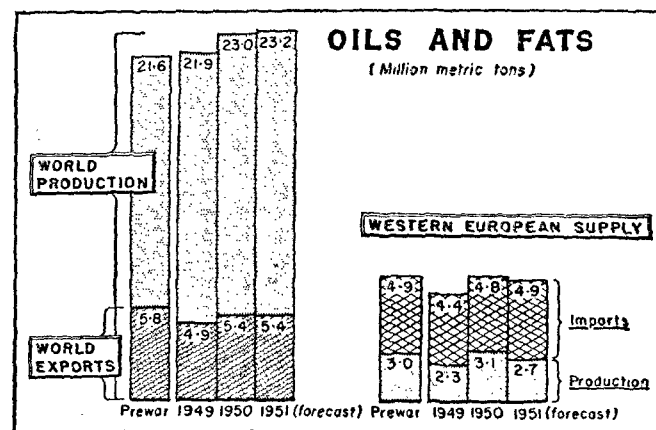
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Lever Bros. Ltd., in his address to the International Association of Seed Crushers Congress, estimated that stocks of oils and fats in Europe (particularly in Western Germany) increased by 493,000 metric tons in 1950, while higher prices encouraged an expansion in world exports of 560,000 tons.

Last year, world production again increased; it was 23,045,000 metric tons, or nearly 1,500,000 tons larger than before the war. World exports, which declined in 1949, rose last year to 5,379,000 tons, but were still 450,000 tons below their prewar level. On the other hand, European supplies, estimated at 7,904,000 tons, were only 24,000 tons smaller than before the war. The problem of oils and fats is twofold. First, despite the increase in world production that has taken place since the end of the war, total world supplies per head of population are still smaller than before the war. Secondly, world exports, particularly from soft currency areas, are still



much below their prewar level. But if last year showed anything, it was that high prices encourage a proportionately greater rise in exports than in production.

The prospects for 1951 offer a little encouragement. Mr Faure has forecast world production at 23,170,000 tons, an increase of 125,000 tons on 1950. World exports at 5,375,000 tons are unlikely to be any larger than last year. The United States is again expected to have an export surplus of 350,000 tons. Nigeria, however, has had a bad groundnut crop for the second successive year; its exports are not expected to exceed 130,000 tons, as there are no stocks of old crop left. But shipments from India, Ceylon, Malaya and Indonesia should be larger this year. The supply of edible oils is put at 1,058,000 tons, 100,000 tons less than last year, the main decline being expected to occur in olive, groundnut and cottonseed oils; palm oils are expected to increase by 130,000 tons to 2,087,000 tons. Industrial oils at 603,000 tons will be some 70,000 tons smaller, while the supply of marine oils may increase by 40,000 tons to 587,000 tons. Supplies of butter, lard and tallow are expected to show little change. If the propensity to hoard has been satiated, the volume of world exports this year might still justify the abolition of the margarine ration within the next twelve months.

Falling Textile Sales?

At the beginning of the month, several of the leading manufacturers of knitting wools, including Paton and Baldwins Ltd., the largest single producer, reduced their prices by between 3d. and 4d. an ounce below the ceiling price of 3s. 1d. an ounce that came into operation in March. The companies explained that the lower prices that they are now paying for raw wool have made these reductions possible. But it is also true that retail sales have fallen sharply since the latest maximum price came into operation, and that numbers of retailers have for some time not been taking

their full "quota" of wools from the manufacturers.

This fall in activity appears to be fairly general throughout the wholesale textile trade. The index of wholesale textile sales, which is based on value, rose from 99 in January (1947=100) to 189 in March. Sales in April fell 16 points, though the level was still 55 points above that reached in April, 1950, but sales in May are expected to show a more marked fall. In the past few weeks, the time of year when orders for winter goods are normally placed, textile wholesalers say that business has been extremely slack. But the explanation may lie in the wholesalers' own activities. Since last September, wholesale sales have been at an exceptionally high level; all except the largest retailers have probably overbought during that period.

The existence of large retail stocks, combined with the sharp fall in retail sales that is said to have taken place in May and June, is certainly acting as a deterrent to further buying. So is the uncertain trend of prices. The majority of manufacturers are generally refusing to quote firm prices for delivery, which offers retailers little inducement to place orders now. The possibility of a fall in cotton, if not also in wool, combined with uncertainty about the reaction of consumers to the increases in nearly all utility prices, are also leading retailers to rely on stocks. What effect this present slackness will have on the textile industry depends on how far it represents a genuine reduction in civilian consumption brought about by high prices, rather than a temporary slump after a period of unnatural activity. A fall in home consumption would make it easier for the textile industries to increase exports this year. But should the same factors be at work in the export markets, a drastic revision of prices may shortly become necessary.

Cleaner Coal

A coal preparation plant at Chislet Colliery in Kent that was "inaugurated" by Mr Noel-Baker and Lord Hyndley last week (it has in fact been operating since the end of 1950) is the first full-scale unit to use the Ridley-Scholes washing process. This is a British example of the "dense-medium" systems for cleaning large coal, in which coal is passed into a thick "cream" (in this case a magnetite suspension in water) that allows the denser shale to sink to the bottom but holds the coal near the surface to be skimmed off. By adjusting the density of the medium a second separation of lower-grade coal can be carried out: such systems allow a sharp grading of coals. This system had been successfully tested before in a prototype washery: Chislet, which will handle 220 tons of coal an hour and prepare the colliery's entire output of 750,000 tons a year on a two-shift basis, is the first operational plant. A standard washery that will incorporate this process for larger sizes of coal, the normal "Baum" washery for smaller coal, and a froth flotation plant to extract the last "fines" has now been designed for the Board with the same output; the first standard plant of this type is being built in Warwickshire.

The Chislet washery cost £185,000, or about £870 "per hourly ton of output," which is slightly above the estimate of capital cost for preparation plant given in the industry's long-term Plan for Coal last October. No operating costs are yet available: the plan estimated preparation costs generally as "of the order of 1s. 6d. to 2s. 6d. a ton," but these, too, may well have been exceeded. The coal industry, since nationalisation, has installed 54 preparation plants to handle 12 million tons of coal a year at a total cost of roughly £3,750,000. It is now cleaning 82 per cent of its total saleable output of coal, about 52 per cent by cleaning plant and 30 per cent by hand; though 16 new washeries handling 5,000,000 tons a year were brought into operation last year, the percentage cleaned showed little change from that in 1940, since total output rose and workers were leaving the hand-picking belts. Installation of plant does not auto-

matically add to the output of cleaner coal. The growing use of water for dust suppression underground means that more and more coal comes up wet nowadays, and existing dry-cleaning plant cannot handle it; apart from normal replacement when it wears out, much of the industry's cleaning plant will have to be changed over. In its recent 1950 report the National Coal Board appeared less concerned to explain deliveries of dirty coal to consumers than in previous years. This does not necessarily mean it is delivering very much less. But whatever the score on that account, it may reasonably argue that the recent graded price structure may somewhat temper the customer's wrath about coal quality. The consumer may still have to accept much coal he would not choose and some he cannot burn. But at least any slate he buys may cost him rather less.

Gas Turbine Developments

For the past week the Admiralty has been demonstrating on the Thames two craft that are not only the first, but are believed to be still the only ones of their kind in the world. They are a harbour launch and a motor torpedo boat, both powered by gas turbines. Their appearance as part of the Festival exhibition culminates a long series of trials carried out by the Admiralty to prove the suitability of gas turbines for marine propulsion. Fuel consumption of these engines is admittedly considerably higher than that of the conventional reciprocating engines they replace. But at the present stage of gas turbine development the impressive fact about them is that they are working to their rated capacity, modest as that may be.

To the Admiralty must go the major part of the credit for developing the marine application of gas turbines. Much of the incentive in this work comes from what has been described as the "major maintenance problem" of servicing

reciprocating engines in the Navy's innumerable small craft: gas turbines should need much less maintenance. The two new craft are conversions undertaken to prove simply that gas turbines could be installed to drive ships. Two fast patrol boats soon to be launched have however been specifically designed for gas turbine propulsion and the gas turbines installed in them specifically designed for marine use. These might well become the prototypes for operational craft.

The harbour launch is powered by an adaptation of the Rover gas turbine car engine. The engines of the M.T.B. and the new patrol boats are being built by Metropolitan-Vickers, while English Electric and Rolls Royce are working on larger engines for a frigate and a gunboat respectively. The Shell Petroleum Company is soon to launch a tanker powered by a gas turbine built by The British Thomson-Houston Company and by three conventional diesel engines. Justification for the use of gas turbines in these heavier ships lies in the lower capital cost of the engine installation and in the big saving of weight for the same power. If the thermal efficiency of the engines can at the same time be improved, which at this early stage seems highly probable, then the arguments for their marine use will become even stronger.

Most of the work on industrial gas turbines being carried out in this country is, like the Admiralty experiments, designed to obtain operating data on installations of all kinds. Several electric generators are now running, and the Rover car has shown that gas turbines can be used for road vehicles, even though the efficiency of the present engine is still too low to make the project economic. Trials of the Metropolitan Vickers gas turbine locomotive would have been under way by now had not strikes delayed work on the engine. These developments cover all but the lowest power ranges: the 200 brake horse power Rover turbine is the smallest so far developed. Companies both inside and outside the motor industry are working on smaller gas turbines; and to give a further stimulus to work in this field the



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Ministry of Supply is now asking for tenders for turbines of less than 100 bhp, about the same power as that of the average British private car.

British Insurance in 1950

The results of the leading insurance companies for 1950, which can now be surveyed as a group, reveal that the companies enjoyed another good year. The net trading profits, excluding interest on reserves, of the leading composite offices totalled £8,100,000; this, it is true, was a little below the £8,500,000 shown for the bumper year 1949, but was still far ahead of the £4,500,000 for 1948. Underwriting experience as a whole was rather less favourable than in 1949, although aggregate premium income from fire, accident and marine premium business rose by no less than £44.9 million to £347.4 million. All the companies, except the Royal Liverpool & London & Globe group (which still accounts its North American business at \$4.86 to the £), last year converted overseas currencies into sterling at substantially the current rates of exchange. As about 70 per cent of the whole business, other than life assurance, is transacted outside the United Kingdom, most of the big jump in the premium income was thus due to the fact that a full year's North American business was brought into accounts at the new rates of exchange; in 1949 accounting practice had varied widely. There was, however, a further increase in the volume of business last year.

Fire premium income of the leading companies expanded by £20 million, to £154.5 million, and underwriting profits were slightly higher, at £16.0 million (10.3 per cent of premiums) compared with £15.4 million (11.4 per cent) in 1949. This result is particularly satisfactory, for fire insurance business in North America was unprofitable last year. Severe wind storms in the United States culminated in November in a storm in the eastern States of hurricane intensity, and this resulted in claims aggregating some \$150 million—a loss second in magnitude only to that of \$213 million incurred in the San Francisco earthquake of 1906, the greatest single insurance disaster of all time. In Canada there were severe spring floods in Winnipeg, and in addition the town of Rimouski, on the St. Lawrence River, was almost wholly destroyed by fire. Largely as a result of these disasters, the fire underwriting profits of domestic United States insurers last year were less than half those of 1949. The British companies were helped by a more favourable experience at home and elsewhere overseas, demonstrating again the advantage in insurance of a wide geographical spread of risk.

Accident insurance, half of which consists of motor insurance, is now the most important class of business. The aggregate premium income of the leading offices last year was £173.3 million, compared with £147.0 million in 1949. Underwriting profits, however, declined to £7,900,000 (4.6 per cent of premiums)—but the £10.5 million (7.2 per cent of premiums) for 1949 was exceptionally good. Motor insurance throughout the world has been running on a slender profit margin for some time and in the United Kingdom the rates of premium have been increased by 12½ per cent as from June 1st. In the marine field it had been feared that severe competition might force cargo insurance rates down to an unprofitable level; but this has not happened so far, although some rates have been cut to the bone. Marine premium income and profits were both somewhat higher last year than in 1949. Three factors, however, have made it necessary for the companies to retain substantial reserve margins in the marine funds: hull claims continue to come in for several years after the receipt of the relative premiums; the cost of repairs continues to rise; and some repairs now being paid for in hard currencies must be charged against premiums received in sterling before devaluation. Hull premiums are being increased by 10 per

cent from the next renewal date because of the increased cost of repairs.

New ordinary life assurance business was some 10 per cent up on 1949 and easily established a new high record. The buoyancy was, however, much more marked in group and other staff assurance business than in policies sold to individuals. Industrial new business was maintained at substantially the 1949 level. Having scrupulously observed dividend limitation during 1948 and 1949, the insurance companies, with only a few exceptions, have this year increased their dividends. The net amount paid out in ordinary dividends by the leading composite companies for 1950 was £6,300,000, compared with £5,700,000 in 1948 and 1949: the increase is, however, less than one half the rise in the net interest income from £8,000,000 in 1949 to £9,400,000. The net trading profits of the 20 leading composite offices, together with the excess of the interest earnings over dividends paid, amounted last year to £11.2 million; this represents the sum ploughed back into the business as additional reserves.

Shorter Notes

The World Bank has made its first entirely non-dollar loan. Sterling, French francs, Danish and Norwegian kroner to a total value of £875,000 are being lent to Iceland for two hydro-electric projects. These funds, which are drawn from the several Governments' paid-in 18 per cent capital subscriptions, will be used by the Icelanders to purchase equipment in Sweden, the United Kingdom, Western Germany, Denmark and Norway.

Subject to permission and approval of terms by the Capital Issues Committee, the Bank of London and South America proposes to issue £202,000 £5 shares to shareholders, in the proportion of one for every £20 of stock held; the new shares would rank for any interim dividend in 1951. The bank's business has been sensibly increased by the present boom and rapid rate of development in Latin America; in the last three months of 1950 alone its deposits rose by £7,000,000 to £112 million.

At the time *The Economist* went to press, no official details were available of the formula for this year's rates of Entertainment Duty agreed between the Treasury and the film trade—in particular the cinema exhibitors—during the week. Comment in the trade upon the Chancellor's "final offer" on Tuesday suggested that his proposal might involve a total increase in the proceeds of the tax of £11 million, against the original £10 million; from this the Chancellor would take £7,500,000, and the remainder might be divided approximately equally between exhibitors and producers. The proposed new scale of tax might spare the cheaper seats any increase, thus benefiting small cinemas more than the higher-priced halls. Whatever the final terms—which are certainly less favourable than the exhibitors hoped—their acceptance appears to have been influenced by the Chancellor's specific undertaking to inquire this year into the existing incidence and discrimination of the whole Entertainment Duty.

Certain statistical series included in the table "Coal Output and Costs, 1947-50" published on page 1386 of *The Economist* for June 9th were not properly comparable. Figures of total saleable output for 1950 and 1949 were corrected to exclude the output of small mines not operated by the National Coal Board; output figures for 1948 and 1947 included such output. In the case of the newly-separated Northern and Durham Divisions of the NCB, comparable figures of output, manpower, attendance, and financial results were given only for 1950 and 1949; comparable figures for the earlier years also are available in Appendix I of the NCB Report for 1950.

Company Notes

Wiggins, Teape.—In 1949, the fall in woodpulp prices, three successive reductions in the controlled price of paper and the lifting of many controls on paper distribution led to a slump in Wiggins, Teape's profits. The company has now completely recovered from this setback and group trading profits last year more than doubled from £1,039,417 to £2,752,914. Higher prices for paper, greater production from the company's older mills and additional output from three newly built mills have all contributed to this recovery. The advance in profits has enabled the company to raise the tax-free ordinary dividend from 3½ to 4½ per cent.

	Years ended Dec. 31, 1949	Dec. 30, 1950
Consolidated Earnings:—		
Trading profit.....	1,039,417	2,752,914
Total income.....	1,210,117	2,773,408
Depreciation, etc.....	124,135	156,528
Taxation.....	164,741	931,134
Group earnings for ordinary stock	23,190	718,103
Ordinary dividends.....	146,414	185,458
Ordinary dividends (per cent) ..	3½	4½
Added to res. and carry forward	36,342	530,067
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation ..	8,011,648	8,764,303
Net current assets.....	3,722,821	4,694,061
Stocks.....	3,071,094	3,589,451
Cash.....	737,333	1,097,525
Reserves.....	2,131,674	3,367,366
Ordinary capital.....	3,904,362	3,904,362

† Tax free.
£1 ordinary stock at 40s yields £4 10s per cent.

With the end of the Board of Trade scheme for purchasing esparto and woodpulp, paper mills were once again required to finance their own stocks of raw materials. Consequently, stocks have risen from £3,071,094 to £3,589,451, while increased business and prices have led to further investment in working capital, so that total current assets have increased by some £1,800,000 to £7,474,705. This increase has been partly financed by profit retentions and partly by a bank loan of £500,000 and by the use of acceptance credits of £731,739.

The unprecedented demand for paper should ensure a very satisfactory year of trading in 1951, but raw material prices are giving rise to considerable anxiety. Production of woodpulp has fallen so far behind demand that prices have risen to abnormally high levels. These prices bear little or no relation to woodpulp production costs; they add to the considerable burden of financing stocks and they make long term trading prospects vulnerable to any setback in prices.

Burmah Oil.—The market was pleasantly surprised earlier this month when Burmah Oil supplemented the maintained ordinary dividend of 15 per cent by a cash bonus of 6 per cent; the increased dividend is amply covered by earnings, but the chairman points out that this step "carries no implication that it will be repeated in future years." Be that as it may, investors have been cheered by the substantial improvement in group trading profits from £5,617,279 to £6,837,831 [apart from greater income from investments]. The advance in profits owes something to the "improvement in the general level of petroleum product values," as well as to an expansion of business in Burma, Pakistan and India. Higher values for stocks, which are up from £8,619,586 to £10,006,549, and debtors, which have risen from £4,406,338 to £5,159,003, reflect a greater physical volume, but more especially higher costs and prices.

Arrangements between the Burma operating subsidiaries and Indo-Burma and British Burmah Petroleum companies for joint operation in Burma have enabled Burmah Oil to deal with two "now rather unrealistic balance sheet headings," namely, "assets in Burma at date of denial" and "rehabilita-

tion suspense account." The final assessment of loss in Burma of £1,460,262 has been written off from general reserves, while the value of the remaining assets in Burma has been transferred to "concessions, oil wells, buildings, etc." together with £6,427,495 previously standing against the rehabilitation suspense account.

	Years to Dec. 31, 1949	1950
Consolidated Earnings:—		
Trading profit.....	5,617,279	6,837,831
Total income.....	8,256,204	9,782,823
Depreciation.....	410,747	855,616
Taxation.....	5,131,914	5,999,348
Group earnings for ordinary stock	2,516,942	2,726,458
Ordinary dividends.....	1,133,262	1,523,035
Ordinary dividends (per cent) ..	15	21
Added to general reserves and carry forward.....	1,383,680	1,203,422
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation ..	5,252,641	9,285,599
Assets in Burma, etc.....	8,977,744	10,006,549
Net current assets.....	20,794,917	27,927,459
Stocks.....	8,619,586	10,006,549
Cash.....	2,064,060	1,814,544
Ordinary capital.....	13,736,513	13,736,513

While friendlier relationships have developed between the company and the Burmese Government and an outline scheme for the participation of the Burmese Government in future operations in Burma has been accepted in principle, the repair of the main pipeline cannot be contemplated nor can the rebuilding of the Syrian refinery. Trading elsewhere in the East, however, seems to be well established for some years to come and the company's income from its investments in Shell will be substantially higher this year. As for Burmah Oil's income from its holding in Anglo-Iranian it can at least be said, in mitigation of the present bleak outlook, that Anglo-Iranian have considerable interests outside Persia.

Reckitt and Colman.—Larger sales both at home and abroad, especially after the outbreak of the Korean war, account in part for the advance in Reckitt and Colman group trading profits from £3,962,806 to the record figure of £4,682,645. Part of the increase, however, is due to the conversion of overseas earnings to sterling at more favourable exchange rates. Reckitt and Sons, to whose benefit £1,025,815 accrued from group net profits, have maintained an ordinary dividend of 22½ per cent, while J. and J. Colman, to whose benefit £540,434 accrued from the group net profits, have raised their ordinary dividend from 18 to 20 per cent.

	Years to Dec. 31, 1949	1950
Consolidated Earnings:—		
Trading profit.....	3,962,806	4,682,645
Depreciation.....	298,098	387,614
Taxation.....	1,320,000	1,466,000
Ordinary Dividends (per cent):—		
Reckitt and Sons.....	22½	22½
J. and J. Colman.....	18	20
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation ..	5,684,377	4,509,746
Net current assets.....	7,703,628	8,844,547
Stocks.....	6,634,507	7,017,922
Cash.....	2,029,119	2,545,627
Reserves.....	7,281,895	8,755,587
Ordinary capital.....	6,000,000	6,000,000

Reckitt £1 ordinary stock at 55s yields £4 10s. per cent.
Colman £1 ordinary stock at 55s yields £4 14s. per cent.

The familiar story of raw material shortages and of the high cost of replacing fixed and working capital finds its place in the report. Reckitt and Colman have had to appropriate £210,000, against £170,000, to fixed assets replacement reserves and the directors comment that "the substantial rise in prices necessitates additional working capital to carry the inventories." Shortages of raw and packing materials—the scarcity of tinplate raises a particularly acute problem—are making it difficult for the group to maintain "production at normal levels."

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stock	Price, June 13, 1951	Price, June 20, 1951	Net Yield, June 20, 1951 (n)	Gross Yield, June 20, 1951
War Bonds 2½%...	100½	100½	£ s. d. 0 12 11	£ s. d. 1 7 11½
Mar. 1, 1951-53...	100½	100½	0 17 9	2 4 2½
Mar. 1, 1952-54...	100½	100½	0 17 5	2 0 9
Exchequer Stk. 2½%...	100½	100½	0 17 5	2 0 9
Feb. 15, 1955...	102½	101½	0 16 9	2 3 0½
War Bonds 2½%...	101½	101	0 10 4	2 5 7½
Aug. 15, 1954-56...	101½	101	0 8 11	1 15 4½
Funding 2½%...	101½	101½	0 15 6	2 11 7½
June 15, 1952-57...	102½	101½	0 18 4	2 5 11½
Nat. Defence 3%...	102½	101½	1 5 7	2 13 6½
July 15, 1954-58...	102½	102½	1 0 1	2 9 6½
War Loan 3%...	102½	102½	1 5 5	2 14 3½
Oct. 15, 1955-59...	97½	97½	2 9 0	4 0 9½
Savings Bonds 3%...	97½	97½	1 17 0	3 7 0½
Aug. 15, 1955-65...	97½	96½	2 1 10	3 7 1½
Funding 2½%...	93½	92½	2 12 10	4 3 5½
Apr. 15, 1956-61...	93½	92½	2 1 7	3 11 1½
Funding 3%...	95½	94½	2 0 7	3 11 1½
Apr. 15, 1959-69...	95½	94½	1 19 7	3 10 0½
Funding 3%...	103½	102½	1 16 0	3 14 1½
May 1, 1960-90...	93½	92½	2 0 2	3 17 9½
Savings Bonds 3%...	93½	92½	2 12 1	4 3 2½
Sept. 1, 1960-70...	90½	89½	2 2 2	3 12 10½
Savings Bonds 2½%...	90½	89½	2 4 11	3 10 6½
May 1, 1964-67...	104½	104½	2 1 8	3 7 3½
Victory Bonds 4%...	104½	104½	1 16 1	3 14 2½
Sept. 1, 1920-76...	90½	89½	2 9 8	4 1 2½
Savings Bonds 3%...	90½	89½	2 3 0	3 14 3½
Aug. 15, 1965-75...	100½	99½	2 2 6	4 1 7½
Consols 4% (after Feb. 1, 1950)...	89½	88½	2 1 8	3 19 8½
Conversion 3½% (after Apr. 1, 1961)...	65½	64½	2 0 11	3 18 2½
Treasury Stk. 2½% (after Apr. 1, 1975)...	76½	75½	2 1 9	3 19 11½
Treasury Stk. 3% (after Apr. 5, 1966)...	94½	93½	2 3 0	3 17 7½
June 15, 1977-80...	84½	83½	2 2 6	3 17 2½
Redemp. Stk. 3%...	84½	83	2 5 11	3 18 7½
Oct. 1986-96...	88½	87½	2 3 7	3 16 6½
War Loan 3½% (after Dec. 1, 1952)...	65½	64½	2 2 1	4 0 3½
Consols 2½% (1952)...	91½	90½	2 6 5	3 17 3½
Brit. Elect. 3% Gtd. (1952)...	90	88½	2 3 5	3 14 3½
Brit. Elect. 3% Gtd. (1952)...	90	88½	2 4 6	3 15 8½
Mar. 15, 1974-77...	95½	94½	2 3 3	3 14 6½
Brit. Elect. 3½% Gtd. (1952)...	84½	83½	2 2 4	3 16 11½
Nov. 15, 1976-79...	84½	83½	2 1 10	3 16 6½
Brit. Tpt. 3% Gtd. (1952)...	90½	89½	2 8 6	4 0 5½
July 1, 1978-88...	90½	89½	2 4 11	3 17 0½
Brit. Tpt. 3% Gtd. (1952)...	83½	82½	2 6 7	3 17 6½
Apr. 1, 1964-73...	83½	82½	2 3 7	3 14 6½
Brit. Gas Gtd. 3% (1952)...	83½	82½	2 6 1	3 17 9½
May 1, 1990-95...	83½	82½	2 4 0	3 16 9½
Brit. Iron & Steel (1952)...	95½	94½	2 2 4	3 17 7½
Feb. 15, 1979-81...	95½	94½	2 2 1	3 17 4½

(e) To earliest date. (f) Flat yield. (n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years 7 months. * Ex dividend.

Last Two Dividends			Ordinary Stocks	Price, June 13, 1951	Price, June 20, 1951	Yield, June 20, 1951
(a)	(b)	(c)				
20 a	40 b	Anglo-Am. 10/-		8	7½	£ s. d. 4 0 0
25 b	5 a	Anglo-Iran 10/-		9½	5½	5 18 6
5 a	15 b	Assoc. Elec. 10/-		98/9	97/6	4 2 1
22½ c	27½ d	Assoc. P. Cem. 10/-		109/4	106/3	5 3 6
40 c	35 e	Austin 5/-		36/1	34/4	5 1 9
40 c	40 e	Bass 10/-		152/6	148/1	6 8 7
10 c	6 a	Br. Celanese 10/-		35/6	35/9	2 16 2
8 a	12 b	Br. Oxygen 10/-		100/-	98/6	4 1 3
5 a	7½ b	Coats 10/-		66/3	63/9	3 18 5
5 a	6½ b	Courtaulds 10/-		50/6	47/9*	4 14 3
20 c	6½ b	Distillers 4/-		24/9	23/9	3 7 4
15 c	17½ d	Dunlop 10/-		67/-	64/-	6 9 4
10 c	12½ d	Ford 10/-		60/-	58/9	4 5 1
17½ c	17½ c	Gen. Elect. 10/-		97/6	95/-	3 13 8
11 a	21 b	Guinness 10/-		153/-	145/-	4 8 3
15 a	17½ b	Hawker Sid. 5/-		42/4	39/6	4 2 3
3 a	9 b	Imp. Chem. 10/-		53/6	51/10	4 12 6
13½ a	18½ b	Imp. Tobacco 10/-		103/9	101/3	6 6 5
5 a	7½ b	Lanes. Cotton 10/-		57/6	55/7½	4 9 11
10 c	13½ d	Lever 10/-		55/1	52/3½	5 3 4
15 c	15 c	Lon. Brick 10/-		60/-	59/9	3 6 2
15 a	60 b	Marks & Sp. 5/-		100/9	98/-	3 6 6
8 a	8 b	P. & O. Del. 10/-		66/6	64/6	4 19 3
17½ b	7½ a	P. Johnson 10/-		43/6	41/6	6 0 6
15 a	17½ b	"Shell" Stk. 10/-		97/6	93/1½	5 2 3
12½ b	12½ a	Tube Invst. 10/-		7/1	7/1	3 11 5
3½ a	16½ b	T. & Newall 10/-		101/3	99/4½	4 0 6
8 c	10 c	Union Castle 10/-		39/6	39/6	5 1 3
17½ c	50 c	U. S. B. 10/-		65/6	61/10	16 3 3
23 a	10 b	Vickers 10/-		53/3	52/-	4 16 2
27½ b	15 a	Woolworth 5/-		49/6	48/6*	4 7 7

* Ex Dividend.

* Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 16, 1951, total ordinary revenue was £45,181,000, against ordinary expenditure of £50,608,000 and issues to sinking funds £350,000. Thus, including sinking fund allocations of £2,320,000 the surplus accrued since April 1, 1951, is £20,864,000 compared with a surplus of £10,427,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand)			
		April 1, 1951 to June 17, 1951	April 1, 1951 to June 16, 1951	Week ended June 16, 1951	Week ended June 16, 1951
Ord. Revenue	£'000				
Income Tax	162,400	154,420	178,947	8,250	10,110
Sinecure	128,000	20,800	21,500	1,250	1,400
Stamp Duties	180,000	43,200	45,200	5,900	4,400
Profits Tax	55,000	10,500	13,600	580	800
E.P.T.	312,650	37,250	47,800	4,090	4,900
Other Inland Rev.	500	2,800	400	300	...
Special Contribut.	1,500	1,350	750	100	80
Total Inland Rev.	230,240	270,670	307,837	20,500	21,690
Customs	930,500	185,110	207,110	16,040	20,406
Excise	720,500	141,100	153,700	2,900	3,000
Total Customs and Excise	1,651,000	326,210	360,810	18,940	23,406
Motor Duties	62,000	5,234	6,414	...	312
Surplus War Stores	20,000	10,410	7,238	...	6
Surplus from Trade	50,000	25,974	25,000	...	...
P.O. (Net Receipts)	5,400	5,500	7,000	...	Dr. 600
Wireless Licences	13,600	1,800	2,000	...	...
Sundry Loans	27,000	1,389	2,599	...	255
Miscell. Receipts	105,000	15,700	9,184	3,612	118
Total Ord. Rev.	423,640	662,887	728,082	43,058	45,181
SELF-BALANCING Post Office	179,431	30,100	32,700	2,200	3,200
Income Tax on E.P.T. Refunds	4,900	2,065	1,069	321	61
Total	442,071	695,052	761,851	45,579	48,442

After increasing Exchequer balances by £303,262 to £2,994,952, the other operations for the week increased the National Debt by £15,205,975 to £26,269 million.

NET RECEIPTS (£ thousand)	
Receipts to Interest on National Debt	7,842
Cotton (Centralized Buying) Act, 1947, s. 21(3)	9,000
	16,842

NET ISSUES (£ thousand)	
P.O. & Telegraph (Money) Act, 1950	700
E.P.T. Refunds	75
Export Guarantees Act, 1943, s. 3(2)	270
Local Authorities Loans Act, 1945, s. 3(2)	21,583
Miscell. Financial Provisions Act, 1945, s. 2(1), War Damage Commission	3,000
Finance Acts, 1945 and 1947: Post-war Credits	334
	23,953

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Nat. Savings Certs.	609	Treasury Bills	23,456
3% Def. Bonds	530	24% Def. Bonds	525
Tax Reserve Certs.	1,702	3% Ter. Annuities	2,950
Ways & Means Advances	14,950	Other Debt	490
Treasury deposits	25,000	Internal	55
		External	120
	42,312		27,907

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bk. of Eng-land		
1950						
June 17	309.0	1784.8	411.9	2.0	370.0	5633.7
1951						
Mar. 17	318.0	1799.6	396.6	6.5	294.0	5676.7
" 24	317.0	1811.6	428.9	...	284.0	5694.5
" 31	5009.9	...	446.8	...	283.5	5740.2
April 7	319.0	1774.8	432.8	...	338.5	5736.1
" 14	320.0	1749.3	436.5	...	363.5	5749.3
" 21	322.0	1779.5	450.5	...	344.0	5794.0
" 28	323.0	1789.8	434.3	...	319.5	5773.7
May 5	322.0	2040.3	439.0	...	319.5	6018.8
" 12	323.0	2015.2	448.6	...	319.5	6013.3
" 19	323.0	2038.2	436.4	...	319.5	6021.0
" 26	323.0	2043.5	434.8	...	319.5	6027.9
June 2	324.0	2036.0	427.7	8.25	319.5	6031.4
" 9	323.0	2104.4	370.4	...	320.0	6024.8
" 16	323.0	2080.9	385.4	...	319.0	6041.2

TREASURY BILLS (£ million)

Date of Tender	Amount			Average Rate of Allotment	Allotted at Min. Rate
	Offered	Applied for	Allotted		
1950					
June 16	240.0	299.6	240.0	10 3.33	75
1951					
Mar. 16	250.0	332.7	250.0	10 2.96	66
" 22	250.0	332.9	250.0	10 2.94	66
" 30	250.0	332.4	250.0	10 2.98	66
April 6	240.0	320.3	240.0	10 3.13	67
" 13	250.0	351.2	250.0	10 2.67	59
" 20	210.0	354.5	240.0	10 2.60	54
" 27	230.0	359.0	230.0	10 2.44	48
May 4	240.0	364.8	240.0	10 4.52	15
" 11	250.0	350.3	250.0	10 2.79	60
" 18	250.0	350.9	250.0	10 2.80	63
" 25	250.0	336.6	250.0	10 2.98	65
June 1	250.0	349.5	250.0	10 2.78	60
" 8	260.0	355.2	260.0	10 2.80	62
" 15	250.0	344.0	250.0	10 2.88	62

On June 15th applications for 91 day bills to be paid from June 18 to June 23, 1951, were accepted dated Monday to Saturday as to about 62 per cent at 99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for June 22nd. For the week ending June 23rd the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

Totals 10 Weeks ended June 10, 1951		Week ended June 9, 1951	
Savings Certificates:			
Receipts	17,350	43,700	4,500
Repayments	25,300	29,900	2,800
Net Savings	Dr. 7,950	13,800	1,700
Defence Bonds:			
Receipts	3,475	9,659	795
Repayments	11,685	10,020	895
Net Savings	Dr. 8,210	Dr. 801	Dr. 100
P.O. and Trustee Savings Banks:			
Receipts	126,902	136,124	15,723
Repayments	126,185	162,912	16,958
Net Savings	717	Dr. 20,818	Dr. 1,233
Total Net Savings	Dr. 15,413	Dr. 13,879	387
Interest on certificates repaid	5,409	7,204	688
Interest accrued	25,917	24,159	2,295
Change in total invested	+ 3,065	+ 3,578	+ 1,075

BANK OF ENGLAND RETURNS

JUNE 20, 1951

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	1343,407,013	Other Govt. Securities	1384,758,181
In Bank Deposits	55,943,810	Other Secs.	712,259
		Coin (other than gold)	3,514,455
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
			1400,356,823

BANKING DEPARTMENT

£		£	
Capital	14,555,000	Govt. Secs.	336,052,853
Reserves	3,531,830	Other Secs.	31,034,992
Public Depts.	19,699,428	Discounts and Advances	7,884,543
Public Accts.	15,999,823	Securities	23,159,434
H.M. Treas. Special Act.	4,389,600		
Other Depts.	386,937,022	Notes	56,949,810
Bankers	801,025,796	Coin	683,635
Other Accts.	85,911,226		
	424,721,280		424,721,280

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

COMPARATIVE ANALYSIS (£ million)

	1950		1951	
	June 21	June 6	June 13	June 20
Issue Dept.:				
Notes in circulation	1289.2	1337.1	1340.9	1343.4
Notes in banking department	11.1	13.2	59.5	56.9
Government debt and securities*	1299.3	1345.8	1395.8	1395.8
Other securities	0.7	0.7	0.7	0.7
Gold and Coin	0.4	3.9	3.9	3.9
Valued at s. per fine oz.	248/0	245/0	249/0	249/0
Banking Dept.:				
Deposits:				
Public Accounts	12.8	12.9	18.5	15.3
Treasury Special Account	196.2	194.4	4.4	4.4
Bankers	287.8	300.0	293.8	301.0
Others	91.6	86.3	81.4	85.9
Total	588.4	403.6	322.1	406.6
Securities:				
Government	550.9	377.5	322.1	336.0
Discounts, etc.	14.3	7.5	11.1	7.9
Other	23.7	22.9	22.8	23.2
Total	588.9	407.9	356.0	367.1
Banking dept. res.	17.6	13.8	60.1	57.6
" Proportion "	2.9	3.4	15.1	14.1

* Government debt is £11,015,100, capital £14,555,000. Fiduciary issue increased from £1,350 to £1,400 million on June 12, 1951.

GOLD AND SILVER

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

1951	SILVER			Gold
	London per ounce	New York per ounce	Bombay per 100 tolas	
June 14	d. 76.5	c. 87.75	Rs. 205.6	Rs. 117.6
" 15	76.5	87.75	205.10	117.0
" 16	Markets Closed	206.1	117.6	
" 18	76.5	87.75	205.12	118.15
" 19	76.5	87.75	204.8	118.10
" 20	76.5	87.75	245.14	118.10

COMPANY MEETINGS

STEEL BROTHERS AND COMPANY

SUBSTANTIALLY IMPROVED RESULTS

REVIEW OF WIDESPREAD INTERESTS

MR J. K. MICHIE ON THE INCIDENCE OF TAXATION

The sixtieth ordinary general meeting of Steel Brothers and Company, Limited, will be held on June 29th in London.

The following is the statement by the chairman and managing director, Mr J. K. Michie, which has been circulated with the report and accounts for the year ended December 31, 1950:

This year we are able to present to you a consolidated balance-sheet and a consolidated profit and loss account which fully reflect the company's interests and because of the inclusion of the Indo-Burma Petroleum Company, Limited, the figures show a considerable expansion. The comparative figures for 1949 have been adjusted accordingly.

It is right that the shareholders should have a proper appreciation of the scope and variety of our business and I am glad that the technical difficulties which previously handicapped us in setting out our consolidated accounts in this form have been overcome.

In view of the results we have been able to show, you may consider that in writing of prospects in my last report my caution was not justified, but the main activity in trading markets and the large rise in values happened after my remarks were written.

Our profit before tax deduction was £708,130, compared with £563,841 (excluding provisions previously made not required) for the previous twelve months. Taxation takes £415,000, and £147,000 has been set aside for depreciation. Dividends on fixed interest bearing stocks cost £99,900 net. After writing off £22,230 against shares in and advances to subsidiary companies which made losses, the balance has been apportioned between special benevolent fund £3,000 and reserve fund £21,000 bringing the latter up to £380,000.

This year no large writing down of investments is necessary so that a substantial figure goes in reduction of our fixed assets.

In spite of the accretion of funds mentioned last year our banking facilities have again had to be largely used to finance stocks and for advances made as buying agents, and so long as the present high level of commodity prices continues I see no alleviation of this position. As has already so often been said and written this is merely another manifestation of the situation into which merchant shippers like ourselves have been forced by inflation on the one side and taxation on the other. To survive, merchant adventurers must take risks, but the larger part of the fruits of their efforts goes elsewhere, and inadequate amounts are left for additions to working capital.

As is now customary, I comment separately on our activities in the different countries in which we operate.

BURMA

During 1950 the Government made good progress in freeing further parts of the country from the domination of insurgents of various hues and factions and immediately this was reflected in larger exports of rice which in turn considerably improved the financial position of the country. More recently this progress seems to have been checked and one of our rubber estates not far from Rangoon has been overrun. Whether

or not progress will be resumed, as we earnestly hope will happen, may depend on how strong a Government emerges from the forthcoming—and partial—election or on how much extraneous assistance is received by the Communist parties or on both.

We continue to act as agents for certain Colonial Governments for the procurement and shipment of rice, but largely because of the marketing methods adopted by the Government of Burma and its monopoly, the State Agricultural Marketing Board, little or no chance is afforded us of sharing in the overseas marketing of that portion of the crop not earmarked under Government-to-Government contracts.

The methods being adopted may not in a seller's market cause obvious damage to the rice trade of Burma, but we already see movements in consuming markets which are fast becoming habits of looking elsewhere for the qualities and standards which in the past were a continually growing feature of the Burma trade and which, I would add, we had a considerable part in developing. The days of quality and standards of delivery are bound to return and my fear is that the present policy in Burma will leave her with neither, nor with the shippers who made it their object to build and maintain them in the past.

Our saw mills at Rangoon and Moulmein continue silent, but we are trading in timber as opportunity offers.

The oil industry in which we share through the Indo-Burma Petroleum Company, Limited, is expanding its refining operations at the fields as far as this is practicable, but any major recovery must still await the general pacification of the country and the resolving of other important issues.

During the progress made last year, Government forces occupied Thayetmyo, where the works of the Burma Cement Company, Limited, are situated. Despite considerable damage and looting done by the insurgents, the factory is again operating, but it is unlikely we shall get it into full production this year, due to lack of river transport. The production of the factory will all be required and will save considerable foreign currency in the rebuilding of Burma.

Overhead our trading results in Burma were satisfactory, but our valuable shipping and insurance agency business continues to be restricted by circumstances outside our control.

STRAND HOTELS, LIMITED

This subsidiary again had a satisfactory year, and under great difficulties on the supply side has continued to offer first-class service to its patrons. It is our object to maintain these standards and to improve them wherever possible provided the necessary encouragement is there.

INDIA

A considerable part of our business in India arises under our managing and selling agencies for the Indo-Burma Petroleum Company, Limited, which continued to function on normal lines.

Our agency for the procurement of food for the members of the Indian Tea Association continually presents new problems and

the disastrous earthquake and floods in Assam last year coupled with the chronic shortage of rice in India, made the task of our staff and of the governing bodies of the Indian Tea Association with whom we act in concert even more difficult than usual. So far no tea garden has gone wanting, but the cost of running our organisation tends to rise while the income does not.

I have to report a new development in India. Very soon it is hoped to register a company in Calcutta named Khasi Sillimanite, Limited, which will take over the mining and marketing of a Sillimanite deposit in Assam financed up till now by Messrs Pilkington Brothers, Limited. Messrs Pilkington Brothers, Limited, have asked us to become managing agents for the company and we shall also have a small capital interest in it.

Our subsidiary, E. B. Creasy and Company, Limited, I am glad to say, was able to share in the general betterment.

MIDDLE EAST

Due to the effects on its business of the re-orientation of the transport and refining of a considerable part of the oil production of Iraq, our associate company, Messrs Spinney's (1948), Limited, had a somewhat disappointing year, but the necessary re-organisation to cope with this has been carried out and prospects are again satisfactory.

In Israel our business continued on the previous lines, though limited in scope by the financial stringency in that country.

EAST AFRICA

Our associates, Messrs A. Baumann and Company, Limited, again achieved satisfactory results and their steady development continues.

In Tanganyika our timber company proceeds steadily with its preparations towards full-scale operations. Plans for long-term forest extraction are complete. A pilot mill is now in operation and we expect the main saw mill to be erected by August and to be in full production by the end of the year. This will mean that starting from scratch a timber business in new territory will have been fully organised and put into operation within two years of sending our pioneer staff to the territory.

A further development in the field of forest extracting, milling and marketing in Tanganyika is now under consideration. The first surveys made in conjunction with the Government of Tanganyika have been completed and a decision now rests on a technical survey of transport possibilities now being made.

We have another investment in East Africa to report—this time in Uganda, where in association with our friends, Messrs A. Baumann and Company, Limited, we have joined with the Uganda Government in a pilot scheme in agricultural development in the Bunyoro native territory. A company has been formed named The Bunyoro Agricultural Company, Limited, with an authorised capital of £100,000 in which the Uganda Government, Messrs A. Baumann and Company, Limited, and ourselves are partners. Our own capital investment will be £20,000. The land is being made available by the native administration as their contribution to the scheme.

This is a small project at present and the extent of its eventual development will depend on results of the experimental work now being conducted—mainly in tobacco growing.

We are very pleased to be associated in this interesting work, the potentialities of which are considerable, particularly as its objective is to train Africans in up-to-date agricultural methods and later to divide the developed land into small holdings and hand it over to Africans as tenant farmers.

BRITISH GUIANA

A company has now been formed named British Guiana Timbers Limited, to take over the timber interests I referred to last year, previously held by the Colonial Development Corporation in its own name. The issued capital of the new company will be £8,400,000 and the Colonial Development Corporation remain the major shareholders. We have been appointed managing agents and have taken up a holding of £240,000. Messrs Booker Brothers

McConnell and Company, Limited, are also participating.

UNITED KINGDOM

Our general business in London largely reflects the activities of our branches and subsidiaries for whom we act as financiers and buying and selling agents. Last year the volume of trade was satisfactory.

Carbutt and Company (1928) Limited. This milling business in London and Hull which in addition to handling rice and its by-products operates barley mills and grain-drying plants had a busy year and maintained its income.

Mactaggart and Evans Limited, again made a small loss, but results are now distinctly better.

PROSPECTS

In such a rapidly changing world in which all proclaim themselves for peace while preparing for or against war, to prophesy would be pointless.

All I can say is that 1951 has begun well. Our stocks are carried at well under replacement costs, but recently offtake has been disappointing and consuming markets show a distinct resistance to paying present prices.

Should there be no major deterioration in the world situation, and particularly were it to improve materially, I can foresee a certain amount of "reflation" which, while making trading temporarily difficult, would be a salutary happening. Despite the problems which would be involved this is what we must hope for; the alternative means continued inflation and maybe disaster, for which no paper profits would be a compensation.

I have already alluded to the incidence of taxation and will now illustrate how the company, or more correctly its Deferred Ordinary shareholders, are likely to be affected by the new Finance Bill. On the fixed interest bearing stocks alone, which require £183,000 a year, profits tax at 50 per cent. will cost £91,500 gross or about £48,000 net after taking into account the deduction of profits tax in computing the income tax payable. Assuming a dividend on the deferred ordinary capital of 40 per cent. (which would represent the modest rate of 16 per cent. on the actuarial value of the shares) the total net amount of profits tax, after allowing for the income tax deduction, would be about £74,250. The whole of the profits tax must be borne by the equity shareholders, as none of it can be deducted from the fixed interest payments. The result is that out of the 40 per cent. dividend of £100,000 the deferred ordinary shareholders would get 10s. 6d. in the £ or £52,500 and the State would get income tax 9s. 6d. in the £ or £47,500 in addition to profits tax £74,250, or £121,750 in all. In other words, for every £1 which the shareholder received the State would collect over £2 6s. and in addition would collect surtax from shareholders liable to that tax.

Over fifty years ago an eminent judge, commenting on our constitution, praised it as ensuring co-operative effort and said it meant there would be "no drones in the hive." Today the system is fined as for a crime. Has truth altered or only man's attitude to it?

STAFF

Our staff, as always, have lived up to their highest traditions and we wish to thank them all in every country and every grade of the service. Without their loyalty and enthusiasm whether holding the fort in difficult places or breaking ground in new ventures we could not have attained the results we now show.

LONDON AND MANCHESTER ASSURANCE COMPANY, LIMITED

ANOTHER YEAR OF STEADY PROGRESS

The eighty-second annual general meeting of this company was held on June 20th, in London.

Mr A. H. Dawes, the chairman, in the course of his speech said:

I am pleased to say that the company has enjoyed another year of steady progress. The total income (excluding Fire and General Branch) reached the £7,000,000 mark, having increased during the year by £222,323. The total assets advanced by over £2,000,000 to £42,736,655, having quadrupled in the past 21 years.

ORDINARY BRANCH

In the Ordinary Branch we issued policies for new sums assured totalling £4,486,790, compared with £4,390,328 in the previous year. The total sums assured (inclusive of bonuses) under policies in force in this branch at the end of the year exceeded £50 million.

The ratio of expenses to premium income was 13.6 per cent., compared with 13.5 per cent. for the previous year. At the end of the year the Ordinary Branch life fund stood at £22,022,730, showing the considerable increase of £1,008,596. The gross rate of interest on the fund was £4 4s. 3d. per cent., being 1s. 4d. more than for the previous year, but the net rate at £3 4s. 11d. per cent. was 3d. less.

INDUSTRIAL BRANCH

The new sums assured in the Industrial Branch amounted to £4,545,800, which shows a small increase compared with the previous year. The total sums assured (inclusive of bonuses) in this branch at the end of the year exceeded £55 million.

The ratio of expenses to premium income was 27.8 per cent., compared with 27.5 per cent. a year ago. At the end of the year the Industrial Branch life fund stood at £18,346,129, showing an increase of £870,829. The gross rate of interest on the fund was £4 3s. 7d. per cent., being 1s. 6d. more than for the previous year, and the net rate of £3 13s. 6d. per cent. was 3s. 5d. more.

The directors have again been able to increase the rate of reversionary bonus in the Ordinary Branch—this year to £1 8s. per cent. on the sum assured, compared with £1 6s. per cent. and £1 4s. per cent. for the two preceding years. The cost of this bonus is £452,438.

In the Industrial Branch the bonuses to holders of policies under the tables referred to in the Directors' report have been allocated on the same bases as last year and the cost is £286,249. Policies in the Industrial Branch have no contractual right to share in the profits of the Company, but for many years substantial sums have been utilised to provide bonuses for policyholders.

IMPORTANCE OF INSURANCE INDUSTRY

The importance of this insurance industry in the national life cannot be too strongly emphasised. Life assurance, with its widespread service, which so effectually promotes the habit of thrift in millions of homes throughout the country, is playing an essential and substantial part in the nation's effort to strengthen its economic position. No less important is the contribution made by the overseas earnings of the insurance industry.

While remaining watchful for the slightest indication of the recurrence in any form of the threat to our business, we look forward to a future which will allow us to continue freely to serve the individual citizen and the nation according to the great traditions of British insurance.

UNION INSURANCE SOCIETY OF CANTON

ASSETS EXCEED £12,235,000

The annual meeting of the Union Insurance Society of Canton, Limited, was held on May 24th at Hongkong, Mr J. F. Macgregor (the chairman) presiding.

The following are extracts from the report and accounts and the chairman's circulated statement:—

Marine.—The net premiums for the year amounted to £2,562,693. After providing £80,000 for taxation and releasing £200,000 to profit and loss account, the marine fund stands at £3,265,192.

Fire.—The net premiums for the year amounted to £2,092,899: £99,552 has been transferred to profit and loss account. The fire fund stands at £1,141,805.

Accident and General.—The net premiums for the year amounted to £875,570: £7,295 has been transferred to profit and loss account. The accident and general fund stands at £450,228.

Dividend.—The directors recommend the payment of a dividend of £1 15s. per share, free of Hongkong Corporation profits tax.

Profit and Loss Account.—Interest and dividends amounted to £269,216 and transfers from underwriting accounts to £306,847.

Consolidated Balance Sheet.—Total assets amount to £12,237,327.

CHAIRMAN'S STATEMENT

The clouds of war again made their appearance during the past year, and whilst the outbreak of hostilities in Korea last June has tended to focus attention on the Far East, repercussions from the rearmament programmes are progressively being felt in all quarters of the globe.

Unsettled conditions in the Federation of Malaya and in Indonesia unfortunately show no discernible improvement, and although this factor naturally limits the development we would seek in our business in those countries in more peaceful circumstances, the statement of accounts and balance sheet for 1950 reflect satisfactory progress in our overall world-wide operations.

A marked feature affecting our cargo marine business, especially in the latter part of 1950, was the increase in valuation of goods of all kinds and the consequent heavier cargo commitments in individual vessels, which we were and are still called upon to cover. This is particularly so where wool, rubber, and tin shipments are concerned.

The marine and fire revenue accounts display good results, and I particularly draw attention to the fire net premium income, which, for the first time in our history, exceeds £2,000,000. The strength of the fire fund is also notable at over £1,000,000.

The accident and general revenue account, though profitable, shows a less favourable result than usual. This is mainly attributable to our experience shared with most insurance companies writing motor-car business in Australia, where unusually high awards have been made by the courts to injured third parties. Remedial steps now being taken in that territory are expected to improve the trend of this particular class of business during the current year. An additional factor having a bearing on the result shown in this account is the considerable advance in premium, which calls for a corresponding increase in the amount retained in the accident and general fund for unexpired risks.

Turning to the balance sheet, shareholders will observe that the general reserve in the society's consolidated balance sheet now amounts to £1,000,000.

The report and accounts were adopted.

HARLAND AND WOLFF, LIMITED

IMPORTANCE OF STRONG FINANCIAL POSITION

LARGEST OUTPUT IN THE UNITED KINGDOM

SIR FREDERICK E. REBBECK ON THE SUBSTANTIAL ORDER BOOK

The sixty-sixth annual general meeting of Harland and Wolff, Limited, was held on June 14th at the registered offices of the company, Queen's Island, Belfast.

Sir Frederick E. Rebbeck, D.Sc., D.L., chairman and managing director, presided.

The secretary (Mr F. V. Spark, A.C.A.) read the notice convening the meeting and the report of the auditors.

The chairman said: As the statement of accounts and the directors' report have already been in your hands for some time, I propose, with your permission, to take them as read. (Agreed.)

As you will see from the figures before you the consolidated profit on trading for the year is approximately the same as for the previous year but as the amount brought to credit in respect of settlement on contracts completed in previous years is about £175,000 higher, the net profit after taxation is £98,554 higher at £778,015.

During the year considerable progress has been made in connection with the settlement of our liabilities for taxation and it has been found possible for the group to release a sum of £808,920 which had been provided in previous years.

Since the introduction of initial allowances the company's liability to taxation has been reduced by about £223,140 to the end of December, 1950, but as this is only a temporary benefit which has to be paid for in due course it has been considered advisable to set aside this sum until it will be required to offset the increased taxation which in time will fall to be paid.

In continuation of the policy followed in recent years, and to implement an undertaking given to the older employees at the commencement of the staff pension scheme in 1943, we have set aside the sum of £108,926 practically the whole of which was to augment the pensions of a number of senior executives other than directors.

PRUDENT FINANCIAL POLICY

With the rise in prices that has taken place over recent years and is likely to continue, it is of vital importance to maintain a strong financial position and be able to finance the increasing business of the company. It has, therefore, been considered wise to retain as large a proportion of the profits as possible and, after making the same dividend payment on the ordinary shares that we have made for several years past, the remainder of the profits have been retained in the business.

Once again the output from the company's works was the largest in the United Kingdom, sixteen vessels being launched last year with a total gross tonnage of over 158,000. The vessels launched comprise a passenger and cargo vessel, a refrigerated cargo vessel, a whale factory ship and several oil tankers.

This is the eleventh successive year in which the vessels launched from the company's yards have exceeded 100,000 gross tons.

SUBSTANTIAL CONTRACTS SECURED

As stated in the report of the directors, orders were very scarce in the early part of 1950, but later in the year the position changed, shipowners were placing orders much more freely and your company has secured further substantial contracts.

Many orders have been received for propelling engines to be installed in hulls building by other ship-builders, and also for engines for land installations both at home and abroad. In addition orders have been received for compressor sets which we are building under licence from the Cooper Bessemer Corporation of Mount Vernon, Ohio, U.S.A., while at our Scotstoun works we are continuing in association with The English Electric Company with a large programme of work in connection with the supply of water turbines for the Scottish Hydro-Electric Scheme and other schemes of a similar nature which are being carried out abroad.

Our electrical manufacturing division is booked to capacity with work both for our own ships and for other outside contracts.

STEEL CONSTRUCTION DIVISION FULLY OCCUPIED

The steel construction division has again been fully occupied during the year and there is every prospect that it will continue to be fully employed for a considerable time to come. It is hoped that the position with regard to steel supplies, to which I will refer presently, will not unduly curtail our activities in that division.

The reconditioning of large passenger liners which was necessitated by their war service has now been completed and in consequence, our repair works at Liverpool, London and Southampton were not as fully employed as in 1949; nevertheless, they have carried out a considerable volume of work.

In addition to naval new construction the work now in hand covers a large programme of merchant shipbuilding, comprising large passenger vessels, cargo vessels, a cross channel vessel and tankers for both British and foreign owners, including some of the largest tankers on order in the United Kingdom. The construction of these vessels will keep the shipyards and engineering shops fully employed for some time to come.

The company's property and plant have been well maintained during the year.

MATERIAL SUPPLIES

A year ago it was possible to record that the supply position of essential materials used in shipbuilding was helping to expedite the construction of ships but the position has now changed and for various reasons it is becoming increasingly difficult to obtain deliveries at the appropriate times of certain essential materials. The most important of all these essential materials is steel and, as recently announced in the press, owing to shortages of scrap and iron ore shipbuilders fear they may not be able to count on obtaining their full steel requirements.

On behalf of the Board it gives me great pleasure to thank the employees of the company for the service they have rendered during the year.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors, Mr H. R. Humphreys, Mr N. McCallum, Mr C. C. Pounder, Mr John Morrison, Mr F. V. Spark and Dr Denis Rebbeck were re-elected, and Messrs. Price, Waterhouse and Company were re-appointed auditors and the remuneration was fixed.

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

IMPERIAL CHEMICAL INDUSTRIES LIMITED

INCREASED VOLUME OF BUSINESS

BONUS ISSUE REJECTED BY TREASURY

MR J. ROGERS'S SPEECH

The twenty-fourth annual general meeting of Imperial Chemical Industries Limited, was held on June 14th in London.

Mr J. Rogers, O.B.E., the chairman, in the course of his speech, said:

For the first time in twenty years our annual general meeting is being held without Lord McGowan in the chair. The Board have paid tribute in their annual report to the outstanding services which Lord McGowan has rendered to our company and to British Industry throughout a long and distinguished business career dating back to 1889 when he joined Nobel's Explosives Company Limited in Glasgow. Lord McGowan's resignation at the end of last year from the board of the company and from the office of chairman is a sad loss to the company and to his colleagues on the board. I have been associated with him for over fifty years, and I cannot speak too highly of his personal qualities and leadership which have brought him to the front rank of industrial leaders throughout the world.

TRIBUTE TO LORD MCGOWAN

When Lord McGowan succeeded to the chairmanship on the death of the first Lord Melchett in December, 1930, industry was in the trough of one of the worst trade depressions in the history of this country, but under Lord McGowan's inspiring leadership and wise guidance the company emerged safely, and when he laid down the burdens of office it must have been a source of great pride and pleasure to him to reflect that in 1950, after twenty years under his chairmanship, the Company had achieved the highest turnover and profits in its history.

It is not surprising, after so many years of arduous work and responsibility, that Lord McGowan should seek some respite, but I am pleased to say that he has accepted the board's offer to become the company's honorary president, and it is in that capacity that he is with us on the platform today. On your behalf, and on behalf of the board and of all others who serve the organisation, I should like to thank Lord McGowan for all that he has done for this great company, and I trust that for many years to come he will enjoy good health and happiness in his retirement.

By the unanimous vote of my colleagues I was called upon to assume the duties of chairman of the board from the beginning of this year. With your support and sympathy, which you accorded in such full measure to Lord McGowan as chairman, I shall endeavour to the best of my ability to discharge the onerous duties of that office, and I count myself as fortunate indeed in having such colleagues to assist me and in being able to rely on the devoted and skilful services of all those who work in the organisation.

RECORD TURNOVER

You will notice that the turnover for 1950 was a record. Consolidated sales at £220 million were more than 20 per cent. higher than those in 1949. Although part of the increase is due to increased prices, I am pleased to say that the greater part is attributable to an increase in the physical volume of our business. Exports were 25 per cent. more than in 1949, and were

running at the rate of about £1,000,000 a week during 1950.

You will also have noticed that the revaluation of assets has resulted in a very big increase in the capital reserves shown in the balance sheet. These reserves at December 31, 1950, amounted to £118 million against £17 million a year before. Since we are firmly convinced that realistic figures for assets should be matched by realistic figures for capital, it was the intention of your directors to capitalise a substantial part of these reserves and to make an issue to stockholders of shares credited as fully paid which would have brought the figures for issued capital more into line with reality. An application was accordingly made to the Capital Issues Committee for the issue of such shares under a comprehensive scheme. We have been notified, however, that His Majesty's Treasury is not prepared to give consent to this comprehensive scheme. No reason was given for the refusal.

In the immediate future the company will share with the rest of British Industry those difficulties which arise from the shortage of essential raw materials. Three of the materials in short supply which affect the company's manufacturing operations are sulphur, non-ferrous metals and benzene. So far as sulphur is concerned the immediate position is assured, but there is no margin for expansion and the future is uncertain.

BUDGET CLOUD ON INDUSTRY

Our prospects for 1951 are bright but each year brings its own special problems, and the role of prophet is a dangerous and thankless one. I will not assume it today. I can, however, say that the results for the first quarter of 1951 are encouraging. Turnover for that quarter was 20 per cent. higher than that in 1950.

The introduction of the 1951 Budget has cast a cloud upon British Industry. The raising of the Profits Tax on distributions from 30 per cent. to 50 per cent. means that, to pay a 5 per cent. gross dividend on any form of share capital, profits of 7.7 per cent. on that capital are required, apart altogether from profits which it is prudent to take to reserve. Profits Tax is payable at this high rate of 50 per cent. upon all distributions including preference dividends, and, as it cannot be deducted from dividends, this tax has to be borne at the expense of a company's reserves.

For example, if a company earns profits of £1,000 and wishes to divide £500 (gross before income tax) to its shareholders—a modest enough proportion—it will find that, after paying its shareholders their net cash dividend of £262 10s., it has to pay Profits Tax of £300 and income tax of £332 10s.

We are all in sympathy with any steps taken to prevent the avoidance by taxpayers of burdens placed fairly upon them, but the legal avoidance clauses contained in the Finance Bill go much beyond that. In their present form they appear to cover normal transactions entered into in the ordinary course of business and will seriously hamper the development of the overseas trade of the country. It is to be hoped that the method finally adopted for the prevention of tax evasion will not interfere so seriously with legitimate trading transactions.

The report was adopted.

LICENSES AND GENERAL INSURANCE COMPANY

MR RONALD GILBEY'S ADDRESS

The sixty-first ordinary general meeting of this company was held in London on June 20th.

Mr Ronald Gilbey (the chairman) presided, and in the course of his review of the company's sixtieth year of operations said:

In the first place, let me refer to the Life Department and the quinquennial valuation.

The bonus declaration of 35s. per cent. is essentially a matter for satisfaction and places us in a forward operating position. While 90 per cent. of the profits go to the with-profit policyholders, the shareholders participate in the remaining 10 per cent. The sum of £3,775 thus released this year is small and is reserved against a future distribution to shareholders as it accumulates.

On the general results, the premium income increase this year totals in all £162,114, and with an addition to the earned interest the total income is only short by £66,000 of a round two million figure, while the total assets reach a figure considerably over four million pounds.

The Fire Department disclosed a satisfactory year, with an increased income; a claims percentage of 48.8 and a consequent profit of £30,670.

The general account, which comprises our original license business, burglary, third party, miscellaneous premiums, with a claims percentage of 50.6 again returns a satisfactory profit transfer.

We are very pleased to be able to augment our dividend payment this year by 2½ per cent. and also by a bonus of 5 per cent., making with the interim already paid a total of 40 per cent. for the year.

The report was adopted.

ROTHMANS LIMITED

(Cigarette and Tobacco Manufacturers)

CONTINUED PROGRESS

At the annual meeting of Rothmans Limited, held in London on June 14th, the chairman, Mr Sydney Rothman, said:

The disposable profit of Rothmans Limited of £115,215 (net) is £25,000 better than last year and merits the continuance of a dividend of 12½ per cent. upon the increased Ordinary share capital.

We recommend that £48,000 of reserves be capitalised by the issue of "A" Ordinary shares in the form of a "one in four" bonus. The reserves will then stand at £300,000.

In the home market, the sales of your group increased. I mention but one—Pall Mall De Luxe—which is always in strong demand. Our supplies of leaf tobacco were again insufficient to meet the demand, but by adjusting export and home sales we are now able to sell greater quantities of cigarettes in the home market.

Your export trade continues to be vigorous and profitable. The home and export fancy goods section conducted by our subsidiary, Roy Tallent Limited, has made good progress.

It is always a pleasure to thank all employees for their splendid work. Rothmans has again paid a generous bonus to its employees.

Business done by the group since the year commenced has been satisfactory and, provided that we experienced no unpleasant surprises, I anticipate that the profits of the company for the year will prove adequate for reserves and dividends.

The report and the resolutions were adopted.

RECKITT AND COLMAN LIMITED

IMPROVED VALUE AND VOLUME OF SALES

IMPORTANT PROGRESS IN WORLD MARKETS

MR J. B. UPTON ON THE WIDESPREAD INTERESTS

The annual general meeting of Reckitt and Colman Limited was held on June 6th in London.

Mr J. B. Upton, the chairman, presided.

The following is his statement circulated with the directors' report and accounts:—

The accounts are presented in a form similar to that used last year and show that the consolidated trading profit amounts to £4,202,956, compared with £3,538,174 for 1949. This is the highest figure in the history of the company. Part of the increase is due to larger sales both at home and abroad and part to the conversion to sterling of profits earned in overseas currencies at more favourable rates of exchange. This latter cause had a greater effect than it had in 1949, when these rates operated for a few months only.

Exchange adjustments also occurred, due to the conversion to sterling of net current assets expressed in overseas currencies. These produced no effects comparable with those caused by the devaluation of sterling during 1949, but the same accounting procedure has been adopted in dealing with them as was used in that year. The net result is a loss on exchange of £119,501 instead of the substantial profit revealed last year. Of this sum, £24,647 arose in connection with companies registered in the United Kingdom but operating abroad, while £94,854 arose on the consolidation of the accounts of subsidiaries registered abroad.

The capital reserves now amount to £3,597,622, and the movements during the year are shown in the notes attached to the accounts. We have continued the practice of building a capital reserve for the replacement of fixed assets to supplement the normal depreciation which was £387,614 in 1950, compared with £298,098 in 1949; £210,000 has been transferred to capital reserve for this purpose out of the consolidated taxed profits.

We wish again to draw attention to the handicap to industry of a system of taxation which does not allow full provision for replacement of fixed assets as a charge before arriving at the sum on which income tax and profits tax are payable. Even the slight mitigation of this burden which the initial allowances clauses of the 1945 Income Tax Act provided will be withdrawn next year, while the increase in working capital which inflation requires has also to be found out of taxed profits.

British, Dominion, and foreign taxation amounted to £2,181,000. The reserve for United Kingdom income tax 1951-52 (£968,649) has been calculated at the rate of 9s. 6d. in the £.

The bonus to employees under the prosperity sharing scheme, calculated on the trading profit after appropriate adjustments, is £208,000 this year as compared with £218,000 (£8,000 attributable to 1948) for 1949, when substantial profits on exchange affected the figure. In 1950 exchange losses arose as referred to above.

After transferring £500,000 to general reserve the directors recommend the payment of a final dividend of 5 per cent., less tax, making 20 per cent., less tax, for the year—the same as for 1949.

The consolidated profit and loss account shows that of the £1,566,249 available profit

of the year, £1,016,176 is included in the accounts of Reckitt and Colman Limited, and £550,073 has been retained in the accounts of the subsidiaries. After various adjustments and the appropriations to capital reserves and general reserve already referred to, providing the same dividends as in previous years, and adding the balance brought forward from the previous year, there remains a balance of £1,741,813 to be carried forward to 1951, as shown in the consolidated balance-sheet. Of this sum £597,686 is retained in the accounts of Reckitt and Colman Limited, and £1,144,127 in the accounts of the subsidiaries. The capital needed for the development of our overseas business requires the retention of large balances by some of our subsidiaries, while currency restrictions prevent others from remitting the whole of their profits.

The shareholders' capital and reserves employed in the group have increased by £1,473,692 during the year under review and now amount to £14,755,587.

UNITED KINGDOM

Sales, both in value and in volume, showed further improvement during the year. Nearly all sections of the business contributed to this result.

Towards the end of 1950, however, serious shortages of raw and packing materials began again to make themselves felt and difficulties arose as great as those experienced during the war. In particular, tinplate, which is so important to us for making polish and food containers, was, and still is, very short. Sheet aluminium is a technically possible substitute for tinplate, but the national rearmament programme has seriously reduced the available quantity of this metal. The sulphur shortage from which the world is at present suffering has its repercussions on this company, as it affects nearly the whole chemical industry either directly or indirectly by its impact on the raw material situation. Many of our products will not, as a result of these shortages, be presented in the usual packages, and the production of some may have to be curtailed. Nevertheless, sales during the first part of 1951 were well maintained though shortages and rising costs are being faced.

During 1950, Sanpic, the household disinfectant, was marketed in a new form, packed in a specially designed bottle, and has been well received by the trade and by the public. Disprin Analgesic, introduced at the end of 1949, continues to make good progress and meets a real need for a stable soluble aspirin.

In November negotiations were completed for the purchase of the share capital of Samuel Berger and Company, Limited, starch makers, of Bromley-by-Bow, London. This purchase was made to safeguard the supply of rice starch, having in mind the difficulties connected with the replacement of our starch factories destroyed during the war.

In April, 1950, the Ultramarine section of the business was transferred to a separate subsidiary called Reckitts (Colours) Limited. This company now supplies all the Ultramarine required for making our Laundry Blue and also sells Ultramarine to commercial and industrial users throughout the world. The control of this distinct type of business by a separate board is already proving advantageous.

OVERSEAS TRADE

A year ago we were able to report that our overseas sales in 1949 had reached a record level both in volume and in value; the 1950 results have, however, surpassed those of 1949.

All countries reacted to events in Korea though the rush to buy goods was more noticeable in some markets than in others; our overseas sales in the second half of the year were in consequence higher, but there is no evidence of serious over-stocking as the demand for our products has been well maintained since the close of the year.

The main problem confronting our factories overseas, as at home, is the now common one of securing a steady flow of the necessary raw and packing materials for the maintenance of production at normal levels. We hope to keep abreast of these difficulties, which are under constant review by our managements abroad, though the substantial rise in prices necessitates additional working capital to carry the inventories.

In the United States the sales made by our subsidiary company reached a new record though rising costs prevented a corresponding increase in dollar profits. This market represents such a substantial proportion of our total overseas interests that its progress is of great importance to us. The prospects for our 1951 sales appear to be good but the net benefit will be adversely affected by the increased level of taxation recently introduced in the United States, while the rearmament programme may well affect the supply of raw and packing materials there as it does in other parts of the world. The directors of the American company have decided on further extensions to their factory at Rochester (N.Y.) as soon as these can be undertaken.

The Canadian business made satisfactory progress and has commenced the introduction of Disprin which is being supplied from our Hull factory and thus contributes to an increase in our dollar exports. During the year, our Canadian subsidiary acquired additional properties adjacent to the Montreal factory in order to safeguard future plans for expansion.

In South Africa a subsidiary has been formed to look after our local manufacturing interests and production has already started in the new factory near Durban. In Cape Town, the new office building, to which we referred last year, has been completed and is now in use. Sales have been well maintained and with the easing of import restrictions the prospects for our South African business are satisfactory.

Conditions in Australia and New Zealand have been marked by sharp increases in costs of living and basic wage rates. Despite strikes in the coal and transport industries, we have succeeded in maintaining satisfactory production and distribution of our goods. Building alterations and extensions have commenced at the Sydney and Dunedin factories and we look for further progress in markets which are expanding and should offer scope for development.

In South America our Argentine subsidiary had a difficult year, due to an insufficiency of licences to import the various materials required to maintain production. Its prospects for 1951 are better and additions to the factory in Buenos Aires are being undertaken to provide facilities for the manufacture of new products. The Brazilian business has expanded considerably both in sales and profits, and extensions to our factory are required to cope with present demand. There have also been extensions to our Uruguayan factory in Montevideo. It is not possible to remit to the United Kingdom the whole of the profits earned in Argentina and Brazil, and it is thought to be sound policy to

convert part of the surplus cash into bricks and mortar.

Our trade in India continued to suffer from limitations on the import of finished goods. Work was started on the erection of buildings on our new factory site, and, since the end of the year, permission has been received from the Government of India to form an Indian company. Reckitt and Colman of India, Limited, will accordingly take over our manufacturing interests, but its rate of progress may well depend on factors, such as the supply of raw materials, which are outside our control. We also intend to form a new subsidiary company to carry on our trade in Pakistan.

In Europe further progress has been recorded, particularly in France. In Belgium we have acquired a property adjacent to our existing factory at Melle, near Ghent, and we hope that this will enable us to effect certain economies in our manufacturing activities.

Goods manufactured in our United Kingdom factories have continued to find their way into almost all accessible parts of the world which are not served by our overseas subsidiaries. Sales have been well maintained in spite of the many problems of international trade today. We are glad to report that some of our newer lines are already earning abroad the reputation and the acceptance which have been accorded to them by consumers in this country.

During the year the principal markets overseas have been visited by directors and other senior executives from head office. This is a regular policy and, combined with the normal visits of the senior members of our overseas managements to England maintains the personal touch with men and markets on which so much depends.

Commerce today is so much at the mercy of international affairs and government policy that it is impossible to make accurate forecasts, but our overseas interests are now widely spread and sufficiently firmly based to encourage us to face the future with confidence.

GENERAL

This report would not be complete without a sincere tribute to our employees—staff and workpeople, wherever they may be—whose hard work and loyalty make the progress of the business possible. We are satisfied that the quality of those who serve our company enables us to look forward to further progress.

The report was adopted.

The annual general meetings of Reckitt & Sons, Limited, and J. & J. Colman, Limited, will be held on July 9, 1951.

DENNISTOWN RUBBER ESTATES LIMITED

DISTRIBUTION OF 20 PER CENT.

The eighteenth annual general meeting of Dennistown Rubber Estates Limited was held on June 19th in London, Mr J. L. Milne (the chairman) presiding.

The following is an extract from his circulated review: The working profit for the year ended December 31, 1950, amounted to £88,277, as compared with £28,467 for the previous twelve months. The improvement, amounting to £59,800, was due mainly to an increase in the sale price of our product of just over one shilling per lb.; partially offset by a rise in the cost of production of approximately 4d. per lb.

Last year the dividend was 7½ per cent.; this year the total distribution amounted to 20 per cent. After providing for the dividends there is some £13,000 of profit remaining.

It was considered advisable to transfer the major portion of this, viz., £10,000, to planting reserve. We have also considered it advisable to transfer £1,000 to general reserve, thus bringing this reserve up to the modest figure of £10,000.

The crop harvested during the year amounted to 1,820,382 lb., as compared with 1,956,443 lb. for 1949. Bad weather conditions, shortage of tappers and poor outturn of labour combined to prevent the Kim Seng Estate from obtaining its estimated crop, which it was hoped would show an improvement over 1949. Unfortunately, the labour position is not improving and the first four months of 1951 have brought a further decline in crops.

Another factor which is beginning to make itself felt is the increased rate of export duty which is now payable. At present this amounts to about 8½d. per lb.

The report was adopted.

UNITED NEWSPAPERS

MR H. C. DRAYTON'S ADDRESS

The thirty-second annual ordinary general meeting of United Newspapers Limited was held on June 14th in London.

Mr H. C. Drayton, the chairman, in the course of his speech, said: The gross profit of the group for the year ended December 31, 1950, was £551,000. After deducting depreciation and directors' fees the amount remaining was £470,000. Of that the proportion attributable to the shareholders of United Newspapers was £364,600. If you endorse the directors' recommendation of the final dividend on the ordinary shares, making 20 per cent. for the year, there will be left an amount to carry forward of undistributed profits in both the subsidiary companies and in this company of £154,000.

As you have probably heard all newspapers have had to increase their price, and we along with them have increased our dailies from 1½d. to 2d. We have now reached the position where any increased costs such as wages or materials are going to be directly related to the price of our newspapers. In other words, it looks from now on as if any big increase in costs is going to be paid, as always, by the consumer.

We shall be hit in this company by the incidence of the new 50 per cent. profits tax. In Provincial Newspapers we have two classes of 7 per cent. preference shares, and as we pay this 7 per cent. we have to pay the Chancellor of the Exchequer 50 per cent. extra. In other words, these preference shares are costing us 10½ per cent. Now, ladies and gentlemen, no one minds paying taxes if you think you are getting value for them but today we are burdened both in the Government and in the municipalities by too many bureaucrats.

There is no doubt about it—there are too many Civil Servants today. I think the figure is something over 600,000. It may be if they could be reduced by something like 150-200,000 people it would help solve our shortage of manpower about which we hear so much today, as they would be released for productive work as against their present non-productive work.

I think that for the current year the profit figure should be greater than it was for 1950. The report was adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

*The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1*

GENERAL MINING AND FINANCE CORPORATION

(Incorporated in the Union of South Africa)

DIVIDEND MAINTAINED AT 25 PER CENT.

The fifty-first ordinary general meeting of the General Mining and Finance Corporation Limited was held on June 5th, in Johannesburg.

Mr C. S. McLean, deputy chairman, presided, and in the course of his speech, said:— Revenue for the year at £638,805 was greater by £67,541 than that for the previous year. After deducting administration expenses totalling £125,806, a profit of £513,000 was carried to the appropriation account. When added to the balance of £153,373 brought forward from the previous year, an amount of £666,373 was available for distribution. The dividend distribution for the year was maintained at 25 per cent. which, on the increased capital, absorbed £419,321. The corporation's investments in stocks, shares and Government and Municipal Securities appear in the balance sheet at £4,130,993, an increase of £222,148 when compared with the corresponding figure for the previous year.

As was pointed out at the last annual meeting, the full benefits arising from devaluation could only be maintained if working costs were held at the then existing level. Between the time of devaluation and the month of June last year costs had increased by approximately 21s. 2d. per ounce fine, the greater proportion of which was attributable to an adjustment in the scale of wages and other benefits granted to both European and non-European employees. In June, 1950, working costs per ounce fine averaged 156s. 4d., but the corresponding figure for December, 1950, was 162s. 5d., with an average of 157s. 3d. for the whole of that year. This compares with 136s. 9d. for the year 1949.

The upward trend of costs has continued and for the three months ended March, 1951, these amounted to 164s. 4d. per ounce fine or 31s. 1d. per ton milled, this being an increase of 1s. 6d. per ton milled, equivalent to 7s. 1d. per ounce fine, over the 1950 average.

The additional revenue received by the industry from gold sold for artistic and industrial purposes at enhanced prices, has increased substantially during the current year when compared with 1950, and has been more than sufficient to offset the increased costs.

South Africa's prosperity is so closely bound up with a prosperous gold industry that it is to be hoped that the price of gold will soon be improved to a level more in keeping with its true worth.

OTHER INTERESTS

There are at present 13 mines in various stages of development in the Orange Free State and it is hoped that at least two will reach production this year. Your corporation has interests in all these mines. The results obtained from the intersections of reef through shaftsinking and disclosures from development are distinctly promising.

The chairman then referred to the affairs of the companies in which the corporation is mainly interested, namely: Van Ryn Gold Mines Estate Limited, West Rand Consolidated Mines Limited, East Rand Proprietary Mines Limited, Durban Roodepoort Deep Limited, Crown Mines Limited, South Roodepoort Main Reef Areas Limited, General Exploration Orange Free State Limited, and Consolidated Rand Investment and Trust Company Limited.

The report was adopted. The report of the proceedings of this meeting will not be circulated to shareholders, but copies may be obtained on application to the London Office, Winchester House, Old Broad Street, E.C.2.

SUEZ CANAL COMPANY

YEAR OF APPRECIABLE PROGRESS

REDUCTION OF TRANSIT DUES

The annual general meeting of the Suez Canal Company was held on June 12th in Paris.

M. Francois Charles-Roux, the president, in the course of his speech said:—

A year ago I forecast that the results for 1950 would exceed those for 1949. This forecast has been fulfilled, and to a greater extent than I had anticipated. Traffic receipts and profits last year were very much greater than the year before. Their upward trend, which had started previously, continued at a fast rate. The increase in the company's profits for the year 1950 has enabled us to raise the dividend. This gross dividend reflects a balanced appreciation of the various factors we had to take into account when computing it, among which was, of course, the possibility of maintaining it in the future—given tolerable economic and political circumstances. We believe, furthermore, that the increase in the income from your shares is consistent with the hopes that you could legitimately entertain after having been deprived of dividends throughout the war, and it has been a matter of concern for us that these hopes should not be disappointed.

The shareholders, however, were not the only ones to look forward to some benefit from such increased profits as the year 1950 might show: the users of the Canal were similarly placed. Your board of directors has decided to grant shipping a reduction of the transit dues. It has always been the company's intention and practice to share with its clients—who provide them—the increases in its receipts whenever the financial results of the undertaking allow or justify such action. It would not have been fitting that the company should depart from this wise policy to which it owes the esteem in which it is held in shipping circles. This high reputation is, in fact, with the valued friendship of Egypt and her Government, one of the company's two greatest moral assets and is due, as I have said before, to the concern that the company always shows for the interests of the shipowners, either by alleviating whenever possible, and in the greatest measure possible, the charges imposed upon them, or by placing at their disposal the most perfect possible waterway and the best possible conditions of transit. The company's foremost interests are dependent upon the maintenance of this policy and upon the continuance of the benefits that derive from it. It is for this reason that we embarked upon those great improvement works, in the Canal, which are now well advanced and in certain cases nearing completion: for this reason also we abolished passenger dues last year and we are now reducing the Canal dues on transiting vessels.

During the first five months of the present year the composition of the traffic has remained much the same as in 1950. As regards its volume, the extent of the decrease resulting from the opening of the trans-arabian pipeline has proved below our estimates and, finally, traffic and receipts in the last few weeks have remained at a high level notwithstanding events in the Middle and Far East which appeared likely to affect them.

Our relations with the Egyptian Government are excellent. They are marked by the mutual trust and spirit of co-operation which were at the same time the object and the hallmark of the Convention we signed with it on March 7, 1949. The working of this agreement, with which both contracting parties have reason to be well satisfied, bears

witness to its beneficial effect which conforms to their common desire for an effective and sincere "entente."

DIRECTORS' REPORT

The following are extracts from the directors' report:—

The year 1950 again shows very appreciable progress in comparison with the previous year.

As regards works, the salient feature of 1950 is the importance assumed by the dredging involved in the execution of the 7th Programme of improvements of which you approved the principle in 1949. The volume of excavations amounted to 12,080,000 cubic metres. This outstanding result—a record since the opening of the Canal in 1869—is attributable to the cutting of the Farouk Canal. In addition, the programme of deepening the Canal by 2 ft. is being pursued. Finally, the work of enlarging the docking area and of creating a fishing fleet harbour at Port Said was entrusted to contractors and is progressing normally.

In 1950 shipping through the Canal reached 11,751 transits, representing 81,796,000 net tons. Progress in this field therefore continued, but somewhat more slowly, since the increase of tonnage over the preceding year was only 18.8 per cent., against 25 per cent. in 1949. Goods transiting through the Canal totalled approximately 72,609,000 tons weight—a record figure. The commercial current from south to north totalled nearly 60½ million tons, exceeding by over one quarter the record figure of 1949, and reaching a level treble the prewar yearly average.

Receipts for 1950 amounted to Frs. 28,020,286,230, an increase of Frs. 2,083,340,332 over those of the previous year, whereas expenses, at Frs. 10,705,494,930, showed a reduction of Frs. 334,788,768. After deduction from the gross profit of Frs. 1,152,606,333 for interest and amortisation of capital, the available profit stands at Frs. 16,162,184,967.

To the available profit of Frs. 16,162,184,967, which shows an increase of 18 per cent. on that for 1949, should be added Frs. 59,210,867 brought forward from last year, making a total of Frs. 16,221,395,834.

We first of all propose that Frs. 2,000 million be allocated to improvement works, in order to bring the provision under this head to the full amount required to cover the cost of the 7th Programme. Secondly, we suggest an allotment of Frs. 1,000 million to depreciation and renewal of plant, and Frs. 500 million to depreciation of buildings. Finally, we propose that Frs. 2,500 million should be carried to extraordinary reserve, and Frs. 300 million to the insurance and contingencies fund, thus bringing the total reserves to a level more consistent with your company's receipts and expenses.

After these various allotments, you would have available Frs. 9,921,395,834. The suggested distribution would account for Frs. 9,859,154,930, leaving a balance to be carried forward of Frs. 62,240,904. The proposed distribution brings the gross dividend to Frs. 8,750. To this should be added, for the capital shares, the statutory interest for 1950, amounting to Frs. 1,429.

A copy of the full report in French will be sent on application to the company, 1 rue D'Astorg, Paris 8, or 6 Bishopsgate, London, E.C.2.

J. H. VAVASSEUR AND COMPANY, LIMITED

(East India Merchants)

RECORD TURNOVER AND PROFITS

DIVIDEND 30 PER CENT.

The statement by the chairman, Mr E. J. Mackenzie Hay, presented to the forty-seventh ordinary general meeting of J. H. Vavasour & Company, Limited, held in London on June 20th, reported that both in turnover and trading profits new records were established and the net profit of the company was the highest in its history. Though this outcome was, in large measure, a reflection of the inflationary forces which affected commodities throughout 1950, it was also partly owing to the policy of extending their interests which had been developed in recent years.

PROFITS AND DIVIDENDS

The combined profit of the group amounted to £593,514, compared with £222,301 in 1949, and after taxation and other charges, the available balance was £261,640, against £134,198. The company's share of the group net profit was £208,387, compared with £84,147 in 1949. From its own departments and from dividends received from subsidiaries, the company earned an income of £286,381, compared with £142,885 in 1949, and after taxation there was a net profit of £100,056, against £39,111. With £49,455 brought forward, the available balance was £149,511. After payment of the preference dividend and transferring £25,000 to general reserve, it was proposed to pay a final dividend of 25 per cent. (making, with the interim of 5 per cent. already paid, 30 per cent. for the year) on the ordinary stock and to carry forward the increased sum of £66,198.

Company net assets now totalled £958,270, compared with £884,849 in 1949, and the group net assets had reached the impressive figure of £1,477,411, against £1,283,066 a year earlier.

COMMODITY OUTLOOK

The steadily increasing world population; the higher living standards in primary producing countries which have enabled so much that was formerly available as export surplus to be consumed at home; the policies of full employment in this and other countries which are large consumers; and particularly the enormous expansion in industrial production and consumption in the U.S.A. in the past decade, have all combined to bring about a situation in which current demand, irrespective of rearmament, exceeds current supply. It would appear, therefore, that the present prospect for commodity prices generally is that they will continue to remain at a high level, though there will be important exceptions, due to special causes. The recent recession was an inevitable reaction from a pace that could not possibly be sustained, and prices could well decline further and still leave producers with comfortable profit margins.

Trading in the unsettled market conditions which have prevailed in recent months has presented many problems and difficulties for traders, but the company looked primarily for its profits to the margin it could earn between the buying of commodities and processing them for their specialised uses, and in the current year to date its turnover and profits had been fully maintained.

The report and accounts were unanimously adopted.

LAMBERT BROTHERS LIMITED

SATISFACTORY OUTLOOK

The forty-eighth annual general meeting of Lambert Brothers Limited was held on June 21st in London, Mr R. Rattcliff Steel (the chairman) presiding.

The following is an extract from his circulated statement:—

The consolidated profit and loss account shows a profit of £336,726 before providing for taxation, which absorbs £199,512, leaving a balance of £137,214. After deducting the preference dividend, the interim dividend on the ordinary stock paid last November and providing for the final dividend of 15 per cent., there remains £71,776, which, together with sums totalling £27,024 from provisions no longer required, increases the balance to be carried forward by £98,800 to £509,134. In addition, we repeat our payment of 2½ per cent. from realised capital accretions which does not attract taxation in any form.

The consolidated balance sheet as at December 31, 1950, shows provisions and current liabilities totalling £3,740,887, against current assets totalling £5,181,177—a surplus of £1,440,290.

CHANGED CONDITIONS

Since we last presented our annual accounts, a great political change has taken place in the world which has necessitated all countries turning from improving their general conditions of life to the defence of their very existences. The effect of this change was soon felt in the shipping trade. The freight markets gradually commenced to firm up and soon reached record figures. Although your company, like all others in the shipping trade, benefit by such increases in rates of freight and values in general, we cannot consider the present state of affairs a healthy one, as it brings with it many problems and great risks.

Coal, as a bunker fuel for ships, is unfortunately a dwindling business. The coal business, nevertheless still contributes substantially to the combined results and fortunately we have in the meantime developed in many other trades connected with shipping. To offset the recession in coal, it is gratifying that the progress in our oil activities has been fully maintained.

NEW VESSELS ORDERED

Following the outbreak of war in Korea and the decision to expand the armaments programme, it became apparent that we could expect no decrease in building costs for some years ahead. Therefore, having regard to the age of the fleet, we felt it essential to place orders for two 12½-knot motor vessels of 9,500 tons deadweight for delivery in 1953 and 1954. The cost will be such that considerable faith in the future was required to embark on such an enterprise, and it is regrettable that the Government still persists in hampering the adequate rebuilding of the merchant fleet, an essential part of the defence programme, by penal taxation.

Since we placed these contracts, the Chancellor of the Exchequer has announced the discontinuance of the 40 per cent. initial allowance for new plant. This is a serious blow to those owners who had assumed that these allowances would not be withdrawn at the very moment when, owing to tremendous building costs and the urgent need for strengthening the Merchant Navy, they are most required.

The outlook for your company during this year, so far as we can see it today, is satisfactory, but in the present state of the world it is impossible to predict even the near future.

The report was adopted.

POWER SECURITIES CORPORATION

ANOTHER SUCCESSFUL YEAR

The twenty-eighth annual general meeting of Power Securities Corporation Limited was held on June 15th in London.

Mr William Shearer (chairman and managing director) in the course of his speech, said: We have again had a successful year, but the conditions under which business has to be carried on continue to be difficult. The cumulative adverse effect of constantly rising costs of both labour and materials, and of excessive taxation, was again much in evidence.

The gross profit for the year amounted to £440,166, an increase over the previous year's figure of £29,653, whilst the net profit at £141,625 shows an increase over the 1949 figure of £25,983. To the consolidated net profit for the year must be added taxation over-provided in previous years, £1,472, provisions no longer required, £1,577, and the balance of profit brought forward from 1949 of £113,685, making a total gross profit to be dealt with of £258,359.

Out of this total, the sum of £19,150 has been provided against possible additional taxation on assessments under appeal. The annual instalment for past service benefits of £5,650 has been paid to the pension fund, while £64,335 has been transferred to general reserve and £20,000 to contracts reserve. The amount required for the dividend on the preference shares and the proposed dividend on the ordinary shares is £44,450, leaving a balance of profit to be carried forward to the current year's account of £104,774.

ORGANISATION FULLY ENGAGED

Our organisation has been fully engaged in this country and overseas, the total capital value of the work in hand being about £30 million. We have continued to carry through a large amount of construction on the Staythorpe power station near Newark, and on the Carmarthen Bay power station in South Wales. Our organisation is also responsible for the design and construction of the Carmarthen Bay power station, which will have a total installed capacity of 345,000 kW., derived from 6 turbo-alternators and 18 240,000 lb. per hour boilers.

Work has proceeded steadily during the year on our numerous other engineering contracts in the United Kingdom, the greater part being for high and low tension transmission lines, of which about 600 miles are at present under construction.

I mentioned last year that our organisation had been entrusted by the British Electricity Authority with the construction of the northern half (about 20 miles) of the first 275 kV. transmission line to be built in this country, which, when completed, will form part of a single-circuit line linking Sheffield with the Staythorpe power station, and this construction work is going on satisfactorily.

On the civil engineering side we completed, during the year, the two contracts for the North of Scotland Hydro-Electric Board, namely the Loch Sloy Dam in Argyllshire and the tunnel and intake works at Loch Fannich in Ross-shire, although we are still engaged on ancillary tunnels and aqueducts in connection with the Sloy scheme.

Construction of the double-line tunnel, three miles in length, at Woodhead on the main Manchester-Sheffield line, which we are carrying out for the Railway Executive, has gone on satisfactorily during the year, and the driving of a pilot heading through the whole length of the tunnel was recently completed. In the London area work has continued steadily on the Richmond Main Drainage scheme.

The report was adopted.

SHEFFIELD TWIST DRILL AND STEEL

INCREASED VOLUME OF SALES

The fourth annual general meeting of The Sheffield Twist Drill and Steel Company, Limited, was held on June 20th at Sheffield, Mr Alexander Dormer (acting chairman and joint managing director) presiding.

The following is an extract from his circulated statement:—

I am pleased to be able to report another year of successful trading.

PROFIT AND ALLOCATIONS

For the year 1950 the profit was £491,111, compared with £398,198 for 1949, an increase of £92,913. This increased profit arises from an increase in the volume of sales and still further improved efficiency in production. The increase in the volume of sales is no doubt partly attributable to the requirements of the defence programme. As regards the improved efficiency in production, the completion of our new factory extension enabled us to alter the layout of our plant in various departments, for streamlined production. A further extension to the factory has now been licensed which it is hoped will be completed during the next year.

After providing for taxation amounting to £300,115 we are left with £190,996 and, taking into account the balance brought forward from the previous year of £26,369 (as against £18,332), we have thus to deal with £217,365. Out of this amount we have transferred £100,000 to general reserve account, leaving a balance of £117,365. The dividends on the preference shares and the ordinary stock for the year 1950 absorb £92,583, leaving £24,782 to carry forward.

Turning to the balance sheet, the expenditure on fixed assets during the year was £64,548, and there has been written off in respect of depreciation £41,100. In addition, the balance of the item goodwill (£238,768) has been written off against capital reserves, leaving total fixed assets at £482,473.

Current assets now total £977,893, compared with £725,908, and after deducting current liabilities and provisions the excess of net current assets is now £688,823, an increase over last year of £132,965.

STEEL PRICES

During the second half of the year under review the price of high-speed steel (of which your company consumes many hundreds of tons a year) increased by 57½ per cent. and, since January, 1951, there have been further increases, with the result that we are today paying more than double the price for our steel than we paid at this time last year. This increase is due to the world increase in the price of tungsten, which is a constituent of high-speed steel and is in short supply.

You may be sure that your company, through its products, is making an essential contribution to the defence programme, not only at home but abroad.

At present our entire output is being sold virtually for cash immediately it reaches the warehouse. However, it is possible that a time may come when we shall have to carry substantial stocks of our finished products in order to provide our customers with additional service. For this reason your directors considered the prudent policy was to conserve the liquid resources of the company so that they will be able to deal with this situation when it arises; hence a sum of £100,000 has been placed to general reserve account.

As you know, your directors declared a second interim dividend payable on April 9th last. This second interim dividend was, in fact, the final dividend.

The report and accounts were adopted.

WEBB'S CRYSTAL GLASS

A RECORD YEAR

MR R. E. N. d'ABO'S REVIEW

The annual general meeting of Webb's Crystal Glass Company, Limited, was held in London on June 19th.

Mr R. E. N. d'Abo, the chairman, who presided, in the course of his speech said:

The capital reorganisation scheme envisaged in my speech last year has now been carried through. As a result the company's issued capital is now £284,912, divided into 1,139,648 shares of 5s. each.

I am pleased to report that 1950 was a record year for the company. The net profit before charging taxation amounted to £105,645, against £64,127 for the previous year, but, of this, taxation absorbs £46,558, compared with £23,700 for the previous year, leaving a net profit of £59,087, against £40,427, an increase of £18,660.

Your directors recommend a further transfer of £30,000 (against the previous year's £15,000) to general reserve, making that reserve £150,000.

Your directors also recommend the payment of a dividend of 17½ per cent., less tax, on the whole of the present issued share capital, that is, including the bonus shares. This absorbs the sum of £26,176, against £19,380 the previous year, and leaves the carry-forward to next year at £35,242, an increase of £2,911.

Now that the share capital has been reorganised it is your directors' intention to spread the dividend payments by introducing an interim payment towards the end of the year.

You will remember that for many years past we have been ploughing profits back into the business and investing in new plant and machinery with a view to widening the scope and range, quality and quantity of our production and entering new markets. The direct result of this is a greatly increased production and profits in relation thereto.

OUTLINE OF OPERATIONS

The company has two operating factories, one at Stourbridge and the other at Edinburgh. Both are principally engaged in the production of high quality domestic glass. Their products, known as "Webbs" and "Edinburgh Crystal," are of world-wide repute. We have also four active subsidiary companies:

1. Duroglass, Limited.—The year's result was a record of production. The range of products was widened and now includes

NOTICES

GUTHRIE AND CO., LTD., invite applications for position as Secretary of group of plantation companies operating in Malaya but controlled from London: no accounting responsibility is involved but a secretarial or legal qualification is essential: age group 28-32 preferred but others considered. Salary according to qualifications and experience. Replies, which will be treated confidentially, to Estates Manager, Guthrie and Co., Ltd., 52-54, Gracechurch Street, London, E.C.3.

PERSONAL ASSISTANT of high intelligence and integrity required by owner-manager of retail Radio and Electrical business of good standing. State age and details of career.—Box 670.

PRESS and public relations man (aged 27), seeks change. Academic background, economist (Cantab.), ex-history scholar. Good knowledge of press needs, experienced trade journal writer and sub-editor. Very wide interests.—Box 672.

FRENCHMAN, 28, married, one child. French Diplomas in Law and Political and Economical Science. Three years colonial administrative service. Fluent English and German. Seeks position with initiative anywhere in the world.—Box 671.

THE Renold & Coventry Chain Co., Ltd., require at Renold Works, Didsbury, Manchester, an individual for the Economic Survey and Central Statistics Department.

Candidates should be 25/35 years of age with a University Degree in Economics and/or Statistics and experience in Industry.

Applications, stating Date of Birth, and giving full details of qualifications and experience, should be addressed to Employment Department, Renold Works, Didsbury, Manchester, and quote the Reference No. A3.

industrial, commercial, domestic, radar (television) and agricultural glassware. No crystal ware is made at this factory. We specialise in many other articles which are difficult but profitable to make.

2. Duroray, Limited.—This is a company in which we are a majority shareholder and comes under the management of Duroglass, Limited. The trading results were satisfactory.

The business consists of silvering mirrors and backing glassware by the Duroray process. The main products are: reflectors for shop windows, illuminating reflectors for street lighting and flood lighting.

3. R. Johnston and Company, Limited, which is an old-established marketing company and had a successful year.

4. Henry G. Richardson and Son, Limited.—This is a small company whose business was founded over 130 years ago and is well known for the high quality of its cut glassware. Sales for the year were greatly increased, particularly for the export field.

You will no doubt expect me to say something about the prospects for the current year, and I can inform you that, up to date, trading has been most promising and our output shows a satisfactory increase over the corresponding period of the previous year. We are, in common with industry generally, going through a time of increasing costs and scarcity of certain raw materials and other essential supplies, but the results so far justify us in regarding our immediate prospects with some confidence.

The report and accounts were adopted.

GREEN, HEARN AND COMPANY

(Manufacturers of "Lyndale" Coats and Suits)

CONTINUED TRADING EXPANSION

HIGH STANDARD OF PRODUCTIONS

The thirteenth annual ordinary general meeting of Green, Hearn and Company, Limited, was held on June 15th in London, Mr Michael Marks (one of the joint managing directors) presiding.

The following is his circulated statement:

The accompanying accounts and report of the directors show that the profits of the company and its subsidiary, I. Green and Company (Mantles), Limited, for 1950

amounted to £111,406, the comparative figure for 1949 being £85,235. After deducting directors' fees £200 and making provision for taxation and reserve for future taxation 1951-52, the net balance transferred to profit and loss appropriation account is £49,651, as compared with £39,169 in the previous year.

Including the balance brought forward at the commencement of the year and allowing for the preference dividends paid and accrued, and the interim ordinary dividend of 12½ per cent., the sum of £61,773 remains to the credit of profit and loss account. From this balance your directors recommend the payment of a final ordinary dividend of 20 per cent. (actual), less income tax, which, with the interim dividend, makes 32½ per cent. for the year, as before.

A further appropriation of £10,000 has been transferred to the goodwill account, which, as envisaged in the statement last year, has now been entirely written off. The reserve for equalisation of dividends remains at £13,500 (free of income tax), to which figure it was raised last year, while the amount utilised towards the further redemption of preference shares increased from £19,114 to £22,811. Thus the resultant sum of £42,323 remains to be carried forward, as against £23,122 at the end of 1949.

Current assets show a surplus of £167,867, being greater by £34,477 than in the previous year.

PRUDENT TRADING POLICY

Your directors consider that their prudent trading policy is amply reflected in a continued increase in turnover, not alone in terms of value, accruing from present day increased costs, but substantially in garments produced and sold. This expansion in the production of garments is mainly due to the capacity facilities provided by the subsidiary company's factory, which affords ample proof that the acquisition and expenditure on equipping this ancillary is fully justified and for the benefit of the company now and in the future.

Our trading continues to expand, and it is hoped that the progress evidenced in the first four months of this year will be maintained.

The continued support of the management, staff and operatives, together with their sense of pride in the high standard of "Lyndale" productions, is a source of great satisfaction to your directors.

The report and accounts were unanimously adopted.

A MARKET Research Assistant is required by a firm of national repute manufacturing pet foods, located in Milton Mowbray. Applicants should be under 35 years of age, and have knowledge of field work, simple statistical methods, and be capable of controlling a staff of temporary and permanent field workers. Commanding salary £600 per annum with generous travelling expenses.—Apply with full details to Box 668.

SECRETARY. Experienced Secretary (woman) required as personal assistant to director of public company with international connections in Westmorland. Excellent salary and pension. Allowance for accommodation, including dependant if necessary. Interesting post for person with knowledge of finance. Preference given to candidate with cultural and country interests. First-class experience and references required. Age preferably under 35.—Apply Box 673.

LONG Established City of London firm seeks potential executive of outstanding quality, who will initially be employed as trainee under present departmental Managers; desiderata are (1) high intelligence in conjunction with quick wits; (2) positive personality, verging on the aggressive; (3) complete dependability; (4) obedience; (5) education. Misdemeanors, if plausible enough to be engaged, will certainly be sacked during training and are warned not to apply. Applicants should state present pay. Replies to Box 674.

VERY interesting post for person (either sex) who can take pride in helping to build an organization. Director of small growing company requires secretary-shorthand typist who can deal intelligently with correspondence, callers, sales promotion, etc. 5-day week. Accommodation only fair, but congenial atmosphere. R. S. Waddington Ltd., 85, West Hill, Wandsworth, S.W.18. Tel.: Vandyke 3339.

FOR SALE.—The Economist, 1944-1950 inclusive, unbound.—Offers to Box 678.

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Large American firm which has been engaged in business for 90 years and has extensive operations in the fields of industry, transportation, foreign trade, banking, insurance and mining in North and South America wishes to engage highly qualified executive to join its executive staff on a permanent basis. Principal requirement for consideration is for applicant to be in a wholly responsible industrial or financial management position with substantial firm. Applicant must be able to participate in management of existing enterprises and contribute to development of new business. Substantial remuneration will be paid to qualified man. Consideration will be given to candidate up to 50 years of age. Applicants must be willing to travel. All applications will be held in strict confidence. Please submit complete details of background and experience to Box Q.199, c/o Jackson's, 16, Gracechurch St., E.C.3.

DO YOU NEED REPRESENTATION IN BRAZIL?
Consult J. D. Magalhães—Caixa Postal, 1352—Rio de Janeiro; Member of the American Chamber of Commerce for Brazil; Associação Comercial do Rio de Janeiro, British Chamber of Commerce in Brazil Inc., Liga do Comércio do Rio de Janeiro, etc. Purchasing Agent for: Minerals, raw material, sugar, wood, etc. Selling Agent for: Iron, steel, metals, tools, abrasives, machinery, implements, chemicals, wheat, etc. Agent for: Investments of capital in local enterprises, etc., outright importer.

WELL-KNOWN public Company with Head Offices in London requires a Chief Assistant to the Company Secretary (next in seniority to the Secretary) age 25-35 years; good knowledge of Company Law and practice and extensive experience of procedures of Secretary's Dept. The position demands close liaison with other departments of the Company and its subsidiaries. Salary will be commensurate with experience and qualifications.—Write Box E.975, at 191, Gresham House, E.C.2.

WINE is so easy to enjoy; see if you have a natural palate; enter the wine tasting competition, first prize, a week among the vines; no charge whatever.—Apply, The Friends of Wine, 1, Vintners' Place, London, E.C.4.

APPOINTMENTS Officer vacancy sought, anywhere away from London; resigning after 25 years one employer, national distributors. Special study and experience in selection methods, welfare and staff management (ex Regular and T.A. Senior Officer), available September onwards. Full particulars and highest references.—Box 667.

MALE ECONOMIST wanted, age about 28/30, with good knowledge of commodity statistics and markets, some experience in commercial establishment and/or journalistic experience, to take over and develop established statistical publications. Able to type. Some knowledge of metal trade and languages an advantage. Initial salary £600/£700. Good opening for able and energetic man.—Reply to Box 679.

ARTS GRADUATES—A food manufacturing company in the Greater London area, marketing its well-known products on a large scale, is able, by reason of planned expansion to offer an opportunity for a non-technical graduate to train for an executive appointment within its production division. The successful candidate will be given an intensive and well-planned course of training (6-9 months duration) to equip him for management responsibilities which he will assume immediately on completion of the course. The company looks for qualities of leadership, decision and readiness to shoulder responsibility and can offer opportunities of promotion to higher management posts to a man of the right calibre. The appointment carries a salary well above the average together with non-contributory pension, life assurance and sickness benefits. Graduates (22-25 years) who are determined on a career which allows scope for initiative within an organisation which recognises individual merit, are invited to write in confidence, sending details of education and career to date, to Box 683.

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UNIVERSITY COLLEGE LONDON

DEPARTMENT OF POLITICAL ECONOMY

Applications are invited for two posts of Assistant Lecturer: (1) in Economics with special reference to Banking, and (2) in Economic Statistics. Duties to commence October 1, 1951. Salary scale £150-£550 p.a. Initial salary according to qualifications and experience. Applications, to be received by July 14th, should be sent to the Secretary, University College London, Gower Street, W.C.1, from whom further particulars may be obtained.

UNIVERSITY OF BIRMINGHAM

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Mr Malik's Crumb

EVEN if the hint dropped by Mr Malik last week-end should bring in Korea a cease-fire, perhaps even a settlement, one thing should be recorded and remembered now: the manner in which it was done. A crumb of conciliatory commonsense was wrapped up in a package of vindictive tirade; a gesture that might now save thousands of lives—and the absence of which has caused the killing of hundreds of thousands—was made casually, in a broadcast talk. Before they scramble over this crumb of comfort, the people of the free world should reflect that the spirit in which peace is offered is no less important than the means suggested for attaining it. They must help their statesmen, so prone to let principle give way to expediency and optimism, to conduct themselves in this matter with realism and dignity. Mr Herbert Morrison's assurance to the House of Commons that he was studying "ways and means of following up this possible opening" was the right blend of inquisitiveness and caution.

Six days have passed and only two things are quite clear. The first is that nothing more is on the agenda as yet than a step towards pacifying the one small sector of world conflict where there has been a full-blooded war. It is only a first step but it may be the one that counts most. What lies ahead will be not on the grand scale of Yalta or Potsdam, but at best Berlin over again; it means little more than a return to a cold war that is really cold—and that is not the same thing as peace. Secondly, it must be assumed that, before even this limited objective can be gained, long and difficult negotiation lies ahead. It is worth remembering that in 1948 three months passed between Mr Malik's first hint that Moscow wished to discuss the blockade of Berlin and the negotiated settlement; and that the issue in Korea is already complicated by national passions and past statements of policy from which the Berlin question was comparatively free. It is true that Mr Malik's hint had attached to it none of the conditions for a cease-fire at or near the 38th parallel that the Chinese had previously laid down: acknowledgment of their claim to Formosa and to the seat in the Security Council, and agreement to withdraw all foreign troops from the peninsula. Indeed, it was the absence of these conditions—and only this—that made the Russian suggestion notable. On some of these conditions, as is notorious, the western countries hold divergent views. If they now start arguing about them, Mr Malik's initiative will have served only to drive a further wedge between Russia's opponents. If any chance it may offer of bringing peace to Korea is to be seized, the obvious cue for the western countries is to emulate Russian discretion about Formosa and the seat at Uno. Let those bridges be crossed when, as and if they are reached.

The firm basis from which opinion in the free world can start is that the United Nations forces have done in a year just what they originally set out to do. They have repelled and punished aggression in thorough and spectacular fashion. It is not helpful to gloat over

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this, but it must be realised that this is an entirely new starting-point for the diplomacy of the western alliance. In the wider framework of the free world's strategy, Korea becomes of minor importance once the principle has been established that aggression is unprofitable as well as wicked. The campaign has, it is true, been a stimulus to rearmament and preparedness; but it has also been a drain on precious military and material resources. If the Russians feel, as they might well do, that the returns are diminishing—and if the Chinese are prepared to stop a costly adventure provided too much face is not lost—then there exists a good basis for bargaining. If the campaign has been a test of ability and resolution to restrain the use of force in the cold war, cease-fire negotiations should be a test of the qualities and methods needed to reach limited settlements based, as Mr Acheson once put it, on situations of fact.

There are three points that public opinion should hold firmly in mind, if it is to support and not frustrate the statesmen in the diplomatic test. First is the need for patience; it is useless to expect either quick or extensive results. There has been too much talk in the past of settling everything on the broadest basis around the largest possible table. The time for that method is far from ripe; the failure of the deputies in Paris is evidence of this. What may be possible now is an arrangement in Korea and to try to make it dependent on wider issues may be to miss the chance.

Secondly, even in Korea, it is a truce, not a final solution, that may be possible. The probability is that in this ruined and exhausted land, as in Germany, the price to be paid for a cessation of the fighting is the acceptance, at least for a time, of division into spheres of influence acceptable to the Great Powers but unwelcome to the Korean people themselves. A unified democratic Korea is not now a feasible objective of policy; to unify the country force would have to be used by one side or the other. If the United Nations refuses, as it must, to accept a Communist Korea, it must also refuse to accept President Syngman Rhee's claim that the United Nations is pledged to liberate the North from the Communists and hand it over to him.

The third point that has to be kept in mind—not, one hopes, indefinitely—is the possibility of fraud and deception. It is of the highest importance that in February Stalin personally committed the Chinese and the North Koreans to victory; he declared that they would win because the morale of United Nations troops would not stand the strain of a purposeless campaign. The non-committal form of Mr Malik's hint may, therefore, be a sign that the Russian intervention is nothing more than a new stage of war, a move to break up a game that Stalin finds dangerous because it has become inconclusive. He may feel it is time to begin an exchange of pieces and break up the western defensive position. If the prospect of peace in Korea were to bring about a mood of relaxation in Europe, fresh and deep disagreement between London and Washington, and disarray in the ranks of the United Nations, then Moscow could chalk up yet another point in its game of achieving military ends by political means.

To have this suspicion in mind is not to make negotiation impossible; indeed, it is more likely to make bargaining realistic. If the United Nations secures a return to the *status quo* of June, 1950, with Korea divided by the 38th parallel, it will have done its job for the present. If it can secure serious guarantees that this line will be respected it will have done half its job for the future. The other half is to make such a success of the reconstruction of the South as will show Asia on which side the power and the determination really lie. It is impossible to look much further ahead than this. The decisive factors are all incalculable: the development of Soviet-Chinese relations, the mood of the Americans, the speed with which China and North Korea can repair the vast damage done to their fighting power. The purpose of western policy—working for the United Nations—should be to get an acceptable military settlement by negotiating for limited and well-defined objectives. This would not be appeasement in the sense that Mr Acheson's enemies use the word; it would be appeasement from strength which, in Mr Churchill's words, "is magnanimous and noble and might be the surest and perhaps the only path to world peace."

for success are very different, and the signs seem to be that he is doing fairly well (and may, incidentally, do better if the fighting in Korea stops). The particular policies that the Bevan group expounds are of very slight importance; they would almost certainly be changed if ever it succeeded in winning control of the Labour Party. Mr Bevan's appeal within the party is based primarily not on doctrine but on the offer of enthusiasm. And that is certainly what the rank and file of active Labour Party members most wants.

There is little glamour in "consolidation," and something less in Mr Morrison's latest slogan about "digestion." The older party leaders seem tired and disillusioned; the disappointments of nationalisation are better known in the constituencies and trade union branches than at Westminster; the facts of economic stringency are less bewildering only than the cold war. Mr Bevan alone seems still to ardent Socialists to offer something of the old fires of reforming fervour.

It is hard, indeed, to see that in fact what is left of the reforming amounts to much more than smashing. Professor Cole has recently suggested frankly that perhaps hatred of the Tories is the only traditional impetus of the Labour movement that now survives. Certainly Mr Bevan has made that emotional attitude plain enough. His significance lies in the very fact that he can bid for power on so slight and dangerous a basis. He appeals not on doctrine but on personality. He matters not because he has a coherent policy but because he is the Labour leader who is still a good hater. The task of the official leaders of Labour and of the Conservatives in these circumstances is the same. It is not so much to answer Mr Bevan in detail as to realise that he can threaten them without a coherent policy because they have no policies either. He has at least an emotional attitude and they have nothing. Mr Bevan would not matter if they knew where they were going and had concrete ideas to put before the electors.

It is, of course, the present Labour leaders who are most directly concerned. For twelve years they have been swimming with the tide. They have been taking

their opportunity to adapt and apply the ideas they learned before the war. Keynes, the London Passenger Transport Board, and the theorisations of the beginning of the twentieth century provided their mental furniture. It is now as much as four years since they became aware that the ideas were working out very badly compared with the hopes put in them, and pretty badly by any standard. But ever since 1947 the Labour leaders have been on the defensive without being stimulated to think again. Some of the old theories—most notably the belief that nationalisation could progress from triumph to triumph—have been shed in a half-hearted way, without anyone quite confessing to the heresy. Of any new ideas—and, in particular, of any consistent policy to let private industry work efficiently now that it is not to be rapidly squeezed out by nationalisation—there has been hardly a sign.

The case of the Conservative Party is not much better. It spent the war and early postwar years in catching up, in adjusting its ideas to the new popular insistence that greater security and more equality were possible and desirable. And it has ended by becoming tied up itself, by becoming committed to maintain most of the rigidities built into the new economy of a-little-too-much—the economy of employment too full, of welfare services expanded too fast, of taxation too heavy and of controls too restrictive. Conservatism seems now to be almost as inhibited from fresh thinking, from laying any hand on the trade union utopia inherited from the war, as is Socialism.

The British position is not unique. The same political staleness is to be found, in different forms, throughout Western Europe and in much of the rest of the free world. Mr Bevan's passage into opposition has merely served to emphasise the reality of the vacuum that opposes him. It is not, indeed, a vacuum so complete that he is at all likely to gain power or even the leadership of a defeated Labour Party. But he will certainly remain far more important than he ought to be unless the rest of the political world can soon find some new policies and more wholesome enthusiasms.

The Vacuum

MR BEVAN and his sympathisers in Parliament will shortly project into the political vacuum their views on the "only way" for the Labour Party. They will claim to advocate an alternative policy which could be carried out by the party if it remained in office or won a fresh election; when the pamphlet appears it will have to be examined by those standards. But there is a more important way of looking at it that can best be considered in advance. Some of the contents are not hard to guess. There will be less rearmament and more nationalisation. The "world plan for mutual aid," which was vaguely hinted at in last year's official statement of principles for "Labour and the New Society," will probably be revived with a more dramatic flourish; it is the obvious way of achieving some respectability in anti-Communism, of providing an alternative to armaments more inspiring than free false teeth and spectacles.

No doubt there will be other points, and some will be well made; there is hardly less doubt that as a policy for any British government in 1951 the ideas as a whole can

be dismissed light-heartedly. The mistake would be to imagine that such condemnation is relevant to the real issue. If it were what matters, no one outside the Labour Party need at this stage be concerned about Mr Bevan. He has never been an electoral asset for his party. His followers in Parliament have grown to 24 by the addition in full force of Mr Crossman's "Keep Left" group, which has been conspicuous in the past both for its deviations (followed by what were virtually confessions of error) on foreign policy and for its remarkably unrealistic views on wage policy and on controls. No section of the Labour Party is less likely to produce a policy in which a majority of the British electorate, or even perhaps a majority of British trade unionists, would put their trust.

But that is not Mr Bevan's object, and to point out his failure in it will not weaken him. His concern at this stage is not to win the votes of middle opinion in the country but the support of the active Socialists in the constituency Labour parties. There the requirements

Canada as a World Power

IN all the thinking and planning between the signatories of the North Atlantic Treaty, none is taking a more enthusiastically active share than Canada. And, on the larger view, everyone now knows that Canada's rapid economic development will be of first importance to the Atlantic community. But in spite of these facts, Canadians still doubt whether their true place in the world is properly understood, even in Great Britain or the United States, let alone in other countries. It is not that they are still fearful of being thought a client state within the British Commonwealth. That lesson at least has been learned, and perhaps learned too well, for Britain is now almost excessively careful to show that the future of Canada is none of Britain's business. The Canadian anxiety is rather that, having escaped from British tutelage, they will be thought to have fallen under that of the United States. It is from Washington, fully as much as from London, that the Canadians feel an inner necessity to assert their independence.

Those who are determined to believe that Canada is

an American appendage can find evidence for their belief within Canada itself. The Conservatives, who are the traditional defenders of the British connection, have been looking increasingly towards the United States since Britain turned protectionist and socialist. But the need to find somewhere to lean is a measure of the present weakness of the Conservative Party; it does not indicate the likely policy of any Canadian government. In the policies of the present Government it is difficult to find anything but the most robust independence. There is no doubt at all about the emphasis, the sincerity and the confidence with which Ottawa asserts that it has no intention of exchanging one dependence for another. If in the first half of the twentieth century the dominant theme of Canadian development has been the working out of its political maturity in relation to the United Kingdom, the dominant theme of the second half of the century will be the assertion of maturity, political and economic, in relation to the United States.

Independence and maturity will not mean for Canada,

as they do for so many other countries, a narrow and exclusive nationalism. It is true that there is a movement of "neutrality" in French Canada—but that is the view, and perhaps the natural view, of a minority, which can be accommodated without any marked influence on the majority policy. That majority policy is one of active participation in the community of nations. Perhaps as a means of asserting independence, rather than in pursuit of any real community of interests, there is a tendency in Ottawa to align Canada with the medium powers—that is, within the North Atlantic community, with the countries of the Western European continent. Canada and the Continent are seen, in Ottawa, as a central group within Nato, while the United States and the United Kingdom stand rather on the opposite wings of the line. At some times—as in the months before General MacArthur's dismissal—the Canadian and European influence is joined with that of Britain to prevent the United States getting too far out of line. At other times it may be joined with American influence to keep Britain up to the mark. This is, perhaps, a somewhat fanciful conception. But it reflects one basic interest that Canada has in the North Atlantic Treaty. Canada can maintain its independence only so long as there is a working community of free nations: if ever a sharp divergence of policy, political or economic, were to arise between North America and Europe, Canada would have to choose. There can be no doubt which way the choice would fall; but Canadians would infinitely prefer not to have to make it.

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It is not, however, on the political plane that Canada will have any difficulty in really being, and being regarded as, an independent power in the world. The giant to the south is, in political matters, tolerant, friendly and completely unaggressive. But it also exerts a formidable economic attraction. If Canada's actual and prospective development were still what they were twelve years ago, the attraction might be irresistible. Even as late as the end of the war, the Canadian economic attitude towards the United States was still fundamentally defensive. A slump in the United States was taken for granted, and a diversified trade with the sterling area and with other countries was regarded as the essential way to mitigate its consequences for Canada. But since 1945 there has been a sharp change in this view. Not only has Canada's trade with the United States increased rapidly, but there is a new confidence in Canada that this is nothing to be afraid of. Canadians have come to look on the United States as the stable market and the sterling area as the unstable market. Even American recessions (provided they are not big ones) are thought to be likely to affect Canada more sharply through their effects on the sterling area's ability to buy dollar goods than through any direct falling-off in American purchases of Canadian products. In 1949, indeed, Canadian exports to the United States were not reduced at all, and they rose sharply in the boom of 1950; whereas a little trade with the rest of the world was lost in 1949 and a great deal in 1950, through the delayed effect of dollar import restrictions.

This change of attitude means that the Canadian Government has not tried to discourage its exporters from finding in the rich market to the south the outlets that were for so long barred to them by dollar shortage in

the soft currency countries. In 1938 more than a half of Canadian exports went to other members of the Commonwealth, and less than a third went to the United States. Last year the total volume of Canadian exports was 60 per cent bigger than in 1938 and the share taken by the United States had risen to nearly two-thirds; the Commonwealth took only just over a fifth of the total. The likelihood that these trends will continue received its sharpest expression recently at the Torquay tariff conference. Canada made an extensive and satisfactory bargain with the United States, and feels that the postwar progress in reducing the American tariff now far exceeds anything that could have been expected; the United Kingdom reached no agreement with the United States.

It is true that the Commonwealth will take more Canadian goods this year, but that is probably a temporary movement. Canadians are inclined to believe that before long the sterling area system will be subjected to sharp strains; Britain will be too busy satisfying the holders of sterling balances for trade with Canada to be enlarged or even maintained, and British imports from Canada are therefore likely soon to be reduced again. The Canadians have, in any case, made their decision that they must live freely with the American economy and they are optimistic about the results. They will trade with the rest of the world as much as the fundamental fact of being a dollar economy allows, and will contribute from their side of the Atlantic liberal policies designed to make that trade as big as possible. The rest depends on the policies pursued on the eastern shore of the Atlantic.

Economically, then, Canada looks like being more closely bound up with the United States than ever before. What deprives this fact, at least in Canadian eyes, of any danger to their political independence is the great and growing confidence they feel in their own strength. The essence of modern Canada lies in its almost unprecedented economic expansion. Geologists are certain that the oil and natural gas fields discovered in Alberta since the war represent merely a tiny fraction of the resources that the present intensive exploration will reveal over the prairies as a whole. The same area contains, in its coal and sulphur, the other essentials for a great chemical industry. Similarly, the iron ore mining now being developed in Labrador is only one specimen of the new mineral wealth—in copper, nickel, lead and zinc, as well as in iron and gold—that is known to be spread over the great Laurentian shield between the prairies and the Atlantic. In developing these resources Canada will become not only economically more mature, but a great power in its own right. It will export both more raw materials and more manufactures (including, if American designs are acceptable, new military equipment); and as its contribution to the resources of the West as a whole develops, Canada will require an increasingly extensive international division of labour, not free trade with the United States alone, to provide all the imports Canadians will be able to buy. If non-American countries fail to share in this trade expansion, it will be the consequence of their own protectionist trade policies rather than of any law of nature or of deliberate North American policy.

It is true that the process of developing Canada's resources in itself tightens, in the short run, the links with the United States. Last year the boom got a little ahead even of Canada. Investment rose to 22 per cent of the gross national product, personal savings declined, and Canada was a net importer of capital for the first

time since 1933. In present circumstances such capital can come only from the United States. Direct American investment in Canada almost doubled last year, to about \$175 million. Though this is small in relation to a total investment of nearly \$4 billion, a great deal of it represents ordinary shares giving a controlling interest to American firms; it is supported by the large part American technicians are playing in Canadian prospecting and mining ventures.

This investment by the United States will no doubt continue, but it is unlikely to become very heavy. It is true that when the opportunities are so rich Canada is under constant pressure to attempt too much, to fall into inflation and an adverse balance of payments that might lead to a rescue operation by the United States. The safeguard lies in the political and financial wisdom of the Canadian Government, which has proved so far to be a more powerful safeguard than most. Decisive fiscal and credit policies have been adopted this year, and there is little doubt that they will for the present succeed in keeping the inflationary boom within bounds.

There are, indeed, difficulties ahead. The present stage of Canadian rearmament involves heavy purchases of new American equipment, which can, if necessary, be comfortably financed from Canada's gold reserve, rather than direct Canadian production. Inflationary pressures may rise again by the end of the year, when Canada is turning out more arms both for itself and, in smaller measure, for the United States. The Canadian technique of disinflation, avoiding such rigidities as direct price

controls, has been developed to prevent prices from being sucked up by excess demand rather than to prevent their being pushed up by rising import and wages costs. It should not be taken for granted that in the conditions of the next few years the liberal economy can retain the confidence of the groups—labour and the farmers—who by excessive demands could destroy it.

For the present, indeed, the government is quite strong enough to stick to unpopular policies in the belief that they will justify themselves in the end. The Liberal Party in Canada has since the war grown on success. Thanks to its own political competence and to the ability of a remarkable Civil Service, the oppositions both on the right and on the left have been squeezed into something near impotence. This is a peculiar political position that may change for reasons now unaccountable. If ever a stronger opposition develops on the left—a new alliance of prairie progressives and labour, perhaps untinged by the socialism that in the present CCF Party has proved inappropriate to the Canadian environment—it may be much harder to keep the Canadian boom within the discipline of liberal economics, and, paradoxically, Canada's place in the world may become much less separable from that of the United States.

These, however, are remoter possibilities that certainly need not concern the other Atlantic allies at present. Canada's material contribution to the prosperity and security of the West will in any case be great; its distinctive political contribution is also worth understanding and valuing.

The New Examination

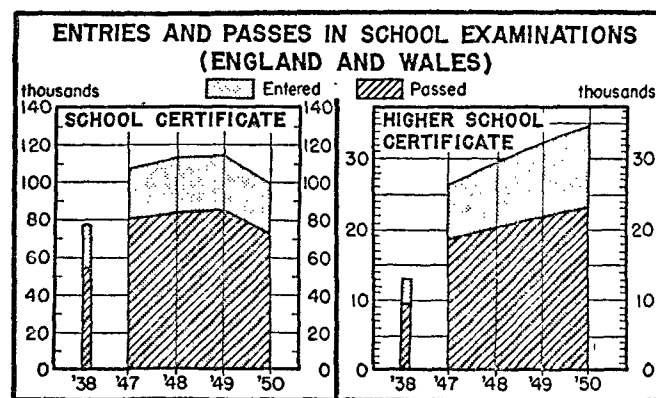
THIS is the season of the year when wet towels, midnight oil, ink-stained revision notes and dismal post-mortems are in evidence. It is examination time in the schools. This year there is an added anxiety—a new unknown. The old names have passed away. The new General Certificate of Education has taken the place of the old School Certificate and Higher School Certificate examinations. Does the new name conceal a different enemy, or has the old familiar put on a new uniform? So far as the rank and file of the victims are concerned, the differences in the examination room itself are very small, to judge by the experience of those who have already received their baptism of fire. But while the regiments are engaged in their inky interest it is worth examining the positions which their commanding officers have taken up since the Secondary Schools Examinations Council made its recommendations in 1947.

The new examinations differ from the old in three main respects. The most controversial of these is that the new examination cannot be taken by any boy or girl who is not at least sixteen on September 1st in the year of the examination; the old School Certificate could be taken at any age. Secondly, papers are available at three levels—"Ordinary," "Advanced" and "Scholarship," which after this year, when the standard will be slightly lower for the "Ordinary" level, will roughly correspond to the old School Certificate (at "credit" level), the Higher School Certificate, and the State Scholarship examinations respectively. Candidates will only pass or fail, and will no longer be able to show special merit by means of the award of a "distinction" or "very good":

the candidate who only just squeezes through will thus be indistinguishable from the very able. Thirdly, the subjects may be taken singly or in any combination: it is no longer necessary, in order to obtain a certificate, to take one or more subjects from each of a number of groups. No longer will those who are weak in, say, Latin or mathematics (the two main but alternative bugbears) be deprived of a testimonial to their merits in the other subjects. It is thus possible to emerge from school with a General Certificate in as little as a single subject—perhaps music, art or technical drawing—so that the possession of a General Certificate of Education, despite its new name, will not in future in itself be any guide to the prospective employer concerning the general level of education of the applicant for work; it will be necessary for him to inquire what actual subjects were taken and to draw his own conclusions.

Of these three major changes the minimum age-limit has provoked by far the greatest criticism, and the most fundamental objection to it remains unanswered. No convincing defence on educational grounds has yet been advanced for this new and arbitrary interference with the liberty of the schools to decide at what age their pupils are ripe to enter for a public examination. The decision to impose the age limit was, indeed, the more surprising on educational grounds since the tendency of the rest of the report of the Secondary Schools Examinations Council in which it was made was to give the schools more freedom, not less. Now, to make matters worse, even the political justification for the decision is beginning to look foolish. This political justification arose out

of the general policy of bestowing "parity of esteem" upon the new varieties of secondary schools, the modern and technical schools. From this point of view it was thought that if the new examination was, by means of an age limit, put out of the reach of the modern schools—whose pupils, it was assumed, would leave school as soon as they passed the leaving age of 15—derogatory comparisons between their standards of attainment and those of the grammar schools would be avoided. That this was the purpose is shown by the intention to raise the minimum age for entry to the examination to 17 as soon as the school leaving age is raised to 16. In practice this purpose is not being achieved as fully as had been expected. Mr Tomlinson has only recently said that there is no reason why children in the secondary modern schools should not take the new examination. In localities where the proportion of grammar school places is low, or the modern schools are particularly successful in tempting their pupils to stay on after the age of 15, the pressure from parents of modern school children to take the new examination and to enter the fields of employment to which it leads is bound to grow. The numbers are not likely ever to be very large, but the fact that any modern school pupils at all are entering for the new examination makes the original decision more foolish than ever.



The decision is, however, made and does not for the moment look like being altered. The schools have, therefore, had to adapt themselves to it as best they could. Two factors have increased their difficulties. The first is the failure to reach any proper agreement with the universities which would have dovetailed university entrance requirements with the new examination. In fact the new examination seems to have caused the school and university authorities to drift farther apart. The minimum age limit at 16 would have been reasonably workable if the universities had been prepared to accept, as their entrance requirements, two or three subjects, perhaps at a more advanced level, instead of the wide spread of five or six subjects, at a level that many boys and girls have hitherto managed to attain at the age of 15. The universities, however, have not been prepared to leave the general education of their entrants wholly in the hands of the schools and have insisted on a showing in a wide spread of five or six subjects in the General Certificate. Thus the point at which the able boy can dispose of the subjects in which he has no interest is postponed by a year, or even, in the case of able boys who committed the indiscretion of being born in the last four months of the year, by two years. He does not have to attain a higher standard in these subjects; he simply has

to keep them "ticking over" at the ordinary level. Only one concession has been made: where Latin is still a university entrance requirement, an examination in this one subject can be taken before the age of 16. The budding scientist can thus get rid of this particular incubus; but there is no parallel concession for the budding linguist who detests mathematics.

The result of all these cross-currents is to set the schools a very acute problem of organisation in the sixth forms. In the large schools with generous staffing arrangements the adjustments have been made fairly satisfactorily. In the small grammar schools some of the problems are almost insoluble without more staff. In the recent report on the "Training and Supply of Teachers" one of the assumptions on which the demand for graduate teachers was estimated was that the new General Certificate would necessitate an increase of something like 5 per cent in the number of grammar school teachers. This estimate is a rough measure of the reorganisation in these schools.

It was the independent schools who, at the outset, fought most energetically against the age-limit; they resented its interference with their liberty of action and feared the effects on the standards they could reach in specialised subjects. The girls' schools were least vociferous, since girls were accustomed to take School Certificate, on an average, six months later than boys, and specialised less wholeheartedly in the sixth form. In the event it looks as if the boys' independent schools may be able to take the new certificate in their stride, to carry their courses uninterruptedly to the "advanced" level, and to run a few hurried revision courses at the last moment for those boys who must collect a few additional subjects at "ordinary" level to qualify for entrance to the university. The difficulties are going to be much more acute for the schools where the staffing ratios are tighter, and where most pupils leave at 16 and want to have a certificate to leave with. In these schools it will be difficult to provide any teaching beyond the "ordinary" level.

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The abolition of the old recognitions of merit, which distinguished the very good candidate from the barely adequate, is still harder to justify. Hitherto the school certificate candidate could get a pass, a credit, or a "very good" mention; for higher school certificate he could get a "pass," "good" or "distinction." Now these differences will vanish. Schools will, as in the past, receive information about marks gained by individual pupils, but they will only be able to reveal the marks to individual pupils in confidence, if in a particular case the pupil needs the information—for example to decide the future course of studies. There may perhaps be some justification for not revealing detailed marks, but what good reason can there be for not revealing distinction in particular subjects, and what evil has followed from this practice in the past? Unfortunately, it is impossible to exclude the possibility that the real reason is the bad one of a desire for levelling-down. Any public acknowledgment of the excellence of the good shows up the mediocrity of the rest and must therefore be prevented. Phrased as bluntly as this, the doctrine would have few supporters. But, slightly wrapped up in fine phrases about "parity of esteem," it has been one of the dominant

motives of educational policy in recent years. It inspired the age limit and the abolition of distinctions. That it is still alive and unrepentant has been shown this week by a Labour Party report which favours the so-called "comprehensive" secondary school, partly indeed on educational grounds, but mainly because any distinction leaves some feeling inferior and some feeling superior. This is education for the uniform state.

It is impossible yet to predict the effect of the third major change, the granting of certificates for single subjects rather than for a balanced group of subjects. Here again, however, it seems likely that the larger and richer schools will be less affected than others. In the better schools, no harm will be done; the university entrance requirements will preserve a certain balance and in any case these schools can afford to take a less hurried and vocational view of education than those where the great bulk of the pupils leave school at the age of 16, to enter careers where only a narrow range of subjects is required. It is in these latter cases that the new system may have the effect of unduly narrowing the educational base. To drop weak subjects may be good if it is the means of enabling the pupil to dig deep into other real disciplines; but not if it is the means of converting education into mere vocational training.

NOTES OF THE WEEK

After the Deputies

Last Sunday the Russians found comment and extracts from two speeches side by side in their newspapers. One was Mr Malik's about Korea, and the other was Mr Gromyko's, delivered at the seventy-fourth and final meeting of the Foreign Ministers' deputies in Paris. Now that this marathon is over, the western powers can feel that, after a poor start, they probably got as much out of the whole performance as the Russians did. Moscow has had to work for every penny of its propaganda profit. Indeed, if Mr Malik's hint about peace in Korea proves to be no more than a move in the war of nerves, its timing would suggest that the Kremlin, although it never wanted a Council of Foreign Ministers save in terms that the west could not accept, has shifted its peace propaganda emphasis to the Far East and the opportunity the situation offers of bringing about Five Power talks. The western powers in Paris did none of the three things which the Russians hoped for: there was no yielding on rearmament, there was no division between them, and there was no disposition to have a Foreign Ministers' meeting on disadvantageous terms just for the sake of meeting. The west has gained a good deal, showing public opinion the immense difficulties that obstruct a policy of negotiation.

This is not the moment to mark time; the instinct of the French to switch attention from their elections back to the continuing worry of German rearmament is sound. Detailed decisions will soon have to be made about priorities in demands for arms which will call in question the political shape and extent of the North Atlantic Pact. Even if the problem of German rearmament can be kept on ice for a little while longer—though the conclusion this week of technical discussions between the three High Commissioners and the German Generals Speidel and Heusinger has carried the question a stage further—there are also the two "fringe" problems of Yugoslavia and Spain. The United States wants to arm all three countries, but it is quite clear that only Yugoslavia at present qualifies for equal priority with the major members of Nato.

Relations between France and Germany are still the political crux of European defence; with a new French

It is still too soon to draw any final conclusions about the new examination; only the years will show. The schools have been set a problem of adaptation, and the preliminary judgment must be that they are adapting themselves to the new system more successfully than at one time seemed likely. This is all to the good, for the old system had many patent defects. But there are differences in the degree of adaptation. The independent schools, who protested the most loudly, seem likely to make the adaptation most easily. The small grammar schools, which the change was presumably particularly designed to assist, will have more difficulty, and it is too soon to say that the quality of the education they can give will not be impaired on balance.

There are thus credit and debit entries. But it is difficult not to feel that most of the credit entries arise from the adaptability of the schools and will be achieved as much in spite of the new regulations as because of them. It is not necessary to go as far as Mr Eliot,

The last temptation is the greatest treason

To do the right thing for the wrong reason,

to feel that good ends might have been achieved by better means and with less admixture of social jealousies that ought to find no place in the education of the young.

Assembly, for instance, ratification of the Schuman Plan becomes an urgent question. It is here, on the centre of the alliance, that western statesmen need to concentrate their attention, now that the attempt to negotiate about Europe with Moscow has failed.

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A Cruiser for Abadan

The first interpretation put upon Dr Mossadegh's letter to President Truman—that it was an appeal for mediation—did not survive the publication of the text. There is nothing in the letter to alter Mr Acheson's verdict of Tuesday that the situation in Persia "is rapidly moving along the road to disaster." Dr Mossadegh, reinforced by an overwhelming vote of confidence from both houses of his parliament, now threatens the British employees of the company with penalties ranging up to death, to be imposed by military courts, for the ill-defined crime of "sabotage." Apparently to his surprise, this has determined the British employees to leave for home rather than become individual targets for Persian spleen, and the process of shutting down the refinery at Abadan has begun. The behaviour of this little band of British subjects has been exemplary; they are doing their duty with dignity and courage and they deserve every sympathy in the plight in which, certainly through no fault of their own, they now find themselves.

By contrast, neither Government nor Opposition distinguished itself in last week's ineffective debate in the House of Commons. But at least both were agreed on one point. If British lives are in danger, either because the Persian Government threatens them with persecution, or because it cannot keep order in the oil province of Khuzistan, then British forces must be landed to see British nationals to safety. A cruiser now lies off Abadan for this excellent purpose.

But beyond this the parties disagreed. Many Conservatives contend that force should also be used to protect British property—the refinery—and to keep it at work, if necessary on crude from the other fields of the Persian Gulf. Two months ago, when the dispute first reached a crucial stage, many people in this country thought that the right

course was an immediate occupation of Abadan, which at that time could probably have been done without bloodshed. But since then the case for using force has been getting weaker and weaker. For one thing, it no longer seems absolutely essential to have the oil at all costs; it now appears that the development of crude oil production in the Middle East and of refining capacity in Western Europe has been proceeding so fast that a total shutting-off of Persian supplies, though certainly a major inconvenience, would not be the disaster for the western world that it would have been at any time before the present. There is, therefore, less compulsion at all costs to protect the Anglo-Iranian Company's properties as an absolutely vital national interest.

Secondly, it is now certain that an occupation of Abadan would not be bloodless and probable that it would not be effective. Once upon a time Asiatics could be cowed by a show of power; but it is far from certain that the same impression would be created now among Abadan's relatively sophisticated workers. They are highly sensitive to the propaganda from Teheran that reviles them for serving foreigners. They might be impossible to handle by an occupying force, and their unrest might affect labour in other oilfields across the gulf. And finally, reflection has served to underline the very unpleasant position in which Britain might find itself if the Persians appealed to Uno, as they certainly would, against British "invasion"; it is highly probable that a majority of the Assembly, made up of the Latin Americans, the Middle Eastern states, the Asian states and the Soviet bloc, would vote to condemn Britain as an aggressor.

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The Conservatives' clamour for the use of force was therefore somewhat irresponsible. But if one is to judge by Mr Morrison's statements, there is a real risk that the Government, pushed by events from one point to another, will finish up by acquiescing in robbery. No criticisms that can be made of the company's past conduct serve to alter the plain fact that the Persians are committing a crime. The task of dissuading them from committing it now seems almost hopeless. But there still remains the task of seeing that they do not benefit from it—indeed, that they suffer sharply. This result will certainly follow, in time, from any attempt by the Persians to run the industry by themselves. But it is the effect on other Middle Eastern states that matters and for that something more exemplary is required than simply to leave the Persians to stew in their own juice. If the company is compelled to evacuate Abadan, the British Government should make it clear that the whole of its power and influence—and, if necessary, its naval strength—will be used to prevent the Persians from selling a drop of the oil they are stealing.

There is, of course, the argument that chaos in Persia will simply bring in the Tudeh party. But if the Persians are bent on having chaos, there is nothing that the west can do to stop them. And a Tudeh government in Teheran, which is a long way over the mountains from Abadan, might make the inhabitants of southern Persia positively anxious to be rescued from the politicians of the capital—and the United Nations more anxious to rescue them. After all, the 38th parallel runs through Persia too.

* * *

The Foreign Secretary

The debate on Persia last week was a serious personal failure for Mr Morrison. This was the first time that the oil issue had been discussed in the House of Commons since the crisis began; it should have been the opportunity for presenting a calm and reasoned statement of British policy to the world—and, in particular, to Persia. In fact the debate degenerated into a Parliamentary row. In part, it is true, that was the result of sheer bad manners on the Tory back-

benches. But it was also in part the consequence of Mr Morrison's unnecessarily provocative and partisan air, and of his failure to develop any full view either of the past history of this unhappy affair or of future policy.

This is not to suggest that Mr Morrison is, at this stage, a failure at the Foreign Office. He is, by all accounts, handling some of his duties well—better, indeed, than many of his friends as well as critics expected. But so far he seems strangely to have failed to appreciate that for a Foreign Secretary the House of Commons is a place where he represents, to the outside world, the country as a whole, and where he must at times expound to the British public what is in essentials a national policy. On several occasions Mr Morrison has apparently been handicapped by having too little grasp of his subject to comment wisely outside his brief. Perhaps that is still excusable. It is hard to excuse his apparent wish to expose and exasperate his opponents rather than to explain a policy that in moments of crisis should be as bipartisan as possible. A bit of pomp is essential for all leaders—even great cockney leaders.

* * *

The Tshekedi Khama Debate

Discussion in Parliament of the cases of both Tshekedi Khama and Seretse Khama has been vitiated throughout the past fifteen months by the Government's refusal to admit that its policy has been greatly influenced by fear of offending South African opinion. In the House of Commons on Tuesday Mr Gordon-Walker once again steered clear of this particular reef, and as a result brought into the debate an atmosphere of unreality—indeed of half truths—which prevented the House from getting to grips with the problem. Doubt as to the truth of many of the other facts of the case also hampered the argument. Mr Gordon-Walker, for instance, rejected allegations that the *kgotla* which he attended had been stage-managed, yet it is difficult indeed to interpret the District Commissioner's letter, read out by Mr Clement Davies, in any other sense. Mr Churchill also expressed the feelings of most of the House when he said he did not like the "last minute alarmist telegram," which the Minister had read, suggesting that if Tshekedi were allowed to return the tribe would scatter.

On the other hand, the Government was undoubtedly on strong ground in emphasising that the conflicts within the Khama family, and with other dynastic groups in the area, cannot be brushed aside in an effort to regard Tshekedi's case as a simple issue of civil liberties. Mr Attlee was, incidentally, at his best in his winding up speech, displaying that willingness to recognise untractable realities which is one of his hidden strengths. But even he would not face the reality of South Africa's attitude. And the offer of a new *kgotla*, even if it were observed by three British MPs, is hardly satisfactory. Such a gathering could not establish adequately the state of native opinion, and at the worst might be merely a demonstration of a mob veto.

The Liberals rose admirably to the occasion of their prominent part in the debate, but it was hardly surprising that within the two main parties the voting as well as the discussion on Tuesday had an air of unreality. Had the Government's prestige not been at stake, many more Labour members would have remained on the benches with the half dozen who abstained, and many more Tory backbenchers would have joined the 15 who surprised the House by refusing to follow Mr Churchill into the lobbies. This rebellion has some political significance. It was not a move by the older diehards of the Party—Sir Waldron Smithers, for instance, moved enthusiastically into the lobby in the hope of bringing the Government down—but by a group of younger men such as Lord John Hope and Mr Bevin. It represented a dislike both of Mr Churchill's views on Tshekedi in particular and of his leanings towards his former Liberalism in general. Too much may be read into one

incident, but it is a reminder that Mr Churchill cannot rely on blind allegiance for any policy he cares to bring forward, particularly if that policy conflicts with some of the more rigid Tory concepts which have their youthful, as well as their elderly, advocates.

* * *

Following Dr Dalton

It is easy to understand the political reasons why the Minister of Supply is anxious to disavow responsibility for the present state of the steel industry. He wishes to forestall the criticism—largely unfair—that will undoubtedly develop when the first months of public ownership are seen to coincide with a considerable shortage of steel. Mr Strauss also finds it useful to take as many cards as possible from the Bevanites, who can be relied on to think that the Government is not being sufficiently tough with the steel firms and their surviving "capitalist" directors.

But such motives, however strong, cannot excuse the nonsense that Mr Strauss talked last week. He alleged that the Iron and Steel Federation is using every device to "frustrate" the new steel corporation. It is, of course, perfectly true that the federation is resisting the corporation in the sense that it is trying to keep its own organisation together. What else did anyone expect when nationalisation was carried through by the narrowest majority and the Government may change before the processes of recasting the industry can go much further? The Government knowingly undertook an operation in which it would receive no more co-operation than the letter of the law required, and it has only itself to blame for the resulting difficulties.

Moreover, the administrative argument did not content Mr Strauss. He implied that the private industry has also "frustrated" nationalisation by deliberately running down its stocks of materials, so that the poor public corporation was faced with an almost bare cupboard when it took over last February. The facts are discussed in a note on page 1881. It is also relevant to point out that if it were really possible for the steel industry to behave as Mr Strauss alleged, central planning of the economy must be vastly more incompetent than even the Government's sharpest critics had thought. But the Minister's arguments are not to be taken seriously. The disturbing thing is that they have been heard before. On February 1, 1947, Dr Dalton declared that the private coalowners "left us before they flitted with stocks of coal lower than ever before in our history." That was six days before the Friday afternoon when Mr Shinwell announced the fuel crisis. The attempt to blame the former private industry did not succeed then, and it will not succeed with the steel firms now. Mr Strauss may be very worried, but one would have expected from him more sense than to follow Dr Dalton in the sort of irresponsible charges that can only do harm all round.

* * *

Suez and Haifa

It is now inevitable that Egypt's interference with Suez Canal traffic, in order to search for contraband bound for Israel, will be laid before the Security Council. General Riley, United Nations Chief of Staff in Palestine, has laid before it a report that calls this interference an "aggressive and hostile action" undertaken in a spirit of blockade. He cannot deal with it himself, he has publicly said, because in his view the Truce body which he controls is confined by its mandate to hostile acts committed by armed forces. Yet "the matter cannot rest here."

Egypt's answer to the Council will raise a fine point in law; for on legal grounds it has an arguable case. On grounds of common sense about the way the world is going in 1951, it has no case. In the Suez Canal Convention of

1888, two articles conflict. The first, Article I, says that the Canal shall be open in peace and war to the ships—naval and merchant—of all nations, and shall never be used (*assujetti*) for the exercise of blockade. The second, Article X, says that certain foregoing articles (Article I is not specified among them)

shall be no obstacle to any measures which the Khedive may find it necessary to take to secure, by his own means, the defence of Egypt and the maintenance of public order.

Egypt argues that it is still at war with Israel and that the defence of Egypt is at stake. The commonsense retort to this argument is that a state of war must not be turned into perpetual vendetta, particularly if it reduces international security in an important area.

The case is important to the western powers because one of the contraband items on the Egyptian list is oil for the Haifa refinery which, though less than quarter the size of Abadan, assumes a new importance if the world is temporarily to be short of refining capacity. The most satisfactory aspect of the Riley report is that it puts into proper perspective an argument over oil for Haifa that has unwisely been confused with other subjects of Anglo-Egyptian controversy, the sterling balances for instance, or the Anglo-Egyptian treaty of alliance. Egypt can be arraigned for its blockade of Israel on an indictment far wider than the charge of being pig-headed over a British refinery. Much damaging confusion of thought will be avoided if the issue is dealt with on the wider count.

* * *

South African Controversies

South Africa has just completed one of the most unhappy and controversial Parliamentary sessions in its history. The conflict rose to a climax over the Separate Representation of Voters Bill, which contained a direct attack on the very basis of the Constitution. This Bill, in spite of the most bitter protest inside Parliament and out, is now law, but the battle is not yet at an end. The next phase is expected to be fought out in the law courts, after the names of coloured voters have been placed on a separate roll; one of them will then probably apply to the courts for an interdict restraining the Government from such action.

Passions have also been roused by other legislation, such as the Suppression of Communism Amendment Bill, which gives drastic powers over the liberties of private citizens even to the point of interfering with their free choice of radio listening; and the Bantu Authorities Bill, which has some advantages but abolishes the Native Representative Council set up in 1936 as the sole Union-wide body on which Bantu was represented by Bantu. In the emotional clashes which all these measures have engendered something more is at stake than normal political differences on native policy. The real underlying issues are the honour of South Africa, which the Opposition feels has been compromised by a series of broken pledges, and the liberty of the individual, which is now threatened as never before in the Union.

There has been talk that the deepening cleavage within the Union will one day end in civil war. If that is so, competent observers believe that the day is not yet; but it might come over the question of republicanism. This most controversial of all South African issues lurks round every corner. There is fierce resentment against the British criticism of South Africa, with the consequent desire to cut the ties and assert by some dramatic act the independence of the Union before the world. So deep is this sentiment among the more extreme Nationalists that Dr Malan has found it necessary to restate his own position. He has declared that anti-British feeling alone is not a good basis for republicanism. "Even if South Africa became a republic, she must maintain friendly relations with Britain, unless Britain did something to alienate her." But a republic could only come with the acquiescence, not only of the Afrikaners, but of a reasonable

number of the English-speaking people, and "after the will of the people had been properly tested." Dr Malan has also repudiated the draft republican constitution—with its many anti-democratic features—published in 1942. Curiously enough, it now falls to this Afrikaner statesman—as it fell to Smuts and Hertzog before him—to maintain the Commonwealth link and save the less rational of his followers from a descent into Boer isolationism.

* * *

New Party for India

The split in the Indian Congress Party is a very welcome development. No democratic system can function effectively without an opposition. It was of great value to India, in the testing months immediately after the transfer of power and the partition of the country in 1947, that Congress should rule as a kind of coalition, receiving the almost unanimous support of the great mass of politically conscious Indians. But with time the situation has undoubtedly changed. It is not just that accusations of dishonesty and incompetence, levelled at Delhi and at the men appointed by Delhi, may have a substance of truth in them. There is a real need in India for independence of thought and for the stimulation of political controversy to be exercised within the existing constitutional framework, if the central government is to make headway against the tide of economic and political problems tugging against it.

Recently Mr Acharya Kripalani, a former president of the Congress Party and its general secretary for many years, broke away to found a new left-wing organisation to be known as the *Kisan Mazdoor Praja Party*—the Peasants', Workers' and Tenants' Party—or the Praja Party, for short. This title and a programme were evolved at a congress held at Patna in Bihar two weeks ago. Mr Kripalani has already been supported by several men prominent in public life, but most notably by Mr R. A. Kidwai, who has been Mr Nehru's Minister for Communications. Their programme is at present severely practical and limited to the immediate needs of the moment. The Praja Party aims at a secular state in a classless, casteless society. It means to overhaul India's administrative machinery, to stop black marketing and profiteering—in the long run a really grave source of danger to the political as well as the economic basis of national life—to encourage small local industries, to extend education, and to decentralise government. Very little has been said, or yet thought, about foreign policy.

The relationship of Jai Prakash Narain's Socialists to the new party is not yet clear, though it is reported to be close. It would probably be better for the present, however, that the two should not merge, since socialist principles have played no direct part in the events leading up to Mr Kripalani's break with Congress, and it is in India's interest that his appeal should now be as wide as possible. It is hard to see what Mr Nehru's personal position in the Congress Party may eventually become, if its left wing tends to leave and a rightist rump remains round the present president, Mr Tandon. But at present the Prime Minister's position is still so strong in the hearts of the Indian people that he can afford to see the new trend continue for some time to come.

* * *

Test Case on Identity Cards

Public thanks are due to Mr C. H. Willcock for testing in the High Court the right of the police to ask a person to produce his identity card. It was too much to expect him to win his case, ingenious though it was. He contended, in brief, that there was only one emergency behind the passing of all the emergency legislation of 1939; thus, since the emergency had been ended by order-in-council for one of the wartime Acts, it was also at an end for the purposes of the National Registration Act, which was therefore no longer

in force. The court held, however, that each Act needed a separate order-in-council to make it inoperative. No order-in-council existed that ended the emergency so far as the National Registration Act was concerned; therefore it was still in force.

But the judgment provided an opportunity for some apt judicial comments on emergency legislation in general and on the liability to produce an identity card in particular. The Master of the Rolls found difficulty in saying that in 1939 Parliament behaved as though there were different and distinct emergencies or that, if there were only one emergency, Parliament intended to deal with different aspects of it. The Lord Chief Justice was even more forthright. Because the police still have powers to ask for identity cards, it does not follow that they should use them as a matter of course whenever they suspect a motoring offence. The National Registration Act was passed as a wartime security measure. If the police wished to use it to obtain evidence of previous convictions against a motorist, they should ask Parliament for the necessary powers.

To use Acts of Parliament passed in wartime for particular purposes now that war had ceased tended to turn law-abiding subjects into law breakers.

It was one thing to demand an identity card if a car were stolen or if a motorist had committed a crime, but quite another where someone left a car too long outside a shop.

All these strictures will be heartily applauded. Perhaps the Post Office, the Ministry of Food and the Ministry of Health, which use identity cards for purely administrative purposes, will take note.

* * *

No Gradualism in Equal Pay

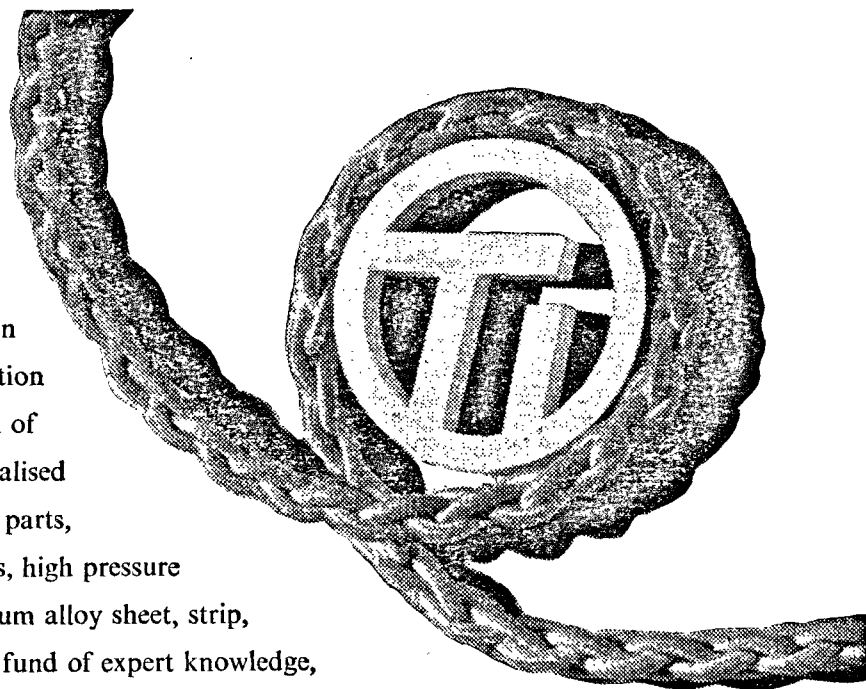
It is hardly surprising that the champions of equal pay met last week with another rebuff. Mr Gaitskell rejected not only its immediate application but also the suggestion that differences of pay between men and women in the Civil Service should be gradually reduced over a defined period. He argued that, unless the gradualism was so extreme as to be derisory, the consequences would be as certainly dangerous as those of immediate, full equality. The direct cost of equal pay in the Civil Service would admittedly be small, but the probable "multiplier effect," in the form of other wage demands, might be large. And, as Mr Gaitskell argued, the pressure for higher family allowances—in order to offset part of the effect of equal pay—would be very strong.

The question of dependants, of the number of persons actually living on the wage or salary paid, is the central question involved in what is fair. In its own crude and highly inequitable way, differentiation according to sex has always reflected the public sense of the proper. But the argument from equity does not stand, however shakily and unjustifiably, alone. Workers of either sex do tend to be paid what their employers think they are worth. The employer who values male employees more highly will employ women so long as, but no longer than; their lower pay compensates him for the inconvenience of providing special welfare facilities or for the high turnover due to marriage and domesticity generally. To impose equal pay throughout the economy would thus narrow the opportunities open to women.

This is not to say, however, that the pressure on the Chancellor should cease. One may make allowance for the disabilities of women, for their "meanwhile" attitude to employment, for the extra expenses which that employment consequently imposes; it still remains true that the present almost universal financial penalty of sex is less a reflection of this genuine economic element than of an irrational inertia from which neither equity nor efficiency are gainers. The right policy for the state is to do what it can, by precept and example, to reverse the institutional bias of society and to create a presumption in favour of equality instead of against it; and the Civil Service, where inequality is perhaps

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less justified than anywhere else, is the right organisation sometime to give a lead.

* * *

Assistance Payments and Living Costs

The proposed new scales of national assistance are of little interest in themselves because the Government had already announced that assistance payments would be increased by an amount equal to the increase in old age pensions for the over sixty-fives. If they had not been, people whose old age pensions were being supplemented by national assistance would merely have had their supplement reduced by the amount of the increase in their pensions; they would consequently have gained nothing.

It is, however, worth comparing the increase in the rate of assistance payments since July, 1948, when the present system of national assistance was introduced, with the increase that has taken place in the official interim index of retail prices. The ordinary scale for national assistance roughly measures, or should do, the amount of money that a person requires for subsistence—exclusive of rent, which is provided for separately. In July, 1948, the rate for a person living alone, or who is a householder and therefore "directly responsible for rent and household necessities," was 24s. a week. To this was added a rent allowance normally equal to the amount of rent actually paid. A year ago this scale rate was increased by 2s. and under the proposed regulations will be raised by 4s. This will make an increase of 25 per cent since 1948.

The retail price index shows a rise of 16 per cent between July, 1948, and May this year, if rent is excluded from it. But food and clothing, which must bulk more largely in the expenditure of a person on assistance than in that of a working man, each shows an increase of 25 per cent. The new assistance scales, if approved by Parliament, will come into force on September 3rd, and the Assistance Board states that they take account of current trends in prices as well as changes that have taken place in the last year. Does this mean that the whole index, exclusive of rent, is expected to be 25 per cent over July, 1948, by next September? Food and clothing are certain to show bigger increases by then, and it seems only too likely that this second increase in assistance payments will not be the last.

* * *

Freeing Europe's Trade

Settlement of the delicate problem of German trade has enabled the scheme to liberalise European trade to get once more under weigh. The programme laid down last year enjoined countries of western Europe to free at least 75 per cent of their trade on private account between member countries (based on 1948 figures) by February 1, 1951. It was realised that freeing of 75 per cent of the trade in each of the three main categories—agricultural products, raw materials and manufactures—would create special difficulties for many countries. So the procedure was modified and countries were allowed to keep 60 per cent as a minimum aim for each category, provided that the total trade freed from quota restrictions amounted to 75 per cent. Germany, Austria, Denmark, Greece, Iceland and Norway were not able to achieve the 75 per cent mark and the matter was left in abeyance pending a solution to the German problem.

In the first six months of the European Payments Union, Germany suffered a large deficit on its trade with western Europe. As an emergency measure it was allowed to re-introduce, temporarily, quota restrictions on those goods that it had previously liberalised. The new settlement, which was discussed on page 1523 of last week's issue, is little more than a makeshift programme to ensure that the pattern of German imports this year will conform, approximately, to that of 1950. There was no question of abolishing the tem-

porary quotas; but Germany has had to agree that at least 45 per cent of its monthly imports will be of goods previously "liberalised," and that the temporary quotas granted to member countries of the European Payments Union will be based on their sales to Germany last year. The monthly volume of imports has also been increased from \$150 million to \$170 million.

The emergency measures have been successful in redressing Germany's trade balance. In both April and May it exported more than it imported, and in May it had a net credit in its intra-European trade for the first time since EPU started. It repaid the loan granted by the EPU last March and it received a gold payment for half of its net balance. It cannot yet be claimed that the German trade problem has been overcome, but at least the progress in that direction has been more rapid than the experts thought possible.

* * *

A New Approach

The course of freeing Europe's trade, however, will be far from smooth even when Germany plays its full part. It was recognised in OEEC that, if European trade is to be really freed from import restrictions, countries could no longer be allowed to choose, independently, which commodities they wished to liberalise. It was also recognised that to define objectives as a percentage of trade in the base year, 1948, gave no incentive to abolish restrictions on those commodities of which imports were small in 1948 but have since grown. Conversely, countries were always very willing to free those goods which were imported in large quantities in 1948 but are now imported only in small quantities.

The new method is to prepare a common list of items which, when accepted, all countries would liberalise, irrespective of the proportion those items contributed to total trade in the base year. The items have been chosen not because of their importance in intra-European trade, but because they were the easiest on which to achieve agreement. Textiles and textile machinery figure largely in the list, together with a number of agricultural and chemical products.

The common list was to have come into force this weekend, but it has been postponed for a month or two. Countries retaining quantitative restrictions on these specified goods after the agreed date must justify their action before the steering group, which drew up the common list, and, failing that, before the Council of Ministers of OEEC. The two acceptable grounds for retention are equity and balance of payments positions. The principle of equity covers those goods prohibited from the home market in order to foster the export drive; on this ground, for example, Britain could retain quantitative restrictions on the import of decorated pottery, since domestic manufacturers are not allowed to sell decorated pottery on the home market.

Agreement on the common list has been difficult enough; but the most serious obstacle to further liberalisation is likely to be government trade, which is at present excluded from the scheme. Here Britain is the main offender. The low prices offered by the Ministry of Food to its European

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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1

suppliers have had the effect of restricting European trade. Those countries whose trade is entirely, or almost entirely, on private account accuse this country of enjoying an unfair advantage. Britain, on the other hand, claims that its trading departments are willing to buy from any country provided the price is right, and that it cannot agree to pay high prices if it is to stem the rising cost of living. This condition of price is all important, as both Denmark and the Netherlands know to their cost.

Admittedly, Britain has already freed 90 per cent of its trade on private account with European countries; and, since most of its government trading is with countries outside Europe, it is clear that the proportion of its trade liberalised, even if government trading were taken into account, would be over 70 per cent, though possibly not yet up to the necessary 75 per cent. This question of government trading is fundamental, for if intra-European trade is to develop, countries will no longer be able to pursue entirely independent domestic economic policies.

* * *

"De-purging" in Japan

While in this country the Lord Chief Justice and his learned colleagues have been trying to find out whether an emergency still exists here, there can be doubt about its persistence up to this week in the island of Anatahan. There, 18 Japanese soldiers, whose last orders were never to surrender, have been holding out since 1944. They have now at last, it seems, been convinced that the war is over and have hoisted flags of capitulation. When they are repatriated to Japan, the last unit of the old Japanese Imperial Army to lay down its arms (unless, indeed, there are still others on even remoter isles of the Pacific Ocean), they will find that many changes have taken place in their country; but the alteration of the landscape will be less noticeable than it would have been if they had returned two or three years ago. For there has just been a restoration of many old familiar landmarks in Japanese public life by the recent "de-purging" of some 69,000 people formerly banned from politics or important economic positions by the American occupation authorities.

The removal of the ban will bring back into Japanese public life a number of men of undoubted ability, who are not too old to resume political or business activity and have in many cases continued to exert considerable influence from behind the scenes even during their formal exclusion from great affairs. These men vary considerably in the degree of their responsibility for the policies formerly pursued by Japan, and it would perhaps have been easier to continue the ban (if the Japanese Government had wished to do so after the conclusion of a peace treaty) if it had been applied with more discrimination. The task of political purging was in any case more difficult in Japan than in Germany, where membership of the Nazi party or its organisations provided a criterion of undesirability. In Japan, the Americans adopted somewhat rough and ready methods of sorting, with very little knowledge of who had stood for what in Japan before the war; and at the outset they somewhat discredited the seriousness of their judgment in the eyes of the Japanese by applying the ban to two men who had already been dead for some years. The purge has, nevertheless, been useful; it gave the more democratic elements in Japan a chance to make a start with the new constitutional system, and the question is whether the new men and the new system are yet strong enough to hold their own against the return of the old hands.

* * *

Punishments in Prison

Most people will agree with the main recommendations (Cmd. 8256) of the committee set up to review punishments other than corporal punishment in prisons and borstals. It takes the sensible attitude that constructive measures to

strengthen discipline are more important than actual punishments, necessary though these are. For instance, it recommends that earnings, forfeiture of which is an effective punishment for some prison offences, should be increased in order to stop tobacco racketeering—a practice graphically described by a prisoner in a letter reproduced in the report. This racketeering is the cause of much indiscipline and crime in prisons, and arises largely from the inability of prisoners to buy even half-an-ounce of tobacco a week with their present earnings.

Another constructive suggestion is that special establishments should be set up for prison and borstal inmates who are particularly depraved and unruly and consequently have a bad influence on their fellow inmates and on the whole atmosphere of the institution. Properly staffed, a corrective institution would be of especial help to the borstal system, which, as the committee found, is going through an exceedingly difficult period.

Two of the committee's recommendations should be regarded more critically. One would deny a prisoner charged with a serious offence the right to be represented when his case is heard by the visiting committee. The right is implicit in a clause of the Criminal Justice Act of 1948, and it is difficult to see why welfare agents like prison visitors cannot act as a prisoner's friend for the purpose. Prisoners are only too likely to feel a grievance—and consequently commit more offences—if they are punished severely without what they consider a fair hearing.

The other dubious recommendation is that borstal absconders should be dealt with by the board of visitors (the superior disciplinary body) instead of the governor. The committee makes this recommendation because

Writing and Renown

The contrast between England and France in the position and treatment of journalists and journalism is very curious. With us, it does not, as in France, raise its chiefs to the peerage or the premiership, but it is treated with much greater respect, is allowed far more freedom, and is probably more really and widely influential. In France the only two roads to political eminence are the Army and the Press, and the latter is an immeasurably surer and more common one than the former. In England, it is true, we have in Parliament, gallant officers, generals, and admirals in abundance, but it is never their professional renown which makes them eminent there; rarely is it that which places them there. They seldom reach the Ministry, except in subordinate departments, and are rarely prominent in debate or in administration. . . . Still more rarely does authorship—scarcely ever does connection, however honourable and renowned, with journalism, open to a man in England the path to political honours. Macaulay is almost the single exception. Here and there we have writers in Parliament; but they are rarely prominent there, and are never made so by their writings. Again, we have talent, at least as eminent as any in France, employed in the service of our periodical Press, but that employment never marks them out for high office or political rewards. Whereas in France, now that the old marshals of Napoleon's day are removed from the stage, there is scarcely a political character of note of eminence who has not become so by his writings. . . . Victor Hugo, Girardin, Victor Cousin, Gustave de Beaumont, Tocqueville, Lamartine, Thiers, Guizot, all owe their position to their writings—some of them to their writings as journalists. In England there is a sort of tacit feeling that success in authorship is a disqualification for public life; in France it is the chief, if not the sole, qualification or proof of such.

The Economist

June 28, 1851

FRIENDS

ONE of Africa's most important men is now in Britain seeking our help in the development of his country—the Gold Coast.

He is Mr. Kwame Nkrumah, leader of the Gold Coast Parliament, and virtually Prime Minister of this British colony. And he is vitally important as key man in the four months old experiment of giving the people of the Gold Coast a measure of genuine self government.

Africa remains a continent of bitter problems. No wonder, then, that men and women of African race all over the world—including America and the West Indies—should look with burning interest to the progress of a British colony where the removal of bitterness has given co-operation a real chance to flourish.

Britain has in the Gold Coast shown the reality of her desire to see African peoples advance and take on responsibility, whereas Mr. Nkrumah and his colleagues are now discovering and facing the problems which come with responsibility.

The difficulties will not be easily solved, particularly at a time of enormous demand on British resources. But how refreshing it is that we can get together as friends to see what can be done.

There is better hope for Africa if this friendship can grow. And with continued goodwill and understanding on both sides, it will.

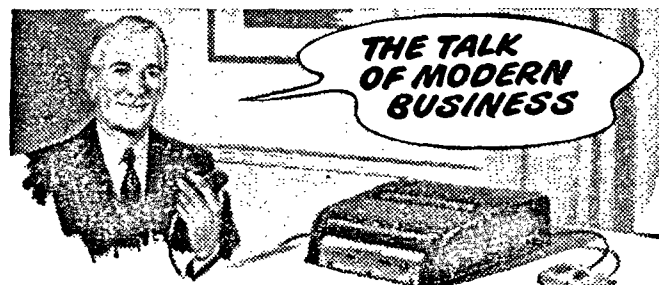
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absconding has greatly increased since the war and because escaping prisoners are similarly dealt with by visiting justices. But borstal training is essentially different from a prison sentence. Occasional absconding can almost be considered inseparable from this training, and the relations between a governor and the inmates, on which the success of the training largely depends, might be seriously harmed if every case of absconding were taken out of his hands.

* * *

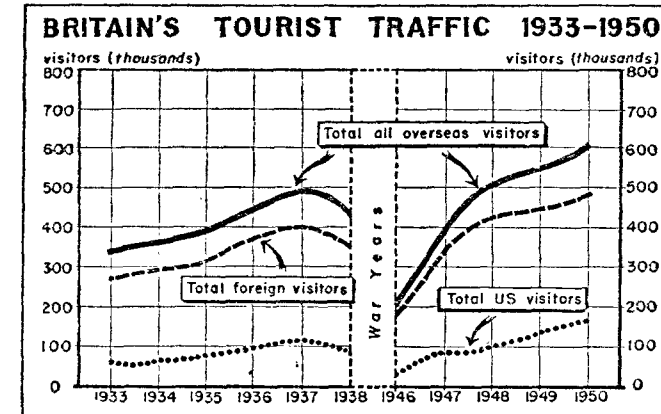
The Tourist Boom

Britain is a tourist centre in spite of itself. The latest annual report of the British Travel and Holidays Association reports some impressive figures. A record number of overseas visitors came last year; in Festival Year, in spite of fears of war, it is hoped to reach a new peak of 700,000 tourists. In 1950 the foreign exchange thus earned amounted to £81 million, compared with £65 million in 1949. If incidental transport earnings are included, tourism is Britain's chief dollar-earning "export." Receipts from American visitors alone are estimated to have brought in £25 million, equivalent to almost one-quarter of our visible exports to the United States.

But the Association's "Come to Britain" campaign is at present in danger of creating a demand that it cannot satisfy because of a shortage of suitable accommodation in the peak season, especially of a luxury type at one end of the scale and of an inexpensive kind at the other. In order to spread the heavy traffic of July and August, the Association urges that the bank holidays should be altered: Whit Monday, which now tends to open the holiday season either too early or too late, should be replaced by a Monday in the second week of June, and August bank holiday should be at the

end of the month. The Association also urges that cheap fares should be offered throughout this season—a proposal that the railways, already in the red, find hard to accept.

Fuller use could be made of existing accommodation if the hotel and catering trade were readier to adapt itself to take foreign tourists. Some of the devices to make foreigners uncomfortable, such as inability to get a drink at most times



and in most places, are outside its control. But there is much that is not, especially in the cheaper end of the trade. The type of accommodation that many would-be visitors can afford is now the seaside boarding house with unpromisingly English food and perhaps an antipathy for foreigners. It is perhaps significant of the general British attitude to tourists that six-sevenths of the Association's funds come not from the trade but from the Exchequer.

Letters to the Editor

Free Sweets—and More Sugar

Sir,—In a paragraph in your issue of June 16th, it was alleged that the building up of confectionery stocks was being given precedence over an increase in the sugar ration, and that housewives were being kept short of sugar "while sweet supplies are built up to whatever level may be required in order to meet the demand at the present controlled prices."

Mr Webb wishes me to deny emphatically both these statements. He has said repeatedly that the housewife has first claim on any additional sugar that becomes available. Accordingly, when extra sugar became available towards the end of last year the needs of the housewife received first consideration, and Mr Webb announced on December 13th that the domestic sugar ration would be increased from 8 oz. to 10 oz. from December 31st. At the same time, he said:

I intend also to increase sugar allocations to food manufacturers, and I am considering how far I can restore them to the level at which they stood before the domestic ration was reduced; but anything I can do in that way will have to wait until towards the end of January.

The small amount of sugar that was made available to sweets manufacturers as a result of this decision was just enough to restore the industry's allocation to the level at which it stood before

it was reduced in the autumn of 1950. This allocation of sugar was no more than sufficient to produce a 4 oz. ration of sweets. The increase of the ration to its present level of 6 oz. has been achieved only because manufacturers have made the greatest possible use of unallocated ingredients, such as imported sweetened fat and fondant, which are now available on the open market, and because of the imports of chocolate and confectionery included in the ration.

The extent to which the Ministry puts domestic needs first is best shown by the fact that the domestic supply is now at the rate of 92 per cent. of the prewar rate; the average supply to food manufacturers about 88 per cent; and to manufacturers of chocolate and sweets, 62½ per cent.—Yours faithfully, W. SHELTON SMITH
Ministry of Food, S.W.1

[The argument of our note was that the Ministry in effect gives precedence to sweets compared with the marginal uses of domestic sugar—the home preserving, etc., that is almost impossible with the present size of the ration. Mr Shelton Smith himself shows that in a situation where the sweet ration could have been maintained at 4 oz. with a smaller allowance of sugar to the manufacturers, and the domestic sugar ration improved accordingly, the official preference was for a 50 per cent. increase in the sweet ration. To take previous allocations or consumption as a standard may be most convenient for the Ministry, but the result has no necessary connection whatever with the consumer's present needs.—EDITOR.]

How Much Does Persian Opinion Matter?

Sir,—In his article in your issue of June 2nd your special correspondent makes points which apply to British overseas enterprise elsewhere, particularly in other backward but awakening areas, and particularly in the oil industry. While we lead the world in the ideals of trusteeship in the opening up of resources, we fail too often to overcome our aloofness and apparent condescension, which perhaps makes us unable successfully to lift up the backward "native" to develop his initiative or share responsibility.

We can rightly refute accusations of exploitation and can point to the overwhelming examples of the social services we have created in the deserts and swamps where oil is found. But too often, wrongly, we expect praise and gratitude, forgetting that the uplifted did not ask for the services, but that we had to grant the benefits to ensure physically and mentally healthy labour. In fact our very regulation of their lives for their own benefit irked them and lost us goodwill because our imposed way of life is foreign and away from ancestral custom.

In our industrial relations we tend to forget that work does not fill a man's life and we cannot successfully regiment his private life. In making a too rigid interpretation of the collective labour

contract our main defence against subversive elements, we neglect, in the battles against Communism and expropriationism, to recruit to the side of the company the allies of loyalty, pride and affection. These allies will not be found on the job nor in the pay packet. They can, however, be enlisted off the job, in the community life of the camp. Initiative and a sense of responsibility can most easily be attracted towards activities connected with a man's stomach or his pocket or his comfort. The line of approach lies through the women to start with—better diet, cooking, homemaking—followed by an increasing measure of popular control on all other aspects of community life, including the fostering of secondary industry to employ the other members of the worker's family. Such activities tend to draw the ambitious man away from anti-company groups where unfortunately he is too often to be found and give him the opportunity to develop in the light where he should be seen when selections for promotion are made.

By placing responsibility to order his private life back where it belongs, on the individual, we open up new approaches to the social and economic problems outside the industry which often weigh so heavily on management, and the solution of which may mean survival.—Yours faithfully, J. E. A. BAZALGETTE
Wimborne, Dorset

A Higher Pound?

Sir,—The advocates of a revaluation of the pound, both in your columns and elsewhere, base their arguments on the supposed advantage which the people of this country would reap from an improvement in the terms of trade of the United Kingdom and from the consequent halt to the rise of prices in this country. In the article in your issue of June 2nd, you questioned the wisdom of calling a halt to the rise in British retail prices at the present time, but welcomed the possible improvement in the terms of trade of the United Kingdom which might be brought about by the revaluation of sterling.

I wonder whether the advocates of revaluation realise that sterling is the currency not only of the United Kingdom but also of a large part of the overseas sterling area and that it is a dominant factor in the monetary policy of all the overseas members of that area. The United Kingdom Treasury is the monetary guardian not only of the British people, but also of the people of the Commonwealth whose money is sterling and of the people of all the other nations which follow the British lead in monetary policy. Their interest has to be taken care of along with ours. This necessity was well understood by the Treasury in the 1930s. A revaluation of sterling may turn the terms of trade in favour of the United Kingdom but it would do so at the expense of the overseas members of the sterling area. They might be content to suffer a worsening in the terms of trade brought about by a change in the commodity markets—by an Act of God as it were—but it is quite a different matter for them to suffer it

at the hands of a monetary authority which manipulates the exchange rates for the benefit of one member of the sterling area only.

I do not wish to take sides in the controversy for or against revaluation at this juncture, but to direct attention to the fact that the interests of the overseas members of the sterling area have as much right to be considered as have the interests of the United Kingdom. It is time to examine this aspect of the problem as it must affect the economic welfare of the primary producing countries of the sterling area and consequently may have a bearing on the future of the sterling area and of the Commonwealth.—Yours faithfully,

FINANCIER

London, E.C.

The Author's Reward

Sir,—Two points in your article in the issue of June 9th seem to call for further comment.

A well-known novelist tells me that he has taken one of his prewar books from a circulating library and checked from the date-stamps the number of times it has been issued. The book cost 7s. 6d. The author's taking from one copy was 9d. The circulating library from one copy (bought at trade rates) has so far taken £5 18s.

The "pulp" publishers of this country, who seem to have no difficulty in getting paper, are paying their authors a minimum of 10s. 6d. and a maximum of £1 per thousand words for an outright sale. For some of the titles so purchased, the publishers are advertising sales of between 50,000 and 100,000 copies per title. It is difficult to understand why authors' professional associations meekly tolerate this sort of thing.—Yours faithfully,

T. M. LINDSAY

Wembley

David Among the Hospitals

Sir,—Your comments in your issue of June 9th, about our venture of starting a new voluntary hospital for Kingston and Malden, have greatly encouraged us. We believe that the collaboration of practitioners and specialists in a first-class hospital should be an essential feature of the future development of the health service. The virtual exclusion of the general practitioner from hospital practice cannot but in the long run lower the standard of medical skill which the practitioner can offer to his patients. Without an enormous and impracticable expansion of the hospital services, the great bulk of the nation's illness must be treated by general practitioners at home, and any deterioration in the standards of general practice must result in very serious hardship—or worse—to the sick. For any doctor hospital work is a constant refreshment of his knowledge and skill. The interchange of views by personal contact between specialist and family doctor in a small hospital is the best way of maintaining the efficiency of the latter, besides affording to the patient in hospital the great comfort and

moral support of the presence of his known doctor and friend.

This ideal arrangement has existed for many years in Kingston and seems to us so valuable that, having lost our long and wearisome struggle to preserve it, we deemed it in the public interest to start a fresh hospital on a voluntary basis where this principle may be preserved.—Yours faithfully,

F. B. LAKE

Chairman, Kingston and Malden
Victoria Medical Foundation

A Decimal Currency

Sir,—Surely Mr Harry Allcock's scheme for decimalising the British currency is unnecessarily confusing. The object, I should think, should be to alter as little as possible, and particularly not to interfere with the pound sterling as the main unit of currency. Apart from its long history, the pound is known and (now once again) respected throughout the world. It would be madness to throw it away for a new "crown."

Decimalisation must, therefore, start from the pound. One-tenth of a pound is a florin, already in existence as a coin and easily usable as a subsidiary unit of account. Let us now skip one decimal place and go to the thousandth part of a pound, which is 0.24 of a penny, or almost exactly a farthing. The only completely new unit that is needed is the one that comes in between, 2.4 pence. It is a unit of convenient value, which would be useful; it might be called a cent.

Calculation would then be in terms of pounds, florins, cents and farthings. With one exception, the other coins would fit in quite easily. The exception is that if the shilling were to remain half a florin and the penny four farthings, then a shilling would be worth 12½ pence. If this were thought to be too awkward, the penny could be shifted to the value of five farthings (i.e., 1.20 times its present value), which might worry the etymologists, but to which the public would very quickly accustom themselves. The coin for half a shilling would then automatically become the fivepence, without changing its present value.

I submit that this is a way of decimalising the British currency with an absolute minimum of inconvenience. Within six months everybody would be wondering how on earth people managed to put up with the old system for so long.—Yours faithfully,

DECIMALIST

Parts

South of the Soviets

Sir,—Your article in your issue of June 16th takes the Tories to task for their failure to make a true case against the Government in foreign policy. To this I offer the footnote: that it is a grave sign of weakness in the Government that they are compelled to employ, as Secretary of State for Foreign Affairs, a Labour leader already too deeply immersed in domestic affairs to be able to steer British policy on its present difficult course in world affairs. It is enough to make Salisbury, Grey and Curzon turn in their graves.—Yours faithfully,

FREDERICK WHYTE

The Athenaeum, S.W.1

Books and Publications

The Technique of Equilibrium

The Theory of International Economic Policy. Vol. I. The Balance of Payments. By J. E. Meade. Oxford University Press (Geoffrey Cumberlege). 432 pages. 30s.

Professor Meade has summed up the aim and nature of this major work in words which no reviewer can better. "It is," he says in his preface "the work neither of a tool-maker nor of a tool-user, but of a tool-setter. I have attempted, that is to say, to take over the modern techniques of economic analysis and to set them out in a form in which they can subsequently be applied most usefully to the particular issues (such as the dollar shortage, the intra-European payments scheme, the depreciation of sterling, etc.) which may present themselves in balance-of-payment problems." His method is to distinguish, in the first instance in a simple two-country world, the various disturbing factors which may bring about balance-of-payment disequilibrium—for example: shift of demand, change of productivity, spontaneous increase or decrease of domestic expenditure in either country; to trace first the sequence of repercussions following in the absence of deliberate policy adaptation, under various assumed conditions of elastic and inelastic demand or supply; then to analyse the effects of various policies, fiscal and financial, singly or combined, in each of these possible sets of circumstances; and finally to study the results of more particular and direct controls, especially those involving discrimination. His topic, in fact, ramifies and multiplies, through literally hundreds of permutations and combinations, presenting a scheme within whose framework almost any real life situation may be appropriately identified and anatomised.

Professor Meade does not claim that monetary and fiscal authorities have only to hunt through his classifications, and identify that which fits the current situation, in order to find an infallible practical recipe for both internal (full employment) and external (balance-of-

payments) equilibrium. There are too many hypothetical and unmeasured quantities, notably elasticities of demand and supply; too much depends on the actions, spontaneous or induced, of the other countries concerned; and in any case his argument is admittedly static, not dynamic, a comparison of before and after situation, not a study of the path by which the new equilibrium is reached. Nevertheless this meticulous and beautifully reasoned analysis represents a long step forward towards the achievement of rational policy. Reducing to order a mass of muddle and ambiguity, it may some day be judged to bear the same essential relation to that policy as, for instance, the work of Linnaeus bears to modern plant genetics.

Yet to step back and imagine the application in real life of the conclusions reached by the aid of Professor Meade's "tool-setting" activities is to be confronted with the most painful political misgivings. These delicately distinguished complexities are matters on which governments stand or fall. These policies have to be sold, sooner or later, to a mass of voters rather less capable of understanding their rationale than Dr Mossadegh is of running an oil refinery—and about equally inclined to believe that there is anything to be understood. It is almost inconceivable that issues whose proper resolution so closely affects the standards and security of every individual should be "taken out of politics"—and indeed the record on those matters, such as tariffs, which have been nominally "taken out of politics" on similar grounds is about as discouraging as it could be. Yet to leave the experts exposed to the vagaries of popular boneheadedness is to put them in much the same position as a surgeon performing a difficult operation with the patient's family and friends

snatching at his instruments and numbing his fingers. The question is indeed much wider than that of economic expertise; it is bound up with the whole secular advance of science into the social field. Scientific techniques are necessarily understood only by a minority whose decisions the uninstructed must take on trust. This is well enough recognised in the physical sciences—no one thinks of putting to popular vote the question whether a given bridge will carry more or less than a given load. In the social sciences the expert is, with good reason, distrusted; but sooner or later society will have to decide whether this distrust is to be provisional—justifying itself by an inadequacy of expertise in process of elimination—or permanent—a distrust of reason itself and a rejection of its fruits. If the former is the right decision then, sooner or later, the field appropriate to democratic decision, the field in which the majority will be the *ultima ratio*, will begin to shrink, and a revolutionary recasting of political institutions will be needed. If the latter, then the fruits of science must be deliberately foregone. Pointing the way as it does to a very considerable heightening of expertise, Professor Meade's book brings perceptibly nearer the day when that decision will have to be made.

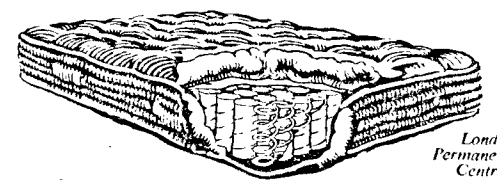
A Mistake was Made

The Katyn Wood Murders. By Joseph Mackiewicz. Hollis and Carter. 252 pages. 15s.

On October 7, 1940, three months after the collapse of France, German troops marched into Rumania, and for the first time there was doubt in the Kremlin about the wisdom of the Nazi-Soviet Pact. On October 30th three colonels of the Polish army, who were prisoners of war in Russia and had been separated from their fellow-prisoners because of their pro-Communist political sympathies, were brought before Beria, the head of the NKVD, and questioned about the possibility of forming Polish

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military units under Soviet command. One of the Poles suggested that officers for the force should be recruited from some 9,000 officer prisoners who, together with about 6,000 other ranks, had been confined in three camps in the interior of the Soviet Union; to which Beria replied: "No, not those. We made a big mistake about them. A grave mistake was made."

Beria did not at the time explain in what the mistake had consisted, but events gradually made it clear. Since May, 1940, no communication from any of the prisoners in the three camps had been received by their families in Poland, though previously correspondence had been permitted. After Hitler's invasion of Russia and the resumption of diplomatic relations between the Soviet Union and Poland, as represented by General Sikorski's Government in London, the Poles made persistent efforts to find out what had happened to the missing men, who included about a third of the pre-war officer corps of the Polish army, but the Soviet Government disclaimed any knowledge of them, and Stalin even suggested to Sikorski, when he visited Moscow, that they might have escaped to Manchuria. Then, in April, 1943, the German radio announced the discovery of some thousands of corpses of Polish officers in uniform in mass graves in the forest of Katyn in German-occupied territory near Smolensk.

Mr Mackiewicz, a journalist by profession and a member of the Polish Underground during the German occupation, was authorised to go to Katyn to investigate; in the book now published he has both given an account of his own personal observations there and reviewed the evidence so far available from all sources about the Katyn massacre. The reader can form his own opinion about the conflicting versions of what actually happened. It is not a pleasant story, but then massacres are not the work of pleasant people. A massacre may have been a mistake, but men who make such mistakes are of a special kind; the men who made this one are still alive, though their victims are dead, and it is just as well that the world, for the sake of its own health, should learn all it can about them and their ways.

The Great Illusion

Mémoires d'un Révolutionnaire de 1901 à 1941. By Victor Serge. Editions du Seuil, Paris. 406 pages. 550 francs.

Victor Serge's novel "The Case of Comrade Tulayev" which was published in England a few months ago, and which the literary pundits largely ignored, is not only the best novel ever written about the Soviet Union but in many ways the best book. One felt in reading it that here at least was someone who could feel the situation in human terms, who was neither dazzled by paper achievements nor blankly incomprehending in face of bloody chaos. Serge's posthumous memoirs give one the clue to the personal background of experience and reflection which made this remarkable novel possible. As a document of the history of our times, these memoirs

written in Mexico in the darkest days of the war will long remain unsurpassed.

Serge was the child of Russian political émigrés, who grew up among the revolutionary circles of Brussels and Paris. The war of 1914 found him serving a prison sentence for anarchist activities. He was later released, and was in Barcelona at the time of the unsuccessful revolutionary movement of 1917. After a period in a French concentration camp, he was exchanged with the Bolsheviks, together with some other left-wing personalities, in return for the members of the French military mission whom they had detained after the final breach with the Allies. He thus found himself in Russia in January, 1919. Apart from some missions abroad on the Comintern's behalf, notably to Germany, Serge remained in Russia until 1936.

Throughout most of the period he was in opposition to the ruling group within the Party, being closest in tendency to Trotsky. That he survived at all—and his experiences included three years of deportation in central Asia—was due solely to the fact that he was already well known as a French novelist, and that the Soviet rulers did not think it worth while to affront their western sympathisers by his liquidation. It was intercession from the west that finally procured his release and expulsion from the country. Thereafter, his story is a commoner one—the fall of the Spanish Republic and the fall of France. Once again, Serge's fortune (and his readers') held. Unlike so many of his fellow left-wing intellectuals to whom France had provided asylum, he managed to escape again.

In Mexico while writing these memoirs, Serge was thus doubly a survivor—a survivor of the non-Stalinist wing of the Russian revolution nearly all of whom had perished in the holocaust of the 1930's, and a survivor of the older revolutionary movement of Western Europe. For that movement too has come to an end—not only because of its losses at the hands of the Germans (and of the Russians) but because of the check to its own aspirations, and the changing nature of the times. The fact that Communism has, at least for the time being, captured for a totalitarian cause the energies that in Serge's youth went to a multitude of more generous and more human revolts has emptied Europe of opportunity for men of his stamp. Yet the confidence which fills the concluding pages of his memoirs—a confidence which is deeply moving—is not perhaps altogether misplaced.

Serge was perhaps too much the product of his generation to make the radical re-examination of his assumptions which would be necessary to perceive the ultimate flaw in the old revolutionary movement, the failure to see that the union of economic and political power in the same hands is bound to lead to precisely the same results from the human point of view, as the uncontrolled capitalism against which that movement was a protest. When, therefore, Serge argues that the Russian Revolution went off the rails because the wrong choices were deliberately made—because Lenin preferred the

use of force and the suppression of all dissent to fostering democratic potentialities, one may feel that he should have gone on to ask whether this choice was not the inevitable result of thinking along Marxist lines.

But it cannot be denied that the picture that Serge gives of the degeneration of the regime, once it had made this choice, is wholly convincing. Once the Cheka had been set up, it was the Cheka (in its various guises) that determined the course and nature of the revolution, not the revolution that set bounds to the Cheka. The material misery, particularly the forced collectivisation of agriculture, and the extinction of all independent thought were a part of the same process. Nor are great subtleties needed to explain the "purges." All possibility of changing the hated domination of Stalin could only be extinguished by the physical extinction of all possible rival elements—the nearer war came, the more necessary this was. Serge's account of his own experiences should be enough to destroy the notion that there was anything mysterious about the "confessions." The final shock was his discovery that outside Russia the opposition Communist groups were as sectarian, as doctrinaire, and as prone to use personal slander and abuse, rather than argument, as their Stalinist opponents. The notion that things would in their essentials have been very different if Trotsky had won and Stalin lost is thus disproved by the evidence of a man of near-Trotskyist sympathies. It is not Stalin but Lenin, and behind Lenin, Marx himself, to whom one must look for an explanation of all that is most hateful in the Communism of today.

Communism Disguised

La Chine: du Nationalisme au Communisme. By Jean-Jacques Brieux. Editions du Seuil, Paris. 441 pages. 600 francs.

M. Brieux's book has attracted much attention in France; and its size and seriousness entitle it to such a position, at a time when the topicality of events in China is producing a spate of ephemeral literature. But this does not mean that this book is what it purports to be, an objective study of the Chinese Communist revolution and its causes. The reader may at first be tempted to put down the author's patent enthusiasm for Mao Tse-tung and his party to his youth. M. Brieux is only thirty years old now, and began his study of China on the spot five or six years ago. But this impression disappears on closer study, and it is clear that we have one of the most brilliant and subtle pieces of Communist propaganda that has emerged during the cold war period. This propaganda is not in favour merely of the Chinese Communists, it embraces the whole movement which is determined, under the cloak of a concern for social justice, to bring the world under the Russian yoke. If M. Brieux does not get a Stalin "peace" prize for his efforts, there is no justice in the Kremlin.

Nevertheless, there is no reason to dismiss what he has to say. It is one

of the things that differentiates M. Brieux from the vulgar run of Communist propagandists, that so much of what he says is almost certainly justified. It is harder than it need be to differentiate this part of his writing from the rest, because although there is a bibliography (with some significant omissions) there are few precise references in the text. But by and large, there seems little reason to doubt the picture he gives of the progressive degeneration of the Kuomintang regime; and it seems clear that any policy based on the belief that this particular alternative to Communism can still be made viable is doomed to defeat.

It is rather on the positive side, that M. Brieux's assertions can be questioned. For after rightly testing Kuomintang professions by Kuomintang actions, he is quite content to take Communist professions as being the equivalent of Communist actions. Thus, with all Eastern Europe to learn from, he persists in asserting the genuinely multi-party and coalition nature of the Chinese Communist regime. He denies the existence of a Red terror—a thing which would perhaps be harder to do if he were writing today—but keeps up his sleeve the old argument that one cannot make an omelette without breaking eggs. Is it not time someone answered that particular gambit by asking: "Why have an omelette then?" At least, that is what an egg might say.

The historical account of the Kuomintang-Communist split is totally vitiated by a complete acceptance of the dogma of Stalin's infallibility, so that all errors are automatically ascribed to the local leadership and not to faulty directives. When we come to the developments since 1945 and the Communist rise to power, the narrative is rendered even more difficult to follow by a consistent underplaying of the Soviet role, and a complete unwillingness to consider the aims of the Soviet Union in Asia. Indeed on the international scene, M. Brieux's only formula is abuse of the United States—one Chinese student has the misfortune to be raped by two American marines on two widely separated pages of the book—and of all governments ranging from Mr Attlee's to Pandit Nehru's which do not regard the triumph of Communism as essential to the salvation of Asia. To ask whether Mao can go "Titoist" is a tendentious question unworthy of consideration; despite the Peking conference and the setting up of a Far Eastern Bureau of the World Federation of Trade Unions, to talk of a Far Eastern Cominform is to credit wicked legends. This kind of thing becomes so irritating that one is tempted to overlook a lot of interesting and important material on such matters as the land question in China, where M. Brieux is studying something which excites his sympathies but where the cause of Soviet Communism is not directly involved.

Peril from Pooterdom

The Sixth Column. By Peter Fleming. Rupert Hart-Davis. 224 pages. 9s. 6d.

It is an honourable tradition in secret service fiction that the English country

gentleman is more than a match for the continental back room boy. The tweed jacket wins every time over the lounge suit; and the Director of Military Intelligence gets his best ideas on a day's motoring, which starts with "some intellectual kippers with Brailby at All Souls" and ends with a chat about partridges at Antenor Park. Mr Fleming's novel, at times witty and less often exciting, makes one wonder what would happen if Mr Evelyn Waugh were commissioned to re-write *Greenmantle*. Probably the ironic detachment would spoil the vigour of the plot; and the roughness of the adventure would take the polish off the wit. Something like this happens in this tale of how Plan D and the pernicious activities of the Peace Guild were frustrated by Archie Strume, author of *Hackforth of the Commandos*, between lunches with the DMI—of course in one of those clubs overlooking the Park where high policy is discussed with low seriousness.

Mr Fleming is probably right in thinking that The Enemy has a plan for helping along the "current deterioration of the national character with a view to undermining and eventually eliminating British influence in the affairs of the world." His Sixth Column are, but do not call themselves, partisans of peace; their chief fool, Paul Osney, can frequently be heard and seen about town; Glutervov, the premier dramatist of the Soviet Union and Stalin's Hess, might come over to us any day and spoof an audience in an obscure Bayswater theatre. But what a mixture it is: bland social satire jostling with silly little jokes about M.I.5; current affairs comment holding up the action; and an almost suffocating neo-Edwardian atmosphere of gun-dogs and Mayfair flats. A poor novel, but—make no mistake about it—excellent propaganda against the euthanasia of the rentier and the slow collapse of the British people into Pooterdom.

The Levant Service

The Last of the Dragomans. By Sir Andrew Ryan. Geoffrey Bles. 351 pages. 25s.

This book is primarily autobiographical but the events Sir Andrew Ryan describes form an interesting prelude to the situation in the Near and Middle East today. Unhappily some chapters are so badly and irritatingly written that it is difficult for the reader to concentrate on the entertaining information they contain. Sir Andrew was a worthy civil servant of the old school with a grievance which was shared by many other men in the Levant Service: those who achieved some distinction in early middle age found that, because they were not members of the diplomatic service, they could never rise to be the head of an important mission. The injustice of the situation has since been realised and the Levant Service abolished. But as a result many of the most useful and colourful Englishmen serving abroad have disappeared. Today there are in the foreign service too few men and women who can speak Turkish and Arabic, and what is far more impor-

tant, who understand something of the workings of the oriental mind.

Diplomats and petroleum experts would be well advised to make an effort to read this book because much of what Sir Andrew has to say is useful background for those who now have day-to-day relations with Moslems whether in Rabat or Teheran. The account of personalities in Saudi Arabia, too, is accurate and the most outspoken section of the book. The author was bored with the whole business of oil concessions and says so.

Correspondence about oil became one of the curses of my life during my last couple of years at Jeddah. The only mainland scheme which I saw even on the way to fruition before I left was a concession on the Hasa coast. The possibilities here excited the interests of the Standard Oil Company of California, and the Anglo-Persian. Both sent representatives to Jeddah to negotiate. . . . The Saudi Government were in the happy position of having an unknown quantity to sell, and the question for them was which party would pay the largest down for it. . . . Standard Oil won by a narrow margin.

Thus the British-owned Anglo-Iranian Oil Company lost the field which is now producing greater quantities of crude oil than any other in the Middle East.

Sir Reader Bullard has edited these memoirs and omitted certain portions which were critical of men who still hold official positions. This may be wise but it is a pity that he did not also omit the verse that Sir Andrew appeared to enjoy writing but which no one could appreciate reading.

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AMERICAN SURVEY

Atomic Empire

Washington, D.C.

THE Soviet Union must by now have assembled a great mass of information on the extent and productivity of the atomic energy industry in the United States—information obtainable without any of the expensive and time-consuming operations of espionage. The recent public speeches of the five members of the Atomic Energy Commission, the press releases and records of press conferences, and occasional interpretative elaborations by the science correspondents of the more reliable newspapers cannot have failed to make it abundantly clear in Moscow that the United States not only has atomic bombs, and aircraft to deliver them, but that it possesses immense atomic energy installations. These are being expanded on an enormous scale and are continuously turning out for the American stockpile weapons which, if they are ever used, will be fantastically destructive.

The Atomic Energy Commission was established in 1946 under an Act which declared it to be United States policy that

the development and utilisation of atomic energy shall, as far as practicable, be directed toward improving the public welfare, increasing the standard of living, strengthening free competition in private enterprise and promoting world peace.

The bit about strengthening free competition in private industry is of particular interest now, five years after the phrase was devised. In this anti-socialist nation the AEC has become possibly the biggest socialist agency ever devised by any government in any country. Though private firms may in some cases bid for contracts, the system has no more than a nodding acquaintance with free competition. It is a state-owned monopoly, though it could not operate unless some of the biggest business corporations in the country were ready to work for it under contract.

More than 90,000 people are now engaged in America on atomic energy work. A substantial number of them is already housed in three new cities the government owns. The land area now sealed off for atomic energy plants and testing grounds amounts to 2,800 square miles, an area almost as large as the states of Rhode Island and Delaware together. Only two private businesses in America—the United States Steel Corporation and the American Telephone and Telegraph Company—have greater investments in plants and equipment than the AEC; and even their lead may be overtaken before long.

Congress has appropriated altogether something like \$6.5 billion for the commission's work, and the commission has now already spent about \$4.8 billion of this fabulous fortune. Its installations alone have cost \$2.5 billion. It owns the famous plant at Oak Ridge, Tennessee, where uranium 235 is produced, a plant which cost \$500 million to build and is undergoing a \$200 million expansion. It possesses the great plutonium-producing plant at Hanford, Washington, to the original cost of which (\$350 million) is now being added a further \$200 million for enlargement. At Paducah, Kentucky, another \$500 million plant to produce U235 is being built, and work is under way near Aiken,

South Carolina, on a still bigger one, costing \$900 million. Here materials for atomic weapons, hydrogen bombs and nuclear reactors are to be produced. Beyond that there are the nuclear reactor testing station in Idaho, which covers 400,000 acres, huge research centres dotted about the continent from Brookhaven and Schenectady in New York to Los Alamos in New Mexico and Berkeley in California, laboratories and other installations at more than a dozen universities; and all manner of privately operated laboratories and plants.

The size and scope of the AEC's activities is, and long has been, quite staggering; but what it has been doing will probably look quite modest by, say, the summer of 1953. It is calculated that by then production of atomic energy will be consuming something like 2.5 per cent of all the installed electric power in the United States. The present spending plan of the AEC tells the story concisely: in the year ending June 30, 1950, it spent \$550 million; this year it has spent \$850 million; next year it expects to spend \$1,275 million.

Of the 90,000 who are now working on atomic energy in the United States, rather fewer than 5,500 are paid directly by the government. The rest are working for private firms—the 500 or so "prime contractors" and the sub-contractors. All installations are owned by the government; but it is the du Pont Company, which first built and then operated the Hanford plant, which will build and operate the tremendous new plant in South Carolina. It is the Union Carbide and Chemicals Corporation which is producing the U235 at Oak Ridge. The General Electric Company has taken over at the Hanford plutonium plant where the du Pont Company left off. The AEC has contracts with the Monsanto Chemical Company, the Dow Chemical Company, the Mallinckrodt Chemical Works, the Westinghouse Electric Corporation, the Western Electric Company, the Standard Oil Development Company and other leading industrial concerns. And all of the AEC's big laboratories, except the one at Oak Ridge, are operated for it by universities or groups of universities. Dr Henry D. Smyth, who is the scientist of the five-man commission, recently observed that

such co-operation in a vast and largely unexplored field is new in the history of our country.

The Commissioners do not conceal and do not apologise for the fact that about four-fifths of the AEC's work is now dedicated to the provision of weapons; and there is no reason why they should. For apart altogether from any consideration of the American atomic energy programme as a deterrent to war—Mr Churchill, among others, regards

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

the American stockpile of atomic bombs as the keystone of the present semi-peace—the McMahon Act of 1946 makes everything the commission does subject to "the paramount objective of assuring the common defence and security."

The details of the results so far achieved in the military sphere are well hidden behind the security curtain. It is a curtain which seems sometimes to irritate even the members of the commission, who know at least as well as anybody else that progress in the still-uncharted regions would be very much greater if a free exchange of information among the world's nuclear physicists and atomic energy technicians were possible. Nevertheless, the AEC has done enough and said enough to make it plain that there is an immediate prospect not only of atomic bombs of much greater destructiveness than the two which killed well over 150,000 people in Hiroshima and Nagasaki, but also of atomic artillery shells and guided missiles, the use of which against enemy troops might have consequences that no military commander in the field has yet had to deal with.

The most recent tests at the Eniwetok Atoll (in which nearly 9,000 men were engaged) "included experiments contributing to thermonuclear weapons research"; but the question whether a means of exploding a hydrogen bomb 1,000 times as powerful as the Hiroshima bomb has yet been discovered remains, even for the science writers, a matter for cloudy speculation.

There is left the 20 per cent of the programme which is devoted to the products and by-products of atomic energy which have a peacetime application. It is by no means an inconsiderable segment of the work in progress. The doctors and the industrial chemists, provided with radio-isotopes on an increasingly generous scale, already know enough to realise that a tool with wonderful possibilities has been put into their hands. What will come of the two experimental atomic engines that are being devised for naval use and of the less advanced atomic aeroplane engine nobody can yet tell. The experimental breeder reactor, designed to produce more fissionable material than it consumes, could conceivably point the way to a new age of atomic power.

The AEC has been notably reluctant to promise any such development. But it agreed at the beginning of this year to allow approved industrial research workers to study its operating reactors; and last week a special advisory committee—whose chairman, Mr Philip Sporn, of the American Gas and Electric Company, has hitherto been as cautious as anybody—reported that serious attention should now be given by the electrical industry to certain "robust" possibilities in this field. In the new atomic dawn the outlines are still uncertain and indistinct; but they seem likely soon to be much more clearly visible. And this probability is one of the direct and ironic outcomes of the behaviour of the Russians, which has spurred the Americans to spend so much more money and to work so much more intensively on the atom than would have been possible if there had been nothing but peace in sight.

Steak Statistics

[FROM A CORRESPONDENT IN WASHINGTON]

THE American consumer is painfully aware that prices have spiralled upwards since Korea, even though the pain has recently been alleviated a little, but it is the rise in the price of food that hurts the most. It does little good to remind the brave little woman, as she pushes her basket-on-wheels around the supermarket, that the food items tabulated in the

consumers' price index rose by only 11.4 per cent between June, 1950, and March, 1951, while clothing rose by 10 per cent and house furnishings by 14 per cent, or to assure her that people whose earnings have kept up with the average can buy with 19 per cent of their disposable income the same list of groceries that would have taken 23 per cent of their income in 1935-39. She has seen the little tickets with today's prices on them, and the little ticket on beef-steak, putting it at somewhere around \$1.20 (8s. 7d.) a pound, is one of the most unforgettable.

Mr DiSalle, the price stabiliser, in one of his early appearances before Congress, was asked by Senator Benton how, in the face of current apathy about the nation's danger, he expected to make price controls work. To this the imper-turbable Mr DiSalle replied:

Senator, if you think there is current apathy, I must make arrangements for you to see my wife. Faced with many brave little women, equipped with votes and able to use them in November, 1952, many Congressmen are for price controls irrespective of their economic merits.

But the non-urban Congressman finds it more difficult to make up his mind, for in sharp opposition to the brave little woman stands the most persuasive and pervading of American pressure groups, the farm bloc. The Farmers' Union, representing the marginal farmer more than the commercial producer, has followed the trade unions' example, putting the interests of its members as consumers first and supporting price controls. But the American Farm Bureau Federation and the National Grange, representing the minority of farm people who produce the vast majority of farm products, have always opposed the price controls embodied in the Defence Production Act which is now being debated in Congress. Mr Allan Kline, head of the Federation, advocates a programme for checking inflation while leaving prices free, but it is one of fiscal and monetary restraints that appeals to orthodox economists much more than to politicians.

*

The argument has crystallised around that most desirable and most expensive of all farm products, beef. Mr DiSalle has already ordered a reduction of 10 per cent in the prices paid for beef cattle, and an additional 4½ per cent is due to come off in August and again in October. The order has brought anguished howls and a barrage of statistics from cattlemen. The president of the Iowa Farm Bureau Federation, himself a well-known cattle feeder, testified before the House Committee on Agriculture that on March 1st of this year he bought some 500-lb. calves at \$36 a hundredweight. By November 1st he expects to have "fed them out" to about 1,000 lb., using 51 bushels of maize at \$1.60 a bushel, 200 lb. of protein at \$80 a ton, and \$30 worth of hay and brome-grass pasture; he calculated that he must allow another \$30 for each animal for transport, labour and incidental costs. That adds up to \$329.60 invested in each steer when ready to sell. But after August 1st meat packers will only be able to pay \$33.20 a hundredweight for cattle of this grade under Mr DiSalle's price ceilings. The witness pointed out:

That leaves me to make 24 cents per hundred pounds . . . and I certainly do not make a habit of taking the risk involved in feeding out a \$329.60 steer for \$2.40.

The Secretary of Agriculture, sitting on the fence between his loyalties to the Administration and to the farmers, answered that after the initial dislocation prices should soon readjust themselves so as to provide reasonable incentives for cattle feeding, but that during the coming months cattle marketings and production would have to be closely watched to make sure that they did in fact settle down again. The

immediate effect of the first price reduction was a sharp curtailment of cattle slaughtering, but already steers are once more moving to the stockyards in normal numbers. Congress, however, is at the time of writing well on the way to insure against another beef famine by forbidding the further reductions in beef prices that Mr DiSalle proposes, and that he thinks can keep steak on the consumers' plates without either the black markets or the rationing that the cattlemen prophesy. To the Farm Bureau, the controversy over beef prices smells of red herring; it fears that farmers may be induced, by the reversal of this particularly unwelcome, but only limited, attempt at price reduction, to abandon what it believes ought to be an opposition to price controls in general.

Meanwhile, the non-political economists have dug up some longer-term statistics which make it seem probable that politicians will be thinking about steaks for some time to come, whatever happens to the Defence Production Act this week. In 1950 the per capita consumption of red meat in the United States was up by nearly 15 per cent, or 20 lb., over the 1935-39 average. The higher incomes of the post-war period would seem to provide the explanation for, according to a Department of Agriculture study in 1948, families with incomes over \$3,000 consumed a fourth more meat per person than those with incomes of \$2,000 or less.

But while demand for steak has been rising in this way, beef and veal production has been increasing only at about the same rate as the population. There are an estimated 46.5 million head of beef cattle on farms this year as compared with 43 million last year, and a 1935-39 average of 31.4 million. And since it takes three years, from breeding to finishing, to put a steer on the market, any further increase can be only gradual. The rise in beef prices has reflected the competition that takes place when more people, with more money, want more steaks. That competition, moreover, is likely to quicken from now on. By the last quarter of this year, more people will be working for more hours and, since there will be fewer manufactured goods on which to spend the money they bring home at the end of the week, more of it will be likely to go for food.

American Notes

Losing Battle for Controls

Something like a miracle will be needed if the Senate and the House, which only got down in earnest on Wednesday to the task of extending economic controls, are able to pass an agreed new version before the Defence Production Act expires on June 30th. The Administration leaders, who have been fighting for action, may, after a glance at the Bills drawn up by committees in both Houses, be satisfied if Providence fails to intervene, and if they get instead a temporary extension of the present Act. The tide of consumers' protests which the President hoped to set moving has failed to materialise and, alarmed by the piling up of inventories and bombarded by special interest groups, Congress seems determined not only to refuse any new powers to the President, but also to scuttle those he now possesses.

The House and Senate Bills differ in details, but both would prohibit the two cuts in the price of beef scheduled to take place in August and October. The Senate, on the ground that anything which interferes with production is inflationary, would, in addition, prevent Mr DiSalle, the price administrator, from ordering similar "roll-backs" in the price of clothing, machinery, and other articles, which would bring the saving to consumers to \$2.5 billion a year. Businessmen who raised their prices just before the January

freeze would be in clover, and price control, if it survived this crippling, would become a matter of levelling up, rather than levelling down. The strong trade unions, which have adopted the slogan "No meat control, no wage control," could not be left behind.

Where it is their own ox which is gored, however, the unions are on the other side of the fence; their complaints against the restrictions on consumer credit, joined with those of small businessmen, persuaded the Senate Committee to write into the law a provision that would prevent the Federal Reserve Board from reducing the maximum period of instalment credit for cars (which is now 15 months) below 18 months. The House body went further and extended similar reliefs to sellers of television sets, home appliances, and furniture. Rent controls fared a little better; the Administration will be able to reconquer areas where defence production causes the demand for housing to outstrip the supply. But the Senate turned thumbs down on all requests for new powers, and the few approved in committee in the House are not expected to survive the attacks of the conservative Democrats and Republicans on the floor. The President asked for a two years' extension, to 1953, when it is expected that the inflationary pressure of the rearmament drive will be eased; eight months is proposed in the Senate and a year in the House. The Administration must take what comfort it can from the passage, in the House, of a \$7.2 billion tax Bill, which, if it is not sharply reduced in the Senate, will bring tax increases since Korea to \$17 billion. But even such a staggering sum will leave an estimated deficit, next year, of \$8 billion.

* * *

Psychological Warrior

The war of ideas is at last given the recognition and leadership it merits by the creation of a top-level Psychological Strategy Board and the appointment of Mr Gordon Gray as its first director. Mr Gray, now president of the University of North Carolina, will be able to give only two or three days a week to his new job, and the members of the board, the Under-Secretary of State, the Deputy Secretary of Defence, and the Director of the Central Intelligence Agency, are equally busy and important men. But for that very reason the board should have unrivalled authority; it is responsible directly to the National Security Board, and will be able to call upon the resources of all agencies and departments. Its task is to draw up new policies and programmes and evaluate existing ones for the guidance of all those concerned in open and secret psychological warfare.

The forces engaged in the war of ideas have flourished like the green bay tree since the outbreak of the Korean war but, with no more co-ordination than was provided by a rather ineffective State Department board, working at cross purposes and duplication of effort have increased quite as rapidly. The Department of Defence, coming back into the picture with remobilisation, has been very unwilling to accept the guidance of the State Department, and has agitated for an independent board.

Mr Gray's job, however, is not merely to see that the State Department and Defence Department do not rake each others' lines, instead of the enemy's, but to inject some much-needed imagination, flexibility, and energy into the conduct of the struggle for men's minds. For example, critics of the Voice of America, the long radio arm of the information services, are inclined to blame some of India's bitterness over the wheat loan to its projection of America as a country of unlimited wealth. Others protest it has little to offer to listeners overseas beyond visions of plumpness and cars, and a concept of democracy which has hardly any meaning for those living on the verge of starvation. There is a substantial amount of support for the view that propaganda, to be effective, must be freed from the caution of the diplomats.

This the State Department contests, on the ground that the United States must not seem to be speaking with two voices. Conceivably, with Mr Gray to supervise both scripts, this argument might lose some of its force. But at present there is no suggestion that the State Department is to lose control of the Voice of America.

* * *

An Eccles for a Transamerica

Mr Marriner Eccles, who is leaving Washington after 17 years at the Federal Reserve Board, deserves the title of "Last of the New Dealers" better than some to whom it has been awarded. He was largely responsible for the banking reorganisation which in 1935 centralised the open market buying and selling of government securities in Washington and thus increased the FRB's power to regulate credit, one of the New Deal's methods of pouring money into a parched economy. But Mr Eccles, more consistent than some of his colleagues, has always insisted that deficit spending in depression must be accompanied by surplus saving in prosperity, and as a result he has been an outspoken critic of many of the administration's postwar proposals for public works, easy mortgages, farm price supports and so on. In particular he has condemned the government's financial policy, which from 1940 until this spring made the FRB's hard-won right to control inflation through bank credit the prisoner of the Treasury's insistence on cheap servicing for the national debt.

In March Mr Eccles was vindicated, on this point at least, by the restoration of the FRB's power to follow a flexible open market policy and this may be why he now at last feels free to retire from government service. He has also just had another success: an FRB examiner, after nearly three years of inquiry, has asked the board to find his old enemy, the Transamerica Corporation, guilty of violating the anti-

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Oil for the Wheels of America

The petrol price war that has been raging up and down the east coast of America is evidence of maladjustments in refining operations rather than of a general redundancy

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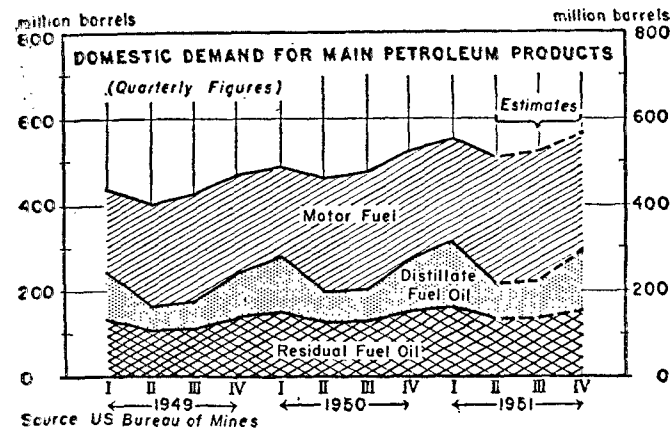
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of petroleum. There is plenty of petrol for America's cars at present, but by next winter there is likely to be a shortage of distillate fuel oil for heating America's homes and of heavy residual fuel oil for the wheels of industry. The price controllers have permitted increases of about 15 per cent in the prices of heavy oils, in the hope of encouraging industrial consumers to return to coal (the only basic commodity of which the country has too much today) before fuel oil supplies feel the combined strain of the cold weather and the full defence effort.

Even without the latter, America's appetite for petroleum, growing every year since 1938, has become almost insatiable since Korea. The country is now consuming over 7,000,000 barrels of petroleum a day, with total demand for 1951 estimated at 2,640 million barrels; in the first quarter of this year it was 14 per cent above the comparable period of 1950. Refineries are running all out and plans to increase their capacity by one-seventh, to 8,000,000 barrels a day, are being encouraged by tax concessions. To keep the refineries supplied with crude petroleum, steel is being allocated for equipment sufficient to allow 43,400 new wells to be drilled this year. Even so the United States, now getting 1,000,000 barrels a day from abroad, expects to go on being a net importer of petroleum as it has been since 1948.



Perhaps in order to leave the oil companies more time to devote to this expansion, the Department of Justice has abandoned its eleven-year-old "Mother Hubbard" anti-trust suit and is dealing with the various firms separately instead of in one overall prosecution. And there is little doubt that the Congressional tax-drafters will put the interests of the oil producers before those of the Treasury and refuse to reduce their present depletion allowances of 27½ per cent on gross income. But not even strategic necessity is a sufficiently strong argument to break the deadlock which is preventing the further development of the valuable reserves of petroleum under the Gulf of Mexico and the other coastal waters. A year ago the Supreme Court ruled that the federal government had "paramount rights" to these so-called tidelands, which are in fact the off-shore areas beyond the tidal mark. Since then the southerners and states' righters in Congress, a group which on this occasion includes many of the Administration's leading supporters, have been trying to push through legislation which would restore to the state governments their old powers to grant oil leases for the land under the sea. A Presidential veto for such legislation is as certain as is a Congressional refusal of similar powers to the federal government.

Election Clean-up

The conviction of Mr Jon Jonkel on charges of violating the election law of Maryland is a reminder that no report has yet been made public by the subcommittee which four

months ago opened hearings on the real issue in this notorious campaign: the tactics used by Mr Jonkel's Republican employer, Senator Butler, to unseat Senator Tydings. Mr Jonkel, a public relations expert, was imported from Chicago to sell Mr Butler to voters who had hardly heard of him; the trick was brought off by the distribution of scurrilous pamphlets and pictures, one of the latter a composite photograph ostensibly showing Senator Tydings chatting with Mr Earl Browder, one-time leader of the Communist Party. Mr Jonkel's conviction, however, was on the grounds of financial irregularity, something all too often winked at and usually impossible to prove, because of the weakness of the Corrupt Practices Acts, and the fact that ceilings on expenditure dating from 1925, are so unrealistic as to be unenforceable.

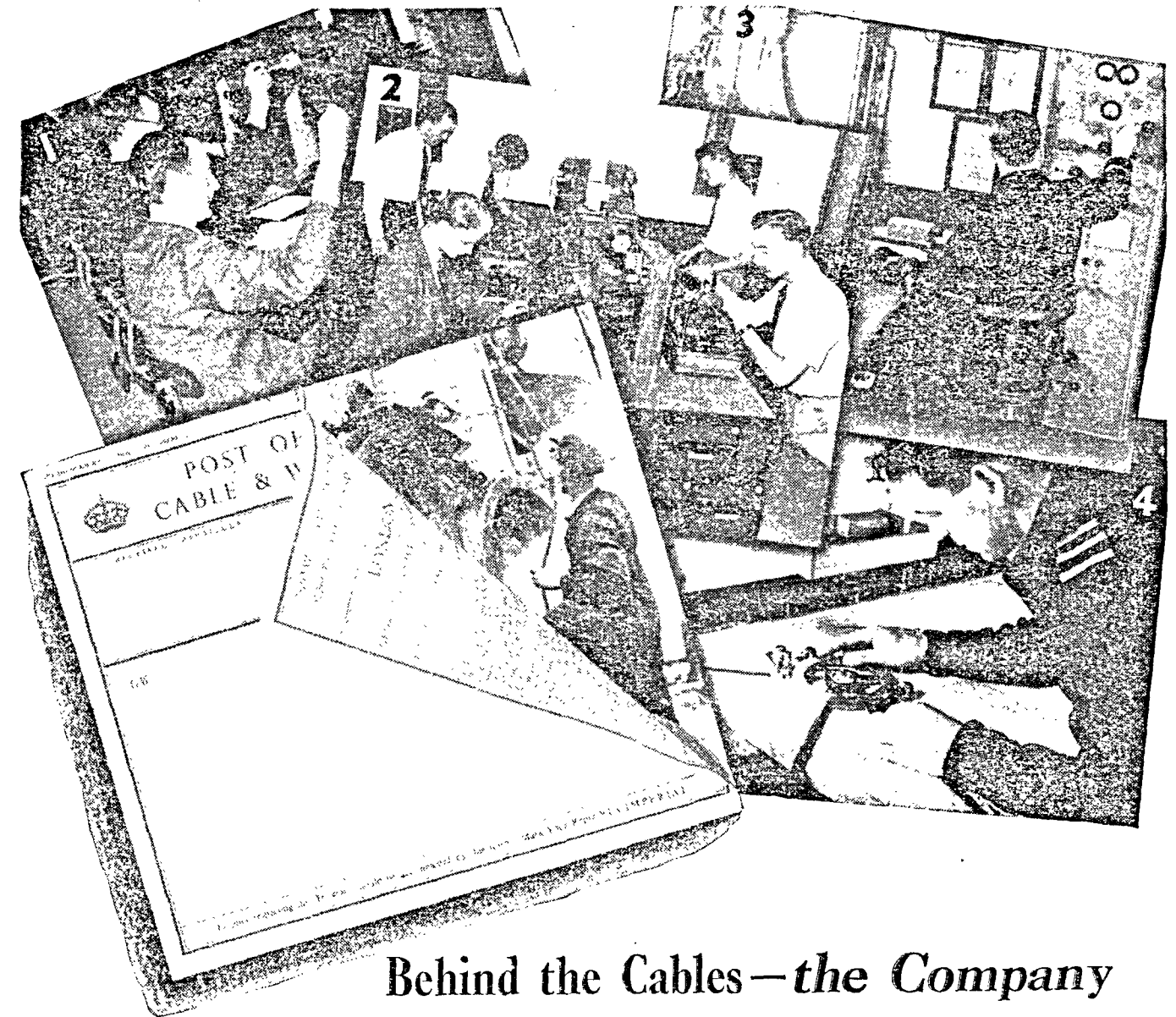
Senator Butler himself was absolved by the grand jury of any violations and held not to be responsible for the acts of his agent. Only the Senate can call him to an accounting, and with him Senator McCarthy who, the hearings showed, helped to prepare his campaign material and was determined to be revenged on Mr Tydings for his investigation of the McCarthy allegations against the State Department. It is not believed that Senator Butler is in danger of losing his seat, whatever hard things may be said. But so shocking a case should stimulate Senators, who may themselves suffer Senator Tydings' fate, to take long overdue steps to make every candidate responsible for expenditures and tactics undertaken on his behalf. In the Ohio campaign in 1950, which the Rules Committee will investigate next, the most deplorable campaign material was circulated against Senator Taft. His Democratic opponent, on the other hand, accuses the Taft forces of having received recorded contributions of over \$2 million. The ceiling on a Senator's own spending is \$25,000, plus substantial exemptions, but there is no limit on what may be spent for him by others. In a recent case, Representative Irving, a Democrat from the President's home State, was found guilty of using his campaign funds of the trade union of which he was the head—a violation both of the Corrupt Practices Act and the Taft-Hartley Act.

Some months ago the Campaign Expenditures Committee of the House recommended that the ceilings on election spending be eliminated altogether, or greatly raised. It would substitute for them the control of public opinion, made effective by adequate reporting and examination of expenditures. In particular, it urged that any group which collects or spends money for a candidate be required to receive his written authorisation—something which would place the responsibility for excessive spending or dishonest campaigning where it belongs.

Shorter Notes

The maritime strike which tied up shipping on both coasts for over a week ended in a victory for the unions. The National Maritime Union won a 40-hour, instead of a 48-hour, working week at sea, which will come into effect on December 15th. Until that date the seamen will work a 44-hour week. This was a major triumph, but other demands granted were an 8 per cent wage increase, longer vacations, an adjustment of inequities by a joint committee, and an increase in subsistence and lodging pay. It is a two-year contract, but has yet to be approved by the Wage Stabilisation Board.

Congress has passed a Bill which, when signed by President Truman, will extend the Displaced Persons Act to the end of the year. This will not admit any more refugees to the United States but will allow time to complete work on some 45,000 visas already authorised; they have been held up by the lengthy clearance procedure.



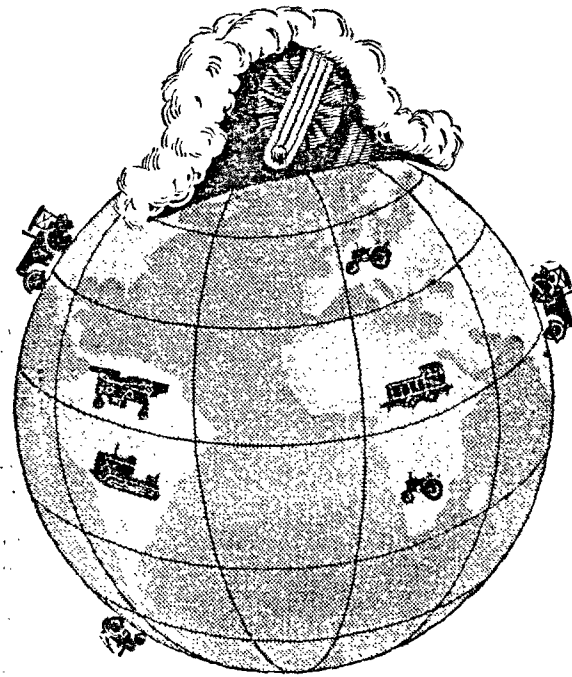
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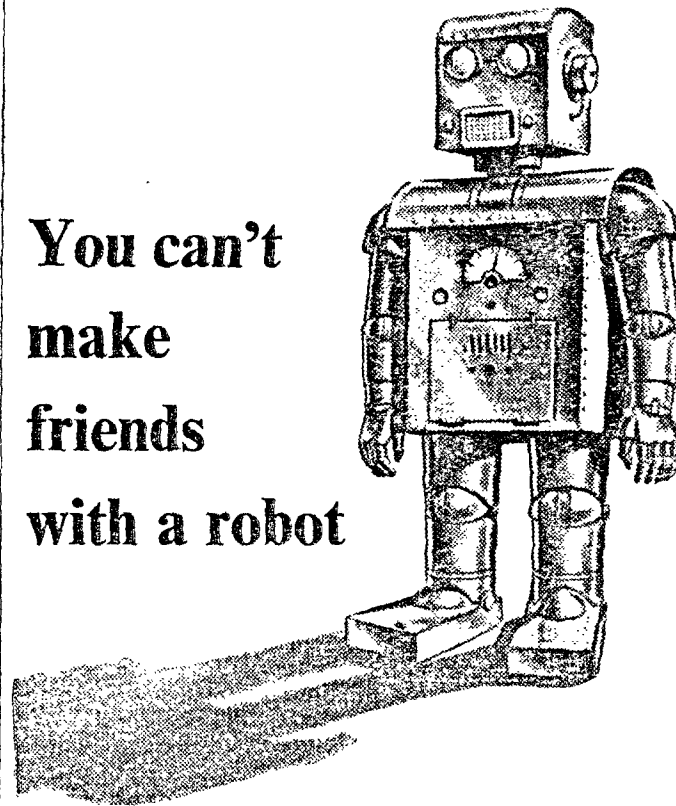
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THE WORLD OVERSEAS

Can Persia Refine?

(By Our Special Correspondent Lately in Persia)

THE surest way of touching a Persian on the raw is to suggest to him that running an oil industry is more complicated than he thinks. A nation that has been great in the past has confidence in its capacity to do any job, however technical. Hence the arrogance with which representatives of the Persian Government and Oil Liquidation Commission are imposing an almost intolerable strain on the British staff still in Persia, without thought of how much it is to Persia's advantage that these highly trained technicians should be induced to stay and keep a great machine in gear.

For it is quite certain that the Persians cannot, unaided, operate the whole of the complex industrial unit that they have grabbed. Even the present Government admits this fact implicitly, in its current advertisements for oil technicians in French and German newspapers. At the recent World Petroleum Conference at The Hague, too, Persian representatives were looking for foreign reinforcements to senior staff. Yet some parts of the refinery might possibly be kept going, for the Persians are not entirely without local technicians. Figures for Persian employment in the Abadan office and refinery are:—staff, 3,258, labour, 25,772. Not all "staff" are, of course, technicians. But light from Persian sources is thrown on the proportion of the above numbers that possess this specialist qualification in a memorandum prepared in February-March by the Iranian Oil Company (which was then the body responsible for all oil development in Persia apart from that covered by the Anglo-Iranian's regional concession). This memorandum, prepared in reply to some questions by Dr Mossadegh, contained the following statements:

The number of Iranian engineers is not exactly known, but according to a list prepared there are about 30 Iranian engineers educated in different lines of the oil industry. In any case the number does not exceed 100 altogether, both inside and outside Iran. . . . At present about a thousand specialists are working for the (British) company, so that the total number of Iranian oil specialists does not exceed about 10 per cent of the actual requirements. . . . Oil refining will be much more difficult than oil extraction, for the former will require four times as many personnel as are needed for the latter. Moreover, the diversity of refining operations requires experts in different technical spheres, the selection and engagement of whom will be a very great problem.

In March, therefore, some Persians were still alive to their own limitations. But after the murder of Prime Minister Razmara, who had called for this memorandum, it was withdrawn by its authors, either because they feared a bullet or because they disliked the sensation of swimming against the tide of popular opinion.

The problem before such Persians as are available is not so much whether they can work bits of the refinery—which they can surely do—as whether they can synchronise the parts that they operate. The delicate network of pumps and mixtures that goes to make a refinery depends on synchronisation for its safety. Persians are notoriously unable to trust fellow-Persians and therefore to work together. They say hat: "If companions were to be trusted, Allah would have had a companion." What is doubtful is whether, under management that is both Persian and only partially expert, any one operator will trust another sufficiently to

obey orders. The anti-sabotage law now laid before the Majlis by Dr Mossadegh (though clearly designed chiefly to brand the British as the saboteurs responsible for any accidents) will—as a by-product—increase the Persian tendency to avoid taking responsibility. The outlook for keeping the refinery in smooth operation is not good.

Nevertheless the Liquidation Commission, through the mouth of its extremist rapporteur Hussain Makki, claims that though production may fall to a rate of 8,000,000 tons annually (the present rate is 32 million) "we shall still be making more money than we are making now." Superficially, his calculation looks impressive. The Anglo-Iranian at present pays more than half its profits in tax to the British exchequer. If the Persians were to draw the whole profits from a plant working at quarter strength, they might earn a sum comparable to that which they at present receive in royalties. But the calculation leaves right out of account the other benefits which accrue to the Persian exchequer from the higher rate of production. Notably, it forgets the factor of employment. A reduction to quarter the present rate would throw great numbers of the staff and labour force out of work. Social consequences apart, this unemployment would cause a heavy net loss to the Treasury; in 1949, the tax paid to it by company employees (including Persian contractors engaged by the company for constructional work, who, in Abadan alone, earned £4,000,000 in 1949 and over £3,000,000 in 1950) amounted to 15 per cent of Persia's national revenue other than revenue from oil. To this loss of revenue must be added the unemployment pay which will be necessary if workers are turned off at short notice.

High Cost of Maintenance

There are other financial liabilities which may well not have entered into Mr Makki's calculations. Obviously, if the Persians are working with impounded plant, ordinary problems of cost-of-production will not at once arise. (In normal circumstances, refining costs rise rapidly in the event of dropping capacity). The Persians will also for a time be unaffected by the fact that, in the refining industry, capital charges are extremely high in relation to the processing costs. But they are likely rapidly to feel the pinch created by the high cost and slow speed of repair and of the maintenance that is constantly necessary; these costs are much higher in Middle Eastern refineries than in those which lie closer to manufacturers of petroleum equipment and to reservoirs of skilled labour. The site-cost element of construction or repair is now, for the same operation, at least 100 per cent higher in the Middle East than in Europe.

It follows that even the part of the refinery process that depends entirely on performance inside Persia raises problems—technical and financial—that few Persians envisage. These problems increase as soon as the question of refining for a few outside markets is approached. Every crude oil has a "natural" yield of products into which it breaks down when it is refined. Refining costs are lowest when market requirements most closely correspond to the natural yield. The economic yield for an average Middle Eastern crude is, for every 100 tons of motor spirit produced, up to 50 tons of kerosene and between 250 and 300 tons of gas diesel and fuel oil. Costs rise rapidly if this yield has to be tailored

to meet market needs—for instance, to increase the yield of motor spirit above the natural yield by 50 per cent can easily double the cost of refining the crude oil. Though world markets in the aggregate are fairly closely in balance with the "natural" yield, a seller to a few individual markets may find himself left with a glut of one product on his hands, or else saddled with costly refining complications. Apart from the question of tankers, the Persians have set themselves some refining and selling problems that few experienced oil men would care to have to tackle. More and more is it apparent to any but Persians that, if they must seize something to satisfy their nationalism, their sensible course would have been to impound the wells only and to keep in being—at least for the present—the foreign refinery that was both a convenient and a sure market for their oil.

General de Gaulle's Prescription

[FROM OUR PARIS CORRESPONDENT]

GENERAL DE GAULLE has declared that the *Rassemblement du Peuple Français*, a body of men who have undertaken in writing to act together as a group in the National Assembly, will withhold its votes from the investiture of any *président du conseil* emanating from a coalition of "the parties." The General's position is that the RPF, France's largest party in the Assembly, should lead all elements that are willing to help govern the country. However, as it was certain, said the General, that the parties would attempt (and fail) to govern on their own, the RPF would stand by propounding constructive policies, until either the parties gave up their hopeless quest or the people demanded their removal. "The parties prefer to govern without us: we shall not prevent them by force," said General de Gaulle. In this manner the field is left open to some 390 politicians of the middle to begin the consultations and bargaining that normally attend the making of a Fourth Republican coalition. For the moment at least France is sticking firmly to its own brand of democracy, eschewing authoritarian republicanism and all other unknown devils.

However, de Gaulle's own theories on the remedy for French weakness deserve consideration apart from the immediate political scene. For, while the party politicians offer no real criticism of the institutions revived or created in 1946, de Gaulle at least attacks the problem at its root. Whatever his defects as a national leader—and an archaic style is not the least of them—he has much of value to say on the fate of French republics. It was at Bayeux in 1946 that the General most clearly described what he had in mind in regard to constitutional reform. At the time when the constitutional committee was struggling with contending drafts of the new Republic, de Gaulle emerged from his retirement in Marly forest and delivered an oration which caused almost a panic among politicians of the Left. The General said:

Certainly it is of the essence of democracy that opinions should be expressed and that, by the suffrage, they should orientate public affairs and legislation. But all principles and all experience have shown that the powers—legislative, executive, judicial—should be clearly separated and firmly balanced and that, above all political contingencies, there must be a national arbitration which assures continuity throughout diversity (*au milieu des combinaisons*).

General de Gaulle went on to outline his own constitution for France: a national assembly to vote the laws and the budget; a senate, differently elected and differently composed, to act as a check on the assembly—this second house to act as "the administrative factor, which a purely political house has a natural tendency to neglect." Then came the thunder-clap. "It is obvious," pursued the General, "that the executive power cannot be derived from a parliament of

two legislative chambers. For were it so, there would result a confusion of authority that would render the government nothing but a jumble of delegations." There should therefore be a Head of State who was above the parties and was elected by a college far larger than parliament. The President, who would also be President of the French Union, would have the following executive powers: he would, "avec l'orientation qui se dégage du parlement," nominate ministers, including the prime minister, who would "direct the policy and work of the government." The President of the Republic would serve as arbiter at cabinet meetings; in troubled times he would initiate a referendum to the electorate, and in case of national danger would be "the guarantor of national independence and of the treaties to which France was a party."

De Gaulle later criticised the draft constitution of the Fourth Republic in that it made no mention either of "government" or of "executive power," referring only to the cabinet (*conseil des ministres*). "The Prime Minister," he complained, "although theoretically chosen by the President of the Republic, cannot, according to the draft, form a cabinet without his being invested by the Assembly. In these conditions his nomination by the President of the Republic can only be a formality—unless, that is, the Head of the State is willing to run the outrageous risk of being contradicted by the Assembly. So, in fact, the prime minister emanates from the Assembly and we are brought back to the fact that it is the Assembly that governs." This is certainly a fair enough description of the workings of the last legislature.

It has never been quite clear whether de Gaulle wishes to place effective power with the President or with the Prime Minister. The concept of federation demands that government should be executed independently of particular assemblies, and there is no doubt that de Gaulle envisages a presidential sweep of authority over the whole of the French Union. But to advocate the removal of executive power from the Palais Bourbon in the mid-twentieth century, where it has already lain for eighty years, is a bold step. On the other hand, the strengthening of the prime minister as leader of the government can hardly be done by a constitution; only a simplified and more loyal party-system could create a stronger cabinet and give France a modern parliamentary democracy. General de Gaulle seems, however, wholly to reject this type of evolution, preferring a strong President of the Republic who will, in various ways, guarantee the efficacy of the government against its worse self. As at the constitution of the Second Republic, the theory persists among authoritarian Frenchmen that assemblies are always suspect; and that a strong minority must therefore not exercise direct control over the executive. The nation, on the other hand, remains, in Lamartine's phrase, "as incorruptible as the ocean"; so it is the nation which must be consulted by referendum in time of crisis. Obviously Rousseau has a large hand in all this.

Napoleonic Memories

The hey-day of the presidential system was, surely, the Second Empire during which Louis Napoleon, having, by a neat *coup d'état*, transformed himself from President of the Second Republic to Emperor of the French *tout court*, managed to dominate a political chaos of Republicanism, Papism, Socialism, Communism, Orleanism, Legitimism (not to mention Parisian journalism), and so give the country eighteen years of prosperity. But it is now a far cry from the gay days of the "Prince-President" with their political ebullience and huge economic expansion. Somebody has said that the French are passionately interested in politics but not in their results. This was true enough of the mid-nineteenth century when France was still in revolutionary and Napoleonic vein. Then, perhaps, the prime need was for order from the centre, to be imposed externally by presidents and prefects. Now one might rather say that the

country is tired of politics but anxious for their results. It is this circumstance which makes the parties, with their tenaciously held verbal theories, obsolete. For the prime need now is for a common, minimal national programme. If the Socialists, MRP, Radicals and Independents were to establish one, they would undoubtedly lose much of their philosophical identity and, in the course of time, the number of parties would be reduced. The way would then be paved for a stronger executive. The presidential solution, it can be argued, is more practical because more in keeping with the national temperament. The problem then would be to find a president who could use the constitution in a progressive spirit and not merely cherish it as a thing of beauty and a joy for ever. In either case the nation might break out of the present paralysis.

Belgian Mines and the Schuman Plan

[FROM OUR BELGIAN CORRESPONDENT]

THE coal industry is, together with agriculture, one of the weak points of the Belgian economy, and therefore one of the chief obstacles to a complete freeing of the international movement of goods between Belgium and other countries. In the postwar years the difficulties of the coal industry led to a system of compensation and official subsidies which reached BF 2 milliards on a yearly basis in September, 1949. This regime of generalised subsidies and compensation was abolished in October, 1949, by M. Duveusart, then Minister of Economic Affairs, and replaced by gradually falling subsidies to selected mines. More opportunities for the financing of investment were also provided.

Public interest over the future of the coal industry has been revived by the discussions over the Schuman Plan. These have led to the publication of several pamphlets by opponents and supporters of the present organisation of the industry. In April, for instance, Mr van Offelen, an economist and lecturer at the "Université Coloniale" at Antwerp, published a booklet in which he argued that the stability of the Belgian franc was not endangered by the high level of wages but by the high price of coal. In May the *Fédération des Associations Charbonnières de Belgique* published a pamphlet which contended that the most pressing problem in Belgium was one of quantity, i.e. to supply industry with the coal it must have even at a high price.

All these discussions refer to the Robinson Report which was the result of a tour of 48 Belgian coal mines made in January, 1950, by an American ECA expert. This report was kept strictly confidential, but some weeks ago parts of it leaked out in several Belgian and foreign newspapers. These leakages, however, came from the first version of the

report; Mr Robinson in fact produced a new version at the beginning of this year, in which he eliminated some errors and amended some of his interpretations.

The main criticisms in the report refer to the great amount of manpower employed at the surface of the Belgian mines, and to the insufficient mechanisation of extraction and especially of transport inside the mines. According to the report, the labour force employed in the mines could be reduced by several tens of thousands of workers without affecting total production. It points out that better organisation might make it possible to reduce the cost of production per ton from \$14 where it stands at present, to \$11 and even to \$9 in some special cases. These figures, however, are not the result of a detailed study of the whole industry but of a rather rapid generalisation on some particular cases. After examining one particular coal mine, the report reached the conclusion that through mechanisation and centralisation the labour cost per ton of coal could be reduced from BF 472, as at present, to BF 232.

Belgian coal circles have found several inaccuracies in the report, which seems to have been drawn up a little hastily. It has been pointed out that the particular colliery selected for estimating the possibility of cost reduction is a rather backward mine which was just then facing special difficulties and which has recently had to be merged with a neighbouring mine. Moreover, when answering the questions put by Mr Robinson during his tour, the Belgians were anxious to emphasise the deficiencies in the present organisation of the coal industry, in the hope that his report might lead to some ECA help. Now Mr Robinson has been given a chance to put his ideas into practice, as he has agreed to organise the working of a coal mine in the Liège area.

The attitude of the Belgian coal industry towards the Schuman Plan is based first on the appalling discrepancy between the costs of production in Belgium and neighbouring countries, which is illustrated by the following figures:—

	Belgium	Germany	Netherlands	France	Great Britain
Productivity per man-shift (end 1950)	720	1,080	1,430	820	1,240
Wages + social contributions (April, 1951)	323	223	227	255	279
Internal price of coal: coking fines (April, 1951)	710	445	580	590	330

The low productivity per man can be attributed largely to the physical nature of the Belgian coal deposits; the seams are narrower, deeper, more irregular, and more affected by fire-damp, than in other countries. The insufficient modernisation could be explained by the relatively low prices fixed for coal and the absence of foreign financial help for the collieries. On the other hand coalminers' wages are very high compared with those in other countries and with

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other trades. That is why the Belgian delegates to the Schuman Plan discussions insisted first on the equalisation of wages and social benefits among members of the pool. Their suggestions have been resisted because everyone knows that they would be difficult to carry out without imposing a general rise in prices throughout the whole of industry in some of the member countries. The Belgian coal industry still does not feel that the various schemes proposed in Paris to compensate these inequalities are completely satisfactory, especially where they refer to the situation after the five-year transition period.

The second main objection to entering the Schuman pool is the threat of a reduction in production and of the rapid closing down of a great many marginal mines. The news that the plan would imply a 5,000,000 tons cut in the total productive capacity of around 30 million tons has aroused much anxiety, which was reflected even in the market quotations of coal shares. Belgian industrialists are pressing the Government to make sure that a minimum productive capacity of 25 to 30 million tons is assured, even at the cost of official subsidies. Everyone is aware of the importance of extracting within the country the coal needed by its industry, especially when there is a threat of war or when heavy industry is entering a boom period. This would imply that no upper limit should be placed on extraction in Belgium when demand is expanding. In the circumstances there is strong opposition to the very large powers given to the High Authority which might permit it to close some marginal pits.

A sense of industrial solidarity has led Belgian industrialists in general to support the arguments of the coal industry although they stand to benefit from the lower prices of coal and the opening of larger markets. But if industrial circles raise their voices against the plan, it is important to note that it finds much support in political, trade union and independent circles. These point to the necessity of building a European community by opening larger markets, of progressively eliminating the less efficient pits and of improving working conditions which are still unsatisfactory in this industry. Moreover, it is certainly possible to modernise industry still further, possibly with international financing and co-operation, and to improve productivity under the pressure of market prices. In fact, productivity has improved by more than 15 per cent since the middle of 1949 and has not yet reached the prewar level. Altogether it has been becoming much clearer to the general public that, whatever the ultimate fate of the Schuman Plan in Belgium some reforms must be carried out in the coal industry.

Coal Allocation Fails

[FROM OUR GENEVA CORRESPONDENT]

THE latest meeting of the Coal Committee of the Economic Commission for Europe, which took place in Geneva on June 14th and 15th, revealed a sad falling-off in international co-operation in a field in which since the end of the war it had previously been remarkably successful. For this deterioration two factors are chiefly responsible. The first is that the Committee's own authority has been weakened. In the earlier period of shortage, though its decisions were taken unanimously, it did in practice allocate between the importing countries the quantities of coal declared to it by the exporting countries as available for export to European destinations. It relinquished this power in 1950, however, as a result of American pressure to restore a free market in European coal at a time when the immediate prospects were of a surplus. Now that the shortage has returned, the Committee's decisions, which are still taken unanimously, have only the status of recommendations.

The second factor is the return to German hands of the management of German trade, while the level of German coal exports is still determined by the International Authority for the Ruhr. As a result, the Germans, who strongly resent

being compelled to export coal which is needed for German industry and households, feel no responsibility for seeing that the distribution of their exports, which they do control, fits into an equitable European pattern. The Ruhr Authority has declared an export of 6,200,000 tons for the third quarter; but at Geneva the Germans have been saying that this figure should only be regarded as provisional, pending the result of an approach which they have made to the High Commission. This stresses the increase in domestic requirements owing to the arrival of more Allied soldiers in Western Germany and the Allied decision to build up a stockpile in Berlin. Meanwhile, the German trade authorities have been committing much of their coal in bilateral agreements.

Since the Coal Committee's recommendations no longer take precedence over trade agreements, the importing countries at Geneva have split into two camps: those who expect to do better through bilateral negotiations, and those who expect to benefit from international allocation. The former pay lip-service to the principle of equitable distribution, but sabotage it by refusing to surrender any quantities they have already contracted for. If necessary, they submit inflated estimates of their requirements; the Swiss estimate for the third quarter of 1951, for example, was twice as high as their imports for any of the last ten quarters, though it claimed to make no allowance for stocking.

The only foreseeable result is that the pretence of international allocation will soon have to be abandoned. The artificially cheap Ruhr coal will go to the countries which are strongly placed for bargaining with Germany, i.e., the Schuman Plan countries, Sweden and Switzerland. The dearer coal, and the shortages will be left over for the others, in particular, Greece, Yugoslavia, Austria, Portugal and Norway. If the Schuman Plan should not go through, they will be joined in their unhappy boat by the Netherlands and Luxemburg. Since the Committee estimates the shortage of European coal in the third quarter at ten million tons, and shipping will probably limit imports from the United States to 6,000,000 tons, the winter prospects for these countries seem exceedingly bleak. Stocks are low, and there is little prospect that the supply situation in the fourth quarter will be better than the third.

Land Reform in China—II

[FROM A CORRESPONDENT RECENTLY IN CHINA]

WHEN he introduced the draft of the Agrarian Reform Law to the second session of the National Committee of the Chinese People's Political Consultative Conference twelve months ago, Liu Shao-Chi, Vice-Chairman of the Central People's Government, claimed it as "the greatest and most thorough reform in thousands of years of Chinese history." Though the evidence is scanty, it is possible to take stock over the past year and to see approximately how far the programme has been implemented what results are claimed.

Up to June, 1950, land reform had been carried out in a total area containing a rural population of 145 million, mainly around the big cities, in parts of the north and north-east and in half of Honan province. In the winter of 1950-51 further re-distributions were carried out in many provinces of the middle and lower reaches of the Yangtze, including the greater parts of Hupeh, Hunan and Kiangsi, the entire areas of Anhwei, Kiangsu and Chekiang and in parts of Fukien, Kwangtung, Kwangsi, Shantung, Honan, Shansi and Szechuan. In these areas, with a rural population of 130 million, about 80 million poor peasants are officially stated to have received 25 million acres of re-distributed land. Thus the total area so far covered has a rural population of 270 million, two-thirds of the whole Chinese rural population. The remaining areas, with a rural population of 135 million, are to be dealt with mainly in the coming winter, and by 1952 the land reform is scheduled to be largely completed.

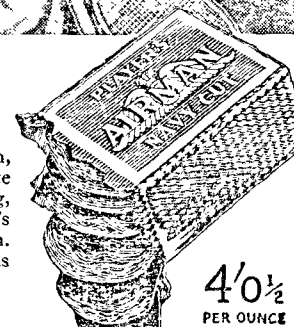


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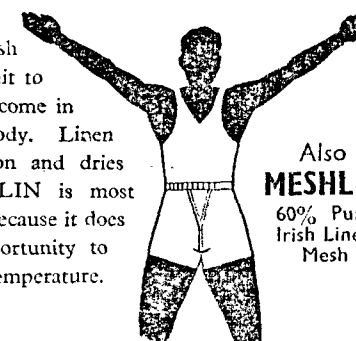
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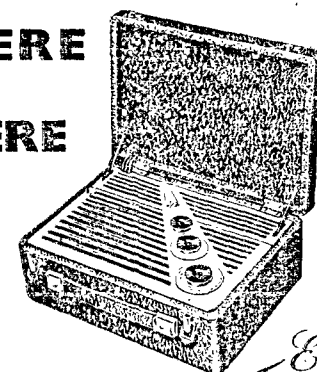
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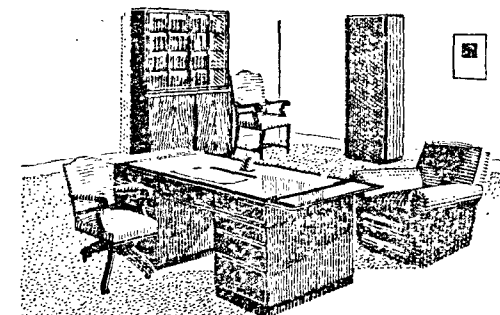
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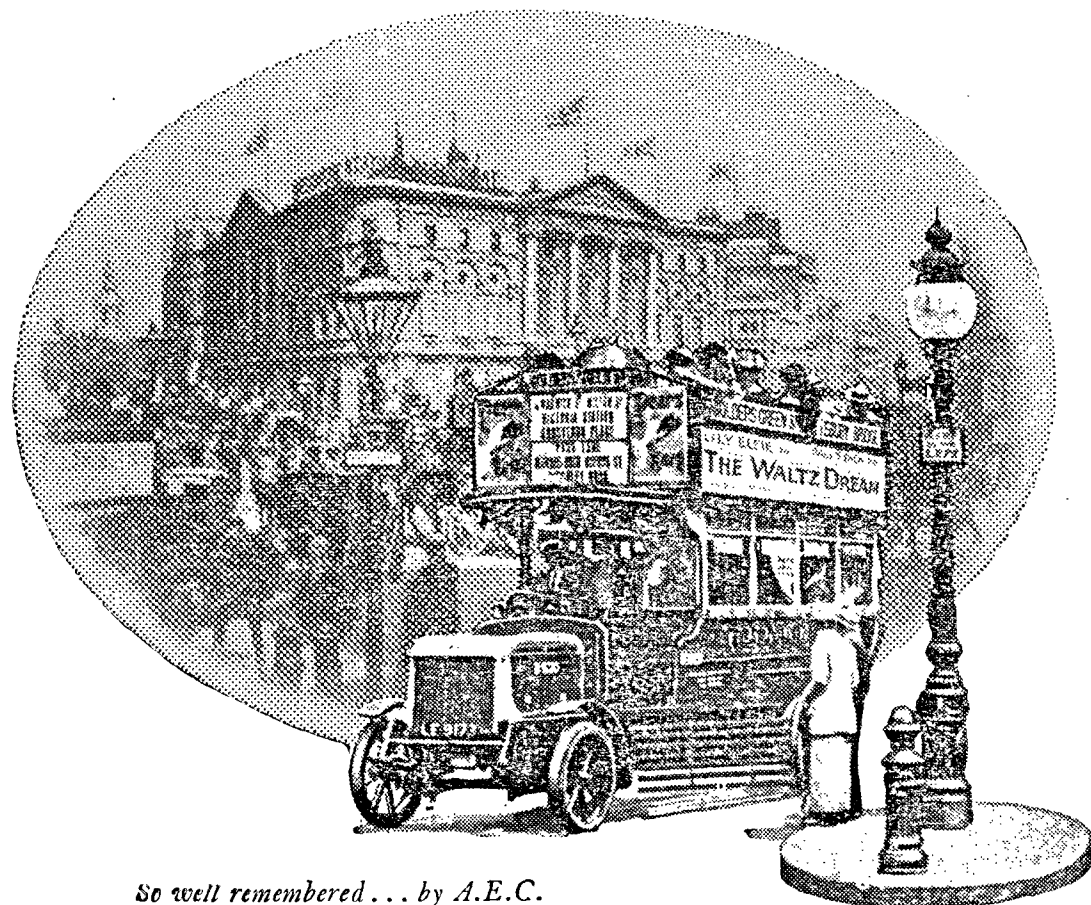
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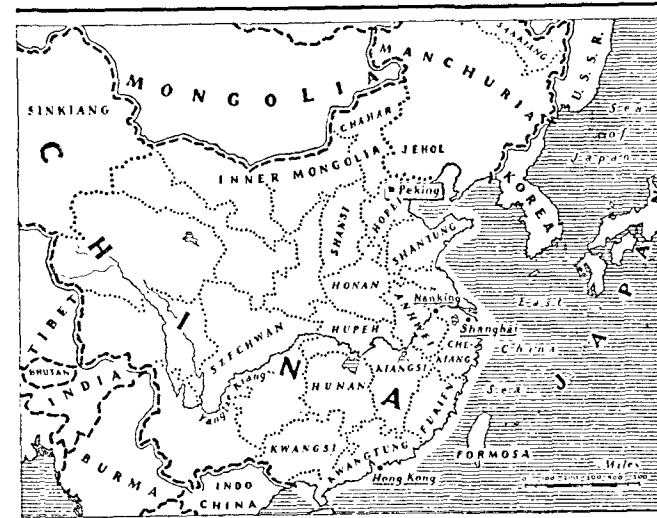
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The Agrarian Reform Law does not apply to the border regions, which contain the bulk of the national minorities of 20 million. This is for two main reasons. Firstly, the Central Government is well aware that traditionally most of these minorities have little love for the Chinese and so it is pursuing the relatively long-term and cautious policy of training cadres from among these races, who will help to carry out Peking policy from within. Secondly, and no less important, the conditions of economic development in these areas are different, since they are predominantly pastoral, as distinct from the arable nature of China proper.

The effect of the reform where it has been put into effect is, of course, already making itself felt. On the negative side can be quoted the numerous reports from Chinese sources of the arrests and executions of "dissident elements" opposed to the re-distribution. On the other hand it is stated officially that in thousands of villages in Hopei, Shansi and Chahar (all in the Peking region) the proportion of middle peasants, previously only 20 per cent of the total, has now increased to 80 per cent, because the economic status of so many poor peasants and labourers has been raised.



It is also claimed that the reform has increased the purchasing power of the peasant; thus, in the state-owned shops of the North-East Area (Manchuria), sales of cloth in 1950 were 255 per cent of those of 1949 and 750 per cent of 1948. (It must, however, be remembered that State shops do not reflect the situation in private trade and that Manchuria is not typical of the other regions.) In addition, it is said, more is being spent by the peasants on purchasing farm equipment. These increases may not indicate a fundamental change in the peasant's purchasing power. They may merely reflect a better supply position in 1950 compared with the still disturbed year of 1949; or it may be that the peasants are more willing to spend instead of hoarding. But this increase in the purchasing power is claimed and it is seen as an important factor in the expansion of industrial production. Recently Li Liu Lien, Director of the Counsellor's Office of the Government Administration Council, stated that the development of agricultural and civilian light industries contained the best possibilities of accumulating capital with which gradually to expand the fundamental heavy industries, thus ensuring the gradual industrialisation of China. This suggestion that the satisfaction of the peasants' current demands is to take priority over the desire for heavy industrial investment is an interesting and perhaps significant reversal of the policy carried out in the prewar Soviet Union.

After the last harvest it was claimed that for the first time China had produced an exportable surplus of grain, due in the main to the latent forces of the peasants released by the land reform. In support of this China has offered large quantities of rice to India in recent months and Chinese

officials have stated that grain is being fed extensively to pigs. Whether this surplus is a true one in the sense that all domestic consumption needs are satisfied is not clear. That this might not be so is suggested by some production figures of the Wu Hsiang district in Shansi. Here, it is said, 3 per cent of the families have produced 10 Chinese *tan** of surplus grain each, 10 per cent of the families 5-10 *tan*, 34 per cent 1-5 *tan*, while 46 per cent produced enough for their own consumption needs without any surplus. The remaining 8 per cent did not produce enough grain for personal consumption, although this was partly due to their own increased consumption over the pre-reform days. The quantitatively small amounts of even the largest surplus and the fact that over half the peasants were producing at or below subsistence level suggest that the claimed exportable surplus may be an artificial one, made at the expense of home consumption. It is, of course, true that production has increased, though how much of this is due to normal recovery trends after wartime dislocations and to other technological factors, and how much is due to the reform cannot be said. The greatest need of Chinese agriculture is for improvements in technique and equipment and in practice the principal effect—and purpose—of the reform appears to be political; it seems to have resulted primarily in a transfer to the peasants of the title-deeds of the land they had previously tilled, rather than in a wholesale re-allocation of the actual land.

The size of most holdings is still very small and although peasant co-operatives and similar bodies are being developed, there are as yet only a few state or collective farms, mainly in the "old liberation areas" of the north and the north-east. But it is significant that the large holdings that do exist as single units are not being broken up, but are being preserved, either in the hands of the rich peasants or of the state or state-controlled bodies. Liu Shao-Chi has clearly stated that increased production is "the basic reason for, and the basic aim of, agrarian reform."

For some time now a great and increasing campaign has been going on among the peasants to make them "politically conscious" and to prepare them for changes to come. That collectivisation is envisaged in the unstated future has only been hinted at by Liu, but it has been more definitely and equally authoritatively postulated by Li Liu-Lien, who stated a few weeks ago: "it is only at the time when agriculture is collectivised that the problem of poverty on the part of the Chinese peasant can be basically solved and the Chinese peasant can be liberated forever from poverty and backwardness and walk on the road to Socialism."

(Concluded.)

Storm Over the Åland Islands

[BY A CORRESPONDENT]

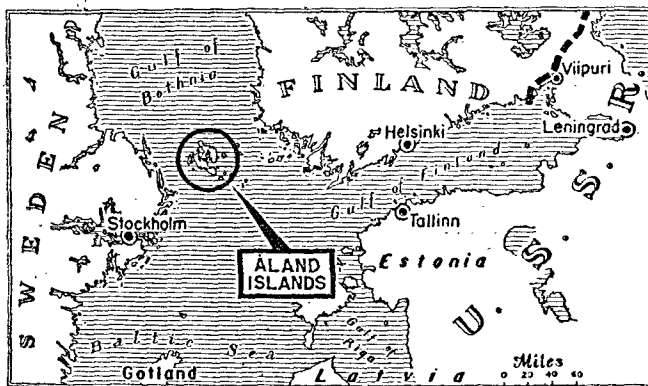
A NEW Autonomy Bill for the Åland Islands recently received its second reading in the Finnish Diet. To judge by the number and tenor of the articles which were devoted to the matter in the Soviet press, it would appear that the Åland Islands are one of the greatest danger spots threatening world peace. There were frequent references to "war hysterics in Scandinavia" and it was argued that Finland wanted "the Ålands to share the fate of Greenland and Iceland." Their strategic importance is, indeed, obvious. From a military base on the islands, Stockholm, Helsinki and Leningrad can all be threatened, and it has been said that "who owns the Ålands, owns the Baltic." The Russian outcry is only explicable if the Russians really believe that what they call "Western interference" is the prelude to the creation of an anti-Soviet base on the Ålands, or if they hope that in the

* The Chinese *tan* is an elastic term of measurement. In this area it is about 2 cwt.

long run they may themselves be able to control the islands.

But, on the face of it, Article 6 of the first draft of the new Autonomy Bill, against which most of the Soviet wrath was directed, merely provided a guarantee of certain liberties for the Swedes who form 90 per cent of the population of these Finnish-owned islands. These rights included local voting, election of the Governor, and the provision of Swedish schools, and were guaranteed to the Swedes after the first World War when the League Council decided that it could not agree to their wish, expressed through plebiscites, to be reunited with Sweden.

The new Autonomy Bill originated in a request by the islanders in 1946 for certain improvements in their status. When the Bill was first introduced by the Government in 1948 the Finnish Communists and the Soviet Union at once emerged as the champions of Finnish sovereignty. They claimed that both Article 6 and paragraph 19 of Article 11 (which requires the approval by the Ålands Landtag of any



Finnish international treaties referring to the islands) were contrary to the Peace Treaties and unfriendly to the Soviet Union. When the Finnish Great Commission approved the Bill in August 1950, General Sovenkov, then the Soviet Ambassador to Helsinki, intervened, and the Finnish Premier, Mr Kekkonen, advised Parliament to drop Article 6.

This did not, however, prevent the Finnish Diet from taking up the Bill again in its original form this year. But this time the Soviet press campaign seems to have been sufficient warning to the Finnish Government and the new Soviet ambassador, Mr Lebedev, did not, apparently, find it necessary to intervene. Although the Great Commission again approved the Bill in its entirety, it later reversed its decision and, on the advice of the Government, dropped Article 6, while retaining Article 11. In this compromise form the Bill got through its second reading, with the Communists voting against Article 11 and the Swedish People's Party and some others voting against the dropping of Article 6. The final reading of the Bill will have to await the new Diet, which is to be elected next week, but it seems likely that it will pass into law in its present compromise form.

An Asian View of American Policy

[FROM OUR HONGKONG CORRESPONDENT]

WHITEHALL has now imposed a complete licensing system on all United Kingdom exports to China and Hongkong, and to this may be added full import licensing in Hongkong, as a double check. This step should presumably satisfy American opinion. Otherwise, the measure has little practical significance, because elaborate and extensive controls on all articles of any "warlike" use are already applied. Since the summer of 1950, China has received nothing of this kind through Hongkong. American policy and opinion may, how-

ever, not be content with this latest gesture from Britain. It still seems, when seen from Hongkong, to be thrusting in the direction of a total blockade of China: not merely control, but stoppage. In this situation, the safety of the world may depend on the extent to which the United States government and public appreciate the effect their own actions have on other people.

It is perhaps on the desirability of a blockade that Asian opinion most completely departs from the American trend. Contemporary Asia, with the possible exception of Japan, is in a most unaccommodating mood. It is simply not going to be "put upon" for any reason, good or bad. It would be an error, fatal to the prospects of the western powers retaining their position or influence in the eastern hemisphere, to allow a feeling to arise that some course of action was being imposed from the West, with hastiness or coercion. That would play effectively into the hands of communist propaganda, which, as regards international relations, is heavily based on the dogma that Uno is an apparatus for the dictatorship of the imperialists under American control.

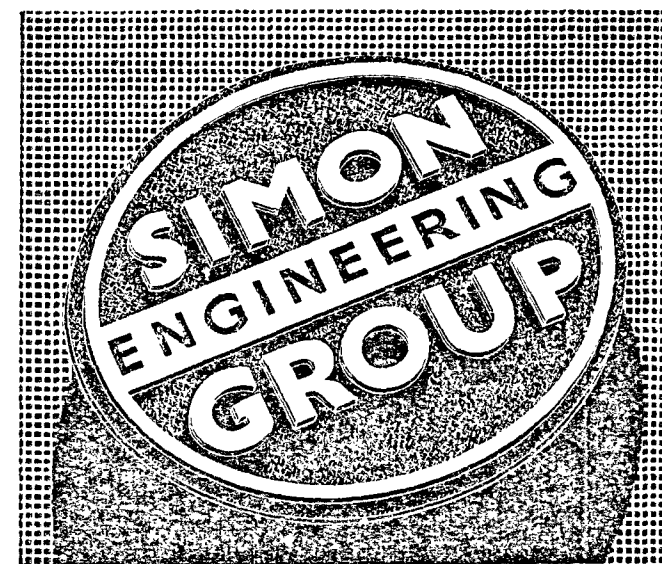
Unfortunately, United States' policy has already, to a considerable and totally unnecessary extent, given that sort of impression. Even in doing the right things, the Americans seem to have done them in the wrong way. There has often been support—much wider perhaps than they themselves imagined—for their aims; but their methods and manner have often been objectionable in the eyes of local people. This is especially the case where there has been unilateral action by the United States without prior consultation with the other countries most intimately concerned, without any evidence of careful marshalling of the facts, or even any advance warning of the action contemplated. The "embargo" on Hongkong last December, for example, was arbitrarily and somewhat melodramatically imposed.

Is Hongkong Expendable?

Asian opinion in general, considers that the United States is forcing the pace, on any and every occasion, to such an extent that it actually hastens to meet possible crises, long before they really arise. The present proposals for a blockade, if implemented, would bring up new issues affecting the alignment of the various countries in the United Nations. Between these states, certain differences naturally and inevitably exist, which could and would be bridged or adjusted, given reasonable time. But haste can only serve to enlarge and embitter these differences.

Most immediately, perhaps, the suggested blockade would force an issue, not yet imminent under the present conditions, regarding Hongkong. Is Hongkong expendable? Some people in Tokyo and Taipeh, appear to think that it is. Is Hongkong, in its present role and status, not of more value to the free world than to the Communists? Most of those who know the real facts would answer very definitely that it is. Can it become a bridgehead, or be "the Berlin of the Far East"? Technically, an air-lift, or a sea-lift might be a feasible though costly operation; but few see any necessity for such an extreme and adventurous course of action at this juncture.

The Communists, whose main aim is to propagate chaos, uncertainty and disharmony, might even welcome this doubtful experiment. Just when a general revulsion is setting in, among Chinese and others, against their aims and methods, it would distract attention on to the foreign field. A blockade, which would do them little harm materially, would justify their accusations of aggression, cause disunity in the democratic front, and allow them to blame on "enemy action" all the hardships and cruelties their policies may impose on the Chinese people. The proposals for a blockade, in their cruder forms especially, are therefore arousing the gravest fears in Asia; they are hastening a process by which America risks losing all support or co-operation from the local populations of the eastern hemisphere.



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THE BUSINESS WORLD

Exchange Control Reviewed

A PASSAGE from the International Monetary Fund's second annual report on exchange restrictions has been widely accepted as being aimed more directly at this country than at any other member:

It is the belief of the Fund that, although caution is required, many member countries can and should make further progress towards the achievement . . . of a multi-lateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

This assumption is supported by the intervention of the IMF at the last meeting of the contracting parties of the General Agreement on Tariffs and Trade at Torquay, where Britain and a number of other members of the sterling area were specifically named as countries that might with due caution begin to relax their restrictions on current payments. Such criticism, and the heated debate that has revolved round it, caused some resentment in London, for critics of British exchange control policy abroad (and at home) do not always take account of the appreciable easing of exchange controls that has been attempted by this country in the recent past. Since the debate on this subject is likely to grow more acute in coming months, it is desirable to record in some detail the relaxations that Britain has made in the past eighteen months, and to examine—with some sympathy, but in no mood of complete justification—the reasons for the caution that at present governs official British thinking on this question.

As it happens, the most complete summary of relaxations of British exchange controls in the calendar year 1950 has been recently compiled by the IMF itself—in the survey of developments in individual countries that was attached to its latest report. Here, in chronological order, are the relaxations in United Kingdom exchange restrictions in 1950 recorded in the survey:—

January 10.—A system was introduced by which any new capital investments by non-residents that are approved by the exchange control authorities can be repatriated at any time.

February-March.—Restrictions on invisible (and on some capital) transactions with the Scandinavian countries were relaxed.

May 1.—The basic twelve month tourist allowance of £50, which already covered travel in most European countries, was extended to include travel in Argentina, Brazil, Chile, Cyrenaica, Egypt, Ethiopia, Finland, Iran, Israel, Paraguay, Peru, Saudi Arabia, Italian Somaliland, Sudan, Trieste, Tripolitania, Uruguay and Yugoslavia.

July 17.—Certain restrictions on invisible transactions with Belgium-Luxembourg were relaxed, and the Belgian Monetary Area was included in the category of countries from which a certain range of imports is freely permitted.

September 4.—Non-residents were authorised to switch out of their existing sterling area securities into any other quoted sterling area securities maturing more than 10 years after the date of purchase.

September 26.—Western Germany was included in the category of countries from which a certain range of imports is freely permitted.

October 10.—Uruguay was included in the category of countries from which a certain range of imports is freely permitted.

October 16.—Commercial banks were allowed to deal in Canadian dollars as principals instead of as mere agents. This meant that publication of an official exchange rate for the Canadian dollar ceased and that banks were allowed to deal with customers and among themselves at market rates.

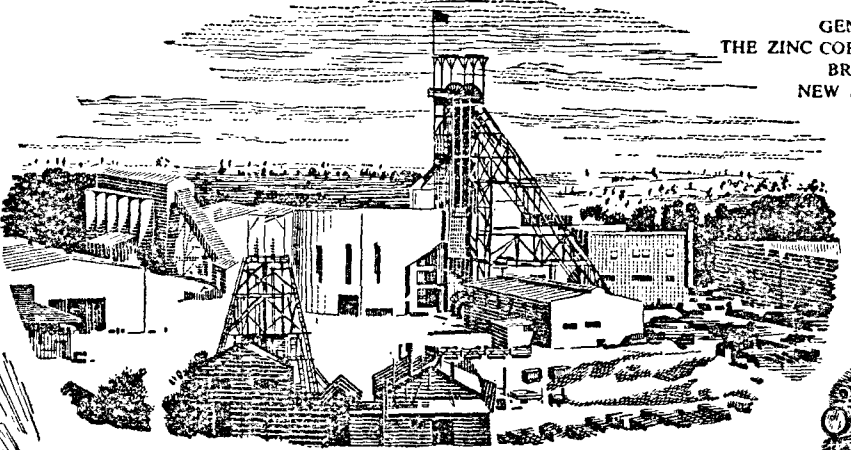
November 1.—Switzerland and Liechtenstein were included in the category of countries from which a certain range of imports is freely permitted; later, on November 14, certain restrictions on invisible transactions with these two countries were relaxed.

December 6.—Denmark was listed as a Transferable Account country and the obligation on residents to surrender receipts of Scandinavian currencies was removed.

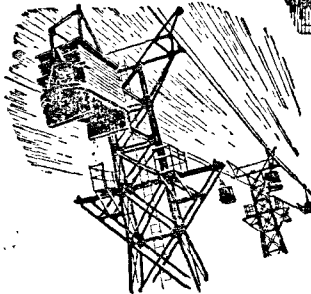
December 18.—For the year ending April 30, 1951, the basic twelve month tourist allowance available in certain countries was raised from £50 to £100.

This, it should be added, is not an exhaustive list of all the relevant developments in 1950. The most important omission from it is the adhesion, not merely of the United Kingdom, but of the whole of the sterling area, to the European Payments Union, which began functioning effectively from July 1st of last year. Since that date sterling has been freely transferable among the members of the EPU, and surpluses and deficits between the sterling area on the one hand and other member countries on the other have been automatically compensated under the rules of this new payments mechanism. Following the launching of EPU, Britain invited all other members that were not already in the sterling transferable account system to avail themselves of its facilities. The response has not been overwhelming but the fault for this, if any there be, lies with the other countries and not with the British authorities whose invitations have been pressed with considerable persistence.

The good work of easing exchange controls has continued in 1951. Last February for example, there was a further relaxation of switching regulations and of the controls exercised over the investment of funds held in blocked sterling accounts; this measure absolved from specific Bank of England sanction a wide range of transactions in securities held by non-residents and continued the progress already made in delegating responsibility to the authorised banks. Another significant example of progress towards a freer market occurred last April when the banks were given permission to operate freely in foreign notes and coin. This business, like the dealing in Canadian dollars, is now transacted by the banks as principals instead of as agents; the banks are free to quote what rates they wish, and they can replenish their tills by imports from foreign correspondents in overseas countries and get rid of any surplus holdings by exports to their correspondents abroad—subject, of course, to the regulations on the import of notes and coin in the countries concerned. Together with the freely moving market in Canadian dollars, this modest free market in



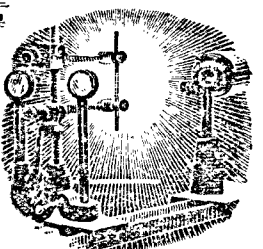
GENERAL VIEW
THE ZINC CORPORATION LTD. MINE
BROKEN HILL
NEW SOUTH WALES



CONVEYING ZINC
CONCENTRATES, AVONMOUTH



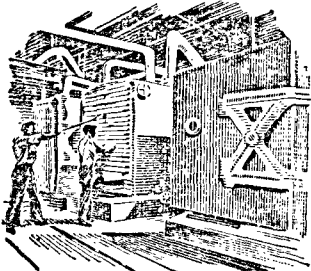
ZINC AND CHEMICALS



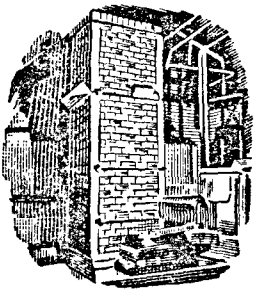
MAZAK PRODUCTION BLOXWICH
(Spectrographic Control)

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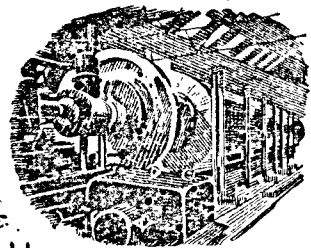
The Corporation employs a large research staff in order to keep abreast of modern technique and scientific progress and thus plays an indispensable part in the complex metallurgical and chemical industries of the country.



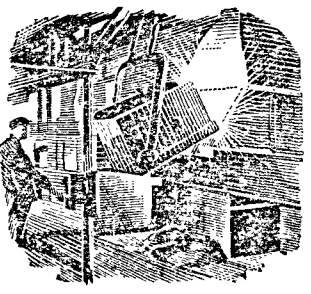
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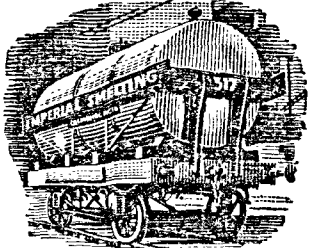
FLUORINE PRODUCTION
AVONMOUTH
(Anhydrous Hydrofluoric
Acid)



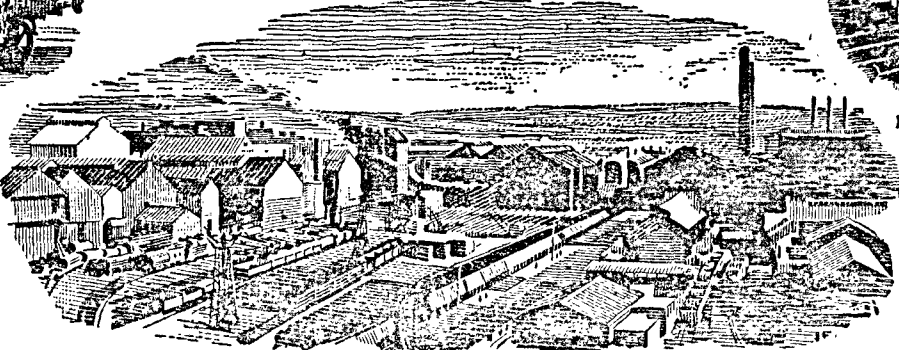
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GENERAL VIEW OF IMPERIAL SMELTING CORPORATION WORKS, AVONMOUTH

foreign notes is providing the London market with a valuable re-education in the arts of dealing. Finally, it was announced only this week that emigrants from Britain to Canada and the United States will now be allowed to take with them not only the £1,000 of capital hitherto permitted, but a further £250 per child (up to a maximum of £1,000 for four children). The Chancellor of the Exchequer, announcing this concession, added that he would be prepared to consider applications by emigrants to purchase with funds in Britain any personal effects and tools of their trade; the Canadian Government has undertaken to allow such articles to enter duty free.

In addition to these specific measures, there has undoubtedly been some easing of British exchange controls in the past year by purely *ad hoc* administrative methods. As a result of the substantial strengthening of the gold and dollar reserve, the exchange control authorities have been far more lenient in sanctioning exemptions from the strict writ of its regulations; special cases of hardship, notably those involving transfers of funds to the dollar countries, have been treated with greater sympathy. Controls over the use of sterling earned by countries with which bilateral payments agreements are in operation have also been "administratively" relaxed.

It is true that any bare recounting of the relaxations made in the exchange control mechanism can tell less than half the story of Britain's progress towards the sort of the world that IMF rightly wants. In the United Kingdom, as in all countries of the sterling area, the restrictive system rests mainly on import licensing and on the discriminatory manner in which it operates. Foreign exchange is automatically provided for any transaction for which an import licence has been granted. The true measure of exchange control relaxation over the past year can therefore only be gauged by reference to the liberalisation of import trade. Here, unfortunately, the story tells of uneven progress. One of the main benefits derived from the launching of the European Payments Union has been the wide measure of trade liberalisation and the disappearance of discrimination against the former "hard currency countries of Europe"—Belgium, Switzerland and Luxembourg. The loosening of restrictions over imports from the dollar world has, however, been a far more halting process and has not achieved a pace sufficient to satisfy these countries. But there is reason to believe that restrictions are gradually being eased, especially on imports from

Radio Awaits Rearmament

THE radio industry is one of the key defence industries for its products supply the vital mechanisms of an ever-growing number of military items. At this stage, however, it is impossible to calculate the burden of military orders that will eventually be placed upon it. A rough estimate of a total of £80 million during the next three years was made early in the year by Ministry of Supply witnesses giving evidence on rearmament to the Select Committee on Estimates; the Radio Industry Council produced comparable figures based on an expenditure of £18,400,000 during the current financial year, £29,600,000 in 1952-53 and £34,600,000 in 1953-54. An estimate made today would probably put the total figure at least 50 per cent higher. Since actual

Canada; licences are now being granted for such items as fruit, dairy produce and newsprint, where a year ago they were being refused.

The record of exchange relaxation for the past year might have been far more impressive had it not been for the emergence of the Korean crisis and all that ensued from it. It is no secret that towards the middle of last year plans were well advanced for an impressive dismantling of exchange control. Broadly speaking, the objective that was sought was the virtual elimination of all restrictions on current transactions except those with the dollar area. For all other areas, the mechanism of exchange control would have remained ready for use in case of emergency, but its fettering formalities would have been largely set aside. It is also probable that a wide easing of capital movements would have been introduced by generalising for all countries, other than those in the dollar area, the concessions already made to the Scandinavian countries under the "Uniscan" arrangements announced in February, 1950.

These ambitious and praiseworthy plans were pigeon-holed when the Korean war broke out. The reaction of the authorities to the uncertainties introduced by rearmament was to retreat rapidly, though possibly only temporarily, into their shell. It is possible that, had it not been for the Persian oil crisis, they would now be beginning to emerge again. The effect of the Korean outbreak on Britain's own balance of payments has been at least as bad as most observers originally feared, but the position of the sterling area as a whole up to March proceeded from strength to strength; in a few days' time the gold and dollar figures will show whether this advance has since been maintained. There are, however, one or two less happy features in the situation. The impact that the Persian crisis is likely to have on sterling's prospects should not be minimised. The value of the oil products of the Abadan refinery and of the crude oil exported from Persia, probably exceeds £500 million per annum. If any appreciable part of that oil has to be replaced by dollar oil the effect on the gold and dollar reserves will not be long in making its appearance. Secondly, it remains to be seen how far the reaction in prices of basic commodities may affect the sterling area's dollar earnings. The immediate outlook, therefore, is not unduly propitious for any further spectacular relaxation of sterling exchange control. That fact, however, should not be allowed to hide the welcome progress that has been made towards relaxation during the past year.

expenditure this year seems unlikely to exceed the industry's estimate, military orders in the later years may prove to be considerably heavier than was first expected.

Last year the output of the four main sections of the industry, heavy electronic equipment, domestic receiver assembly, components and valve production, amounted to £75 million, divided thus: domestic receivers £42 million, exports £18 million, defence £6,000,000, BBC £1,000,000 and the Post Office, the merchant navy and other industrial users about £8,000,000. The Ministry of Supply has told the industry that its present capacity would be needed to meet service requirements in the event of war and must be kept intact. It seems probable that considerably more than half of it will be employed

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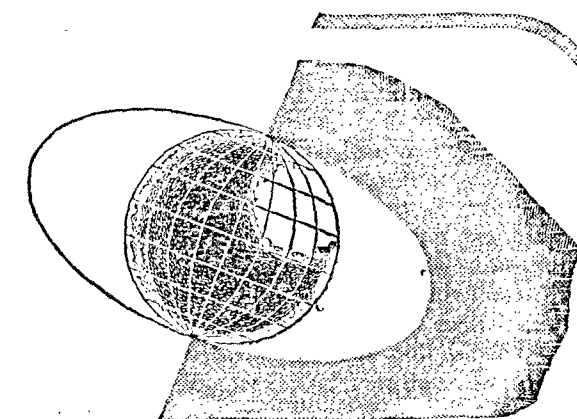


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on defence orders at the peak of rearmament with a progressive running-down of civilian production, particularly of the domestic receivers that last year accounted for a high proportion of the industry's output. This "capacity" consists largely of trained labour totalling about 125,000 workers with slightly more women than men. To retain these men and women, the industry would need to maintain normal commercial production until the factories could be switched to defence output. In most sections of the industry, plant and labour could make the change from civil to military production without re-tooling or re-training, but there are several difficulties in the way of a smooth transition.

To discuss the supply of electronic equipment to the services simply in money terms can be misleading. The final products of the industry fall roughly into two classes: capital equipment such as radar installations or broadcasting and television transmitters, and the small receiving (and for service purposes transmitting) sets. One company frequently makes both types of product, and both incorporate valves and components from the other sections of the industry: but the two are made by different methods and with different kinds of labour. The first comes in the category of heavy electrical engineering and is generally tailor-made by skilled electrical engineers (nearly all men). The sets are mass-produced products assembled, usually by women, from standard components: though these women are not skilled engineers, the work requires a manual dexterity that can be acquired only by training and experience, and such women lost to the industry are not readily replaceable. At the moment, it appears to be largely the capital equipment section of the industry that is working on defence orders. And there is some danger that through shortages of materials—and perhaps slackening of consumer demand—production of domestic radio and television sets may be curtailed some time before this set assembly section of the industry can start production of military equipment. Such an interval would also have repercussions upon the makers of components and valves.

The Select Committee seems to have been impressed by the evidence of the radio industry on this point. It recommended that the Ministry of Supply should accelerate the placing of defence orders with the radio industry in order to "take up any slack in output." For two reasons, this may not be easy. Official witnesses explained that it took the Air Ministry, for example, at least six months from the time that an aircraft programme was drawn up to work out its requirements of radio and other electronic accessories for that programme. Only the Admiralty, which orders direct from the industry, has been able to give radio manufacturers a clear idea of its requirements over the whole three-year period. The other services have not worked out such details yet; consequently the Ministry of Supply cannot "know the

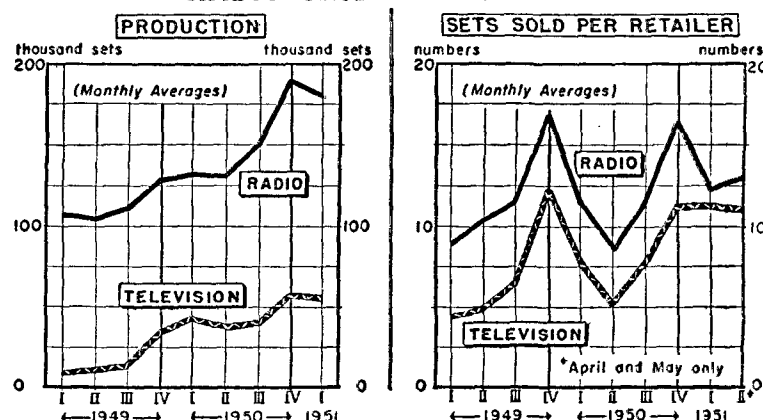
real impact on the electronics industry." The second reason is a factor inherent in the present nature and scale of defence planning: the desire to include the latest equipment available. The most important example of this is already causing concern in the radio and the aircraft industries. The Air Ministry lays such emphasis on putting the most advanced equipment into new RAF aircraft that the machines often go into production, and even into service, before ancillary equipment designs have been settled. Even when this basically excellent principle is not carried to excess, it tends to delay the placing of orders for aircraft transmitters and receivers that could otherwise be produced fairly quickly. Unless there is a change in purchasing policy it might well be another eighteen months before production of the electronic equipment for the new aircraft begins; and the principle may impose similar delays upon ordering such equipment for other armaments.

Given the strategic importance of keeping the capacity of the radio industry intact, manufacturers assumed that production of domestic radio and television receivers would be allowed to continue at the rate planned until such times as individual companies received defence orders in some twelve to eighteen months' time. On the set-making side, the change from domestic to military orders could then be made almost without interruption to production. The prospect was attractive. Holm Moss television station, due to open later this year, has a potential audience representing about one-twentieth of the country's population. This is about the same size as the audience in

the London area nearly double that of the Sutton Coldfield station. An output of 900,000 television receivers was planned this year to meet the demands of this new area as well as the steadily increasing sales in the London and Birmingham areas. Development of a television relay service promised to increase the potential audience on the fringe of these areas, and the export prospects for radio and television equipment and components were also good.

The Budget is not likely to have materially altered these prospects. The Radio Industry Council, in a memorandum to the Select Committee estimated that Mr Gaitskell's doubling of purchase tax on receivers would reduce sales by one-third. Even if this is true—there is little evidence yet to prove it—radio rather than television sales might be expected to bear the brunt. This might harm the industry less than the figure of one-third would suggest. A television receiver contains about 200 components compared with between 20 and 30 in a radio receiver, and about 15 valves against five in a radio set. A fall in radio sales is thus less important to the industry than a fall in television sales; and a smaller proportionate increase in the latter might easily counteract it. This governs the home market for radio components; the heavy radio equipment now

RADIO AND TELEVISION



being ordered for defence makes only small demands in proportion to its total value upon mass-produced components.

Shortages of materials have now compelled the industry to lower its sights. Television receiver production may now reach only 600,000 sets in the year, the same as last year. Output in the industry has not fallen, but it is not increasing at what had become its normal rate. For some time set makers have been living on their stocks; batches of receivers have been held up from time to time awaiting delivery of a single component, but there has been no serious interruption of production. The materials in question are nickel, copper, and zinc. None can easily be replaced and deliveries have been deteriorating for the past six months. The Ministry of Supply estimates that the industry is now getting about 80 per cent of its material requirements but some component makers say they are getting 10 per cent of their needs of nickel. Other manufacturers told the Select Committee that they were receiving only one ton of brass for every ton of scrap, which means a steadily declining rate of deliveries. Sooner or later, this must affect the rate of component deliveries to the manufacturers' assembly lines.

Component makers, apart from valve manufacturers, can switch labour from one item to another according to the flow of materials; but the non-arrival of a single component can stop work on domestic receivers. This might lead to dismissal of some of the trained workers who would become essential when defence orders are eventually placed. The valve makers, who use most of the nickel consumed by the radio industry, face the same possibility. Valves are at the heart of every piece of electronic equipment; but witnesses for the industry spoke of a "halo of mystery" surrounding probable valve requirements for rearmament. Output of normal commercial valves is now between 25 and 30 million a year and is just keeping pace with demand. Ministry of Supply witnesses said that capacity was adequate for military requirements—the industry estimated that it could easily be increased by 50 per cent—and one company has recently been discouraged by the Ministry from laying down new valve-making lines. Like radio assembly, valve making employs numbers of highly trained workers; if manufacturers are driven because of shortage of materials

to dismiss some of the workers, its potential machine capacity cannot be put to use.

As defence plans stand at present, the heaviest calls upon the industry will not come until late next year and the year after. Although orders for up to £50 million have been placed with manufacturers, a big proportion of these are not intended for immediate production. Will material supplies in the meantime permit of a level of domestic set production and output of components and valves sufficient to retain the trained workers that defence orders will then need? The evidence presented to the Select Committee was cogent and clearly impressed its members; yet the industry's future may not be quite as black at it was painted. Radio manufacturers have been getting no special allocations of materials for defence orders and their evidence of material shortages combined the requirements of military and domestic programmes. If armament production, however limited at present, is being superimposed on the present rate of civilian production, then supplies of materials must inevitably become inadequate. It must be remembered that there is no unemployment yet in any branch of the radio industry. There are delays in production; there is a levelling off of the rising curve of output; but there has been no fall in output. Witnesses said that they dealt in "grammes and ounces" of materials: the very smallness of the quantities required must make it easier for the industry to live from hand to mouth, and unless deliveries deteriorate further, the industry might get away with nothing worse than under-employment. The industry as yet is not canvassing for special allocations of scarce materials, but it can always quote the Minister of Supply as saying early in the year that "we are most anxious that civilian production should be continued by everyone concerned, on the largest possible scale, for as long as possible and that all skilled labour should be retained in full employment in order that no existing capacities of resources shall be dispersed," and this might be the only way to fulfil the Minister's request. The other way—and the preferable way—would be for the Ministry of Supply to impress on the Service ministries the need for accepting earlier delivery dates for at any rate a large proportion of their electronic requirements. The highest refinements in specification will be of no avail if, when orders come to be placed, the industry has lost a part of its productive capacity.

Business Notes

Symbolical Allocation for Steel

Even the Minister of Supply seems to attach rather limited importance to the two-tier priority scheme for distribution of steel, copper, zinc and their alloys that is due to come into operation within the next few days. The "Defence Order" and "Preferential Treatment" symbols for metal orders are merely interim measures pending the introduction of detailed steel allocation and regulation of the distribution of the other metals. The priorities will have no statutory force. Mr Strauss claimed only that the schemes would allow suppliers to identify their most essential orders: he argued that metal-using industries had been asking for "some such schemes" for some time.

Detailed allocation and distribution schemes, the Minister estimated, could not come into force "much before the end of the year." In the meantime, manufacturers who have secured and those securing specific defence contracts will

receive a "DO number," on production of which their suppliers will fill their orders from a proportion of stocks specifically set aside for such contracts. This "DO number" may be passed on by such manufacturers to their sub-contractors and component manufacturers, who will also qualify for these guaranteed supplies. Essential civilian production "in various categories," including dollar and sterling exports and equipment for the fuel and power programme, may be granted "PT" symbols to assist in securing them marginal metal requirements in the absence of which production might be held up. Such "PT" orders will receive priority in the filling of orders from the metal suppliers' ordinary stocks. The Ministry of Supply and the Admiralty will issue "DO" numbers: but all production departments will receive a quarterly "allocation" of metals, within the limits of which they may grant "PT" priorities to the industries for which they are responsible. The total "PT" priorities are not expected to cover more than 6 or

7 per cent of the metal supplies: the proportion covered by "DO" priorities was naturally not disclosed, but was described as "not large in general," except in the case of alloy steels. Other qualities of steel (apart from sheet and tinplate, for which an allocation scheme is still operating) will be purchased by firms in the normal way.

The initials "DO" have a ring of American practice—in which such materials priority licences were recently summed up as "hunting licences." Their use will be "checked" by regional offices of the Ministry, but there will be no specific policing powers, apart from the obvious sanctions of determining contracts. The value of the symbol in "identifying" materials for defence components, however, may well be limited. The "PT" priority will obviously bring a flood of applications to the Ministries concerned; and as specific products receive priority for scarce materials, so the scramble is likely to spread to other industries pushed back in the queue. Mr Strauss did not appear to reject the idea of granting a "PT" priority if production of cars for the home market were to be held up; and there are few industries that cannot drum up a claim to be essential to something or other. The schemes promise to give the departments much trouble. They may be of some use in isolated cases in clearing particular obstacles to production. But if the need for allocation is definitely accepted, the Ministry would do well to accelerate its arrangements; these interim measures are unlikely to do much good for long, and might increase the present confusion.

Steel Polemics

Mr Strauss's exposition of the priority scheme was at least more reasonably phrased than his earlier polemic upon the operations of the steel industry. In this he finally aired in public the accusation at which he has been prepared to hint for some time—that in the last months of private ownership of the British steel industry its leaders deliberately ran down its stocks of raw materials to an unsafe level in order to embarrass the new state management. When the nationalised Steel Corporation arrived, asserted Mr Strauss, "the cupboard was nearly bare."

The timing and violence of the Minister's outburst suggest that he may have been more concerned to divert the criticism of nationalised industries that several trade union leaders had recently been voicing than to make any reasoned contribution to the argument about the future control of the steel industry. One of the principals in that dispute, Mr Steven Hardie, was peacefully fishing in Sweden, and his Corporation offered no comments: the other, the British Iron and Steel Federation, replied reasonably and somewhat crushingly that stocks in February, 1951, were higher than at the same time in 1948 and 1949 (though not than in 1950), and that although for years the Ministry's Iron and Steel Division had received weekly reports of stocks of steel-making materials, at no time had they suggested that the industry was acting wrongly in conserving or consuming those stocks. The Minister, incidentally, did not directly suggest that the proper course when consumers sought to build up their stocks late last year would have been to cut steel output.

A politician arguing the case for a nationalised industry might seem singularly ill-advised to select the current shortage of imported iron ore as a stick with which to beat private enterprise. It is true that the steel industry did not secure enough shipping last winter to carry to Britain all the ore that it had contracted in good time to buy. But the reasons for this are well known. The National Coal Board was unable to produce enough coal to meet the needs of home and foreign consumers, and a considerable tonnage of shipping had suddenly to be diverted from other uses to bring American coal to Europe; ships normally used for iron ore were particularly affected, and the diversion occurred at a moment of extreme scarcity of tonnage.

Mr Hardie's Intentions

The dispute to which Mr Strauss referred is fundamental. Mr Hardie's intention is that the Iron and Steel Corporation should acquire control of the non-profit-making companies through which the Federation buys all imported iron ore, scrap, and other steel materials. The Federation will not agree to this major proposal, just as it has not agreed to certain earlier requests of the Corporation for representation (other than through its publicly-owned companies) upon the Federation's general council and certain other committees. Mr Hardie points out that the publicly owned steel-making companies consume almost all the raw materials imported by the Federation's procurement companies, and of the small quantities of semi-finished steel products, such as billets, which they purchase. He argues that these companies are maintained in being almost entirely by financial levies upon publicly-owned steel makers; and that those still remaining in private hands, together with the outside consumers (of, for example, imported sheet steel) have a limited direct interest in imported materials for steel.

All this may be true. But it is beside the point of the main issue. Mr Hardie conceives it to be his duty to set up an organisation for the steel industry to suit the provisions of the Steel Act; the leaders of the Federation equally conceive it to be their duty to delay that reorganisation until another election takes place. Mr Hardie may argue that those leaders, controlling a theoretically non-political trade association, ought to represent the interests of the publicly owned companies that preponderate in its membership. His next move, by one means or another, may be to seek to emphasise that most of the individuals concerned hold office in the Federation's conferences, if not its council, by virtue of their employment by companies that the Corporation controls. The leaders of the Federation, however, still regard themselves as trustees of a form of ownership for the steel industry that may soon be endorsed at the polls and should be preserved against that expectation by the use of all such delaying tactics that offer themselves. The position adopted by each side follows logically enough from the Government's wrong decision to bring in a fundamental industrial change for which its mandate was worse than dubious. Tactically, the Federation has won the first sparring rounds; and it may be that its leaders would like to tempt Mr Hardie into really intemperate action. They may even succeed in this. But the consequences would be a damaging illustration of the folly of the Government in making the steel industry the plaything of politics.

Confused Markets

This week's movements in the security markets have been more confused than most—which is to say a good deal after so many weeks of uncertainty. If the markets needed any reminder of how completely they are dominated by international politics they certainly received one on Monday when they came to assess Mr Malik's proposal or suggestion—or at least mention—of a truce in Korea. Down came the commodity shares, led by rubber and copper issues; up bounded the gilt-edged market, at least at first, for it did not by any means hold its full gains. If this could happen as a response to the most equivocal of suggestions for a truce in Korea (which is only one of the points of disturbance, though it is the most violent one), what might come from a lasting relaxation of tension?

Almost immediately, events elsewhere showed that the question was indeed premature. Gilt-edged lost their impetus, though not the whole of their improvement, partly as a result of the Foreign Secretary's cautious assessment of Mr Malik's speech and partly because of the mounting gravity of the Persian oil crisis. Nor were commodity shares restored to favour; rubber and base metal shares seemed as much concerned about the possibility of lower prices, even

granted the continuation of political tension, as they had been depressed by first thoughts of a sudden outbreak of peace. As for industrial equities, it was difficult to perceive any clear trend by the middle of the week, and such buying that occurred mainly concentrated its modest force upon the leaders. All told, the market this week has lost neither its head nor its heart; but its present confusion is certainly understandable.

Truce and Commodities

Mr Malik's weekend proposal had less effect on commodity prices, as distinct from commodity share prices, than might have been expected. Rubber, tin, shellac and sugar prices reacted at first, but there has since been a recovery, except in sugar, which fell from 8.05 to 7.10 cents per lb. On Monday, spot rubber lost $\frac{1}{4}$ d. to 3s. 9d. per lb., and tin fell £22 10s. to £910 per ton. Both commodities more than regained their falls on Tuesday. Flax has also fallen in the last week, as have other agricultural commodities, but this is largely explained by the seasonal influence of the new crop. Although the fall in the price of tallow, which has been evident during the last two months, was slightly more rapid this week, it results primarily from abundant supplies.

Rubber and tin are the most sensitive commodities at present, but this is not a new situation. Towards the end of last September when the United Nations forces were in full advance, and the end of hostilities seemed in sight, they reacted unmistakably; both rubber and tin have been

	1950		1951						
			June						
	June	Jan.	Feb.	6	13	20	27		
Wheat (cents per bushel) ..	216½	251½	243½	237½	238½	236½	234½		
Maize (cents per bushel) ..	148	179½	178½	173	171½	166½	166½		
Sugar, Cuban (cents per lb.)	4.30	5.0	5.25	7.20	7.50	8.05	7.10		
Cocoa, Gold Coast (s. per 50 kilos) ..	257½	313	307	303	291½	299	280½		
Coffee, Santos (cents per lb.)	52½	Closed	56.25	55.25	55.5	54.875	53.75		
Jute (£ per ton) ..	120	143½	165	232	235	220	219½		
Flax, Courtrai (£ per ton) ..	335	518	493	498	498	498	492		
Tin, London spot (£ per ton)	601½	1,345	1,422½	1,065	977½	965	950		
Wolfram (s. per unit) ..	126.9	525	670	860	570	575	580		
Antimony 99% (£ per ton)	160	325	360	390	390	390	390		
Castor oil (£ per ton) ..	120	260	280	330	330	330	330		
Tung oil (£ per ton) ..	218	300	295	295	297½	300	300		
Shellac (£ per ton) ..	237½	395	398½	357½	353½	367½	355		
Rubber, spot (d. per lb.) ..	24	64½	72	45	45½	47½	45½		
Tallow (cents per lb.) ..	4½	17½	18½	13½	13½	13	11½		

(a) Price at June 24th.

affected more directly than any other commodities by American stockpiling, and the trend in their prices since February can be directly traced to the change in stockpiling policy.

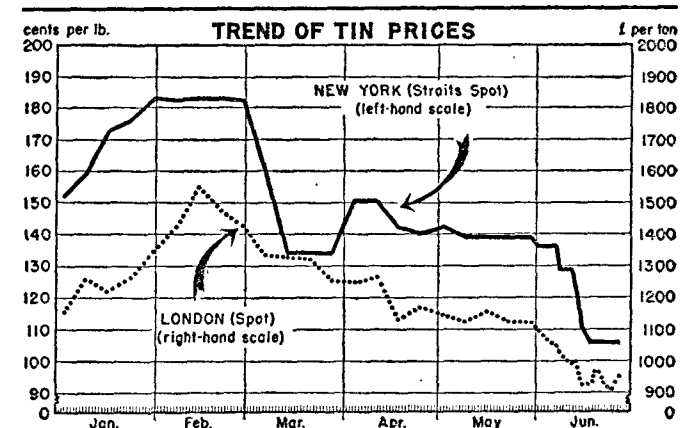
Wolfram, antimony, and tung oil might have been expected to fall at the hint of a truce with China, for China in the past has been the world's major producer. But antimony and tung oil remained firm, whereas wolfram continued the steady advance that has been evident since the beginning of May. It is doubtful, even assuming that fighting in Korea were to cease, whether China would export any substantial quantities of tungsten and antimony to the west except perhaps in return for free shipments of key materials to China.

Fluctuations in Tin

In the last few days, tin has been subject to conflicting influences; Monday's low point of £910 had by Wednesday been followed by a recovery to £950. These responses to weekend truce talk and mid-week alarm about Persia have

at least temporarily obscured the depressing effect of the successive reductions from \$1.39 to \$1.06 per lb. in the American domestic price of tin imposed by the Reconstruction Finance Corporation. The first setback from the fantastic levels of the beginning of the year became evident in the middle of February, when the American Government ceased to add to the stockpile. The RFC, which acts as the agent of the American General Service Administration in buying for the tin stockpile, has been in control of the American tin market since March 12th. For a time, the RFC was content to follow the world market, but early in June it adopted a clear policy of cutting the American domestic price in order to influence the course of tin prices on the world market.

The RFC's aim, it would seem, is to bring the world price to the equivalent of \$1.03 per lb. (in sterling terms, £824 per ton). This is the maximum price in the agreements between the United States and Belgium, Holland and



Production figures: Ministry of Supply. Sales index: Radio and Television Retailers Association; there are between 8,000 and 10,000 retailers.

Indonesia, although the United States has been prepared on occasion to pay more, as for example late last year and in January when it was intent on obtaining tin. If the United States were to continue to hold off the market, the world price of tin would fall further. The long-term agreements for the supply of tin and ore from Belgium, Holland and Indonesia, assure an important contribution to meet American needs; and the American stockpile is estimated at between 150,000 and 180,000 tons, which is no meagre reserve for defence. Yet, even given its determination and its ability to bring the price of tin to what it considers a more reasonable level, the United States must to some extent consider the interests of producers and the impact of lower prices on social conditions in Bolivia and the Far East. Bolivian and Indonesian producers have already protested at the American policy. The manoeuvre is the climax of a long conflict of view between the United States and producers, particularly in Malaya, on what is a reasonable price for a long-term international agreement. Conferences have failed; the United States is now relying on its power as the largest consumer, fortified with reserves and having a certain part of its supplies guaranteed by agreement.

Investment Programme for 1951

The Chancellor's guarded statement on the investment "programme" last week said little that readers of the Economic Survey did not already know. Mr Gaitskell repeated the Survey's forecast that fixed investment in 1951 might be about £2,230 million (at end-1950 prices), compared with £2,162 million in 1950 and he indicated again that a considerable part of this apparent increase of £68 million would be due to the excess of end-1950 prices over average 1950 prices. Within the total of

£2,230 million, Mr Gaitskell estimated that supplies of plant and machinery to home industry should be about the same as in 1950 (when the national income statisticians estimated them at £880 million); he added, however, that a "much larger share must from now on go to firms engaged in defence production, so that, even in 1951, there will be some fall in supplies for purely civil purposes." In 1952 and 1953, as more and more of the engineering industry switches over to armaments, domestic investment in plant and machinery will have to be much more severely reduced.

The greater part of fixed investment outlay in 1950 consisted of expenditure on works and buildings; the National Income White Paper estimated this at £1,282 million (including £585 million of expenditure on repairs). Mr Gaitskell was rather more optimistic about the prospects for an increase in this sort of investment than for investment in plant and machinery; he pinned his hopes on the forecast that output in the building and construction engineering industries should continue to rise by about 5 per cent a year—that is, presumably, by about £65 million at 1950 prices. A substantial part of this increase, however, will also be drawn off for defence purposes; for the financial year, 1951-52, in fact, the Economic Survey estimated that building and engineering work for the defence programme would increase by £63 million, to £185 million—although only £30 million of this (representing expenditure on Government-owned factories, research establishments and storage for strategic stockpiling) is included in the estimate of £2,230 million for the fixed investment programme in 1951.

* * *

Jostling in the Queue

In view of what Mr Gaitskell called the "uncertainty" surrounding all these figures, the Government has wisely decided not to publish a detailed investment programme for individual industries in 1951 and 1952. It has, however, plainly been subjected to the usual pressure for a favourable place in the queue from the various claimants to scarce investment resources now congregated under its wing. It was the broad, though not the statistical, result of the bargaining with these claimants—euphemistically called a "recent review of the programme"—that provided the main new feature of Mr Gaitskell's statement. As a result of this bargaining, investment in coal, electricity, gas, coke ovens, railways, roads and petroleum will actually be higher in 1951 than in 1950—in the first two cases "substantially higher." Education will also get more, though less than was intended a year ago; investment in the health services, in some local Government services, and university building "will be less than it would otherwise have been," though only "in some cases" less than in 1950. The housing programme remains nominally sacrosanct at 200,000 houses a year, but may be subject to "some local interference." Government building as a whole will be brought down below the 1950 level—though not, apparently, until 1952. Among the Cinderellas, industrial building for manufacturing industry, which the Government controls by licence, will continue at about the same rate as in 1950, but fewer licences will be available for projects unconnected with defence production; private building for agricultural purposes will also be reduced. The distribution between industries of that part of the investment programme that takes the form of installation of plant and machinery, instead of new building, cannot be so easily controlled through the licensing system; in view of the way in which the cuts in new building seem to have been distributed, this is perhaps not a matter for regret.

At the end of his statement, Mr Gaitskell announced "two special measures." The first of these is that the building of all new offices will be prohibited—except where work "has already been authorised or in other very special circumstances" (there will, for instance, be a reprieve for office building in blitzed towns). The second special measure

is a ban on building projects for entertainment that cost more than £5,000; less expensive forms of building in the entertainment industry will also, apparently, henceforth be viewed by the licensing authorities with a jaundiced eye. Mr Gaitskell announced that "these particular restrictions and the general reduction in the level of civil investment will unfortunately have to be continued for some time." Apart from other scarcities, architects, engineers and other professional and technical staff are now urgently required for the planning of defence projects. It may be doubted whether the new "programme"—with its usual features of mild restrictions on the ebullience of favourite children and outright bans only on projects that are already licensed down to vanishing point—will set very many of these scarce experts free.

* * *

BEA's Open Diplomacy

It is an odd coincidence that on the very day that the Chancellor of the Exchequer announced that capital investment in the electricity supply industry would be "substantially higher" this year, the chairman of the British Electricity Authority made public an attack upon "certain people euphemistically described as planners" for endeavouring to limit BEA's building of power stations. Whatever else might be said about BEA's essay in open diplomacy, it was probably not mistimed. Both Lord Citrine and Sir Henry Self, the deputy chairman, who said much the same thing but more suavely, presumably had a clear idea of how much BEA would be allowed to spend on construction in 1951. They are not so worried about their share of investment in 1951 or even in 1952—except to defend it against the competing claims of rearmament and exports, over both of which, Sir Henry believes, the generating programme should take priority for materials. Their concern is with the rate of plant commissioning in 1955-56.

Since generating plant takes several years to manufacture and install the electricity supply industry has to prepare its commissioning programmes and place its orders some years in advance. This emphasis upon future plant installation, and the BEA's anxiety that the pace of development should not be slackened, explains the complaints about the Government's decision to limit new installations of generating capacity to 1,500,000 kW in any year. BEA's own hope is that by 1956 the commissioning of new plant should reach some 1,800,000 kW annually. At present, with about a million kW of new capacity a year coming into service, the gap between available capacity and peak load is still widening. Power cuts or voltage reductions were necessary twice as often last year as in 1949-50.

Characteristically, the chairman and deputy chairman of BEA expressed their dismay differently. Lord Citrine severely admonished all who offer "ludicrous" criticism. Sir Henry Self offered an elaborate statistical analysis of the electricity supply industry's place in the national economy, informative and only occasionally tempted into overstatement such as:

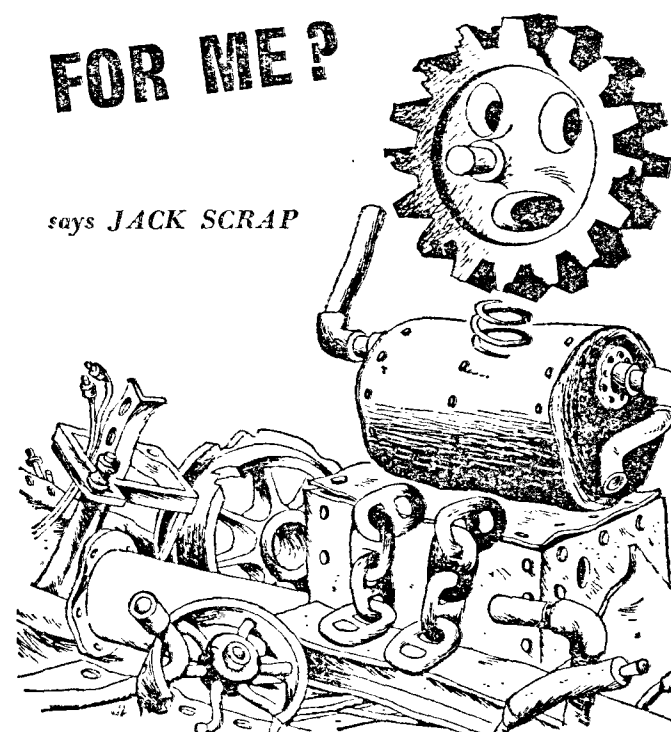
... in three years Britain's industrial production grew by 30 per cent. This was only achieved by increased use of electric power. ...

His final conclusion, that the competing claims of electric, gas, and solid fuel equipment demand a long-term national fuel policy, applies very directly to the allocation of capital resources for developing the separate fuel industries. Yet neither of these eminent spokesmen demonstrated that cuts in programmes or limits on new capacity had so far prevented the installation of a single kilowatt of generating capacity: as much plant is being installed as the manufacturers—particularly boiler makers—can supply. Official limitations may in future affect the placing of orders for generating plant; but it is doubtful whether this has happened yet. Although the capacity of the plant industries will be increasing in the

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next few years, there is no certainty that BEA would be able to instal 1,800,000 kW in 1956, even if it were given permission.

* * *

Controls or Tariffs?

Though the BEA's ambition to match the growing demand for electricity by installing ever more plant has in no way abated, the authority has begun to think afresh about the extended interim period during which capacity will not meet peak demand—last week Lord Citrine feared this might persist for a decade. Since last autumn, when Lord Citrine was waving away suggestions that it might be possible to reduce peak load by means other than unselective power cuts, there seems to have been something of a minor revolution in BEA's thinking on this matter. Extensive studies have been made of various load control devices that might be centrally operated to limit the demand of some, but not all, consumers during peak periods. Despite the industry's traditional dislike of such methods, the authority is now contemplating the ordering of quantities of such control equipment without waiting for final conclusions from its trials, and has asked all Area Boards to set tests in motion.

Lord Citrine, as might be expected, emphasised the risk of embarking upon unproved measures of this kind. He added:

There is little doubt in my mind that we are coming nearer to the position where arbitrary action, enforceable by law, may have to be taken by the Government, to secure a substantial reduction in domestic, commercial, and possibly certain kinds of industrial consumption.

He shared, he said, the industry's repugnance to such "rough justice," inequitable between consumer and consumer.

It is true that the most difficult part of testing load control systems has so far been to induce consumers to accept a maximum figure above which they will not receive power during peak periods. Lord Citrine clearly wishes to place the responsibility for imposing such limits upon the Government: the industry's tradition is to encourage, not to discourage, the use of electricity at all times. The fact remains, however, that the growth of peak demand—and thus of arbitrary power cuts—is at least partly due to the fact that the industry's tariff policy has never been framed in ways that recognise the heavy cost of capacity to meet the top layer of peak demand and charge appropriately for it. Sir Henry Self doubts whether in present inflationary conditions control by price could be effective; and Lord Citrine agrees, "except possibly on long-term policy." Most of the questions about the BEA's investment policy, however, turn on the apparent contrast between the heavy cost of new installations and the encouragement to demand electricity at critical periods because it is on offer at an uneconomic price at those times. Only when it can be established that the utmost efforts are being made to improve the industry's load factor, whether by the "arbitrary" measures that BEA may accept or by the economic measures that it seems reluctant to contemplate, will it be possible properly to assess the right pace of expansion of electricity supply that the economy can afford.

* * *

German Debt Talks

The preliminary discussions on German debts opened in London at the beginning of this week. These discussions fall in two parts. The first, which has occupied the whole of this week, is an exclusively intra-creditor affair with representatives of the United Kingdom, French and the United States Governments, observers appointed by the Belgian, Dutch, Swedish and Swiss Governments, and, at certain sessions, representatives of the private British, French and American creditors of Germany. The object of the three

governments which called the meeting was defined by Sir George Rendel, the head of the British delegation and the chairman of the meeting, as being "to secure the working out of an international agreement on a governmental level which would provide for the eventual settlement of the problem of German debts and lay down the general lines along which debtors and creditors would be enabled to reach individual settlements." The second part of this series of preliminary discussions will open on July 5 when the talks will include representatives of the German Federal Government. The preliminary discussions are intended to prepare the ground for full negotiations which, it is hoped, will take place in the autumn of this year. When the German delegation arrives it is expected to bring with it detailed statistical material that should provide a clearer picture than has hitherto been available of the exact sums and claims involved.

Among the important points of principle that are being discussed are the questions of German ability to pay, of settlement of foreign currency claims in Deutschmarks, and of the problems that may arise from the discrepancy between the debtor's readiness to pay Deutschmarks and German ability to transfer these payments into foreign currencies. A number of intricate technical questions will also have to be considered, including German responsibility for Austrian debts following the Anschluss and the problems created by the attachment of a gold clause to a number of the loan contracts. Dominating the discussions are two contrasted but by no means irreconcilable principles. The first is that a satisfactory settlement of these German external debts is an essential condition of Germany's readmission to the normal channels of international credit and capital. The second is that the arrangements to be made will have to provide a reasonable assurance that Germany will be able to service her debts without running into a foreign exchange crisis. The lessons of the 1920's must not be ignored; but at the same time Germany must not be allowed to use these memories as a means of dodging obligations that can and must be honoured.

* * *

Agreement on Cinema Duty

Details of the amendments to Entertainments Duty agreed between the film trade and the Treasury—which were due to come before the Commons in the report stage of the Finance Bill as *The Economist* went to press—suggest that certain sections of the film exhibitors, at any rate, have fared better than had been expected. So far, only the bare scales of revised admission prices and duty payable have been issued, without any official estimate of the total proceeds these may bring to the participants in the bargain. It seems likely, however, that if the present pattern of attendance continues, cinema patrons may have to pay almost £12 million more a year at the box-office. Of this, nearly £2,000,000 would be passed—through the "Eady system" of "voluntary" levies upon exhibitors—back to film producers, in addition to the £1,500,000 that the present levy is intended to bring in annually. The exhibitors would retain about £3,500,000 from the increased proceeds—less than they hoped, but far more than the Treasury originally proposed. The Exchequer would collect the remainder—some £6,500,000—in Entertainment Duty.

One important result of the agreement is that the exhibitors' representatives accepted as a condition the continuance of the Eady levy at the increased rate for the next three years. This should guarantee the film producers £10½ million in addition to their ordinary film revenue during the period. The Government presumably expects that this special assistance—in conjunction possibly with a further loan to the National Film Finance Corporation—can in three years put British film production on its feet financially, and could then cease. It offers a significant increase in the revenue that producers are entitled to expect from any reasonably successful film: but certain exhibitors are already criticising the agree-

ment since it binds them to pay special contributions based on attendance, which might be maintained, and not box-office revenue, which might still go down if customers transferred into cheaper seats. If business does hold up, however, the new scale of seat prices, including duty, might help quite considerably the profits of those cinemas in which the bulk of seats now cost 1s. 10d., which include most owned by the larger circuits.

*

Ministry of Materials Debated

The debate in the House of Commons last Wednesday on the Ministry of Materials hardly came up to expectations. The Lord Privy Seal described the functions of his new department in more general terms than were set down in the White Paper published a fortnight ago, which was discussed in last week's issue. Mr Stokes stressed the need to have all the major raw materials under one control, particularly in view of the international negotiations now proceeding in Washington. Only two new developments were revealed; first, the Government's proposal to call a meeting later this year of representatives of Commonwealth Governments and of the Colonial Empire to consider problems connected with the procurement and supply of raw materials and manufactured goods, and, secondly, the responsibility of the new Ministry to explore Britain for raw materials.

The Opposition's debating attack was not finally convincing. It is true that the new Ministry could give rise to numerous interdepartmental squabbles, though not to half the number that would arise if the Minister, whose task was to ensure an adequate supply of raw materials for Britain, were denied the power of procurement—as was, indeed, suggested by the Opposition. It may be more important that Mr Stokes should be a good "trouble-shooter" than that he should be a good administrator, but that is not a final argument against setting up the new Ministry. But he might at least have been spared Mr Harold Wilson's bitter criticisms of United States policy; these would have carried more weight had Mr Wilson shown himself more alive to the dangers of raw material shortages when he was President of the Board of Trade. He claimed that the problem that the new Minister would have to deal with was the inability of the Americans to control their domestic consumption. How successful was he in restricting British consumption or in forecasting the trend of demand for, and prices of, primary commodities a year ago?

Some progress has been made towards mitigating the scarcity of raw materials. Eighteen new sulphuric acid plants using pyrites or anhydrite are already under construction or conversion; and in four years the present requirements of imported elemental sulphur will have been halved. Britain is to receive sufficient tungsten and molybdenum in the third quarter of this year to keep industry going, though less than it had asked for. Imports of iron ore will increase considerably next month and there should be a larger allocation of American cotton next season. This is welcome news. But the real pinch in supplies is likely to come next year and later. The Chancellor of the Exchequer's remarks that the new Ministry would make "a vital contribution to acquiring these raw materials and to price stabilisation generally," were at least comforting, but they have still to be proved in fact.

* * *

Government Accounting as Before

After a year of cogitation, the Government has announced its "substantial agreement" with the views of the Crick Committee on Government accounting (published as Cmd. 7969 in June, 1950) but has hastened to add that this agreement extends "in particular" to those of the committee's conclusions that advocated no change. In a written

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The Holding Company of SAMUEL HOLDEN LIMITED,
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Mortgages, Debentures or Loan Capital outstanding.

The LIST OF APPLICATIONS WILL OPEN and CLOSE on
THURSDAY, 5th JULY, 1951, for an

OFFER FOR SALE OF
650,000 Ordinary Shares of 5s. each at 8s. per
Share

The following are extracts from a letter from Mrs. Beatrice Hindley, Chairman of the Company, which is printed in full in the Offer for Sale:—

1. The Operating Company is one of the largest British producers of high quality colour woven shirtings, and its dress and lining cloth trade is also well established. In the last financial year approximately two-thirds of the yardage produced was cotton and one-third rayon, nylon and mixture cloths. No difficulties are anticipated in the supply of cotton and there has to date been no cut in the overall supply of raw materials.
2. The whole production is sold to merchant converters for finishing and distribution. In terms of yardage about 50 per cent. of the shirtings and about 40 per cent. each of the dress goods and linings are ultimately exported.
3. In the opinion of the Board the current level of profits would fully justify the payment of dividends in excess of 11 per cent. per annum. The Directors, however, intend for the time being to limit dividends to that rate which it should be possible to maintain whilst at the same time making reasonable allocations to reserves.
4. Combined profits for the last three-and-a-half years averaged £440,995 per annum. After providing for Directors' remuneration on the new basis and deducting 10 per cent. Profits Tax there remains £389,513, which covers the 11 per cent. dividend with 40 per cent. Profits Tax thereon, together totalling £97,020, more than four times.
5. At the Offer price of 8s. per share the yield on the proposed 11 per cent. dividend is £6 7s. 6d. per cent. It is the Directors' intention to recommend the payment of a dividend of 5½ per cent. actual in respect of the period ending 1st December, 1951.

Copies of the full Offer for Sale, on the terms of which alone applications will be considered, and Forms of Application will be obtainable on Monday from:—

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J. E. WINDER & SON, 4, Norfolk Street, Manchester, 2, and The Stock Exchange, Manchester.
J. W. NICHOLSON & SONS, Telephone Buildings, Sheffield, 1, and The Stock Exchange, Sheffield

and from

THE CHARTERHOUSE FINANCE CORPORATION
LIMITED

15, ST. SWITHIN'S LANE, LONDON, E.C.4.

Parliamentary answer last week Mr Jay announced that the Government accepted unreservedly nine of the Committee's thirty-two "summarised conclusions"; these nine turn out, however, to be the conclusions that supported the maintenance of Government accounts as a whole on a "cash" rather than on an "accruals" basis. On balance, a good case can be made out for this decision. Although accounting on an "accruals" basis would have the advantage of drawing a clear line between current and capital transactions, the accounts published by the Exchequer are a record of stewardship over funds voted—and votes are made in terms of cash.

The Crick Committee's other main recommendations were, first, that trading funds should be established, by legislation, for trading operations by the Ministry of Food and similar Government departments; and, secondly, that the output of Government statistics should be extended and improved. Mr Jay described the recommendation about trading funds as an "interesting proposal"—but, in view of certain "practical difficulties," returned it to the pigeon-hole for "further study." He announced that thirteen of the summarised recommendations for improvements in statistical returns would be put into effect "as opportunity offered"; these, however, were all minor recommendations that called for such reforms as the speedier publication of accounts and for methods of presentation that would minimise the analyst's present labour of chasing from one account to another. (Rather oddly, however, the National Debt Commissioners seem to have successfully held out even against reforms of this sort in their own particular field). But three of the committee's four major recommendations for improvement of statistical output—those calling for an annual statement of departmental assets and liabilities, for a similar statement of Government assets and liabilities as a whole (i.e., excluding inter-departmental items but including official holdings of securities and shares), and for a statement of telephone and telegraph charges incurred by individual departments—have met with a dusty Government answer. The Government has also sent back to the pigeon-hole again, "for further study," the Crick Committee's fourth major statistical recommendation—that for a quarterly consolidated statement of all the transactions of the Central Government and allied agencies (such as the national insurance fund). This last decision is perhaps the most disappointing feature of a stonewalling statement.

* * *

Report on Barcelona Traction

The tangled affairs of Barcelona Traction find much-needed clarification in the joint British, Canadian and Spanish Government statement that has been published this week. The company's prior lien sterling bonds fell into default in 1936 when the civil war broke out in Spain. They have remained in default ever since, but in 1945 the company propounded a Plan of Compromise that invited bondholders to agree to a substantial sacrifice of their claims. The Spanish Government, which would have had to find some £3,000,000 to implement this scheme, refused to give its consent, and from that moment controversy broke loose. The company alleged that the reason for the default was its inability to obtain the necessary foreign exchange from the Spanish Government; the latter retorted that the company would not supply the required evidence to support its application. In the upshot, the company in 1948 was declared bankrupt in Spain at the suit of certain bondholders and a subsequent inquiry into the affairs of the company by the committee formed by the prior lien bondholders resulted in a public statement by that committee which was critical of the conduct of the company's business.

The Spanish Government last year invited the British and Canadian Governments to appoint experts to investigate, with Spanish experts, the whole position of the

company. This joint body has completed its report and the three Governments, after examining the report, have now issued a joint Minute. This Minute finds that the Spanish Government was fully justified in refusing to authorise the transfer of foreign currency because of the failure of the company to produce the necessary supporting evidence. It also finds "in the light of the reports submitted by the experts and with the detailed knowledge of the activities of the group of companies furnished by these reports" that the decision of the Spanish Government was fully justified. It will be interesting to see how the company replies to this declaration.

But the renewal of controversy is less relevant than the possibility of settlement of the bondholders' claims. The Spanish Government, which has also published an official commentary on the Minute, is sensitive to the suggestions to which the affair has given rise "that Spain is a country which does not respect its foreign interests and does not comply with its international engagements." Accordingly, the Minute records official Spanish assurances that legitimate interests will always find the necessary protection within the framework of Spanish legislation. It is not quite clear what this assurance means in this particular instance, but since the bondholders' committee gives this statement particular emphasis, it may be permissible for bondholders to hope that a final solution can now be negotiated between the company and its creditors.

* * *

No Targets for Textiles

Although the textile industries have been asked to expand their exports this year, it is unlikely that the Board of Trade will at this late stage publish any proposed "targets" for 1951. Statements made in London about the need for still higher exports have already aroused resentment in Bradford and Lancashire, where local opinion feels that the textile industries are exporting to the limit. Discussions between the various sections of the industry and the Board of Trade about the projected level of exports for 1952—the first critical year of rearmament—have not yet started. When they do take place, these local views may be accepted.

Exports during the first five months of the year have shown a gratifying increase on those for the same period of 1950. Shipments of rayon piece goods, including knitted fabrics, have risen from 81 million to 103 million square yards; those of cotton cloth from 331 million to 386 million square yards; and woollen and worsted exports from 46 million to 55 million square yards. The size of the order books in all sections of the industry suggest that exports will continue at about these levels throughout the summer and autumn. Beyond that, everything depends on the rate at which new orders are forthcoming, and at present this is slow.

In the case of wool, the slackening in the rate of orders has been sharpest in North American markets; ceiling prices operate in the United States and credit restrictions in Canada. The reduced rate of rayon output will not begin to affect cloth production, and hence export deliveries, until the end of the year, but the demand for rayon is in any case not expected to continue at its present high level. Nearly a quarter of the total quantity of rayon cloth exported in the first five months of this year went to South Africa, where buying has been on such a scale since import restrictions were removed late last year that the Union is now believed to be considerably overstocked; a sharp fall in South African orders therefore seems inevitable. Over-buying on a smaller scale may also have taken place in other markets. The future trend of cotton exports, which have not expanded as sharply as might have been expected at the beginning of the year, appears more assured. Most firms have full order books, but the cloth that they are now producing is made from yarn bought when prices were at their

peak. Now that more plentiful supplies are predicted, and with them lower prices, there is no means of knowing whether buyers may not refuse to take delivery of such high-priced cloth. Such action would not be without its precedents in recent years. On the other hand, a fall in cotton prices might easily lead to the placing of orders that are at present being withheld.

The question of export targets for 1952 will therefore need to be approached with considerable caution. Over-buying almost certainly took place at the end of last year, when there was some degree of panic about future supplies. If the present slackness is a sign of the long-overdue reappearance of a buyers' market, then a return to normal seasonal buying should lead to a resumption of ordering round about September, when manufacturers will be in a position to quote more reasonable delivery dates than they can at present offer. Without such a recovery it may be difficult to maintain the level of textile exports in 1952.

* * *

Japan and the Wheat Agreement

Japan has at last been admitted to the international wheat agreement, and the arrival of its documents of ratification in Washington will end sporadic negotiations that have lasted well over eighteen months. Japan was first proposed for membership by the United States in the autumn of 1949 with an eye to increasing America's own export quota. Britain opposed this step on the grounds that Japan would compete for the limited supplies of sterling wheat. Under the wheat agreement, consuming countries are not tied to any particular exporter and Japan would be free to buy from Australia's export quota.

Britain's objections no longer obtain, first because of the less urgent need to conserve dollars, and secondly because Japan's guaranteed purchase has been scaled down from the 1,200,000 metric tons a year originally proposed to 500,000 tons. Australia's guaranteed annual sale is 2,177,000 tons. The American position has also changed. Since the American domestic price of wheat has been around \$2.40-\$2.50 a bushel, compared with the maximum under the agreement of US \$1.80, the Government has had to pay a subsidy on all wheat agreement sales. The inclusion of Japan as an additional buyer will entail a corresponding increase in the total export quota, and of this additional quantity the United States is likely to take the lion's share. The American Government has, nevertheless, continued to back Japan's application even though its acceptance involves increasing its total subsidy bill, which in 1950-51 amounted to well over \$150 million.

The United States regards this expenditure as the cost of maintaining high internal wheat prices. But the other exporting countries, which do not guarantee a minimum price to their producers, feel that their farmers are making too great a sacrifice in keeping to the maximum price under the agreement. Consequently they have proposed that the maximum limit should be raised. The international agreement has completed half of its four-year span of life and importers have probably gained more from it than have the exporters. But the scheme was intended to be an insurance policy for the exporting countries, for it guaranteed them a minimum price for each season easily capable of covering their costs of production. The premium that exporters paid for this insurance policy was to guarantee sales at a maximum price which, admittedly, has since proved to be on the low side though at the beginning of the agreement it looked likely to be rather high. A certain element of chance was part of the bargain. Under the terms of the agreement, the wheat council has power to alter the upper and lower price limits, though the proposal must first be passed by a two-thirds majority of both exporters and importers each voting separately. Britain holds 37 per cent of the importers' votes.

Record Bank Advances

In the three months to May, advances made by all members of the British Bankers' Association rose by £88 million, to a new peak of £1,895 million; this compares with an increase of £69 million in the same period twelve months ago. As a result, possibly, of the recent check to the rise in raw material prices, the textile and non-ferrous metal industries are shown to have slowed down their rate of bank borrowing and so have the "iron and steel and allied trades." Advances to the leather and rubber industries, however, continued to expand—by £5,500,000 to £23.1 million in the three months. Among the biggest individual increases in borrowing between March and May were those by public utilities (£22.2 million), retailers (£18.2 million), the food, drink and tobacco group (£16 million), agriculture and fishing (£6,500,000), and builders and contractors (£5,500,000); most of these groups customarily increase their borrowing at this season of the year. Advances to the "other financial" group—which includes advances to the two Finance Corporations, the I.C.F.C. and F.C.I.—continued their recent steady expansion, by another £7,000,000 to £201 million; "personal and professional" borrowing, however, declined in relative importance, from 23.8 to 22.8 per cent of total bank borrowing, while the proportion of bank advances going to the engineering industry also declined—rather surprisingly—from 5.5 to 5.3 per cent of the whole. The dominant impression left by the latest classification of advances is, in short, that those industries that tend to increase their borrowing from the banks in the spring did so this year more than usually sharply. Of the redistribution of the industrial effort consequent upon the defence programme, there is no evident sign.

* * *

New Mining Finance

The annual statement of Sir Ernest Oppenheimer to shareholders of Anglo-American Corporation contains the heartening suggestion that the major part of financing the Orange Free State goldfield is completed. This is tempered by the reminder that much remains to be done. Certainly Sir Ernest is well qualified to judge, for of the thirteen mines in the OFS area, seven are being developed under the aegis of Anglo-American. It is reckoned that over £65 million have been subscribed in various ways for the development of these new mines. It is rather odd that the richness of the OFS field should still be in doubt when it is expected that the first mines will start milling ore this year: this uncertainty arises because borehole cores taken from this area have often been friable and are therefore likely to give conservative ore values. Calculations of the possible output of gold from the OFS are equally reserved, and the extent of future development depends upon the profitability of mining gold. Working costs are still rising sharply, but sales of gold at premium prices have helped to offset the increase in costs; such sales now account for about one-seventh of the mining industry's net earnings, but they are uncertain, in that they tend to vary directly with the state of international tension. The mining industry as a whole would not be prudent to count on the continuance of such sales at the present level: the outcome of the International Money Fund's inquiry into sales of gold at premium prices is still awaited. As for a higher selling price for gold, there was an impression of hope long deferred in this week's meetings of the Transvaal Chamber of Mines, despite the suggestions that revaluation of gold throughout the world might eventually be inevitable.

Rising mining costs have been reflected for the past eighteen months in an uncertain trend in gold mining share prices. The justification for this caution is found in the admission that though Anglo-American's revenue from the Witwatersrand rose by £30.8 million in 1950, as compared with the previous year, no less than 36 per cent of that increase was absorbed by higher working costs. This is a

high proportion and it goes a long way to explain why the recent batch of Kaffir dividends was hardly calculated to hearten investors. Meanwhile, there is further evidence of ingenuity and enterprise in the arrangements for new loan finance of £2,500,000 to be provided by Anglo-American to Stilfontein, on the Far West Rand; this sum will be repayable, broadly speaking, in 1954 and 1955, and will finance Stilfontein to the production stage. Two new companies are to be formed to exploit the "Lucas Block" at the southern limit of the Stilfontein property, under the aegis of the Anglo-American and Strathmore groups.

* * *

Hongkong's Trade Controls

As Sir Hartley Shawcross foreshadowed in the House of Commons a week ago, the Government of Hongkong has imposed export and import licences on all goods covered by the British Government's order. A wide variety of commodities (some on the British list) were already under import and export control. For instance, tin, tinplate, coal, coke, lead, iron and steel, zinc and zinc manufactures, and rubber, all of which have strategic significance, were already subject to import licensing. In addition there was a fairly close control of exports, and certain items were already prohibited—including arms, ammunition and explosives, tinplates and black plates and various steel manufactures.

Control of imports and exports in Hongkong is not new and has been strengthened since the Korean war and especially since the Chinese participation. But the modest import and export licensing sections of the Department of Commerce and Industry will now have to be expanded. Since November last year an Essential Supplies Certificate has been required for all items for which foreign exporting governments have required assurance. The importer has to make an affidavit before a Justice of the Peace that the item is to be

used in Hongkong, and how long it is likely to last, to obtain a certificate; the manufacturer who wants the item also has to make a declaration. On arrival the goods are checked and inspectors can visit factories in the Colony to see whether the stated use is being made of any item. Exporters have to certify that goods under control are going to approved destinations; in the period between certification and shipment the goods are put in a special store. Thus, machinery exists for close and detailed control both of imports and exports. Its effectiveness remains to be proved; when an apparatus for trade control is suddenly expanded it is unlikely to work perfectly for a time at least.

Shorter Notes

In order to take the place of the Dollar Exports Board, which ceases from July 1st, a Dollar Exports Advisory Council has been set up which will take over the task of promoting increased trade between North America and the United Kingdom. The chairman of the advisory council will be Sir William Rootes, and there will be eight other members. An Executive Committee of the Council has been formed to set up relations with Canadian and American organisations. The new council will be a more informal arrangement than the board, but it should be able to give equivalent guidance, where required, to manufacturers.

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The annual report and accounts of the British Phosphate Commission for the year ending June, 1950, have just been issued. Phosphate production during that year was a record, and after meeting demand for consumption reserve stocks were set aside. Shipments from Nauru were 1,009,266 tons, and from Ocean Island were 276,732 tons during the year.

BARCELONA TRACTION, LIGHT & POWER COMPANY, LIMITED

The Barcelona Traction Prior Lien Bondholders' Committee has considered the text of the Minute signed in Madrid by the Minister of Industry and Commerce on behalf of the Spanish Government and by H.M. Ambassador on behalf of the British and Canadian Governments which text together with the Spanish Government's official commentary has been published in the London press.

In February, 1949, the Committee publicly stated that the affairs of Barcelona Traction and its Subsidiaries warranted a full and complete investigation and it is satisfactory to know that an investigation has at length been conducted under the highest auspices.

The inter-Governmental Minute and the Spanish Government's official commentary show:—

1. The reasons why the Spanish Government refused in 1946 to sanction the Plan of Compromise.
2. That the Spanish Government considers that the investigation discloses that irregularities have occurred.
3. That the Spanish Government has been fully justified in refusing foreign exchange.
4. That the Spanish Government has announced and the British and Canadian Governments have taken note that no remittances will be made until the position is regularised.
5. That the Spanish Government has taken no part in the Spanish bankruptcy proceedings.
6. That the Spanish Government confirms that legitimate interests will be protected.

The Committee considers that this announcement has done much to clarify the position and that therefore the Bondholders have reasonable grounds for expecting that a final solution can now be negotiated between the Company and its creditors. In view of certain comments which have been made in the press, the Committee stresses that the important question, whether in the light of all the facts Barcelona Traction was carrying on business in Spain and was subject to Spanish jurisdiction, is *sub judice* in legal proceedings both in Spain and in England.

26th June, 1951.

BARCELONA TRACTION, LIGHT & POWER COMPANY, LIMITED

The Spanish Embassy has issued the following translation of the Note published by the Spanish Government at the conclusion of the meeting of the Council of Ministers held on 15th June, 1951, relating to the Minute (a translation of which is quoted verbatim below) concerning the affairs of Barcelona Traction signed in Madrid jointly by the British Ambassador and the Spanish Minister of Industry and Commerce:

The Minister of Industry and Commerce informed the Cabinet about the Minute concerning the affairs of Barcelona Traction signed on 11th June with the British Ambassador in the presence of representatives of the British Treasury and the Canadian Government, and summarised the following facts:

Barcelona Traction, Light & Power Company, Limited, the head of a group of Companies which, under the name "La Canadiense," owns important electrical undertakings in Spain and which since 1936 has suspended payment of interest on its sterling bonds, submitted to the Spanish Government in 1945 a "Plan of Compromise," whereby those bonds would have been totally cancelled with a loss to the bondholders representing approximately 50% of the amount owing to them. The purported justification of the Plan to the bondholders was the alleged conviction that the Spanish State would not in the future, because of shortage of foreign exchange, be able to make available the foreign exchange necessary for the normal satisfaction of the bonds.

At the same time nevertheless the Spanish Government was asked to make available a very important part of the sterling necessary for the carrying out of the Plan, it being represented to the Spanish Government that the operation was a means of finally cancelling debts which it was stated the Companies of the Barcelona Traction group operating in Spain had contracted abroad.

Position of the Government

The Government repeatedly and in conformity with the law made it a condition of making any foreign exchange available to the Group that it should first be supplied with full evidence of the origin and genuineness of the alleged debts; this requirement was not satisfied, but the Government compiled sufficient data and information to reject the proposed Plan on the ground that it was considered harmful to the national economy and exceedingly prejudicial to the foreign interests involved in a manner which affected the credit of our country and afforded a clue to certain unusual abnormalities which could not be approved.

A full and detailed explanation of the matter was given by the Minister of Industry and Commerce to the Spanish Cortes on 12th December, 1946, in connection with a question there raised.

The British Government also refused to approve the Plan because it had not been authorised in Spain and for other reasons, probably of the same character which had led to the Spanish refusal.

Both in the course of this operation, and after it had been rejected, an intense propaganda campaign was waged abroad, whose theme consisted in stating that the Company could not comply with its obligations because Spain was not in a position to allow the foreign exchange to which the Company was entitled.

In February, 1948, by due process of law and independently of any Governmental action, Barcelona Traction was declared bankrupt at the instance of bondholders.

The world campaign referred to above was then intensified in terms which merit no comment; it was repeated in the daily and financial press and in statements, speeches and the like, which were very widely publicised.

The Spanish Government was accused then, as always, of having caused the situation in which the Company was placed and of having brought about the bankruptcy by not allowing the foreign exchange to which it was said the Company was entitled; it was even insinuated that the Government was interested in the bankruptcy, whose results, it was suggested, would be beneficial to the Spanish economy at the cost of sacrificing legitimate foreign interests. The campaign by its virulence even impressed certain foreign governments which, no doubt misinformed, echoed it.

Spanish Invitation

The Spanish Government, which, because of the very character of the campaign, thought it should not be fought on the same plane, limited itself to making available officially the data and facts at its disposal, which demonstrated the justice of its position; in view of the pertinacity of the campaign the Spanish Government invited the Governments of Great Britain (the country in which the greater part of the bonds were held) and of Canada (the country in which the Company was registered) to appoint experts, who, together with Spanish experts, should investigate and verify the truth of the situation and of the facts known to the Spanish Government.

The invitation was accepted, the international Commission was appointed and it recently finished its work.

Vindication of the Spanish Government's Standpoint

After the Reports prepared by the Commission had been made known and examined a meeting was held in Madrid as a result of which the Minute referred to above was signed by the Minister of Industry and Commerce and by the British Ambassador.

In the Minute the position adopted by the Spanish Government is unanimously recognised as completely justified; it finds, too, that the campaign referred to was ill-founded because it recognises that the action of the Spanish Administration in refusing to allow the transfer of the foreign exchange asked for by the Companies of the Barcelona Traction Group was fully justified. Apart from this main aspect, the Reports of the experts throw into relief irregularities of all kinds in the behaviour of the Companies, which it is not necessary to specify on this occasion.

There is this last aspect of the question to consider. It has given rise to suggestions abroad that Spain is a country which does not respect foreign interests and does not comply with its international engagements in such matters.

The reality, which is proved by documents, is that the behaviour in Spain of the "Canadiense" has violated universally recognised codes of international economic relationship as they have been recently defined by important international bodies.

Spain now, as always, knows how to honour its foreign engagements and recognises once again the advantage which results from foreign investments, which will always receive the rewards, the treatment and the attention which they deserve, provided they are used in the way which is recognised as normal throughout the world.

MINUTE

At a meeting in Madrid on 11th June, 1951, between on the one part the Minister of Industry and Commerce, representing the Spanish Government, and on the other His Britannic Majesty's Ambassador and Messrs. Henry H. Eggers, of His Britannic Majesty's Treasury, and E. A. Coté, the Delegate of the Canadian Government, representing their respective Governments, to deal with the matter of the "BARCELONA TRACTION, LIGHT & POWER COMPANY, LTD., and its subsidiary companies," the undermentioned statement was made, by common agreement, after examination of the reports prepared by the Spanish, British and Canadian members of the Commission of Experts appointed to investigate the activities of the said Group:

1. That the Experts have unanimously agreed that RIEGOS Y FUERZA DEL EBRO S.A., the head of the Barcelona Traction group of subsidiary companies in Spain has not made available the information called for on various occasions to justify the origin, destination and basis of the financial obligations claimed to be the ground of their applications, and the British and Canadian Governments consider that in such circumstances the attitude of the Spanish Administration during recent years in not authorising the transfers of foreign currency applied for is fully justified.

2. That, in the light of the reports submitted by the Experts and with the detailed knowledge of the activities of the group of Companies furnished by these reports, the decision of the Spanish Government to declare the applications in question ineligible, has now been fully justified, thus confirming the correctness of the decision previously taken when authorisation for the transfers of foreign currency was refused. Moreover, the British and Canadian representatives have taken note of the Spanish Government's decision for the same reasons, not to authorise future transfers of foreign currency abroad in favour of the said Companies until such time as the position of the Companies vis-à-vis Spain has been regularised.

3. That the British and Canadian representatives have been informed of the statement made by the Spanish Minister of Industry and Commerce to the effect that, as a result of irregularities of all kinds as regards the Spanish economy and law noted in the conduct of this group of Companies, appropriate proceedings will be instituted to determine, and if necessary to enforce, whatever liabilities may arise therefrom.

4. That, without prejudice to all the foregoing, the Spanish Minister of Industry and Commerce, in response to the wishes expressed by the British and Canadian representatives—which he also shares—on behalf of the legitimate interests which may be affected by the conduct and by the position of the Company, gives his assurance that they will always find the necessary protection within the framework of Spanish legislation; nevertheless, he again repeats the statements made by the Spanish Government on various occasions concerning the absolute independence of the Spanish judiciary and the fact that the Spanish Government considers inadmissible any intervention in questions within the legal framework which may arise between private parties or interests.

The Spanish Minister of Industry and Commerce

Signed: JUAN ANTONIO SUANCES.

His Britannic Majesty's Ambassador

Signed: JOHN BALFOUR.

Company Notes

Boots Pure Drug.—Record sales at home and abroad and a record number of prescriptions dispensed contributed to the improvement in Boots' trading profits from £3,147,761 to £3,785,738, although it is clear that some part of this 20 per cent increase came from the manufacturing side of the business. Higher prices no doubt played their part in these results, but Boots did, in fact, sell a greater volume of goods. Dispensing is perhaps the backbone of the company's retail activities, and the chairman comments that if a considerable sum of money had not been spent in enlarging a number of dispensaries "it is difficult to see how the business could have been dealt with"; the least satisfactory aspect of this side of the business is the delay in re-embursing the company for National Health prescriptions; at the end of the financial year some £1,700,000 was owed to Boots from Health Service funds. An ordinary dividend of 40 per cent is to be paid on £1,920,000 capital, against an interim of 20 per cent on £1,600,000 capital and a final of 20 per cent on the increased capital of £1,920,000 in 1949. The 100 per cent scrip bonus, by the capitalisation of £1,920,000 from the share premium account of £2,080,836, puts the company's capital structure on a more realistic footing, for the parent company's reserves stand at £6,559,564 and subsidiaries' reserves amount to £3,179,499.

	Years to March 31, 1950	1951
Consolidated Earnings:—		
Trading profit	3,147,761	3,785,738
Total income	3,148,558	3,840,977
Depreciation	434,408	508,429
Taxation	1,050,498	1,361,199
Group Earnings for Ordinary Stock	699,573	973,350
Ordinary dividends	387,200	412,800
Ordinary dividends (per cent.) ..	40	40
Retained by subsidiaries	276,512	368,808
Added to general reserves and carry forward	6,221	248,142
Parent Co. Bal. Sheet Analysis:—		
Fixed assets, less depreciation ..	6,604,949	7,307,372
Net current assets	2,135,321	2,822,038
Stocks	5,034,520	5,983,374
Reserves	5,514,712	6,559,564
Ordinary capital	1,760,000	1,920,000

5s. ordinary stock at 57s. yields £3 10s. per cent.

The substantial increase in stocks held by the group is to ensure "continuity in manufacturing processes"; the parent company's stocks have risen from £5,034,520 to £5,983,374 and those of the subsidiaries have increased from £5,451,069 to £5,803,291. One encouraging pointer for the future is the expansion of export sales by 20 per cent. With 1,297 shops in Britain—21 new branches were opened in the latest year—the group's earnings must come substantially from the domestic retail trade. After the CIC had consented to the scrip bonus, Boots' ordinary advanced against the prevailing trend of falling prices to the year's highest bid of 58s. 6d.; a yield of 3½ per cent at the current price of 57s. suggests that shareholders are hoping for something more than a 20 per cent dividend on the doubled capital.

Fine Spinners.—Peak postwar levels of output, both in the spinning and weaving sections of the cotton industry, were achieved in 1950; even in these circumstances, however, the jump in Fine Spinners' trading profits from £2,943,197 to £4,865,184 can only be described as remarkable. Greater earnings from the company's considerable interests overseas may perhaps be the key to this achievement. Textile shares have been active in the recent boom in equities, and the raising of Fine Spinners' ordinary dividend from 8 to 12½ per cent helped to give the advance a further fillip. Increased commitments in stocks, which have risen from £6,583,750 to £7,356,199, and in debtors, which are up from £1,923,382 to £2,771,279, reflect higher trading and

prices. Retentions of profits of some £1,200,000 by the group have strengthened its liquid resources; cash has more than doubled from £808,297 to £1,664,003 and a further £1,000,000 is held in tax reserve certificates.

	Years to March 31, 1950	1951
Consolidated Earnings:—		
Trading profit	2,943,197	4,865,184
Total income	2,967,448	4,879,418
Depreciation, etc.	667,164	714,721
Taxation	1,090,335	2,400,657
Group Earnings for Ordinary Stock	862,363	1,501,314
Ordinary dividends	245,959	366,842
Ordinary dividends (per cent.) ..	12½	12½
Retained by subsidiaries	372,701	608,930
Added to general reserves and carry forward	253,480	615,542
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation ..	12,637,694	12,798,800
Net current assets	6,253,679	7,589,602
Stocks	6,583,750	7,356,199
Cash	808,297	1,664,003
Reserves	8,008,789	9,289,745
Ordinary capital	5,589,979	5,589,979

£1 ordinary stock at 34s. 4½d. x½ yields £1 6s. per cent.

Dogmatism about the immediate prospects in the cotton industry might be unwise. The cut in sulphur supplies, for example, may raise difficulties for these companies, of which Fine Spinners is one, which produce rayon yarn, and some concerns have been conscious of a slight slackening in demand in the last few weeks. But if the industry fulfils the expectations that the Government has formed about its export tasks, Fine Spinners will play an important part in their achievement.

Pye.—The latest accounts indicate an appreciable expansion in business, and trading profits have risen from £494,693 to £666,107. A dividend of 18 per cent is to be paid on £432,133 deferred ordinary capital as doubled by the hundred per cent scrip bonus in January; in the previous year a dividend of 35 per cent was paid on the original capital of £216,066. Increased turnover and higher prices are reflected in the rise in stocks from £1,094,807 to £1,940,693, in debtors from £962,290 to £1,374,366, and in hire purchase debts from £71,358 to £240,094. Further investment in fixed and working capital has imposed some strain on the company's resources, for despite the new issue of £750,000 5 per cent preference stock in the year, cash has fallen from £347,422 to £234,932, and bank overdrafts have risen substantially from £36,936 to £108,752.

	Years to March 31st 1950	1951
Consolidated Earnings:—		
Trading profit	494,693	666,107
Total income	503,152	695,829
Depreciation	34,599	56,641
Taxation	229,069	353,887
Group Earnings for Ordinary Stock	130,990	180,090
Ordinary dividends (a)	41,593	40,837
Ordinary dividends (per cent.) ..	35	18
Retained by subsidiaries	41,422	69,732
Added to dividend reserve and carry forward	65,918	59,331
Cons. Balance Sheet Analysis:—		
Fixed assets, less depreciation ..	406,803	560,065
Net current assets	1,267,939	2,114,738
Stocks	1,094,807	1,940,693
Cash	347,422	234,932
Reserves	1,419,236	1,518,706
Deferred ordinary capital	216,066	432,133

(a) Paid from dividend reserve: 1949, £11,884; 1950, £12,478. 5s. deferred stock at 22s. 6d. yields 4½ per cent.

When the purchase tax on radio and television sets was doubled, there was an immediate rush to buy sets taken into stocks at pre-budget prices; these stocks are now practically exhausted and sales have fallen. Presumably, while the 66½ per cent purchase tax is in force, demand will remain at a lower level, but defence orders for radio and radar components will eventually make good the loss of domestic orders. Whether this substitution of defence output for civilian output will proceed quickly enough for the industry's satisfaction is a matter discussed in an earlier article.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, June 20, 1951	Price, June 27, 1951	Net Yield, June 27, 1951 (n)	Gross Yield, June 27, 1951
War Bonds 2½%	100½	100½	£ s. d.	£ s. d.
Mar. 1, 1951-53			0 11 0	1 3 7½
War Bonds 2½%	100½	100½	0 11 0	1 3 7½
Mar. 1, 1952-54			0 11 0	1 3 7½
Exchequer Stk. 2½%	100½	100½	0 16 11	2 0 4
Feb. 15, 1955			0 16 11	2 0 4
War Bonds 2½%	101½	101½	0 14 10	2 1 3½
Aug. 15, 1954-56			0 19 2	2 4 6½
Funding 2½%	101	101½	0 5 3	1 12 1½
June 15, 1952-57			1 4 11	2 11 1½
Nat. Defence 3%	101½	101½	0 18 11	2 6 8½
July 15, 1954-58			1 5 11	2 13 11½
War Loan 3%	102½	102½	1 0 10	2 10 4½
Oct. 15, 1955-59			1 5 9	2 14 8½
Savings Bonds 3%	97½	97½	2 8 11	4 7 10½
Aug. 15, 1955-63			1 17 0	3 7 0½
Funding 2½%	96½	96½	2 2 0	3 7 4½
April 15, 1956-61			1 14 3	2 19 0½
Funding 3%	92½	92½	2 12 9	4 3 5½
April 15, 1959-69			2 1 7	3 11 10½
Funding 3%	94½	94½	2 1 5	3 10 10½
Aug. 1, 1966-68			2 0 5	3 9 10½
Funding 4%	102½	102½	1 16 4	3 14 8½
May 1, 1960-90			2 0 4	3 13 0½
Savings Bonds 3%	92½	92½	2 11 10	4 3 1½
Sept. 1, 1960-70			2 2 0	3 12 8½
Savings Bonds 2½%	89½	89½	2 5 3	3 10 11½
May 1, 1967-70			2 1 11	3 7 7½
Victory Bonds 4%	104½	104½	1 16 2	3 14 4½
Sept. 1, 1920-70			2 9 7	4 1 1½
Savings Bonds 3%	89½	89½	2 2 11	3 14 2½
Aug. 15, 1965-75			2 2 10	4 1 5½
Consols 4%	99½	97½	2 2 10	4 1 5½
(after Feb. 1, 1957)				
Conversion 3½%	88½	88½	2 1 9	3 19 11½
(after Apr. 1, 1961)				
Treasury Stk. 2½%	64½	64½	2 0 10	3 18 1½
(after Apr. 1, 1975)				
Treasury Stk. 3%	75½	76	2 1 8	3 19 8½
(after Apr. 5, 1966)				
Treasury Stk. 3½%	93½	93½	2 3 2	3 17 10½
June 15, 1970-70			2 2 7	3 17 4½
Redemp. Stk. 3%	83	83	2 5 11	3 13 8½
Oct. 1936-96			2 3 8	3 15 7½
War Loan 3½%	87½	87½	2 2 2	4 0 4½
(after Dec. 1, 1952)				
Consols 2½%	64½	64½	2 0 9	3 17 7½
Brit. Elect. 3% Gtd.	90½	90½	2 6 5	3 17 5½
April 1, 1968-73			2 3 6	3 14 5½
Brit. Elect. 3% Gtd.	88½	89	2 4 5	3 15 8½
Mar. 15, 1974-77			2 3 2	3 14 5½
Brit. Elect. 3½% Gtd.	94½	94½	2 2 5	3 17 1½
Nov. 15, 1975-79			2 1 11	3 16 8½
Brit. Tpt. 3% Gtd.	83½	83½	2 6 8	4 0 9½
July 1, 1978-83			2 5 11	4 17 4½
Brit. Tpt. 3% Gtd.	89½	89½	2 6 8	3 17 7½
April 1, 1968-73			2 3 7	3 14 7½
Brit. Gas Gtd. 3%	82½	82½	2 5 2	3 17 11½
May 1, 1990-95			2 4 1	3 16 11½
Brit. Iron & Steel 3½%	94½	94½	2 2 2	3 17 9½
Feb. 15, 1979-81			2 2 2	3 17 6½

(e) To earliest date. (f) Flat yield. (n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (g) Assumed average life 13 years 7 months. * Ex dividend.

Last Two Dividends			Ordinary Stocks	Price, June 20, 1951	Price, June 27, 1951	Yield, June 27, 1951
(a)	(b)	(c)				
%		%				£ s. d.
20 a	40 b		Anglo-Am. 10/-	7½	7½	3 19 4
25 b	5 a		Anglo-Iran. £1	5½	5½	4 15 8
25 a	15 b		Assoc. Elec. £1	97/6	95/-	4 4 3
22½ c	27½ c		Assoc. P. Cem. £1	106/3	106/3	5 3 6
40 c	35 c		Austin 5/-	34/4	35/-	5 0 0
120 b	75 a		Bass £1	148/11	148/11	6 8 9
40 c	40 c		Boots 5/-	55/6	57/-	3 10 2
10 c	6 a		Br. Celanese 10/-	35/9	35/6	2 16 4
8 a	12 b		Br. Oxygen £1	98/6	99/-	4 0 11
5 a	7½ b		Coats £1	63/9	62/6	4 0 0
5 a	6½ b		Courtaulds £1	47/9	48/6	4 12 9
20 c	6½ a		Distillers 4/-	23/9	23/9	3 7 4
35 c	17½ c		Dunlop £1	64/9	64/9	5 8 1
10 c	12 c		E. & F. 10/-	58/9	58/9	4 17 1
17½ c	17½ c		Gen. Elect. £1	95/-	93/9	3 15 8
11 a	21 b		Guinness £1	145/-	144/6	4 8 7
5 a	17½ b		Hawker Sid. 5/-	39/6	39/-	4 3 4
13 a	9 b		Imp. Chem. £1	51/10½	51/10½	4 12 6
13½ a	18½ b		Imp. Tobacco £1	101/3	100/-	6 8 0
7½ b	5 a		Lancs. Cotton £1	55/7½	54/4	4 12 0
10 c	13½ c		Lever £1	52/3	51/3	5 5 4
15 c	15 c		Lon. Brick £1	58/9	58/9	5 2 2
15 a	60 b		Marks & Sp. A5/-	98/-	98/6	3 16 2
8 a	8 b		P. & O. Def. £1	61/6	63/6	5 0 9
17½ b	71 a		P. Johnson 10/-	41/6	42/-	5 19 1
15 a	17½ b		"Shell" Stk. £1	96/11	94/4	6 0 11
12½ b	12½ b		Tube Invest. £1	7	7	3 12 9
3½ a	18½ b		T. & Newall £1	99/4½	94/4	4 8 8
8 c	10 c		Union Castle £1	39/6	38/-	5 5 3
17½ c	50 c		U. S. B. £1	61/10½	58/9	17 0 5
21 a	10 b		Vickers £1	52/-	52/-	4 13 2
27½ b	15 a		Woolac. 5/-	48/6	47/9	4 9 0

* Ex. dividend

* Ex dividend.

EXCHEQUER RETURNS

For the week ended June 23, 1951, total ordinary revenue was £40,887,000, against ordinary expenditure of £56,620,000 and issues to sinking funds £290,000. Thus, including sinking fund allocations of £2,610,000 the surplus accrued since April 1, 1951, is £4,841,000 compared with a surplus of £28,216,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	April 1, 1950 to June 24, 1951	April 1, 1951 to June 23, 1951	Week ended June 23, 1951	Week ended June 23, 1950
ORD. REVENUE					
Income Tax	162,400	170,295	194,922	15,875	15,975
Sur-tax	128,000	22,200	22,600	1,400	1,100
Estate, etc., Duties	180,000	46,800	48,400	3,600	3,200
Stamps	55,000	11,650	14,500	1,100	900
Profits Tax	312,650	42,220	50,800	4,700	3,000
E.P.T.	500	30	40	...	...
Special Contribut.	1,500	1,430	840	...	90
Total Inland Rev.	230,240	297,425	332,102	26,755	24,265
Customs	930,500	197,264	222,930	12,154	15,820
Excise	720,500	149,015	160,219	7,915	6,519
Total Customs and Excise	1,651,000	346,279	383,149	20,069	22,339
Motor Duties	62,000	5,234	6,414	...	...
Surplus War Stores	20,000	10,412	7,238	...	...
P.O. (Net Receipts)	50,000	25,974	25,000	...	...
P.O. (Net Receipts)	5,400	900	1,200	...	...
Wireless Licences	13,600	1,800	2,000	...	...
Sundry Loans	27,000	1,389	2,599	...	...
Miscell. Receipts	105,000	16,572	9,266	872	82
Total Ord. Rev.	423,640	705,985	768,969	43,098	40,887
SELF-BALANCING					
Post Office	179,431	37,000	41,000	6,900	8,300
Income Tax on E.P.T. Refunds	4,900	2,440	1,149	375	80
Total	442,071	745,425	811,118	50,373	49,267

Expenditure	Estimate, 1951-52 £'000	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1, 1950 to June 24, 1950	April 1, 1951, June 23, 1951	Week ended June 24, 1950	Week ended June 23, 1951
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt.	535,000	106,739	112,701	...	...
Payments to N. Ireland.	38,000	8,182	6,856	2,085	...
Other Cons. Funds	11,000	769	1,111	5	210
Total	584,000	115,690	120,668	2,090	210
Supply Services ...	361,292	559,565	640,850	23,130	56,410
Total Ord. Expd. ...	419,692	675,255	761,518	25,220	56,620
Sinking Funds ...	...	2,514	2,610	90	290
Total (excl. Self- Bal. Expd.) ...	419,692	677,769	764,128	25,310	56,910
SELF-BALANCING					
Post Office.	1,493,431	37,000	41,000	6,900	8,300
Income Tax on E.P.T. Refunds	4,900	2,440	1,149	375	800
Total	4,812,552	717,209	806,277	32,585	65,290

OTTOMAN BANK

WIDESPREAD BUSINESS RELATIONS

LORD LATYMER'S REVIEW

The eighty-fourth annual general meeting of Ottoman Bank was held on June 20th in London, the Right Hon. Lord Latymer (the chairman) presiding.

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

When we met last year I was able to tell you that we had signed a new agreement with the Turkish Government and I then hoped that that agreement would shortly be ratified by the Grand National Assembly of Turkey.

However, the signature of that agreement was followed almost immediately by a General Election in Turkey, which resulted in a change of Government. The new Government has been fully occupied in the intervening year with many urgent tasks; consequently our new agreement has not been placed before the National Assembly for ratification.

We are, of course, anxious not to add to the preoccupations of the Government, and in the circumstances have naturally contented ourselves with seeing that the Ministers concerned are fully aware of the position.

TURKEY

Industrial production is still insufficient for the country's needs. The Government, while maintaining the existing state enterprises, is now doing everything in its power to encourage private development. With this object, the Industrial and Development Bank of Turkey has been formed, with the support of the International Bank for Reconstruction and Development, and will play an important part in assisting new industries.

With many natural resources and with a people of proved courage and tenacity, Turkey will certainly continue to progress.

EGYPT: Our branches were most active, and the tension in the cotton market naturally increased the responsibilities of our management and the work of our staff.

SUDAN: It is scarcely more than two years since we extended our activities to the Sudan, where we now have a satisfactory business.

ISRAEL: Our overhead expenses in Israel are increasingly heavy but our branches were able to hold their own and maintain their services.

JORDAN

In May, 1950, our new and enlarged premises in Amman were opened by H.M. King Abdullah.

Further developments, either in hand or planned, include an oil refinery, a cement works, and important improvements to the Red Sea port of Akaba.

Our branches continued to play an important part in the commercial life of the country, to enjoy a satisfactory share of its banking business, and to assist a number of municipalities with their improvement and development schemes. It was not an easy year, but it was a busy and encouraging one.

IRAQ: It was an eventful year for Iraq with considerable impact upon the economic life of the country.

The Lake Habbaniyah Scheme, where the Dhibban Channel to the Euphrates is already functioning, and the Wadi Tharthar (Tigris) Scheme, for which the International Bank for Reconstruction and Development accorded a £12,800,000 loan, should not only reduce flood risk but should increase, and even double

the area under cultivation. It is difficult to understand that the year and in debt, at difficulties for our branches, to £2,771,271

CYPRUS

For Cyprus the year 1950 was, in the main, a peaceful and a prosperous one. Trade was steady and the Government was able to make considerable headway with its programme for irrigation and water-supply, for power generation and for improved public health.

It was an encouraging year for your Bank. Competition is keen but an active policy has been pursued.

MOROCCO: There was a remarkable increase of business in Morocco in 1950 in which your branch took its full share, achieving a satisfactory level of deposits and attracting a clientèle of importers and exporters, many with business contacts in countries where the bank is already established. This promises well for the future.

THE LEBANON

The year 1950 saw marked economic development in the Lebanon, from the point of view both of transit trade and of arbitrage. Beyrouth has become the centre of substantial dealings in gold and foreign exchange.

SYRIA: In Syria, an outstanding factor has been the remarkable increase in the cotton harvest, compared with previous years. The crop amounted to over 35,000 tons of ginned cotton. This satisfactory result has led to increased planting, and estimates for the 1951 campaign exceed 100,000 tons.

LONDON AND PARIS: Our Paris and London offices have made every effort to facilitate and develop business with Turkey, with the Middle East, and with the other countries within our sphere.

BALANCE SHEET

May I now turn to the balance sheet before you. The total shows an increase of £11 million over the previous year, and has reached a record figure of £77 million. On the liabilities side this increase is reflected almost entirely in the item "Current deposit, and other accounts," and is due to a general expansion of business which is well spread over the countries in which we operate.

Our assets show a liquid position with "Cash" and "Money at call," together up by nearly £5,000,000. Investments, which consist mainly of short-dated British Government securities, are down by £3,000,000, whilst employments in "Bills receivable" and "Advances to customers" have increased by more than £8,000,000.

The profit and loss account shows a result for the year of £320,474, as compared with £175,307 in 1949. Adding the remittances of profit of previous years of £151,559 and the balance brought forward from 1949, there is a total available of £510,886.

From this amount, as you will notice from the accounts before you, we have increased the appropriation to "Reserve for contingencies" to £250,000. Your general committee have thought this step desirable as part of a considered policy of building up the reserves of the bank. In these inflationary and uncertain days, and particularly for your bank, which operates in so many different countries, such a policy is considered to be essential.

The balance remaining therefore on profit and loss account is £260,886, and the committee propose that a dividend of 8s. per share be paid this year, absorbing £200,000 and leaving £60,886 to be carried forward into 1951.

The report was adopted.

BRITISH BANK OF IRAN AND THE MIDDLE EAST

INCREASED NET PROFIT

The sixty-second ordinary general meeting of the British Bank of Iran and the Middle East will be held on July 18th in London.

The following is an extract from the statement by the chairman, The Rt. Hon. Lord Kennet of the Dene, P.C., G.B.E., D.S.O., D.S.C., circulated with the report and accounts for the year ended March 20, 1951:

With an increase in our net profit, we have no reason to be dissatisfied with our business for the year. The increased total, of £108,089, is after providing for all taxation due, but the increased rate of tax on distributed profits has been paid on a portion only of our profits for the year. This year, as last year, no profits have been earned in Iran. Its increase has been due to our increased business at those other branches. Our business in Iran has about paid its way, no more.

Our deposits have increased by £6,600,000 to £33,600,000, a peak in our history. That is an increase of 25 per cent. over last year. Our deposits in Iran have declined. The increase in their total elsewhere is not confined to any one branch; it has been well spread. That is satisfactory evidence of the demand for the services which we supply with our expanding organisation. The increase, for instance, of over £5,000,000 in credits and guarantees on behalf of our customers, which is more than double the amount outstanding a year ago, is good evidence of the need for such services in financing the foreign trade of the Middle East.

Our investments are up £2,000,000 and the increase in bills discounted and advances of £3,500,000 is largely the concomitant of our increased business in opening the documentary credits already mentioned. Our fixed assets show an increase of £25,000 which represents a part of our capital expenditure on premises during the year. Our policy of carrying our overseas properties at a token figure is unchanged.

The increases to which I have referred in the figures of our balance sheet are not, it will be understood, wholly the result of increased activity in our business. World-wide inflation with us, as with others, contributes to the increase.

TRADING CONDITIONS

A year ago I referred to the heavy burdens laid upon a foreign bank in Iran by the decree of March, 1949. We trust that, before long, by further legislation, the position may be so modified as to enable a foreign bank to contemplate the initiation or continuance of business in Iran without dubiety.

In Iraq our branches have had a satisfactory year and the country continues to make economic progress. The prosperity of Kuwait continues to grow, and this and the varied nature of its mercantile activities illustrate the utility to the community of the services which we provide there. At Muscat and Dubai our branches are engaged upon regular commercial business, in a manner which establishes the need of those communities for banking services. In Saudi Arabia we have two branches. In Syria we have opened a branch at Aleppo. Our branch at Amman, the capital of Jordan, is proving its utility.

In the Republic of Lebanon our branches at Beirut and Tripoli continue to prosper. There are in that country fewer trading and exchange restrictions than in most parts of the world today. It is relatively free from labour difficulties and, thanks to the enterprise and energy of its traders, it enjoys a prosperity largely due to its entrepôt trade.

In the Middle East as a whole standards of living, assisted by oil royalties, are rising, and may be expected to continue to rise.